FIRST INDUSTRIAL REALTY TRUST INC
Form 10-Q
July 28, 2017

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

Form 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
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.)
311 S. Wacker Drive, Suite 3900, Chicago, Illinois	60606
(Address of principal executive offices)	(Zip Code)

(312) 344-4300
(Registrant's telephone number, including area code)

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 þ No o
First Industrial, L.P. Yes þ No o
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 þ No o
First Industrial, L.P. Yes þ No o
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	þ		Accelerated filer	o
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	o
Emerging growth company	o			

First Industrial, L.P.:

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

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 o No o
First Industrial, L.P. Yes o No o

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 o No þ
First Industrial, L.P. Yes o No þ

At July 27, 2017, 119,844,995 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, 2017 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, 2017, the Company owned an approximate 96.7% common general partnership interest in the Operating Partnership. The remaining approximate 3.3% 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 3.3% equity interest in the Operating Partnership held by entities other than the Company are 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, though 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 Exhibits 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.

FIRST INDUSTRIAL REALTY TRUST, INC. AND FIRST INDUSTRIAL, L.P.
FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2017
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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, 2017 (Unaudited)	December 31, 2016
ASSETS		
Assets:		
Investment in Real Estate:		
Land	$842,512	$794,821
Buildings and Improvements	2,570,558	2,523,015
Construction in Progress	45,402	67,078
Less: Accumulated Depreciation	(806,477)	(796,492)
Net Investment in Real Estate	2,651,995	2,588,422
Real Estate and Other Assets Held for Sale, Net of Accumulated Depreciation and Amortization of $6,048 and $1,471	6,593	2,354
Cash and Cash Equivalents	11,607	9,859
Restricted Cash	5,619	11,602
Tenant Accounts Receivable, Net	3,730	4,757
Deferred Rent Receivable, Net	69,703	67,382
Deferred Leasing Intangibles, Net	29,670	29,499
Prepaid Expenses and Other Assets, Net	85,046	79,388
Total Assets	$2,863,963	$2,793,263
LIABILITIES AND EQUITY		
Liabilities:		
Indebtedness:		
Mortgage Loans Payable, Net	$455,016	$495,956
Senior Unsecured Notes, Net	301,554	204,998
Unsecured Term Loans, Net	456,971	456,638
Unsecured Credit Facility	127,000	189,500
Accounts Payable, Accrued Expenses and Other Liabilities	66,003	84,412
Deferred Leasing Intangibles, Net	10,883	10,400
Rents Received in Advance and Security Deposits	46,544	43,300
Dividends and Distributions Payable	26,715	23,434
Total Liabilities	1,490,686	1,508,638
Commitments and Contingencies	—	—
Equity:		
First Industrial Realty Trust Inc.'s Stockholders' Equity:		
Common Stock ($0.01 par value, 225,000,000 and 150,000,000 shares authorized and 119,848,054 and 117,107,746 shares issued and outstanding)	1,199	1,172
Additional Paid-in-Capital	1,963,129	1,886,771
Distributions in Excess of Accumulated Earnings	(632,390)	(641,859)
Accumulated Other Comprehensive Loss	(3,777)	(4,643)
Total First Industrial Realty Trust, Inc.'s Stockholders' Equity	1,328,161	1,241,441
Noncontrolling Interest	45,116	43,184
Total Equity	1,373,277	1,284,625

Total Liabilities and Equity	$2,863,963	$2,793,263

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

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

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenues:				
Rental Income	$75,802	$72,271	$150,720	$144,023
Tenant Recoveries and Other Income	21,777	20,744	44,242	42,459
Total Revenues	97,579	93,015	194,962	186,482
Expenses:				
Property Expenses	26,897	26,875	55,383	55,242
General and Administrative	6,785	6,433	14,818	14,107
Acquisition Costs	—	155	—	219
Depreciation and Other Amortization	29,040	28,725	57,534	59,853
Total Expenses	62,722	62,188	127,735	129,421
Other Income (Expense):				
Gain on Sale of Real Estate	20,860	36,775	28,869	44,026
Interest Expense	(14,915)	(14,589)	(29,284)	(30,848)
Amortization of Deferred Financing Costs	(780)	(782)	(1,558)	(1,655)
Loss from Retirement of Debt	—	—	(1,653)	—
Total Other Income (Expense)	5,165	21,404	(3,626)	11,523
Income from Operations Before Income Tax Provision	40,022	52,231	63,601	68,584
Income Tax Provision	(1,169)	(123)	(1,257)	(181)
Net Income	38,853	52,108	62,344	68,403
Less: Net Income Attributable to the Noncontrolling Interest	(1,291)	(1,879)	(2,073)	(2,486)
Net Income Available to First Industrial Realty Trust, Inc.'s Common Stockholders and Participating Securities	$37,562	$50,229	$60,271	$65,917
Basic and Diluted Earnings Per Share:				
Net Income Available to First Industrial Realty Trust, Inc.'s Common Stockholders	$0.32	$0.43	$0.51	$0.58
Dividends/Distributions Per Share	$0.21	$0.19	$0.42	$0.38
Weighted Average Shares Outstanding - Basic	117,299	116,191	117,070	113,492
Weighted Average Shares Outstanding - Diluted	117,779	116,558	117,522	113,771

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, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net Income	$38,853	$52,108	$62,344	$68,403
Mark-to-Market (Loss) Gain on Interest Rate Protection Agreements	(1,435)	(5,120)	743	(17,616)
Amortization of Interest Rate Protection Agreements	60	96	156	198
Comprehensive Income	37,478	47,084	63,243	50,985
Comprehensive Income Attributable to Noncontrolling Interest	(1,245)	(1,707)	(2,103)	(1,852)
Comprehensive Income Attributable to First Industrial Realty Trust, Inc.	$36,233	$45,377	$61,140	$49,133

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 Loss	Noncontrolling Interest	Total
Balance as of December 31, 2016	$ 1,172	$ 1,886,771	$ (641,859)	$ (4,643)	$ 43,184	$ 1,284,625
Issuance of Common Stock, Net of Issuance Costs	25	74,636	—	—	—	74,661
Stock Based Compensation Activity	2	3,244	(724)	—	—	2,522
Reallocation - Additional Paid-in-Capital	—	(1,522)	—	—	1,522	—
Common Stock Dividends and Unit Distributions	—	—	(50,078)	—	(1,696)	(51,774)
Net Income	—	—	60,271	—	2,073	62,344
Reallocation - Other Comprehensive Income	—	—	—	(3)	3	—
Other Comprehensive Income	—	—	—	869	30	899
Balance as of June 30, 2017	$ 1,199	$ 1,963,129	$ (632,390)	$ (3,777)	$ 45,116	$ 1,373,277

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

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

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$62,344	$68,403
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	46,751	49,084
Amortization of Deferred Financing Costs	1,558	1,655
Other Amortization, including Stock Based Compensation	14,939	14,892
Provision for Bad Debt	127	491
Gain on Sale of Real Estate	(28,869)	(44,026)
Loss from Retirement of Debt	1,653	—
Increase in Tenant Accounts Receivable, Prepaid Expenses and Other Assets, Net	(938)	1,371
Increase in Deferred Rent Receivable, Net	(2,936)	(3,303)
Decrease in Accounts Payable, Accrued Expenses, Other Liabilities, Rents Received in Advance and Security Deposits	(729)	(13,889)
Payments of Prepayment Penalties and Discounts Associated with Retirement of Debt	(1,453)	(554)
Net Cash Provided by Operating Activities	92,447	74,124
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of Real Estate	(96,492)	(71,223)
Additions to Investment in Real Estate and Non-Acquisition Tenant Improvements and Lease Costs	(72,125)	(67,176)
Net Proceeds from Sales of Investments in Real Estate	56,773	96,849
Decrease in Escrows	4,866	12,457
Net Cash Used in Investing Activities	(106,978)	(29,093)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing and Equity Issuance Costs	(1,829)	(375)
Proceeds from the Issuance of Common Stock, Net of Underwriter's Discount	74,880	124,936
Repurchase and Retirement of Restricted Stock	(2,401)	(5,230)
Common Stock Dividends and Unit Distributions Paid	(48,493)	(36,658)
Repayments on Mortgage Loans Payable	(41,507)	(63,690)
Proceeds from Senior Unsecured Notes	200,000	—
Repayments of Senior Unsecured Notes	(101,871)	(159,125)
Proceeds from Unsecured Credit Facility	262,000	343,000
Repayments on Unsecured Credit Facility	(324,500)	(247,500)
Net Cash Provided by (Used in) Financing Activities	16,279	(44,642)
Net Increase (Decrease) in Cash and Cash Equivalents	1,748	389
Cash and Cash Equivalents, Beginning of Year	9,859	3,987
Cash and Cash Equivalents, End of Period	$11,607	$4,376
SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS:		
Interest Expense Capitalized in Connection with Development Activity	$1,907	$1,319
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Common Stock Dividends and Unit Distributions Payable	$26,715	$23,284
Exchange of Limited Partnership Units for Common Stock:		

Noncontrolling Interest	$—	$(107)
Additional Paid-in-Capital	—	107
Total	$—	$—
Assumption of Indebtedness and Other Liabilities in Connection with the Acquisition of Real Estate	$305	$5,127
Accounts Payable Related to Construction in Progress and Additions to Investment in Real Estate	$19,786	$25,518
Write-off of Fully Depreciated Assets	$(15,295)	$(25,543)

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

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

	June 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Assets:		
Investment in Real Estate:		
Land	$842,512	$794,821
Buildings and Improvements	2,570,558	2,523,015
Construction in Progress	45,402	67,078
Less: Accumulated Depreciation	(806,477)	(796,492)
Net Investment in Real Estate (including $281,816 and $278,398 related to consolidated variable interest entities, see Note 5)	2,651,995	2,588,422
Real Estate and Other Assets Held for Sale, Net of Accumulated Depreciation and Amortization of $6,048 and $1,471	6,593	2,354
Cash and Cash Equivalents	11,607	9,859
Restricted Cash	5,619	11,602
Tenant Accounts Receivable, Net	3,730	4,757
Deferred Rent Receivable, Net	69,703	67,382
Deferred Leasing Intangibles, Net	29,670	29,499
Prepaid Expenses and Other Assets, Net	95,422	89,826
Total Assets	$2,874,339	$2,803,701
LIABILITIES AND PARTNERS’ CAPITAL		
Liabilities:		
Indebtedness:		
Mortgage Loans Payable, Net (including $61,911 and $70,366 related to consolidated variable interest entities, see Note 5)	$455,016	$495,956
Senior Unsecured Notes, Net	301,554	204,998
Unsecured Term Loans, Net	456,971	456,638
Unsecured Credit Facility	127,000	189,500
Accounts Payable, Accrued Expenses and Other Liabilities	66,003	84,412
Deferred Leasing Intangibles, Net	10,883	10,400
Rents Received in Advance and Security Deposits	46,544	43,300
Distributions Payable	26,715	23,434
Total Liabilities	1,490,686	1,508,638
Commitments and Contingencies	—	—
Partners’ Capital:		
First Industrial, L.P.'s Partners' Capital:		
General Partner Units (119,848,054 and 117,107,746 units outstanding)	1,307,078	1,219,755
Limited Partners Units (4,039,375 and 4,039,375 units outstanding)	79,533	79,156
Accumulated Other Comprehensive Loss	(3,905)	(4,804)
Total First Industrial L.P.'s Partners’ Capital	1,382,706	1,294,107
Noncontrolling Interest	947	956
Total Partners’ Capital	1,383,653	1,295,063
Total Liabilities and Partners’ Capital	$2,874,339	$2,803,701

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, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenues:				
Rental Income	$75,802	$72,271	150,720	$144,023
Tenant Recoveries and Other Income	21,777	20,744	44,242	42,459
Total Revenues	97,579	93,015	194,962	186,482
Expenses:				
Property Expenses	26,897	26,875	55,383	55,242
General and Administrative	6,785	6,433	14,818	14,107
Acquisition Costs	—	155	—	219
Depreciation and Other Amortization	29,040	28,725	57,534	59,853
Total Expenses	62,722	62,188	127,735	129,421
Other Income (Expense):				
Gain on Sale of Real Estate	20,860	36,775	28,869	44,026
Interest Expense	(14,915)	(14,589)	(29,284)	(30,848)
Amortization of Deferred Financing Costs	(780)	(782)	(1,558)	(1,655)
Loss from Retirement of Debt	—	—	(1,653)	—
Total Other Income (Expense)	5,165	21,404	(3,626)	11,523
Income from Operations Before Income Tax Provision	40,022	52,231	63,601	68,584
Income Tax Provision	(1,169)	(123)	(1,257)	(181)
Net Income	38,853	52,108	62,344	68,403
Less: Net Income Attributable to the Noncontrolling Interest	(26)	(60)	(53)	(74)
Net Income Available to Unitholders and Participating Securities	$38,827	$52,048	$62,291	$68,329
Basic and Diluted Earnings Per Unit:				
Net Income Available to Unitholders	$0.32	$0.43	$0.51	$0.58
Distributions Per Unit	$0.21	$0.19	$0.42	$0.38
Weighted Average Units Outstanding - Basic	121,339	120,486	121,109	117,791
Weighted Average Units Outstanding - Diluted	121,819	120,853	121,561	118,070

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

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

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net Income	$38,853	$52,108	$62,344	$68,403
Mark-to-Market (Loss) Gain on Interest Rate Protection Agreements	(1,435)	(5,120)	743	(17,616)
Amortization of Interest Rate Protection Agreements	60	96	156	198
Comprehensive Income	$37,478	$47,084	$63,243	$50,985
Comprehensive Income Attributable to Noncontrolling Interest	(26)	(60)	(53)	(74)
Comprehensive Income Attributable to Unitholders	$37,452	$47,024	$63,190	$50,911

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

FIRST INDUSTRIAL, L.P.
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
(Unaudited; in thousands)

	General Partner Units	Limited Partner Units	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
Balance as of December 31, 2016	$1,219,755	$79,156	$ (4,804)	$ 956	$1,295,063
Contribution of General Partner Units, Net of Issuance Costs	74,661	—	—	—	74,661
Stock Based Compensation Activity	2,522	—	—	—	2,522
Unit Distributions	(50,078)	(1,696)	—	—	(51,774)
Contributions from Noncontrolling Interest	—	—	—	20	20
Distributions to Noncontrolling Interest	—	—	—	(82)	(82)
Net Income	60,218	2,073	—	53	62,344
Other Comprehensive Income	—	—	899	—	899
Balance as of June 30, 2017	$1,307,078	$79,533	$ (3,905)	$ 947	$1,383,653

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

FIRST INDUSTRIAL, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$62,344	$68,403
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	46,751	49,084
Amortization of Deferred Financing Costs	1,558	1,655
Other Amortization, including Stock Based Compensation	14,939	14,892
Provision for Bad Debt	127	491
Gain on Sale of Real Estate	(28,869)	(44,026)
Loss from Retirement of Debt	1,653	—
Increase in Tenant Accounts Receivable, Prepaid Expenses and Other Assets, Net	(876)	1,530
Increase in Deferred Rent Receivable, Net	(2,936)	(3,303)
Decrease in Accounts Payable, Accrued Expenses, Other Liabilities, Rents Received in Advance and Security Deposits	(729)	(13,889)
Payments of Prepayment Penalties and Discounts Associated with Retirement of Debt	(1,453)	(554)
Net Cash Provided by Operating Activities	92,509	74,283
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of Real Estate	(96,492)	(71,223)
Additions to Investment in Real Estate and Non-Acquisition Tenant Improvements and Lease Costs	(72,125)	(67,176)
Net Proceeds from Sales of Investments in Real Estate	56,773	96,849
Decrease in Escrows	4,866	12,457
Net Cash Used in Investing Activities	(106,978)	(29,093)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing and Equity Issuance Costs	(1,829)	(375)
Contribution of General Partner Units	74,880	124,936
Repurchase and Retirement of Restricted Units	(2,401)	(5,230)
Unit Distributions Paid	(48,493)	(36,658)
Contributions from Noncontrolling Interests	20	15
Distributions to Noncontrolling Interests	(82)	(174)
Repayments on Mortgage Loans Payable	(41,507)	(63,690)
Proceeds from Senior Unsecured Notes	200,000	—
Repayments of Senior Unsecured Notes	(101,871)	(159,125)
Proceeds from Unsecured Credit Facility	262,000	343,000
Repayments on Unsecured Credit Facility	(324,500)	(247,500)
Net Cash Provided by (Used in) Financing Activities	16,217	(44,801)
Net Increase (Decrease) in Cash and Cash Equivalents	1,748	389
Cash and Cash Equivalents, Beginning of Year	9,859	3,987
Cash and Cash Equivalents, End of Period	$11,607	$4,376
SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS:		
Interest Expense Capitalized in Connection with Development Activity	$1,907	$1,319

Supplemental Schedule of Non-Cash Investing and Financing Activities:		
General and Limited Partner Unit Distributions Payable	$26,715	$23,284
Exchange of Limited Partner Units for General Partner Units:		
Limited Partner Units	$—	$(107)
General Partner Units	—	107
Total	$—	$—
Assumption of Indebtedness and Other Liabilities in Connection with the Acquisition of Real Estate	$305	$5,127
Accounts Payable Related to Construction in Progress and Additions to Investment in Real Estate	$19,786	$25,518
Write-off of Fully Depreciated Assets	$(15,295)	$(25,543)

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

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FIRST INDUSTRIAL REALTY TRUST, INC. AND FIRST INDUSTRIAL, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; dollars in thousands, except per share and Unit data)

1. Organization

First Industrial Realty Trust, Inc. (the "Company") is a self-administered and fully integrated real estate company which owns, manages, acquires, sells, develops and redevelops industrial real estate. The Company is a Maryland corporation organized on August 10, 1993 and a real estate investment trust ("REIT") as defined in the Internal Revenue Code of 1986. Unless stated otherwise or the context otherwise requires, the terms "we," "our" and "us" refer to the Company and its subsidiaries, including its operating partnership, First Industrial, L.P. (the "Operating Partnership"), and its consolidated subsidiaries.

We began operations on July 1, 1994. The Company's operations are conducted primarily through the Operating Partnership, of which the Company is the sole general partner (the "General Partner"), with an approximate 96.7% ownership interest ("General Partner Units") at June 30, 2017. The Operating Partnership also conducts operations through eight other limited partnerships (the "Other Real Estate Partnerships"), numerous limited liability companies ("LLCs") and certain taxable REIT subsidiaries ("TRSs"), the operating data of which, together with that of the Operating Partnership, is consolidated with that of the Company as presented herein. The Operating Partnership holds at least a 99% limited partnership interest in each of the Other Real Estate Partnerships. The general partners of the Other Real Estate Partnerships are separate corporations, wholly-owned by the Company, each with at least a .01% general partnership interest in the Other Real Estate Partnerships. The Company does not have any significant assets or liabilities other than its investment in the Operating Partnership and its 100% ownership interest in the general partners of the Other Real Estate Partnerships. Noncontrolling interest in the Operating Partnership of approximately 3.3% at June 30, 2017 represents the aggregate partnership interest held by the limited partners thereof ("Limited Partner Units" and together with the General Partner Units, the "Units"). "). At June 30, 2017 and December 31, 2016, the Operating Partnership had receivable balances of $10,387 and $10,448, respectively, from a direct wholly-owned subsidiary of the Company.

Profits, losses and distributions of the Operating Partnership, the LLCs, the Other Real Estate Partnerships and the TRSs are allocated to the general partner and the limited partners, the members or the shareholders, as applicable, of such entities in accordance with the provisions contained within their respective organizational documents.

As of June 30, 2017, we owned 524 industrial properties located in 22 states, containing an aggregate of approximately 63.3 million square feet of gross leasable area ("GLA"). Of the 524 properties owned on a consolidated basis, none of them are directly owned by the Company.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the accounting policies described in the consolidated financial statements and related notes included in our annual report on Form 10-K for the year ended December 31, 2016 ("2016 Form 10-K") and should be read in conjunction with such consolidated financial statements and related notes. The 2016 year end consolidated balance sheet data included in this Form 10-Q filing was derived from the audited consolidated financial statements in our 2016 Form 10-K, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). The following notes to these interim consolidated financial statements highlight significant changes to the notes included in the December 31, 2016 audited consolidated financial statements included in our 2016 Form 10-K and present interim disclosures as required by the Securities and Exchange Commission.

Use of Estimates

In order to conform with GAAP, in preparation of our consolidated financial statements we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of June 30, 2017 and December 31, 2016, and the reported amounts of revenues and expenses for the three and six months ended June 30, 2017 and 2016. Actual results could differ from those estimates. In our opinion, the accompanying unaudited interim consolidated financial statements reflect all adjustments necessary for a fair statement of our financial position as of June 30, 2017 and December 31, 2016, the results of our operations and comprehensive income for each of the three and six months ended June 30, 2017 and 2016, and our cash flows for each of the six months ended June 30, 2017 and 2016. All adjustments are of a normal recurring nature.

Investment in Real Estate and Depreciation

Effective January 1, 2017, we adopted Accounting Standards Update ("ASU") No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" ("ASU 2017-01"). ASU 2017-01 clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. We applied ASU 2017-01 prospectively. We anticipate that our acquisitions of real estate in the future will generally not meet the definition of a business combination and, accordingly, transaction costs which have historically been expensed will be capitalized as part of the basis of the real estate assets acquired.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2016-02, "Leases" ("ASU 2016-02"), which amends the existing accounting standards for lease accounting and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. Under ASU 2016-02, we will be required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. We are a lessee on certain ground and operating leases as disclosed in Note 14 to the consolidated financial statements in our 2016 Form 10-K. Due to the length of the lease terms of some of these ground and operating leases, we expect to record a right-of-use asset and lease liability with respect to certain of our ground and operating leases upon adoption of this standard. ASU 2016-02 also requires that lessors expense certain initial direct costs that are not incremental in negotiating a lease as incurred. Under existing standards, certain of these initial direct costs are capitalizable. ASU 2016-02 requires the use of a modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest period presented in the consolidated financial statements, with certain practical expedients available. We are continuing the process of evaluating and quantifying the effect that ASU 2016-02 will have on our consolidated financial statements and related disclosures. We will adopt ASU 2016-02 on January 1, 2019.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 requires entities to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. While lease contracts with customers, which constitute a vast majority of our revenues, are a specific scope exception, certain of our revenue streams may be impacted by the new guidance. Once the new guidance setting forth principles for the recognition, measurement, presentation and disclosure of leases (ASU 2016-02, as discussed above) goes into effect, the new revenue standard may apply to executory costs and other components of revenue due under leases that are deemed to be non-lease components (such as common area maintenance and provision of utilities), even when the revenue for such activities is not separately stipulated in the lease. ASU 2014-09 provides the option of using a full retrospective or a modified retrospective approach. We have not decided which method of adoption we will use. ASU 2014-09 is effective for annual periods beginning after December 15, 2017. We are currently in the process of evaluating the impact the adoption of ASU 2014-09 will have on our financial position or results of operations and we will adopt ASU 2014-09 on January 1, 2018.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments” ("ASU 2016-15"). ASU 2016-15 addresses eight specific cash flow issues and intends to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for annual periods beginning after December 15, 2017 with retrospective application required. We expect ASU 2016-15 to impact the presentation of our consolidated statement of cash flows and we will adopt ASU 2016-15 on January 1, 2018.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"). ASU 2016-18 requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents when reconciling the beginning- of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for annual periods beginning after December 15, 2017. We expect ASU 2016-18 to impact the presentation of our consolidated statement of cash flows and we will adopt ASU 2016-18 on January 1, 2018.

3. Investment in Real Estate

Acquisitions

During the six months ended June 30, 2017, we acquired four industrial properties comprised of approximately 0.5 million square feet of GLA and several land parcels. The purchase price of these acquisitions totaled $94,497, excluding costs incurred in conjunction with the acquisition of the industrial properties and land parcels. The revenue and net income associated with the acquisition of the industrial properties, since their respective acquisition dates, are not significant for the six months ended June 30, 2017.

The following table summarizes the amounts recognized for each major class of asset and liability for the industrial properties and land parcels acquired during the six months ended June 30, 2017:

	Purchase Price	Weighted Average Life (in Months)
Land	$56,888	N/A
Building and Improvements	34,816	(A)
Other Assets	546	(B)
In-Place Leases	3,417	85
Below Market Leases	(1,170)	95
Total Purchase Price	$94,497	

(A) See Note 2 to the consolidated financial statements in our 2016 Form 10-K for the disclosure of useful lives of our Investment in Real Estate and our Depreciation policy.

(B) Represents leasing commissions, which are included in prepaid expenses and other assets, net on the consolidated balance sheets and amortized over the remaining term of each lease.

Real Estate Held for Sale

As of June 30, 2017, we had three industrial properties comprised of approximately 0.4 million square feet of GLA and one land parcel held for sale.

Sales

During the six months ended June 30, 2017, we sold 20 industrial properties comprised of approximately 1.0 million square feet of GLA. Gross proceeds from the sales of these industrial properties were $59,130. The gain on sale of real estate was $28,869.

4. Indebtedness

The following table discloses certain information regarding our indebtedness:

	Outstanding Balance at		Interest Rate at June 30, 2017	Effective Interest Rate at Issuance	Maturity Date
	June 30, 2017	December 31, 2016			
Mortgage Loans Payable, Gross	$ 456,928	$ 498,435	4.03% – 8.26%	3.82% – 8.26%	June 2018 – September 2022
Unamortized Deferred Financing Costs	(2,255)	(2,905)			
Unamortized Premiums	343	426			
Mortgage Loans Payable, Net	$ 455,016	$ 495,956			
Senior Unsecured Notes, Gross					
2017 Notes	54,981	54,981	7.50%	7.52%	12/1/2017
2027 Notes	6,070	6,070	7.15%	7.11%	5/15/2027
2028 Notes	31,901	31,901	7.60%	8.13%	7/15/2028
2032 Notes	10,600	10,600	7.75%	7.87%	4/15/2032
2017 II Notes	—	101,871	N/A	N/A	5/15/2017
2027 Private Placement Notes	125,000	—	4.30%	4.30%	4/20/2027
2029 Private Placement Notes	75,000	—	4.40%	4.40%	4/20/2029
Subtotal	$ 303,552	$ 205,423			
Unamortized Deferred Financing Costs	(1,909)	(320)			
Unamortized Discounts	(89)	(105)			
Senior Unsecured Notes, Net	$ 301,554	$ 204,998			
Unsecured Term Loans, Gross					
2014 Unsecured Term Loan (A)	$ 200,000	$ 200,000	3.99%	N/A	1/29/2021
2015 Unsecured Term Loan (A)	260,000	260,000	3.39%	N/A	9/12/2022
Subtotal	$ 460,000	$ 460,000			
Unamortized Deferred Financing Costs	(3,029)	(3,362)			
Unsecured Term Loans, Net	$ 456,971	$ 456,638			
Unsecured Credit Facility (B)	$ 127,000	$ 189,500	2.22%	N/A	3/11/2019

(A) The interest rate at June 30, 2017 reflects the interest rate protection agreements we entered into to effectively convert the variable rate to a fixed rate. See Note 10.

(B) The maturity date may be extended an additional year at our election, subject to certain restrictions. Amounts exclude unamortized deferred financing costs of $2,213 and $2,876 as of June 30, 2017 and December 31, 2016, respectively, which are included in prepaid expenses and other assets on the consolidated balance sheets.

Mortgage Loans Payable, Net

During the six months ended June 30, 2017, we paid off mortgage loans in the amount of $36,108. In connection with the mortgage loans paid off during the six months ended June 30, 2017, we recognized $1,653 as loss from retirement of debt representing prepayment penalties and the write-off of unamortized deferred financing costs.

As of June 30, 2017, mortgage loans payable are collateralized, and in some instances cross-collateralized, by industrial properties with a net carrying value of $590,246. We believe the Operating Partnership and the Company were in compliance with all covenants relating to mortgage loans as of June 30, 2017.

Senior Unsecured Notes, Net

During the six months ended June 30, 2017, the Operating Partnership issued $125,000 of 4.30% Series A Guaranteed Senior Notes due April 20, 2027 (the “2027 Private Placement Notes”) and $75,000 of 4.40% Series B Guaranteed Senior Notes due April 20, 2029 (the “2029 Private Placement Notes”) (collectively, the "Private Placement Notes") in a private placement pursuant to a Note and Guaranty Agreement dated February 21, 2017. The 2027 Private Placement Notes and the 2029 Private Placement Notes are unsecured obligations of the Operating Partnership that are fully and unconditionally guaranteed by the Company and require semi-annual interest payments.

Additionally, during the six months ended June 30, 2017, we paid off and retired our 2017 II Notes (as described in the table above), at maturity in the amount of $101,871.

Indebtedness

The following is a schedule of the stated maturities and scheduled principal payments of our indebtedness, exclusive of premiums, discounts and deferred financing costs, for the next five years as of June 30, and thereafter:

	Amount
Remainder of 2017	$60,307
2018	165,449
2019	206,329
2020	58,762
2021	266,818
Thereafter	589,815
Total	$1,347,480

Our unsecured credit facility (the "Unsecured Credit Facility"), the Unsecured Term Loans (as defined in Note 10), the Private Placement Notes and the indentures governing our senior unsecured notes contain certain financial covenants, including limitations on incurrence of debt and debt service coverage. Under the Unsecured Credit Facility and the Unsecured Term Loans an event of default can occur if the lenders, in their good faith judgment, determine that a material adverse change has occurred which could prevent timely repayment or materially impair our ability to perform our obligations under the loan agreements. We believe that the Operating Partnership and the Company were in compliance with all covenants relating to the Unsecured Credit Facility, the Unsecured Term Loans, the Private Placement Notes and indentures governing our senior unsecured notes as of June 30, 2017. However, these financial covenants are complex and there can be no assurance that these provisions would not be interpreted by our lenders and noteholders in a manner that could impose and cause us to incur material costs.

Fair Value

At June 30, 2017 and December 31, 2016, the fair value of our indebtedness was as follows:

	June 30, 2017		December 31, 2016	
	Carrying Amount (A)	Fair Value	Carrying Amount (A)	Fair Value
Mortgage Loans Payable, Net	$457,271	$470,999	$498,861	$513,540
Senior Unsecured Notes, Net	303,463	323,333	205,318	222,469
Unsecured Term Loans	460,000	466,596	460,000	458,602
Unsecured Credit Facility	127,000	127,000	189,500	189,500
Total	$1,347,734	$1,387,928	$1,353,679	$1,384,111

(A) The carrying amounts include unamortized premiums and discounts and exclude unamortized deferred financing costs.

The fair values of our mortgage loans payable were determined by discounting the future cash flows using the current rates at which similar loans would be made based upon similar remaining maturities. The current market rates we utilized were internally estimated. The fair value of the senior unsecured notes were determined by using rates, as advised by our bankers, that are based upon recent trades within the same series of the senior unsecured notes, recent trades for senior unsecured notes with comparable maturities, recent trades for fixed rate unsecured notes from companies with profiles similar to ours, as well as overall economic conditions. The fair value of the Unsecured Credit Facility and the Unsecured Term Loans was determined by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining term, assuming no repayment until maturity. We have concluded that our determination of fair value for each of our mortgage loans payable, senior unsecured notes, the Unsecured Term Loans and the Unsecured Credit Facility was primarily based upon Level 3 inputs.

5. Variable Interest Entities

The Other Real Estate Partnerships are variable interest entities ("VIEs") of the Operating Partnership and the Operating Partnership is the primary beneficiary, thus causing the Other Real Estate Partnerships to be consolidated by the Operating Partnership. In addition, the Operating Partnership is a VIE of the Company and the Company is the primary beneficiary.

The following table summarizes the assets and liabilities of the Other Real Estate Partnerships included in our consolidated balance sheets, net of intercompany amounts:

	June 30, 2017	December 31, 2016
ASSETS		
Assets:		
Net Investment in Real Estate	$281,816	$278,398
Other Assets, Net	23,072	24,401
Total Assets	$304,888	$302,799
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Mortgage Loans Payable, Net	$61,911	$70,366
Other Liabilities, Net	9,130	9,138
Partners' Capital	233,847	223,295
Total Liabilities and Partners' Capital	$304,888	$302,799

6. Stockholders’ Equity of the Company and Partners' Capital of the Operating Partnership

Issuance of Shares of Common Stock

During the six months ended June 30, 2017, the Company issued 2,560,000 shares of the Company's common stock in an underwritten public offering. Proceeds to the Company, net of the underwriter's discount, were $74,880. The proceeds were contributed to the Operating Partnership in exchange for General Partner Units and are reflected in the financial statements as a general partner contribution.