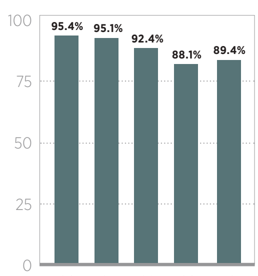
2010 ANNUAL REPORT

Duke REALTY
RELIABLE. ANSWERS.

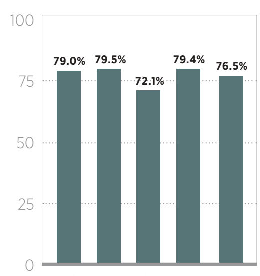
FINANCIAL HIGHLIGHTS

(in thousands, except per share amounts)	**2010**	2009	2008
Total revenues from continuing operations	**$ 1,393,603**	$ 1,291,741	$ 1,237,415
Net income (loss) attributable to common shareholders	**(14,108)**	(333,601)	50,408
Funds from operations – diluted	**305,375**	13,269	388,865
Adjustments for comparability	**(20,325)**	289,849	(4,568)
Core funds from operations* *(See Page 75)*	**285,050**	303,118	384,297
PER SHARE:			
Diluted net income (loss)	**($ 0.07)**	($ 1.67)	$ 0.33
Core FFO – diluted	**1.15**	1.45	2.48
Dividends paid	**0.68**	0.76	1.93
Core FFO payout ratio	**59.1%**	52.4%	78.0%
AT YEAR END:			
Total assets	**$ 7,644,276**	$ 7,304,279	$ 7,690,883
Total shareholders' equity	**2,945,610**	2,925,345	2,844,019

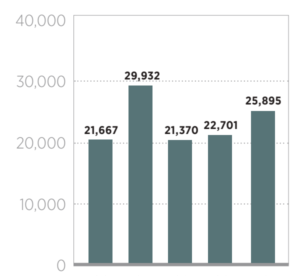
OPERATING PERFORMANCE *(including consolidated and jointly controlled properties)*



STABILIZED OCCUPANCY



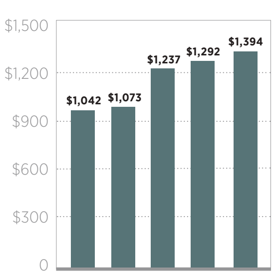
RENEWAL PERCENTAGE



TOTAL LEASING VOLUME

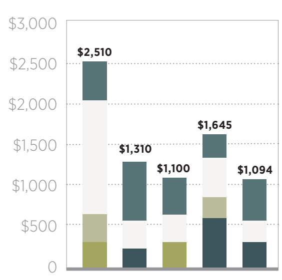
(in thousands of square feet)

FINANCIAL PERFORMANCE



TOTAL REVENUE FROM CONTINUING OPERATIONS

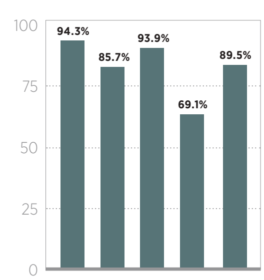
(in millions)



CAPITAL GENERATED

(in millions)

- Building and Land Dispositions
- Unsecured Debt
- Secured Debt
- Preferred Stock
- Common Stock



ADJUSTED FUNDS FROM OPERATIONS (AFFO) PAYOUT RATIO

(see page 75)

Photo on the front cover: Department of Defense BRAC 133 Office Complex - Alexandria, Virginia
Photos on the back cover from left to right: Six Parkwood - Indianapolis, Indiana; Pompano Commerce Center - Pompano Beach, Florida; Good Samaritan Medical Center Western Ridge - Cincinnati, Ohio

TO OUR SHAREHOLDERS,

During 2010 we made excellent progress on our three-pronged Asset, Capital and Operations strategies. Our Asset Strategy calls for increasing the overall percentage of our assets invested in industrial and medical office properties and reducing our investment in suburban office properties. Our Capital Strategy calls for continuing to improve our leverage metrics by reducing our debt-to-total assets and generating additional cash flow from our properties to increase our debt-service coverage ratios. Our Operations Strategy involves improving the overall occupancy of our properties and finding new development opportunities in medical office and industrial build-to-suit projects.

We completed several significant transactions which moved us closer to our asset re-positioning goal. In July we acquired our partner's interest in a portfolio of industrial properties. This portfolio included modern warehouse buildings in key distribution markets throughout the Midwest and Southeast. In December we announced two major transactions that also advanced this strategy. We expanded a joint venture with our partner CBRE Realty Trust by selling suburban office assets to the venture in which our partner owns an 80 percent interest. These properties are located primarily in our Midwest and Southeast markets. The other transaction was the acquisition of a portfolio of primarily industrial properties in one of our key target markets, Southeast Florida, from Premier Commercial Realty.

We are particularly pleased with the South Florida acquisition. For some time now, South Florida has been an area where we wanted to grow. We own an excellent suburban office portfolio there and this transaction now gives us a dominant position in bulk distribution facilities in Broward and Palm Beach counties. The South Florida economy is the country's seventh largest metropolitan statistical area. There is a lack of available land for warehouse development anywhere in the market. The properties we acquired are some of the newest properties in the market and are all strategically located along the important Interstate 95 distribution corridor. These properties will be a key part of our growth opportunities for many years to come.

As part of our Capital Strategy, we continued to improve our balance sheet during 2010. We first tendered to repurchase some of our unsecured bonds with near-term maturities and refinanced those with bonds with longer term maturities. We then issued additional common shares in July to raise equity for the acquisition of our partner's interest in the industrial portfolio previously mentioned. And finally as a result of these transactions and our property disposition program, we were able to operate for most of the year with no amount outstanding on our line of credit. Our corporate unsecured debt has been investment grade rated by both Moody's and Standard & Poor's for more than 15 years, one of the longest periods of any publicly traded real estate investment trust. We intend to continue this standing long into the future and will manage our balance sheet accordingly.

Our local property teams throughout the country also did an excellent job on our property operations during the year. Our overall property occupancy increased significantly from the prior year end in spite of a still difficult economic environment. Our focus on complete customer satisfaction again allowed us to renew more than 75 percent of our tenants in their existing space. Our same property net operating income also grew by nearly 1 percent during a period in which rents are generally going down, and periods of free rent are not uncommon.

I'd also like to take this opportunity to mention a few other highlights of 2010. We continued to make progress on our project for the Department of Defense (DoD) at Mark Center in Alexandria, Virginia. This project is the largest development project Duke Realty has ever undertaken and was key to our service operations business in 2010. Upon completion, this project will meet all of the new DoD security requirements. The DoD will own the project long-term.

Our medical office development business also was solid in 2010. During the year, we began development of seven new medical office buildings with major hospital systems throughout the country. We also acquired a key property with a new hospital system near the end of the year. We expect this business to continue to grow significantly in the future as a result of recent healthcare legislation and our unique abilities in this product type.

As we look to 2011, we expect that the economic recovery in the United States will continue, but at a modest pace. Our industrial business will improve as increases in consumer spending drive retail demand. The suburban office business will likely be slow until more employers begin to hire, and the unemployment rate lowers to a more normal range. Most economists are not predicting that hiring will improve significantly during 2011. We also expect new development starts on the industrial and suburban office side to remain near the historic lows of the past two years since substantial vacancy still exists in existing product that needs to be filled in most markets around the country.

In spite of an anticipated still slow recovery during 2011, Duke Realty is in an excellent position to execute on our strategic objectives. We anticipate continued progress on our asset repositioning strategy. The market is improving for the disposition of some of our non-strategic suburban office properties. We also believe we will be able to acquire industrial buildings in our target markets around the country. We also are in excellent position for continued progress on our capital strategy. Our 2011 debt maturities have been reduced by more than $700 million since 2009, and we now have less than $400 million of maturities. These maturities will be repaid with proceeds from our property dispositions or we will refinance them in the public markets. We also plan to again have the almost full availability on our $850 million line of credit throughout the year.

Operations in 2011 will remain focused on retaining our existing tenants, filling our vacant space and landing significantly pre-leased development projects, particularly medical office projects. We will also focus on selling non-strategic land parcels, those of which we do not anticipate new development for some time.

I am pleased with our results for 2010. We made excellent progress on our Asset, Capital and Operations Strategies. I would like to thank all of our Duke Realty associates for living our core values of being respectful, responsible and resourceful which lead to our ultimate vision of setting the standard for excellence in reliability to our customers and shareholders.

Thanks to our Board of Directors for their diligent service and incisive counsel. Finally, thank you, our shareholders, for your continued support of Duke Realty.

Dennis D. Oklak
Chairman and Chief Executive Officer

Duke Realty Corporate Headquarters - Indianapolis, Indiana

ASSET STRATEGY

In 2010, we made significant progress in our strategy of repositioning our assets among product types and diversifying our geographic presence. Our strategic objectives remain unchanged: to increase our investment in quality industrial properties in both existing markets and select new markets, expand our medical office portfolio nationally to take advantage of strong demographic trends, and reduce our investment in suburban office properties primarily within the Midwest.

Though asset repositioning is a challenging aspect of our overall plan given market dynamics, our disciplined approach in identifying accretive acquisition opportunities, our solid track record in asset dispositions, and our focused development strategy enabled us to make discernable changes in the investment allocation of our portfolio.

From a product mix standpoint, for the year ended 2010, we increased the industrial portion of our portfolio to 42 percent from 36 percent and increased our medical office investment to 6 percent, while reducing the percentage of our office properties to 49 percent from 55 percent. Progress also was made geographically, with a reduction in our Midwest portfolio and increases in our south and southeast portfolios.

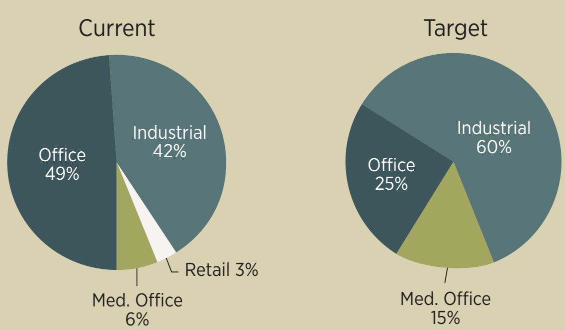
A key driver of our asset strategy is the acquisition of quality assets. Our team is continually evaluating acquisition opportunities that meet our long-term objectives, both from a product type and asset location perspective. In 2010, we closed on acquisitions with a stabilized cost of $919 million, including 39 buildings in a portfolio that ultimately will consist of 51 industrial buildings and five office buildings for a total agreed value of approximately $450 million. These assets are located in South Florida, specifically Broward and Palm Beach counties, and were 86 percent leased at December 31, 2010. This transaction was significant because it not only expanded our overall portfolio in this high-growth market, but also made us one of the largest owners and managers of warehouse and distribution facilities in South Florida. We also acquired our joint venture partner's 50 percent interest in a 20.8 million-square foot, 106-building portfolio for which our acquired share of net assets totaled $333 million. Other acquisitions included two Class A office buildings in South Florida and a 191,000-square foot medical office building in Charlotte, North Carolina, which is 100 percent leased to a single tenant with a long-term lease in place.

The disposition of non-strategic properties is another key component of our portfolio repositioning strategy. In 2010, proceeds from asset dispositions totaled $533 million, including the sale of an 80 percent interest in the first seven buildings of a sale that will ultimately consist of 20 office properties totaling 3.1 million square feet—most of which are located in the Midwest—to a joint venture partner. We will continue to review each of our operating properties and identify those that no longer meet our long-term growth strategy, and pursue their disposition when prudent.

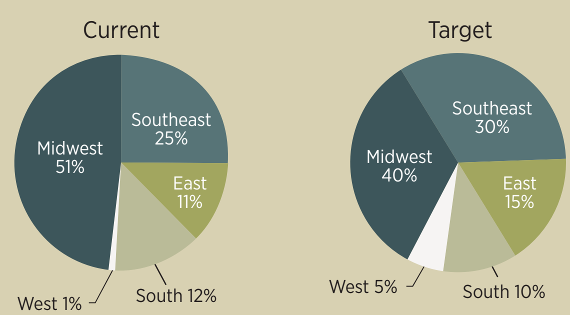
In 2011, we will maintain our focus on acquisitions, dispositions, and development opportunities that will further our asset strategy goals.

Photos from left to right – this page:
Estrella Buckeye - Phoenix, Arizona;
Crossroads 5 - Chicago, Illinois;
facing page: Royal Palm I & II - Plantation, Florida

PORTFOLIO BY PRODUCT TYPE



PORTFOLIO BY REGION



CAPITAL STRATEGY

Following our success in meeting our 2009 goals of generating capital and strengthening our balance sheet, we continued to exercise resourceful diligence in the management of our capital and made progress in our strategy to further strengthen our balance sheet.

In 2010, we executed transactions that resulted in more than $1 billion of capital raised. Specifically, we improved our capital position through a $250 million unsecured debt issuance, a $311 million common equity offering to fund a strategic industrial acquisition and $533 million of asset dispositions. We also repurchased nearly $280 million of unsecured bonds through a tender offer and open market purchases, and repurchased more than $112 million of our more expensive 8.375 percent Series O preferred stock in the open market.

Through these actions, we have provided for all of our 2011 debt maturities while maintaining a minimal balance outstanding on our $850 million unsecured line of credit.

Our long-range capital strategy is to maintain a strong balance sheet by actively managing the components of our capital structure, in coordination with the execution of our overall operating and asset strategy. We are focused on maintaining investment grade ratings from our credit rating agencies with the ultimate goal of further improving the key metrics that formulate our credit ratings, including debt to gross assets, our fixed charge coverage ratio and debt to EBITDA. This strategy was validated in 2010 when Moody's reaffirmed our Baa2 rating in July.

At year-end 2010, Duke Realty has a strong balance sheet. The execution of our capital strategy has allowed us to pay down or term out more than $1.5 billion in debt maturities since 2009. During this process, we have leased up our core portfolio and made significant progress on our asset repositioning strategy. Our progress was complemented by a disciplined approach to managing our balance sheet, one which we will continue to adhere to in 2011 and beyond.

Photos from left to right – this page:
4600 Lakehurst - Columbus, Ohio;
555 Maryville Center - St. Louis, Missouri;
facing page: Norman Pointe I - Minneapolis, Minnesota

OPERATIONS STRATEGY

Our operational focus in 2010 remained on leasing vacant space in our existing properties and maintaining and strengthening the relationships we have with our current tenants. Fully aware of the impact the lease up of our portfolio and tenant retention has on earnings, our team of professionals across the country worked diligently to negotiate attractive leases and provide the utmost in reliable service to our customers.

As a result of the strong leasing momentum we sustained throughout 2010 and the quality of our assets, we closed nearly 26 million square feet of leases and renewals during the year, our best year of total leasing activity since 2007, and recorded a lease renewal rate of 77 percent. We ended the year with an overall occupancy rate of 89 percent— a 1.9 percent increase over 2009—a testament of our ongoing ability to maintain operating consistency despite a challenging environment.

Consistent with our long-range operating strategy, development starts during the year were limited to medical office and build-to-suit projects. In line with our projections for healthcare activity, we broke ground on more than 270,000 square feet of medical office properties.

In other development activity, our teams in Dallas, Columbus, and Indianapolis secured contracts for the construction of large built-to-suit warehouse/distribution buildings. Development starts in 2010 totaled more than two million square feet in new industrial space. In Houston, we elected to begin construction of a new 300,000-square foot industrial building for our portfolio given the lack of available space in that market and in response to a quality tenant's need for increased space. In total, our construction and development starts for the year were $130 million.

Our service operations, which provide critical real estate services for third parties and to our base of wholly owned properties, generated increased revenues and profitability in 2010, driven in large part by a significant third-party contract with the U.S. Army Corps of Engineers in Alexandria, VA. Total third-party contractor and service fee revenues increased from $450 million in 2009 to $515 million in 2010.

Key to our leasing and services success are the men and women who represent Duke Realty in living out our core values of being respectful, resourceful and responsible during transactions with our customers. We continue to adhere to our time-proven tradition of developing our Duke Realty real estate team of professionals who understand the local market, have established relationships and have the interpersonal skills to work with clients, brokers, and our talented support professionals. We've also continued our practice of providing our team with sales principles and techniques training that will enhance our skills and outcomes with our customers.

As economic conditions stabilize and leasing demand improves, we are positioned to make progress in raising our occupancy, which in turn will benefit our earnings, balance sheet metrics and return to our shareholders.

Photos from left to right – facing page: 6600 Port Road - Columbus, Ohio; Rickenbacker 936 - Columbus, Ohio;
this page: Baylor Orthopedic & Spine Hospital - Arlington, Texas; Department of Defense BRAC 133 Office Complex - Alexandria, Virginia;
Pompano Commerce Center - Pompano Beach, Florida

COMMUNITY COMMITMENT

As a responsible corporate citizen, Duke Realty is committed to the communities where it does business, both through our actions and the product we deliver. We firmly believe that how we conduct ourselves and our community involvement are equally as important as our transaction success, and should reflect the core values on which our company is built: as being responsible, respectful and resourceful.

We take great pride in our associates' positive interactions and the favorable impressions that result from their conduct. No matter with whom we come in contact, we know that we are accountable for what we say and do, that people have a right to be treated with integrity, and that we have an obligation to leverage our capabilities for the benefit of others. Our Code of Conduct, diversity program and other corporate policies provide guidance to our associates in their actions and outline the responsibilities each of us has to other associates, customers, shareholders, business partners and the communities we serve.

We particularly are appreciative of our associates' commitment to worthwhile community initiatives, donating time or money—or both—to improving the welfare of residents. Our Duke Realty culture encourages associate participation in charitable activities through meaningful time-off policies and a matching contribution program. Our associates' generosity during difficult times for all in 2010 was unprecedented, with volunteer time totaling approximately 6,000 hours, and monetary contributions surpassing $385 thousand.

Our philanthropic scope is widespread, ranging from our corporate-wide support of the United Way to food drives, holiday gift programs, care packages to men and women in the Armed Forces, aid to the elderly, community beautification programs and building Habitat for Humanity homes. One of our newest philanthropic efforts is CareLink, an initiative where our associates coordinate the donation of functional medical equipment to agencies dedicated to

improving the resources available to developing nations for improved medical care. In just two years, CareLink has sourced and delivered $450 thousand of medical equipment for use in underprivileged countries.

Another way in which we demonstrate our respect for our communities, as well as the world in which we live, is through the development of buildings that incorporate environmentally friendly practices and materials. Twenty-four percent of the buildings we've constructed since 2007 when we reaffirmed our commitment to sustainable development have been awarded or registered for LEED® (Leadership in Energy and Environmental Design) certification. An internationally recognized green building assessment system, LEED provides third-party verification that a building was designed and built using strategies intended to result in energy savings, water efficiency, reduced CO2 emissions, improved indoor environmental quality, and proper use of resources and sensitivity to their impacts on the environment.

As part of our commitment to being a responsible corporate citizen, we will continue to support programs and organizations that enrich the welfare of residents in all of our markets and practice sustainable practices in our development pursuits. Our respect for people and the environment remains steadfast and is a key component of our long-range business strategy.

Photos from left to right: Haiti Relief Effort - Indianapolis, Indiana;
Habitat For Humanity - Atlanta, Georgia;
I-70 Beautification Project - Indianapolis, Indiana

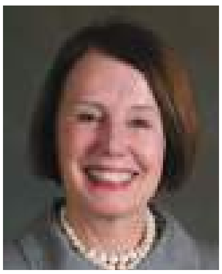
BOARD OF DIRECTORS

Thomas J. Baltimore, Jr.
Co-founder and President
RLJ Development, LLC

Barrington H. Branch
President
The Branch-Shelton Company, LLC

Geoffrey A. Button
Independent Real Estate and Financing Consultant

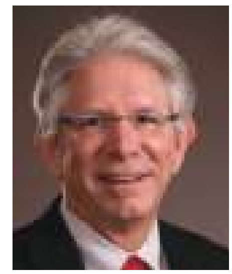
William Cavanaugh III
Retired Chairman and Chief Executive Officer
Progress Energy



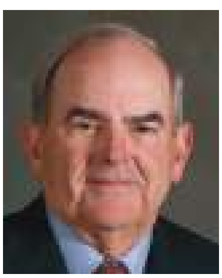
Ngaire E. Cuneo
Partner
Red Associates, LLC

Charles R. Eitel
Co-Founder
Eitel & Armstrong

Dr. Martin C. Jischke
President Emeritus
Purdue University



Dennis D. Oklak
Chairman and Chief Executive Officer
Duke Realty Corporation



Jack R. Shaw
Vice President and Treasurer
The Regenstrief Foundation

Lynn C. Thurber
Non-Executive Chairman
LaSalle Investment Management

Robert J. Woodward, Jr.
Chairman
Palmer-Donavin Manufacturing Co.

LEADERSHIP TEAM

Dennis D. Oklak
Chief Executive Officer

Christie B. Kelly
Executive Vice President and Chief Financial Officer

James D. Bremner
President
Healthcare

James B. Connor
Senior Executive Vice President
Midwest Region

Denise K. Dank
Senior Vice President
Human Resources

Howard L. Feinsand
Executive Vice President, General Counsel and Corporate Secretary

Steven R. Kennedy
Executive Vice President
Construction

J. Samuel O'Briant
Executive Vice President
Southeast and East Regions

Paul R. Quinn
Senior Vice President
Strategic Execution Officer and Chief Information Officer

Jeffrey D. Turner
Executive Vice President
South and West Regions

SELECTED FINANCIAL DATA

The following sets forth selected financial and operating information on a historical basis for each of the years in the five-year period ended December 31, 2010. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements included in this annual report (in thousands, except per share amounts):

	2010	2009	2008	2007	2006
Results of Operations:					
Revenues:					
Rental and related revenue	**$ 878,242**	$ 842,232	$ 802,791	$ 761,751	$ 711,826
General contractor and service fee revenue	**515,361**	449,509	434,624	311,548	330,195
Total Revenues from Continuing Operations	**$ 1,393,603**	$ 1,291,741	$ 1,237,415	$ 1,073,299	$ 1,042,021
Income (Loss) from Continuing Operations	**$ 29,476**	$ (254,225)	$ 86,167	$ 160,928	$ 157,915
Net Income (Loss) Attributable to Common Shareholders	**$ (14,108)**	$ (333,601)	$ 50,408	$ 211,942	$ 144,643
Per Share Data :					
Basic income (loss) per common share:					
Continuing operations	**$ (0.22)**	$ (1.58)	$ 0.17	$ 0.58	$ 0.62
Discontinued operations	**0.15**	(0.09)	0.16	0.93	0.45
Diluted income (loss) per common share:					
Continuing operations	**(0.22)**	(1.58)	0.17	0.58	0.62
Discontinued operations	**0.15**	(0.09)	0.16	0.93	0.44
Dividends paid per common share	**0.68**	0.76	1.93	1.91	1.89
Weighted average common shares outstanding	**238,920**	201,206	146,915	139,255	134,883
Weighted average common shares and potential dilutive securities	**238,920**	201,206	154,553	149,250	149,156
Balance Sheet Data (at December 31):					
Total Assets	**$ 7,644,276**	$ 7,304,279	$ 7,690,883	$ 7,661,981	$ 7,238,595
Total Debt	**4,207,079**	3,854,032	4,276,990	4,288,436	4,074,979
Total Preferred Equity	**904,540**	1,016,625	1,016,625	744,000	876,250
Total Shareholders' Equity	**2,945,610**	2,925,345	2,844,019	2,778,502	2,537,802
Total Common Shares Outstanding	**252,195**	224,029	148,420	146,175	133,921
Other Data:					
Consolidated Funds from Operations attributable to common shareholders (1)	**$ 297,955**	$ 12,854	$ 369,698	$ 378,282	$ 337,556

(1) Funds From Operations ("FFO") is used by industry analysts and investors as a supplemental operating performance measure of an equity real estate investment trust ("REIT") like Duke Realty Corporation. The National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items, from net income determined in accordance with accounting principles generally accepted in the United States of America ("GAAP"). FFO is a non-GAAP financial measure. The most comparable GAAP measure is net income (loss) attributable to common shareholders. Consolidated FFO attributable to common shareholders should not be considered as a substitute for net income (loss) attributable to common shareholders or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of NAREIT.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures.

Management believes that the use of consolidated FFO attributable to common shareholders, combined with net income (which remains the primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes that, by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, investors and analysts are able to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assist in comparing these operating results between periods or as compared to different companies.

See reconciliation of FFO to GAAP net income (loss) attributable to common shareholders under the caption "Year in Review" under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in or incorporated by reference into this Annual Report, including, without limitation, those related to our future operations, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "estimate," "expect," "anticipate," "intend," "plan," "seek," "may" and similar expressions or statements regarding future periods are intended to identify forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any predictions of future results, performance or achievements that we express or imply in this Report or in the information incorporated by reference into this Report. Some of the risks, uncertainties and other important factors that may affect future results include, among others:

- Changes in general economic and business conditions, including, without limitation, the continuing impact of the economic down-turn, which is having and may continue to have a negative effect on the fundamentals of our business, the financial condition of our tenants, and the value of our real estate assets;
- Our continued qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes;
- Heightened competition for tenants and potential decreases in property occupancy;
- Potential changes in the financial markets and interest rates;
- Volatility in our stock price and trading volume;
- Our continuing ability to raise funds on favorable terms;
- Our ability to successfully identify, acquire, develop and/or manage properties on terms that are favorable to us;
- Potential increases in real estate construction costs;
- Our ability to successfully dispose of properties on terms that are favorable to us;
- Our ability to retain our current credit ratings;
- Inherent risks in the real estate business, including, but not limited to, tenant defaults, potential liability relating to environmental matters and liquidity of real estate investments; and
- Other risks and uncertainties described herein, as well as those risks and uncertainties discussed from time to time in our other reports and other public filings with the Securities and Exchange Commission ("SEC").

Although we presently believe that the plans, expectations and results expressed in or suggested by the forward-looking statements are reasonable, all forward-looking statements are inherently subjective, uncertain and subject to change, as they involve substantial risks and uncertainties beyond our control. New factors emerge from time to time, and it is not possible for us to predict the nature, or assess the potential impact, of each new factor on our business. Given these uncertainties, we caution you not to place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any of our forward-looking statements for events or circumstances that arise after the statement is made, except as otherwise may be required by law.

This list of risks and uncertainties, however, is only a summary of some of the most important factors and is not intended to be exhaustive. We have on file with the SEC an Annual Report on Form 10-K dated February 25, 2011 with additional risk factor information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS OVERVIEW

We are a self-administered and self-managed REIT that began operations through a related entity in 1972. As of December 31, 2010, we:

- Owned or jointly controlled 793 industrial, office, medical office and other properties, of which 783 properties with more than 136.7 million square feet are in service and ten properties with approximately 3.8 million square feet are under development. The 783 in-service properties are comprised of 669 consolidated properties with approximately 114.1 million square feet and 114 jointly controlled properties with approximately 22.7 million square feet. The ten properties under development consist of eight consolidated properties with approximately 2.9 million square feet and two jointly controlled properties with approximately 866,000 square feet.
- Owned, including through ownership interests in unconsolidated joint ventures, approximately 4,800 acres of land and controlled an additional 1,650 acres through purchase options.

We have three reportable operating segments, the first two of which consist of the ownership and rental of office and industrial real estate investments. The operations of our office and industrial properties, along with our medical office and retail properties, are collectively referred to as "Rental Operations." Our medical office and retail properties do not meet the quantitative thresholds for separate presentation as reportable segments.

The third reportable segment consists of providing various real estate services such as property management, asset management, maintenance, leasing, development and construction management to third-party property owners and joint ventures, and is collectively referred to as "Service Operations." Our reportable segments offer different products or services and are managed separately because each segment requires different operating strategies and management expertise. Our Service Operations segment also includes our taxable REIT subsidiary, a legal entity through which certain of the segment's operations are conducted.

Through our Service Operations reportable segment, we have historically developed or acquired properties with the intent to sell (hereafter referred to as "Build-for-Sale" properties). Build-for-Sale properties were generally identified as such prior to construction commencement and were sold within a relatively short time after being placed in service. Build-for-Sale properties, which are no longer part of our operating strategy, did not represent a significant component of our operations in 2010 or 2009.

Operations Strategy

Our operational focus is to drive profitability, by maximizing cash from operations as well as Funds from Operations ("FFO") through (i) maintaining and increasing property occupancy and rental rates by effectively managing our portfolio of existing properties; (ii) selectively developing new pre-leased medical office and build-to-suit projects at accretive returns; (iii) leveraging our construction expertise to act as a general contractor or construction manager on a fee basis; and (iv) providing a full line of real estate services to our tenants and to third parties.

Asset Strategy

Our asset strategy is to reposition our investment among product types and further diversify our geographic presence. Our strategic objectives include (i) increasing our investment in quality industrial properties in both existing markets and select new markets; (ii) expanding our medical office portfolio nationally to take advantage of demographic trends; (iii) increasing our asset investment in markets we believe provide the best potential for future growth; and (iv) reducing our investment in suburban office properties located primarily in the Midwest as well as reducing our investment in other non-strategic assets. We are executing our asset strategy through our disciplined approach in identifying accretive acquisition opportunities and our focused development initiatives, which are financed primarily from our active asset disposition program.

Capital Strategy

Our capital strategy is to maintain a strong balance sheet by actively managing the components of our capital structure, in coordination with the execution of our overall operating and asset strategy. We are focused on maintaining investment grade ratings from our credit rating agencies with the ultimate goal of improving the key metrics that formulate our credit ratings.

In support of our capital strategy, as well as our asset strategy, we employ an asset disposition program to sell non-strategic real estate assets, which generates proceeds that can be recycled primarily into new property that better fit our growth objectives both within the industrial and medical office product types and in markets that provide the best future growth potential.

We continue to focus on improving our balance sheet by maintaining a balanced and flexible capital structure which includes: (i) extending and sequencing the maturity dates of our outstanding debt obligations; (ii) borrowing primarily at fixed rates by targeting a variable rate component of total debt less than 20%; (iii) issuing common equity from time-to-time to maintain appropriate leverage parameters or support significant strategic acquisitions; and (iv) generating proceeds from the sale of non-strategic properties. With our successes to date and continued focus on strengthening our balance sheet, we believe we are well-positioned for future growth.

YEAR IN REVIEW

After the recessionary conditions of 2008 and most of 2009, the economy and business fundamentals improved during 2010, although unemployment, tax legislation matters and related issues remained key areas of concern. There also continued to be an oversupply of leasable space in many markets and product types, particularly in suburban office properties, as improvement in the commercial real estate industry has lagged behind improvement in many other areas of the general economy. Many property owners continued to reduce rental rates and offer increased capital expenditure allowances in order to compete for the available transactions in the marketplace. During 2010, however, we had a strong increase in leasing volume, which helped offset rental rate decreases that continued in many markets.

We also made significant progress during 2010 primarily on our asset strategy of increasing our industrial and medical office portfolio while reducing our exposure to suburban office properties through our disposition and acquisition activity. Overall, we believe 2010 was a successful year in all aspects of our strategic focus. The efforts in our operations, asset and capital investment strategies contributed to our positive performance.

Net loss attributable to common shareholders for the year ended December 31, 2010, was $14.1 million, or $.07 per share (diluted), compared to a net loss of $333.6 million, or $1.67 per share (diluted) for the year ended December 31, 2009. The significant reduction in net loss from 2009 was the result of a $292.7 million decrease in non-cash impairment charges as well as a $53.6 million increase in gains on sales of properties. Partially offsetting the positive changes in impairment charges and property sales was a $28.1 million increase in interest expense that was primarily driven by a decrease in interest costs capitalized to development projects. FFO attributable to common shareholders totaled $298.0 million for the year ended December 31, 2010, compared to $12.9 million for 2009, with the increase resulting from the same factors, excluding gains on property sales, which improved the results attributable to common shareholders in 2010.

Industry analysts and investors use FFO as a supplemental operating performance measure of an equity REIT. The National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items, from net income determined in accordance with accounting principles generally accepted in the United States of America ("GAAP"). FFO is a non-GAAP financial measure. The most comparable GAAP measure is net income (loss) attributable to common shareholders. Consolidated FFO attributable to common shareholders should not be considered as a substitute for net income (loss) attributable to common shareholders or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of NAREIT.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures.

Management believes that the use of consolidated FFO attributable to common shareholders, combined with net income (which remains the primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes that, by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, investors and analysts are able to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assist in comparing these operating results between periods or as compared to different companies. The following table shows a reconciliation of net income (loss) attributable to common shareholders to the calculation of consolidated FFO attributable to common shareholders for the years ended December 31, 2010, 2009 and 2008, respectively (in thousands):

	2010	2009	2008
Net income (loss) attributable to common shareholders	**$ (14,108)**	$ (333,601)	$ 50,408
Adjustments:			
Depreciation and amortization	**360,184**	340,126	314,952
Company share of joint venture depreciation and amortization	**34,674**	36,966	38,321
Earnings from depreciable property sales – wholly owned	**(72,716)**	(19,123)	(16,961)
Earnings from depreciable property sales – share of joint venture	**(2,308)**	-	(495)
Noncontrolling interest share of adjustments	**(7,771)**	(11,514)	(16,527)
Consolidated Funds from Operation attributable to common shareholders	**$ 297,955**	$ 12,854	$ 369,698

As the economy improved in 2010, we executed in all areas of the operations, asset, and capital strategies that we established in 2009. Of specific note was the significant progress made in our efforts to increase the concentration within our portfolio towards the industrial and medical office product types in stronger growth markets. Highlights of our 2010 strategic activities are as follows:

- On July 1, 2010, we acquired our joint venture partner's 50% interest in Dugan Realty, L.L.C. ("Dugan"), a real estate joint venture that we had previously accounted for using the equity method, for a net cash payment of $138.6 million. As the result of this transaction, we obtained 100% of Dugan's membership interests. Dugan had secured debt, which, at the time of acquisition, had a total face value of $283.0 million. Dugan owned 106 industrial buildings totaling 20.8 million square feet and 62.6 net acres of undeveloped land located in Midwest and Southeast markets.

- On December 30, 2010, we completed the acquisition of the first tranche of the Premier Realty Corporation South Florida property portfolio (the "Premier Portfolio") for $281.7 million, including the assumption of secured debt that had a face value of $155.7 million. The first tranche includes 39 buildings, totaling more than 3.4 million square feet, nearly all of which are industrial properties. The Premier Portfolio, in its entirety, includes 51 industrial and five office buildings with over 4.9 million rentable square feet and four ground leases, for a total price of approximately $449.4 million. The remainder of the acquisition is under contract and expected to close in early 2011, subject to the execution of certain debt assumptions and customary closing conditions.
- We generated $499.5 million of total net cash proceeds from the disposition of 36 wholly-owned buildings, either through outright sales or partial sales to unconsolidated joint ventures, as well as 130 acres of wholly-owned undeveloped land. Included in the wholly-owned building dispositions in 2010 is the sale of seven suburban office buildings, totaling over 1.0 million square feet, to a newly formed subsidiary of an existing 20% owned joint venture. These buildings were sold to the joint venture for an agreed value of $173.9 million, of which our 80% share of proceeds totaled $139.1 million. We expect to sell additional buildings to this joint venture by the end of the second quarter 2011, subject to financing and other customary closing conditions. The total 2011 sale is under contract and expected to consist of 13 office buildings, totaling over 2.0 million square feet, with an agreed upon value of $342.8 million, which is expected to generate proceeds of $274.2 million for the 80% portion that we sell.
- We have limited our new development starts to selected projects in markets or product types expected to have strong future rent growth and demand or projects that have significant pre-leasing. The total estimated cost of our consolidated properties under construction was $151.5 million at December 31, 2010 with $47.2 million of such costs incurred through that date. Our total estimated cost for jointly controlled properties under construction was $176.0 million at December 31, 2010 with $106.2 million of costs incurred through that date.
- The occupancy level for our in-service portfolio of consolidated properties increased from 87.6% at December 31, 2009 to 89.1% at December 31, 2010. The increase in occupancy was driven by a significant increase in total leasing volume as, during 2010, we had our highest total leasing volume since 2007. A significant portion of the leasing volume in 2010 was related to buildings where development was started on a speculative basis between 2005 and 2008.
- Despite the continued challenges presented by the overall economy, total leasing activity for our consolidated properties totaled 20.4 million square feet in 2010 compared to 15.3 million square feet in 2009.
- Total leasing activity for our consolidated properties in 2010 included 10.1 million square feet of renewals, which represented a 77.2% success rate but resulted in a 4.9% reduction in net effective rents.

We executed a number of significant transactions in support of our capital strategy during 2010 in order to optimally sequence our unsecured debt maturities, manage our overall leverage profile, and support our acquisition strategy. Highlights of our key financing activities in 2010 are as follows:

- In January 2010, we repaid $99.8 million of senior unsecured notes, which had an effective interest rate of 5.37%, on their scheduled maturity date.
- In April 2010, we issued $250.0 million of 10-year unsecured debt, which bears interest at an effective rate of 6.75%.
- In June 2010, we issued 26.5 million shares of common stock at $11.75 per share, which generated net proceeds of $298.1 million.
- During 2010, through a cash tender offer and open market transactions, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2011 and 2013,

which had a weighted average stated interest rate of 4.48%. In total, we repurchased unsecured notes that had a face value of $279.9 million.

- During 2010, we also completed open market repurchases of approximately 4.5 million shares of our 8.375% Series O preferred stock. We repurchased preferred shares that had a face value of $112.1 million.

KEY PERFORMANCE INDICATORS

Our operating results depend primarily upon rental income from our industrial, office, medical office and retail properties (collectively referred to as "Rental Operations"). The following discussion highlights the areas of Rental Operations that we consider critical drivers of future revenues.

Occupancy Analysis: As discussed above, our ability to maintain high occupancy rates is a principal driver of maintaining and increasing rental revenue from continuing operations. The following table sets forth occupancy information regarding our in-service portfolio of consolidated rental properties as of December 31, 2010 and 2009, respectively (in thousands, except percentage data):

	Total Square Feet		Percent of Total Square Feet		Percent Leased	
Type	**2010**	2009	**2010**	2009	**2010**	2009
Industrial	**81,897**	56,426	**71.8%**	62.3%	**90.6%**	89.4%
Office	**29,265**	31,073	**25.7%**	34.3%	**85.4%**	84.7%
Other (Medical Office and Retail)	**2,916**	3,082	**2.5%**	3.4%	**85.7%**	82.9%
Total	**114,078**	90,581	**100.0%**	100.0%	**89.1%**	87.6%

The increase in occupancy at December 31, 2010 compared to December 31, 2009 is primarily because we achieved a volume of executed leases in 2010 that was the highest since 2007, with a significant portion of that volume related to buildings where development was started on a speculative basis between 2005 and 2008. Our ongoing ability to maintain favorable occupancy levels may be adversely affected by the continued effects of the economic recession on current and prospective tenants and such a reduction in the level of occupancy may have an adverse impact on revenues from rental operations.

Lease Expiration and Renewals: Our ability to maintain and improve occupancy rates primarily depends upon our continuing ability to re-lease expiring space. The following table reflects our consolidated in-service portfolio lease expiration schedule by property type as of December 31, 2010. The table indicates square footage and annualized net effective rents (based on December 2010 rental revenue) under expiring leases (in thousands, except percentage data):

	Total Portfolio			Industrial		Office		Other	
Year of Expiration	Square Feet	Ann. Rent Revenue	% of Revenue	Square Feet	Ann. Rent Revenue	Square Feet	Ann. Rent Revenue	Square Feet	Ann. Rent Revenue
2011	11,504	$ 66,476	10%	8,875	$ 34,325	2,585	$ 31,552	44	$ 599
2012	9,177	65,612	9%	6,226	27,327	2,890	37,184	61	1,101
2013	14,713	100,084	15%	10,626	43,031	4,033	55,980	54	1,073
2014	12,012	72,919	11%	9,102	34,097	2,747	36,029	163	2,793
2015	12,389	73,126	11%	9,557	36,249	2,807	36,327	25	550
2016	9,309	52,548	8%	7,289	26,675	1,937	23,981	83	1,892
2017	7,069	46,303	7%	5,381	20,586	1,393	19,410	295	6,307
2018	5,461	49,951	7%	3,155	12,008	1,766	25,407	540	12,536
2019	3,670	40,840	6%	1,603	7,067	1,795	27,001	272	6,772
2020	6,974	48,653	7%	5,107	18,325	1,469	22,049	398	8,279
2021 and Thereafter	9,381	65,984	9%	7,244	30,523	1,573	22,081	564	13,380
	101,659	$ 682,496	100%	74,165	$ 290,213	24,995	$ 337,001	2,499	$ 55,282
Total Portfolio Square Feet	114,078			81,897		29,265		2,916	
Percent Leased	89.1%			90.6%		85.4%		85.7%	

We renewed 77.2% and 82.0% of our leases up for renewal totaling approximately 10.1 million and 8.8 million square feet in 2010 and 2009, respectively. There was a 4.9% decline in net effective rents on these renewals during 2010, compared to a 2.2% increase in 2009. Although general economic conditions have improved since 2009, there continues to be an over-supply of rentable space in many markets that has necessitated a continuation of the 2009 trend toward a reduction in overall rental rates in order to maintain occupancy. Our lease renewal percentages over the past three years have remained at a relatively consistent success rate. The effects of future economic conditions upon our base of existing tenants may adversely affect our ability to continue to achieve this renewal rate.

Acquisition and Disposition Activity: In 2010, we consolidated 106 industrial buildings as the result of acquiring Dugan. We also acquired 38 industrial buildings and one office building as a result of closing the first tranche of the Premier Portfolio. We expect to complete the purchase of the Premier Portfolio, which is under contract, in early 2011 and will continue to evaluate other acquisition opportunities to the extent they support our overall strategy. In addition to these two transactions, we purchased an additional 10 industrial buildings, two office buildings and one medical office building in 2010. Including the additional 50% ownership interest in Dugan, we acquired real estate and other assets totaling $901.5 million in 2010.

In 2009, we acquired $32.1 million of income producing properties comprised of three industrial real estate properties in Savannah, Georgia.

Net cash proceeds related to the dispositions of wholly owned undeveloped land and buildings totaled $499.5 million in 2010, compared to $288.2 million in 2009. Included in the wholly owned building dispositions in 2010 is the previously mentioned sale of seven suburban office buildings, totaling over 1.0 million square feet, to a newly formed subsidiary of an existing 20% owned joint venture. Our share of proceeds from sales of properties from within unconsolidated joint ventures in which we have less than a 100% interest totaled $15.0 million in 2010, and we had no such dispositions in 2009.

We intend to pursue additional disposition opportunities for non-strategic properties and land in accordance with our strategy. We believe that the number of dispositions we execute in 2011 will be impacted by the ability of prospective buyers to obtain favorable financing or pay cash, given the current state of the economy and credit markets in particular.

Future Development: Another source of our earnings growth is our wholly owned and joint venture development activities. We expect to generate future earnings from Rental Operations as the development properties are placed in service and leased. During 2010, we directed a significant portion of our available resources toward acquisition activities as well as limited our development activities to pre-leased industrial and medical office product types. We believe these two product lines will be the areas of greatest future growth.

We had 3.8 million square feet of consolidated or jointly controlled properties under development with total estimated costs upon completion of $327.5 million at December 31, 2010, compared to 1.6 million square feet of property under development with total estimated costs of $440.6 million at December 31, 2009. The square footage and estimated costs include both wholly owned and joint venture development activity at 100%.

The following table summarizes our properties under development as of December 31, 2010 (in thousands, except percentage data):

Ownership Type	Square Feet	Percent Leased	Total Estimated Project Costs	Total Incurred to Date	Amount Remaining to be Spent
Consolidated properties	2,895	90%	$ 151,502	$ 47,181	$ 104,321
Joint venture properties	866	96%	175,985	106,150	69,835
Total	3,761	92%	$ 327,487	$ 153,331	$ 174,156

RESULTS OF OPERATIONS

A summary of our operating results and property statistics for each of the years in the three-year period ended December 31, 2010, is as follows (in thousands, except number of properties and per share data):

	2010	2009	2008
Rental and related revenue	**$ 878,242**	$ 842,232	$ 802,791
General contractor and service fee revenue	**515,361**	449,509	434,624
Operating income (loss)	**227,728**	(75,210)	259,758
Net income (loss) attributable to common shareholders	**(14,108)**	(333,601)	50,408
Weighted average common shares outstanding	**238,920**	201,206	146,915
Weighted average common shares and potential dilutive securities	**238,920**	201,206	154,553
Basic income (loss) per common share:			
Continuing operations	**$ (0.22)**	$ (1.58)	$ 0.17
Discontinued operations	**$ 0.15**	$ (0.09)	$ 0.16
Diluted income (loss) per common share:			
Continuing operations	**$ (0.22)**	$ (1.58)	$ 0.17
Discontinued operations	**$ 0.15**	$ (0.09)	$ 0.16
Number of in-service consolidated properties at end of year	**669**	543	537
In-service consolidated square footage at end of year	**114,078**	90,581	90,101
Number of in-service joint venture properties at end of year	**114**	211	204
In-service joint venture square footage at end of year	**22,657**	43,248	40,948

COMPARISON OF YEAR ENDED DECEMBER 31, 2010 TO YEAR ENDED DECEMBER 31, 2009

Rental and Related Revenue

The following table sets forth rental and related revenue from continuing operations by reportable segment for the years ended December 31, 2010 and 2009, respectively (in thousands):

	2010	2009
Rental and Related Revenue:		
Office	**$ 504,812**	$ 523,695
Industrial	**295,960**	254,515
Non-reportable segments	**77,470**	64,022
Total	**$ 878,242**	$ 842,232

The primary reasons for the increase in rental revenue from continuing operations, with specific references to a particular segment when applicable, are summarized below:

- We consolidated 106 industrial buildings as a result of acquiring our joint venture partner's 50% interest in Dugan on July 1, 2010. The consolidation of these buildings resulted in an increase of $38.7 million in rental and related revenue for the year ended December 31, 2010, as compared to the same period in 2009.
- Including the December 30, 2010 acquisition of the first tranche of the Premier Portfolio, we acquired or consolidated an additional 56 properties and placed 18 developments in service from January 1, 2009 to December 31, 2010, which provided incremental revenues of $29.2 million in the year ended December 31, 2010.
- We contributed 15 properties to an unconsolidated joint venture in 2009 and 2010, resulting in a $9.2 million reduction in rental and related revenue in 2010.
- We sold eight properties in 2009 and 2010 that were excluded from discontinued operations as a result of continuing involvement in the properties through management agreements. These dispositions resulted in a decrease in rental and related revenue from continuing operations of $7.5 million in 2010.
- Rental and related revenue includes lease termination fees, which relate to specific tenants who pay a fee to terminate their lease obligation before the end of the contractual lease term. Lease termination fees included in continuing operations decreased from $12.3 million in 2009 to $6.7 million in 2010.

- Average occupancy for the year ended December 31, 2010 decreased slightly for our office properties, while increasing for our industrial properties, when compared to the year ended December 31, 2009. These changes in occupancy, as well as decreases in rental rates in certain of our 2010 lease renewals, resulted in a net decrease to rental and related revenues which partially offset the increases generated from acquisitions and developments placed in service.

Rental Expenses and Real Estate Taxes

The following table reconciles rental expenses and real estate taxes by reportable segment to our total reported amounts in the statements of operations for the years ended December 31, 2010 and 2009, respectively (in thousands):

	2010	2009
Rental Expenses:		
Office	**$ 146,279**	$ 147,774
Industrial	**32,880**	27,016
Non-reportable segments	**18,826**	17,480
Total	**$ 197,985**	$ 192,270
Real Estate Taxes:		
Office	**$ 67,104**	$ 68,055
Industrial	**43,814**	36,383
Non-reportable segments	**7,088**	6,751
Total	**$ 118,006**	$ 111,189

Of the overall $5.7 million increase in rental expenses in 2010 compared to 2009, $4.4 million was attributable to the consolidation of the 106 industrial buildings in Dugan. There were also incremental costs of $6.2 million associated with the additional 56 properties acquired or otherwise consolidated and 18 developments placed in service. These increases were partially offset by a decrease in rental expenses of approximately $3.3 million related to 23 properties that were sold in 2009 and 2010, but did not meet the criteria for classification as discontinued operations.

Overall, real estate taxes increased by $6.8 million in 2010 compared to 2009. The primary reason for this increase is the consolidation of an additional 106 industrial buildings related to the acquisition of Dugan, which resulted in incremental real estate taxes of $7.1 million. There were also incremental costs of $3.1 million associated with the additional 56 properties acquired or otherwise consolidated and 18 developments placed in service. These increases were partially offset by a decrease in real estate taxes of approximately $2.7 million related to 23 properties that were sold in 2009 and 2010, but did not meet the criteria for classification as discontinued operations.

Service Operations

The following table sets forth the components of the Service Operations reportable segment (excluding Build-for-Sale Properties) for the years ended December 31, 2010 and 2009, respectively (in thousands):

	2010	2009
Service Operations:		
General contractor and service fee revenue	**$ 515,361**	$ 449,509
General contractor and other services expenses	**(486,865)**	(427,666)
Total	**$ 28,496**	$ 21,843

Service Operations primarily consist of the leasing, property management, asset management, development, construction management and general contractor services for joint venture properties and properties owned by third parties. Service Operations are heavily influenced by the current state of the economy, as leasing and property management fees are dependent upon occupancy while construction and development services rely on the expansion of business operations of third-party property owners and joint venture partners. The increase in earnings from Service Operations was largely the result of an overall increase in third-party construction volume and fees.

Depreciation and Amortization Expense

Depreciation and amortization expense increased from $323.4 million in 2009 to $349.1 million in 2010 due to increases in our real estate asset base from properties acquired or consolidated and developments placed in service during 2010 and 2009. The consolidation of 106 additional industrial properties related to the July 1, 2010 acquisition of our partner's ownership interest in Dugan resulted in $25.4 million of additional depreciation expense.

Equity in Earnings of Unconsolidated Companies

Equity in earnings represents our ownership share of net income or loss from investments in unconsolidated companies that generally own and operate rental properties and develop properties for sale. Equity in earnings decreased from $9.9 million in 2009 to $8.0 million in 2010. The decrease was largely the result of the acquisition of Dugan, which was previously accounted for under the equity method, which took place on July 1, 2010.

Gain on Sale of Properties

Gains on sales of properties classified in continuing operations increased from $12.3 million in 2009 to $39.7 million in 2010. We sold nine properties in 2009 compared to 17 properties in 2010. Because the properties sold in 2009 and 2010 either had insignificant operations prior to sale or because we maintained varying forms of continuing involvement after sale, they are not classified within discontinued operations. Seven of the properties sold in 2010, with a combined gain on sale of $31.9 million, were made to a newly formed subsidiary of an existing 20% owned joint venture to which we expect to sell additional properties during 2011.

Impairment Charges

Impairment charges classified in continuing operations include the impairment of undeveloped land and buildings, investments in unconsolidated subsidiaries and other real estate related assets. The decrease from $275.6 million in 2009 to $9.8 million in 2010 is primarily due to the following activity:

- In 2010, we sold approximately 60 acres of land, in two separate transactions, which resulted in impairment charges of $9.8 million. These sales were opportunistic in nature and we had not identified or actively marketed this land for disposition, as it was previously intended to be held for development.
- A result of the refinement of our business strategy that took place in 2009 was the decision to dispose of approximately 1,800 acres of land, which had a total cost basis of $385.3 million, rather than holding it for future development. Our change in strategy for this land triggered the requirement to conduct an impairment analysis, which resulted in a determination that a significant portion of the land, representing over 35% of the land's carrying value, was impaired. We recognized impairment charges on land of $136.6 million in 2009, primarily as the result of writing down to fair value the land that was identified for disposition and determined to be impaired.
- Also in 2009, an impairment charge of $78.1 million was recognized for 28 office, industrial and retail buildings. Nine of these properties met the criteria for discontinued operations at December 31, 2010, either as a result of being sold or classified as held-for-sale, and the $26.9 million of impairment charges related to these properties is accordingly reflected in discontinued operations. The impairment analysis was triggered either as the result of changes in management's strategy, resulting in certain buildings being identified as non-strategic, or changes in market conditions.

- We hold a 50% ownership interest in an unconsolidated entity (the "3630 Peachtree joint venture") whose sole activity is the development and operation of the office component of a multi-use office and residential high-rise building located in the Buckhead sub-market of Atlanta. We recognized an impairment charge in 2009 to write off our $14.4 million investment in the 3630 Peachtree joint venture as the result of an other-than-temporary decline in value. As a result of the joint venture's obligations to the lender in its construction loan agreement, the likelihood that our partner will be unable to contribute their share of the additional equity to fund the joint venture's future capital costs, and ultimately from our contingent obligation stemming from our joint and several guarantee of the joint venture's loan, we recorded an additional liability of $36.3 million in 2009 for our probable future obligation to the lender.
- In 2009, we recognized a $5.8 million charge on our investment in an unconsolidated joint venture (the "Park Creek joint venture").
- We recognized $31.5 million of impairment charges on other real estate related assets in 2009, which related primarily to reserving loans receivable from other real estate entities, as well as writing off previously deferred development costs.

General and Administrative Expense

General and administrative expense decreased from $47.9 million in 2009 to $41.3 million in 2010. General and administrative expenses consist of two components. The first component includes general corporate expenses and the second component includes the indirect operating costs not allocated to the development or operations of our owned properties and Service Operations. The decrease in general and administrative expenses resulted from a $9.6 million reduction in our total overhead costs, which was largely a result of reduced severance charges when compared to 2009. The reduction in overall overhead expenses was partially offset by a $3.3 million decrease in overhead costs absorbed by an allocation to leasing, construction and other areas, which was primarily a result of lower wholly owned construction and development activities than in 2009.

Interest Expense

Interest expense from continuing operations increased from $206.0 million in 2009 to $239.4 million in 2010. The increase was largely the result of a $15.4 million decrease in the capitalization of interest costs, due to properties previously undergoing significant development activities being placed in service or otherwise not meeting the criteria for the capitalization of interest. The remaining increase in interest expense was largely the result of our 2010 acquisition activity which, in addition to other uses of capital, drove higher overall borrowings in 2010.

Gain (Loss) on Debt Transactions

During 2010, through a cash tender offer and open market transactions, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2011 and 2013. In total, we paid $292.2 million for unsecured notes that had a face value of $279.9 million. We recognized a net loss on extinguishment of $16.3 million after considering the write-off of unamortized deferred financing costs, discounts and other accounting adjustments.

During 2009, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2009 through 2011. The majority of our debt repurchases during 2009 were of our 3.75% Exchangeable Senior Notes ("Exchangeable Notes"). In total, we paid $500.9 million for unsecured notes that had a face value of $542.9 million, recognizing a net gain on extinguishment of $27.5 million after considering the write-off of unamortized deferred financing costs, discounts and other accounting adjustments. Partially offsetting these gains, we recognized $6.8 million of expense in 2009 for the write-off of fees paid for a pending secured financing that we cancelled in the third quarter of 2009.

Income Taxes

We recognized an income tax benefit of $1.1 million and $6.1 million, respectively, in 2010 and 2009.

We recorded a net valuation allowance of $7.3 million against our deferred tax assets during 2009. The valuation allowance was recorded as the result of changes to our projections for future taxable income within our taxable REIT subsidiary. The decreased projection of taxable income was the result of a revision in strategy, whereby we determined that we would indefinitely discontinue the development of Build-for-Sale properties, necessitating the revision of our taxable income projections.

Discontinued Operations

The results of operations for properties sold during the year to unrelated parties or classified as held-for-sale at the end of the period, and meet the applicable criteria, are required to be classified as discontinued operations. The property specific components of earnings that are classified as discontinued operations include rental revenues, rental expenses, real estate taxes, allocated interest expense and depreciation expense, impairment charges as well as the net gain or loss on the disposition of properties.

The operations of 41 buildings are currently classified as discontinued operations. These 41 properties consist of 12 industrial, 27 office, and two retail properties. As a result, we classified income, before gain on sales and impairment charges, of $2.7 million, $2.9 million and $8.5 million in discontinued operations for the years ended December 31, 2010, 2009 and 2008, respectively.

Of these properties, 19 were sold during 2010, five properties were sold during 2009 and eight properties were sold during 2008. The gains on disposal of these properties of $33.1 million, $6.8 million and $17.0 million for the years ended December 31, 2010, 2009 and 2008, respectively, are also reported in discontinued operations. Discontinued operations also includes impairment charges of $26.9 million and $1.3 million for the years ended December 31, 2009 and 2008, respectively, recognized on properties that were subsequently sold. There are nine properties classified as held-for-sale at December 31, 2010.

COMPARISON OF YEAR ENDED DECEMBER 31, 2009 TO YEAR ENDED DECEMBER 31, 2008

Rental and Related Revenue

The following table sets forth rental and related revenue from continuing operations by reportable segment for the years ended December 31, 2009 and 2008, respectively (in thousands):

	2009	2008
Rental and Related Revenue:		
Office	$ 523,695	$ 509,203
Industrial	254,515	245,663
Non-reportable segments	64,022	47,925
Total	$ 842,232	$ 802,791

The primary reasons for the increase in rental revenue from continuing operations, with specific references to a particular segment when applicable, are summarized below:

- In 2009, we acquired three properties, consolidated two retail properties in which we previously had a partial ownership interest, and placed 15 developments in service. The acquisitions and developments provided incremental revenues of $1.4 million and $7.2 million, respectively. The two retail properties that were consolidated in 2009 provided $16.3 million of incremental revenues. Of the development properties placed in service in 2009, ten were medical office properties accounting for $4.1 million of the $7.2 million incremental revenues.

- Acquisitions and developments that were placed in service in 2008 provided $422,000 and $31.9 million, respectively, of incremental revenue in 2009.
- Lease termination fees included in rental and related revenue from continuing operations increased from $9.2 million in 2008 to $12.3 million in 2009.
- We contributed five properties to an unconsolidated joint venture in 2008, resulting in a $2.2 million reduction in revenues for the year ended December 31, 2009, as compared to the same period in 2008.
- The increase in rental revenues was partially offset by a $6.8 million increase in expense related to doubtful receivables, including both contractual and straight-line receivables, as a result of economic conditions during 2009.
- Decreases in rental rates and occupancy in certain of our existing properties, resulting from the economy's impact on the leasing environment, partially offset the above-mentioned items.

Rental Expenses and Real Estate Taxes

The following table reconciles rental expenses and real estate taxes by reportable segment to our total reported amounts in the statements of operations for the years ended December 31, 2009 and 2008, respectively (in thousands):

	2009	2008
Rental Expenses:		
Office	**$ 147,774**	$ 141,993
Industrial	**27,016**	27,154
Non-reportable segments	**17,480**	10,226
Total	**$ 192,270**	$ 179,373
Real Estate Taxes:		
Office	**$ 68,055**	$ 62,546
Industrial	**36,383**	29,992
Non-reportable segments	**6,751**	3,334
Total	**$ 111,189**	$ 95,872

Of the overall $12.9 million increase in rental expenses in 2009 compared to 2008, $10.2 million was attributable to properties acquired or consolidated and developments placed in service from January 1, 2008 through December 31, 2009.

Of the overall $15.3 million increase in real estate taxes in 2009 compared to 2008, $9.8 million was attributable to properties acquired or consolidated and developments placed in service from January 1, 2008 through December 31, 2009. The remaining increase in real estate taxes was driven by increases in tax rates and assessed values on our existing properties.

Service Operations

The following table sets forth the components of the Service Operations reportable segment (excluding Build-for-Sale Properties) for the years ended December 31, 2009 and 2008, respectively (in thousands):

	2009	2008
Service Operations:		
General contractor and service fee revenue	**$ 449,509**	$ 434,624
General contractor and other services expenses	**(427,666)**	(418,743)
Total	**$ 21,843**	$ 15,881

The increase in earnings from Service Operations was primarily a result of general contractor expenses being higher than usual in 2008 as a result of increases in our total cost estimates for two third-party fixed price construction contracts, which reduced the margins on the contracts.

Depreciation and Amortization Expense

Depreciation and amortization expense increased from $293.0 million in 2008 to $323.4 million in 2009 due to increases in our real estate asset base from properties acquired or consolidated and developments placed in service during 2008 and 2009.

Equity in Earnings of Unconsolidated Companies

Equity in earnings decreased from $23.8 million in 2008 to $9.9 million in 2009. The decrease was primarily a result of our share of the gain on sale of five properties from unconsolidated subsidiaries in 2008 totaling $10.1 million, compared to no such sales in 2009. The decreased gains on property sales were partially offset as the result of consolidating two retail joint ventures in April 2009, for which our share of net loss was $3.5 million in 2008. The remaining decrease in equity in earnings is primarily due to a decrease in operating income within certain of our joint ventures due to decreased occupancy in the underlying rental properties.

Gain on Sale of Properties

Gains on sales of properties decreased from $39.1 million in 2008 to $12.3 million in 2009. We sold 14 properties in 2008 compared to nine properties in 2009. The properties sold in 2008 were part of our Build-for-Sale program, which is no longer a significant part of our Service Operations. Because the properties sold in 2008 and 2009 either had insignificant operations prior to sale or because we maintained varying forms of continuing involvement after sale, they are not classified within discontinued operations.

Earnings from Sales of Land

Earnings from sales of land decreased from $12.7 million in 2008 to $357,000 in 2009. The decrease in earnings was the result of the current state of the real estate market, as fewer developers are willing to make speculative purchases of land for future development.

Impairment Charges

Impairment charges classified in continuing operations include the impairment of undeveloped land and buildings, investments in unconsolidated subsidiaries and other real estate related assets. The increase from $10.2 million in 2008 to $275.6 million in 2009 is primarily due to a refinement of our business strategy coupled with decreases in real estate values and is comprised of the following activity:

- A result of the refinement of our business strategy that took place in 2009 was the decision to dispose of approximately 1,800 acres of land, which had a total cost basis of $385.3 million, rather than holding it for future development. Our change in strategy for this land triggered the requirement to conduct an impairment analysis, which resulted in a determination that a significant portion of the land, representing over 35% of the land's carrying value, was impaired. We recognized impairment charges on land of $136.6 million in 2009, primarily as the result of writing down to fair value the land that was identified for disposition and determined to be impaired.
- Also in 2009, an impairment charge of $78.1 million was recognized for 28 office, industrial and retail buildings. Nine of these properties met the criteria for discontinued operations, either as a result of being sold or classified as held-for-sale, and the $26.9 million of impairment charges related to these properties is accordingly reflected in discontinued operations. The impairment analysis was triggered either as the result of changes in management's strategy, resulting in certain buildings being identified as non-strategic, or changes in market conditions.
- We recognized an impairment charge in 2009 to write off our $14.4 million investment in the 3630 Peachtree joint venture as the result of an other-than-temporary decline in value. As a result of the joint venture's obligations to the lender in its construction loan agreement, the likelihood that our partner will be unable to contribute their share of the additional equity to fund the joint venture's future capital costs, and ultimately from our contingent obligation stemming from our joint and several guarantee of the joint venture's loan, we recorded an additional liability of $36.3 million in 2009 for our probable future obligation to the lender.
- In 2009, we recognized a $5.8 million charge on our investment in the Park Creek joint venture.

- We recognized $31.5 million of impairment charges on other real estate related assets in 2009, which related primarily to reserving loans receivable from other real estate entities, as well as writing off previously deferred development costs.
- In 2008, as the result of a re-assessment of our intended use of some of our land holdings, we recognized non-cash impairment charges on seven of our tracts of undeveloped land totaling $8.6 million. Also, as the result of the economy's negative effect on real estate selling prices, we recognized $2.8 million of impairment charges on two of our Build-for-Sale properties that were under construction at December 31, 2008, and were expected to sell in 2009. One of these properties met the criteria for discontinued operations upon sale and the $1.3 million impairment charge related to this property is accordingly reflected in discontinued operations.

General and Administrative Expense

General and administrative expense increased from $39.5 million in 2008 to $47.9 million in 2009. The increase in general and administrative expenses is primarily the result of a $4.8 million increase in severance pay. Other than this expense item, we reduced our total overhead costs by $22.7 million to compensate for the reduction in the volume of leasing and construction activity. However, the absorption of actual overhead costs by an allocation to leasing, construction and other areas decreased by $26.3 million, which, when netted with the $22.7 million reduction in costs, resulted in the remaining increase in general and administrative expenses.

Interest Expense

Interest expense from continuing operations increased from $184.0 million in 2008 to $206.0 million in 2009, primarily as a result of a $26.6 million decrease in capitalization of interest costs, due to properties previously undergoing significant development activities being placed in service or otherwise not meeting the criteria for the capitalization of interest. Additionally, as the result of the conditions in the credit markets driving up interest rates on new borrowings in 2009, the weighted average interest rate on our total outstanding borrowings increased from 5.43% at December 31, 2008 to 6.36% at December 31, 2009.

Gain on Debt Transactions

During 2009, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2009 through 2011. The majority of our debt repurchases during 2009 were of our Exchangeable Notes. In total, we paid $500.9 million for unsecured notes that had a face value of $542.9 million, recognizing a net gain on extinguishment of approximately $27.5 million after considering the write-off of unamortized deferred financing costs, discounts and other accounting adjustments. Partially offsetting these gains, we recognized $6.8 million of expense in 2009 for the write-off of fees paid for a pending secured financing that we cancelled in the third quarter of 2009.

Income Taxes

We recognized an income tax benefit of $6.1 million and $7.0 million, respectively, in 2009 and 2008.

We recorded a net valuation allowance of $7.3 million against our deferred tax assets during 2009. The valuation allowance was recorded as the result of changes to our projections for future taxable income within our taxable REIT subsidiary. The decreased projection of taxable income was the result of a revision in strategy, whereby we determined that we would indefinitely discontinue the development of Build-for-Sale properties, necessitating the revision of our taxable income projections. Notwithstanding the valuation allowance recorded during 2009, our taxable REIT subsidiary recognized significantly higher taxable losses in 2009 than in 2008 as the result of the timing and profitability of land and building sales.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Our estimates, judgments and assumptions are inherently subjective and based on the existing business and market conditions, and are therefore continually evaluated based upon available information and experience. Note 2 to the Consolidated Financial Statements includes further discussion of our significant accounting policies. Our management has assessed the accounting policies used in the preparation of our financial statements and discussed them with our Audit Committee and independent auditors. The following accounting policies are considered critical based upon materiality to the financial statements, degree of judgment involved in estimating reported amounts and sensitivity to changes in industry and economic conditions:

Accounting for Joint Ventures: We analyze our investments in joint ventures to determine if the joint venture is a variable interest entity (a "VIE") and would require consolidation. We (i) evaluate the sufficiency of the total equity at risk, (ii) review the voting rights and decision-making authority of the equity investment holders as a group, and whether there are any guaranteed returns, protection against losses, or capping of residual returns within the group and (iii) establish whether activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination. We would consolidate a venture that is determined to be a VIE if we were the primary beneficiary. Beginning January 1, 2010, a new accounting standard became effective and changed the method by which the primary beneficiary of a VIE is determined to a primarily qualitative approach whereby the variable interest holder, if any, that controls a VIE's most significant activities is the primary beneficiary. To the extent that our joint ventures do not qualify as VIEs, we further assess each partner's substantive participating rights to determine if the venture should be consolidated.

We have equity interests in unconsolidated joint ventures that own and operate rental properties and hold land for development. To the extent applicable, we consolidate those joint ventures that are considered to be VIE's where we are the primary beneficiary. For non-variable interest entities, we consolidate those joint ventures that we control through majority ownership interests or where we are the managing entity and our partner does not have substantive participating rights. Control is further demonstrated by the ability of the general partner to manage day-to-day operations, refinance debt and sell the assets of the joint venture without the consent of the limited partner and inability of the limited partner to replace the general partner. We use the equity method of accounting for those joint ventures where we do not have control over operating and financial policies. Under the equity method of accounting, our investment in each joint venture is included on our balance sheet; however, the assets and liabilities of the joint ventures for which we use the equity method are not included on our balance sheet.

To the extent that we contribute assets to a joint venture, our investment in the joint venture is recorded at our cost basis in the assets that were contributed to the joint venture. To the extent that our cost basis is different than the basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in our share of equity in earnings of the joint venture. We recognize gains on the contribution or sale of real estate to joint ventures, relating solely to the outside partner's interest, to the extent the economic substance of the transaction is a sale.

Cost Capitalization: Direct and certain indirect costs, including interest, clearly associated with the development, construction, leasing or expansion of real estate investments are capitalized as a cost of the property.

We capitalize interest and direct and indirect project costs associated with the initial construction of a property up to the time the property is substantially complete and ready for its intended use. We believe the completion of the building shell is the proper basis for determining substantial completion and that this basis is the most widely accepted standard in the real estate industry. The interest rate used to capitalize interest is based upon our average borrowing rate on existing debt.

We also capitalize direct and indirect costs, including interest costs, on vacant space during extended lease-up periods after construction of the building shell has been completed if costs are being incurred to ready the vacant space for its intended use. If costs and activities incurred to ready the vacant space cease, then cost capitalization is also discontinued until such activities are resumed. Once necessary work has been completed on a vacant space, project costs are no longer capitalized. We cease capitalization of all project costs on extended lease-up periods after the shorter of a one-year period after the completion of the building shell or when the property attains 90% occupancy. In addition, all leasing commissions paid to third parties for new leases or lease renewals are capitalized.

In assessing the amount of indirect costs to be capitalized, we first allocate payroll costs, on a department-by-department basis, among activities for which capitalization is warranted (i.e., construction, development and leasing) and those for which capitalization is not warranted (i.e., property management, maintenance, acquisitions and dispositions and general corporate functions). To the extent the employees of a department split their time between capitalizable and non-capitalizable activities, the allocations are made based on estimates of the actual amount of time spent in each activity. Once the payroll costs are allocated, the non-payroll costs of each department are allocated among the capitalizable and non-capitalizable activities in the same proportion as payroll costs.

To ensure that an appropriate amount of costs are capitalized, the amount of capitalized costs that are allocated to a specific project are limited to amounts using standards we developed. These standards consist of a percentage of the total development costs of a project and a percentage of the total gross lease amount payable under a specific lease. These standards are derived after considering the amounts that would be allocated if the personnel in the departments were working at full capacity. The use of these standards ensures that overhead costs attributable to downtime or to unsuccessful projects or leasing activities are not capitalized.

Impairment of Real Estate Assets: We evaluate our real estate assets, with the exception of those that are classified as held-for-sale, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an evaluation is considered necessary, we compare the carrying amount of that real estate asset, or asset group, with the expected undiscounted cash flows that are directly associated with, and that are expected to arise as a direct result of, the use and eventual disposition of that asset, or asset group. Our estimate of the expected future cash flows used in testing for impairment is based on, among other things, our estimates regarding future market conditions, rental rates, occupancy levels, costs of tenant improvements, leasing commissions and other tenant concessions, assumptions regarding the residual value of our properties at the end of our anticipated holding period and the length of our anticipated holding period and is, therefore, subjective by nature. These assumptions could differ materially from actual results. If our strategy changes or if market conditions otherwise dictate a reduction in the holding period and an earlier sale date, an impairment loss could be recognized and such loss could be material. To the extent the carrying amount of a real estate asset, or asset group, exceeds the associated estimate of undiscounted cash flows, an impairment loss is recorded to reduce the carrying value of the asset to its fair value.

The determination of the fair value of real estate assets is also highly subjective, especially in markets where there is a lack of recent comparable transactions. We primarily utilize the income approach to estimate the fair value of our income producing real estate assets. To the extent that the assumptions used in testing long-lived assets for impairment differ from those of a marketplace participant, the assumptions are modified in order to estimate the fair value of a real estate asset when an impairment charge is measured. In addition to determining future cash flows, which make the estimation of a real estate asset's undiscounted cash flows highly subjective, the selection of the discount rate and exit capitalization rate used in applying the income approach is also highly subjective.

To the extent applicable marketplace data is available, we generally use the market approach in estimating the fair value of undeveloped land that is determined to be impaired.

Real estate assets that are classified as held-for-sale are reported at the lower of their carrying value or their fair value, less estimated costs to sell.

Acquisition of Real Estate Property and Related Assets: We allocate the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values. Beginning January 1, 2009, we record assets acquired in step acquisitions at their full fair value and record a gain or loss for the difference between the fair value and the carrying value of our existing equity interest. Additionally, beginning January 1, 2009, contingencies arising from a business combination are recorded at fair value if the acquisition date fair value can be determined during the measurement period.

The allocation to tangible assets (buildings, tenant improvements and land) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models similar to those used by independent appraisers. Factors considered by management include an estimate of carrying costs during the expected lease-up periods considering current market conditions, and costs to execute similar leases. The purchase price of real estate assets is also allocated among three categories of intangible assets consisting of the above or below market component of in-place leases, the value of in-place leases and the value of customer relationships.

- The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using an interest rate which reflects the risks associated with the lease) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term and (ii) management's estimate of the amounts that would be paid using current fair market rates over the remaining term of the lease. The amounts allocated to above market leases are included in deferred leasing and other costs in the balance sheet and below market leases are included in other liabilities in the balance sheet; both are amortized to rental income over the remaining terms of the respective leases.
- The total amount of intangible assets is further allocated to in-place lease values and to customer relationship values, based upon management's assessment of their respective values. These intangible assets are included in deferred leasing and other costs in the balance sheet and are amortized over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable.

Valuation of Receivables: We are subject to tenant defaults and bankruptcies that could affect the collection of rent due under leases or of outstanding receivables. In order to mitigate these risks, we perform credit reviews and analyses on major existing tenants and prospective tenants before leases are executed. We have established the following procedures and policies to evaluate the collectability of outstanding receivables and record allowances:

- We maintain a tenant "watch list" containing a list of significant tenants for which the payment of receivables and future rent may be at risk. Various factors such as late rent payments, lease or debt instrument defaults, and indications of a deteriorating financial position are considered when determining whether to include a tenant on the watch list.
- As a matter of policy, we reserve the entire receivable balance, including straight-line rent, of any tenant with an amount outstanding over 90 days.
- Straight-line rent receivables for any tenant on the watch list or any other tenant identified as a potential long-term risk, regardless of the status of current rent receivables, are reviewed and reserved as necessary.

Construction Contracts: We recognize income on construction contracts where we serve as a general contractor on the percentage of completion method. Using this method, profits are recorded on the basis of our estimates of the overall profit and percentage of completion of individual contracts. A portion of the estimated profits is accrued based upon our estimates of the percentage of completion of the construction contract. To the extent that a fixed-price contract is estimated to result in a loss, the loss is recorded immediately. Cumulative revenues recognized may be less or greater than cumulative costs and profits billed at any point in time during a contract's term. This revenue recognition method involves inherent risks relating to profit and cost estimates with those risks reduced through approval and monitoring processes.

With regard to critical accounting policies, management has discussed the following with the Audit Committee:

- Criteria for identifying and selecting our critical accounting policies;
- Methodology in applying our critical accounting policies; and
- Impact of the critical accounting policies on our financial statements.

The Audit Committee has reviewed the critical accounting policies identified by management.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

As the result of generating capital in excess of $1.0 billion through a common equity issuance, unsecured borrowings, and property dispositions, we have more than sufficient capacity to meet our short-term liquidity requirements over the next twelve months.

In addition to our existing sources of liquidity, we expect to meet long-term liquidity requirements, such as scheduled mortgage and unsecured debt maturities, property acquisitions, financing of development activities and other non-recurring capital improvements, through multiple sources of capital including operating cash flow and accessing the public debt and equity markets.

Rental Operations

Cash flows from Rental Operations is our primary source of liquidity and provides a stable cash flow to fund operational expenses. We believe that this cash-based revenue stream is substantially aligned with revenue recognition (except for periodic straight-line rental income accruals and amortization of above or below market rents) as cash receipts from the leasing of rental properties are generally received in advance of or in a short time following the actual revenue recognition.

We are subject to a number of risks related to general economic conditions, including reduced occupancy, tenant defaults and bankruptcies, and potential reduction in rental rates upon renewal or re-letting of properties, each of which would result in reduced cash flow from operations. In 2010, we recognized $5.9 million of expense related to reserving doubtful receivables, including reserves on straight-line rent, compared to $12.0 million in 2009.

Unsecured Debt and Equity Securities

Our unsecured lines of credit as of December 31, 2010 are described as follows (in thousands):

Description	Borrowing Capacity	Maturity Date	Outstanding Balance at December 31, 2010
Unsecured Line of Credit – DRLP	$ 850,000	February 2013	$ 175,000
Unsecured Line of Credit – Consolidated Subsidiary	$ 30,000	July 2011	$ 18,046

The DRLP unsecured line of credit has a borrowing capacity of $850.0 million with an interest rate on borrowings of LIBOR plus 2.75% (equal to 3.01% for borrowings as of December 31, 2010), and matures in February 2013. Subject to certain conditions, the terms also include an option to increase the facility by up to an additional $200.0 million, for a total of up to $1.05 billion. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line, at rates that may be lower than the stated interest rate, subject to certain restrictions.

This line of credit contains financial covenants that require us to meet certain financial ratios and defined levels of performance, including those related to fixed charge coverage and debt-to-asset value (with asset value being defined in the DRLP unsecured line of credit agreement). As of December 31, 2010, we were in compliance with all covenants under this line of credit.

At December 31, 2010, we had on file with the SEC an automatic shelf registration statement on Form S-3, relating to the offer and sale, from time to time, of an indeterminate amount of DRLP's debt securities (including guarantees thereof) and the Company's common shares, preferred shares, and other securities. From time to time, we expect to issue additional securities under this automatic shelf registration statement to fund the repayment of the credit facility and other long-term debt upon maturity.

Pursuant to our automatic shelf registration statement, at December 31, 2010 we had on file with the SEC a prospectus supplement that allows us to issue new shares of our common stock, from time to time, with an aggregate offering price of up to $150.0 million. No new shares have been issued pursuant to this prospectus supplement as of December 31, 2010.

The indentures (and related supplemental indentures) governing our outstanding series of notes also require us to comply with financial ratios and other covenants regarding our operations. We were in compliance with all such covenants as of December 31, 2010.

Sale of Real Estate Assets

We pursue opportunities to sell non-strategic real estate assets in order to generate additional liquidity. Our ability to dispose of such properties is dependent on the availability of credit to potential buyers to purchase properties at prices that we consider acceptable. In light of current market and economic conditions, including, without limitation, the availability and cost of credit, the U.S. mortgage market, and condition of the equity and real estate markets, we may be unable to dispose of such properties quickly, or on favorable terms.

Transactions with Unconsolidated Entities

Transactions with unconsolidated partnerships and joint ventures also provide a source of liquidity. From time to time we will sell properties to an unconsolidated entity, while retaining a continuing interest in that entity, and receive proceeds commensurate to the interest that we do not own. Additionally, unconsolidated entities will from time to time obtain debt financing and will distribute to us, and our joint venture partners, all or a portion of the proceeds.

We have a 20% equity interest in an unconsolidated joint venture ("Duke/Hulfish, LLC") that may acquire up to $800.0 million of our newly developed build-to-suit projects over a three-year period from its formation in May 2008. Properties are sold to the joint venture upon completion, lease commencement and satisfaction of other customary conditions. We have received cumulative net sale and financing proceeds, commensurate to our partner's ownership interest, of approximately $380.4 million through December 31, 2010 related to the joint venture's acquisition of 15 of our properties.

In December 2010, we formed a new joint venture ("Duke/Princeton, LLC") which is a wholly owned subsidiary of, and with the same membership composition and ownership percentages as, Duke/Hulfish, LLC. We made an initial sale of seven suburban office buildings, totaling over 1.0 million square feet, to Duke/Princeton, LLC, for an agreed value of $173.9 million for which our 80% share of net proceeds totaled $138.3 million. We expect, and are under contract, to sell additional buildings to Duke/Princeton, LLC by the end of the second quarter 2011, subject to financing and other customary closing conditions. The total 2011 sale is expected to consist of 13 office buildings, totaling over 2.0 million square feet, with an agreed upon value of $342.8 million, and is expected to generate proceeds of $274.2 million for the 80% portion that we sell.

Uses of Liquidity

Our principal uses of liquidity include the following:

- accretive property investment;
- leasing/capital costs;
- dividends and distributions to shareholders and unitholders;
- long-term debt maturities;
- repurchases of outstanding debt and preferred stock; and
- other contractual obligations.

Property Investment

We evaluate development and acquisition opportunities based upon market outlook, supply and long-term growth potential. Our ability to make future property investments is dependent upon our continued access to our longer-term sources of liquidity including the issuances of debt or equity securities as well as generating cash flow by disposing of selected properties. In light of current economic conditions, management continues to evaluate our investment priorities and is focused on accretive growth.

We have continued to operate at a substantially reduced level of new development activity, as compared to recent years, and are focused on the core operations of our existing base of properties.

Leasing/Capital Costs

Tenant improvements and leasing costs to re-let rental space that had been previously under lease to tenants are referred to as second generation expenditures. Building improvements that are not specific to any tenant but serve to improve integral components of our real estate properties are also second generation expenditures.

One of our principal uses of our liquidity is to fund the second generation leasing/capital expenditures of our real estate investments. The following is a summary of our second generation capital expenditures for the years ended December 31, 2010, 2009 and 2008, respectively (in thousands):

	2010	2009	2008
Second generation tenant improvements	$ 36,676	$ 29,321	$ 36,885
Second generation leasing costs	39,090	40,412	28,205
Building improvements	12,957	9,321	9,724
Totals	$ 88,723	$ 79,054	$ 74,814

Dividends and Distributions

We are required to meet the distribution requirements of the Internal Revenue Code of 1986, as amended, in order to maintain our REIT status. Because depreciation and impairments are non-cash expenses, cash flow will typically be greater than operating income. We paid dividends per share of $0.68, $0.76 and $1.93 for the years ended December 31, 2010, 2009 and 2008, respectively. We expect to continue to distribute at least an amount equal to our taxable earnings, to meet the requirements to maintain our REIT status, and additional amounts as determined by our board of directors. Distributions are declared at the discretion of our board of directors and are subject to actual cash available for distribution, our financial condition, capital requirements and such other factors as our board of directors deems relevant.

At December 31, 2010 we had six series of preferred shares outstanding. The annual dividend rates on our preferred shares range between 6.5% and 8.375% and are paid in arrears quarterly.

Debt Maturities

Debt outstanding at December 31, 2010 had a face value totaling $4.2 billion with a weighted average interest rate of 6.24% maturing at various dates through 2028. We had $3.0 billion of unsecured debt, $193.0 million outstanding on our unsecured lines of credit and $1.1 billion of secured debt outstanding at December 31, 2010. We made scheduled and unscheduled principal payments of $587.3 million on outstanding debt during the year ended December 31, 2010.

The following is a summary of the scheduled future amortization and maturities of our indebtedness at December 31, 2010 (in thousands, except percentage data):

	Future Repayments			Weighted Average
	Scheduled			Interest Rate of
Year	**Amortization**	**Maturities**	**Total**	**Future Repayments**
2011	$ 17,428	$ 383,883	$ 401,311	5.10%
2012	15,926	304,854	320,780	5.85%
2013	15,444	686,893	702,337	5.47%
2014	14,138	305,012	319,150	6.34%
2015	11,919	309,335	321,254	7.06%
2016	10,561	492,560	503,121	6.16%
2017	9,031	469,324	478,355	5.94%
2018	7,356	300,000	307,356	6.08%
2019	6,322	518,438	524,760	7.97%
2020	4,732	250,000	254,732	6.73%
2021	3,416	-	3,416	5.57%
Thereafter	17,789	50,000	67,789	6.86%
	$ 134,062	$ 4,070,299	$ 4,204,361	6.24%

We anticipate generating capital to fund our debt maturities by using undistributed cash generated from rental operations and property dispositions, as well as by raising additional capital from future debt or equity transactions.

Repurchases of Outstanding Debt and Preferred Stock

To the extent that it supports our overall capital strategy, we may purchase additional amounts of our outstanding unsecured debt prior to its stated maturity or redeem or repurchase certain of our outstanding series of preferred stock.

Guarantee Obligations

We are subject to various guarantee obligations in the normal course of business and, in most cases, do not anticipate these obligations to result in significant cash payments.

We are, however, subject to a joint and several guarantee of the construction loan agreement of the 3630 Peachtree joint venture. A contingent liability in the amount of $36.3 million was established in 2009 based on the probability of us being required to pay this obligation to the lender.

HISTORICAL CASH FLOWS

Cash and cash equivalents were $18.4 million and $147.3 million at December 31, 2010 and 2009, respectively. The following highlights significant changes in net cash associated with our operating, investing and financing activities (in thousands):

	Years Ended December 31,		
	2010	2009	2008
Net Cash Provided by Operating Activities	**$ 391,156**	$ 400,472	$ 642,847
Net Cash Used for Investing Activities	**(288,790)**	(175,948)	(522,592)
Net Cash Used for Financing Activities	**(231,304)**	(99,734)	(145,735)

Operating Activities

Cash flows from operating activities provide the cash necessary to meet normal operational requirements of our Rental Operations and Service Operations activities. The receipt of rental income from Rental Operations continues to provide the primary source of our revenues and operating cash flows. In addition, we have historically developed Build-for-Sale properties with the intent to sell them at or soon after completion. As a result of the refinement to our strategy in 2009, we have ceased new Build-for-Sale development activity to focus on completion of existing projects. Highlights of operating cash changes are as follows:

- During the year ended December 31, 2010, we incurred no Build-for-Sale property development costs, compared to $16.9 million and $216.1 million for the years ended December 31, 2009 and 2008, respectively. The decrease is a result of the planned elimination of our Build-for-Sale program.
- We sold no Build-for-Sale properties in 2010 compared to three in 2009 and 14 in 2008, receiving net proceeds of $31.9 million and $343.0 million, respectively. The 2009 sales were nearly break-even, while the 2008 sales resulted in pre-tax gains of $39.1 million.
- Net cash flows from third-party construction contracts totaled a net outflow of $6.4 million for the year ended December 31, 2010, compared to a net outflow of $4.6 million and a net inflow of $125.9 million for the years ended December 31, 2009 and 2008, respectively. The higher operating cash flows in 2008 from third-party construction contracts were driven by $105.1 million in cash proceeds from the 2008 sale of a parcel of land that was completed in conjunction with a significant third-party construction project.

Investing Activities

Investing activities are one of the primary uses of our liquidity. Development and acquisition activities typically generate additional rental revenues and provide cash flows for operational requirements. Highlights of significant cash sources and uses are as follows:

- Development expenditures for our held-for-rental portfolio totaled $119.4 million for the year ended December 31, 2010, compared to $268.9 million and $436.3 million for the years ended December 31, 2009 and 2008, respectively. The decrease is consistent with our planned reduction in new development activity.
- During 2010, we paid cash of $488.5 million for real estate acquisitions, compared to $31.7 million in 2009 and $20.1 million in 2008. In addition, we paid cash of $14.4 million for undeveloped land in 2010, compared to $5.5 million in 2009 and $40.9 million in 2008.
- Sales of land and depreciated property provided $499.5 million in net proceeds in 2010, compared to $256.3 million in 2009 and $116.6 million in 2008.
- During 2010, we contributed or advanced $53.2 million to fund development activities within unconsolidated companies, compared to $23.5 million in 2009 and $132.2 million in 2008.
- We received capital distributions (as a result of the sale of properties or refinancing) from unconsolidated subsidiaries of $22.1 million in 2010 and $95.4 million in 2008. We received no such distributions from unconsolidated companies in 2009.

Financing Activities

The following items highlight significant capital transactions:

- In January 2010, we repaid $99.8 million of senior unsecured notes with an effective interest rate of 5.37% on their scheduled maturity date. This compares to repayments of $124.0 million of corporate unsecured debt and $82.1 million of senior unsecured notes with effective interest rates of 6.83% and 7.86%, respectively, on their scheduled maturity dates in February 2009 and November 2009, respectively. We also repaid $125.0 million and $100.0 million of senior unsecured notes with effective interest rates of 3.36% and 6.76%, respectively, on their scheduled maturity dates in January 2008 and May 2008, respectively.
- In April 2010, we issued $250.0 million of senior unsecured notes that bear interest at an effective rate of 6.75% and mature in March 2020. In August 2009, we issued $250.0 million of senior unsecured notes due in 2015 bearing interest at an effective rate of 7.50% and $250.0 million of senior unsecured notes due in 2019 bearing interest at an effective rate of 8.38%. We also issued $325.0 million of senior unsecured notes in May 2008 with an effective interest rate of 7.36% due in 2013.
- In June 2010, we issued 26.5 million shares of common stock for net proceeds of $298.1 million. In April 2009, we issued 75.2 million shares of common stock for net proceeds of $551.4 million. We had no common stock issuances in 2008.
- During 2010, through a cash tender offer and open market transactions, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2011 and 2013. In total, we paid $292.2 million for unsecured notes that had a face value of $279.9 million. Throughout 2009 and the fourth quarter of 2008, we repurchased certain of our outstanding series of unsecured notes maturing in 2009 through 2011. In 2009, cash payments of $500.9 million were made to repurchase notes with a face value of $542.9 million, compared to cash payments of $36.5 million made in the fourth quarter of 2008 for notes with a face value of $38.5 million.
- Throughout 2010, we completed open market repurchases of approximately 4.5 million shares of our 8.375% Series O preferred stock. We paid $118.8 million to repurchase these shares, which had a face value of $112.1 million. During the fourth quarter of 2008, in order to take advantage of the significant discounts at which they were trading, we opportunistically repurchased portions of all outstanding series of our preferred shares, which had a total redemption value of approximately $27.4 million, in the open market for $12.4 million.
- We increased net borrowings on DRLP's $850.0 million line of credit by $175.0 million for the year ended December 31, 2010, compared to a decrease of $474.0 million in 2009 and a decrease of $69.0 million in 2008.
- We paid cash dividends of $0.68 per common share in 2010, compared to cash dividends of $0.76 per common share in 2009 and $1.93 per common share in 2008. In order to retain additional cash to help meet our capital needs, we reduced our quarterly dividend beginning in the first quarter of 2009.
- In February, March and July 2009, we received cash proceeds of $270.0 million from three 10-year secured debt financings that are secured by 32 rental properties. The secured debt bears interest at a weighted average rate of 7.69% and matures at various points in 2019.
- In March 2008, we settled three forward-starting swaps and made a cash payment of $14.6 million to the counterparties.
- In February 2008, we received net proceeds of approximately $290.0 million from the issuance of shares of our Series O Cumulative Redeemable Preferred Stock; we had no new preferred equity issuances in 2009 or 2010.

CREDIT RATINGS

We are currently assigned investment grade corporate credit ratings on our senior unsecured notes from Moody's Investors Service and Standard and Poor's Ratings Group. Our senior unsecured notes have been assigned ratings of BBB- and Baa2 by Standard and Poor's Ratings Group and Moody's Investors Service, respectively.

Our preferred shares carry ratings of BB+ and Baa3 from Standard and Poor's Ratings Group and Moody's Investors Service, respectively.

The ratings of our senior unsecured notes and preferred shares could change based upon, among other things, the impact that prevailing economic conditions may have on our results of operations and financial condition.

FINANCIAL INSTRUMENTS

We are exposed to capital market risk, such as changes in interest rates. In order to reduce the volatility relating to interest rate risk, we may enter into interest rate hedging arrangements from time to time. We do not utilize derivative financial instruments for trading or speculative purposes.

OFF BALANCE SHEET ARRANGEMENTS

Investments in Unconsolidated Companies

We have equity interests in unconsolidated partnerships and joint ventures that own and operate rental properties and hold land for development. Our unconsolidated subsidiaries are primarily engaged in the operations and development of Industrial, Office and Medical Office real estate properties. The equity method of accounting (see Critical Accounting Policies) is used for these investments in which we have the ability to exercise significant influence, but not control, over operating and financial policies. As a result, the assets and liabilities of these joint ventures are not included on our balance sheet.

Our investments in and advances to unconsolidated companies represent approximately 5% and 7% of our total assets as of December 31, 2010 and 2009, respectively. These investments provide several benefits to us, including increased market share, tenant and property diversification and an additional source of capital to fund real estate projects.

The following table presents summarized financial information for unconsolidated companies for the years ended December 31, 2010 and 2009, respectively (in thousands, except percentage data):

	Joint Ventures	
	2010	2009
Land, buildings and tenant improvements, net	**$ 1,687,228**	$ 2,072,435
Construction in progress	**120,834**	128,257
Undeveloped land	**177,473**	176,356
Other assets	**242,461**	260,249
	$ 2,227,996	$ 2,637,297
Indebtedness	**$ 1,082,823**	$ 1,319,696
Other liabilities	**66,471**	75,393
	1,149,294	1,395,089
Owners' equity	**1,078,702**	1,242,208
	$ 2,227,996	$ 2,637,297
Rental revenue	**$ 228,378**	$ 254,787
Gain on sale of properties	**$ 4,517**	$ -
Net income	**$ 19,202**	$ 9,760
Total square feet	**23,522**	44,207
Percent leased	**89.24%**	86.31%

Dugan generated $42.5 million in revenues and $6.4 million of net income in the six months of 2010 prior to its July 1 consolidation. Dugan generated $85.7 million of revenues and $12.5 million of net income during 2009, and had total assets of $649.3 million as of December 31, 2009.

We do not have any relationships with unconsolidated entities or financial partnerships ("special purpose entities") that have been established solely for the purpose of facilitating off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

At December 31, 2010, we were subject to certain contractual payment obligations as described in the table below:

	Payments Due by Period (in thousands)						
Contractual Obligations	**Total**	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
Long-term debt (1)	$ 5,413,606	$ 629,781	$ 548,966	$ 725,060	$ 498,912	$ 473,417	$ 2,537,470
Lines of credit (2)	214,225	28,046	9,604	176,575	-	-	-
Share of debt of unconsolidated joint ventures (3)	447,573	87,602	27,169	93,663	34,854	65,847	138,438
Ground leases	103,563	2,199	2,198	2,169	2,192	2,202	92,603
Operating leases	2,704	840	419	395	380	370	300
Development and construction backlog costs (4)	521,041	476,314	44,727	-	-	-	-
Other	1,967	1,015	398	229	90	54	181
Total Contractual Obligations	**$ 6,704,679**	**$ 1,225,797**	**$ 633,481**	**$ 998,091**	**$ 536,428**	**$ 541,890**	**$ 2,768,992**

(1) Our long-term debt consists of both secured and unsecured debt and includes both principal and interest. Interest expense for variable rate debt was calculated using the interest rates as of December 31, 2010.
(2) Our unsecured lines of credit consist of an operating line of credit that matures February 2013 and the line of credit of a consolidated subsidiary that matures July 2011. Interest expense for our unsecured lines of credit was calculated using the most recent stated interest rates that were in effect.
(3) Our share of unconsolidated joint venture debt includes both principal and interest. Interest expense for variable rate debt was calculated using the interest rate at December 31, 2010.
(4) Represents estimated remaining costs on the completion of owned development projects and third-party construction projects.

RELATED PARTY TRANSACTIONS

We provide property and asset management, leasing, construction and other tenant related services to unconsolidated companies in which we have equity interests. For the years ended December 31, 2010, 2009 and 2008, respectively, we earned management fees of $7.6 million, $8.4 million and $7.8 million, leasing fees of $2.7 million, $4.2 million and $2.8 million and construction and development fees of $10.3 million, $10.2 million and $12.7 million from these companies. We recorded these fees based on contractual terms that approximate market rates for these types of services, and we have eliminated our ownership percentages of these fees in the consolidated financial statements.

COMMITMENTS AND CONTINGENCIES

We have guaranteed the repayment of $95.4 million of economic development bonds issued by various municipalities in connection with certain commercial developments. We will be required to make payments under our guarantees to the extent that incremental taxes from specified developments are not sufficient to pay the bond debt service. Management does not believe that it is probable that we will be required to make any significant payments in satisfaction of these guarantees.

We also have guaranteed the repayment of secured and unsecured loans of six of our unconsolidated subsidiaries. At December 31, 2010, the maximum guarantee exposure for these loans was approximately $245.4 million. With the exception of the guarantee of the debt of 3630 Peachtree joint venture, for which we recorded a contingent liability in 2009 of $36.3 million, management believes it probable that we will not be required to satisfy these guarantees.

We lease certain land positions with terms extending to December 2080, with a total obligation of $103.6 million. No payments on these ground leases are material in any individual year.

We are subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect our consolidated financial statements or results of operations.

RECENT ACCOUNTING PRONOUNCEMENTS

On January 1, 2009, we adopted a newly effective accounting standard for convertible debt instruments that may be settled in cash upon conversion. The new standard required separate accounting for the debt and equity components of certain convertible instruments. Our Exchangeable Notes issued in November 2006 have an exchange rate of 20.47 common shares per $1,000 principal amount of the notes, representing an exchange price of $48.85 per share of our common stock. The Exchangeable Notes were subject to the accounting changes required by the new standard, which required that the value assigned to the debt component equal the estimated fair value of debt with similar contractual cash flows, but without the conversion feature, resulting in the debt being recorded at a discount. The resulting debt discount will be amortized over the period from its issuance through November 2011, the first optional redemption date, as additional non-cash interest expense.

At December 31, 2010, the Exchangeable Notes had $167.6 million of principal outstanding, with an unamortized discount of $2.1 million and a net carrying amount of $165.6 million. The carrying amount of the equity component was $34.7 million at December 31, 2010. Subsequent to the implementation of the new standard, interest expense is recognized on the Exchangeable Notes at an effective rate of 5.6%. The increase to interest expense (in thousands) on the Exchangeable Notes, which led to a corresponding decrease to net income, for the years ended December 31, 2010, 2009 and 2008 is summarized as follows:

	2010	2009	2008
Interest expense on Exchangeable Notes, excluding effect of accounting for convertible debt	**$ 7,136**	$ 14,850	$ 21,574
Effect of accounting for convertible debt	**2,474**	5,024	6,536
Total interest expense on Exchangeable Notes	**$ 9,610**	$ 19,874	$ 28,110

In June 2009, the Financial Accounting Standards Board ("FASB") issued a new accounting standard that became effective on January 1, 2010. This accounting standard is a revision to a previous FASB interpretation and changes how a reporting entity evaluates whether an entity is a VIE and which entity is considered the primary beneficiary of a VIE and is therefore required to consolidate such VIE. This accounting standard also requires assessments at each reporting period of which party within the VIE is considered the primary beneficiary and requires a number of new disclosures related to VIE's. This new accounting standard did not have a significant impact on our financial position and results of operations upon adoption.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to interest rate changes primarily as a result of our line of credit and long-term borrowings. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve our objectives, we borrow primarily at fixed rates. We do not enter into derivative or interest rate transactions for speculative purposes. Our two outstanding swaps, which fixed the rates on two of our variable rate loans, were not significant to the Financial Statements in terms of notional amount or fair value at December 31, 2010.

Our interest rate risk is monitored using a variety of techniques. The table below presents the principal amounts (in thousands) of the expected annual maturities, weighted average interest rates for the average debt outstanding in the specified period, fair values (in thousands) and other terms required to evaluate the expected cash flows and sensitivity to interest rate changes.

	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value
Fixed rate secured debt	$ 27,048	$ 102,028	$ 99,492	$ 66,123	$ 68,728	$ 674,494	$ 1,037,913	$ 1,069,562
Weighted average interest rate	6.95%	6.00%	5.86%	6.46%	5.50%	6.62%		
Variable rate secured debt	$ 785	$ 16,906	$ 880	$ 935	$ 300	$ 3,101	$ 22,907	$ 22,906
Weighted average interest rate	0.72%	4.79%	0.74%	0.75%	0.50%	0.50%		
Fixed rate unsecured notes	$ 355,432	$ 201,846	$ 426,965	$ 252,092	$ 252,226	$ 1,461,934	$ 2,950,495	$ 3,164,651
Weighted average interest rate	5.17%	5.87%	6.40%	6.33%	7.49%	6.66%		
Unsecured lines of credit	$ 18,046	$ -	$ 175,000	$ -	$ -	$ -	$ 193,046	$ 193,224
Rate at December 31, 2010	1.11%	N/A	3.01%	N/A	N/A	N/A		

As the table incorporates only those exposures that exist as of December 31, 2010, it does not consider those exposures or positions that could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period, our hedging strategies at that time to the extent we are party to interest rate derivatives, and interest rates. Interest expense on our unsecured lines of credit will be affected by fluctuations in LIBOR indices as well as changes in our credit rating.

At December 31, 2010, the par value of our unsecured debt was $3.0 billion and we estimated the fair value of that unsecured debt to be $3.2 billion. At December 31, 2009, the par value of our unsecured notes was $3.1 billion and our estimate of the fair value of that debt was $3.0 billion.

MANAGEMENT'S REPORT ON INTERNAL CONTROL

We, as management of Duke Realty Corporation and its subsidiaries ("Duke"), are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Pursuant to the rules and regulations of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2010 based on the control criteria established in a report entitled Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, we have concluded that, as of December 31, 2010, our internal control over financial reporting is effective based on these criteria.

The independent registered public accounting firm of KPMG LLP, as auditors of Duke's consolidated financial statements, has also issued an audit report on Duke's internal control over financial reporting.

Dennis D. Oklak
Chairman and Chief Executive Officer

Christie B. Kelly
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Directors of
Duke Realty Corporation:

We have audited the accompanying consolidated balance sheets of Duke Realty Corporation and Subsidiaries (the "Company") as of December 31, 2010 and 2009 and the related consolidated statements of operations, cash flows and changes in equity for each of the years in the three-year period ended December 31, 2010. We also have audited the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Realty Corporation and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S generally accepted accounting principles. Also, in our opinion, Duke Realty Corporation and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

KPMG LLP

Indianapolis, Indiana
February 25, 2011

DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets
As of December 31,
(in thousands, except per share amounts)

	2010	2009
ASSETS		
Real estate investments:		
Land and improvements	**$ 1,166,409**	$ 1,106,016
Buildings and tenant improvements	**5,396,339**	5,284,103
Construction in progress	**61,205**	103,298
Investments in and advances to unconsolidated companies	**367,445**	501,121
Undeveloped land	**625,353**	660,723
	7,616,751	7,655,261
Accumulated depreciation	**(1,290,417)**	(1,311,733)
Net real estate investments	**6,326,334**	6,343,528
Real estate investments and related assets held-for-sale	**394,287**	-
Cash and cash equivalents	**18,384**	147,322
Accounts receivable, net of allowance of $2,945 and $3,198	**22,588**	20,604
Straight-line rent receivable, net of allowance of $7,260 and $6,929	**125,185**	131,934
Receivables on construction contracts, including retentions	**7,408**	18,755
Deferred financing costs, net of accumulated amortization of $46,407 and $37,577	**46,320**	54,489
Deferred leasing and other costs, net of accumulated amortization of $269,000 and $240,151	**517,934**	371,286
Escrow deposits and other assets	**185,836**	216,361
	$ 7,644,276	$ 7,304,279
LIABILITIES AND EQUITY		
Indebtedness:		
Secured debt	**$ 1,065,628**	$ 785,797
Unsecured notes	**2,948,405**	3,052,465
Unsecured lines of credit	**193,046**	15,770
	4,207,079	3,854,032
Liabilities related to real estate investments held-for-sale	**14,732**	-
Construction payables and amounts due subcontractors, including retentions	**44,782**	43,147
Accrued real estate taxes	**83,615**	84,347
Accrued interest	**62,407**	62,971
Other accrued expenses	**61,448**	48,758
Other liabilities	**129,860**	198,906
Tenant security deposits and prepaid rents	**50,450**	44,258
Total liabilities	**4,654,373**	4,336,419
Shareholders' equity:		
Preferred shares ($.01 par value); 5,000 shares authorized; 3,618 and 4,067 shares issued and outstanding	**904,540**	1,016,625
Common shares ($.01 par value); 400,000 shares authorized; 252,195 and 224,029 shares issued and outstanding	**2,522**	2,240
Additional paid-in capital	**3,573,720**	3,267,196
Accumulated other comprehensive loss	**(1,432)**	(5,630)
Distributions in excess of net income	**(1,533,740)**	(1,355,086)
Total shareholders' equity	**2,945,610**	2,925,345
Noncontrolling interests	**44,293**	42,515
Total equity	**2,989,903**	2,967,860
	$ 7,644,276	$ 7,304,279

See accompanying Notes to Consolidated Financial Statements.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations
For the Years Ended December 31,
(in thousands, except per share amounts)

	2010	2009	2008
Revenues:			
Rental and related revenue	**$ 878,242**	$ 842,232	$ 802,791
General contractor and service fee revenue	**515,361**	449,509	434,624
	1,393,603	1,291,741	1,237,415
Expenses:			
Rental expenses	**197,985**	192,270	179,373
Real estate taxes	**118,006**	111,189	95,872
General contractor and other services expenses	**486,865**	427,666	418,743
Depreciation and amortization	**349,064**	323,429	293,019
	1,151,920	1,054,554	987,007
Other operating activities:			
Equity in earnings of unconsolidated companies	**7,980**	9,896	23,817
Gain on sale of properties	**39,662**	12,337	39,057
Earnings from sales of land	**-**	357	12,651
Undeveloped land carry costs	**(9,203)**	(10,403)	(8,204)
Impairment charges	**(9,834)**	(275,630)	(10,165)
Other operating expenses	**(1,231)**	(1,017)	(8,298)
General and administrative expenses	**(41,329)**	(47,937)	(39,508)
	(13,955)	(312,397)	9,350
Operating income (loss)	**227,728**	(75,210)	259,758
Other income (expenses):			
Interest and other income, net	**534**	1,229	1,451
Interest expense	**(239,383)**	(205,952)	(184,000)
Gain (loss) on debt transactions	**(16,349)**	20,700	1,953
Gain (loss) on acquistions, net	**55,820**	(1,062)	-
Income (loss) from continuing operations before income taxes	**28,350**	(260,295)	79,162
Income tax benefit (expense)	**1,126**	6,070	7,005
Income (loss) from continuing operations	**29,476**	(254,225)	86,167
Discontinued operations:			
Income before impairment charges and gain on sales	**2,732**	2,885	8,546
Impairment charges	**-**	(26,936)	(1,266)
Gain on sale of depreciable properties	**33,054**	6,786	16,961
Income (loss) from discontinued operations	**35,786**	(17,265)	24,241
Net income (loss)	**65,262**	(271,490)	110,408
Dividends on preferred shares	**(69,468)**	(73,451)	(71,426)
Adjustments for repurchase of preferred shares	**(10,438)**	-	14,046
Net (income) loss attributable to noncontrolling interests	**536**	11,340	(2,620)
Net income (loss) attributable to common shareholders	**$ (14,108)**	$ (333,601)	$ 50,408
Basic net income (loss) per common share:			
Continuing operations attributable to common shareholders	**$ (0.22)**	$ (1.58)	$ 0.17
Discontinued operations attributable to common shareholders	**0.15**	(0.09)	0.16
Total	**$ (0.07)**	$ (1.67)	$ 0.33
Diluted net income (loss) per common share:			
Continuing operations attributable to common shareholders	**$ (0.22)**	$ (1.58)	$ 0.17
Discontinued operations attributable to common shareholders	**0.15**	(0.09)	0.16
Total	**$ (0.07)**	$ (1.67)	$ 0.33
Weighted average number of common shares outstanding	**238,920**	201,206	146,915
Weighted average number of common shares and potential dilutive securities	**238,920**	201,206	154,553

See accompanying Notes to Consolidated Financial Statements.

DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31,
(in thousands)

	2010	2009	2008
Cash flows from operating activities:			
Net income (loss)	**$ 65,262**	$ (271,490)	$ 110,408
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation of buildings and tenant improvements	**271,058**	266,803	246,441
Amortization of deferred leasing and other costs	**89,126**	73,323	68,511
Amortization of deferred financing costs	**13,897**	13,679	13,640
Straight-line rent adjustment	**(15,233)**	(18,832)	(15,118)
Impairment charges	**9,834**	302,567	11,431
(Gain) loss on debt extinguishment	**16,349**	(20,700)	(1,953)
(Gain) loss on acquisitions	**(57,715)**	1,062	-
Deferred tax asset valuation allowance	**-**	7,278	-
Earnings from land and depreciated property sales	**(72,716)**	(19,480)	(29,612)
Build-for-Sale operations, net	**-**	14,482	80,751
Third-party construction contracts, net	**(6,449)**	(4,583)	125,855
Other accrued revenues and expenses, net	**68,892**	47,830	26,875
Operating distributions received in excess of equity in earnings from unconsolidated companies	**8,851**	8,533	5,618
Net cash provided by operating activities	**391,156**	400,472	642,847
Cash flows from investing activities:			
Development of real estate investments	**(119,404)**	(268,890)	(436,256)
Acquisition of real estate investments and related intangible assets, net of cash acquired	**(488,539)**	(31,658)	(20,123)
Acquisition of undeveloped land	**(14,404)**	(5,474)	(40,893)
Second generation tenant improvements, leasing costs and building improvements	**(88,723)**	(79,054)	(74,814)
Other deferred leasing costs	**(38,905)**	(23,329)	(30,498)
Other assets	**(7,260)**	(392)	281
Proceeds from land and depreciated property sales, net	**499,520**	256,330	116,563
Capital distributions from unconsolidated companies	**22,119**	-	95,392
Capital contributions and advances to unconsolidated companies, net	**(53,194)**	(23,481)	(132,244)
Net cash used for investing activities	**(288,790)**	(175,948)	(522,592)
Cash flows from financing activities:			
Proceeds from issuance of common shares, net	**298,004**	551,136	17,100
Proceeds from issuance of preferred shares, net	**-**	-	290,014
Payments for repurchases of preferred shares	**(118,787)**	-	(12,405)
Proceeds from unsecured debt issuance	**250,000**	500,000	325,000
Payments on and repurchases of unsecured debt	**(392,597)**	(707,016)	(261,479)
Proceeds from secured debt financings	**4,158**	290,418	-
Payments on secured indebtedness including principal amortization	**(207,060)**	(11,396)	(55,600)
Borrowings (payments) on lines of credit, net	**177,276**	(467,889)	(62,408)
Distributions to common shareholders	**(162,015)**	(151,333)	(283,375)
Distributions to preferred shareholders	**(69,468)**	(73,451)	(71,439)
Contributions from (distributions to) noncontrolling interests, net	**(5,741)**	(1,524)	(12,837)
Cash settlement of interest rate swaps	**-**	-	(14,625)
Deferred financing costs	**(5,074)**	(28,679)	(3,681)
Net cash used for financing activities	**(231,304)**	(99,734)	(145,735)
Net increase (decrease) in cash and cash equivalents	**(128,938)**	124,790	(25,480)
Cash and cash equivalents at beginning of year	**147,322**	22,532	48,012
Cash and cash equivalents at end of year	**$ 18,384**	$ 147,322	$ 22,532
Non-cash investing and financing activities:			
Assumption of indebtedness and other liabilities for real estate acquisitions	**$ 527,464**	$ -	$ 39,480
Contribution of properties to, net of debt assumed by, unconsolidated companies	**$ 41,609**	$ 20,663	$ 133,312
Investments and advances related to acquisition of previously unconsolidated companies	**$ 184,140**	$ 206,852	$ -
Distribution of property from unconsolidated company	**$ -**	$ -	$ 76,449
Conversion of Limited Partner Units to common shares	**$ (8,055)**	$ 592	$ 13,149

See accompanying Notes to Consolidated Financial Statements.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
(in thousands, except per share data)

	Common Shareholders						
	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Distributions In Excess of Net Income	Non-Controlling Interests	Total
Balance at December 31, 2007	**$ 744,00**	**$ 1,462**	**$ 2,667,286**	**$ (1,279)**	**$ (632,967)**	**$ 83,238**	**$ 2,861,740**
Comprehensive Income:							
Net income	-	-	-	-	107,788	2,620	110,408
Derivative instrument activity	-	-	-	(7,373)	-	-	(7,373)
Comprehensive income							103,035
Issuance of preferred shares	300,000	-	(10,000)	-	-	-	290,000
Issuance of common shares	-	9	15,482	-	-	-	15,491
Stock based compensation plan activity	-	2	15,683	-	(2,017)	-	13,668
Conversion of Limited Partner Units	-	11	13,138	-	-	(17,065)	(3,916)
Distributions to preferred shareholders	-	-	-	-	(71,426)	-	(71,426)
Repurchase of preferred shares	(27,375)	-	924	-	14,046	-	(12,405)
Distributions to common shareholders ($1.93 per share)	-	-	-	-	(283,375)	-	(283,375)
Distributions to noncontrolling interests, net	-	-	-	-	-	(12,837)	(12,837)
Balance at December 31, 2008	**$ 1,016,625**	**$ 1,484**	**$ 2,702,513**	**$ (8,652)**	**$ (867,951)**	**$ 55,956**	**$ 2,899,975**
Comprehensive Loss:							
Net loss	-	-	-	-	(260,150)	(11,340)	(271,490)
Derivative instrument activity	-	-	-	3,022	-	-	3,022
Comprehensive loss							(268,468)
Issuance of common shares	-	752	550,652	-	-	-	551,404
Stock based compensation plan activity	-	2	13,441	-	(2,186)	-	11,257
Conversion of Limited Partner Units	-	2	590	-	(15)	(577)	-
Distributions to preferred shareholders	-	-	-	-	(73,451)	-	(73,451)
Distributions to common shareholders ($0.76 per share)	-	-	-	-	(151,333)	-	(151,333)
Distributions to noncontrolling interests, net	-	-	-	-	-	(1,524)	(1,524)
Balance at December 31, 2009	**$ 1,016,625**	**$ 2,240**	**$ 3,267,196**	**$ (5,630)**	**$ (1,355,086)**	**$ 42,515**	**$ 2,967,860**
Comprehensive Income:							
Net income	-	-	-	-	65,798	(536)	65,262
Derivative instrument activity	-	-	-	4,198	-	-	4,198
Comprehensive income							69,460
Issuance of common shares	-	265	297,801	-	-	-	298,066
Stock based compensation plan activity	-	3	13,056	-	(2,531)	-	10,528
Conversion of Limited Partner Units	-	14	(8,069)	-	-	8,055	-
Distributions to preferred shareholders	-	-	-	-	(69,468)	-	(69,468)
Repurchase of preferred shares	(112,085)	-	3,736	-	(10,438)	-	(118,787)
Distributions to common shareholders ($0.68 per share)	-	-	-	-	(162,015)	-	(162,015)
Distributions to noncontrolling interests	-	-	-	-	-	(5,741)	(5,741)
Balance at December 31, 2010	**$ 904,540**	**$ 2,522**	**$ 3,573,720**	**$ (1,432)**	**$ (1,533,740)**	**$ 44,293**	**$ 2,989,903**

See accompanying Notes to Consolidated Financial Statements.

(1) THE COMPANY

Substantially all of our Rental Operations (see Note 9) are conducted through Duke Realty Limited Partnership ("DRLP"). We owned approximately 98.0% of the common partnership interests of DRLP ("Units") at December 31, 2010. At the option of the holders, subject to certain restrictions, the remaining Units are redeemable for shares of our common stock on a one-to-one basis and earn dividends at the same rate as shares of our common stock. If determined to be necessary in order to continue to qualify as a real estate investment trust ("REIT"), we may elect to purchase the Units for an equivalent amount of cash rather than issuing shares of common stock upon redemption. We conduct our Service Operations (see Note 9) through Duke Realty Services, LLC, Duke Realty Services Limited Partnership and Duke Construction Limited Partnership ("DCLP"). DCLP is owned through a taxable REIT subsidiary. The terms "we", "us" and "our" refer to Duke Realty Corporation and subsidiaries (the "Company") and those entities owned or controlled by the Company.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FASB CODIFICATION

On July 1, 2009, the Financial Accounting Standards Board ("FASB") issued the FASB Accounting Standards Codification ("ASC" or the "Codification") that established the exclusive authoritative reference for accounting principles generally accepted in the United States of America ("GAAP") for use in financial statements, except for SEC rules and interpretive releases, which are also authoritative GAAP for SEC registrants. The Codification superseded all existing non-SEC accounting and reporting standards but did not impact any of our existing accounting policies.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include our accounts and the accounts of our majority-owned or controlled subsidiaries. The equity interests in these controlled subsidiaries not owned by us are reflected as noncontrolling interests in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. Investments in entities that we do not control, and variable interest entities ("VIEs") in which we are not the primary beneficiary, are not consolidated and are reflected as investments in unconsolidated companies under the equity method of reporting.

RECLASSIFICATIONS

Certain amounts in the accompanying consolidated financial statements for 2009 and 2008 have been reclassified to conform to the 2010 consolidated financial statement presentation.

REAL ESTATE INVESTMENTS

Rental real property, including land, land improvements, buildings and tenant improvements, are included in real estate investments and are generally stated at cost. Construction in process and undeveloped land are included in real estate investments and are stated at cost. Real estate investments also include our equity interests in unconsolidated joint ventures that own and operate rental properties and hold land for development.

Depreciation

Buildings and land improvements are depreciated on the straight-line method over their estimated lives not to exceed 40 and 15 years, respectively, for properties that we develop, and not to exceed 30 and 10 years, respectively, for acquired properties. Tenant improvement costs are depreciated using the straight-line method over the term of the related lease.

Cost Capitalization

Direct and certain indirect costs clearly associated with the development, construction, leasing or expansion of real estate investments are capitalized as a cost of the property. In addition, all leasing commissions paid to third parties for new leases or lease renewals are capitalized. We capitalize a portion of our indirect costs associated with our construction, development and leasing efforts. In assessing the amount of direct and indirect costs to be capitalized, allocations are made based on estimates of the actual amount of time spent in each activity. We do not capitalize any costs attributable to downtime or to unsuccessful projects.

We capitalize direct and indirect project costs associated with the initial construction of a property up to the time the property is substantially complete and ready for its intended use. In addition, we capitalize costs, including real estate taxes, insurance, and utilities, that have been allocated to vacant space based on the square footage of the portion of the building not held available for immediate occupancy during the extended lease-up periods after construction of the building shell has been completed if costs are being incurred to ready the vacant space for its intended use. If costs and activities incurred to ready the vacant space cease, then cost capitalization is also discontinued until such activities are resumed. Once necessary work has been completed on a vacant space, project costs are no longer capitalized.

We cease capitalization of all project costs on extended lease-up periods when significant activities have ceased, which does not exceed the shorter of a one-year period after the completion of the building shell or when the property attains 90% occupancy.

Impairment

We evaluate our real estate assets, with the exception of those that are classified as held-for-sale, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an evaluation is considered necessary, we compare the carrying amount of that real estate asset, or asset group, with the expected undiscounted cash flows that are directly associated with, and that are expected to arise as a direct result of, the use and eventual disposition of that asset, or asset group. Our estimate of the expected future cash flows used in testing for impairment is based on, among other things, our estimates regarding future market conditions, rental rates, occupancy levels, costs of tenant improvements, leasing commissions and other tenant concessions, assumptions regarding the residual value of our properties at the end of our anticipated holding period and the length of our anticipated holding period and is, therefore, subjective by nature. These assumptions could differ materially from actual results. If our strategy changes or if market conditions otherwise dictate a reduction in the holding period and an earlier sale date, an impairment loss could be recognized and such loss could be material. To the extent the carrying amount of a real estate asset, or asset group, exceeds the associated estimate of undiscounted cash flows, an impairment loss is recorded to reduce the carrying value of the asset to its fair value.

The determination of the fair value of real estate assets is also highly subjective, especially in markets where there is a lack of recent comparable transactions. We primarily utilize the income approach to estimate the fair value of our income producing real estate assets. To the extent that the assumptions used in testing long-lived assets for impairment differ from those of a marketplace participant, the assumptions are modified in order to estimate the fair value of a real estate asset when an impairment charge is measured. In addition to determining future cash flows, which make the estimation of a real estate asset's undiscounted cash flows highly subjective, the selection of the discount rate and exit capitalization rate used in applying the income approach is also highly subjective.

Real estate assets classified as held-for-sale are reported at the lower of their carrying value or their fair value, less estimated costs to sell. Once a property is designated as held-for-sale, no further depreciation expense is recorded.

Purchase Accounting

On January 1, 2009, we adopted the new accounting standard (FASB ASC 805) on purchase accounting, which required acquisition related costs to be expensed immediately as period costs. This new standard also requires that (i) 100% of the assets and liabilities of an acquired entity, as opposed to the amount proportional to the portion acquired, must be recorded at fair value upon an acquisition and (ii) a gain or loss must be recognized for the difference between the fair value and the carrying value of any existing ownership interests in acquired entities. Finally, this new standard requires that contingencies arising from a business combination be recorded at fair value if the acquisition date fair value can be determined during the measurement period.

We allocate the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values, using all pertinent information available at the date of acquisition. The allocation to tangible assets (buildings, tenant improvements and land) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models similar to those used by independent appraisers. Factors considered by management include an estimate of carrying costs during the expected lease-up periods considering current market conditions, and costs to execute similar leases. The purchase price of real estate assets is also allocated among three categories of intangible assets consisting of the above or below market component of in-place leases, the value of in-place leases and the value of customer relationships.

The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its remaining term and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above market leases are included in deferred leasing and other costs in the balance sheet and below market leases are included in other liabilities in the balance sheet; both are amortized to rental income over the remaining terms of the respective leases.

The total amount of intangible assets is further allocated to in-place lease values and to customer relationship values based upon management's assessment of their respective values. These intangible assets are included in deferred leasing and other costs in the balance sheet and are depreciated over the remaining term of the existing lease, or the anticipated life of the customer relationship, as applicable.

JOINT VENTURES

We have equity interests in unconsolidated joint ventures that own and operate rental properties and hold land for development. We consolidate those joint ventures that are considered to be variable interest entities ("VIEs") where we are the primary beneficiary. We analyze our investments in joint ventures to determine if the joint venture is considered a VIE and would require consolidation. We (i) evaluate the sufficiency of the total equity investment at risk, (ii) review the voting rights and decision-making authority of the equity investment holders as a group, and whether there are any guaranteed returns, protection against losses, or capping of residual returns within the group and (iii) establish whether activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination. We would consolidate a venture that is determined to be a VIE if we were the primary beneficiary.

On January 1, 2010, we adopted a new accounting standard that eliminated the primarily quantitative model previously in effect to determine the primary beneficiary of a VIE and replaced it with a qualitative model that focuses on which entities have the power to direct the activities of the VIE as well as the obligation or rights to absorb the VIE's losses or receive its benefits. This new standard requires assessments at each reporting period of which party within the VIE is considered the primary beneficiary and also requires a number of new disclosures related to VIEs. The reconsideration of the initial determination of VIE status is still based on the occurrence of certain events. We were not the primary beneficiary of any VIEs at January 1, 2010 and the implementation of this new accounting standard did not have a material impact on our results of operation or financial condition.

During 2010, events took place within two of our unconsolidated joint ventures that required us to re-evaluate our previous conclusions that these two joint ventures were not VIEs. Upon reconsideration, we determined that the fair values of the equity investments at risk were not sufficient, when considering their overall capital requirements, and we therefore concluded that these two ventures now meet the applicable criteria to be considered VIEs.

These two joint ventures were formed with the sole purpose of developing, constructing, leasing, marketing and selling properties for a profit. The majority of the business activities of these joint ventures are financed with third-party debt, with joint and several guarantees provided by the joint venture partners. All significant decisions for both joint ventures, including those decisions that most significantly impact each venture's economic performance, require unanimous joint venture partner approval as well as, in certain cases, lender approval. In both joint ventures, unanimous joint venture partner approval requirements include entering into new leases, setting annual operating budgets, selling an underlying property, and incurring additional indebtedness. Because no single variable interest holder exercises control over the decisions that most significantly affect each venture's economic performance, we determined that the equity method of accounting is still appropriate for these joint ventures.

The following is a summary of the carrying value in our consolidated balance sheet, as well as our maximum loss exposure under guarantees, for entities we have determined to be VIEs as of December 31, 2010:

	Carrying Value	Maximum Loss Exposure
Investment in Unconsolidated Company	$ 31.7 million	$ 31.7 million
Guarantee Obligations (1)	$ (25.2 million)	$ (63.7 million)

(1) We are party to joint and several guarantees of the third-party debt of both of these joint ventures and our maximum loss exposure is equal to the maximum monetary obligation pursuant to the guarantee agreements. In 2009, we recorded a liability for our probable future obligation under a guarantee to the lender of one of these ventures. Pursuant to an agreement with the lender, we may make member loans to this joint venture that will reduce our maximum guarantee obligation on a dollar-for-dollar basis. The carrying value of our recorded guarantee obligations is included in other liabilities in our Consolidated Balance Sheets.

To the extent that our joint ventures do not qualify as VIEs, we consolidate those joint ventures that we control through majority ownership interests or where we are the managing member and our partner does not have substantive participating rights. Control is further demonstrated by the ability of the general partner to manage day-to-day operations, refinance debt and sell the assets of the joint venture without the consent of the limited partner and inability of the limited partner to replace the general partner. We use the equity method of accounting for those joint ventures where we do not have control over operating and financial policies. Under the equity method of accounting, our investment in each joint venture is included on our balance sheet; however, the assets and liabilities of the joint ventures for which we use the equity method are not included on our balance sheet.

To the extent that we contribute assets to a joint venture, our investment in the joint venture is recorded at our cost basis in the assets that were contributed to the joint venture. To the extent that our cost basis is different than the basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in our share of equity in net income of the joint venture. We recognize gains on the contribution or sale of real estate to joint ventures, relating solely to the outside partner's interest, to the extent the economic substance of the transaction is a sale.

CASH EQUIVALENTS

Investments with an original maturity of three months or less are classified as cash equivalents.

VALUATION OF RECEIVABLES

We reserve the entire receivable balance, including straight-line rent, of any tenant with an amount outstanding over 90 days. Additional reserves are recorded for more current amounts, as applicable, where we have determined collectability to be doubtful. Straight-line rent receivables for any tenant with long-term risk, regardless of the status of current rent receivables, are reviewed and reserved as necessary.

DEFERRED COSTS

Costs incurred in connection with obtaining financing are amortized to interest expense over the term of the related loan. All direct and indirect costs, including estimated internal costs, associated with the leasing of real estate investments owned by us are capitalized and amortized over the term of the related lease. We include lease incentive costs, which are payments made on behalf of a tenant to sign a lease, in deferred leasing costs and amortize them on a straight-line basis over the respective lease terms as a reduction of rental revenues. We include as lease incentives amounts funded to construct tenant improvements owned by the tenant. Unamortized costs are charged to expense upon the early termination of the lease or upon early payment of the financing.

CONVERTIBLE DEBT ACCOUNTING

On January 1, 2009, we adopted a new accounting standard (FASB ASC 470) for convertible debt instruments that may be settled in cash upon conversion. This new standard required separate accounting for the debt and equity components of certain convertible instruments. Our 3.75% Exchangeable Senior Notes ("Exchangeable Notes"), issued in November 2006, have an exchange rate of 20.47 common shares per $1,000 principal amount of the notes, representing an exchange price of $48.85 per share of our common stock. The Exchangeable Notes were subject to the accounting changes required by this new standard, which required that the value assigned to the debt component equal the estimated fair value of debt with similar contractual cash flows, but without the conversion feature, resulting in the debt being recorded at a discount. The resulting debt discount will be amortized over the period from its issuance through November 2011, the first optional redemption date, as additional non-cash interest expense. We were required to apply this new accounting standard retrospectively to prior periods.

At December 31, 2010, the Exchangeable Notes had $167.6 million of principal outstanding, an unamortized discount of $2.1 million and a net carrying amount of $165.6 million. The carrying amount of the equity component was $34.7 million at December 31, 2010. Subsequent to the implementation of the new standard, interest expense is recognized on the Exchangeable Notes at an effective rate of 5.6%. The increase to interest expense (in thousands) on the Exchangeable Notes, which led to a corresponding decrease to net income, for the years ended December 31, 2010, 2009 and 2008 is summarized as follows:

	2010	2009	2008
Interest expense on Exchangeable Notes, excluding effect of accounting for convertible debt	**$ 7,136**	$ 14,850	$ 21,574
Effect of accounting for convertible debt	**2,474**	5,024	6,536
Total interest expense on Exchangeable Notes	**$ 9,610**	$ 19,874	$ 28,110

NONCONTROLLING INTERESTS

On January 1, 2009, we adopted a new accounting standard (FASB ASC 810) on noncontrolling interests, which required noncontrolling interests (previously referred to as minority interests) to be reported as a component of total equity, resulting in retroactive changes to the presentation of the noncontrolling interests in the consolidated balance sheets and statements of operations. This new standard also modified the accounting for changes in the level of ownership in consolidated subsidiaries.

Noncontrolling interests relate to the minority ownership interests in DRLP and interests in consolidated property partnerships that are not wholly owned. Noncontrolling interests are subsequently adjusted for additional contributions, distributions to noncontrolling holders and the noncontrolling holders' proportionate share of the net earnings or losses of each respective entity.

Prior to January 1, 2009, when a Unit was redeemed (Note 1), the difference between the aggregate book value and the purchase price of the Unit increased the recorded value of our net assets. For redemptions of Units subsequent to January 1, 2009, the change in ownership is treated as an equity transaction and there is no effect on our earnings or net assets.

REVENUE RECOGNITION

Rental and Related Revenue

The timing of revenue recognition under an operating lease is determined based upon ownership of the tenant improvements. If we are the owner of the tenant improvements, revenue recognition commences after the improvements are completed and the tenant takes possession or control of the space. In contrast, if we determine that the tenant allowances we are funding are lease incentives, then we commence revenue recognition when possession or control of the space is turned over to the tenant. Rental income from leases with free rental periods or scheduled rental increases during their terms is recognized on a straight-line basis.

We record lease termination fees when a tenant has executed a definitive termination agreement with us and the payment of the termination fee is not subject to any material conditions that must be met or waived before the fee is due to us.

General Contractor and Service Fee Revenue

Management fees are based on a percentage of rental receipts of properties managed and are recognized as the rental receipts are collected. Maintenance fees are based upon established hourly rates and are recognized as the services are performed. Construction management and development fees represent fee-based third-party contracts and are recognized as earned based on the terms of the contract, which approximates the percentage of completion method.

We recognize income on construction contracts where we serve as a general contractor on the percentage of completion method. Using this method, profits are recorded based on our estimates of the percentage of completion of individual contracts, commencing when the work performed under the contracts reaches a point where the final costs can be estimated with reasonable accuracy. The percentage of completion estimates are based on a comparison of the contract expenditures incurred to the estimated final costs. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Receivables on construction contracts were in an over-billed position of $160,000 and $470,000 at December 31, 2010 and 2009.

PROPERTY SALES

Gains on sales of all properties are recognized in accordance with FASB ASC 360-20. The specific timing of the sale of a building is measured against various criteria in FASB ASC 360-20 related to the terms of the transactions and any continuing involvement in the form of management or financial assistance from the seller associated with the properties. We make judgments based on the specific terms of each transaction as to the amount of the total profit from the transaction that we recognize considering factors such as continuing ownership interest we may have with the buyer ("partial sales") and our level of future involvement with the property or the buyer that acquires the assets. If the full accrual sales criteria are not met, we defer gain recognition and account for the continued operations of the property by applying the finance, installment or cost recovery methods, as appropriate, until the full accrual sales criteria are met. Estimated future costs to be incurred after completion of each sale are included in the determination of the gain on sales.

To the extent that a property has had operations prior to sale, and that we do not have continuing involvement with the property, gains from sales of depreciated property are included in discontinued operations and the proceeds from the sale of these held-for-rental properties are classified in the investing activities section of the Consolidated Statements of Cash Flows.

Gains or losses from our sale of properties that were developed or repositioned with the intent to sell and not for long-term rental ("Build-for-Sale" properties) are classified as gain on sale of properties in the Consolidated Statements of Operations. Other rental properties that do not meet the criteria for presentation as discontinued operations are also classified as gain on sale of properties in the Consolidated Statements of Operations.

NET INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common shareholders, less dividends on share-based awards expected to vest, by the weighted average number of common shares outstanding for the period. Diluted net income (loss) per common share is computed by dividing the sum of basic net income (loss) attributable to common shareholders and the noncontrolling interest in earnings allocable to Units not owned by us (to the extent the Units are dilutive), by the sum of the weighted average number of common shares outstanding and, to the extent they are dilutive, partnership Units outstanding, as well as any potential dilutive securities for the period.

During the first quarter of 2009, we adopted a new accounting standard (FASB ASC 260-10) on participating securities, which we have applied retrospectively to prior period calculations of basic and diluted earnings per common share. Pursuant to this new standard, certain of our share-based awards are considered participating securities because they earn dividend equivalents that are not forfeited even if the underlying award does not vest.

The following table reconciles the components of basic and diluted net income (loss) per common share (in thousands):

	2010	2009	2008
Net income (loss) attributable to common shareholders	**$ (14,108)**	$(333,601)	$ 50,408
Less: Dividends on share-based awards expected to vest	**(2,513)**	(1,759)	(1,631)
Basic net income (loss) attributable to common shareholders	**(16,621)**	(335,360)	48,777
Noncontrolling interest in earnings of common unitholders	**-**	-	2,640
Diluted net income (loss) attributable to common shareholders	**$ (16,621)**	$(335,360)	$ 51,417
Weighted average number of common shares outstanding	**238,920**	201,206	146,915
Weighted average partnership Units outstanding	**-**	-	7,619
Other potential dilutive shares	**-**	-	19
Weighted average number of common shares and potential diluted securities	**238,920**	201,206	154,553

The partnership Units are anti-dilutive for the years ended December 31, 2010 and 2009, as a result of the net loss for these periods. In addition, substantially all potential shares related to our stock-based compensation plans as well as our 3.75% Exchangeable Senior Notes ("Exchangeable Notes") are anti-dilutive for all years presented. The following table summarizes the data that is excluded from the computation of net income (loss) per common share as a result of being anti-dilutive (in thousands):

	2010	2009	2008
Noncontrolling interest in earnings of common unitholders	**$ 351**	$ 11,099	$ -
Weighted average partnerships Units outstanding	**5,950**	6,687	-
Other potential dilutive shares:			
Anti-dilutive potential shares under stock-based compensation plans	**4,713**	7,872	8,219
Anti-dilutive potential shares under the Exchangeable Notes	**3,890**	8,089	11,771

FEDERAL INCOME TAXES

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of our adjusted taxable income to our stockholders. Management intends to continue to adhere to these requirements and to maintain our REIT status. As a REIT, we are entitled to a tax deduction for some or all of the dividends we pay to shareholders. Accordingly, we generally will not be subject to federal income taxes as long as we currently distribute to shareholders an amount equal to or in excess of our taxable income. We are also generally subject to federal income taxes on any taxable income that is not currently distributed to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes and may not be able to qualify as a REIT for four subsequent taxable years.

REIT qualification reduces, but does not eliminate, the amount of state and local taxes we pay. In addition, our financial statements include the operations of taxable corporate subsidiaries that are not entitled to a dividends paid deduction and are subject to corporate federal, state and local income taxes. As a REIT, we may also be subject to certain federal excise taxes if we engage in certain types of transactions.

The following table reconciles our net income (loss) to taxable income (loss) before the dividends paid deduction for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	2010	2009	2008
Net income (loss)	**$ 65,262**	$ (271,490)	$ 110,408
Book/tax differences	**78,178**	441,784	127,607
Taxable income before adjustments	**143,440**	170,294	238,015
Less: capital gains	**(62,477)**	(10,828)	(80,069)
Adjusted taxable income subject to 90% distribution requirement	**$ 80,963**	$ 159,466	$ 157,946

Our dividends paid deduction is summarized below (in thousands):

	2010	2009	2008
Cash dividends paid	**$ 231,446**	$ 224,784	$ 355,782
Cash dividends declared and paid in current year that apply to previous year	**-**	-	(52,471)
Less: Capital gain distributions	**(62,477)**	(10,828)	(80,069)
Less: Return of capital	**(82,283)**	(49,321)	(59,709)
Total dividends paid deduction attributable to adjusted taxable income	**$ 86,686**	$ 164,635	$ 163,533

A summary of the tax characterization of the dividends paid for the years ended December 31, 2010, 2009 and 2008 follows:

	2010	2009	2008
Common Shares			
Ordinary income	**24.9%**	69.0%	39.3%
Return of capital	**56.3%**	26.4%	27.3%
Capital gains	**18.8%**	4.6%	33.4%
	100.0%	100.0%	100.0%
Preferred Shares			
Ordinary income	**57.0%**	93.7%	70.2%
Capital gains	**43.0%**	6.3%	29.8%
	100.0%	100.0%	100.0%

Refinements to our operating strategy in 2009 caused us to reduce our projections of taxable income in our taxable REIT subsidiary. As the result of these changes in our projections, we determined that it was more likely than not that the taxable REIT subsidiary would not generate sufficient taxable income to realize any of its deferred tax assets. Accordingly, a full valuation allowance was established for our deferred tax assets in 2009, which we have continued to maintain through December 31, 2010. Income taxes are not material to our operating results or financial position.

We received income tax refunds, net of federal and state income tax payments, of $19.7 million in 2010. We paid federal and state income taxes of $800,000 and $3.5 million in 2009 and 2008, respectively. The taxable REIT subsidiaries have no significant net deferred income tax or unrecognized tax benefit items.

DERIVATIVE FINANCIAL INSTRUMENTS

We periodically enter into certain interest rate protection agreements to effectively convert or cap floating rate debt to a fixed rate, and to hedge anticipated future financing transactions, both of which qualify for cash flow hedge accounting treatment. Net amounts paid or received under these agreements are recognized as an adjustment to the interest expense of the corresponding debt. We do not utilize derivative financial instruments for trading or speculative purposes.

If a derivative qualifies as a cash flow hedge, the change in fair value of the derivative is recognized in other comprehensive income to the extent the hedge is effective, while the ineffective portion of the derivative's change in fair value is recognized in earnings. Gains and losses on our interest rate protection agreements are subsequently included in earnings as an adjustment to interest expense in the same periods in which the related interest payments being hedged are recognized in earnings.

We estimate the fair value of derivative instruments using standard market conventions and techniques such as discounted cash flow analysis, option pricing models and termination cost at each balance sheet date. For all hedging relationships, we formally document the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness.

FAIR VALUE MEASUREMENTS

On January 1, 2009, we adopted a new accounting standard (FASB ASC 820) that establishes a framework for measuring fair value of non-financial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis but only in certain circumstances, such as a business combination.

Assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities to which we have access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

USE OF ESTIMATES

The preparation of the financial statements requires management to make a number of estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The most significant estimates, as discussed within our Summary of Significant Accounting Policies, pertain to the critical assumptions utilized in testing real estate assets for impairment as well as in estimating the fair value of real estate assets when an impairment event has taken place. Actual results could differ from those estimates.

(3) SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

2010 ACQUISITION OF REMAINING INTEREST IN DUGAN REALTY, L.L.C.

On July 1, 2010, we acquired our joint venture partner's 50% interest in Dugan Realty, L.L.C. ("Dugan"), a real estate joint venture that we had previously accounted for using the equity method, for a payment of $166.7 million. Dugan held $28.1 million of cash at the time of acquisition, which resulted in a net cash outlay of $138.6 million. As the result of this transaction we obtained 100% of Dugan's membership interests.

At the date of acquisition, Dugan owned 106 industrial buildings totaling 20.8 million square feet and 63 net acres of undeveloped land located in Midwest and Southeast markets. Dugan had a secured loan with a face value of $195.4 million due in October 2010, which was repaid at its scheduled maturity date, and a secured loan with a face value of $87.6 million due in October 2012 (see Note 8). The acquisition was completed in order to pursue our strategy to increase our overall allocation to industrial real estate assets.

The following table summarizes our allocation of the fair value of amounts recognized for each major class of assets and liabilities (in thousands):

Real estate assets	$ 502,418
Lease related intangible assets	107,155
Other assets	28,658
Total acquired assets	**$ 638,231**
Secured debt	$ 285,376
Other liabilities	20,243
Total assumed liabilities	**$ 305,619**
Fair value of acquired net assets (represents 100% interest)	**$ 332,612**

We previously managed and performed other ancillary services for Dugan's properties and, as a result, Dugan had no employees of its own and no separately recognizable brand identity. As such, we determined that the consideration paid to the seller, plus the fair value of the incremental share of the assumed liabilities, represented the fair value of the additional interest in Dugan that we acquired, and that no goodwill or other non-real estate related intangible assets were required to be recognized through the transaction. Accordingly, we also determined that the fair value of the acquired ownership interest in Dugan equaled the fair value of our existing ownership interest.

In conjunction with acquiring our partner's ownership interest in Dugan, we derecognized a $50.0 million liability related to a put option held by our partners. The put liability was originally recognized in October 2000, in connection with a sale of industrial properties and undeveloped land to Dugan, at which point our joint venture partner was given an option to put up to $50.0 million of its interest in Dugan to us in exchange for our common stock or cash (at our option). Our gain on acquisition, considering the derecognition of the put liability, was calculated as follows (in thousands):

Fair value of existing interest (represents 50% interest)	**$ 166,306**
Less:	
Carrying value of investment in Dugan	158,591
Put option liability derecognized	(50,000)
	108,591
Gain on acquisition	**$ 57,715**

Since the acquisition date, Dugan's results of operations have been included in continuing operations in our consolidated financial statements and have generated $38.7 million of incremental rental revenue, $4.4 million of incremental rental expenses, and $7.1 million of incremental real estate tax expense. We additionally have recognized $5.2 million of interest expense, subsequent to the acquisition date, related to Dugan's two secured loans.

OTHER 2010 ACQUISITIONS

We also acquired additional properties during the year ended December 31, 2010 as shown above right:

Location	Product Type	Number of Buildings
Phoenix, Arizona	Industrial	1
South Florida	Industrial	40
Houston, Texas	Industrial	3
Chicago, Illinois	Industrial	2
Nashville, Tennessee	Industrial	1
Columbus, Ohio	Industrial	1
Charlotte, North Carolina	Medical Office	1
South Florida	Office	3

The following table summarizes our preliminary allocation of the fair value of amounts recognized for each major class of assets and liabilities (in thousands):

Real estate assets	$ 483,396
Lease related intangible assets	122,069
Other assets	6,822
Total acquired assets	**$ 612,287**
Secured and unsecured debt	$ 221,696
Other liabilities	9,194
Total assumed liabilities	**$ 230,890**
Fair value of acquired net assets	**$ 381,397**

The above acquisitions include the first tranche of a portfolio of primarily industrial properties in South Florida (the "Premier Portfolio"), which we purchased on December 30, 2010 for $281.7 million, including the assumption of secured debt that had a face value of $155.7 million. The first tranche included 39 buildings totaling more than 3.4 million square feet, comprised of 38 industrial properties and one office property. We intend, and are under contract, to acquire another 17 buildings to complete the acquisition of the Premier Portfolio in early 2011. The acquisition of the Premier Portfolio includes an earn-out provision where we have agreed to pay the sellers 25% of any increase in the fair value of the properties over an agreed-upon value, less our additional capital investments in the buildings, at the end of the five year period subsequent to the acquisition. At the time of acquisition, we estimated the fair value of this contingent payment to be inconsequential and, as such, have not recorded any liability as part of purchase accounting. Any subsequent changes to this estimate will be recognized through future earnings. Overall purchase accounting allocations for the first tranche of the Premier Portfolio are preliminary as of December 31, 2010.

2009 CONSOLIDATION OF RETAIL JOINT VENTURES

Through March 31, 2009, we were a member in two retail real estate joint ventures with a retail developer. Both entities were jointly controlled by us and our partner, through equal voting interests, and were accounted for as unconsolidated subsidiaries under the equity method. As of April 1, 2009, we had made combined equity contributions of $37.9 million to the two entities and we also had combined outstanding principal and accrued interest of $173.0 million on advances to the two entities.

We advanced $2.0 million to the two entities, who then distributed the $2.0 million to our partner in exchange for the redemption of our partner's membership interests, effective April 1, 2009, at which time we obtained 100% control of the voting interests of both entities. We entered into these transactions to gain control of these two entities because it allowed us to operate and potentially dispose of the entities in a manner that best serves our capital needs.

In conjunction with the redemption of our partner's membership interests, we entered a profits interest agreement that entitles our former partner to additional payments should the combined sale of the two acquired entities, as well as the sale of another retail real estate joint venture that we and our partner still jointly control, result in an aggregate profit. Aggregate profit on the sale of these three projects will be calculated by using a formula defined in the profits interest agreement. We have estimated that the fair value of the potential additional payment to our partner is insignificant.

A summary of the fair value of amounts recognized for each major class of assets and liabilities acquired is as follows (in thousands):

Buildings, land and tenant improvements	$ 176,038
Undeveloped land	6,500
Total real estate assets	182,538
Lease related intangible assets	24,350
Other assets	3,987
Total acquired assets	210,875
Liabilities assumed	(4,023)
Fair value of acquired net assets	$ 206,852

The fair values recognized from the real estate and related assets acquired were primarily determined using the income approach. The most significant assumptions in the fair value estimates were the discount rates and the exit capitalization rates. The estimates of fair value were determined to have primarily relied upon Level 3 inputs.

We recognized a loss of $1.1 million upon acquisition, which represents the difference between the fair value of the recognized assets and the carrying value of our pre-existing equity interest. The acquisition date fair value of the net recognized assets as compared to the acquisition date carrying value of our outstanding advances and accrued interest, as well as the acquisition date carrying value of our pre-existing equity interests, is shown as follows (in thousands):

Net fair value of acquired assets and liabilities	$ 206,852
Less advances to acquired entities eliminated upon consolidation	(173,006)
Less acquisition date carrying value of equity in acquired entities	(34,908)
Loss on acquisition	$ (1,062)

Since April 1, 2009, the results of operations for both acquired entities have been included in continuing operations in our consolidated financial statements. Due to our significant pre-existing ownership and financing positions in the two acquired entities, the inclusion of their results of operations did not have a material effect on our operating income.

FAIR VALUE MEASUREMENTS

The fair value estimates used in allocating the aggregate purchase price of each acquisition among the individual components of real estate assets and liabilities were determined primarily through calculating the "as-if vacant" value of each building, using the income approach, and relied significantly upon internally determined assumptions. We have, thus, determined these estimates to have been primarily based upon Level 3 inputs, which are unobservable inputs based on our own assumptions. The most significant assumptions utilized in these estimates, for our 2010 acquisitions, are summarized as follows in graph on next page:

Discount rate	8.9% - 12.5%
Exit capitalization rate	7.6% - 10.5%
Lease up period	12 - 36 months
Net rental rate per square foot - Industrial	$ 1.80 - $8.00
Net rental rate per square foot - Office	$ 19.00
Net rental rate per square foot - Medical Office	$ 19.27

ACQUISITION-RELATED TRANSACTION COSTS

The gain on acquisition, in our consolidated Statements of Operations, for the year ended December 31, 2010 is presented net of $1.9 million of transaction costs.

DISPOSITIONS

We disposed of undeveloped land and income producing real estate related assets and received net proceeds of $499.5 million, $288.2 million and $459.6 million in 2010, 2009 and 2008, respectively. Included in the building dispositions in 2010 is the sale of seven suburban office buildings, totaling over 1.0 million square feet, to a newly formed subsidiary of an existing 20% owned joint venture. These buildings were sold to the new entity for an agreed value of $173.9 million, of which our 80% share of proceeds totaled $139.1 million.

All other dispositions were not individually material.

(4) RELATED PARTY TRANSACTIONS

We provide property management, asset management, leasing, construction and other tenant related services to unconsolidated companies in which we have equity interests. We recorded the corresponding fees based on contractual terms that approximate market rates for these types of services and we have eliminated our ownership percentage of these fees in the consolidated financial statements. The following table summarizes the fees earned from these companies for the years ended December 31, 2010, 2009 and 2008, respectively (in millions):

	2010	2009	2008
Management fees	**$ 7.6**	$ 8.4	$ 7.8
Leasing fees	**2.7**	4.2	2.8
Construction and development fees	**10.3**	10.2	12.7

(5) INVESTMENTS IN UNCONSOLIDATED COMPANIES

We have equity interests in unconsolidated joint ventures that develop, own and operate rental properties and hold land for development.

Combined summarized financial information for the unconsolidated companies as of December 31, 2010 and 2009, and for the years ended December 31, 2010, 2009 and 2008, are as follows (in thousands):

	2010	2009	2008
Rental revenue	**$ 228,378**	$ 254,787	$ 250,312
Net income	**$ 19,202**	$ 9,760	$ 40,437
Land, buildings and tenant improvements, net	**$ 1,687,228**	$ 2,072,435	
Construction in progress	**120,834**	128,257	
Undeveloped land	**177,473**	176,356	
Other assets	**242,461**	260,249	
	$ 2,227,996	$ 2,637,297	
Indebtedness	**$ 1,082,823**	$ 1,319,696	
Other liabilities	**66,471**	75,393	
	1,149,294	1,395,089	
Owners' equity	**1,078,702**	1,242,208	
	$ 2,227,996	$ 2,637,297	

Dugan generated $42.5 million in revenues and $6.4 million of net income in the six months of 2010 prior to its July 1 consolidation. Dugan generated $85.7 million and $90.3 million of revenues and $12.5 million and $16.8 million of net income during 2009 and 2008, respectively, and had total assets of $649.3 million as of December 31, 2009.

Our share of the scheduled principal payments of long term debt for the unconsolidated joint ventures for each of the next five years and thereafter as of December 31, 2010 are as follows (in thousands) in the table on the right:

Year	Future Repayments
2011	$ 72,349
2012	3,710
2013	70,522
2014	30,157
2015	57,486
Thereafter	127,614
	$ 361,838

(6) DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

The following table illustrates the number of properties in discontinued operations:

	Held For Sale	Sold in 2010	Sold in 2009	Sold in 2008	Total
Office	7	11	5	4	27
Industrial	2	6	-	4	12
Retail	-	2	-	-	2
	9	19	5	8	41

We allocate interest expense to discontinued operations and have included such interest expense in computing income from discontinued operations. Interest expense allocable to discontinued operations includes interest on any secured debt for properties included in discontinued operations and an allocable share of our consolidated unsecured interest expense for unencumbered properties. The allocation of unsecured interest expense to discontinued operations was based upon the gross book value of the unencumbered real estate assets included in discontinued operations as it related to the total gross book value of our unencumbered real estate assets.

The following table illustrates operations of the buildings reflected in discontinued operations for the years ended December 31 (in thousands):

	2010	2009	2008
Revenues	**$ 39,325**	$ 56,463	$ 76,593
Operating expenses	**(14,893)**	(21,008)	(26,990)
Depreciation and amortization	**(11,120)**	(16,697)	(21,933)
Operating income	**13,312**	18,758	27,670
Interest expense	**(10,580)**	(15,873)	(19,124)
Income before impairment charges and gain on sales	**2,732**	2,885	8,546
Impairment charges	**-**	(26,936)	(1,266)
Gain on sale of depreciable properties	**33,054**	6,786	16,961
Income (loss) from discontinued operations	**$ 35,786**	$ (17,265)	$ 24,241

Dividends on preferred shares and adjustments for repurchase of preferred shares are allocated entirely to continuing operations. The following table illustrates the allocation of the income (loss) attributable to common shareholders between continuing operations and discontinued operations, reflecting an allocation of income or loss attributable to noncontrolling interests between continuing and discontinued operations, for the years ended December 31, 2010, 2009 and 2008, respectively (in thousands):

	2010	2009	2008
Income (loss) from continuing operations attributable to common shareholders	**$ (49,025)**	$ (316,892)	$ 27,362
Income (loss) from discontinued operations attributable to common shareholders	**34,917**	(16,709)	23,046
Net income (loss) attributable to common shareholders	**$ (14,108)**	$ (333,601)	$ 50,408

At December 31, 2010, we classified nine properties as held-for-sale, which were included in discontinued operations. Additionally, we have classified 15 in-service properties as held-for-sale, but have included the results of operations of these properties in continuing operations, either based on our present intention to sell the properties to entities in which we will retain a minority equity ownership interest or because of continuing involvement through a management agreement. The following table illustrates aggregate balance sheet information of the aforementioned nine properties included in discontinued operations, as well as the 15 held-for-sale properties whose results are included in continuing operations at December 31, 2010 (in thousands):

	Properties Included in Discontinued Operations	Properties Included in Continuing Operations	Total Held-for-Sale Properties
Balance Sheet:			
Real estate investment, net	$ 89,643	$ 265,049	$ 354,692
Other assets	9,557	30,038	39,595
Total assets held-for-sale	$ 99,200	$ 295,087	$ 394,287
Accrued expenses	$ 2,936	$ 6,679	$ 9,615
Other liabilities	1,789	3,328	5,117
Total liabilities held-for-sale	$ 4,725	$ 10,007	$ 14,732

(7)IMPAIRMENTS AND OTHER CHARGES

The following table illustrates impairment and other charges recognized during the years ended December 31, 2010, 2009 and 2008, respectively (in thousands):

	2010	2009	2008
Undeveloped land	**$ 9,834**	$ 136,581	$ 8,632
Buildings	**-**	78,087	2,799
Investments in unconsolidated companies	**-**	56,437	-
Other real estate related assets	**-**	31,461	-
Impairment charges	**$ 9,834**	$ 302,566	$ 11,431
Less: Impairment charges included in discontinued operations	**-**	(26,936)	(1,266)
Impairment charges - continuing operations	**$ 9,834**	$ 275,630	$ 10,165

LAND AND BUILDINGS

During 2009, we refined our operating strategy and one result of this change in strategy was the decision to dispose of approximately 1,800 acres of land, which had a total cost basis of $385.3 million, rather than holding them for future development. Our change in strategy for this land triggered the requirement to conduct an impairment analysis, which resulted in a determination that a significant portion of the land was impaired. We recognized impairment charges on land of $136.6 million in 2009, primarily as the result of writing down the land that was identified for disposition, and determined to be impaired, to fair value. As part of determining the fair value of the non-strategic land in connection with the impairment analysis, we considered estimates made by national and local independent real estate brokers who were familiar both with the land parcels subject to evaluation as well as with conditions in the specific markets where the land was located. There were few, if any, recent and representative transactions in many of the markets where our non-strategic land was, or is still, located upon which we could base our impairment analysis. In such instances, we considered older comparable transactions, while adjusting estimated values downward to reflect the troubled condition of the overall economy at the time, constraints on available capital for potential buyers, and the resultant effect of both of these factors on real estate prices. In all cases, members of our senior management that were responsible for the individual markets where the non-strategic land was located and members of the Company's accounting and financial management team reviewed the broker's estimates for factual accuracy and reasonableness. In almost all cases, our estimate of fair value was comparable to that estimated by the brokers; however, we were ultimately responsible for all valuation estimates made in determining the extent of the impairment. Actual sales of our undeveloped land targeted for disposition could be at prices that differ significantly from our estimates and additional impairments may be necessary in the future in the event market conditions deteriorate further. Our valuation estimates primarily relied upon Level 3 inputs, as defined earlier in this report.

During 2009, we also reviewed our existing portfolio of buildings and determined that several buildings, which had previously not been actively marketed for disposal, were not strategic and would not be held as long-term investments. Additionally, at various times throughout the year, we determined it appropriate to re-evaluate certain other buildings that were in various stages of the disposition process for impairment because new information was available that triggered further analysis. Impairment charges of $78.1 million were recognized for 28 office, industrial and retail buildings that were determined to be impaired, either as the result of a refinement in management's strategy or changes in market conditions. Of the 28 commercial buildings that were determined to be impaired during 2009, the Company utilized an income approach in determining the fair value of 16 of the buildings and a market approach in determining the fair value of the other twelve buildings. The most significant assumptions, when using the income approach, included the discount rate as well as future exit capitalization rates, occupancy levels, rental rates and capital expenditures. The twelve buildings to which the market approach was applied were in various stages of the selling process. The Company's estimates of fair value for these twelve buildings were based upon asset-specific purchase and sales contracts, letters of intent or otherwise agreed upon offer prices, with third parties. These negotiated prices were based upon, and comparable to, income approach calculations we completed as part of the selling process. Ten of these twelve properties were sold subsequent to the recognition of the impairment charge. There were no material differences in the ultimate selling price of the buildings compared to the selling price used in measuring the initial impairment charge. Fair value measurements for the buildings that were determined to be impaired relied primarily upon Level 3 inputs, as defined earlier in this report

INVESTMENTS IN UNCONSOLIDATED SUBSIDARIES

We have an investment in an unconsolidated entity (the "3630 Peachtree joint venture") whose sole activity is the development and operation of the office component of a multi-use office and residential high-rise building located in the Buckhead sub-market of Atlanta. As the result of declines in rental rates and projected increases in capital costs, we analyzed our investment during the three-month period ended September 30, 2009 and recognized an impairment charge to write off our $14.4 million investment, as we determined that an other-than-temporary decline in value had taken place. As a result of the 3630 Peachtree joint venture's obligations to the lender in its construction loan agreement, the likelihood that our partner will be unable to contribute its share of the additional equity to fund the 3630 Peachtree joint venture's future capital costs, and ultimately the obligation stemming from our joint and several guarantee of the 3630 Peachtree joint venture loan, we recorded an additional liability of $36.3 million, and an equal charge to impairment expense, for our probable future obligations to the lender. The estimates of fair value utilized in determining the aforementioned charges relied primarily on Level 3 inputs, as defined earlier in this report.

Due to credit issues with its most significant tenant, an inability to renew third-party financing on acceptable terms and an increase to its projected capital expenditures, we analyzed an investment in an unconsolidated joint venture (the "Park Creek joint venture") during the three-month period ended June 30, 2009 to determine whether there was an other-than-temporary decline in value. As a result of that analysis, we determined that an other-than-temporary decline in value had taken place and we wrote our investment in the Park Creek joint venture down to its fair value, thus recognizing a $5.8 million impairment charge. We estimated the fair value of the Park Creek joint venture using the income approach and the most significant assumption in the estimate was the expected period of time in which we would hold our investment in the joint venture. We concluded that the estimate of fair value relied primarily upon Level 3 inputs, as defined earlier in this report.

OTHER REAL ESTATE RELATED ASSETS

We recognized $31.5 million of impairment charges on other real estate related assets during 2009. The impairment charges related primarily to reserving loans receivable from other real estate entities as well as writing off previously deferred development costs.

(8) INDEBTEDNESS

Indebtedness at December 31, 2010 and 2009 consists of the following (in thousands):

	2010	2009
Fixed rate secured debt, weighted average interest rate of 6.41% at December 31, 2010, and 6.67% at December 31, 2009, maturity dates ranging from 2011 to 2027	**$ 1,042,722**	$ 766,299
Variable rate secured debt, weighted average interest rate of 3.69% at December 31, 2010, and 3.33% at December 31, 2009, maturity dates ranging from 2012 to 2025	**22,906**	19,498
Fixed rate unsecured debt, weighted average interest rate of 6.43% at December 31, 2010, and 6.32% at December 31, 2009, maturity dates ranging from 2011 to 2028	**2,948,405**	3,052,465
Unsecured lines of credit, weighted average interest rate of 2.83% at December 31, 2010, and 1.08% at December 31, 2009, maturity dates ranging from 2011 to 2013	**193,046**	15,770
	$ 4,207,079	$ 3,854,032

FIXED RATE SECURED DEBT

As of December 31, 2010, our secured debt was collateralized by rental properties with a carrying value of $1.8 billion and by letters of credit in the amount of $7.0 million.

The fair value of our fixed rate secured debt as of December 31, 2010 was $1.1 billion. Because our fixed rate secured debt is not actively traded in any marketplace, we used a discounted cash flow methodology to determine its fair value. Accordingly, we calculated fair value by applying an estimate of the current market rate to discount the debt's remaining contractual cash flows. Our estimate of a current market rate, which is the most significant input in the discounted cash flow calculation, is intended to replicate debt of similar maturity and loan-to-value relationship. The estimated rates ranged from 4.80% to 6.70%, depending on the attributes of the specific loans. The current market rates we utilized were internally estimated; therefore, we have concluded that our determination of fair value for our fixed rate secured debt was primarily based upon Level 3 inputs, as defined earlier in this report.

On July 1, 2010, we assumed two non-recourse secured loans associated with the acquisition of Dugan, which had acquisition-date fair values of $196.6 million and $88.8 million and face values of $195.4 million and $87.6 million. The $196.6 million loan, which bore interest at a rate of 7.52%, was repaid at its maturity in October 2010 while the $88.8 million loan, which bears interest at 5.92%, matures in October 2012. Both loans were determined at acquisition to have a market interest rate of 5.25%.

In December 2010, we assumed 14 secured loans which had an acquisition date fair value of $158.2 million and a face value of $155.7 million, in conjunction with the acquisition of the Premier Portfolio. The loans carry a weighted average interest rate of 5.58% and a weighted remaining term of 3.4 years. The assumed loans were determined to have market interest rates of 5.00%.

In conjunction with two other acquisitions, we assumed two loans, with a combined acquisition date fair value of $36.4 million, in December 2010. These two loans had a combined face value of $35.8 million. The loans mature in May 2014 and October 2016 and were determined to have market interest rates of 5.25% and 5.12%.

In February, March and July 2009, we borrowed a total of $270.0 million from three 10-year fixed rate secured debt financings that are secured by 32 rental properties. The secured debt bears interest at a weighted average rate of 7.69% and matures at various points in 2019. Additionally, in June 2009, we borrowed $8.5 million from two 6.50% 10-year fixed rate mortgages due in 2019, which are secured by two properties

FIXED RATE UNSECURED DEBT

Gains and losses on repurchase are shown after the write off of applicable issuance costs and other accounting adjustments.

We took the following actions during 2010 and 2009 as it pertains to our fixed rate unsecured indebtedness:

- In January 2010, we repaid $99.8 million of corporate unsecured debt, which had an effective interest rate of 5.37%, at its scheduled maturity date.
- Throughout 2010, through a cash tender offer and open market transactions, we repurchased certain of our outstanding series of senior unsecured notes scheduled to mature in 2011 and 2013 for $292.2 million. The total face value of these repurchases was $279.9 million. We recognized a loss of $16.3 million on the repurchases after writing off applicable issuance costs and other accounting adjustments.
- On April 1, 2010, we issued $250.0 million of senior unsecured notes that bear interest at 6.75% and mature on March 15, 2020.
- In conjunction with one of our acquisitions in 2010, we assumed a $22.4 million unsecured loan that matures in June 2020 and bears interest at an effective rate of 6.26%. This loan was originated less than one year prior to the acquisition and we concluded that the loan's fair value equaled its face value.
- In February 2009, we repaid $124.0 million of 6.83% corporate unsecured debt at its scheduled maturity date.
- Throughout 2009, we repurchased portions of various series of our senior unsecured notes with various scheduled maturity dates through December 2011, both on the open market and through cash tender offers, for $500.9 million. The total face value of these repurchases was $542.9 million. We recognized a gain of $27.5 million on the repurchases after writing off applicable issuance costs and other accounting adjustments. The aforementioned gains on repurchase were partially offset by a $6.8 million charge to write off fees paid for a cancelled secured debt transaction.
- In August 2009, we issued $500.0 million of senior unsecured notes in two equal tranches. The first $250.0 million of the senior unsecured notes mature in February 2015 and bear interest at an effective rate of 7.50%, while the other $250.0 million of the senior unsecured notes mature in August 2019 and bear interest at an effective rate of 8.38%.
- In November 2009, we repaid $82.1 million of senior unsecured notes with an effective interest rate of 7.86% on their scheduled maturity date.

The fair value of our fixed rate unsecured debt as of December 31, 2010 was approximately $3.2 billion. We utilized broker estimates in estimating the fair value of our fixed rate unsecured debt. Our unsecured notes are thinly traded and, in many cases, the broker estimates were not based upon comparable transactions. The broker estimates took into account any recent trades within the same series of our fixed rate unsecured debt, comparisons to recent trades of other series of our fixed rate unsecured debt, trades of fixed rate unsecured debt from companies with profiles similar to ours, as well as overall economic conditions. We reviewed these broker estimates for reasonableness and accuracy, considering whether the estimates were based upon market participant assumptions within the principal and most advantageous market and whether any observable inputs would be more preferable indicators of fair value to the broker estimates. We concluded that the broker estimates were representative of fair value. We have determined that our estimation of the fair value of our fixed rate unsecured debt was primarily based upon Level 3 inputs. The estimated trading values of our fixed rate unsecured debt, depending on the maturity and coupon rates, ranged from 101.00% to 117.30% of face value.

The indentures (and related supplemental indentures) governing our outstanding series of notes also require us to comply with financial ratios and other covenants regarding our operations. We were in compliance with all such covenants as of December 31, 2010.

UNSECURED LINES OF CREDIT

Our unsecured lines of credit as of December 31, 2010 are described as follows (in thousands):

Description	Borrowing Capacity	Maturity Date	Outstanding at December 31, 2010
Unsecured Line of Credit – DRLP	$ 850,000	February 2013	$ 175,000
Unsecured Line of Credit – Consolidated Subsidiary	$ 30,000	July 2011	$ 18,046

The DRLP unsecured line of credit has a borrowing capacity of $850.0 million with an interest rate on borrowings of LIBOR plus 2.75% (equal to 3.01% for borrowings as of December 31, 2010), and matures in February 2013. Subject to certain conditions, the terms also include an option to increase the facility by up to an additional $200.0 million, for a total of up to $1.05 billion. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line, at rates that may be lower than the stated interest rate, subject to certain restrictions.

This line of credit contains financial covenants that require us to meet certain financial ratios and defined levels of performance, including those related to fixed charge coverage and debt-to-asset value (with asset value being defined in the DRLP unsecured line of credit agreement). As of December 31, 2010, we were in compliance with all covenants under this line of credit.

The consolidated subsidiary's unsecured line of credit allows for borrowings up to $30.0 million at a rate of LIBOR plus .85% (equal to 1.11% for outstanding borrowings as of December 31, 2010). This unsecured line of credit is used to fund development activities within the consolidated subsidiary and matures in July 2011 with, at our option, a 12-month extension.

To the extent that there are outstanding borrowings, we utilize a discounted cash flow methodology in order to estimate the fair value of our unsecured lines of credit. The net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate represents the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate, considering current market conditions and our specific credit profile, at which we estimate we could obtain similar borrowings. The current market rate of 2.91% that we utilized was internally estimated; therefore, we have concluded that our determination of fair value for our unsecured lines of credit was primarily based upon Level 3 inputs, as defined earlier in this report.

CHANGES IN FAIR VALUE

As all of our fair value debt disclosures relied primarily on Level 3 inputs, the following table summarizes the book value and changes in the fair value of our debt for the year ended December 31, 2010 (in thousands):

	Book Value at 12/31/09	Book Value at 12/31/10	Fair Value at 12/31/09	Total Realized Losses/(Gains)	Issuances and Assumptions	Payoffs	Adjustment to Fair Value	Fair Value at 12/31/10
Fixed rate secured debt	$ 766,299	$ 1,042,722	$ 770,255	$ -	$ 479,038	$ (207,061)	$ 27,330	$ 1,069,562
Variable rates secured debt	19,498	22,906	14,419	-	4,158	-	4,329	22,906
Fixed rate unsecured notes	3,052,465	2,948,405	3,042,230	12,317	272,352	(380,280)	218,032	3,164,651
Unsecured lines of credit	15,770	193,046	14,714	-	177,276	-	1,234	193,224
Total	$ 3,854,032	$ 4,207,079	$ 3,841,618	$ 12,317	$ 932,824	$ (587,341)	$ 250,925	$ 4,450,343

SCHEDULED MATURITIES AND INTEREST PAID

At December 31, 2010, the scheduled amortization and maturities of all indebtedness, excluding fair value and other accounting adjustments, for the next five years and thereafter were as follows (in thousands):

Year	Amount
2011	$ 401,311
2012	320,780
2013	702,337
2014	319,150
2015	321,254
Thereafter	2,139,529
	$ 4,204,361

The amount of interest paid in 2010, 2009 and 2008 was $246.5 million, $224.0 million and $235.6 million, respectively. The amount of interest capitalized in 2010, 2009 and 2008 was $11.5 million, $26.9 million and $53.5 million, respectively.

(9) SEGMENT REPORTING

We have three reportable operating segments, the first two of which consist of the ownership and rental of office and industrial real estate investments. The operations of our office and industrial properties, along with our medical office and retail properties, are collectively referred to as "Rental Operations." Our medical office and retail properties do not meet the quantitative thresholds for separate presentation as reportable segments. The third reportable segment consists of providing various real estate services such as property management, asset management, maintenance, leasing, development and construction management to third-party property owners and joint ventures, as well as our Build-for-Sale operations (defined below), and is collectively referred to as "Service Operations." Our reportable segments offer different products or services and are managed separately because each segment requires different operating strategies and management expertise.

Gains on sale of properties developed or acquired with the intent to sell ("Build-for-Sale" properties), and whose operations prior to sale are insignificant, are classified as part of the income of the Service Operations business segment. The periods of operation for Build-for-Sale properties prior to sale were of short duration. Build-for-Sale properties, which are no longer part of our operating strategy, did not represent a significant component of our operations in 2010 or 2009.

Other revenue consists of other operating revenues not identified with one of our operating segments. Interest expense and other non-property specific revenues and expenses are not allocated to individual segments in determining our performance measure.

We assess and measure our overall operating results based upon an industry performance measure referred to as Funds From Operations ("FFO"), which management believes is a useful indicator of our consolidated operating performance. FFO is used by industry analysts and investors as a supplemental operating performance measure of a REIT. The National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items, from net income determined in accordance with GAAP. FFO is a non-GAAP financial measure. The most comparable GAAP measure is net income (loss) attributable to common shareholders. Consolidated FFO attributable to common shareholders should not be considered as a substitute for net income (loss) attributable to common shareholders or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of NAREIT. We do not allocate certain income and expenses ("Non-Segment Items" as shown in the table below) to our operating segments. Thus, the operational performance measure presented here on a segment-level basis represents net earnings excluding depreciation expense, as well as excluding the Non-Segment Items not allocated, and is not meant to present FFO as defined by NAREIT.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures.

Management believes that the use of consolidated FFO attributable to common shareholders, combined with net income (which remains the primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful.

Management believes that, by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, investors and analysts are able to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assist in comparing these operating results between periods or as compared to different companies.

The following table shows (i) the revenues and FFO for each of the reportable segments and (ii) a reconciliation of consolidated FFO attributable to common shareholders to net income (loss) attributable to common shareholders for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	2010	2009	2008
Revenues			
Rental Operations:			
Office	**$ 504,812**	$ 523,695	$ 509,203
Industrial	**295,960**	254,515	245,663
Non-reportable Rental Operations segments	**66,376**	51,645	28,023
General contractor and service fee revenue	**515,361**	449,509	434,624
Total Segment Revenues	**1,382,509**	1,279,364	1,217,513
Other Revenue	**11,094**	12,377	19,902
Consolidated Revenue from continuing operations	**1,393,603**	1,291,741	1,237,415
Discontinued Operations	**39,325**	56,463	76,593
Consolidated Revenue	**$ 1,432,928**	$ 1,348,204	$ 1,314,008
Reconciliation of Consolidated Funds From Operations			
Net earnings excluding depreciation and Non-Segment Items			
Office	**$ 291,429**	$ 307,866	$ 304,664
Industrial	**219,266**	191,116	188,517
Non-reportable Rental Operations segments	**43,424**	33,886	17,033
Services Operations	**28,496**	21,843	54,938
	582,615	554,711	565,152
Non-Segment Items:			
Interest expense	**(239,383)**	(205,952)	(184,000)
Impairment charges	**(9,834)**	(275,630)	(10,165)
Interest and other income	**534**	1,229	1,451
Other operating expenses	**(1,231)**	(1,017)	(8,298)
General and administrative expenses	**(41,329)**	(47,937)	(39,508)
Gain on land sales	**-**	357	12,651
Undeveloped land carrying costs	**(9,203)**	(10,403)	(8,204)
Gain (loss) on debt transactions	**(16,349)**	20,700	1,953
Gain (loss) on acquisitions, net	**55,820**	(1,062)	-
Income tax benefit (expense)	**1,126**	6,070	7,005
Other non-segment income	**8,132**	5,905	17,332
Net (income) loss attributable to noncontrolling interests	**536**	11,340	(2,620)
Noncontrolling interest share of FFO adjustments	**(7,771)**	(11,514)	(16,527)
Joint venture items	**40,346**	46,862	61,643
Dividends on preferred shares	**(69,468)**	(73,451)	(71,426)
Adjustments for repurchase of preferred shares	**(10,438)**	-	14,046
Discontinued operations	**13,852**	(7,354)	29,213
Consolidated FFO attributable to common shareholders	**297,955**	12,854	369,698
Depreciation and amortization on continuing operations	**(349,064)**	(323,429)	(293,019)
Depreciation and amortization on discontinued operations	**(11,120)**	(16,697)	(21,933)
Company's share of joint venture adjustments	**(34,674)**	(36,966)	(38,321)
Earnings (loss) from depreciated property sales on continuing operations	**39,662**	12,337	-
Earnings from depreciated property sales on discontinued operations	**33,054**	6,786	16,961
Earnings from depreciated property sales – share of joint venture	**2,308**	-	495
Noncontrolling interest share of FFO adjustments	**7,771**	11,514	16,527
Net income (loss) attributable to common shareholders	**$ (14,108)**	$ (333,601)	$ 50,408

The assets for each of the reportable segments as of December 31, 2010 and 2009 are as follows (in thousands):

	December 31, 2010	December 31, 2009
Assets		
Rental Operations:		
Office	**$ 3,122,565**	$ 3,394,229
Industrial	**3,210,566**	2,233,607
Non-reportable Rental Operations segments	**627,491**	605,102
Service Operations	**231,662**	332,676
Total Segment Assets	**7,192,284**	6,565,614
Non-Segment Assets	**451,992**	738,665
Consolidated Assets	**$ 7,644,276**	$ 7,304,279

Tenant improvements and leasing costs to re-let rental space that had been previously under lease to tenants are referred to as second generation expenditures. Building improvements that are not specific to any tenant but serve to improve integral components of our real estate properties are also second generation expenditures. In addition to revenues and FFO, we also review our second generation capital expenditures in measuring the performance of our individual Rental Operations segments. We review these expenditures to determine the costs associated with re-leasing vacant space and maintaining the condition of our properties. Our second generation capital expenditures by segment are summarized as follows for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	2010	2009	2008
Second Generation Capital Expenditures			
Office	**$ 65,203**	$ 64,281	$ 56,844
Industrial	**23,271**	13,845	16,443
Non-reportable Rental Operations segments	**249**	928	1,527
Total	**$ 88,723**	$ 79,054	$ 74,814

(10) LEASING ACTIVITY

Future minimum rents due to us under non-cancelable operating leases at December 31, 2010 are as follows (in thousands):

Year	Amount
2011	$ 725,006
2012	685,716
2013	601,796
2014	499,821
2015	413,880
Thereafter	1,302,113
	$ 4,228,332

In addition to minimum rents, certain leases require reimbursements of specified operating expenses that amounted to $190.0 million, $191.0 million and $183.2 million for the years ended December 31, 2010, 2009 and 2008, respectively.

(11) EMPLOYEE BENEFIT PLANS

We maintain a 401(k) plan for full-time employees. We have historically made matching contributions up to an amount equal to three percent of the employee's salary and may also make annual discretionary contributions. We temporarily suspended the Company's matching program beginning in July 2009; however, a discretionary contribution was made at the end of 2010. The total expense recognized for this plan was $1.3 million, $1.6 million and $3.0 million for the years ended December 31, 2010, 2009 and 2008, respectively.

We make contributions to a contributory health and welfare plan as necessary to fund claims not covered by employee contributions. The total expense we recognized related to this plan was $10.4 million, $11.2 million and $9.6 million for 2010, 2009 and 2008, respectively. These expense amounts include estimates based upon the historical experience of claims incurred but not reported as of year-end.

(12) SHAREHOLDERS' EQUITY

We periodically use the public equity markets to fund the development and acquisition of additional rental properties or to pay down debt. The proceeds of these offerings are contributed to DRLP in exchange for an additional interest in DRLP.

In June 2010, we issued 26.5 million shares of common stock for net proceeds of approximately $298.1 million. The proceeds from this offering were used for acquisitions, general corporate purposes and repurchases of preferred shares and fixed rate unsecured debt.

Throughout 2010, pursuant to the share repurchase plan approved by our board of directors, we repurchased 4.5 million shares of our 8.375% Series O Cumulative Redeemable Preferred Shares. The preferred shares that we repurchased had a total face value of approximately $112.1 million, and were repurchased for $118.8 million. An adjustment of approximately $10.4 million, which included a ratable portion of issuance costs, increased the net loss attributable to common shareholders. All shares repurchased were retired prior to December 31, 2010.

In April 2009, we issued 75.2 million shares of common stock for net proceeds of $551.4 million. The proceeds from the issuance were used to repay outstanding borrowings under the DRLP unsecured line of credit and for other general corporate purposes.

During the fourth quarter of 2008, pursuant to the share repurchase plan approved by our board of directors, we repurchased 109,500 preferred shares from all of our outstanding series of preferred shares. The preferred shares repurchased had a total redemption value of approximately $27.4 million, and were repurchased for $12.4 million. An adjustment of approximately $14.0 million, net of a ratable portion of issuance costs, increased income attributable to common shareholders. All shares repurchased were retired prior to December 31, 2008.

The following series of preferred shares were outstanding as of December 31, 2010 (in thousands, except percentage data):

Description	Shares Outstanding	Dividend Rate	Optional Redemption Date	Liquidation Preference
Series J Preferred	396	6.625%	August 29, 2008	$99,058
Series K Preferred	598	6.500%	February 13, 2009	$149,550
Series L Preferred	796	6.600%	November 30, 2009	$199,075
Series M Preferred	673	6.950%	January 31, 2011	$168,272
Series N Preferred	435	7.250%	June 30, 2011	$108,630
Series O Preferred	720	8.375%	February 22, 2013	$179,955

All series of preferred shares require cumulative distributions and have no stated maturity date (although we may redeem all such preferred shares on or following their optional redemption dates at our option, in whole or in part).

(13) STOCK BASED COMPENSATION

We are authorized to issue up to 12.4 million shares of our common stock under our stock based employee and non-employee compensation plans.

Cash flows resulting from tax deductions in excess of recognized compensation cost from the exercise of stock options (excess tax benefits) were not significant in any period presented.

FIXED STOCK OPTION PLANS

We had options outstanding under five fixed stock option plans as of December 31, 2010. Additional grants may be made under one of those plans. Stock option awards granted under our stock based employee and non-employee compensation plans generally vest over five years at 20% per year and have contractual lives of ten years. Our most recent annual grant of stock options was in February 2008. The exercise price for stock option grants is set at the fair value of our common stock on the day of grant.

On June 7, 2010, we completed a one-time stock option exchange program, which was approved by our shareholders at our annual meeting, to allow the majority of our employees to surrender for cancellation their outstanding stock options in exchange for a lesser number of restricted stock units ("RSUs") based on both the fair value of the options and the RSUs at the time of the exchange. As a result of the program, 4.4 million options were surrendered and cancelled and 1.2 million RSUs were granted.

The total compensation cost for the new RSUs, which is equal to the unamortized compensation expense associated with the related eligible unvested options surrendered, will be recognized over the applicable vesting period of the new RSUs. As the fair value of the RSUs granted was less than the fair value of the eligible options surrendered in exchange for the RSUs, each measured on June 7, 2010, there was no incremental expense recognized through the exchange program. The most significant assumption used in estimating the fair value of the surrendered options was the assumption for expected volatility, which was 70%. The volatility assumption was made based on both historical experience and our best estimate of future volatility. The assumption for dividend yield was 5% while the assumptions for expected term and risk-free rate varied based upon the remaining contractual lives of the surrendered options.

The following table summarizes transactions under our stock option plans as of December 31, 2010:

	2010			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life	Aggregate Intrinsic Value (1) (in Millions)
Outstanding, beginning of year	**6,473,388**	**$ 27.96**		
Surrendered for exchange	**(4,421,648)**	**$ 27.97**		
Exercised	**-**	**$ -**		
Forfeited	**(14,596)**	**$ 27.88**		
Expired	**(256,345)**	**$ 21.77**		
Outstanding, end of year	**1,780,799**	**$ 28.82**	4.71	$ -
Options exercisable, end of year	**1,305,583**	**$ 29.18**	3.95	$ -

(1) Although this amount changes continuously based upon the market prices of the stock, none of the exercisable options outstanding had any pre-tax intrinsic value as of December 31, 2010.

Options granted in the year ended December 31, 2008 had a weighted average fair value per option of $1.76. As of December 31, 2010, there was $47,000 of total unrecognized compensation expense related to stock options granted under the plans, which is expected to be recognized over a weighted average remaining period of 1.8 years. The total intrinsic value of options exercised during the year ended December 31, 2008 was approximately $898,000. Compensation expense recognized for fixed stock option plans was $820,000, $2.6 million and $3.9 million for the years ended December 31, 2010, 2009 and 2008, respectively. The weighted average grant date fair value of options vested during the years ended December 31, 2010, 2009 and 2008 was $2.6 million, $3.0 million and $2.6 million, respectively.

The fair values of the options were determined using the Black-Scholes option-pricing model with the following assumptions:

	2008
Dividend yield	6.75%
Volatility	20.0%
Risk-free interest rate	2.79%
Expected life	5 years

The risk free interest rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The dividend yield assumption is based on the history of and our present expectation of future dividend payouts. Our computation of expected volatility for the valuation of stock options granted in the year ended December 31, 2008 is based on historic, and our present expectation of future volatility over a period of time equal to the expected term. The expected life of employee stock options represents the weighted average period the stock options are expected to remain outstanding.

RESTRICTED STOCK UNITS

Under our 2005 Long-Term Incentive Plan and our 2005 Non-Employee Directors Compensation Plan approved by our shareholders in April 2005, RSUs may be granted to non-employee directors, executive officers and selected management employees. An RSU is economically equivalent to one share of our common stock. RSUs generally vest 20% per year over five years, have contractual lives of five years, and are payable in shares of our common stock with a new share of such common stock issued upon each RSU's vesting. However, RSUs granted to existing non-employee directors vest 100% over one year, and have contractual lives of one year. Also, RSUs granted on June 7, 2010 in exchange for stock options will vest, depending on the original terms of the surrendered options, in either June 2012 or June 2013. We recognize the value of the granted RSUs over this vesting period as expense.

The following table summarizes transactions for our RSUs, excluding dividend equivalents, for 2010:

Restricted Stock Units	**Number of RSUs**	**Weighted Average Grant Date Fair Value**
RSUs at December 31, 2009	1,683,606	$ 12.23
Granted	2,203,063	$ 10.86
Vested	(455,765)	$ 13.75
Forfeited	(52,065)	$ 10.99
RSUs at December 31, 2010	3,378,839	$ 11.15

Compensation cost recognized for RSUs totaled $9.0 million, $7.3 million and $4.9 million for the years ended December 31, 2010, 2009 and 2008, respectively.

As of December 31, 2010, there was $12.6 million of total unrecognized compensation expense related to nonvested RSUs granted under the Plan, which is expected to be recognized over a weighted average period of 3.5 years.

(14) FINANCIAL INSTRUMENTS

We are exposed to capital market risk, such as changes in interest rates. In an effort to manage interest rate risk, we may enter into interest rate hedging arrangements from time to time. We do not utilize derivative financial instruments for trading or speculative purposes.

In November 2007, we entered into forward starting interest swaps with notional amounts appropriate to hedge interest rates on $300.0 million of anticipated debt offerings in 2009. The forward starting swaps were appropriately designated and tested for effectiveness as cash flow hedges. In March 2008, we settled the forward starting swaps and made a cash payment of $14.6 million to the counterparties. An effectiveness test was performed as of the settlement date and it was concluded that a highly effective cash flow hedge was still in place for the expected debt offering. Of the amount paid in settlement, approximately $700,000 was immediately reclassified to interest expense, as the result of partial ineffectiveness calculated at the settlement date. The net amount of $13.9 million was recorded in Other Comprehensive Income ("OCI") and is being recognized through interest expense over the life of the hedged debt offering, which took place in May 2008. The remaining unamortized amount included as a reduction to accumulated OCI as of December 31, 2010 is $5.5 million.

In August 2005, we entered into $300.0 million of cash flow hedges through forward starting interest rate swaps to hedge interest rates on $300.0 million of anticipated debt offerings in 2007. The swaps qualified for hedge accounting, with any changes in fair value recorded in OCI. In conjunction with the September 2007 issuance of $300.0 million of senior unsecured notes, we terminated these cash flow hedges as designated. The settlement amount received of $10.7 million is being recognized to earnings through a reduction of interest expense over the term of the hedged cash flows. The remaining unamortized amount included as an increase to accumulated OCI as of December 31, 2010 is $7.2 million. The ineffective portion of the hedge was insignificant.

The effectiveness of our hedges is evaluated throughout their lives using the hypothetical derivative method under which the change in fair value of the actual swap designated as the hedging instrument is compared to the change in fair value of a hypothetical swap. We had no material interest rate derivatives, when considering both fair value and notional amount, at December 31, 2010.

(15) COMMITMENTS AND CONTINGENCIES

We have guaranteed the repayment of $95.4 million of economic development bonds issued by various municipalities in connection with certain commercial developments. We will be required to make payments under our guarantees to the extent that incremental taxes from specified developments are not sufficient to pay the bond debt service. Management does not believe that it is probable that we will be required to make any significant payments in satisfaction of these guarantees.

We also have guaranteed the repayment of secured and unsecured loans of six of our unconsolidated subsidiaries. At December 31, 2010, the maximum guarantee exposure for these loans was approximately $245.4 million. Included in our total guarantee exposure is a joint and several guarantee of the construction loan agreement of the 3630 Peachtree joint venture. A contingent liability in the amount of $36.3 million was established in 2009 based on the probability of us being required to pay this obligation to the lender.

We lease certain land positions with terms extending to December 2080, with a total obligation of $103.6 million. No payments on these ground leases are material in any individual year.

We are subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect our consolidated financial statements or results of operations.

(16) SUBSEQUENT EVENTS

DECLARATION OF DIVIDENDS

Our board of directors declared the following dividends at its regularly scheduled board meeting held on January 26, 2011:

Class	Quarterly Amount/Share	Record Date	Payment Date
Common	$ 0.170000	February 14, 2011	February 28, 2011
Preferred (per depositary share):			
Series J	$ 0.414063	February 14, 2011	February 28, 2011
Series K	$ 0.406250	February 14, 2011	February 28, 2011
Series L	$ 0.412500	February 14, 2011	February 28, 2011
Series M	$ 0.434375	March 17, 2011	March 31, 2011
Series N	$ 0.453125	March 17, 2011	March 31, 2011
Series O	$ 0.523438	March 17, 2011	March 31, 2011

In January and February 2011, we acquired an additional twelve buildings pursuant to our planned acquisition of the Premier Portfolio. These additional buildings were acquired for $115.7 million, which included the assumption of secured loans with a total face value of $90.8 million.

SELECTED QUARTERLY FINANCIAL INFORMATION
(Unaudited)

Selected quarterly information for the years ended December 31, 2010 and 2009 is as follows (in thousands, except per share amounts):

	Quarter Ended			
2010	**December 31**	**September 30**	**June 30**	**March 31**
Rental and related revenue	$ 228,868	$ 230,781	$ 206,351	$ 212,242
General contractor and service fee revenue	100,971	132,351	168,398	113,641
Net income (loss) attributable to common shareholders	$ 9,552	$ 34,064	$ (42,391)	$ (15,264)
Basic income (loss) per common share	$ 0.04	$ 0.13	$ (0.19)	$ (0.07)
Diluted income (loss) per common share	$ 0.04	$ 0.13	$ (0.19)	$ (0.07)
Weighted average common shares	252,130	251,866	227,082	224,153
Weighted average common shares and potential dilutive securities	257,420	257,383	227,082	224,153

2009	**December 31**	**September 30**	**June 30**	**March 31**
Rental and related revenue	$ 213,542	$ 210,935	$ 210,316	$ 207,438
General contractor and service fee revenue	114,097	100,880 (1)	129,444 (2)	105,088
Net income (loss) attributable to common shareholders	$ (3,033)	$ (322,882)	$ (32,406)	$ 23,247
Basic income (loss) per common share	$ (0.02)	$ (1.44)	$ (0.16)	$ 0.15
Diluted income (loss) per common share	$ (0.02)	$ (1.44)	$ (0.16)	$ 0.15
Weighted average common shares	224,012	223,952	207,290	148,488
Weighted average common shares and potential dilutive securities	224,012	223,952	207,290	155,747

(1) Amount includes $284.8 million of non-cash impairment charges.
(2) Amount includes $17.7 million of non-cash impairment charges.

STATEMENTS REGARDING FUNDS FROM OPERATIONS

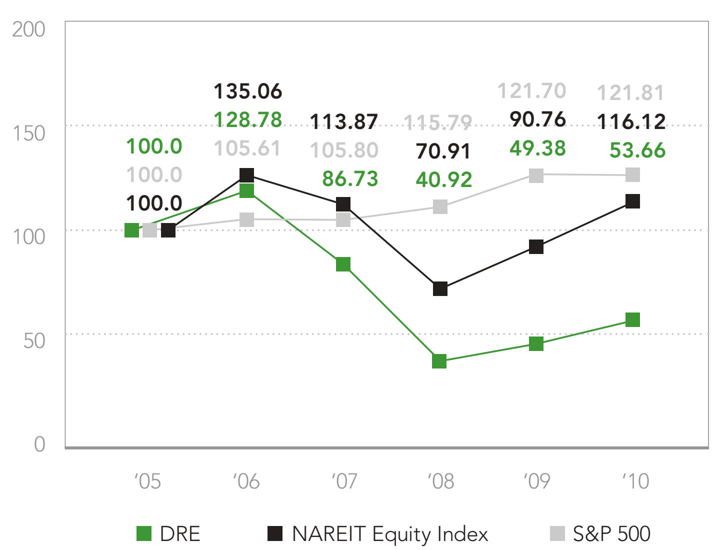
Core Funds from Operations ("Core FFO"): Core FFO is computed as FFO adjusted for certain items that are generally non-cash in nature and that materially distort the comparative measurement of company performance over time. The adjustments include impairment charges, tax expenses or benefit related to either changes in deferred tax asset valuation allowances or changes in tax exposure accruals that were established as the result of the adoption of new accounting principles (collectively referred to as "other income tax items"), gains (losses) on debt transactions, gains (losses) on the repurchases of preferred stock and gains (losses) on and related costs of acquisitions. Although our calculation of Core FFO differs from NAREIT's definition of FFO and may not be comparable to that of other REITs and real estate companies, we believe it provides a meaningful supplemental measure of our operating performance.

Adjusted Funds from Operations ("AFFO"): AFFO is defined by the company as Core FFO (as defined above), less recurring building improvements and second generation capital expenditures, and adjusted for certain non-cash items including straight line rental income, non-cash components of interest expense and stock compensation expense, and after similar adjustments for unconsolidated partnerships and joint ventures.

The AFFO payout ratio is computed as AFFO per share divided by annual dividends per share.

RELATIVE PERFORMANCE OF DUKE REALTY STOCK PRICE

CUMULATIVE TOTAL RETURN



HOW TO REACH US

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Indianapolis, Indiana 46240
317.808.6000

Transfer Agent and Registrar

American Stock Transfer & Trust Company
59 Maiden Lane
New York, New York 10038
800.937.5449 or 212.936.5100
www.amstock.com

Investor Relations

Duke Realty Corporation
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600 East 96th Street, Suite 100
Indianapolis, Indiana 46240
317.808.6005 or 800.875.3366
317.808.6794 (fax)
IR@dukerealty.com
www.dukerealty.com

GENERAL INFORMATION

Duke Realty's Direct Stock Purchase and Dividend Reinvestment Plan provides shareholders with an opportunity to conveniently acquire the company's common stock. Shareholders may have all or part of their cash dividends automatically reinvested, and may make optional cash payments toward the purchase of additional shares of common stock. Information regarding the Plan may be obtained from our transfer agent, American Stock Transfer & Trust Company, at www.amstock.com or by calling 800.937.5449.

ELECTRONIC DEPOSIT OF DIVIDENDS

Registered holders of Duke Realty's common stock may have their quarterly dividends deposited to their checking or savings account free of charge. Call Duke Realty's Investor Relations department at 317.808.6005 to sign up for this service.

MARKET PRICE AND DIVIDENDS

New York Stock Exchange: DRE

The following table sets forth the high, low and closing sales prices of the company's common stock for the periods indicated and the dividend paid per share during such period.

2010

Quarter Ended	High	Low	Close	Dividend
December 31	$ 12.98	$ 10.85	$ 12.46	$ 0.170
September 30	12.60	10.19	11.59	0.170
June 30	14.35	10.66	11.35	0.170
March 31	13.37	10.26	12.40	0.170

2009

Quarter Ended	High	Low	Close	Dividend
December 31	$ 12.90	$ 10.84	$ 12.17	$ 0.170
September 30	13.71	7.45	12.01	0.170
June 30	10.55	5.16	8.77	0.170
March 31	12.25	4.07	5.50	0.250

On January 26, 2011, the company declared a quarterly cash dividend of $0.17 per share, payable on February 28, 2011 to common shareholders of record on February 14, 2011.

MANAGEMENT CERTIFICATIONS

In accordance with Section 303A.12(a) of the NYSE Listed Company Manual, the CEO of the company provided a Section 12(a) annual certification, which stated that he was not aware of any violations by the company of the NYSE corporate governance listing standards. In accordance with Section 302 of the Sarbanes-Oxley Act of 2002, the Principal Executive Officer and Principal Financial Officer of the company also provided a Section 302 certification, which was filed with the SEC on March 1, 2010 as an exhibit to the company's Annual Report on Form 10-K.

Mission

Our mission is to build, own, lease and manage industrial, office and healthcare properties with a focus on exceptional customer satisfaction while maximizing shareholder value.

Vision

To continually set the standard for excellence in reliability.

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