

FIRST INDUSTRIAL REALTY TRUST INC  
Form 10-Q  
July 27, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 1-13102 (First Industrial Realty Trust, Inc.)  
333-21873 (First Industrial, L.P.)

FIRST INDUSTRIAL REALTY TRUST, INC.

FIRST INDUSTRIAL, L.P.

(Exact name of Registrant as specified in its Charter)

Maryland (First Industrial Realty Trust, Inc.)	36-3935116 (First Industrial Realty Trust, Inc.)
Delaware ( First Industrial, L.P.)	36-3924586 (First Industrial, L.P.)
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 N. Wacker Drive, Suite 4200, Chicago, Illinois (Address of principal executive offices) (312) 344-4300 (Registrant's telephone number, including area code)	60606  (Zip Code)
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311 S. Wacker Drive, Suite 3900  
Chicago, Illinois  
(Former Address)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

First Industrial Realty Trust, Inc. Yes  No

First Industrial, L.P. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

First Industrial Realty Trust, Inc. Yes  No

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First Industrial, L.P. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

First Industrial Realty Trust, Inc.:

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

First Industrial, L.P.:

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

First Industrial Realty Trust, Inc. Yes  No

First Industrial, L.P. Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

First Industrial Realty Trust, Inc. Yes  No

First Industrial, L.P. Yes  No

At July 26, 2018, 125,984,144 shares of First Industrial Realty Trust, Inc.'s Common Stock, \$0.01 par value, were outstanding.

## EXPLANATORY NOTE

This report combines the Quarterly Reports on Form 10-Q for the period ended June 30, 2018 of First Industrial Realty Trust, Inc., a Maryland corporation (the "Company"), and First Industrial, L.P., a Delaware limited partnership (the "Operating Partnership"). Unless stated otherwise or the context otherwise requires, the terms "we," "our" and "us" refer to the Company and its subsidiaries, including the Operating Partnership and its consolidated subsidiaries. The Company is a real estate investment trust and the general partner of the Operating Partnership. At June 30, 2018, the Company owned an approximate 97.7% common general partnership interest in the Operating Partnership. The remaining approximate 2.3% common limited partnership interests in the Operating Partnership are owned by certain limited partners. As the sole general partner of the Operating Partnership, the Company exercises exclusive and complete discretion over the Operating Partnership's day-to-day management and control and can cause it to enter into certain major transactions, including acquisitions, dispositions and refinancings. The management of the Company consists of the same members as the management of the Operating Partnership.

The Company and the Operating Partnership are managed and operated as one enterprise. The financial results of the Operating Partnership are consolidated into the financial statements of the Company. The Company has no significant assets other than its investment in the Operating Partnership. Substantially all of the Company's assets are held by, and its operations are conducted through, the Operating Partnership and its subsidiaries. Therefore, the assets and liabilities of the Company and the Operating Partnership are substantially the same.

We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how the Company and the Operating Partnership operate as an interrelated, consolidated company. The main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership are:

**Stockholders' Equity, Noncontrolling Interest and Partners' Capital.** The 2.3% equity interest in the Operating Partnership held by entities other than the Company is classified within partners' capital in the Operating Partnership's financial statements and as a noncontrolling interest in the Company's financial statements.

**Relationship to Other Real Estate Partnerships.** The Company's operations are conducted primarily through the Operating Partnership and its subsidiaries, although operations are also conducted through eight other limited partnerships, which are referred to as the "Other Real Estate Partnerships." The Operating Partnership is a limited partner, holding at least a 99% interest, and the Company is a general partner, holding at least a .01% general partnership interest through eight separate wholly-owned corporations, in each of the Other Real Estate Partnerships. The Other Real Estate Partnerships are variable interest entities that both the Company and the Operating Partnership consolidate. The Company's direct general partnership interest in the Other Real Estate Partnerships is reflected as noncontrolling interest within the Operating Partnership's financial statements.

**Relationship to Service Subsidiary.** The Company has a direct wholly-owned subsidiary that does not own any real estate but provides services to various other entities owned by the Company. Since the Operating Partnership does not have an ownership interest in this entity, its operations are reflected in the consolidated results of the Company but not the Operating Partnership. Also, this entity owes certain amounts to the Operating Partnership, for which a receivable is included on the Operating Partnership's balance sheet but is eliminated on the Company's consolidated balance sheet, since both this entity and the Operating Partnership are fully consolidated by the Company.

We believe combining the Company's and Operating Partnership's quarterly reports into this single report results in the following benefits:

- enhances investors' understanding of the Company and the Operating Partnership by enabling them to view the business as a whole and in the same manner as management views and operates the business;
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports; and
- eliminates duplicative disclosures and provides a more streamlined and readable presentation for our investors to review since a substantial portion of the Company's disclosure applies to both the Company and the Operating Partnership.

To help investors understand the differences between the Company and the Operating Partnership, this report provides the following separate disclosures for each of the Company and the Operating Partnership:

- consolidated financial statements;

a single set of consolidated notes to such financial statements that includes separate discussions of each entity's stockholders' equity or partners' capital, as applicable; and  
a combined Management's Discussion and Analysis of Financial Condition and Results of Operations section that includes distinct information related to each entity.

This report also includes separate Part I, Item 4, Controls and Procedures sections and separate Exhibit 31 and 32 certifications for the Company and the Operating Partnership in order to establish that the requisite certifications have been made and that the Company and the Operating Partnership are both compliant with Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.

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FIRST INDUSTRIAL REALTY TRUST, INC. AND FIRST INDUSTRIAL, L.P.  
 FORM 10-Q  
 FOR THE PERIOD ENDED JUNE 30, 2018  
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## PART I: FINANCIAL INFORMATION

## Item 1. Financial Statements

## FIRST INDUSTRIAL REALTY TRUST, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	June 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
Assets:		
Investment in Real Estate:		
Land	\$888,466	\$864,813
Buildings and Improvements	2,579,886	2,521,457
Construction in Progress	118,793	109,475
Less: Accumulated Depreciation	(794,477 )	(789,919 )
Net Investment in Real Estate	2,792,668	2,705,826
Real Estate and Other Assets Held for Sale, Net of Accumulated Depreciation and Amortization of \$6,056 and \$0	16,304	—
Cash and Cash Equivalents	61,834	21,146
Restricted Cash	15,679	25,336
Tenant Accounts Receivable, Net	5,714	4,873
Investment in Joint Venture	23,599	—
Deferred Rent Receivable, Net	70,490	70,254
Deferred Leasing Intangibles, Net	29,581	30,481
Prepaid Expenses and Other Assets, Net	94,485	83,146
Total Assets	\$3,110,354	\$2,941,062
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Indebtedness:		
Mortgage Loans Payable, Net	\$299,978	\$450,056
Senior Unsecured Notes, Net	544,293	246,673
Unsecured Term Loans, Net	456,281	455,768
Unsecured Credit Facility	—	144,500
Accounts Payable, Accrued Expenses and Other Liabilities	71,600	86,532
Deferred Leasing Intangibles, Net	10,330	10,355
Rents Received in Advance and Security Deposits	43,289	44,285
Dividends and Distributions Payable	28,771	27,016
Total Liabilities	1,454,542	1,465,185
Commitments and Contingencies	—	—
Equity:		
First Industrial Realty Trust Inc.'s Stockholders' Equity:		
Common Stock (\$0.01 par value, 225,000,000 shares authorized and 125,984,144 and 119,883,180 shares issued and outstanding)	1,260	1,199
Additional Paid-in-Capital	2,123,460	1,967,110
Distributions in Excess of Accumulated Earnings	(517,526 )	(541,847 )
Accumulated Other Comprehensive Income	10,435	1,338
Total First Industrial Realty Trust, Inc.'s Stockholders' Equity	1,617,629	1,427,800
Noncontrolling Interest	38,183	48,077

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Total Equity	1,655,812	1,475,877
Total Liabilities and Equity	\$3,110,354	\$2,941,062

The accompanying notes are an integral part of the consolidated financial statements.

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INDUSTRIAL REALTY TRUST, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited; in thousands, except per share data)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenues:				
Rental Income	\$75,680	\$75,802	\$150,860	\$150,720
Tenant Recoveries and Other Income	23,165	21,777	47,756	44,242
Total Revenues	98,845	97,579	198,616	194,962
Expenses:				
Property Expenses	28,553	26,897	57,964	55,383
General and Administrative	6,746	6,785	14,889	14,818
Impairment of Real Estate	—	—	2,756	—
Depreciation and Other Amortization	28,636	29,040	56,951	57,534
Total Expenses	63,935	62,722	132,560	127,735
Other Income (Expense):				
Gain on Sale of Real Estate	25,067	20,860	45,156	28,869
Interest Expense	(12,603 )	(14,915 )	(25,394 )	(29,284 )
Amortization of Debt Issuance Costs	(845 )	(780 )	(1,700 )	(1,558 )
Loss from Retirement of Debt	—	—	(39 )	(1,653 )
Total Other Income (Expense)	11,619	5,165	18,023	(3,626 )
Income from Operations Before Equity in Loss of Joint Venture and Income Tax Provision	46,529	40,022	84,079	63,601
Equity in Loss of Joint Venture	(2 )	—	(2 )	—
Income Tax Provision	(123 )	(1,169 )	(209 )	(1,257 )
Net Income	46,404	38,853	83,868	62,344
Less: Net Income Attributable to the Noncontrolling Interest	(1,195 )	(1,291 )	(2,367 )	(2,073 )
Net Income Available to First Industrial Realty Trust, Inc.'s Common Stockholders and Participating Securities	\$45,209	\$37,562	\$81,501	\$60,271
Basic and Diluted Earnings Per Share:				
Net Income Available to First Industrial Realty Trust, Inc.'s Common Stockholders	\$0.36	\$0.32	\$0.67	\$0.51
Dividends/Distributions Per Share	\$0.2175	\$0.2100	\$0.4350	\$0.4200
Weighted Average Shares Outstanding - Basic	123,616	117,299	121,741	117,070
Weighted Average Shares Outstanding - Diluted	124,085	117,779	122,158	117,522
The accompanying notes are an integral part of the consolidated financial statements.				



FIRST INDUSTRIAL REALTY TRUST, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited; in thousands)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net Income	\$46,404	\$38,853	\$83,868	\$62,344
Mark-to-Market Gain (Loss) on Interest Rate Protection Agreements	2,725	(1,435 )	9,250	743
Amortization of Interest Rate Protection Agreements	23	60	47	156
Comprehensive Income	49,152	37,478	93,165	63,243
Comprehensive Income Attributable to Noncontrolling Interest	(1,252 )	(1,245 )	(2,630 )	(2,103 )
Comprehensive Income Attributable to First Industrial Realty Trust, Inc.	\$47,900	\$36,233	\$90,535	\$61,140

The accompanying notes are an integral part of the consolidated financial statements.

## FIRST INDUSTRIAL REALTY TRUST, INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited; in thousands)

	Common Stock	Additional Paid-in- Capital	Distributions in Excess of Accumulated Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
Balance as of December 31, 2017	\$ 1,199	\$ 1,967,110	\$ (541,847 )	\$ 1,338	\$ 48,077	\$ 1,475,877
Net Income	—	—	81,501	—	2,367	83,868
Other Comprehensive Income	—	—	—	9,097	200	9,297
Issuance of Common Stock, Net of Issuance Costs	48	145,360	—	—	—	145,408
Stock Based Compensation Activity	3	891	(3,282 )	—	—	(2,388 )
Common Stock Dividends and Unit Distributions	—	—	(53,898 )	—	(1,418 )	(55,316 )
Conversion of Limited Partner Units to Common Stock	10	12,317	—	—	(12,327 )	—
Retirement of Limited Partner Units	—	—	—	—	(934 )	(934 )
Reallocation - Additional Paid-in-Capital	—	(2,218 )	—	—	2,218	—
Balance as of June 30, 2018	\$ 1,260	\$ 2,123,460	\$ (517,526 )	\$ 10,435	\$ 38,183	\$ 1,655,812

The accompanying notes are an integral part of the consolidated financial statements.

FIRST INDUSTRIAL REALTY TRUST, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited; in thousands)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$83,868	\$62,344
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	46,160	46,751
Amortization of Debt Issuance Costs	1,700	1,558
Other Amortization, including Stock Based Compensation	13,638	14,939
Impairment of Real Estate	2,756	—
Provision for Bad Debt	165	127
Equity in Loss of Joint Venture	2	—
Gain on Sale of Real Estate	(45,156 )	(28,869 )
Loss from Retirement of Debt	39	1,653
Increase in Tenant Accounts Receivable, Prepaid Expenses and Other Assets, Net	(3,169 )	(938 )
Increase in Deferred Rent Receivable, Net	(1,016 )	(2,936 )
Decrease in Accounts Payable, Accrued Expenses, Other Liabilities, Rents Received in Advance and Security Deposits	(5,170 )	(729 )
Net Cash Provided by Operating Activities	93,817	93,900
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions of Real Estate	(87,733 )	(96,492 )
Additions to Investment in Real Estate and Non-Acquisition Tenant Improvements and Lease Costs	(121,169 )	(72,125 )
Net Proceeds from Sales of Investments in Real Estate	95,603	56,773
Contributions to and Investments in Joint Venture	(25,190 )	—
Distributions from Joint Venture	1,829	—
Other Investing Activity	(2,823 )	(1,117 )
Net Cash Used in Investing Activities	(139,483 )	(112,961 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Financing and Equity Issuance Costs	(2,842 )	(1,829 )
Proceeds from the Issuance of Common Stock, Net of Underwriter's Discount	145,584	74,880
Repurchase and Retirement of Restricted Stock	(6,020 )	(2,401 )
Common Stock Dividends and Unit Distributions Paid	(53,561 )	(48,493 )
Repayments on Mortgage Loans Payable	(161,964 )	(41,507 )
Prepayments of Penalties Associated with Retirement of Debt	—	(1,453 )
Proceeds from Senior Unsecured Notes	300,000	200,000
Repayments of Senior Unsecured Notes	—	(101,871 )
Proceeds from Unsecured Credit Facility	217,000	262,000
Repayments on Unsecured Credit Facility	(361,500 )	(324,500 )
Net Cash Provided by Financing Activities	76,697	14,826
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	31,031	(4,235 )
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	46,482	21,461
Cash, Cash Equivalents and Restricted Cash, End of Period	\$77,513	\$17,226

FIRST INDUSTRIAL REALTY TRUST, INC.  
 CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)  
 (Unaudited; in thousands)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
<b>SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS:</b>		
Interest Expense Capitalized in Connection with Development Activity	\$3,317	\$1,907
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Common Stock Dividends and Unit Distributions Payable	\$28,771	\$26,715
Exchange of Limited Partnership Units for Common Stock:		
Noncontrolling Interest	\$(12,327)	\$—
Common Stock	10	—
Additional Paid-in-Capital	12,317	—
Total	\$—	\$—
Assumption of Indebtedness and Other Liabilities in Connection with the Acquisition of Real Estate	\$11,705	\$305
Accounts Payable Related to Construction in Progress and Additions to Investment in Real Estate	\$27,797	\$19,786
Write-off of Fully Depreciated Assets	\$(22,936)	\$(15,295)
The accompanying notes are an integral part of the consolidated financial statements.		

FIRST INDUSTRIAL, L.P.  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except Unit data)

	June 30, 2018 (Unaudited)	December 31, 2017
<b>ASSETS</b>		
Assets:		
Investment in Real Estate:		
Land	\$888,466	\$864,813
Buildings and Improvements	2,579,886	2,521,457
Construction in Progress	118,793	109,475
Less: Accumulated Depreciation	(794,477 )	(789,919 )
Net Investment in Real Estate (including \$266,260 and \$270,708 related to consolidated variable interest entities, see Note 5)	2,792,668	2,705,826
Real Estate and Other Assets Held for Sale, Net of Accumulated Depreciation and Amortization of \$6,056 and \$0	16,304	—
Cash and Cash Equivalents	61,834	21,146
Restricted Cash	15,679	25,336
Tenant Accounts Receivable, Net	5,714	4,873
Investment in Joint Venture	23,599	—
Deferred Rent Receivable, Net	70,490	70,254
Deferred Leasing Intangibles, Net	29,581	30,481
Prepaid Expenses and Other Assets, Net	104,660	93,264
<b>Total Assets</b>	<b>\$3,120,529</b>	<b>\$2,951,180</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Liabilities:		
Indebtedness:		
Mortgage Loans Payable, Net (including \$20,723 and \$61,256 related to consolidated variable interest entities, see Note 5)	\$299,978	\$450,056
Senior Unsecured Notes, Net	544,293	246,673
Unsecured Term Loans, Net	456,281	455,768
Unsecured Credit Facility	—	144,500
Accounts Payable, Accrued Expenses and Other Liabilities	71,600	86,532
Deferred Leasing Intangibles, Net	10,330	10,355
Rents Received in Advance and Security Deposits	43,289	44,285
Distributions Payable	28,771	27,016
<b>Total Liabilities</b>	<b>1,454,542</b>	<b>1,465,185</b>
Commitments and Contingencies	—	—
Partners' Capital:		
First Industrial, L.P.'s Partners' Capital:		
General Partner Units (125,984,144 and 119,883,180 units outstanding)	1,584,490	1,401,583
Limited Partners Units (2,955,211 and 4,008,221 units outstanding)	69,939	82,251
Accumulated Other Comprehensive Income	10,679	1,382
<b>Total First Industrial L.P.'s Partners' Capital</b>	<b>1,665,108</b>	<b>1,485,216</b>
Noncontrolling Interest	879	779
<b>Total Partners' Capital</b>	<b>1,665,987</b>	<b>1,485,995</b>
<b>Total Liabilities and Partners' Capital</b>	<b>\$3,120,529</b>	<b>\$2,951,180</b>

The accompanying notes are an integral part of the consolidated financial statements.

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FIRST INDUSTRIAL L.P.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited; in thousands, except per Unit data)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenues:				
Rental Income	\$75,680	\$75,802	150,860	\$150,720
Tenant Recoveries and Other Income	23,165	21,777	47,756	44,242
Total Revenues	98,845	97,579	198,616	194,962
Expenses:				
Property Expenses	28,553	26,897	57,964	55,383
General and Administrative	6,746	6,785	14,889	14,818
Impairment of Real Estate	—	—	2,756	—
Depreciation and Other Amortization	28,636	29,040	56,951	57,534
Total Expenses	63,935	62,722	132,560	127,735
Other Income (Expense):				
Gain on Sale of Real Estate	25,067	20,860	45,156	28,869
Interest Expense	(12,603 )	(14,915 )	(25,394 )	(29,284 )
Amortization of Debt Issuance Costs	(845 )	(780 )	(1,700 )	(1,558 )
Loss from Retirement of Debt	—	—	(39 )	(1,653 )
Total Other Income (Expense)	11,619	5,165	18,023	(3,626 )
Income from Operations Before Equity in Loss of Joint Venture and Income Tax Provision	46,529	40,022	84,079	63,601
Equity in Loss of Joint Venture	(2 )	—	(2 )	—
Income Tax Provision	(123 )	(1,169 )	(209 )	(1,257 )
Net Income	46,404	38,853	83,868	62,344
Less: Net Income Attributable to the Noncontrolling Interest	(22 )	(26 )	(43 )	(53 )
Net Income Available to Unitholders and Participating Securities	\$46,382	\$38,827	\$83,825	\$62,291
Basic and Diluted Earnings Per Unit:				
Net Income Available to Unitholders	\$0.36	\$0.32	\$0.67	\$0.51
Distributions Per Unit	\$0.2175	\$0.2100	\$0.4350	\$0.4200
Weighted Average Units Outstanding - Basic	126,832	121,339	125,289	121,109
Weighted Average Units Outstanding - Diluted	127,301	121,819	125,706	121,561
The accompanying notes are an integral part of the consolidated financial statements.				

FIRST INDUSTRIAL L.P.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited; in thousands)