

DUKE REALTY CORP
Form 10-K
February 29, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒

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

For the fiscal year ended December 31, 2007

OR

☐

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE**

SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File Number: 1-9044

DUKE REALTY CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Indiana

(State or Other Jurisdiction
of Incorporation or Organization)
600 East 96th Street, Suite 100

Indianapolis, Indiana

(Address of Principal Executive Offices)

35-1740409

(IRS Employer
Identification Number)

46240

(Zip Code)

Registrant's telephone number, including area code: (317) 808-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:

Common Stock (\$.01 par value)
Depository Shares, each representing a 1/10 interest in a 6.625%
Series J Cumulative Redeemable Preferred Share (\$.01 par value)
Depository Shares, each representing a 1/10 interest in a 6.5%
Series K Cumulative Redeemable Preferred Share (\$.01 par value)
Depository Shares, each representing a 1/10 interest in a 6.6%
Series L Cumulative Redeemable Preferred Share (\$.01 par value)
Depository Shares, each representing 1/10 interest in a 6.95%

Name of Each Exchange on Which Registered:

New York Stock Exchange
New York Stock Exchange
New York Stock Exchange
New York Stock Exchange

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| | |
|---|-------------------------|
| Series M Cumulative Redeemable Preferred Share (\$.01 par value) | New York Stock Exchange |
| Depository Shares, each representing 1/10 interest in a 7.25% | |
| Series N Cumulative Redeemable Preferred Share (\$.01 par value) | New York Stock Exchange |
| Depository Shares, each representing a 1/10 interest in an 8.375% | |
| Series O Cumulative Redeemable Preferred Share (\$.01 par value) | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting shares of the registrant's outstanding common shares held by non-affiliates of the registrant is \$4.9 billion based on the last reported sale price on June 30, 2007.

The number of common shares, \$.01 par value outstanding as of February 20, 2008 was 146,303,272.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of Duke Realty Corporation's Definitive Proxy Statement for its 2008 Annual Meeting of Shareholders (the "Proxy Statement") to be filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934, as amended, are incorporated by reference into this Form 10-K. Other than those portions of the Proxy Statement specifically incorporated by reference pursuant to Items 10 through 14 of Part III hereof, no other portions of the Proxy Statement shall be deemed so incorporated.

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Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in or incorporated by reference into this Report, including, without limitation, those related to our future operations, constitute forward-looking statements within the meaning of Section 27A of the Securities Act, 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 in 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 performance of financial markets;
- Our continued qualification as a real estate investment trust, or REIT, for U.S. federal income tax purposes;
- Heightened competition for tenants and potential decreases in property occupancy;
- Potential increases in real estate construction costs;
- 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 through the issuance of debt and equity in the capital markets;
- Our ability to successfully identify, acquire, develop and/or manage properties on terms that are favorable to us;

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- Our ability to be flexible in the development and operation of joint venture properties;
- Our ability to successfully dispose of properties on terms that are favorable to us;
- 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).

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. Additional information regarding risk factors that may affect us is included under the caption **Risk Factors** in this Report, and is updated by us from time to time in Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings that we make with the 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.

PART I

Item 1. Business

Background

We are a self-administered and self-managed real estate investment trust (REIT), which began operations upon completion of our initial public offering in February 1986. In October 1993, we completed an additional common shares offering and acquired the rental real estate and service businesses of Duke Associates, whose operations began in 1972. As of December 31, 2007, our diversified portfolio of 726 rental properties (including 38 properties comprising 10.0 million square feet under development) encompass more than 121.1 million rentable square feet and are leased by a diverse and stable base of more than 3,400 tenants whose businesses include manufacturing, retailing, wholesale trade, distribution, healthcare and professional services. We also own or control approximately 7,700 acres of unencumbered land ready for development.

Through our Service Operations, we provide, on a fee basis, leasing, property and asset management, development, construction, build-to-suit and other tenant-related services. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Financial Statements and Supplementary Data for financial information. Our Rental Operations are conducted through Duke Realty Limited Partnership (DRLP). In addition, we conduct our Service Operations through Duke Realty Services LLC, Duke Realty Services Limited Partnership and Duke Construction Limited Partnership. In this Form 10-K Report, the terms we, us and our refer to Duke Realty Corporation and subsidiaries (the Company) and those entities owned or controlled by the Company.

Our headquarters and executive offices are located in Indianapolis, Indiana. In addition, we have 21 regional offices located in Alexandria, Virginia; Atlanta, Georgia; Austin, Texas; Baltimore, Maryland; Cincinnati, Ohio; Columbus, Ohio; Chicago, Illinois; Dallas, Texas; Houston, Texas; Minneapolis, Minnesota; Nashville, Tennessee; Newport Beach, California; Orlando, Florida; Phoenix, Arizona; Raleigh, North Carolina; St. Louis, Missouri; San Antonio, Texas; Savannah, Georgia; Seattle, Washington; Tampa, Florida; and Weston, Florida. We had approximately 1,400 employees as of December 31, 2007.

Business Strategy

One of our primary business objectives is to increase Funds From Operations (FFO) by (i) maintaining and increasing property occupancy and rental rates through the management of our portfolio of existing properties; (ii) developing and acquiring new properties for our Rental Operations in our existing markets; (iii) expanding geographically by acquiring and developing properties in new markets; (iv) using our construction expertise to act as a general contractor in our existing markets and other domestic markets on a fee basis; (v) developing and repositioning properties in our existing markets and other markets which we will sell through our Service Operations property sale program and (vi) providing a full line of real estate services to our tenants and to third parties. FFO is used by industry analysts and investors as a supplemental operating performance measure of an equity REIT like Duke. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT). 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 United States generally accepted accounting principles (GAAP). FFO is a non-GAAP financial measure developed by NAREIT to compare the operating performance of REITs. The most comparable GAAP measure is net income (loss). FFO should not be considered as a substitute for net income or any other measures derived in accordance with GAAP and may not be comparable to other similarly

titled measures of other companies.

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 FFO, combined with the required primary GAAP presentations, improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes FFO is a useful measure for reviewing comparative operating and financial performance (although FFO should be reviewed in conjunction with net income which remains the primary measure of performance) because by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, FFO provides a useful comparison of the operating performance of our real estate between periods or as compared to different companies.

As a fully integrated commercial real estate firm, we provide in-house leasing, management, development and construction services which, coupled with our significant base of commercially zoned and unencumbered land in existing business parks, should give us a competitive advantage both as a real estate operator and in future development activities.

We believe that the management of real estate opportunities and risks can be done most effectively at regional or local levels. As a result, we intend to continue our emphasis on increasing our market share and effective rents in the primary markets where we own properties. We also expect to utilize approximately 7,700 acres of unencumbered land and our many business relationships with our more than 3,400 commercial tenants to expand our build-to-suit business (development projects substantially pre-leased to a single tenant) and to pursue other development and acquisition opportunities in our primary markets. We believe that this regional focus will allow us to assess market supply and demand for real estate more effectively as well as to capitalize on the strong relationships with our tenant base. In addition, we seek to further capitalize on strong customer relationships to provide third-party construction and build-for-sale services outside our primary markets and to expand into high growth and seaport markets across the United States.

Our strategy is to seek to develop and acquire primarily Class A commercial properties located in markets with high growth potential for large national and international companies and other quality regional and local firms. Our industrial and suburban office development focuses on business parks and mixed-use developments suitable for multiple projects on a single site where we can create and control the business environment. These business parks and mixed-use developments often include restaurants and other amenities, which we believe will create an atmosphere that is particularly efficient and desirable. As a fully integrated real estate company, we are able to arrange for or provide to our industrial, office and healthcare customers not only well located and well maintained facilities, but also additional services such as build-to-suit construction, tenant finish construction, and expansion flexibility.

All of our properties are located in areas that include competitive properties. Institutional investors, other REITs or local real estate operators generally own such properties; however, no single competitor or small group of competitors is dominant in our current markets. The supply and demand of similar available rental properties may affect the rental rates we will receive on our properties.

Financing Strategy

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We seek to maintain a well-balanced, conservative and flexible capital structure by: (i) extending and sequencing the maturity dates of debt; (ii) borrowing primarily at fixed rates by targeting a variable rate component of total debt less than 20%; (iii) pursuing current and future long-term debt financings and refinancing on an unsecured basis; (iv) maintaining conservative debt service and fixed charge coverage ratios; (v) generating proceeds from the sale of non-strategic properties and (vi) issuing perpetual preferred stock for 5-10% of our total capital structure.

Management believes that these strategies have enabled and should continue to enable us to favorably access capital markets for our long-term requirements such as debt refinancing and financing development and acquisitions of additional rental properties. In addition, as discussed under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, we have a \$1.3 billion unsecured line of credit available for short-term funding of development and acquisition of additional rental properties. Further, we pursue favorable opportunities to dispose of assets that no longer meet our long-term investment criteria and recycle the proceeds into new investments that we believe have excellent long-term growth prospects. Our debt to total market capitalization ratio (total market capitalization is defined as the total market value of all outstanding common and preferred shares and units of limited partnership interest (Units) in DRLP plus outstanding indebtedness) at December 31, 2007 was 48.4%. Our ratio of earnings to debt service and ratio of earnings to fixed charges for the year ended December 31, 2007 were 1.58x and 1.47x, respectively. In computing the ratio of earnings to debt service, earnings have been calculated by adding interest expense (excluding amortization of debt issuance costs) to income from continuing operations, less preferred dividends, and minority interest in earnings of DRLP. Debt service consists of interest expense and recurring principal amortization (excluding maturities) and excludes amortization of debt issuance costs. In computing the ratio of earnings to fixed charges, earnings have been calculated by adding interest expense and minority interest in earnings from DRLP to income from continuing operations. Fixed charges consist of interest costs, whether expensed or capitalized, the interest component of rental expense and amortization of debt issuance costs.

Corporate Governance

Since our inception, we not only have strived to be a top-performer operationally, but also to lead in issues important to investors such as disclosure and corporate governance. Our system of governance reinforces this commitment. Summarized below are the highlights of our Corporate Governance initiatives.

- | | |
|--------------------------|---|
| Board Composition | • Board is controlled by supermajority (91.7%) of Independent Directors as of January 30, 2008 and thereafter |
| Board Committees | • Board Committee members are all Independent Directors |
| Lead Director | • The Chairman of the Corporate Governance Committee serves as Lead Director of the Independent Directors |
| Board Policies | <ul style="list-style-type: none"> • No Shareholder Rights Plan (Poison Pill) • Code of Conduct applies to all Directors and employees, including the Chief Executive Officer and senior financial officers; waivers require the vote of Independent Directors • Effective orientation program for new Directors • Independence of Directors is reviewed annually • Independent Directors meet at least quarterly in executive session • Independent Directors receive no compensation from Duke other than as Directors • Equity-based compensation plans require shareholder approval • Board effectiveness and performance is reviewed annually by the Corporate Governance Committee • Corporate Governance Committee conducts an annual review of the Chief Executive Officer succession plan • Independent Directors and all Board Committees may retain outside advisors, as they deem appropriate • Policy governing retirement age for Directors • Outstanding stock options may not be repriced • Directors required to offer resignation upon job change • Majority voting for election of Directors |

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Ownership

Minimum Stock Ownership Guidelines apply to all Directors and Executive Officers

Our Code of Conduct (which applies to all Directors and employees, including the Chief Executive Officer and senior financial officers) and the Corporate Governance Guidelines are available in the investor information/corporate governance section of our website at www.dukerealty.com. A copy of these documents may also be obtained without charge by writing to Duke Realty Corporation, 600 East 96th Street, Suite 100, Indianapolis, Indiana 46240, Attention: Investor Relations.

Additional Information

For additional information regarding our investments and operations, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 8, Financial Statements and Supplementary Data. For additional information about our business segments, see Item 8, Financial Statements and Supplementary Data.

Available Information and Exchange Certifications

In addition to this Annual Report, we file quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). All documents that are filed with the SEC are available free of charge on our corporate website, which is www.dukerealty.com. You may also read and copy any document filed at the public reference facilities of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information about the public reference facilities. These documents also may be accessed through the SEC's electronic data gathering, analysis and retrieval system (EDGAR) via electronic means, including the SEC's home page on the Internet (<http://www.sec.gov>). In addition, since some of our securities are listed on the New York Stock Exchange, you may read SEC filings at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The New York Stock Exchange (NYSE) requires that the Chief Executive Officer of each listed company certify annually to the NYSE that he or she is not aware of any violation by the company of NYSE corporate governance listing standards as of the date of such certification. We submitted the certification of our Chairman and Chief Executive Officer, Dennis D. Oklak, with our 2007 Annual Written Affirmation to the NYSE on May 16, 2007.

We included the certifications of the Chief Executive Officer and the Chief Financial Officer of the Company required by Section 302 of the Sarbanes-Oxley Act of 2002 and related rules, relating to the quality of the Company's public disclosure, in this report as Exhibits 31.1 and 31.2.

Item 1A. Risk Factors

In addition to the other information contained in this Report, you should carefully consider, in consultation with your legal, financial and other professional advisors, the risks described below, as well as the risk factors and uncertainties discussed in our other public filings with the SEC under the caption Risk Factors in evaluating us and our business before making a decision regarding an investment in our securities.

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The risks contained in this Report are not the only risks faced by us. Additional risks that are not presently known, or that we presently deem to be immaterial, also could have a material adverse effect on our financial condition, results of operations, business and prospects. The trading price of our securities could decline due to the materialization of any of these risks, and our shareholders may lose all or part of their investment.

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This Report also contains forward-looking statements that may not be realized as a result of certain factors, including, but not limited to, the risks described herein and in our other public filings with the SEC. Please refer to the section in this Report entitled "Cautionary Notice Regarding Forward-Looking Statements" for additional information regarding forward-looking statements.

If we were to cease to qualify as a REIT, we and our shareholders would lose significant tax benefits.

We intend to continue to operate so as to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). Qualification as a REIT provides significant tax advantages to us and our shareholders. However, in order for us to continue to qualify as a REIT, we must satisfy numerous requirements established under highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. Satisfaction of these requirements also depends on various factual circumstances not entirely within our control. The fact that we hold our assets through an operating partnership and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Although we believe that we can continue to operate so as to qualify as a REIT, we cannot offer any assurance that we can continue to do so or that legislation, new regulations, administrative interpretations or court decisions will not significantly change the qualification requirements or the federal income tax consequences of qualification. If we were to fail to qualify as a REIT in any taxable year, it would have the following effects:

- We would not be allowed a deduction for distributions to shareholders and would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates;
- Unless we were entitled to relief under certain statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT;
- Our net earnings available for investment or distribution to our shareholders would decrease due to the additional tax liability for the year or years involved; and
- We would no longer be required to make any distributions to shareholders in order to qualify as a REIT.

As such, failure to qualify as a REIT would likely have a significant adverse effect on the value of our securities.

REIT distribution requirements limit the amount of cash we will have available for other business purposes, including amounts that we need to fund our future growth.

To maintain our qualification as a REIT under the Code, we must annually distribute to our shareholders at least 90% of our ordinary taxable income, excluding net capital gains. We intend to continue to make distributions to our shareholders to comply with the 90% distribution requirement. However, this requirement limits our ability to accumulate capital for use for other business purposes. If we do not have sufficient cash or other liquid assets to meet the distribution requirements, we may have to borrow funds or sell properties on adverse terms in order to

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meet the distribution requirements. If we fail to make a required distribution, we would cease to qualify as a REIT.

U.S. federal income tax developments could affect the desirability of investing in us for individual taxpayers.

In May 2003, federal legislation was enacted that reduced the maximum tax rate for dividends payable to individual taxpayers generally from 38.6% to 15% (from January 1, 2003 through 2008). However, dividends payable by REITs are not eligible for this treatment, except in limited circumstances. Although

this legislation did not have a direct adverse effect on the taxation of REITs or dividends paid by REITs, the more favorable treatment for non-REIT dividends could cause individual investors to consider investments in non-REIT corporations as more attractive relative to an investment in us as a REIT.

U.S. federal income tax treatment of REITs and investments in REITs may change, which may result in the loss of our tax benefits of operating as a REIT.

The present U.S. federal income tax treatment of a REIT and an investment in a REIT may be modified by legislative, judicial or administrative action at any time. Revisions in U.S. federal income tax laws and interpretations of these laws could adversely affect us and the tax consequences of an investment in our common shares.

Our net earnings available for investment or distribution to shareholders could decrease as a result of factors outside of our control.

Our business is subject to the risks incident to the ownership and operation of commercial real estate, many of which involve circumstances not within our control. Such risks include the following:

- Changes in the general economic climate;
- Increases in interest rates;
- Local conditions such as oversupply of property or a reduction in demand;
- Competition for tenants;
- Changes in market rental rates;
- Oversupply or reduced demand for space in the areas where our properties are located;

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- Delay or inability to collect rent from tenants who are bankrupt, insolvent or otherwise unwilling or unable to pay;
- Difficulty in leasing or re-leasing space quickly or on favorable terms;
- Costs associated with periodically renovating, repairing and reletting rental space;
- Our ability to provide adequate maintenance and insurance on our properties;
- Our ability to control variable operating costs;
- Changes in government regulations;
- Changes in interest rate levels;
- The availability of financing on favorable terms; and
- Potential liability under, and changes in, environmental, zoning, tax and other laws.

Further, a significant portion of our costs, such as real estate taxes, insurance and maintenance costs and our debt service payments, are generally not reduced when circumstances cause a decrease in cash flow from our properties.

Many real estate costs are fixed, even if income from properties decreases.

Our financial results depend on leasing space in our real estate to tenants on terms favorable to us. Our income and funds available for distribution to our stockholders will decrease if a significant number of our tenants cannot pay their rent or we are unable to lease properties on favorable terms. In addition, if a tenant does not pay its rent, we may not be able to enforce our rights as landlord without delays and we may incur substantial legal costs. Costs associated with real estate investment, such as real estate taxes and maintenance costs, generally are not reduced when circumstances cause a reduction in income from the investment.

Our real estate development activities are subject to risks particular to development.

We intend to continue to pursue development activities as opportunities arise. These development activities generally require various government and other approvals. We may not receive the necessary approvals. We are subject to the risks associated with development activities. These risks include:

- Unsuccessful development opportunities could result in direct expenses to us;
- Construction costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or possibly unprofitable;
- Time required to complete the construction of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;
- Occupancy rates and rents of a completed project may not be sufficient to make the project profitable; and
- Favorable sources to fund our development activities may not be available.

We are exposed to risks associated with entering new markets.

We consider entering new markets from time to time. The construction and/or acquisition of properties in new markets involves risks, including the risk that the property will not perform as anticipated and the risk that any actual costs for rehabilitation, repositioning, renovation and improvements identified in the pre-construction or pre-acquisition due diligence process will exceed estimates. There is, and it is expected that there will continue to be, significant competition for investment opportunities that meet our investment criteria as well as risks associated with obtaining financing for acquisition activities, if necessary.

We may be unsuccessful in operating completed real estate projects.

We face the risk that the real estate projects we develop or acquire will not perform in accordance with our expectations. This risk exists because of factors such as the following:

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- Prices paid for acquired facilities are based upon a series of market judgments; and
- Costs of any improvements required to bring an acquired facility up to standards to establish the market position intended for that facility might exceed budgeted costs.

Further, we can give no assurance that acquisition targets meeting our guidelines for quality and yield will be available when we seek them.

Our use of joint ventures may limit our flexibility with jointly owned investments.

In appropriate circumstances, we intend to develop and acquire properties in joint ventures with other persons or entities when circumstances warrant the use of these structures. We currently have joint ventures that are not consolidated with our financial statements. Our participation in joint ventures is subject to the risks that:

- We could become engaged in a dispute with any of our joint venture partners that might affect our ability to develop or operate a property;
- Our joint venture partners may have different objectives than we have regarding the appropriate timing and terms of any sale or refinancing of properties; and
- Our joint venture partners may have competing interests in our markets that could create conflict of interest issues.

We are exposed to the risks of defaults by tenants.

Any of our tenants may experience a downturn in their businesses that may weaken their financial condition. In the event of default or the insolvency of a significant number of our tenants, we may experience a substantial loss of rental revenue and/or delays in collecting rent and incur substantial costs in enforcing our rights as landlord. If a tenant files for bankruptcy protection, a court could allow the tenant to reject and terminate its lease with us. Our income and distributable cash flow would be adversely affected if a significant number of our tenants became unable to meet their obligations to us, became insolvent or declared bankruptcy.

We may be unable to renew leases or relet space.

When our tenants decide not to renew their leases upon their expiration, we may not be able to relet the space. Even if our tenants do renew or we are able to relet the space, the terms of renewal or reletting (including the cost of renovations, if necessary) may be less favorable than current lease terms. If we are unable to promptly renew the leases or relet the space, or if the rental rates upon such renewal or reletting are significantly lower than current rates, then our income and distributable cash flow would be adversely affected, especially if we were unable to lease a significant amount of the space vacated by tenants in our properties.

Our insurance coverage on our properties may be inadequate.

We maintain comprehensive insurance on each of our facilities, including property, liability, fire, flood and extended coverage. We believe this coverage is of the type and amount customarily obtained for real property. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods or acts of war or terrorism that may be uninsurable or not economically insurable. We use our discretion when determining amounts, coverage limits and deductibles for insurance. These terms are determined based on retaining an acceptable level of risk at a reasonable cost. This may result in insurance coverage that in the event of a substantial loss would not be sufficient to pay the full current market value or current replacement cost of our lost investment. Inflation, changes in building codes and ordinances, environmental considerations and other factors also may make it unfeasible to use insurance proceeds to replace a facility after it has been damaged or destroyed. Under such circumstances, the insurance proceeds we receive may not be adequate to restore our economic position in a property. If an insured loss occurred, we could lose both our investment in and anticipated profits and cash flow from a property, and we would continue to be obligated on any mortgage indebtedness or other obligations related to the property. Although we believe our insurance is with highly rated providers, we are also subject to the risk that such providers may be unwilling or unable to pay our claims when made.

Acquired properties may expose us to unknown liability.

From time to time, we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our results of operations and cash flow. Unknown liabilities with respect to acquired properties might include:

- liabilities for clean-up of undisclosed environmental contamination;

- claims by tenants, vendors or other persons against the former owners of the properties;
- liabilities incurred in the ordinary course of business; and
- claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

We could be exposed to significant environmental liabilities as a result of conditions of which we currently are not aware.

As an owner and operator of real property, we may be liable under various federal, state and local laws for the costs of removal or remediation of certain hazardous substances released on or in our property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of the hazardous substances. In addition, we could have greater difficulty in selling real estate on which hazardous substances were present or in obtaining borrowings using such real estate as collateral. It is our general policy to have Phase I environmental audits performed for all of our properties and land by qualified environmental consultants. These Phase I environmental audits have not revealed any environmental liability that would have a material adverse effect on our business. However, a Phase I environmental audit does not involve invasive procedures such as soil sampling or ground water analysis, and we cannot be sure that the Phase I environmental audits did not fail to reveal a significant environmental liability or that a prior owner did not create a material environmental condition on our properties or land which has not yet been discovered. We could also incur environmental liability as a result of future uses or conditions of such real estate or changes in applicable environmental laws.

Certain of our officers hold units in our operating partnership and may not have the same interests as our shareholders with regard to certain tax matters.

Certain of our officers own limited partnership units in our operating partnership, Duke Realty Limited Partnership. Owners of limited partnership units may suffer adverse tax consequences upon the sale of certain of our properties, the refinancing of debt related to those properties or in the event we are the subject of a tender offer or merger. As such, owners of limited partnership units, including certain of our officers, may have different objectives regarding the appropriateness of the pricing and timing of these transactions. Though we are the sole general partner of the operating partnership and have the exclusive authority to sell all of our wholly-owned properties or to refinance such properties, officers who hold limited partnership units may influence us not to sell or refinance certain properties even if such sale may be financially advantageous to our shareholders. Adverse tax consequences may also influence the decisions of these officers in the event we are the subject of a tender offer or merger.

Our use of debt financing could have a material adverse effect on our financial condition.

We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required principal and interest payments and the risk that we will be unable to refinance our existing indebtedness, or that the terms of such refinancing will not be as favorable as the terms of our existing indebtedness. If our debt cannot be paid, refinanced or extended, we may not be able to make distributions to shareholders at expected levels or at all. Further, if prevailing interest rates or other factors at the time of a refinancing result in higher interest rates or other restrictive financial covenants upon the refinancing, then such refinancing would adversely affect our cash flow and funds available for operation, development and distribution. We are also subject to financial covenants under our existing debt instruments. Should we fail to comply with the covenants in our existing debt instruments, then we would not only be in breach under the applicable debt instruments but we would also likely be unable to borrow any further amounts under these instruments, which could adversely affect our ability to fund operations. We also have incurred and may incur in the future indebtedness that bears interest at variable rates. Thus, as market interest rates increase, so will our debt expense, affecting our cash flow and our ability to make distributions to shareholders.

Financial covenants under existing credit agreements could limit our flexibility and adversely affect our financial condition.

The terms of our various credit agreements and other indebtedness require that we comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we have satisfied our payment obligations. If we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flow would be adversely affected.

Debt financing may not be available and equity issuances could be dilutive to the Company's shareholders.

The Company's ability to execute its business strategy depends on its access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity. Debt financing may not be available in sufficient amounts, or on favorable terms or at all. If the Company issues additional equity securities to finance developments and acquisitions instead of incurring debt, the interests of existing shareholders could be diluted.

Our stock price and trading volume may be volatile, which could result in substantial losses to our shareholders.

The equity securities markets have from time to time experienced volatility, creating highly variable and unpredictable pricing of equity securities. The market price of our capital stock could change in ways that may or may not be related to our business, our industry or our operating performance and financial condition. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include recent uncertainty in the markets, general market and economic conditions, as well as those factors described in these Risk Factors and in other reports that we file with the SEC.

Many of these factors are beyond our control, and we cannot predict their potential effects on the price of our securities. If the market price of our securities decline, then our shareholders may be unable to resell their securities upon terms that are attractive to them. We cannot assure that the market price of our securities will not fluctuate or decline significantly in the future. In addition, the securities markets in general can experience considerable unexpected price and volume fluctuations.

We may issue debt and equity securities which are senior to our common stock and preferred stock as to distributions and in liquidation, which could negatively affect the value of our common and preferred stock.

In the future, we may attempt to increase our capital resources by entering into debt or debt-like financing that is unsecured or secured by certain of our assets, or issuing debt or equity securities, which could include issuances of secured or unsecured commercial paper, medium-term notes, senior notes, subordinated notes, preferred stock or common stock. In the event of our liquidation, our lenders and holders of our debt securities would receive a distribution of our available assets before distributions to the holders of our common stock and preferred stock. Our preferred stock has a preference over our common stock with respect to distributions and upon liquidation, which could further limit our ability to make distributions to our common shareholders. Any additional preferred stock that we may issue may have a preference over our common stock and existing series of preferred stock with respect to distributions and upon liquidation.

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Our leverage strategy may require us to seek substantial amounts of commercial credit and issue debt securities to support our asset growth. Because our decision to incur debt and issue securities in our future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings and debt financings. Further, market conditions

could require us to accept less favorable terms for the issuance of our securities in the future. Thus, our shareholders will bear the risk of our future offerings reducing the value of their shares of common stock and diluting their interest in us. We may change this leverage strategy from time to time without shareholder approval.

If we are unable to generate sufficient capital and liquidity, then we may be unable to pursue future development projects and other strategic growth initiatives.

To complete our ongoing and planned development projects, and to pursue our other strategic growth initiatives, we must continue to generate sufficient capital and liquidity to fund those activities. To generate that capital and liquidity, we rely upon funds from our existing operations, as well as funds that we raise through our capital raising activities. In the current economic environment, REITs like ours have faced earnings pressures that have made it more difficult to generate capital and liquidity from existing operations. In addition, due to the recent crises in the credit and liquidity markets, it has become increasingly difficult to raise capital and generate liquidity through the sale of equity and/or debt securities on favorable terms, if at all. In the event that we are unable to generate sufficient capital and liquidity to meet our short- and long-term needs, or if we are unable to generate capital and liquidity on terms that are favorable to us, then we may be required to curtail our proposed development projects, as well as our other strategic and growth initiatives.

We are subject to certain provisions that could discourage change-of-control transactions, which may reduce the likelihood of our shareholders receiving a control premium for their shares.

Indiana anti-takeover legislation and certain provisions in our governing documents, as we discuss below, may discourage potential acquirers from pursuing a change-of-control transaction with us. As a result, our shareholders may be less likely to receive a control premium for their shares.

Unissued Preferred Stock. Our charter permits our board of directors to classify unissued preferred stock by setting the rights and preferences of the shares at the time of issuance. This power enables our board to adopt a shareholder rights plan, also known as a poison pill. Although we have repealed our previously existing poison pill and our current board of directors has adopted a policy not to issue preferred stock as an anti-takeover measure, our board can change this policy at any time. The adoption of a poison pill would discourage a potential bidder from acquiring a significant position in the company without the approval of our board.

Business-Combination Provisions of Indiana Law. We have not opted out of the business-combination provisions of the Indiana Business Corporation Law. As a result, potential bidders may have to negotiate with our board of directors before acquiring 10% of our stock. Without securing board approval of the proposed business combination before crossing the 10% ownership threshold, a bidder would not be permitted to complete a business combination for five years after becoming a 10% shareholder. Even after the five-year period, a business combination with the significant shareholder would require a fair price as defined in the Indiana Business Corporation Law or the approval of a majority of the disinterested shareholders.

Control-Share-Acquisition Provisions of Indiana Law. We have not opted out of the provisions of the Indiana Business Corporation Law regarding acquisitions of control shares. Therefore, those who acquire a significant block (at least 20%) of our shares may only vote a portion of their shares unless our other shareholders vote to accord full voting rights to the acquiring person. Moreover, if the other shareholders vote to give full voting rights with respect to the control shares and the acquiring person has acquired a majority of our outstanding shares, the other shareholders would be entitled to special dissenters' rights.

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Supermajority Voting Provisions. Our charter prohibits business combinations or significant disposition transactions with a holder of 10% of our shares unless:

- The holders of 80% of our outstanding shares of capital stock approve the transaction;
- The transaction has been approved by three-fourths of those directors who served on the board before the shareholder became a 10% owner; or
- The significant shareholder complies with the fair price provisions of our charter.

Among the transactions with large shareholders requiring the supermajority shareholder approval are dispositions of assets with a value greater than or equal to \$1,000,000 and business combinations.

Operating Partnership Provisions. The limited partnership agreement of the Operating Partnership contains provisions that could discourage change-of-control transactions, including a requirement that holders of at least 90% of the outstanding partnership units held by us and other unit holders approve:

- Any voluntary sale, exchange, merger, consolidation or other disposition of all or substantially all of the assets of the Operating Partnership in one or more transactions other than a disposition occurring upon a financing or refinancing of the Operating Partnership;
- Our merger, consolidation or other business combination with another entity unless after the transaction substantially all of the assets of the surviving entity are contributed to the Operating Partnership in exchange for units;
- Our transfer of our interests in the Operating Partnership other than to one of our wholly owned subsidiaries; and
- Any reclassification or recapitalization or change of outstanding shares of our common stock other than certain changes in par value, stock splits, stock dividends or combinations.

We are dependent on key personnel.

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Our executive officers and other senior officers have a significant role in the success of our Company. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave our Company is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets.

Item 1B. Unresolved Staff Comments

We have no unresolved comments with the SEC staff regarding our periodic or current reports under the Exchange Act.

Item 2. Properties

Product Review

As of December 31, 2007, we own interests in a diversified portfolio of 726 commercial properties encompassing more than 121.1 million net rentable square feet (including 38 properties comprising 10.0 million square feet under development) and approximately 7,700 acres of land for future development.

Industrial Properties: We own interests in 411 industrial properties encompassing more than 84.6 million square feet (70% of total square feet) more specifically described as follows:

- **Bulk Warehouses** Industrial warehouse/distribution buildings with clear ceiling heights of 20 feet or more. We own 358 buildings totaling approximately 81.2 million square feet of such properties.
- **Service Center Properties** Also known as flex buildings or light industrial, this product type has 12-18 foot clear ceiling heights and a combination of drive-up and dock-height loading access. We own 53 buildings totaling approximately 3.5 million square feet of such properties.

Office Properties: We own interests in 295 office buildings totaling approximately 34.4 million square feet (28% of total square feet). These properties include primarily suburban office properties.

Other Properties: We own interests in 20 healthcare and retail buildings totaling more than 2.1 million square feet (2% of total square feet).

Land: We own or control approximately 7,700 acres of land located primarily in existing business parks. The land is ready for immediate use and is unencumbered. More than 113 million square feet of additional space can be developed on these sites and substantially all of the land is zoned for either office, industrial, healthcare or retail development.

Property Descriptions

The following schedule represents the geographic highlights of properties in our primary markets.

Duke Realty Corporation

Geographic Highlights

In Service Properties as of December 31, 2007

| | Square Feet (1) | | | | Percent of Overall | Annual Net Effective Rent (2) | Percent of Annual Net Effective Rent |
|-----------------|-----------------|-----------------|-----------|-------------|--------------------|-------------------------------|--------------------------------------|
| | Industrial | Suburban Office | Other | Overall | | | |
| Primary Market | | | | | | | |
| Cincinnati | 10,437,397 | 4,776,368 | 826,597 | 16,040,362 | 14.44% | \$ 84,968,472 | 13.57% |
| Indianapolis | 18,016,702 | 2,977,170 | 26,352 | 21,020,224 | 18.91% | 80,951,114 | 12.94% |
| Atlanta | 8,142,383 | 3,942,600 | 389,659 | 12,474,642 | 11.22% | 74,272,067 | 11.87% |
| Chicago | 5,565,486 | 2,829,398 | 74,901 | 8,469,785 | 7.62% | 60,403,525 | 9.65% |
| St. Louis | 3,937,813 | 3,311,455 | | 7,249,268 | 6.52% | 56,036,367 | 8.95% |
| Columbus | 3,561,480 | 3,321,971 | | 6,883,451 | 6.19% | 47,889,436 | 7.65% |
| Raleigh | 2,001,449 | 2,697,713 | | 4,699,162 | 4.23% | 44,088,142 | 7.05% |
| Central Florida | 3,360,479 | 1,464,140 | | 4,824,619 | 4.34% | 32,879,249 | 5.25% |
| Nashville | 3,118,718 | 1,319,788 | | 4,438,506 | 3.99% | 29,246,865 | 4.67% |
| Minneapolis | 3,575,125 | 1,067,811 | | 4,642,936 | 4.18% | 28,454,791 | 4.55% |
| Dallas | 9,182,858 | 152,000 | | 9,334,858 | 8.40% | 22,636,638 | 3.62% |
| Savannah | 4,393,700 | | | 4,393,700 | 3.95% | 14,835,584 | 2.37% |
| Cleveland | | 1,324,367 | | 1,324,367 | 1.19% | 14,750,841 | 2.36% |
| Washington DC | 654,918 | 2,265,750 | | 2,920,668 | 2.63% | 14,265,333 | 2.28% |
| South Florida | | 773,923 | | 773,923 | 0.70% | 8,690,496 | 1.39% |
| Norfolk | 466,000 | | | 466,000 | 0.42% | 2,290,177 | 0.37% |
| Seattle | 120,000 | | | 120,000 | 0.11% | 2,160,000 | 0.35% |
| Houston | 172,000 | 159,175 | | 331,175 | 0.30% | 1,584,000 | 0.25% |
| Other (3) | 436,139 | | 294,968 | 731,107 | 0.66% | 5,381,105 | 0.86% |
| Total | 77,142,647 | 32,383,629 | 1,612,477 | 111,138,753 | 100.00% | \$ 625,784,202 | 100.00% |
| | 69.41% | 29.14% | 1.45% | 100.00% | | | |

| | Occupancy % | | | |
|-----------------------|-------------|-----------------|--------|---------|
| | Industrial | Suburban Office | Other | Overall |
| <u>Primary Market</u> | | | | |
| Cincinnati | 90.96% | 90.41% | 94.70% | 90.98% |
| Indianapolis | 95.39% | 95.81% | 81.03% | 95.43% |
| Atlanta | 94.25% | 93.38% | 81.41% | 93.57% |
| Chicago | 97.69% | 94.61% | 96.79% | 96.65% |
| St. Louis | 85.88% | 91.24% | | 88.33% |
| Columbus | 100.00% | 89.01% | | 94.69% |
| Raleigh | 96.08% | 95.24% | | 95.60% |
| Central Florida | 90.77% | 94.05% | | 91.76% |
| Nashville | 77.12% | 81.05% | | 78.29% |
| Minneapolis | 94.08% | 73.40% | | 89.32% |
| Dallas | 94.37% | 100.00% | | 94.46% |
| Savannah | 100.00% | | | 100.00% |
| Cleveland | | 82.39% | | 82.39% |

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| | | | |
|---------------|---------|--------|---------|
| Washington DC | 97.69% | 90.41% | 92.04% |
| South Florida | | 77.64% | 77.64% |
| Norfolk | 100.00% | | 100.00% |
| Seattle | 100.00% | | 100.00% |
| Houston | 100.00% | | 51.94% |
| Other (3) | 100.00% | 85.65% | 94.21% |
| Total | 93.81% | 90.17% | 89.75% |
| | | | 92.69% |

(1) Includes all wholly owned and joint venture projects shown at 100% as of report date .

-

(2) Represents the average annual rental property revenue due from tenants in occupancy as of the date of this report, excluding additional rent due as operating expense reimbursements, landlord allowances for operating expenses and percentage rents. Joint Venture properties are shown at the Company's ownership percentage.

(3) Represents properties not located in the Company's primary markets. These properties are located in similar midwest or southeast markets.

Note: Excludes buildings that are in the held for sale portfolio.

Item 3. Legal Proceedings

We are not subject to any material pending legal proceedings, other than ordinary routine litigation arising in the ordinary course of business. Our management expects that these ordinary routine legal proceedings will be covered by insurance and does not expect these legal proceedings to have a material adverse effect on our financial condition, results of operations, or liquidity.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the quarter ended December 31, 2007.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common shares are listed for trading on the New York Stock Exchange under the symbol DRE. The following table sets forth the high and low sales prices of the common stock for the periods indicated and the dividend paid per share during each such period. Comparable cash dividends are expected in the future. As of February 20, 2008, there were 10,535 record holders of common shares.

| Quarter Ended | 2007 | | | 2006 | | |
|---------------|----------|----------|----------|----------|----------|----------|
| | High | Low | Dividend | High | Low | Dividend |
| December 31 | \$ 35.40 | \$ 24.25 | \$.480 | \$ 44.05 | \$ 36.98 | \$.475 |
| September 30 | 37.05 | 29.74 | .480 | 38.50 | 34.60 | .475 |
| June 30 | 44.90 | 35.22 | .475 | 37.90 | 32.88 | .470 |
| March 31 | 48.42 | 40.02 | .475 | 38.55 | 33.32 | .470 |

On January 30, 2008, we declared a quarterly cash dividend of \$.480 per share, payable on February 29, 2008, to common shareholders of record on February 14, 2008.

A summary of the tax characterization of the dividends paid per common share for the years ended December 31, 2007, 2006 and 2005 follows:

| | 2007 | 2006 | 2005 |
|--------------------------------------|---------|---------|---------|
| Common shareholders dividend | \$ 1.91 | \$ 1.89 | \$ 1.87 |
| Common shareholders dividend special | | | 1.05 |
| Total dividends paid per share | \$ 1.91 | \$ 1.89 | \$ 2.92 |

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| | | | |
|-------------------|---------------|--------|--------|
| Ordinary income | 63.1% | 64.2% | 44.2% |
| Return of capital | 0% | 5.3% | 0% |
| Capital gains | 36.9% | 30.5% | 55.8% |
| | 100.0% | 100.0% | 100.0% |

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this Item concerning securities authorized for issuance under equity compensation plans is set forth in or incorporated herein by reference to Part III, Item 12 of this Annual Report.

Sales of Unregistered Securities

We did not sell any of our securities during the three months ended December 31, 2007 that were not registered under the Securities Act.

Issuer Purchases of Equity Securities

From time to time, we repurchase our common shares under a \$750.0 million share repurchase program that initially was approved by the Board of Directors and publicly announced in October 2001 (the "Repurchase Program"). In July 2005, the Board of Directors authorized management to purchase up to \$750.0 million of common shares pursuant to this plan. Under the Repurchase Program, we also execute share repurchases on an ongoing basis associated with certain employee elections under our compensation and benefit programs.

The following table shows the share repurchase activity for each of the three months in the quarter ended December 31, 2007:

| Month | Total Number of Shares Purchased (1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs (2) |
|--------------|--|---------------------------------|--|--|
| October | | N/A | | |
| November | 6,443 | \$ 26.55 | 6,443 | |
| December | 21,191 | \$ 26.64 | 21,191 | |
| Total | 27,634 | \$ 26.62 | 27,634 | |

(1) Represents 27,634 common shares swapped to pay the exercise price of stock options.

(2) The number of common shares that may yet be repurchased in the open market to fund shares purchased under our Employee Stock Purchase Plan, as amended, was 81,840 on December 31, 2007. The approximate dollar value of common shares that may yet be purchased under the Repurchase Program was \$361.0 million as of December 31, 2007.

Item 6. 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, 2007. The following information should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data" included in this Form 10-K (in thousands, except per share amounts):

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|------------|------------|------------|------------|------------|
| Results of Operations: | | | | | |
| Revenues: | | | | | |
| Rental Operations from Continuing Operations | \$ 823,869 | \$ 781,552 | \$ 631,611 | \$ 564,094 | \$ 513,404 |
| | 99,358 | 90,125 | 81,941 | 70,803 | 59,456 |

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Service Operations from Continuing
Operations

| | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Revenues from Continuing Operations | \$ 923,227 | \$ 871,677 | \$ 713,552 | \$ 634,897 | \$ 572,860 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|

| | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Income from Continuing Operations | \$ 159,196 | \$ 151,363 | \$ 132,815 | \$ 126,941 | \$ 133,022 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|

| | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net Income Available for common shareholders | \$ 217,692 | \$ 145,095 | \$ 309,183 | \$ 151,279 | \$ 161,911 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|

Per Share Data:

Basic income per common share:

| | | | | | |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| Continuing operations | \$ 0.70 | \$ 0.69 | \$ 0.61 | \$ 0.63 | \$ 0.70 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|

| | | | | | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Discontinued operations | 0.86 | 0.39 | 1.58 | 0.44 | 0.49 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|

Diluted income per common share:

| | | | | | |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Continuing operations | 0.69 | 0.68 | 0.60 | 0.63 | 0.70 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|

| | | | | | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Discontinued operations | 0.86 | 0.39 | 1.57 | 0.43 | 0.49 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|

| | | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Dividends paid per common share | 1.91 | 1.89 | 1.87 | 1.85 | 1.83 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|

| | | | | | |
|---|--|--|-------------|--|--|
| Dividends paid per common share special | | | 1.05 | | |
|---|--|--|-------------|--|--|

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Weighted average common shares outstanding | 139,255 | 134,883 | 141,508 | 141,379 | 135,595 |
|--|----------------|----------------|----------------|----------------|----------------|

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Weighted average common shares and potential dilutive common equivalents | 149,614 | 149,393 | 155,877 | 157,062 | 151,141 |
|--|----------------|----------------|----------------|----------------|----------------|

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| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|--------------|--------------|--------------|--------------|--------------|
| Balance Sheet Data (at December 31): | | | | | |
| Total Assets | \$ 7,661,981 | \$ 7,238,595 | \$ 5,647,560 | \$ 5,896,643 | \$ 5,561,249 |
| Total Debt (1) | 4,316,460 | 4,109,154 | 2,600,651 | 2,518,704 | 2,335,536 |
| Total Preferred Equity | 744,000 | 876,250 | 657,250 | 657,250 | 540,508 |
| Total Shareholders' Equity | 2,750,033 | 2,503,583 | 2,452,798 | 2,825,869 | 2,666,749 |
| Total Common Shares Outstanding | 146,175 | 133,921 | 134,697 | 142,894 | 136,594 |
| Other Data: | | | | | |
| Funds From Operations (2) | \$ 384,032 | \$ 338,008 | \$ 341,189 | \$ 352,469 | \$ 335,989 |

(1) Includes \$147,309 of secured debt classified as liabilities of properties held for sale at December 31, 2006.

(2) 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. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT). 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 United States generally accepted accounting principles (GAAP). FFO is a non-GAAP financial measure developed by NAREIT to compare the operating performance of REITs. The most comparable GAAP measure is net income (loss). FFO should not be considered as a substitute for net income or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies.

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 the 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 FFO, combined with the required primary GAAP presentations, improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes FFO is a useful measure for reviewing comparative operating and financial performance (although FFO should be reviewed in conjunction with net income which remains the primary measure of performance) because by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, FFO provides a useful comparison of the operating performance of our real estate between periods or as compared to different companies.

See reconciliation of FFO to GAAP net income under Year in Review section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

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We are a self-administered and self-managed REIT that began operations through a related entity in 1972. As of December 31, 2007, we:

- Owned or jointly controlled 726 industrial, office, healthcare and retail properties (including properties under development), consisting of more than 121.1 million square feet; and
- Owned or jointly controlled approximately 7,700 acres of unencumbered land with an estimated future development potential of more than 113 million square feet of industrial, office, healthcare and retail properties.

We provide the following services for our properties and for certain properties owned by third parties and joint ventures:

- Property leasing;
- Property management;
- Asset management;
- Construction;
- Development; and
- Other tenant-related services.

Management Philosophy and Priorities

Our key business and financial strategies for the future include the following:

- One of our primary business objectives is to increase Funds From Operations (FFO) by (i) maintaining and increasing property occupancy and rental rates through the management of our portfolio of existing properties; (ii) developing and acquiring new properties for rental operations in our existing markets; (iii) expanding geographically by acquiring and developing properties in new markets; (iv) using our construction expertise to act as a general contractor or construction manager in our existing markets and other domestic markets on a fee basis; (v) developing and repositioning properties in our existing markets and other markets which we will sell through our Service Operations property sale program; and (vi) providing a full line of real estate services to our tenants and to third parties.
- Our financing strategy is to actively manage the components of our capital structure including common and preferred equity and debt to maintain a conservatively leveraged balance sheet and investment grade ratings from our credit rating agencies. Additionally, we employ a capital recycling program where we utilize sales of operating real estate assets that no longer fit our strategies to generate proceeds that can be recycled into new properties that better fit our current and longer term strategies. This strategy provides us with the financial flexibility to fund both development and acquisition opportunities. We seek to maintain a well-balanced, conservative and flexible capital structure by:
 - (i) extending and sequencing the maturity dates of debt; (ii) borrowing primarily at fixed rates by targeting a variable rate component of total debt less than 20%; (iii) pursuing current and future long-term debt financings and refinancing generally on an unsecured basis; (iv) maintaining conservative debt service and fixed charge coverage ratios; (v) generating proceeds from the sale of non-strategic properties and (vi) issuing perpetual preferred stock for 5-10% of our total capital structure.

Year in Review

During 2007, we continued the execution of our strategy to improve our portfolio of held for investment buildings through our capital recycling program, increasing our development pipeline to over \$1.9 billion, and continuing geographic expansion that we anticipate will provide future earnings growth. As a result of these accomplishments, we achieved steady operating results while maintaining a strong balance sheet.

Net income available for common shareholders for the year ended December 31, 2007, was \$217.7 million, or \$1.55 per share (diluted), compared to net income of \$145.1 million, or \$1.07 per share (diluted) for the year ended 2006. FFO available to common shareholders totaled \$384.0 million for the year ended December 31, 2007, compared to \$338.0 million for the same period in 2006. Industry analysts and investors use FFO as a supplemental operating performance measure of an equity real estate investment trust (REIT). FFO is calculated in accordance with the definition that was adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT). FFO, as defined by NAREIT, represents net income (loss) determined in accordance with United States generally accepted accounting principles (GAAP), 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.

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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. Thus, NAREIT created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items, from GAAP net income. Management believes that the use of FFO, combined with the required primary GAAP presentations, improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes FFO is a useful measure for reviewing comparative operating and financial performance (although FFO should be reviewed in conjunction with net income which remains the primary measure of performance) because by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, FFO provides a useful comparison of the operating performance of our real estate between periods or as compared to different companies.

The following table summarizes the calculation of FFO for the years ended December 31, 2007, 2006 and 2005, respectively (in thousands):

| | 2007 | | 2006 | | 2005 |
|---|------------|----|----------|----|-----------|
| Net income available for common shareholders | \$ 217,692 | \$ | 145,095 | \$ | 309,183 |
| Adjustments: | | | | | |
| Depreciation and amortization | 277,691 | | 254,268 | | 254,170 |
| Company share of joint venture depreciation and amortization | 26,948 | | 18,394 | | 19,510 |
| Earnings from depreciable property sales wholly owned | (121,072) | | (42,089) | | (227,513) |
| Earnings from depreciable property sales share of joint venture | (6,244) | | (18,802) | | (11,096) |
| Minority interest share of adjustments | (10,983) | | (18,858) | | (3,065) |
| Funds From Operations | \$ 384,032 | \$ | 338,008 | \$ | 341,189 |

We continued strategic initiatives to expand geographically, recycle capital from the disposition of operating properties, and create value by leveraging our development, construction and management capabilities as follows:

- As part of our continuing strategy to expand into new markets, we entered the Southern California, Seattle and Eastern Virginia markets in 2007. This follows our geographic expansion initiatives in 2006 into the Washington, D.C., Baltimore, Phoenix and Houston markets.
- Throughout 2007, we completed land acquisitions totaling \$321.3 million while generating proceeds of \$161.5 million from the disposition of other land parcels. Of our total undeveloped land inventory, \$108.1 million was placed under development during 2007 as construction activity commenced.
- In February 2007, we continued our expansion into the health care real estate market by completing the acquisition of Bremner Healthcare Real Estate (Bremner), a national health care development and management firm. The initial consideration paid to the sellers totaled \$47.1 million, and the sellers may be eligible for further contingent payments over the next three years.
- We disposed of 32 non-strategic wholly owned held for rental properties for \$336.7 million of gross proceeds. Additionally, unconsolidated subsidiaries disposed of 10 properties of which our share of the gross proceeds totaled \$30.1 million. These transactions were a continuation of

our long-term strategy of recycling assets into higher yielding new developments.

- We disposed of 15 properties, which were developed with the intent to sell, for \$256.6 million of gross proceeds and recognized pre-tax gains on sale of \$34.7 million.

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- We will continue to develop long-term assets to be held in our portfolio and develop assets to be sold upon, or soon after, completion. With over \$1.9 billion (which includes \$182.6 million of third-party construction backlog) in our development pipeline at December 31, 2007, we are encouraged about the long-term growth opportunities in our business. Newly developed properties, with a basis of \$593.1 million and occupancy of 59.7% at December 31, 2007, were placed in service during the year.
- We achieved record leasing activity in 2007 with approximately 22.5 million square feet of new leases and approximately 12.0 million square feet of lease renewals.
- We have continued to maintain a high occupancy level during this year of portfolio expansion as the overall occupancy percentage of 92.7% on our in-service held for rental portfolio was consistent with the 2006 level of 92.8%.

Highlights of our key financing activities in 2007 are as follows:

- We had \$546.1 million outstanding on our lines of credit as of December 31, 2007. During 2007, the borrowing capacity on our line of credit was increased from \$1.0 billion to \$1.3 billion while maintaining the interest rate of LIBOR plus 52.5 basis points.
- We issued \$300.0 million of unsecured notes at an effective interest rate of 6.16%. We retired \$200.0 million of unsecured notes with a weighted average effective interest rate of 5.55%.
- In October 2007, we issued 7.0 million shares of our common stock for net proceeds of \$232.7 million.
- In October 2007, we redeemed all of the outstanding shares of our 7.99% Series B Cumulative Redeemable Preferred Stock at a liquidation amount of \$132.3 million.
- We continue to maintain a conservative balance sheet and investment grade debt ratings from Moody's Investors Service (Baa1) and Standard & Poor's Ratings Group (BBB+). Our debt to total market capitalization ratio (total market capitalization is defined as the total market value of all outstanding common and preferred shares and units of limited partner interest in our operating partnership plus outstanding indebtedness) was 48.4% at December 31, 2007 compared to 37.4% at December 31, 2006.

Key Performance Indicators

Our operating results depend primarily upon rental income from our industrial, office, and healthcare properties (Rental Operations). The following discussion highlights the areas of Rental Operations that we consider critical for future revenue growth. All square footage totals and occupancy percentages reflect both wholly-owned properties and properties in joint ventures.

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Occupancy Analysis: As discussed above, our ability to maintain favorable occupancy rates is a principal driver of our results of operations. The following table sets forth occupancy information regarding our in-service portfolio of rental properties (excluding in-service properties developed or acquired with the intent to sell Service Operations Buildings) as of December 31, 2007 and 2006, respectively (in thousands, except percentage data):

| Type | Total Square Feet | | Percent of Total Square Feet | | Percent Occupied | |
|-------------------|-------------------|---------|------------------------------|---------------|------------------|-------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Industrial | 77,143 | 75,455 | 69.4% | 69.3% | 93.8% | 93.1% |
| Office | 32,384 | 32,481 | 29.1% | 29.8% | 90.2% | 92.0% |
| Other | 1,612 | 916 | 1.5% | 0.9% | 89.8% | 96.2% |
| Total | 111,139 | 108,852 | 100.0% | 100.0% | 92.7% | 92.8% |

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Lease Expiration and Renewals: Our ability to maintain and grow occupancy rates primarily depends upon our continuing ability to re-lease expiring space. The following table reflects our in-service portfolio lease expiration schedule by property type as of December 31, 2007. The table indicates square footage and annualized net effective rents (based on December 2007 rental revenue) under expiring leases (in thousands, except percentage data):

| Year of Expiration | Square Feet | Total Portfolio | | % of Revenue | Industrial | | Office | | Other | |
|-----------------------------|-------------|-------------------|-------------------|--------------|-------------|-------------------|-------------|-------------------|-------------|-------------------|
| | | Ann. Rent Revenue | Ann. Rent Revenue | | Square Feet | Ann. Rent Revenue | Square Feet | Ann. Rent Revenue | Square Feet | Ann. Rent Revenue |
| 2008 | 12,443 | \$ 65,183 | | 9% | 9,920 | \$ 36,230 | 2,467 | \$ 28,205 | 56 | \$ 748 |
| 2009 | 11,780 | 77,664 | | 11% | 8,394 | 33,718 | 3,317 | 43,223 | 69 | 723 |
| 2010 | 13,509 | 99,944 | | 14% | 9,240 | 40,039 | 4,256 | 59,718 | 13 | 187 |
| 2011 | 13,937 | 87,565 | | 12% | 10,396 | 39,297 | 3,474 | 47,207 | 67 | 1,061 |
| 2012 | 10,992 | 77,328 | | 11% | 7,531 | 30,108 | 3,412 | 46,338 | 49 | 882 |
| 2013 | 9,401 | 82,543 | | 12% | 5,220 | 22,364 | 4,126 | 59,361 | 55 | 818 |
| 2014 | 6,486 | 38,275 | | 5% | 4,995 | 18,289 | 1,463 | 19,521 | 28 | 465 |
| 2015 | 8,249 | 60,814 | | 8% | 5,988 | 23,622 | 2,261 | 37,192 | | |
| 2016 | 3,994 | 27,347 | | 4% | 2,855 | 10,342 | 924 | 14,506 | 215 | 2,499 |
| 2017 | 6,458 | 44,873 | | 6% | 4,572 | 18,166 | 1,539 | 21,988 | 347 | 4,719 |
| 2018 and Thereafter | 5,767 | 54,201 | | 8% | 3,259 | 16,913 | 1,960 | 29,715 | 548 | 7,573 |
| | 103,016 | \$ 715,737 | | 100% | 72,370 | \$ 289,088 | 29,199 | \$ 406,974 | 1,447 | \$ 19,675 |
| | | | | | | | | | | |
| Total Portfolio Square Feet | 111,139 | | | | 77,143 | | 32,384 | | 1,612 | |
| Percent Occupied | 92.7% | | | | 93.8% | | 90.2% | | 89.8% | |

Note: Excludes buildings that are in the held for sale portfolio.

We renewed 79.7% and 79.9% of our leases up for renewal totaling approximately 9.8 million and 7.5 million square feet in 2007 and 2006, respectively. We attained 5.81% growth in net effective rents on these renewals during 2007. Our lease renewal percentages over the past three years have remained relatively consistent at a 70-80% success rate. We do not presently expect this renewal percentage in 2008 to differ from the past three years.

Development: Another source of growth in earnings is the development of additional properties. These properties should provide future earnings through income upon sale or from Rental Operations income as they are placed in service. We had 16.6 million square feet of property under development with total estimated costs upon completion of \$1.2 billion at December 31, 2007, compared to 10.6 million square feet and total costs of \$1.1 billion at December 31, 2006. We have increased our development pipeline during 2007 and will continue to pursue additional development opportunities, while focusing on pre-leasing as we closely monitor the strength of the national and local market economies.

The following table summarizes our properties under development as of December 31, 2007 (in thousands, except percentage data):

| Anticipated In-Service | Square Feet | Percent Leased | Project Costs | Anticipated Stabilized |
|------------------------|-------------|----------------|---------------|------------------------|
|------------------------|-------------|----------------|---------------|------------------------|

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| Date | Return | | | |
|-------------------------------|--------|------|--------------|-------|
| Held for Rental Buildings: | | | | |
| 1 st Quarter 2008 | 3,753 | 32% | \$ 174,923 | 9.39% |
| 2 nd Quarter 2008 | 3,843 | 19% | 231,851 | 8.76% |
| 3 rd Quarter 2008 | 1,778 | 23% | 198,615 | 9.22% |
| Thereafter | 633 | 60% | 136,590 | 8.82% |
| | 10,007 | 28% | 741,979 | 9.04% |
| Service Operations Buildings: | | | | |
| 1 st Quarter 2008 | 1,231 | 70% | 50,999 | 8.69% |
| 2 nd Quarter 2008 | 1,044 | 88% | 85,708 | 8.20% |
| 3 rd Quarter 2008 | 1,252 | 100% | 78,374 | 8.43% |
| Thereafter | 3,045 | 86% | 240,766 | 8.11% |
| | 6,572 | 86% | 455,847 | 8.25% |
| Total | 16,579 | 51% | \$ 1,197,826 | 8.74% |

Acquisition and Disposition Activity: We continued to selectively dispose of non-strategic properties in 2007. Gross sales proceeds related to the dispositions of wholly owned held for rental properties were \$336.7 million, which included the disposition of a portfolio of eight office properties in the Cleveland market and a portfolio of twelve industrial properties in the St. Louis market. Our share of proceeds from sales of properties within unconsolidated joint ventures, in which we have less than a 100% interest, totaled \$30.1 million. In 2006, proceeds totaled \$139.9 million for the disposition of wholly owned held for rental properties and \$91.9 million for our share of property sales from unconsolidated joint ventures. Dispositions of wholly owned properties developed for sale rather than rental resulted in \$256.6 million in proceeds in 2007 compared to \$188.6 million in 2006. We intend to continue to identify properties for disposition in order to recycle the proceeds into higher yielding assets. The level of 2008 dispositions will be impacted by the ability of the prospective buyers to obtain favorable financing given the current state of the capital markets.

In 2007, in addition to the acquisition of Bremner, we acquired \$117.0 million of income producing properties and \$321.3 million of undeveloped land compared to \$948.4 million of income producing properties and \$436.7 million of undeveloped land in 2006.

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, 2007, is as follows (in thousands, except number of properties and per share data):

| | 2007 | 2006 | 2005 |
|--|------------|------------|------------|
| Rental Operations revenues from Continuing Operations | \$ 823,869 | \$ 781,552 | \$ 631,611 |
| Service Operations revenues from Continuing Operations | 99,358 | 90,125 | 81,941 |
| Earnings from Continuing Rental Operations | 109,079 | 125,514 | 110,812 |
| Earnings from Continuing Service Operations | 52,034 | 53,196 | 44,278 |
| Operating income | 123,433 | 142,913 | 124,128 |
| Net income available for common shareholders | 217,692 | 145,095 | 309,183 |
| Weighted average common shares outstanding | 139,255 | 134,883 | 141,508 |
| Weighted average common shares and potential dilutive common equivalents | 149,614 | 149,393 | 155,877 |
| Basic income per common share: | | | |
| Continuing operations | \$.70 | \$.69 | \$.61 |
| Discontinued operations | \$.86 | \$.39 | \$ 1.58 |
| Diluted income per common share: | | | |
| Continuing operations | \$.69 | \$.68 | \$.60 |
| Discontinued operations | \$.86 | \$.39 | \$ 1.57 |
| Number of in-service properties at end of year | 688 | 696 | 660 |
| In-service square footage at end of year | 111,139 | 108,852 | 97,835 |

Comparison of Year Ended December 31, 2007 to Year Ended December 31, 2006

Rental Revenue from Continuing Operations

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Overall, rental revenue from continuing operations increased from \$743.5 million in 2006 to \$794.5 million in 2007. The following table reconciles rental revenue from continuing operations by reportable segment to our total reported rental revenue from continuing operations for the years ended December 31, 2007 and 2006, respectively (in thousands):

| | 2007 | | 2006 |
|------------|-------------------|----|-------------|
| Office | \$ 547,478 | \$ | 534,369 |
| Industrial | 219,080 | | 194,670 |
| Other | 27,930 | | 14,509 |
| Total | \$ 794,488 | \$ | 743,548 |

Both of our reportable segments that comprise Rental Operations (office and industrial) are within the real estate industry; however, the same economic and industry conditions do not affect each segment in the same manner. The primary causes of the increase in rental revenue from continuing operations, with specific references to a particular segment when applicable, are summarized below:

- In 2007, we acquired six new properties and placed 38 development projects in-service. These acquisitions and developments provided incremental revenues of \$2.9 million and \$16.6 million, respectively.
- Acquisitions and developments that were placed in service in 2006 provided \$12.4 million and \$25.1 million, respectively, of incremental revenue in 2007.
- We acquired an additional 31 properties in 2006 and later contributed them to an unconsolidated joint venture, resulting in a \$40.2 million reduction in revenues for the year ended December 31, 2007, as compared to the same period in 2006. Of these properties, 23 were contributed in the fourth quarter of 2006, seven were contributed in the second quarter of 2007 and one was contributed in the fourth quarter of 2007.
- Rental revenue includes lease termination fees. Lease termination fees relate to specific tenants who pay a fee to terminate their lease obligations before the end of the contractual lease term. Lease termination fees increased from \$16.1 million in 2006 to \$24.2 million in 2007.
- The remaining increase in rental revenues is primarily the result of an \$18.2 million increase in revenues from reimbursable rental expenses. This increase is largely offset by a corresponding increase in overall rental expenses.

Equity in Earnings of Unconsolidated Companies

Equity in earnings represents our ownership share of net income from investments in unconsolidated companies. These joint ventures generally own and operate rental properties and develop properties. These earnings decreased from \$38.0 million in 2006 to \$29.4 million in 2007. During 2006, our joint ventures sold 22 non-strategic buildings, with our share of the net gain recorded through equity in earnings totaling \$18.8 million, compared to ten joint venture building sales in 2007, with \$8.0 million recorded to equity in earnings for our share of the net gains.

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 statement of operations for the years ended December 31, 2007 and 2006, respectively (in thousands):

| | 2007 | 2006 |
|------------------|------|------|
| Rental Expenses: | | |

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| | | | | |
|------------|----|----------------|----|---------|
| Office | \$ | 144,320 | \$ | 143,567 |
| Industrial | | 23,919 | | 21,991 |
| Other | | 8,435 | | 3,519 |
| Total | \$ | 176,674 | \$ | 169,077 |

Real Estate Taxes:

| | | | | |
|------------|----|---------------|----|--------|
| Office | \$ | 63,572 | \$ | 55,963 |
| Industrial | | 27,530 | | 21,760 |
| Other | | 7,033 | | 6,015 |
| Total | \$ | 98,135 | \$ | 83,738 |

Of the overall \$7.6 million increase in rental expenses in 2007 compared to 2006, \$9.9 million was attributable to properties acquired and developments placed in service from January 1, 2006 through December 31, 2007. This increase was largely offset by a reduction in rental expenses of \$7.6 million resulting from the contribution of 31 properties to an unconsolidated joint venture in 2006 and 2007. Inclement weather conditions in the first quarter of 2007, an increase in utility rates and volume in the third quarter of 2007 due to unseasonably high temperatures and normal inflationary factors triggered the remaining increase in rental expenses.

Of the overall \$14.4 million increase in real estate taxes in 2007 compared to 2006, \$7.7 million was attributable to properties acquired and developments placed in service from January 1, 2006 through December 31, 2007. The remaining increase in real estate taxes was driven by increases in assessments in some of our markets.

Interest Expense

Interest expense from continuing operations remained fairly consistent from 2006 to 2007 at \$170.5 million in 2006, compared to \$168.4 million in 2007. While we maintained higher outstanding borrowings in 2007 compared to 2006, these higher borrowings were used to fund our increase in development activities and thus, the increased interest costs from these borrowings were capitalized into project costs rather than expensed.

Depreciation and Amortization Expense

Depreciation and amortization increased from \$232.7 million in 2006 to \$271.6 million in 2007 due to increases in our held-for-rental asset base from acquisitions and developments placed in service during 2006 and 2007.

Service Operations

Service Operations primarily consist of sales of properties developed or acquired with the intent to sell within a short period of time and the leasing, management, construction and development services for joint venture properties and properties owned by third parties. Leasing and management fees are dependent upon occupancy while construction and development services rely on the expansion of business operations of third party property owners. Earnings from Service Operations decreased slightly from \$53.2 million in 2006 to \$52.0 million in 2007. The following are the factors related to the decrease in earnings from Service Operations in 2007:

- Our Service Operations building development and sales program, whereby a building is developed or repositioned by us and then sold soon after completion, is a significant component of earnings from operations and is often a significant driver of fluctuations in earnings from Service Operations between periods. During 2007, we generated pre-tax gains of \$34.7 million from the sale of 15 properties compared to \$44.6 million from the sale of nine properties in 2006. Partially offsetting the aforementioned decrease was a \$2.9 million reduction in income taxes on these gains on sale, with the net effect of decreased gains on sale in 2007 resulting in a \$7.0 million decrease in earnings from Service Operations.
- Increased net general contractor revenues drove a \$9.7 million increase in earnings from Service Operations from 2006 as the result of increased volume and margins and favorable settlement of previously existing warranty reserves.

General and Administrative Expense

General and administrative expense increased from \$35.8 million in 2006 to \$37.7 million in 2007. General and administrative expenses are comprised of two components. The first component is direct expenses that are not attributable to specific assets such as legal fees, audit fees, marketing costs, investor relations expenses and other corporate overhead. The second component is the unallocated indirect costs determined to be unrelated to the operation of our owned properties and Service Operations. Those indirect costs not allocated to these operations are charged to general and administrative expenses. There was a \$31.7 million increase in the overall pool of overhead costs in 2007 that was necessitated by our overall growth. The majority of this increase in the overall pool of overhead costs was necessary as the result of increased rental and service operations activity and thus, was allocated to rental operations, construction, development and leasing. Approximately \$1.5 million of the aforementioned increase in the overall overhead pool was not allocated to operations, which was the primary reason for the overall \$1.9 million increase to general and administrative expense.

Discontinued Operations

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

We classified the operations of 302 properties as discontinued operations as of December 31, 2007. These 302 properties consist of 253 industrial, 48 office and one retail property. As a result, we classified net income from operations, net of minority interest, of \$6.7 million, \$10.7 million and \$18.6 million as net income from discontinued operations for the years ended December 31, 2007, 2006 and 2005, respectively.

Of these properties, 32 were sold during 2007, 21 properties were sold during 2006, 234 properties were sold during 2005, and 15 operating properties are classified as held-for-sale at December 31, 2007. The gains on disposal of these properties, net of impairment adjustment and minority interest, of \$113.6 million, \$42.1 million and \$204.3 million for the years ended December 31, 2007, 2006 and 2005, respectively, are also reported in discontinued operations.

Comparison of Year Ended December 31, 2006 to Year Ended December 31, 2005Rental Revenue from Continuing Operations

Overall, rental revenue from continuing operations increased from \$602.1 million in 2005 to \$743.5 million in 2006. The following table reconciles rental revenue from continuing operations by reportable segment to total reported rental revenue from continuing operations for the years ended December 31, 2006 and 2005, respectively (in thousands):

| | 2006 | 2005 |
|------------|------------|------------|
| Office | \$ 534,369 | \$ 443,927 |
| Industrial | 194,670 | 148,359 |
| Other | 14,509 | 9,776 |
| Total | \$ 743,548 | \$ 602,062 |

Both of our reportable segments that comprise Rental Operations (office and industrial) are within the real estate industry; however, the same economic and industry conditions do not affect each segment in the same manner. The primary causes of the increase in rental revenue from continuing operations, with specific references to a particular segment when applicable, are summarized below:

- In 2006, we acquired 50 new properties and placed 27 development projects in-service. These 2006 acquisitions and developments are the primary factor in the overall increase in rental revenue for the year ended 2006 compared to 2005 as they provided incremental revenues of \$73.8 million and \$9.3 million respectively. These acquisitions totaled \$948.4 million on 8.6 million square feet and were 99% leased at December 31, 2006.
- Acquisitions and developments that were placed in service in 2005 provided \$15.8 million and \$11.2 million, respectively, of incremental revenue in 2006.
- Rental revenue includes lease termination fees. Lease termination fees relate to specific tenants who pay a fee to terminate their lease obligations before the end of the contractual lease term. Lease termination fees increased from \$7.3 million in 2005 to \$16.1 million in 2006.
- Our in-service occupancy increased from 92.7% at December 31, 2005, to 92.9% at December 31, 2006 and contributed to the remaining increase in rental revenue.

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Equity in Earnings of Unconsolidated Companies

Equity in earnings represents our ownership share of net income from investments in unconsolidated companies. These joint ventures generally own and operate rental properties and develop properties. These earnings increased from \$29.5 million in 2005 to \$38.0 million in 2006. During 2006, our joint ventures sold 22 non-strategic buildings, with our share of the net gain recorded through equity in earnings totaling \$18.8 million. During the second quarter of 2005, one of our ventures sold three buildings, with our share of the net gain recorded through equity in earnings totaling \$11.1 million.

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 statement of operations for the years ended December 31, 2006 and 2005, respectively (in thousands):

| | 2006 | 2005 |
|--------------------|------------|------------|
| Rental Expenses: | | |
| Office | \$ 143,567 | \$ 119,052 |
| Industrial | 21,991 | 18,264 |
| Other | 3,519 | 1,557 |
| Total | \$ 169,077 | \$ 138,873 |
| | | |
| Real Estate Taxes: | | |
| Office | \$ 55,963 | \$ 49,936 |
| Industrial | 21,760 | 17,758 |
| Other | 6,015 | 5,104 |
| Total | \$ 83,738 | \$ 72,798 |

Rental expenses and real estate taxes for 2006 have increased from 2005 by \$30.2 million and \$10.9 million, respectively, as the result of acquisition and development activity in 2005 and 2006 as well as from an increase in occupancy over the past two years.

Interest Expense

Interest expense increased from \$106.0 million in 2005 to \$170.5 million in 2006, as a result of the following:

- Interest costs on the unsecured line of credit increased by \$29.2 million from 2005 as the result of increased borrowings throughout the year, as well as increased interest rates.

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- Interest costs on unsecured notes increased by \$10.2 million as the result of an overall increase in borrowings used mainly to fund acquisitions and development.
- Interest costs on secured debt increased by \$27.8 million as the result of the increase in borrowings in 2006.
- Offsetting the above increases, capitalized interest increased by \$26.8 million as the result of increased development activities.

Depreciation and Amortization Expense

Depreciation and amortization increased from \$203.1 million in 2005 to \$232.7 million in 2006 as the result of increases in our held-for-rental asset base from acquisitions and developments placed in service during 2005 and 2006.

Service Operations

Service Operations primarily consist of sales of properties developed or acquired with the intent to sell within a short period of time and the leasing, management, construction and development services for joint venture properties and properties owned by third parties. Leasing and management fees are dependent upon occupancy while construction and development services rely on the expansion of business operations of third party property owners. Earnings from Service Operations increased from \$44.3 million in 2005 to \$53.2 million in 2006. The following are the factors related to the increase in earnings from Service Operations in 2006.

- Our Service Operations building development and sales program, whereby a building is developed or repositioned by us and then sold soon after completion, is a significant component of earnings from operations and is often a significant driver of fluctuations in earnings from Service Operations between periods. During 2006, we generated pre-tax gains of \$44.6 million from the sale of nine properties compared to \$29.9 million from the sale of ten properties in 2005. Profit margins on these types of building sales fluctuate by sale depending on the type of property being sold, the strength of the underlying tenant and nature of the sale, such as a pre-contracted purchase price for a primary tenant versus a sale on the open market.
- Partially offsetting the increased 2006 gains from our Service Operations building development and sales program was the effect of a decreased focus on third-party construction services as well as the fact that in the first quarter of 2005, we recognized \$2.7 million of a non-recurring deferred gain associated with the sale of our landscaping operations in 2001.

General and Administrative Expense

General and administrative expense increased from \$31.0 million in 2005 to \$35.8 million in 2006. General and administrative expenses are comprised of two components. The first component is direct expenses that are not attributable to specific assets such as legal fees, audit fees, marketing costs, investor relations expenses and other corporate overhead. The second component is the unallocated indirect costs determined to be unrelated to the operation of our owned properties and Service Operations. Those indirect costs not allocated to these operations are charged to general and administrative expenses. The increase in general and administrative expenses from 2005 was largely attributable to an increase in our overall pool of overhead costs to support our current and anticipated future growth.

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 under Financial Accounting Standards Board (FASB) Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, to determine if the joint venture is considered a variable interest entity and would require consolidation. To the extent that our joint ventures do not qualify as variable interest entities, we further assess under the guidelines of Emerging Issues Task Force (EITF) Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5); Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures* (SOP 78-9); Accounting Research Bulletin No. 51, *Consolidated Financial Statements*; and Statement of Financial Accounting Standard (SFAS) No. 94, *Consolidation of All Majority-Owned Subsidiaries*, to determine if the venture should be consolidated. We have equity interests generally ranging from 10% to 50% in unconsolidated joint ventures that develop, own and operate rental properties and hold land for development. We consolidate those joint ventures that are considered to be variable interest entities 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 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 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. In accordance with the provisions of SOP 78-9 and SFAS No. 66, *Accounting for Sales of Real Estate*, 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 and incremental to 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 Investments: We evaluate our real estate investments upon occurrence of significant changes in the operations, but not less than annually, to assess whether any impairment indications are present that affect the recovery of the recorded value. If any real estate investment is considered to be impaired, a loss is provided to reduce the carrying value of the asset to its estimated fair value. We utilize the guidelines established under SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets* (SFAS 144), to determine if impairment conditions exist. Under SFAS 144, we review the expected undiscounted cash flows of each property in our held for rental portfolio to determine if there are any indications of impairment of a property. The review of anticipated cash flows involves subjective assumptions of estimated occupancy and rental rates and ultimate residual value. In addition to reviewing anticipated cash flows, we assess other factors such as changes in business climate and legal factors that may affect the ultimate value of the property. These assumptions are subjective and the anticipated cash flows may not ultimately be achieved.

Real estate assets to be disposed of are reported at the lower of their carrying value amount or the fair value less estimated cost to sell.

Acquisition of Real Estate Property and Related Assets: In accordance with SFAS 141, *Business Combinations*, we allocate the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values.

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 remaining purchase price is 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.

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- 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.

Valuation of Receivables: We are subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, we perform in-house credit reviews and analyses on major existing tenants and all significant leases before they are executed. We have established the following procedures and policies to evaluate the collectibility 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 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. 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;
- Methodology in applying; and
- Impact on the financial statements.

The Audit Committee has reviewed the critical accounting policies we identified.

Liquidity and Capital Resources

Sources of Liquidity

We expect to meet our short-term liquidity requirements over the next twelve months, including payments of dividends and distributions, as well as recurring capital expenditures relating to maintaining our current real estate assets, primarily through the following:

- working capital;
- net cash provided by operating activities; and
- proceeds received from real estate dispositions

Although we historically have not used any other sources of funds to pay for recurring capital expenditures on our current real estate investments, we may rely on the temporary use of borrowings needed to fund such expenditures during periods of high leasing volume.

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, primarily from the following sources:

- issuance of additional equity, including common and preferred shares;
- issuance of additional debt securities;
- undistributed cash provided by operating activities; and
- proceeds received from real estate dispositions.

We do not believe the state of the credit markets will adversely affect our ability to secure long-term financing.

Rental Operations

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We believe our principal source of liquidity, cash flows from Rental Operations, provides a stable source of cash to fund operational expenses. We believe 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 risks of decreased occupancy through market conditions, as well as 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. However, we believe that these risks may be mitigated by our relatively strong market presence in most of our markets and the fact that we perform in-house credit reviews and analyses on major tenants and all significant leases before they are executed.

Debt and Equity Securities

We had an unsecured line of credit available at December 31, 2007. During 2007, the borrowing capacity on this line of credit was increased from \$1.0 billion to \$1.3 billion. Additionally, in July 2007, one of our consolidated majority owned subsidiaries entered into a lending agreement that included an additional unsecured line of credit. Our unsecured lines of credit as of December 31, 2007 are described as follows (in thousands):

| Description | Borrowing Capacity | Maturity Date | Outstanding Balance at December 31, 2007 |
|--|-----------------------|------------------|---|
| Unsecured Line of Credit | \$ 1,300,000 | January 2010 | \$ 543,000 |
| Unsecured Line of Credit Consolidated Subsidiary | \$ 30,000 | July 2011 | \$ 3,067 |

We use our line of credit to fund development activities, acquire additional rental properties and provide working capital. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line, at rates lower than the stated interest rate, subject to certain restrictions. The interest rate on the amounts outstanding on the unsecured line of credit as of December 31, 2007 was LIBOR plus .525%, which for borrowings outstanding at December 31, 2007 ranged from 5.355% to 5.775%. Our line of credit also contains financial covenants that require us to meet financial ratios and defined levels of performance, including those related to variable interest indebtedness, consolidated net worth and debt-to-market capitalization. As of December 31, 2007, we were in compliance with all covenants under our 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 5.73% for outstanding borrowings as of December 31, 2007). The unsecured line of credit is used to fund development activities within the consolidated subsidiary. The consolidated subsidiary's unsecured line of credit matures in July 2011 with a 12-month extension option.

At December 31, 2007, 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 debt securities (including guarantees thereof), common shares, preferred shares, depository shares, warrants, stock purchase contracts and Units comprised of one or more of the securities described therein. From time to time, we expect to issue additional securities under this automatic shelf registration statement to fund development and acquisition of additional rental properties and to fund the repayment of the credit facility and other long-term debt upon maturity.

In February 2008, we issued \$300.0 million of 8.375% Series O Cumulative Redeemable Preferred Shares.

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, 2007.

Sale of Real Estate Assets

We utilize sales of real estate assets as an additional source of liquidity. We pursue opportunities to sell real estate assets at favorable prices to capture value created by us as well as to improve the overall quality of our portfolio by recycling sale proceeds into new properties with greater value creation opportunities.

Uses of Liquidity

Our principal uses of liquidity include the following:

- Property investments;
- Recurring leasing/capital costs;
- Dividends and distributions to shareholders and unitholders;
- Long-term debt maturities; and
- Other contractual obligations

Property Investments

We evaluate development and acquisition opportunities based upon market outlook, supply and long-term growth potential.

Recurring Expenditures

One of our principal uses of our liquidity is to fund the recurring leasing/capital expenditures of our real estate investments. The following is a summary of our recurring capital expenditures for the years ended December 31, 2007, 2006 and 2005, respectively (in thousands):

2007

2006

2005

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| | | | | | | |
|-------------------------------|----|---------------|----|--------|----|---------|
| Recurring tenant improvements | \$ | 45,296 | \$ | 41,895 | \$ | 60,633 |
| Recurring leasing costs | | 32,238 | | 32,983 | | 33,175 |
| Building improvements | | 8,402 | | 8,122 | | 15,232 |
| Totals | \$ | 85,936 | \$ | 83,000 | \$ | 109,040 |

Dividends and Distributions

In order to qualify as a REIT for federal income tax purposes, we must currently distribute at least 90% of our taxable income to shareholders. We paid dividends per share of \$1.91, \$1.89 and \$1.87 for the years ended December 31, 2007, 2006 and 2005, respectively. We also paid a one-time special dividend of \$1.05 per share in 2005 as a result of the significant gain realized from an industrial portfolio sale. We expect to continue to distribute taxable earnings to meet the requirements to maintain our REIT status. However, 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.

Debt Maturities

Debt outstanding at December 31, 2007 totaled \$4.3 billion with a weighted average interest rate of 5.74% maturing at various dates through 2028. We had \$3.2 billion of unsecured notes, \$546.1 million outstanding on our unsecured lines of credit and \$524.4 million of secured debt outstanding at December 31, 2007. Scheduled principal amortization and maturities of such debt totaled \$249.8 million for the year ended December 31, 2007 and \$146.4 million of secured debt was transferred to unconsolidated subsidiaries in connection with the contribution of properties in 2007.

The following is a summary of the scheduled future amortization and maturities of our indebtedness at December 31, 2007 (in thousands, except percentage data):

| Year | Future Repayments | | Total | Weighted Average Interest Rate of Future Repayments |
|------------|---------------------------|--------------|--------------|---|
| | Scheduled Amortization | Maturities | | |
| 2008 | \$ 10,960 | \$ 268,968 | \$ 279,928 | 5.04% |
| 2009 | 10,578 | 275,000 | 285,578 | 7.37% |
| 2010 | 10,253 | 718,000 | 728,253 | 5.49% |
| 2011 | 10,188 | 1,036,206 | 1,046,394 | 5.12% |
| 2012 | 8,017 | 201,216 | 209,233 | 5.89% |
| 2013 | 7,897 | 150,000 | 157,897 | 4.71% |
| 2014 | 7,942 | 272,111 | 280,053 | 6.44% |
| 2015 | 6,006 | | 6,006 | 6.14% |
| 2016 | 4,944 | 490,900 | 495,844 | 6.16% |
| 2017 | 4,054 | 450,000 | 454,054 | 5.95% |
| 2018 | 2,698 | 300,000 | 302,698 | 6.16% |
| Thereafter | 20,522 | 50,000 | 70,522 | 6.84% |
| | \$ 104,059 | \$ 4,212,401 | \$ 4,316,460 | 5.74% |

Historical Cash Flows

Cash and cash equivalents were \$48.0 million and \$68.5 million at December 31, 2007 and 2006, respectively. The following highlights significant changes in net cash associated with our operating, investing and financing activities (in millions):

| | Years Ended December 31, | | |
|--|--------------------------|-----------|---------|
| | 2007 | 2006 | 2005 |
| Net Cash Provided by Operating Activities | \$323.9 | \$272.9 | \$409.1 |
| Net Cash Provided by (Used for) Investing Activities | (434.8) | (1,234.1) | 323.2 |
| Net Cash Provided by (Used for) Financing Activities | 90.4 | 1,002.9 | (711.2) |

Operating Activities

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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 develop buildings with the intent to sell them at or soon after completion, which provides another significant source of operating cash flow activity. Highlights of such activity are as follows:

- During the year ended December 31, 2007, we incurred Service Operations building development costs of \$281.1 million, compared to \$281.7 million and \$83.4 million for the years ended December 31, 2006 and 2005, respectively. The difference is reflective of the increased activity in our held-for-sale pipeline. The pipeline of build-for-sale projects under construction as of December 31, 2007, has anticipated total costs upon completion of \$455.8 million.
- We sold 15 Service Operations buildings in 2007 compared to nine in 2006 and ten in 2005, receiving net proceeds of \$232.6 million, \$181.8 million and \$113.0 million, respectively. We recognized pre-tax gains of \$34.7 million, \$49.0 million and \$29.9 million on these sales for the years ended December 31, 2007, 2006 and 2005, respectively.

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:

- Sales of land and depreciated property provided \$480.9 million in net proceeds in 2007, compared to \$180.8 million in 2006 and \$1.1 billion in 2005. We sold portfolios of eight suburban office properties in our Cleveland market and twelve industrial properties in our St. Louis market during 2007, which together provided \$203.5 million of the net proceeds received in 2007. We sold a portfolio of eight industrial properties in our Cleveland market during 2006, which provided \$69.8 million of the net proceeds received in 2006. An industrial portfolio sale provided \$955.0 million of the \$1.1 billion of proceeds received in 2005. We continue to dispose of non-strategic and older properties as part of our capital recycling program to fund acquisitions and new development while improving the overall quality of our investment portfolio.
- We received financing distributions from unconsolidated subsidiaries (as a result of the sale of properties or recapitalization) of \$235.8 million in 2007, compared to \$296.6 million in 2006.
- Development costs for our held for rental portfolio increased to \$451.2 million for the year ended December 31, 2007, from \$385.5 million and \$210.0 million for the years ended December 31, 2006 and 2005, respectively. Management anticipated this continued increase, as a commitment to development activity was part of our strategic plan for 2007.
- During 2007, we paid cash of \$117.4 million for real estate acquisitions, including both \$36.1 million for the Bremner acquisition (with the remaining \$11.0 million paid through the issuance of Units in Duke Realty Limited Partnership) and \$55.4 million for a portfolio of industrial properties located in Seattle, Virginia and Houston, compared to \$735.3 million in 2006 and \$285.3 million in 2005. In addition, we paid cash of \$317.3 million for undeveloped land in 2007, compared to \$435.9 million in 2006 and \$135.8 million in 2005. The most significant activity in 2006 consisted of the purchase of a portfolio of suburban office and light industrial properties and undeveloped land in the Washington, D.C. area for \$867.6 million (of which \$713.5 million was paid in cash) and the purchase of a portfolio of industrial properties in Savannah, Georgia for \$196.2 million (of which \$125.9 million was paid in cash).

Financing Activities

The overall decline in cash provided by (used for) financing activities is a result of the financing that was required for the significant acquisitions in 2006. Specifically, the following items highlight major fluctuations in net cash flow related to financing activities:

- In September 2007, we issued \$300.0 million of 6.50% senior unsecured notes due in 2018. The proceeds were used to partially pay down our unsecured line of credit. Our primary borrowing activity in 2006 consisted of a \$700.0 million secured term loan obtained in February 2006, which was priced at LIBOR +.525% and was paid in full in August 2006 with proceeds from two unsecured debt issuances: \$450.0 million of 5.95% senior unsecured notes due in 2017 and \$250.0 million of 5.625% senior unsecured notes due in 2011.

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- In August 2007, we repaid \$100.0 million of 7.375% senior unsecured notes on the scheduled maturity date.
- In October 2007, we issued 7.0 million shares of our common stock for net proceeds of \$232.7 million. The net proceeds of the offering were used to partially pay down our \$1.3 billion unsecured line of credit.
- Also in October 2007, we redeemed all of the outstanding shares of our 7.990% Series B Cumulative Redeemable Preferred Stock at the liquidation amount of \$132.3 million.
- In November 2007, we repaid \$100.0 million of 3.5% senior unsecured notes on the scheduled maturity date.

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. We have been assigned ratings of BBB+ and Baa1, respectively, by Standard and Poor's Ratings Group and Moody's Investors Service.

We also received investment grade credit ratings from the same rating agencies on our preferred stock. We have been assigned ratings of BBB and Baa2, respectively, by Standard and Poor's Ratings Group and Moody's Investors Service.

These senior notes and preferred stock ratings could change based upon, among other things, 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.

In November 2007, 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 2008. The swaps qualify for hedge accounting, with any changes in fair value recorded in Other Comprehensive Income (OCI). At December 31, 2007, the fair value of these swaps was approximately \$6.2 million in a liability position as the effective rate on the swaps was higher than current interest rates at December 31, 2007.

In July 2007, we entered into a \$21.0 million cash flow hedge through an interest rate swap to fix the rate on \$21.0 million of floating rate term debt, issued by one of our consolidated majority owned subsidiaries, which matures in July 2011. The swap qualifies for hedge accounting, with any changes in fair value recorded in OCI. At December 31, 2007, the fair value of this swap was approximately \$1.1 million in a liability position.

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 will be recognized to earnings through a reduction of interest expense over the term of the hedged cash flows. The ineffective portion of the hedge was insignificant.

In March 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 2006. The swaps qualified for hedge accounting, with any changes in fair value recorded in OCI. In March 2006, we issued \$150.0 million of 5.50% senior unsecured notes due 2016 and terminated a corresponding amount of the cash flow hedges designated for this transaction. The settlement amount paid of approximately \$800,000 will be recognized to earnings through interest

Dividends and Distributions

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expense ratably over the life of the senior unsecured notes and the ineffective portion of the hedge was insignificant. In August 2006, we issued \$450.0 million of 5.95% senior unsecured notes due 2017 and \$250.0 million of 5.63% senior unsecured notes due 2011 and terminated the remaining \$150.0 million of cash flow hedges. The settlement amount received of approximately \$1.6 million will be recognized to earnings through a reduction of interest expense ratably over the lives of the senior unsecured notes. The ineffective portion of the hedge was insignificant.

The effectiveness of our hedges will be 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.

Off Balance Sheet Arrangements

Investments in Unconsolidated Companies

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We have equity interests generally ranging from 10% to 50% in unconsolidated companies that own and operate rental properties and hold land for development. 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 represents approximately 8% of our total assets as of December 31, 2007. 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, 2007 and 2006, respectively (in thousands, except percentage data):

| | Operating Joint Ventures | | Development Joint Ventures | | Total | |
|--|-----------------------------|--------------|-------------------------------|------------|--------------|--------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Land, buildings and tenant improvements, net | \$ 1,543,467 | \$ 1,336,929 | \$ 227,875 | \$ 66,080 | \$ 1,771,342 | \$ 1,403,009 |
| Construction in progress | 41,157 | 6,488 | 64,639 | 101,473 | 105,796 | 107,961 |
| Land held for development | 27,558 | 1,932 | 86,695 | 89,348 | 114,253 | 91,280 |
| Other assets | 158,978 | 116,442 | 35,638 | 32,138 | 194,616 | 148,580 |
| | \$ 1,771,160 | \$ 1,461,791 | \$ 414,847 | \$ 289,039 | \$ 2,186,007 | \$ 1,750,830 |
| Indebtedness | \$ 873,611 | \$ 368,807 | \$ 115,509 | \$ 49,163 | \$ 989,120 | 417,970 |
| Other liabilities | 50,347 | 46,226 | 174,121 | 123,942 | 224,468 | 170,168 |
| | 923,958 | 415,033 | 289,630 | 173,105 | 1,213,588 | 588,138 |
| Owners' equity | 847,202 | 1,046,758 | 125,217 | 115,934 | 972,419 | 1,162,692 |
| | \$ 1,771,160 | \$ 1,461,791 | \$ 414,847 | \$ 289,039 | \$ 2,186,007 | \$ 1,750,830 |
| Rental revenue | \$ 207,584 | \$ 155,162 | \$ 8,271 | \$ 2,024 | \$ 215,855 | \$ 157,186 |
| Net income (loss) | \$ 40,099 | \$ 66,059 | \$ 1,626 | \$ (74) | \$ 41,725 | \$ 65,985 |
| Total square feet | 34,046 | 32,372 | 4,491 | 3,323 | 38,537 | 35,695 |
| Percent leased | 92.67% | 92.79% | 73.28% | 48.67% | 90.34% | 88.69% |
| Company ownership percentage | 10%-50% | 10%-50% | 50% | 50% | | |

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

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At December 31, 2007, we are subject to certain contractual payment obligations as described in the table below:

| Contractual Obligations | Total | Payments due by Period | | | | | |
|---|---------------------|------------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
| | | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter |
| Long-term debt (1) | \$ 5,048,222 | \$ 483,093 | \$ 477,318 | \$ 354,520 | \$ 1,201,778 | \$ 324,149 | \$ 2,207,364 |
| Lines of credit (2) | 608,569 | 30,116 | 30,116 | 545,170 | 3,167 | | |
| Share of mortgage debt of unconsolidated joint ventures (3) | 996,309 | 46,570 | 81,073 | 183,496 | 36,245 | 74,760 | 574,165 |
| Ground leases | 96,388 | 2,289 | 2,483 | 2,606 | 2,654 | 2,743 | 83,613 |
| Operating leases | 726 | 443 | 215 | 44 | 18 | 6 | |
| Development and construction backlog costs (4) | 771,111 | 707,611 | 63,500 | | | | |
| Future land and building acquisitions (5) | 158,904 | 158,904 | | | | | |
| Service contracts (6) | 3,590 | 2,314 | 875 | 155 | 133 | 113 | |
| Other (7) | 3,196 | 355 | 356 | 358 | 359 | 594 | 1,174 |
| Total Contractual Obligations | \$ 7,687,015 | \$ 1,431,695 | \$ 655,936 | \$ 1,086,349 | \$ 1,244,354 | \$ 402,365 | \$ 2,866,316 |

- (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 rate at December 31, 2007.
- (2) Our unsecured lines of credit consist of an operating line of credit that matures January 2010 and the line of credit of a consolidated subsidiary that matures July 2011.
- (3) Our share of unconsolidated mortgage debt includes both principal and interest. Interest expense for variable rate debt was calculated using the interest rate at December 31, 2007.
- (4) Represents estimated remaining costs on the completion of held-for-rental, build-for-sale and third-party construction projects.
- (5) These land acquisitions are subject to the completion of due diligence requirements, resolution of certain contingencies and completion of customary closing conditions. In most cases we may withdraw from land purchase contracts with the seller's only recourse being earnest money deposits already made.
- (6) Service contracts defined as those, which cover periods greater than one year and are not cancelable without cause by either party.
- (7) Represents other contractual obligations.

Related Party Transactions

We provide property management, leasing, construction and other tenant related services to unconsolidated companies in which we have equity interests. For the years ended December 31, 2007, 2006 and 2005, respectively, we received from these unconsolidated companies management fees of \$7.1 million, \$4.4 million and \$4.8 million, leasing fees of \$4.2 million, \$2.9 million and \$4.3 million and construction and development fees of \$13.1 million, \$19.1 million and \$2.0 million. 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 \$79.3 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 seven of our unconsolidated subsidiaries. At December 31, 2007, the outstanding balance on these loans was approximately \$219.8 million. Additionally, we guaranteed \$29.0 million of secured indebtedness related to a property sold to a third party in 2006. Management believes that the value of the real estate exceeds the loan balance and that we will not be required to satisfy these guarantees.

We have entered into agreements, subject to the completion of due diligence requirements, resolution of certain contingencies and completion of customary closing conditions, for the future acquisitions of land and buildings totaling \$158.9 million. In most cases we may withdraw from land purchase contracts with the seller's only recourse being earnest money deposits already made.

In October 2000, we sold or contributed industrial properties and undeveloped land with a fair value of \$487.0 million to a joint venture (Dugan Realty LLC) in which we have a 50% interest and recognized a net gain of \$35.2 million. In connection with this transaction, the joint venture partners were given an option to put up to a \$50.0 million interest in the joint venture to us in exchange for our common stock or cash (at our option), subject to certain timing and other restrictions. As a result of this put option, we deferred \$10.2 million of gain on sale of depreciated property and recorded a \$50.0 million liability.

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

We adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48), on January 1, 2007. The adoption of FIN 48 resulted in an additional tax exposure of approximately \$1.7 million recorded as an adjustment to the opening balance of Distributions in Excess of Net Income. As of December 31, 2007, tax returns for the calendar years 2004 through 2007 remain subject to examination by the Internal Revenue Service (IRS) and various state and local tax jurisdictions. Our uncertain tax positions are immaterial both individually and in the aggregate primarily due to our tax status as a REIT.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We do not expect SFAS 157 to have a material effect when adopted.

In January 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 provides a Fair Value Option under which a company may irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. This Fair Value Option will be available on a contract-by-contract basis with changes in fair value recognized in earnings as those changes occur. The effective date for SFAS 159 is the beginning of each reporting entity's first fiscal year end that begins after November 15, 2007. We will not elect the Fair Value Option for any of our financial assets or liabilities.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations* (SFAS 141R) and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment to ARB No. 51* (SFAS 160). SFAS 141R and SFAS 160 require most identifiable assets, liabilities, noncontrolling interests and goodwill acquired in a business combination to be recorded at full fair value and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. Both Statements are effective for periods beginning on or after December 15, 2008, and earlier adoption is prohibited. SFAS 141R will be applied to business combinations occurring after the effective date. SFAS 160 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. We are currently evaluating the impact of adopting SFAS 141R and SFAS 160 on our results of operations and financial position.

Item 7A. 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 debt 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 and may enter into derivative financial instruments such as interest rate swaps, caps and treasury locks in order to mitigate our interest rate risk on a related financial instrument. We do not enter into derivative or interest rate transactions for speculative purposes.

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 and other terms required to evaluate the expected cash flows and sensitivity to interest rate changes.

| | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter | Total | Fair Value |
|--------------------------------|------------|------------|------------|--------------|------------|--------------|--------------|--------------|
| Fixed rate secured debt | \$ 54,248 | \$ 9,868 | \$ 9,503 | \$ 21,542 | \$ 8,403 | \$ 411,859 | \$ 515,423 | \$ 482,655 |
| Weighted average interest rate | 5.77% | 6.95% | 6.88% | 7.17% | 6.74% | 6.04% | | |
| Variable rate secured debt | \$ 680 | \$ 710 | \$ 750 | \$ 785 | \$ 830 | \$ 5,215 | \$ 8,970 | \$ 8,970 |
| Weighted average interest rate | 3.73% | 3.72% | 3.71% | 3.70% | 3.70% | 3.87% | | |
| Fixed rate unsecured notes | \$ 225,000 | \$ 275,000 | \$ 175,000 | \$ 1,021,000 | \$ 200,000 | \$ 1,350,000 | \$ 3,246,000 | \$ 3,148,645 |
| Weighted average interest rate | 4.87% | 7.39% | 5.37% | 5.08% | 5.87% | 6.06% | | |

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| | | | | | | | | | | | | |
|---------------------------|----|-----|----|---------|----|-------|----|-------|----|---------|----|---------|
| Unsecured lines of credit | \$ | \$ | \$ | 543,000 | \$ | 3,067 | \$ | \$ | \$ | 546,067 | \$ | 546,067 |
| Rate at December 31, 2007 | | N/A | | N/A | | 5.51% | | 5.73% | | N/A | | N/A |

As the table incorporates only those exposures that exist as of December 31, 2007, 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, and interest rates.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data are included under Item 15 of this Report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There was no change or disagreement with our accountants related to our accounting and financial disclosures.

Item 9A. Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report. The controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer.

Attached as exhibits to this Annual Report are certifications of the Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934. This Controls and Procedures section includes the information concerning the controls evaluation referred to in the certifications and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Disclosure controls and procedures (as defined in Rule 13a-15 and 15d-15f under the Securities Exchange Act of 1934 (the Exchange Act)) are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including the Company's principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Based on the disclosure controls and procedures evaluation referenced above, our Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective.

Management's annual report on internal control over financial reporting and the audit report of our registered public accounting firm are included in Item 15 of Part IV under the headings Management's Report on Internal Control and Report of Independent Registered Public Accounting Firm, respectively, and are incorporated herein by reference.

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There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

There was no information required to be disclosed in a report on Form 8-K during the fourth quarter of 2007 for which no Form 8-K was filed.

PART III

Item 10. Directors and Executive Officers of the Registrant

The following is a summary of the executive officers of the Company as of January 1, 2008:

Dennis D. Oklak, age 54. Mr. Oklak was named Chief Executive Officer of the Company in April 2004, and was elected Chairman of the Board of Directors in April 2005. He served as President and Chief Executive Officer from April 2004 to April 2005. He was Co-Chief Operating Officer from April 2002 through January 2003, at which time he was named President and Chief Operating Officer. Mr. Oklak assumed the position of Executive Vice President and Chief Administrative Officer in 1997. From 1986 through 1997, Mr. Oklak served in various financial positions in the Company. He is also a member of the board of directors of recreational vehicle manufacturer Monaco Coach Corporation and the board of directors of the Central Indiana Corporate Partnership. Mr. Oklak also serves on the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT. Mr. Oklak has served as a director of the Company since 2004.

Matthew A. Cohoat, age 48. Mr. Cohoat was named Executive Vice President and Chief Financial Officer on January 1, 2004. From 1990 through 2003, Mr. Cohoat held various positions in financial areas of the Company. Mr. Cohoat currently is a member of the board of directors of the Indiana Golf Association Foundation, the Western Golf Association, and United Way of Central Indiana. Additionally, Mr. Cohoat is Vice Chair of the board of directors of Cathedral High School, Treasurer of the board of directors of the Indianapolis Zoo, and secretary of the advisory council of St. Mary's Child Center.

Robert M. Chapman, age 54. Mr. Chapman has served as Chief Operating Officer of the Company since August 2007. He served as Senior Executive Vice President, Real Estate Operations, from November 2003 to July 2007. From 1999 through November 2003, Mr. Chapman served in various real estate investment and operating positions within the Company. Mr. Chapman serves as a director for Rock-Tenn Company, a leading manufacturer of packaging products, merchandising displays and bleached and recycled paperboard.

Howard L. Feinsand, age 60. Mr. Feinsand has served as our Executive Vice President and General Counsel since 1999 and, since 2003, also has served as our Corporate Secretary. Mr. Feinsand served on our Board of Directors from 1988 to January 2003. Mr. Feinsand serves as vice chair of the board of directors of The Alliance Theatre at the Woodruff Arts Center in Atlanta, Georgia, the predominant regional theatre for the southeastern United States. Mr. Feinsand is a director of the Center for Jewish Educational Experiences and a trustee of the Jewish Federation of Greater Atlanta.

Steven R. Kennedy, age 51. Mr. Kennedy was named Executive Vice President, Construction on January 1, 2004. From 1986 until 2004, he served in various capacities in the construction group, most recently as Senior Vice President. Mr. Kennedy serves as Vice Chair of the advisory council for Purdue University's School of Engineering.

All other information required by this item will be included in our 2008 proxy statement (the "2008 Proxy Statement") for our Annual Meeting of Shareholders to be held on April 30, 2008, and is incorporated herein by this reference. Certain information with respect to our executive officers required by this item is included in the discussion entitled "Executive Officer of the Registrant" after Item 4 of Part I of this Annual Report on Form 10-K. In addition, our Code of Conduct and our Corporate Governance Guidelines are available in the investor information/corporate

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governance section of our website at www.dukerealty.com. A copy of these documents may also be obtained without charge by writing to Duke Realty Corporation, 600 East 96th Street, Suite 100, Indianapolis, Indiana 46240, Attention: Investor Relations.

Item 11. Executive Compensation

The information required by Item 11 of this Annual Report will be included in our Proxy Statement, which information is incorporated herein by this reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 of this Report will be included in our Proxy Statement, which information is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required to be furnished pursuant to Item 13 of this Report will be included in our Proxy Statement, which information is incorporated herein by this reference.

Item 14. Principal Accountant Fees and Services

The information required to be furnished pursuant to Item 14 of this Report will be included in our Proxy Statement, which information is incorporated herein by this reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) **The following documents are filed as part of this Annual Report:**

1. Consolidated Financial Statements

The following Consolidated Financial Statements, together with the Management's Report on Internal Control and the

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Report of Independent Registered Public Accounting Firm are listed below:

Management's Report on Internal Control

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets, December 31, 2007 and 2006

Consolidated Statements of Operations, Years Ended December 31, 2007, 2006 and 2005

Consolidated Statements of Cash Flows, Years Ended December 31, 2007, 2006 and 2005

Consolidated Statements of Shareholders' Equity, Years Ended December 31, 2007, 2006 and 2005

Notes to Consolidated Financial Statements

2. Consolidated Financial Statement Schedules

Schedule III Real Estate and Accumulated Depreciation

3. Exhibits

The following exhibits are filed with this Form 10-K or incorporated herein by reference to the listed document previously filed with the SEC. Previously unfiled documents are noted with an asterisk (*).

| Number | Description |
|-----------|--|
| 3.1(i) | Third Restated Articles of Incorporation of Duke Realty Corporation (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, as filed with the SEC on May 13, 2003, File No. 001-09044, and incorporated herein by this reference). |
| 3.1(ii) | Amendment to the Third Restated Articles of Incorporation of Duke Realty Corporation, establishing the amount, terms and rights of the Company's 6.625% Series J Cumulative Redeemable Preferred Shares (filed as Exhibit 3 to the Company's Current Report on Form 8-K, as filed with the SEC on August 27, 2003, File No. 001-09044, and incorporated herein by this reference). |
| 3.1(iii) | Amendment to the Third Restated Articles of Incorporation of Duke Realty Corporation, establishing the amount, terms and rights of the Company's 6.5% Series K Cumulative Redeemable Preferred Shares (filed as Exhibit 3 to the Company's Current Report on Form 8-K, as filed with the SEC on February 26, 2004, File No. 001-09044, and incorporated herein by this reference). |
| 3.1(iv) | Amendment to the Third Restated Articles of Incorporation of Duke Realty Corporation, establishing the amount, terms and rights of the Company's 6.6% Series L Cumulative Redeemable Preferred Shares (filed as Exhibit 3.1 of the Company's Current Report on Form 8-K, as filed with the SEC on November 29, 2004, File No. 001-09044, and incorporated herein by reference). |
| 3.1(v) | Amendment to the Third Restated Articles of Incorporation of Duke Realty Corporation, amending the Designating Amendment to the Third Restated Articles of Incorporation of Duke Realty Corporation, establishing the amount, terms and rights of the Company's 6.95% Series M Cumulative Redeemable Preferred Shares, (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K, as filed with the SEC on July 6, 2006, and incorporated herein by this reference). |
| 3.1(vi) | Amendment to the Third Restated Articles of Incorporation of Duke Realty Corporation, establishing the amount, terms and rights of the Company's 7.25% Series N Cumulative Redeemable Preferred Shares (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, as filed with the SEC on July 6, 2006, and incorporated herein by this reference). |
| 3.1(vii) | Amendment to the Third Restated Articles of Incorporation of Duke Realty Corporation, deleting Exhibits A, D, E, F, H and I and de-designating the related series of preferred shares (filed as Exhibit 3.1(viii) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, as filed with the SEC on August 7, 2007, File No. 001-09044, and incorporated herein by this reference). |
| 3.1(viii) | Amendment to the Third Restated Articles of Incorporation of Duke Realty Corporation, deleting Exhibit B and de-designating the related series of preferred shares.* |
| 3.2(i) | Third Amended and Restated Bylaws of Duke Realty Corporation (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, as filed with the SEC on May 13, 2003, File No. 001-09044, and incorporated herein by this reference). |
| 3.2(ii) | Amendment No. 1 to the Third Amended and Restated By-Laws of Duke Realty Corporation (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, as filed with the SEC on February 7, 2008, File No. 001-09044, and incorporated herein by this reference). |

- 4.1(i) Indenture, dated September 19, 1995, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, as filed with the SEC on September 22, 1995, File No. 001-09044, and incorporated herein by this reference).
- 4.1(ii) First Supplemental Indenture, dated September 19, 1995, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K, as filed with the SEC on September 22, 1995, File No. 001-09044, and incorporated herein by this reference).
- 4.1(iii) Second Supplemental Indenture, dated April 29, 1996, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4 to DRLP's Current Report on Form 8-K, as filed with the SEC on July 12, 1996, File No. 000-20625, and incorporated herein by this reference).
- 4.1(iv) Third Supplemental Indenture, dated May 13, 1997, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4 to DRLP's Current Report on Form 8-K, as filed with the SEC on May 20, 1997, File No. 000-20625, and incorporated herein by this reference).
- 4.1(v) Fourth Supplemental Indenture, dated August 21, 1997, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4.8 to the Company's Registration Statement on Form S-4, as filed with the SEC on May 4, 1999, File No. 333-77645, and incorporated herein by this reference).
- 4.1(vi) Fifth Supplemental Indenture, dated May 27, 1998, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4 to DRLP's Current Report on Form 8-K, as filed with the SEC on June 1, 1998, File No. 000-20625, and incorporated herein by this reference).
- 4.1(vii) Sixth Supplemental Indenture, dated February 12, 1999, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4 to DRLP's Current Report on Form 8-K, as filed with the SEC on February 12, 1999, File No. 000-20625, and incorporated herein by this reference).
- 4.1(viii) Seventh Supplemental Indenture, dated June 18, 1999, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on June 29, 1999, File No. 000-20625, and incorporated herein by this reference).
- 4.1(ix) Eighth Supplemental Indenture, dated November 16, 1999, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on November 15, 1999, File No. 000-20625, and incorporated herein by this reference).
- 4.1(x) Ninth Supplemental Indenture, dated March 5, 2001, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on March 2, 2001, File No. 000-20625, and incorporated herein by this reference).
- 4.1(xi) Tenth Supplemental Indenture, dated June 8, 2001, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on August 13, 2001, File No. 000-20625, and incorporated herein by this reference).
- 4.1(xii) Eleventh Supplemental Indenture, dated August 26, 2002, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on August 26, 2002, File No. 000-20625, and incorporated herein by this reference).

- 4.1(xiii) Twelfth Supplemental Indenture, dated January 16, 2003, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on January 16, 2003, File No. 000-20625, and incorporated herein by this reference).
- 4.1(xiv) Thirteenth Supplemental Indenture, dated May 22, 2003, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on May 22, 2003, File No. 000-20625, and incorporated herein by this reference).
- 4.1(xv) Fourteenth Supplemental Indenture, dated October 24, 2003, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on October 24, 2003, File No. 000-20625, and incorporated herein by this reference).
- 4.1(xvi) Fifteenth Supplemental Indenture, dated January 7, 2004, between DRLP and J.P. Morgan Trust Company, National Association, Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on January 9, 2004, File No. 000-20625, and incorporated herein by this reference).
- 4.1(xvii) Sixteenth Supplemental Indenture, dated January 16, 2004, between DRLP and J.P. Morgan Trust Company, National Association, Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on January 23, 2004, File No. 000-20625, and incorporated herein by this reference).
- 4.1(xviii) Seventeenth Supplemental Indenture, dated August 16, 2004, between DRLP and J.P. Morgan Trust Company, National Association, Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on August 18, 2004, File No. 000-20625, and incorporated herein by this reference).
- 4.1(xix) Eighteenth Supplemental Indenture, dated December 22, 2004, between DRLP and J.P. Morgan Trust Company, National Association, Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on December 23, 2004, File No. 000-20625, and incorporated herein by this reference).
- 4.1(xx) Nineteenth Supplemental Indenture, dated as of March 1, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association (successor in interest to Bank One Trust Company, N.A.), including the form of global note evidencing the 5.5% Senior Notes Due 2016 (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on March 3, 2006, File No. 000-20625, and incorporated herein by this reference).
- 4.1(xxi) Twentieth Supplemental Indenture, dated as of July 24, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association (successor in interest to The First National Bank of Chicago), modifying certain financial covenants contained in Sections 1004 and 1005 of the Indenture, dated September 19, 1995, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, filed with the SEC on July 28, 2006, and incorporated herein by this reference).
- 4.2(i) Indenture, dated as of July 28, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association (filed as Exhibit 4.1 to the Company's automatic shelf registration statement on Form S-3, filed with the SEC on July 31, 2006, and incorporated herein by this reference).

- 4.2(ii) First Supplemental Indenture, dated as of August 24, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association, including the form of global note evidencing the 5.625% Senior Notes Due 2011 (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on August 30, 2006, and incorporated herein by this reference).
- 4.2(iii) Second Supplemental Indenture, dated as of August 24, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association, including the form of global note evidencing the 5.95% Senior Notes Due 2017 (filed as Exhibit 4.2 to DRLP's Current Report on Form 8-K, as filed with the SEC on August 30, 2006, and incorporated herein by this reference).
- 4.2(iv) Third Supplemental Indenture, dated as of September 11, 2007, by and between Duke Realty Limited Partnership and The Bank of New York Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), including the form of global note evidencing the 6.50% Senior Notes Due 2018 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Duke Realty Limited Partnership, filed with the Commission on September 11, 2007).
- 10.1(i) Second Amended and Restated Agreement of Limited Partnership of DRLP (filed as Exhibit 4.1 to DRLP's Annual Report on Form 10-K, as filed with the SEC on March 12, 2007, File No. 000-20625).
- 10.1(ii) Second Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP, (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).
- 10.1(iii) Third Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).
- 10.1(iv) Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).
- 10.1(v) Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP, dated August 25, 2003, establishing the amount, terms and rights of DRLP's 6.625% Series J Cumulative Redeemable Preferred Units (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 7, 2006, File No. 001-09044, and incorporated herein by this reference).
- 10.1(vi) Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP, dated February 13, 2004, establishing the amount, terms and rights of DRLP's 6.5% Series K Cumulative Redeemable Preferred Units (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 7, 2006, File No. 001-09044, and incorporated herein by this reference).
- 10.1(vii) Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP, dated November 30, 2004, establishing the amount, terms and rights of DRLP's 6.6% Series L Cumulative Redeemable Preferred Units (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 7, 2006, File No. 001-09044, and incorporated herein by this reference).

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- 10.1(viii) Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP, dated January 31, 2006, establishing the amount, terms and rights of DRLP's 6.95% Series M Cumulative Redeemable Preferred Units (filed as Exhibit 3.1 to the Current Report on Form 8-K, as filed with the SEC on February 6, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.1(ix) Ninth Amendment to the Second Amended and Restated Agreement of Limited Partnership of DRLP, dated June 30, 2006, establishing the amount, terms and rights of DRLP's 7.25% Series N Cumulative Redeemable Preferred Units (filed as Exhibit 3.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on July 5, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.1(x) Tenth Amendment to the Second Amended and Restated Agreement of Limited Partnership of DRLP, dated April 30, 2007, deleting those exhibits setting forth the rights of the Series A, D, E, F, H and I preferred units and de-designating the related series of preferred units (filed as Exhibit 3.2(x) to DRLP's Quarterly Report on Form 10-Q, as filed with the SEC on August 13, 2007, File No. 000-20625, and incorporated herein by this reference).
- 10.1(xi) Eleventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of DRLP, dated October 3, 2007, deleting those exhibits setting forth the rights of the Series B preferred units and de-designating the related series of preferred units.*
- 10.1(xii) Twelfth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Duke Realty Limited Partnership, establishing the amount, terms and rights of Duke Realty Limited Partnership's 8.375% Series O Cumulative Redeemable Preferred Units (filed as Exhibit 3.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on February 27, 2008, and incorporated herein by this reference).
- 10.2(i) Second Amended and Restated Agreement of Limited Partnership of Duke Realty Services Limited Partnership (the Services Partnership), dated as of September 30, 1994 (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994, as filed with the SEC on February 21, 1996, File No. 001-09044, and incorporated herein by this reference).
- 10.2(ii) First Amendment to Second Amended and Restated Agreement of Limited Partnership of the Services Partnership, dated July 23, 1998 (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated by this reference).
- 10.2(iii) Second Amendment to Second Amended and Restated Agreement of Limited Partnership of the Services Partnership, dated October 26, 1995 (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated by this reference).
- 10.2(iv) Third Amendment to Second Amended and Restated Agreement of Limited Partnership of the Services Partnership, effective as of January 1, 2002 (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated by this reference).
- 10.3 Promissory Note of the Services Partnership (filed as Exhibit 10.3 to the Company's Registration Statement on Form S-2, as filed with the SEC on June 8, 1993, File No. 33-64038, and incorporated herein by this reference).

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- 10.4 Duke Realty Corporation 2005 Long-Term Incentive Plan (filed as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A, dated March 16, 2005, as filed with the SEC on March 16, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.5 Duke Realty Corporation 2005 Shareholder Value Plan, a sub-plan of the 2005 Long-Term Incentive Plan (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.6(i) Duke Realty Corporation Non-Employee Directors Compensation Plan, a sub-plan of the 2005 Long-Term Incentive Plan (filed as Exhibit 99.3 to the Company's Current Report on Form 8-K as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.6(ii) Amendment One to the Duke Realty Corporation 2005 Non-Employee Directors Compensation Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on October 31, 2005, File No. 001-09044, and incorporated by this reference).#
- 10.6(iii) Amendment Two to the Duke Realty Corporation 2005 Non-Employee Directors Compensation Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on February 7, 2006, File No. 001-09044, and incorporated by this reference).#
- 10.6(iv) Amendment Three to the Duke Realty Corporation 2005 Non-Employee Directors Compensation Plan (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 8, 2006, File No. 001-09044, and incorporated by this reference).#
- 10.7 Form of 2005 Long-Term Incentive Plan Stock Option Award Certificate (filed as Exhibit 99.4 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.8 Form of 2005 Long-Term Incentive Plan Award Certificate for Restricted Stock Units and Shareholder Value Plan Awards (filed as Exhibit 99.5 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.9 Form of 2005 Long-Term Incentive Plan Restricted Stock Unit Award Certificate for Non-Employee Directors (filed as Exhibit 99.6 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.10 Duke Realty Corporation 2005 Dividend Increase Unit Replacement Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on December 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.11 Form of Forfeiture Agreement/Performance Unit Award Agreement (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K, as filed with the SEC on December 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(i) 1995 Key Employee Stock Option Plan of the Company (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, as filed with the SEC on March 30, 1995, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(ii) Amendment One To The 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#

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- 10.15(iii) Amendment Two to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(iv) Amendment Three to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(v) Amendment Four to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(vi) Amendment Five to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(vii) Amendment Six to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(viii) Amendment Seven to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(ix) Amendment Eight to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.15(ix) to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(x) Amendment Nine to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on October 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(xi) Amendment Ten to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 8, 2006, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(i) Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(ii) Amendment One to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(iii) Amendment Two to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#

- 10.16(iv) Amendment Three to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(v) Amendment Four to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 7, 2006, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(i) 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, as filed with the SEC on March 30, 1995, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(ii) Amendment One to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(iii) Amendment Two to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(iv) Amendment Three to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(v) Amendment Four to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(vi) Amendment Five to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on October 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.18(i) 1999 Directors' Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Annex F to the prospectus in the Company's Registration Statement on Form S-4, as filed with the SEC on May 4, 1999, File No. 333-77645, and incorporated herein by this reference).#
- 10.18(ii) Amendment One to the 1999 Directors' Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Appendix B of the Registrant's Definitive Proxy Statement on Schedule 14A, as filed with the SEC on March 15, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.19(i) 1999 Salary Replacement Stock Option and Dividend Increase Unit Plan (filed as Annex G to the prospectus in the Company's Registration Statement on Form S-4, as filed with the SEC on May 4, 1999, File No. 333-77645, and incorporated herein by this reference).#
- 10.19(ii) Amendment One to the 1999 Salary Replacement Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#

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- 10.19(iii) Amendment Two to the 1999 Salary Replacement Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.20(i) 2000 Performance Share Plan of Duke-Weeks Realty Corporation (filed as Exhibit A of the Registrant's Definitive Proxy Statement on Schedule 14A, as filed with the SEC on March 15, 2001, File No. 001-09044, and incorporated herein by this reference).#
- 10.20(ii) Amendment One to the 2000 Performance Share Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.20(iii) Amendment Two to the 2000 Performance Share Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the SEC on March 5, 2004, File No. 001-09044, and incorporated herein by this reference).#
- 10.20(iv) Amendment Three to the 2000 Performance Share Plan of Duke-Weeks Realty Corporation, (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on May 2, 2006, File No. 001-09044, and incorporated herein by this reference).#
- 10.21(i) Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 8, 2006, File No. 001-09044, and incorporated herein by this reference).#
- 10.21(ii) Amendment One to the Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.21(ii) to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference).#
- 10.21(iii) Amendment Two to the Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on October 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.21(iv) Amendment Three to the Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 99.2 to the Company's Registration Statement on Form S-8, as filed with the SEC on March 24, 2004, File No. 333-113907, and incorporated herein by this reference).#
- 10.22 Term Loan Agreement, Dated May 31, 2005, by and between DRLP, the Company, J.P. Morgan Securities, Inc., JP Morgan Chase Bank, N.A. and the several banks, financial institutions and other entities from time to time parties thereto as lenders (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on June 6, 2005, File No. 001-09044, and incorporated herein by this reference).
- 10.23 Form of Letter Agreement Regarding Executive Severance, dated December 13, 2007, between the Company, as the General Partner of DRLP, and the following executive officers: Dennis D. Oklak, Robert M. Chapman, Matthew A. Cohoat, Howard L. Feinsand and Steven R. Kennedy.*

- 10.24 Commercial Multi-Property Agreement of Purchase and Sale, dated January 24, 2006, by and among DRLP, The Mark Winkler Company, and each of the other entities controlled by or affiliated with The Mark Winkler Company named therein, as amended by the First Amendment to Commercial Multi-Property Agreement of Purchase and Sale dated February 28, 2006, the Second Amendment to Commercial Multi-Property Agreement of Purchase and Sale dated March 10, 2006, and the Third Amendment to Commercial Multi-Property Agreement of Purchase and Sale dated April 21, 2006 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on May 10, 2006, File No. 001-09044, and incorporated herein by this reference).
- 10.25(i) Fifth Amended and Restated Revolving Credit Agreement dated January 25, 2006, among DRLP, as borrower, the Company as General Partner and Guarantor, and Bank One as Administrative Agent and Lender (filed as Exhibit 10.56 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 7, 2006, File No. 001-09044, and incorporated herein by this reference).
- 10.25(ii) First Amendment to the Fifth Amended and Restated Revolving Credit Agreement, dated November 13, 2007, by and between Duke Realty Limited Partnership, Duke Realty Corporation, JP Morgan Chase Bank, N.A., and the several banks, financial institutions and other entities from time to time parties thereto as lenders (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, as filed with the SEC on November 15, 2007, File No. 001-09044, and incorporated herein by this reference).
- 10.26 Term Loan Agreement, dated as of February 28, 2006, by and among DRLP, as borrower, the Company, as General Partner and Guarantor, certain of their respective subsidiaries, as guarantors, Bank of America, N.A., individually and as Administrative Agent, Banc of America Securities LLC, as Lead Arranger and Sole Book Runner, and each of the other lenders named therein (filed as Exhibit 10.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on March 3, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.27 Indenture, dated November 22, 2006, by and among DRLP, the Company and The Bank of New York Trust Company, N.A., as trustee, including the form of 3.75% Exchangeable Senior Note due 2011 (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, as filed with the Commission on November 29, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.28 Registration Rights Agreement, dated November 22, 2006, by and among DRLP, the Company, Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc. and UBS Securities LLC, as representatives of the initial purchasers of the Notes (incorporated by reference to Exhibit 10.1 to DRLP's Current Report on Form 8-K, as filed with the Commission on November 29, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.29 Common Stock Delivery Agreement, dated November 22, 2006, by and between DRLP and the Company (filed as Exhibit 10.2 to DRLP's Current Report on Form 8-K, as filed with the Commission on November 29, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.30 Contribution Agreement, dated December 5, 2006, by and between DRLP and Quantico and Belbrook Realty Corporation, an affiliate of an investment fund managed by Eaton Vance (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference).(1)

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- 10.31 Contribution Agreement, dated December 5, 2006, by and between DRLP and Lafayette and Belcrest Realty Corporation, an affiliate of an investment fund managed by Eaton Vance (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference).(1)
- 12.1 Statement of Computation of Ratios of Earnings to Fixed Charges.*
- 12.2 Statement of Computation of Ratios of Earnings to Debt Service.*
- 21.1 List of the Company's Subsidiaries.*
- 23.1 Consent of KPMG LLP.*
- 24.1 Executed Powers of Attorney of certain directors.*
- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* **
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* **
- 99.1 Selected Quarterly Financial Information.*

Represents management contract or compensatory plan or arrangement.

* Filed herewith.

** The certifications attached as Exhibits 32.1 and 32.2 accompany this Annual Report on Form 10-K and are furnished to the Securities and Exchange Commission pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by us for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

(1) Confidential treatment of the agreement was requested.

We will furnish to any security holder, upon written request, copies of any exhibit incorporated by reference, for a fee of 15 cents per page, to cover the costs of furnishing the exhibits. Written requests should include a representation that the person making the request was the beneficial owner of securities entitled to vote at the Annual Meeting of Shareholders.

(b) Exhibits

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The exhibits required to be filed with this Form 10-K pursuant to Item 601 of Regulation S-K are listed under Exhibits in Part IV, Item 14(a)(3) of Form 10-K and are incorporated herein by reference.

(c) Financial Statement Schedule

The Financial Statement Schedule required to be filed with this Form 10-K is listed under Consolidated Financial Statement Schedules in Part IV, Item 14(a)(2) of this Form 10-K, and is incorporated herein by reference.

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 U.S. generally accepted accounting principles and includes those policies and procedure 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, 2007 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 (COSO). Based on such evaluation, we have concluded that, as of December 31, 2007, 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 issued an audit report on Duke's internal control over financial reporting.

/s/ Dennis D. Oklak
Dennis D. Oklak
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Matthew A. Cohoat
Matthew A. Cohoat
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Report of Independent Registered Public Accounting Firm

The Shareholders and Directors of

Duke Realty Corporation:

We have audited the consolidated balance sheets of Duke Realty Corporation and Subsidiaries (the Company) as of December 31, 2007 and 2006 and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2007. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule III. We also audited the Company's internal control over financial reporting as of December 31, 2007, 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 and financial statement schedule, 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 the financial statement schedule 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, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule III, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, Duke Realty Corporation and Subsidiaries maintained, in

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all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG

Indianapolis, Indiana

February 29, 2008

DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

As of December 31,

(in thousands, except per share amounts)

| | 2007 | 2006 |
|--|--------------|--------------|
| ASSETS | | |
| Real estate investments: | | |
| Land and improvements | \$ 872,372 | \$ 844,091 |
| Buildings and tenant improvements | 4,600,408 | 4,211,602 |
| Construction in progress | 412,729 | 359,765 |
| Investments in and advances to unconsolidated companies | 601,801 | 628,323 |
| Land held for development | 912,448 | 737,752 |
| | 7,399,758 | 6,781,533 |
| Accumulated depreciation | (951,375) | (867,079) |
| Net real estate investments | 6,448,383 | 5,914,454 |
| Real estate investments and other assets held-for-sale | 273,591 | 512,925 |
| Cash and cash equivalents | 48,012 | 68,483 |
| Accounts receivable, net of allowance of \$1,359 and \$1,088 | 29,009 | 24,118 |
| Straight-line rent receivable, net of allowance of \$2,886 and \$1,915 | 110,737 | 105,319 |
| Receivables on construction contracts, including retentions | 66,925 | 64,768 |
| Deferred financing costs, net of accumulated amortization of \$29,170 and \$19,492 | 55,987 | 62,277 |
| Deferred leasing and other costs, net of accumulated amortization of \$150,702 and \$127,155 | 374,635 | 311,553 |
| Escrow deposits and other assets | 254,702 | 174,698 |
| | \$ 7,661,981 | \$ 7,238,595 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Indebtedness: | | |
| Secured debt | \$ 524,393 | \$ 515,192 |
| Unsecured notes | 3,246,000 | 3,129,653 |
| Unsecured lines of credit | 546,067 | 317,000 |
| | 4,316,460 | 3,961,845 |
| Liabilities of properties held for sale | 8,954 | 155,185 |
| Construction payables and amounts due subcontractors, including retentions | 142,655 | 136,508 |
| Accrued expenses: | | |
| Real estate taxes | 63,796 | 59,276 |
| Interest | 54,631 | 52,106 |
| Other | 59,221 | 63,217 |
| Other liabilities | 148,013 | 118,901 |
| Tenant security deposits and prepaid rents | 34,535 | 31,121 |
| Total liabilities | 4,828,265 | 4,578,159 |
| Minority interest | 83,683 | 156,853 |

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| | | |
|---|--------------|--------------|
| Shareholders' equity: | | |
| Preferred shares (\$.01 par value); 5,000 shares authorized; 2,976 and 3,241 shares issued and outstanding | 744,000 | 876,250 |
| Common shares (\$.01 par value); 250,000 shares authorized; 146,175 and 133,921 shares issued and outstanding | 1,462 | 1,339 |
| Additional paid-in capital | 2,632,615 | 2,196,388 |
| Accumulated other comprehensive income (loss) | (1,279) | 5,435 |
| Distributions in excess of net income | (626,765) | (575,829) |
| Total shareholders' equity | 2,750,033 | 2,503,583 |
| | \$ 7,661,981 | \$ 7,238,595 |

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)

| | 2007 | 2006 | 2005 |
|---|----------------|----------------|----------------|
| RENTAL OPERATIONS | | | |
| Revenues: | | | |
| Rental revenue from continuing operations | \$ 794,488 | \$ 743,548 | \$ 602,062 |
| Equity in earnings of unconsolidated companies | 29,381 | 38,004 | 29,549 |
| | 823,869 | 781,552 | 631,611 |
| Operating expenses: | | | |
| Rental expenses | 176,674 | 169,077 | 138,873 |
| Real estate taxes | 98,135 | 83,738 | 72,798 |
| Interest expense | 168,358 | 170,484 | 106,047 |
| Depreciation and amortization | 271,623 | 232,739 | 203,081 |
| | 714,790 | 656,038 | 520,799 |
| Earnings from continuing rental operations | 109,079 | 125,514 | 110,812 |
| SERVICE OPERATIONS | | | |
| Revenues: | | | |
| General contractor gross revenue | 280,537 | 308,562 | 380,173 |
| General contractor costs | (246,872) | (284,633) | (348,263) |
| Net general contractor revenue | 33,665 | 23,929 | 31,910 |
| Service fee revenue | 31,011 | 21,633 | 20,149 |
| Gain on sale of service operations properties | 34,682 | 44,563 | 29,882 |
| Total service operations revenue | 99,358 | 90,125 | 81,941 |
| Operating expenses | 47,324 | 36,929 | 37,663 |
| Earnings from service operations | 52,034 | 53,196 | 44,278 |
| General and administrative expense | (37,680) | (35,797) | (30,962) |
| Operating income | 123,433 | 142,913 | 124,128 |
| OTHER INCOME (EXPENSE) | | | |
| Interest and other income, net | 12,135 | 10,450 | 4,637 |
| Earnings from sale of land, net of impairment adjustments | 33,422 | 7,791 | 14,201 |
| Minority interest in earnings of common unitholders | (6,608) | (9,544) | (8,713) |
| Other minority interest in earnings of subsidiaries | (3,186) | (247) | (1,438) |
| Income from continuing operations | 159,196 | 151,363 | 132,815 |
| Discontinued operations: | | | |
| Net income from discontinued operations, net of minority interest | 6,706 | 10,651 | 18,554 |
| Gain on sale of depreciable property, net of impairment adjustments and minority interest | 113,565 | 42,133 | 204,293 |
| Income from discontinued operations | 120,271 | 52,784 | 222,847 |

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| | | | |
|--|-------------------|-------------------|-------------------|
| Net income | 279,467 | 204,147 | 355,662 |
| Dividends on preferred shares | (58,292) | (56,419) | (46,479) |
| Adjustments for redemption of preferred shares | (3,483) | (2,633) | |
| Net income available for common shareholders | \$ 217,692 | \$ 145,095 | \$ 309,183 |
| Basic net income per common share: | | | |
| Continuing operations | \$.70 | \$.69 | \$.61 |
| Discontinued operations | .86 | .39 | 1.58 |
| Total | \$ 1.56 | \$ 1.08 | \$ 2.19 |
| Diluted net income per common share: | | | |
| Continuing operations | \$.69 | \$.68 | \$.60 |
| Discontinued operations | .86 | .39 | 1.57 |
| Total | \$ 1.55 | \$ 1.07 | \$ 2.17 |
| Weighted average number of common shares outstanding | 139,255 | 134,883 | 141,508 |
| Weighted average number of common shares and potential dilutive common equivalents | 149,614 | 149,393 | 155,877 |

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)

| | 2007 | 2006 | 2005 |
|--|------------------|--------------------|------------------|
| Cash flows from operating activities: | | | |
| Net income | \$ 279,467 | \$ 204,147 | \$ 355,662 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation of buildings and tenant improvements | 214,477 | 206,999 | 204,377 |
| Amortization of deferred leasing and other costs | 63,214 | 47,269 | 49,793 |
| Amortization of deferred financing costs | 11,212 | 8,617 | 6,154 |
| Minority interest in earnings | 17,743 | 14,953 | 31,493 |
| Straight-line rent adjustment | (16,843) | (20,795) | (22,519) |
| Earnings from land and depreciated property sales | (154,493) | (49,614) | (238,060) |
| Build-for-sale operations, net | (84,547) | (148,849) | (6,295) |
| Construction contracts, net | (25,818) | 1,749 | 16,196 |
| Other accrued revenues and expenses, net | 24,150 | 26,752 | 15,356 |
| Operating distributions received in excess of (less than) equity in earnings from unconsolidated companies | (4,631) | (18,339) | (3,055) |
| Net cash provided by operating activities | 323,931 | 272,889 | 409,102 |
| Cash flows from investing activities: | | | |
| Development of real estate investments | (451,162) | (385,516) | (209,990) |
| Acquisition of real estate investments and related intangible assets | (116,021) | (735,294) | (285,342) |
| Acquisition of land held for development | (317,324) | (435,917) | (135,771) |
| Recurring tenant improvements | (45,296) | (41,895) | (60,633) |
| Recurring leasing costs | (32,238) | (32,983) | (33,175) |
| Recurring building improvements | (8,402) | (8,122) | (15,232) |
| Other deferred leasing costs | (39,387) | (22,429) | (19,425) |
| Other deferred costs and other assets | 644 | 880 | (20,281) |
| Proceeds from land and depreciated property sales, net | 480,943 | 180,825 | 1,134,667 |
| Capital distributions from unconsolidated companies | 235,754 | 296,573 | |
| Capital contributions and advances to unconsolidated companies, net | (142,330) | (50,182) | (31,599) |
| Net cash provided by (used for) investing activities | (434,819) | (1,234,060) | 323,219 |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of common shares | 239,605 | | |
| Payments for repurchases of common shares | | (101,282) | (287,703) |
| Proceeds from exercise of stock options | 1,197 | 6,672 | 3,945 |
| Proceeds from issuance of preferred shares, net | | 283,994 | |
| Payments for redemption of preferred shares | (132,272) | (75,010) | |
| Redemption of limited partner units | | | (2,129) |
| Proceeds from unsecured debt issuance | 340,160 | 1,429,497 | 400,000 |
| Payments on unsecured debt | (223,657) | (350,000) | (665,000) |
| Proceeds from issuance of secured debt | | 1,029,426 | |
| Payments on secured indebtedness including principal amortization | (24,780) | (750,354) | (46,675) |
| Borrowings (payments) on lines of credit, net | 229,067 | (66,000) | 383,000 |
| Distributions to common shareholders | (265,698) | (255,502) | (264,980) |
| Distributions to common shareholders special dividends | | | (143,836) |
| Distributions to preferred shareholders | (58,292) | (56,419) | (46,479) |
| Distributions to minority interest, net | (19,576) | (24,207) | (26,653) |
| Distributions to minority interest special distributions | | | (14,069) |
| Payment for capped call option | | (26,967) | |
| Cash settlement of interest rate swaps | 10,747 | 733 | |
| Deferred financing costs | (6,084) | (41,659) | (599) |
| Net cash provided by (used for) financing activities | 90,417 | 1,002,922 | (711,178) |

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| | | | |
|---|-------------------|-------------------|------------------|
| Net increase (decrease) in cash and cash equivalents | (20,471) | 41,751 | 21,143 |
| Cash and cash equivalents at beginning of year | 68,483 | 26,732 | 5,589 |
| Cash and cash equivalents at end of year | \$ 48,012 | \$ 68,483 | \$ 26,732 |
| Other non-cash items: | | | |
| Assumption of debt for real estate acquisitions | \$ 34,259 | \$ 217,520 | \$ 11,743 |
| Contributions of real estate investments to, net of debt assumed by, unconsolidated companies | \$ 146,593 | \$ 505,440 | \$ |
| Conversion of Limited Partner Units to common shares | \$ 179,092 | \$ 39,918 | \$ 18,085 |
| Issuance of Limited Partner Units for acquisition | \$ 11,020 | \$ | \$ |
| Common shares repurchased and retired, not settled | \$ | \$ | \$ 9,357 |
| Issuance of Limited Partner Units for acquisition of minority interest | \$ | \$ | \$ 15,000 |

See accompanying Notes to Consolidated Financial Statements.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Shareholders Equity

(in thousands, except per share data)

| | Preferred Stock | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Income | Distributions In Excess of Net Income | Total |
|---|--------------------|-----------------|----------------------------------|---|---|---------------------|
| Balance at December 31, 2004 | \$ 657,250 | \$ 1,429 | \$ 2,538,461 | \$ (6,547) | \$ (364,724) | \$ 2,825,869 |
| Comprehensive Income: | | | | | | |
| Net income | | | | | 355,662 | 355,662 |
| Losses on derivative instruments | | | | (571) | | (571) |
| Comprehensive income | | | | | | 355,091 |
| Issuance of common shares | | 2 | 4,141 | | | 4,143 |
| Acquisition of minority interest | | 6 | 18,079 | | | 18,085 |
| Tax benefits from employee stock plans | | | 245 | | | 245 |
| Stock based compensation expense | | | 2,032 | | | 2,032 |
| Dividends on long-term compensation plans | | | 216 | | (216) | |
| Retirement of common shares | | (90) | (296,970) | | | (297,060) |
| Distributions to preferred shareholders | | | | | (46,479) | (46,479) |
| Distributions to common shareholders (\$1.87 per share) | | | | | (265,076) | (265,076) |
| Distributions to common shareholders - Special (\$1.05 per share) | | | | | (144,052) | (144,052) |
| Balance at December 31, 2005 | \$ 657,250 | \$ 1,347 | \$ 2,266,204 | \$ (7,118) | \$ (464,885) | \$ 2,452,798 |
| Comprehensive Income: | | | | | | |
| Net income | | | | | 204,147 | 204,147 |
| Gains on derivative instruments | | | | 12,553 | | 12,553 |
| Comprehensive income | | | | | | 216,700 |
| Issuance of common shares | | 5 | 6,181 | | | 6,186 |
| Redemption of Preferred Series I shares | (75,000) | | (10) | | | (75,010) |
| Adjustment for carrying value of preferred stock redemption | | | 2,633 | | (2,633) | |
| Issuance of Preferred Series M shares | 184,000 | | (6,266) | | | 177,734 |
| Issuance of Preferred Series N shares | 110,000 | | (3,740) | | | 106,260 |
| Acquisition of minority interest | | 10 | 39,908 | | | 39,918 |
| Capped call option | | | (26,967) | | | (26,967) |
| Tax benefits from employee stock plans | | | 606 | | | 606 |
| Stock based compensation expense | | | 8,892 | | | 8,892 |
| Dividends on long-term compensation plans | | | 849 | | (849) | |
| Distributions to preferred shareholders | | | | | (56,419) | (56,419) |
| Retirement of common shares | | (23) | (91,902) | | | (91,925) |
| Distributions to common shareholders (\$1.89 per share) | | | | | (255,190) | (255,190) |
| Balance at December 31, 2006 | \$ 876,250 | \$ 1,339 | \$ 2,196,388 | \$ 5,435 | \$ (575,829) | \$ 2,503,583 |
| Effect of implementing new accounting principle | | | | | (1,717) | (1,717) |
| Balance at January 1, 2007 | \$ 876,250 | \$ 1,339 | \$ 2,196,388 | \$ 5,435 | \$ (577,546) | \$ 2,501,866 |
| Comprehensive Income: | | | | | | |
| Net income | | | | | 279,467 | 279,467 |
| Losses on derivative instruments | | | | (6,714) | | (6,714) |
| Comprehensive Income | | | | | | 272,753 |
| Issuance of common shares | | 73 | 239,532 | | | 239,605 |

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| | | | |
|---|------------|------------|--------------|
| Redemption of Preferred Series B shares | (132,250) | (22) | (132,272) |
| Adjustment for carrying value of preferred stock redemption | | 3,483 | (3,483) |
| Stock based compensation plan activity | 2 | 14,190 | (1,213) |
| Acquisition of minority interest | 48 | 179,044 | 179,092 |
| Distributions to preferred shareholders | | | (58,292) |
| Distributions to common shareholders (\$1.91 per share) | | | (265,698) |
| Balance at December 31, 2007 | \$ 744,000 | \$ 1,462 | \$ 2,632,615 |
| | | \$ (1,279) | \$ (626,765) |
| | | | \$ 2,750,033 |

See accompanying Notes to Consolidated Financial Statements.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) The Company

Our Rental Operations (see Note 8) are conducted through Duke Realty Limited Partnership (DRLP). We owned approximately 94.9% of the common partnership interests of DRLP (Units) at December 31, 2007. The remaining Units in DRLP 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. We conduct our Service Operations (see Note 8) through Duke Realty Services LLC and Duke Realty Services Limited Partnership, of which we are the sole general partner and of which DRLP is the sole limited partner. We also conduct Service Operations through Duke Construction Limited Partnership, which is effectively 100% owned by DRLP. The consolidated financial statements include our accounts and our majority-owned or controlled subsidiaries, and 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

Principles of Consolidation

The consolidated financial statements include our accounts and our controlled subsidiaries. The equity interests in these controlled subsidiaries not owned by us are reflected as minority 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 through majority voting interest or where the other owner has substantial participating rights are not consolidated and are reflected as investments in unconsolidated companies under the equity method of reporting.

Reclassifications

Certain 2006 and 2005 balances have been reclassified to conform to the 2007 presentation.

Real Estate Investments

Rental real property, including land, land improvements, buildings and building improvements, are included in real estate investments and are generally stated at cost. Buildings and land improvements are depreciated on the straight-line method over their estimated life not to exceed 40 and 15 years, respectively, and tenant improvement costs are depreciated using the straight-line method over the term of the related lease.

Direct and certain indirect costs clearly associated with and incremental to 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.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

Construction in process and land held for development 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.

Properties held for rental are individually evaluated for impairment when conditions exist which may indicate that it is probable that the sum of expected future cash flows (on an undiscounted basis) from a rental property over its anticipated holding period is less than its historical net cost basis. Upon determination that a permanent impairment has occurred, a loss is recorded to reduce the net book value of that property to its fair market value. Properties to be disposed of are reported at the lower of net historical cost basis or the estimated fair market value, less the estimated costs to sell. Once a property is designated as held for disposal, no further depreciation expense is recorded.

We allocate the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values, based on all pertinent information available and adjusted based on changes in that information in no event to exceed one year from 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 remaining purchase price is 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

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We analyze our investments in joint ventures under Financial Accounting Standards Board (FASB) Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, to determine if the joint venture is considered a variable interest entity and would require consolidation. To the extent that our joint ventures do not qualify as variable interest entities, we further assess under the guidelines of Emerging Issues Task Force (EITF) Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5); Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures* (SOP 78-9); Accounting Research Bulletin No. 51, *Consolidated Financial Statements*; and Statement of Financial Accounting Standard (SFAS) No. 94, *Consolidation of All Majority-Owned Subsidiaries*, to determine if the venture should be consolidated. We have equity interests generally ranging from 10% to 50% in unconsolidated joint ventures

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

that develop, own and operate rental properties and hold land for development. We consolidate those joint ventures that are considered to be variable interest entities 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 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 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. In accordance with the provisions of SOP 78-9 and SFAS No. 66, *Accounting for Sales of Real Estate* (SFAS 66), 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. Straight-line rent receivables for any tenant with long-term risk, regardless of the status of rent receivables, are reviewed and reserved as necessary.

Deferred Costs

Costs incurred in connection with obtaining financing are amortized to interest expense on the straight-line method, which approximates a constant spread 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.

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Unamortized costs are charged to expense upon the early termination of the lease or upon early payment of the financing.

Minority Interest

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

The value of each DRLP Unit that is redeemed is measured on the date of its redemption and the difference between the aggregate book value and the purchase price of the Units increases the recorded value of the Company's net assets.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Revenues

Rental Operations

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 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 conditions that must be met or waived before the fee is due to us.

Service Operations

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 reach 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.

Unbilled receivables on construction contracts totaled \$33.1 million and \$32.4 million at December 31, 2007 and 2006, respectively.

Property Sales

Gains on sales of all properties are recognized in accordance with SFAS 66. The specific timing of the sale is measured against various criteria in SFAS 66 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 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.

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.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Gains or losses from our sale of properties that were developed or repositioned with the intent to sell and not for long-term rental are classified as gain on sale of Service Operation properties in the Consolidated Statements of Operations. All activities and proceeds received from the development and sale of these buildings are classified in the operating activities section of the Consolidated Statements of Cash Flows.

Net Income Per Common Share

Basic net income per common share is computed by dividing net income available for common shareholders by the weighted average number of common shares outstanding for the period. Diluted net income per common share is computed by dividing the sum of net income available for common shareholders and the minority interest in earnings allocable to Units not owned by us, by the sum of the weighted average number of common shares outstanding and minority Units outstanding, including any dilutive potential common equivalents for the period.

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

| | 2007 | 2006 | 2005 |
|--|------------|------------|------------|
| Basic net income available for common shareholders | \$ 217,692 | \$ 145,095 | \$ 309,183 |
| Minority interest in earnings of common unitholders | 14,399 | 14,238 | 29,649 |
| Diluted net income available for common shareholders | \$ 232,091 | \$ 159,333 | \$ 338,832 |
| Weighted average number of common shares outstanding | 139,255 | 134,883 | 141,508 |
| Weighted average partnership Units outstanding | 9,204 | 13,186 | 13,551 |
| Dilutive shares for stock-based compensation plans (1) | 1,155 | 1,324 | 818 |
| Weighted average number of common shares and potential dilutive common equivalents | 149,614 | 149,393 | 155,877 |

- (1) Excludes the effect of outstanding stock options, as well as the Exchangeable Senior Notes (Exchangeable Notes) issued in 2006, that have an anti-dilutive effect on earnings per share for the periods presented.

A joint venture partner in one of our unconsolidated companies has the option to convert a portion of its ownership in the joint venture to our common shares. The effect of this option on earnings per share was anti-dilutive for the years ended December 31, 2007, 2006 and 2005.

Federal Income Taxes

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We have elected to be taxed as a real estate investment trust (REIT) under the Internal Revenue Code. 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 distribute an amount equal to or in excess of our taxable income currently to shareholders. We are also generally subject to federal income taxes on any taxable income that is not currently distributed to its 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.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table reconciles our net income to taxable income before the dividends paid deduction for the years ended December 31, 2007, 2006 and 2005 (in thousands):

| | 2007 | 2006 | 2005 |
|---|------------|------------|------------|
| Net income | \$ 279,467 | \$ 204,147 | \$ 355,662 |
| Book/tax differences | 84,120 | 66,303 | 129,522 |
| Taxable income before adjustments | 363,587 | 270,450 | 485,184 |
| Less: capital gains | (160,428) | (78,246) | (283,498) |
| Adjusted taxable income subject to 90% dividend requirement | \$ 203,159 | \$ 192,204 | \$ 201,686 |

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

| | 2007 | 2006 | 2005 |
|--|------------|------------|------------|
| Cash dividends paid | \$ 324,085 | \$ 311,615 | \$ 455,606 |
| Cash dividends declared and paid in subsequent year that apply to current year | 48,126 | | 29,578 |
| Cash dividends declared and paid in current year that apply to previous year | (7,795) | (21,782) | |
| Less: Capital gain distributions | (160,428) | (78,246) | (283,498) |
| Less: Return of capital | | (15,018) | |
| Total dividends paid deduction attributable to adjusted taxable income | \$ 203,988 | \$ 196,569 | \$ 201,686 |

A summary of the tax characterization of the dividends paid for the years ended December 31, 2007, 2006 and 2005 follows:

| | 2007 | 2006 | 2005 |
|-------------------------|--------|--------|--------|
| <u>Common Shares</u> | | | |
| Ordinary income | 63.1% | 64.2% | 44.2% |
| Return of capital | | 5.3% | |
| Capital gains | 36.9% | 30.5% | 55.8% |
| | 100.0% | 100.0% | 100.0% |
| <u>Preferred Shares</u> | | | |
| Ordinary income | 63.1% | 73.7% | 44.2% |
| Capital gains | 36.9% | 26.3% | 55.8% |
| | 100.0% | 100.0% | 100.0% |

We recorded federal and state income taxes of \$9.0 million, \$6.8 million and \$5.6 million for 2007, 2006 and 2005, respectively, which were primarily attributable to the earnings of our taxable REIT subsidiaries. We paid federal and state income taxes of \$10.1 million, \$4.3 million and

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\$8.7 million for 2007, 2006 and 2005, respectively. The taxable REIT subsidiaries have no significant deferred income tax items.

Stock Based Compensation

For all issuances of stock-based awards prior to 2002, we applied the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related interpretations, in accounting for our stock-based compensation.

Accordingly, for stock options granted prior to 2002, no compensation expense is reflected in net income as all options granted had an exercise price equal to the market value of the underlying common shares on the date of the grant.

Effective January 1, 2002, we prospectively adopted the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), and applied SFAS 123 to all awards granted after January 1, 2002.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS 123 to all stock-based employee compensation for the year ended December 31, 2005 (in thousands, except per share data):

| | 2005 |
|--|------------|
| Net income available for common shareholders, as reported | \$ 309,183 |
| Add: Stock-based employee compensation expense included in net income determined under fair value method | 1,116 |
| Deduct: Total stock-based compensation expense determined under fair value method for all awards | (1,285) |
| Pro forma net income available for common shareholders | \$ 309,014 |
| Basic net income per common share | |
| As reported | \$ 2.19 |
| Pro forma | \$ 2.18 |
| Diluted net income per common share | |
| As reported | \$ 2.17 |
| Pro forma | \$ 2.17 |

Effective January 1, 2006, we adopted SFAS No. 123(R), *Share Based Payment*, (SFAS 123(R)), using the modified prospective application method. Under this method, as of January 1, 2006, we applied the provisions of SFAS 123(R) to new and modified awards, as well as to the nonvested portion of awards granted before the required effective date and outstanding at such time.

Derivative Financial Instruments

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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.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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. Actual results could differ from those estimates.

(3) Significant Acquisitions and Dispositions

Acquisitions

We acquired total income producing real estate related assets of \$219.9 million, \$948.4 million and \$295.6 million in 2007, 2006 and 2005, respectively.

In December 2007, in order to further establish our property positions around strategic port locations, we purchased a portfolio of five industrial buildings, in Seattle, Virginia and Houston, as well as approximately 161 acres of undeveloped land and a 12-acre container storage facility in Houston. The total price was \$89.7 million and was financed in part through assumption of secured debt that had a fair value of \$34.3 million. Of the total purchase price, \$66.1 million was allocated to in-service real estate assets, \$20.0 million was allocated to undeveloped land and the container storage facility, \$3.3 million was allocated to lease related intangible assets, and the remaining amount was allocated to acquired working capital related assets and liabilities. This allocation of purchase price based on the fair value of assets acquired is preliminary. The results of operations for the acquired properties since the date of acquisition have been included in continuing rental operations in our consolidated financial statements.

In February 2007, we completed the acquisition of Bremner Healthcare Real Estate ("Bremner"), a national health care development and management firm. The primary reason for the acquisition was to expand our development capabilities within the health care real estate market. The initial consideration paid to the sellers totaled \$47.1 million, and the sellers may be eligible for further contingent payments over the next three years. Approximately \$39.0 million of the total purchase price was allocated to goodwill, which is attributable to the value of Bremner's overall development capabilities and its in-place workforce. The results of operations for Bremner since the date of acquisition have been included in continuing operations in our consolidated financial statements.

In February 2006, we acquired the majority of a Washington, D.C. metropolitan area portfolio of suburban office and light industrial properties (the "Mark Winkler Portfolio"). The assets acquired for a purchase price of approximately \$867.6 million are comprised of 32 in-service properties with approximately 2.9 million square feet for rental, 166 acres of undeveloped land, as well as certain related assets of the Mark Winkler

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Company, a real estate management company. The acquisition was financed primarily through assumed mortgage loans and new borrowings.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The assets acquired and liabilities assumed were recorded at their estimated fair value at the date of acquisition, as summarized below (in thousands):

| | | |
|--|----|-----------|
| Operating rental properties | \$ | 602,011 |
| Land held for development | | 154,300 |
| Total real estate investments | | 756,311 |
| Other assets | | 10,478 |
| Lease related intangible assets | | 86,047 |
| Goodwill | | 14,722 |
| Total assets acquired | | 867,558 |
| Debt assumed | | (148,527) |
| Other liabilities assumed | | (5,829) |
| Purchase price, net of assumed liabilities | \$ | 713,202 |

In December 2006, we contributed 23 of these in-service properties acquired from the Mark Winkler Portfolio with a basis of \$381.6 million representing real estate investments and acquired lease related intangible assets to two new unconsolidated subsidiaries. Of the remaining nine in-service properties, eight were contributed to these two unconsolidated subsidiaries in 2007 and one remains in continuing operations as of December 31, 2007. The eight properties contributed in 2007 had a basis of \$298.4 million representing real estate investments and acquired lease related intangible assets, and debt secured by these properties of \$146.4 million was also assumed by the unconsolidated subsidiaries.

In the third quarter of 2006, we finalized the purchase of a portfolio of industrial real estate properties in Savannah, Georgia. We completed a majority of the purchase in January 2006. The assets acquired for a purchase price of approximately \$196.2 million are comprised of 18 buildings with approximately 5.1 million square feet for rental as well as over 60 acres of undeveloped land. The acquisition was financed in part through assumed mortgage loans. The results of operations for the acquired properties since the date of acquisition have been included in continuing rental operations in our consolidated financial statements.

The primary acquisition in 2005 was that of a suburban office portfolio in our Chicago market for a purchase price of approximately \$257.6 million. The results of operations for the six properties in this portfolio have been included in continuing rental operations in our consolidated financial statements since the date of acquisition.

Dispositions

In March 2007, as part of our capital recycling program, we sold a portfolio of eight suburban office properties totaling 894,000 square feet in the Cleveland market. The sales price totaled \$140.4 million, of which we received net proceeds of \$139.3 million. We also sold a portfolio of

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twelve flex and light industrial properties in July 2007, totaling 865,000 square feet in the St. Louis market, for a sales price of \$65.0 million, of which we received net proceeds of \$64.2 million.

On September 29, 2005, we completed the sale of a portfolio of 212 real estate properties, consisting of approximately 14.1 million square feet of primarily light distribution and service center properties and approximately 50 acres of undeveloped land (the Industrial Portfolio Sale). The sales price totaled \$983 million, of which we received net proceeds of \$955.0 million after the settlement of certain liabilities and transaction costs. Portions of the proceeds were used to pay down \$423.0 million outstanding on our unsecured line of credit and the entire outstanding balance on our \$400.0 million term loan. The 2005 operations and gain associated with the properties in the Industrial Portfolio Sale have been reclassified to

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Notes to Consolidated Financial Statements

discontinued operations. As a result of the taxable income generated by the sale, a one-time special cash dividend of \$1.05 per share was paid to our common shareholders in the fourth quarter of 2005.

(4) Related Party Transactions

We provide property management, leasing, construction and other tenant related services to unconsolidated companies in which we have equity interests. For the years ended December 31, 2007, 2006 and 2005, respectively, we received from these unconsolidated companies management fees of \$7.1 million, \$4.4 million and \$4.8 million, leasing fees of \$4.2 million, \$2.9 million and \$4.3 million and construction and development fees of \$13.1 million, \$19.1 million and \$2.0 million. 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.

(5) Investments in Unconsolidated Companies

We have equity interests generally ranging from 10% to 50% 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, 2007 and 2006, and for the years ended December 31, 2007, 2006 and 2005, are as follows (in thousands):

| | 2007 | 2006 | 2005 |
|--|--------------|--------------|------------|
| Rental revenue | \$ 215,855 | \$ 157,186 | \$ 163,447 |
| Net income | \$ 41,725 | \$ 65,985 | \$ 57,561 |
| Land, buildings and tenant improvements, net | \$ 1,771,342 | \$ 1,403,009 | |
| Construction in progress | 105,796 | 107,961 | |
| Land held for development | 114,253 | 91,280 | |
| Other assets | 194,616 | 148,580 | |
| | \$ 2,186,007 | \$ 1,750,830 | |
| Indebtedness | \$ 989,120 | \$ 417,970 | |
| Other liabilities | 224,468 | 170,168 | |
| | 1,213,588 | 588,138 | |
| Owners' equity | 972,419 | 1,162,692 | |
| | \$ 2,186,007 | \$ 1,750,830 | |

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Our share of the scheduled payments of long term debt for the unconsolidated joint ventures for each of the next five years and thereafter as of December 31, 2007 are as follows (in thousands):

| Year | Future Repayments |
|------------|-------------------|
| 2008 | \$ 2,190 |
| 2009 | 38,869 |
| 2010 | 146,885 |
| 2011 | 9,938 |
| 2012 | 44,778 |
| Thereafter | 139,361 |
| | \$ 382,021 |

(6) Discontinued Operations and Assets Held for Sale

We classified the operations of 302 buildings as discontinued operations as of December 31, 2007. These 302 buildings consist of 253 industrial, 48 office and one retail properties. Of these properties, 32 were sold during 2007, 21 properties were sold during 2006, 234 properties were sold during 2005 and 15 operating properties are classified as held-for-sale at December 31, 2007.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

| | 2007 | 2006 | 2005 |
|---|------------|-----------|------------|
| Revenues | \$ 41,117 | \$ 77,975 | \$ 166,235 |
| Expenses: | | | |
| Operating | 17,187 | 28,613 | 57,335 |
| Interest | 10,666 | 16,022 | 37,223 |
| Depreciation and Amortization | 6,068 | 21,529 | 51,089 |
| General and Administrative | 47 | 119 | 257 |
| Operating Income | 7,149 | 11,692 | 20,331 |
| Minority interest expense | (443) | (1,041) | (1,777) |
| Income from discontinued operations, before gain on sales | 6,706 | 10,651 | 18,554 |
| Gain on sale of property, net of impairment adjustments | 121,072 | 46,254 | 223,858 |
| Minority interest expense gain on sales | (7,507) | (4,121) | (19,565) |
| Gain on sale of property, net of impairment adjustments and minority interest | 113,565 | 42,133 | 204,293 |
| Income from discontinued operations | \$ 120,271 | \$ 52,784 | \$ 222,847 |

At December 31, 2007, we classified 15 properties as held-for-sale and included in discontinued operations. Additionally, we have classified nine 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 majority of our ownership interest in the properties to entities in which we will retain a minority equity ownership interest or because the results of operations for the properties are immaterial. The following table illustrates aggregate balance sheet information of the aforementioned 15 properties included in discontinued operations, as well as the nine held-for-sale properties whose results are included in continuing operations at December 31, 2007 (in thousands):

| | Properties Included in Discontinued Operations | Properties Included in Continuing Operations | Total Held-for-Sale Properties |
|---------------------------------|---|---|--------------------------------------|
| Balance Sheet: | | | |
| Real estate investments, net | \$ 132,194 | \$ 122,556 | \$ 254,750 |
| Other assets | 10,152 | 8,689 | 18,841 |
| Total assets held-for-sale | \$ 142,346 | \$ 131,245 | \$ 273,591 |
| Accrued expenses | \$ 3,586 | \$ 333 | \$ 3,919 |
| Other liabilities | 1,011 | 4,024 | 5,035 |
| Total liabilities held-for-sale | \$ 4,597 | \$ 4,357 | \$ 8,954 |

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We allocate interest expense to discontinued operations and have included such interest expense in computing net income from discontinued operations. Interest expense allocable to discontinued operations includes interest on any debt on secured 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 discontinued operations unencumbered population as it related to our entire unencumbered population.

We recorded impairment adjustments on depreciable properties of \$266,000 and \$3.7 million in 2006 and 2005, respectively. No impairment adjustments were recorded on depreciable properties in 2007.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Indebtedness

Indebtedness at December 31, 2007 and 2006 consists of the following (in thousands):

| | 2007 | 2006 |
|--|--------------|--------------|
| Fixed rate secured debt, weighted average interest rate of 6.11% at December 31, 2007, and 6.21% at December 31, 2006, maturity dates ranging from 2008 to 2026 | \$ 515,423 | \$ 652,886 |
| Variable rate secured debt, weighted average interest rate of 3.35% at December 31, 2007, and 3.79% at December 31, 2006, maturity dates ranging from 2014 to 2025 | 8,970 | 9,615 |
| Fixed rate unsecured debt, weighted average interest rate of 5.73% at December 31, 2007, and 5.67% at December 31, 2006, maturity dates ranging from 2008 to 2028 | 3,246,000 | 3,125,157 |
| Unsecured lines of credit, weighted average interest rate of 5.52% at December 31, 2007, and 5.82% at December 31, 2006 maturity dates ranging from 2010 to 2011 | 546,067 | 317,000 |
| Variable rate unsecured debt, market rate of 6.2% at December 31, 2006 | | 4,496 |
| | \$ 4,316,460 | \$ 4,109,154 |

The fair value of our indebtedness as of December 31, 2007, was \$4.2 billion. This fair value amount was calculated using current market rates and spreads available to us on debt instruments with similar terms and maturities.

As of December 31, 2007, the \$524.4 million of secured debt was collateralized by rental properties with a carrying value of \$723.0 million and by letters of credit in the amount of \$9.1 million.

We had an unsecured line of credit available at December 31, 2007. During 2007, the borrowing capacity on this line of credit was increased from \$1.0 billion to \$1.3 billion. Additionally, in July 2007, one of our consolidated majority owned subsidiaries entered into a lending agreement that included an additional unsecured line of credit. Our unsecured lines of credit as of December 31, 2007 are described as follows (in thousands):

| Description | Borrowing Capacity | Maturity Date | Outstanding at December 31, 2007 |
|-------------|-----------------------|------------------|-------------------------------------|
|-------------|-----------------------|------------------|-------------------------------------|

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| | | | | | | |
|--------------------------|-------------------------|----|-----------|--------------|----|---------|
| Unsecured Line of Credit | | \$ | 1,300,000 | January 2010 | \$ | 543,000 |
| Unsecured Line of Credit | Consolidated Subsidiary | \$ | 30,000 | July 2011 | \$ | 3,067 |

We use our line of credit to fund development activities, acquire additional rental properties and provide working capital. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line, at rates lower than the stated interest rate, subject to certain restrictions. The interest rate on the amounts outstanding on the unsecured line of credit as of December 31, 2007 was LIBOR plus .525%, which for borrowings outstanding at December 31, 2007 ranged from 5.355% to 5.775%. Our line of credit also contains various financial covenants that require us to meet financial ratios and defined levels of performance, including those related to variable rate indebtedness, consolidated net worth and debt-to-market capitalization. As of December 31, 2007, we were in compliance with all covenants under our 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 5.73% for outstanding borrowings as of December 31, 2007). The unsecured line of credit is used to fund development activities within the consolidated subsidiary. The consolidated subsidiary's unsecured line of credit matures in July 2011 with a 12-month extension option.

We took the following actions during the year ended December 31, 2007, relevant to our indebtedness:

- In August 2007, we repaid \$100.0 million of 7.375% senior unsecured notes on the scheduled maturity date.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- In September 2007, we issued \$300.0 million of 6.50% senior unsecured notes due in January 2018. This issuance was hedged with a forward starting interest rate swap that was settled and reduced the effective interest rate to 6.16%. The net proceeds from that issuance were used to partially pay down the outstanding balance on our unsecured line of credit.

- In November 2007, we repaid \$100.0 million of 3.5% senior unsecured notes on the scheduled maturity date.

In November 2006, we issued \$575.0 million of 3.75% Exchangeable Senior Notes (Exchangeable Notes), which will pay interest semiannually at a rate of 3.75% per annum and mature in December 2011.

The Exchangeable Notes can be exchanged for shares of our common stock upon the occurrence of certain events as well as at any time beginning on August 1, 2011 and ending on the second business day prior to the maturity date. The Exchangeable Notes had an initial exchange rate of approximately 20.4298 common shares per \$1,000 principal amount of the notes, representing an exchange price of approximately \$48.95 per share of Duke's common stock and an initial exchange premium of approximately 20.0% based on the price of \$40.79 per share of our common stock on the date of the original issuance. The initial exchange rate is subject to adjustment under certain circumstances including increases in our rate of dividends. Upon exchange the holders of the notes would receive (i) cash equal to the principal amount of the note and (ii) to the extent the conversion value exceeds the principal amount of the note, either cash or shares of common stock at our option.

Concurrent with the issuance of the Exchangeable Notes, we purchased a capped call option on our common stock in a private transaction. This capped call option allows us to buy our common shares, up to a maximum of approximately 11.7 million shares, from counter parties equal to the amounts of common stock and/or cash related to the excess conversion value we would pay to the holders of the Exchangeable Notes upon conversion. The capped call option will terminate upon the earlier of the maturity date of the related Exchangeable Notes or the first day all of the related Exchangeable Notes are no longer outstanding due to conversion or otherwise. The capped call option, which cost \$27.0 million, was recorded as a reduction of shareholders' equity and effectively increased the conversion price to 40% above the stock price on the issuance date. The fair value of the capped call option was \$1.9 million at December 31, 2007.

At December 31, 2007, the scheduled amortization and maturities of all indebtedness for the next five years and thereafter were as follows (in thousands):

| Year | Amount |
|------|------------|
| 2008 | \$ 279,928 |
| 2009 | 285,578 |
| 2010 | 728,253 |
| 2011 | 1,046,394 |
| 2012 | 209,233 |

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| | |
|------------|-----------|
| Thereafter | 1,767,074 |
| \$ | 4,316,460 |

The amount of interest paid in 2007, 2006 and 2005 was \$225.8 million, \$198.1 million and \$151.3 million, respectively. The amount of interest capitalized in 2007, 2006 and 2005 was \$59.2 million, \$36.3 million and \$9.5 million, respectively.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(8) Segment Reporting

We are engaged in 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 healthcare properties (our healthcare properties, and other property types which are not significant are not separately presented as a reportable segment), are collectively referred to as Rental Operations. The third reportable segment consists of our build-to-suit for sale operations and providing various real estate services such as property management, maintenance, leasing, development and construction management to third-party property owners and joint ventures (Service Operations). Our reportable segments offer different products or services and are managed separately because each segment requires different operating strategies and management expertise.

The assets of the Service Operations business segment generally include properties under development. During the period between the completion of development, rehabilitation or repositioning of a Service Operations property and the date the property is contributed to a property fund or sold to a third party, the property and its associated rental income and rental expenses are included in the applicable Rental Operations segment because the primary activity associated with the Service Operations property during that period is rental activities. Upon contribution or sale, the resulting gain or loss is part of the income of the Service Operations business segment.

Other revenue consists mainly of equity in earnings of unconsolidated companies. Segment FFO information (FFO is defined below) is calculated by subtracting operating expenses attributable to the applicable segment from segment revenues. Non-segment assets consist of corporate assets including cash, deferred financing costs and investments in unconsolidated companies. 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 segment operating results based upon an industry performance measure referred to as Funds From Operations (FFO), which management believes is a useful indicator of our operating performance. FFO is used by industry analysts and investors as a supplemental operating performance measure of an equity real estate investment trust (REIT) like Duke. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT). 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 developed by NAREIT to compare the operating performance of REITs. The most comparable GAAP measure is net income (loss). FFO should not be considered as a substitute for net income or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies.

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.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Management believes that the use of FFO, combined with the required primary GAAP presentations, improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes FFO is a useful measure for reviewing comparative operating and financial performance (although FFO should be reviewed in conjunction with net income which remains the primary measure of performance) because by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, FFO provides a useful comparison of the operating performance of our real estate 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 net income available for common shareholders to the calculation of FFO for the years ended December 31, 2007, 2006 and 2005 (in thousands):

| | 2007 | 2006 | 2005 |
|--|------------|------------|------------|
| Revenues | | | |
| Rental Operations: | | | |
| Office | \$ 547,478 | \$ 534,369 | \$ 443,927 |
| Industrial | 219,080 | 194,670 | 148,359 |
| Non-reportable Rental Operations segments | 20,952 | 5,775 | 4,449 |
| Service Operations | 99,358 | 90,125 | 81,941 |
| Total Segment Revenues | 886,868 | 824,939 | 678,676 |
| Other Revenue | 36,359 | 46,738 | 34,876 |
| Consolidated Revenue from continuing operations | 923,227 | 871,677 | 713,552 |
| Discontinued Operations | 41,117 | 77,975 | 166,235 |
| Consolidated Revenue | \$ 964,344 | \$ 949,652 | \$ 879,787 |
| Funds From Operations | | | |
| Rental Operations: | | | |
| Office | \$ 339,587 | \$ 334,839 | \$ 274,940 |
| Industrial | 167,632 | 150,919 | 112,336 |
| Non-reportable Rental Operations segments | 14,382 | 4,372 | 3,335 |
| Services Operations | 52,034 | 53,196 | 44,278 |
| Total Segment FFO | 573,635 | 543,326 | 434,889 |
| Non-Segment FFO: | | | |
| Interest expense | (168,358) | (170,484) | (106,047) |
| Interest and other income, net | 12,135 | 10,450 | 4,637 |
| General and administrative expense | (37,680) | (35,797) | (30,962) |
| Gain on land sales, net of impairment | 33,422 | 7,791 | 14,201 |
| Other non-segment income (expense) | (1,923) | 159 | (3,876) |
| Minority interest | (9,794) | (9,791) | (10,151) |
| Minority interest share of FFO adjustments | (10,983) | (18,858) | (3,065) |
| Joint venture FFO | 50,085 | 37,774 | 37,964 |
| Dividends on preferred shares | (58,292) | (56,419) | (46,479) |
| Adjustment for redemption of preferred shares | (3,483) | (2,633) | |
| Discontinued operations, net of minority interest | 5,268 | 32,490 | 50,078 |
| Consolidated basic FFO | 384,032 | 338,008 | 341,189 |
| Depreciation and amortization on continuing operations | (271,623) | (232,739) | (203,081) |

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| | | | |
|---|------------|------------|------------|
| Depreciation and amortization on discontinued operations | (6,068) | (21,529) | (51,089) |
| Company's share of joint venture adjustments | (26,948) | (18,394) | (19,510) |
| Earnings from depreciated property sales on discontinued operations | 121,072 | 42,089 | 227,513 |
| Earnings from depreciated property sales share of joint venture | 6,244 | 18,802 | 11,096 |
| Minority interest share of FFO adjustments | 10,983 | 18,858 | 3,065 |
| Net income available for common shareholders | \$ 217,692 | \$ 145,095 | \$ 309,183 |

The assets for each of the reportable segments as of December 31, 2007 and 2006 are as follows (in thousands):

| | December 31, 2007 | December 31, 2006 |
|---|----------------------|----------------------|
| Assets | | |
| Rental Operations: | | |
| Office | \$ 3,705,928 | \$ 4,061,806 |
| Industrial | 2,313,507 | 1,942,992 |
| Non-reportable Rental Operations segments | 312,246 | 132,449 |
| Service Operations | 476,033 | 301,886 |
| Total Segment Assets | 6,807,714 | 6,439,133 |
| Non-Segment Assets | 854,267 | 799,462 |
| Consolidated Assets | \$ 7,661,981 | \$ 7,238,595 |

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In addition to revenues and FFO, we also review our recurring capital expenditures in measuring the performance of our individual Rental Operations segments. These recurring capital expenditures consist of tenant improvements, leasing commissions and building improvements. We review these expenditures to determine the costs associated with re-leasing vacant space and maintaining the condition of our properties. Our recurring capital expenditures by segment are summarized as follows for the years ended December 31, 2007, 2006 and 2005 (in thousands):

| | 2007 | 2006 | 2005 |
|---|-----------|-----------|------------|
| Recurring Capital Expenditures | | | |
| Office | \$ 68,427 | \$ 66,449 | \$ 66,890 |
| Industrial | 16,454 | 16,210 | 42,083 |
| Non-reportable Rental Operations segments | 1,055 | 341 | 67 |
| Total | \$ 85,936 | \$ 83,000 | \$ 109,040 |

(9) **Leasing Activity**

Future minimum rents due to us under non-cancelable operating leases at December 31, 2007 are as follows (in thousands):

| Year | Amount |
|------------|--------------|
| 2008 | \$ 645,005 |
| 2009 | 634,921 |
| 2010 | 573,033 |
| 2011 | 482,761 |
| 2012 | 409,167 |
| Thereafter | 1,364,161 |
| | \$ 4,109,048 |

In addition to minimum rents, certain leases require reimbursements of specified operating expenses that amounted to \$177.2 million, \$161.7 million and \$151.4 million for the years ended December 31, 2007, 2006 and 2005, respectively.

(10) **Employee Benefit Plans**

We maintain a 401(k) plan for full-time employees. We make matching contributions up to an amount equal to three percent of the employee's salary and may also make annual discretionary contributions. The total expense recognized for this plan was \$3.7 million, \$3.9 million and \$3.3 million for the years ended December 31, 2007, 2006 and 2005, 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 \$9.3 million, \$9.4 million and \$8.1 million for 2007, 2006 and 2005, respectively. These expense amounts include estimates based upon the historical experience of claims incurred but not reported as of year-end.

(11) **Shareholders' Equity**

We periodically access 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 October 2007, we redeemed all of the outstanding shares of our 7.99% Series B Cumulative Redeemable Preferred Stock at a liquidation amount of \$132.3 million. Offering costs of \$3.5 million were charged against net income available to common shareholders in conjunction with the redemption of these shares.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following series of preferred shares were outstanding as of December 31, 2007 (in thousands, except percentage data):

| Description | Shares Outstanding | Dividend Rate | Redemption Date | Liquidation Preference |
|--------------------|-----------------------|------------------|--------------------|---------------------------|
| Series J Preferred | 400 | 6.625% | August 29, 2008 | \$ 100,000 |
| Series K Preferred | 600 | 6.500% | February 13, 2009 | \$ 150,000 |
| Series L Preferred | 800 | 6.600% | November 30, 2009 | \$ 200,000 |
| Series M Preferred | 736 | 6.950% | January 31, 2011 | \$ 184,000 |
| Series N Preferred | 440 | 7.250% | June 30, 2011 | \$ 110,000 |

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).

In October 2007, we issued 7.0 million shares of our common stock for net proceeds of \$232.7 million.

Pursuant to the \$750.0 million share repurchase plan that was approved by our board of directors, we paid approximately \$91.9 million for the redemption of 2,266,684 of our common shares at an average price of \$40.55 per share during the year ended December 31, 2006. From time to time, management may repurchase additional common shares pursuant to our share repurchase plan.

(12) Stock Based Compensation

We are authorized to issue up to 9,949,314 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

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We had options outstanding under six fixed stock option plans as of December 31, 2007. 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. The exercise price for stock option grants is set at the fair value of our common stock on the day of grant.

The following table summarizes transactions under our stock option plans as of December 31, 2007:

| | Shares | 2007 Weighted Average Exercise Price | Weighted Average Remaining Life | Aggregate Intrinsic Value (1) (in Millions) |
|----------------------------------|-----------|--|--|--|
| Outstanding, beginning of year | 3,848,925 | \$ 27.85 | | |
| Granted | 2,457,608 | \$ 32.23 | | |
| Exercised | (371,628) | \$ 23.02 | | |
| Forfeited | (83,949) | \$ 38.50 | | |
| Outstanding, end of year | 5,850,956 | \$ 29.84 | 7.3 | \$ 6.6 |
| Options exercisable, end of year | 2,166,435 | \$ 25.90 | 4.5 | \$ 4.8 |

(1) The aggregate intrinsic value represents the total pre-tax intrinsic value, based on the closing stock price of \$26.08 at December 31, 2007, which would have been received by the option holders had all option holders exercised their options as of that date. This amount changes continuously based on the market prices of the stock.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Options granted in the years ended December 31, 2007, 2006 and 2005, respectively, had a weighted average fair value per option of \$2.89, \$3.60 and \$3.04. As of December 31, 2007, there was \$6.7 million 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 3.91 years. The total intrinsic value of options exercised during the years ended December 31, 2007, 2006 and 2005 respectively, was \$5.6 million, \$11.3 million and \$3.4 million. Compensation expense recognized for fixed stock option plans was \$2.3 million, \$1.7 million and \$1.1 million for the years ended December 31, 2007, 2006 and 2005, respectively. The fair value of options vested during the years ended December 31, 2007, 2006 and 2005 was \$1.6 million, \$1.6 million and \$1.2 million, respectively.

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

| | 2007 | 2006 | 2005 |
|-------------------------|---------------|---------|---------|
| Dividend yield | 5.75% - 6.50% | 6.25% | 6.25% |
| Volatility | 18.0% | 20.0% | 20.0% |
| Risk-free interest rate | 3.63% - 4.78% | 4.5% | 3.8% |
| Expected life | 5 years | 6 years | 6 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 years ended December 31, 2007, 2006 and 2005 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.

Performance Share Plan

Performance shares were granted under the 2000 Performance Share Plan, with each performance share economically equivalent to one share of our common stock. The performance shares vest over a five-year period with the vesting percentage for a year dependent upon our attainment of certain predefined levels of earnings growth for such year. The performance shares have a contractual life of five years. In April 2006, the 2000 Performance Share Plan was amended to provide that awards would be settled in shares of common stock rather than cash. The fair value of existing awards was fixed at the date of the amendment and the fair value of subsequent awards will be fixed at the fair value of our common stock at the date of grant.

The following table summarizes transactions for our performance shares for the year ended December 31, 2007:

| 2000 Performance Share Plan | Vested | Unvested | Total |
|---|---------|----------|---------|
| Performance Share Plan units at December 31, 2006 | 103,255 | 69,768 | 173,023 |
| Granted | | | |
| Vested | 29,791 | (29,791) | |
| Forfeited | | | |
| Dividend reinvestments | 9,264 | | 9,264 |
| Disbursements | (4,111) | | (4,111) |
| Total Performance Share Plan units outstanding at December 31, 2007 | 138,199 | 39,977 | 178,176 |

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Compensation expense recognized for Performance Share Plan units was \$1.3 million, \$1.2 million and \$1.3 million for 2007, 2006 and 2005, respectively. The total vest date fair value of shares vesting during the year ended December 31, 2007 was \$1.1 million.

Shareholder Value Plan Awards

Our 2005 Shareholder Value Plan (2005 SVP Plan), a sub-plan of our 2005 Long-Term Incentive Plan, was approved by our shareholders in April 2005. Upon vesting, payout of the 2005 Shareholder Value Plan awards will be made in shares of our common stock. Under the 2005 SVP Plan, shareholder value awards fully vest three years after the date of grant. The number of common shares to be issued may range from 0%-300% of the target shares awarded and will be based upon our total shareholder return for such three-year period as compared to the S&P 500 Index and the NAREIT Real Estate 50 Index. Each index is weighted at 50%.

Awards made under the 2005 SVP Plan are measured at fair value, which is determined using a Monte Carlo simulation model that was developed to accommodate the unique features of the 2005 SVP Plan. Compensation cost recognized under the 2005 SVP Plan was \$1.5 million, \$879,000 and \$438,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

The following table summarizes transactions for our awards under the 2005 SVP Plan for 2007:

| | Number of SVP Units | Weighted Average Grant Date Fair Value |
|---|---------------------------|---|
| 2005 Shareholder Value Plan Awards | | |
| SVP awards at December 31, 2006 | 159,634 | \$32.63 |
| Granted | 83,580 | \$46.49 |
| Vested | (67,845) | \$30.64 |
| Forfeited | (11,189) | \$37.19 |
| SVP awards at December 31, 2007 | 164,180 | \$40.20 |

As of December 31, 2007, there was \$2.2 million of total unrecognized compensation expense related to nonvested SVP Plan awards granted under the 2005 SVP Plan, which will be recognized over a weighted average period of 1.73 years. All 2005 SVP Plan awards have a contractual life of three years.

Restricted Stock Units

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Under our 2005 Long-Term Incentive Plan and our 2005 Non-Employee Directors Compensation Plan approved by our shareholders in April 2005, restricted stock units (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 granted prior to January 1, 2006 vest 20% per year over five years, have contractual lives of five years and are payable in shares of our common stock. RSUs granted to existing non-employee directors subsequent to January 1, 2006 vest 100% over one year, and have contractual lives of one year. 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 2007:

| Restricted Stock Units | Number of RSUs | Weighted Average Grant Date Fair Value |
|-------------------------------|---------------------------|---|
| RSUs at December 31, 2006 | 235,693 | \$33.07 |
| Granted | 96,113 | \$46.67 |
| Vested | (62,353) | \$33.14 |
| Forfeited | (8,355) | \$38.99 |
| RSUs at December 31, 2007 | 261,098 | \$37.87 |

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Compensation cost recognized for RSUs totaled \$3.0 million, \$2.1 million and \$478,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

As of December 31, 2007, there was \$5.9 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 3.9 years.

(13) 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.

In November 2007, 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 2008. The swaps qualify for hedge accounting, with any changes in fair value recorded in Other Comprehensive Income (OCI). At December 31, 2007, the fair value of these swaps was approximately \$6.2 million in a liability position as the effective rate on the swaps was higher than current interest rates at December 31, 2007.

In July 2007, we entered into a \$21.0 million cash flow hedge through an interest rate swap to fix the rate on \$21.0 million of floating rate term debt, issued by one of our consolidated majority owned subsidiaries, which matures in July 2011. The swap qualifies for hedge accounting, with any changes in fair value recorded in OCI. At December 31, 2007, the fair value of this swap was approximately \$1.1 million in a liability position.

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 will be recognized to earnings through a reduction of interest expense over the term of the hedged cash flows. The ineffective portion of the hedge was insignificant.

In March 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 2006. The swaps qualified for hedge accounting, with any changes in fair value recorded in OCI. In March 2006, we issued \$150.0 million of 5.50% senior unsecured notes due 2016 and terminated a corresponding amount of the cash flow hedges designated for this transaction. The settlement amount paid of approximately \$800,000 will be recognized to earnings through interest expense ratably over the life of the senior unsecured notes and the ineffective portion of the hedge was insignificant. In August 2006, we issued

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\$450.0 million of 5.95% senior unsecured notes due 2017 and \$250.0 million of 5.63% senior unsecured notes due 2011 and terminated the remaining \$150.0 million of cash flow hedges. The settlement amount received of approximately \$1.6 million will be recognized to earnings through a reduction of interest expense ratably over the lives of the senior unsecured notes. The ineffective portion of the hedge was insignificant.

The effectiveness of our hedges will be 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.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(14) Recent Accounting Pronouncements

We adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48), on January 1, 2007. The adoption of FIN 48 resulted in an additional tax exposure of approximately \$1.7 million recorded as an adjustment to the opening balance of Distributions in Excess of Net Income. As of December 31, 2007, tax returns for the calendar years 2004 through 2007 remain subject to examination by the Internal Revenue Service (IRS) and various state and local tax jurisdictions. Our uncertain tax positions are immaterial both individually and in the aggregate primarily due to our tax status as a REIT.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We do not expect SFAS 157 to have a material effect when adopted.

In January 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 provides a Fair Value Option under which a company may irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. This Fair Value Option will be available on a contract-by-contract basis with changes in fair value recognized in earnings as those changes occur. The effective date for SFAS 159 is the beginning of each reporting entity's first fiscal year end that begins after November 15, 2007. We will not elect the Fair Value Option for any of our financial assets or liabilities.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations* (SFAS 141R) and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* an amendment to ARB No. 51 (SFAS 160). SFAS 141R and SFAS 160 require most identifiable assets, liabilities, noncontrolling interests and goodwill acquired in a business combination to be recorded at full fair value and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. Both Statements are effective for periods beginning on or after December 15, 2008, and earlier adoption is prohibited. SFAS 141R will be applied to business combinations after the effective date. SFAS 160 will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. We are currently evaluating the impact of adopting SFAS 141R and SFAS 160 on our results of operations and financial position.

(15) Commitments and Contingencies

We have guaranteed the repayment of \$79.3 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.

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We also have guaranteed the repayment of secured and unsecured loans of seven of our unconsolidated subsidiaries. At December 31, 2007, the outstanding balance on these loans was approximately \$219.8 million. Additionally, we guaranteed \$29.0 million of secured indebtedness related to a property sold to a third party in 2006. Management believes that the value of the real estate exceeds the loan balance and that we will not be required to satisfy these guarantees.

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

We have entered into agreements, subject to the completion of due diligence requirements, resolution of certain contingencies and completion of customary closing conditions, for the future acquisitions of land and buildings totaling \$158.9 million. In most cases we may withdraw from land purchase contracts with the seller's only recourse being earnest money deposits already made.

In October 2000, we sold or contributed industrial properties and undeveloped land with a fair value of \$487.0 million to a joint venture (Dugan Realty LLC) in which we have a 50% interest and recognized a net gain of \$35.2 million. In connection with this transaction, the joint venture partners were given an option to put up to a \$50.0 million interest in the joint venture to us in exchange for our common stock or cash (at our option), subject to certain timing and other restrictions. As a result of this put option, we deferred \$10.2 million of gain on sale of depreciated property and recorded a \$50.0 million liability.

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*

The Company's board of directors declared the following dividends at its January 30, 2008, regularly scheduled board meeting:

| Class | Quarterly Amount/Share | Record Date | Payment Date |
|-----------------------------------|---------------------------|-------------------|-------------------|
| Common | \$ 0.48 | February 14, 2008 | February 29, 2008 |
| Preferred (per depositary share): | | | |
| Series J | \$ 0.414063 | February 15, 2008 | February 29, 2008 |
| Series K | \$ 0.406250 | February 15, 2008 | February 29, 2008 |
| Series L | \$ 0.412500 | February 15, 2008 | February 29, 2008 |
| Series M | \$ 0.434375 | March 17, 2008 | March 31, 2008 |
| Series N | \$ 0.453125 | March 17, 2008 | March 31, 2008 |

In February 2008, we issued \$300.0 million of 8.375% Series O Cumulative Redeemable Preferred Shares.

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Duke Realty
Corporation

Schedule 3

Real Estate and Accumulated Depreciation

December 31, 2007

(in thousands)

| Development | Name | Building Type | Encumbrances | Cost Capitalized Subsequent to | | | | | | | | Year Constructed | Year Acquired |
|--------------------------------|-----------------------------|------------------|--------------|--------------------------------|-----------|----------------------------------|------------------------------|----------|--------|------------------------------------|------|---------------------|------------------|
| | | | | Initial Cost | | Development or Acquisition | Gross Book Value 12/31/07 | | | Accumulated Depreciation (1) | | | |
| | | | | Land | Buildings | | Land/Land Imp | Bldgs/TI | Total | | | | |
| ALLEN, TEXAS | | | | | | | | | | | | | |
| Allen Central Park | One Allen Center | Office | | 1,966 | 11,178 | 629 | 1,966 | 11,807 | 13,773 | | 2007 | 2007 | |
| ALPHARETTA, GEORGIA | | | | | | | | | | | | | |
| Brookside Office Park | Radiant I | Office | | 1,269 | 14,697 | 63 | 1,269 | 14,760 | 16,029 | 3,142 | 1998 | 1999 | |
| Brookside Office Park | Brookside I | Office | | 1,625 | 8,594 | 3,926 | 1,492 | 12,653 | 14,145 | 2,834 | 1999 | 1999 | |
| Brookside Office Park | Radiant II | Office | | 831 | 6,755 | 185 | 831 | 6,940 | 7,771 | 1,229 | 2000 | 2000 | |
| Brookside Office Park | Brookside II | Office | | 1,381 | 11,239 | 2,048 | 1,248 | 13,420 | 14,668 | 3,159 | 2000 | 2000 | |
| Hembree Crest | 11415 Old Roswell Road | Industrial | | 648 | 2,454 | 1,055 | 648 | 3,509 | 4,157 | 1,353 | 1991 | 1999 | |
| NorthWinds Center | Northwinds VII | Office | | 2,271 | 19,852 | 1,571 | 2,304 | 21,390 | 23,694 | 4,909 | 1998 | 1999 | |
| NorthWinds Center | Northwinds I | Office | | 1,879 | 15,933 | 1,641 | 1,879 | 17,574 | 19,453 | 3,286 | 1997 | 2004 | |
| NorthWinds Center | Northwinds II | Office | | 1,796 | 15,973 | 600 | 1,796 | 16,573 | 18,369 | 3,406 | 1997 | 2004 | |
| NorthWinds Center | Northwinds III | Office | 15,931 | 1,868 | 16,114 | 597 | 1,868 | 16,711 | 18,579 | 3,482 | 1998 | 2004 | |
| NorthWinds Center | Northwinds IV | Office | 15,162 | 1,844 | 16,089 | 1,727 | 1,844 | 17,816 | 19,660 | 3,669 | 1999 | 2004 | |
| NorthWinds Center | Northwinds V | Office | | 2,215 | 15,522 | 1,336 | 2,215 | 16,858 | 19,073 | 3,313 | 1999 | 2004 | |
| NorthWinds Center | Northwinds VI | Office | | 2,662 | 15,600 | 708 | 2,662 | 16,308 | 18,970 | 3,512 | 2000 | 2004 | |
| NorthWinds Center | Northwinds Village | Retail | | 704 | 4,453 | 153 | 710 | 4,600 | 5,310 | 591 | 2000 | 2004 | |
| NorthWinds Center | Northwinds Restaurant | Retail | | 202 | 329 | | 202 | 329 | 531 | 51 | 1997 | 2004 | |
| Ridgeland | 1320 Ridgeland Parkway | Industrial | | 998 | 5,874 | 52 | 998 | 5,926 | 6,924 | 1,250 | 1999 | 1999 | |
| Ridgeland | 1345 Ridgeland Parkway | Industrial | | 488 | 2,186 | 1,068 | 488 | 3,254 | 3,742 | 769 | 1999 | 1999 | |
| Ridgeland | 1335 Ridgeland Pkwy | Industrial | | 579 | 2,105 | 803 | 579 | 2,908 | 3,487 | 650 | 1999 | 1999 | |
| Preston Ridge | Preston Ridge IV | Office | | 2,777 | 13,300 | 725 | 2,781 | 14,021 | 16,802 | 3,658 | 2000 | 2004 | |
| Windward | 800 North Point Parkway | Office | | 1,250 | 18,443 | | 1,250 | 18,443 | 19,693 | 2,341 | 1991 | 2003 | |
| Windward | 900 North Point Parkway | Office | | 1,250 | 13,945 | | 1,250 | 13,945 | 15,195 | 1,786 | 1991 | 2003 | |
| | | | | | | | | | | | | | |
| ARLINGTON HEIGHTS, ILLINOIS | | | | | | | | | | | | | |
| Arlington Business Park | Atrium II | Office | | 776 | 6,882 | 2,167 | 776 | 9,049 | 9,825 | 2,479 | 1986 | 1998 | |
| | | | | | | | | | | | | | |
| ATLANTA, GEORGIA | | | | | | | | | | | | | |
| Druid Chase | 6 West Druid Hills Drive | Office | | 473 | 6,731 | 2,489 | 473 | 9,220 | 9,693 | 2,608 | 1968 | 1999 | |
| Druid Chase | 2801 Buford Highway | Office | | 794 | 9,310 | 2,757 | 794 | 12,067 | 12,861 | 2,836 | 1977 | 1999 | |
| Druid Chase | | Office | | 689 | 6,485 | 1,308 | 689 | 7,793 | 8,482 | 1,780 | 1980 | 1999 | |

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| | | | | | | | | | | | | |
|--------------------------------|--------------------------------|------------|--------|-------|--------|-------|-------|--------|--------|-------|------|------|
| | 1190 West Druid Hills Drive | | | | | | | | | | | |
| Center Pointe Medical I and II | Center Pointe Medical I and II | Healthcare | 24,067 | 9,697 | 29,308 | 599 | 9,697 | 29,907 | 39,604 | 500 | 1984 | 2007 |
| AURORA, ILLINOIS | | | | | | | | | | | | |
| Meridian Business Campus | 535 Exchange | Industrial | | 386 | 920 | 269 | 386 | 1,189 | 1,575 | 301 | 1984 | 1999 |
| Meridian Business Campus | 525 North Enterprise Street | Industrial | | 342 | 1,678 | 110 | 342 | 1,788 | 2,130 | 473 | 1984 | 1999 |
| Meridian Business Campus | 615 North Enterprise Street | Industrial | | 468 | 2,824 | 649 | 468 | 3,473 | 3,941 | 973 | 1984 | 1999 |
| Meridian Business Campus | 3615 Exchange | Industrial | | 410 | 1,603 | 140 | 410 | 1,743 | 2,153 | 493 | 1986 | 1999 |
| Meridian Business Campus | 4000 Sussex Avenue | Industrial | | 417 | 1,711 | 332 | 417 | 2,043 | 2,460 | 535 | 1990 | 1999 |
| Meridian Business Campus | 3737 East Exchange | Industrial | | 598 | 2,543 | 166 | 598 | 2,709 | 3,307 | 721 | 1985 | 1999 |
| Meridian Business Campus | 444 North Commerce Street | Industrial | | 722 | 5,403 | 597 | 722 | 6,000 | 6,722 | 1,659 | 1985 | 1999 |
| Meridian Business Campus | 880 North Enterprise Street | Industrial | | 1,150 | 5,669 | 530 | 1,150 | 6,199 | 7,349 | 1,426 | 1999 | 1999 |
| Meridian Business Campus | Meridian Office Service Center | Industrial | | 567 | 1,083 | 1,701 | 567 | 2,784 | 3,351 | 578 | 2001 | 2001 |
| Meridian Business Campus | Genera Corporation | Industrial | | 1,957 | 3,827 | | 1,957 | 3,827 | 5,784 | 593 | 2004 | 2004 |
| BATAVIA, OHIO | | | | | | | | | | | | |
| Mercy Hospital Clermont MOB | Mercy Hospital Clermont MOB | Healthcare | | | 8,699 | 667 | | 9,366 | 9,366 | | 2005 | 2007 |
| BERRY HILL, TN | | | | | | | | | | | | |
| Four-Forty Business Center | Four-Forty Business Center I | Industrial | | 938 | 6,462 | 46 | 938 | 6,508 | 7,446 | 1,383 | 1997 | 1999 |
| Four-Forty Business Center | Four-Forty Business Center III | Industrial | | 1,812 | 7,579 | 259 | 1,812 | 7,838 | 9,650 | 1,795 | 1998 | 1999 |
| Four-Forty Business Center | Four-Forty Business Center IV | Industrial | | 1,522 | 5,552 | 416 | 1,522 | 5,968 | 7,490 | 1,343 | 1997 | 1999 |
| Four-Forty Business Center | Four-Forty Business Center V | Industrial | | 471 | 3,321 | 527 | 471 | 3,848 | 4,319 | 1,436 | 1999 | 1999 |
| BLOOMINGTON, MINNESOTA | | | | | | | | | | | | |
| Alpha Business Center | Alpha Business Ctr I&II | Office | | 280 | 1,421 | 367 | 280 | 1,788 | 2,068 | 431 | 1980 | 1999 |
| Alpha Business Center | Alpha Business Ctr III&IV | Industrial | | 341 | 1,775 | 375 | 341 | 2,150 | 2,491 | 519 | 1980 | 1999 |
| Alpha Business Center | Alpha Business Ctr V | Industrial | | 537 | 2,977 | 361 | 537 | 3,338 | 3,875 | 813 | 1980 | 1999 |
| Hampshire Dist. Center | Hampshire Dist Center North | Industrial | 1,228 | 779 | 4,500 | 287 | 779 | 4,787 | 5,566 | 1,253 | 1979 | 1997 |
| Hampshire Dist. Center | Hampshire Dist Center South | Industrial | 1,389 | 901 | 5,069 | 313 | 901 | 5,382 | 6,283 | 1,412 | 1979 | 1997 |
| Norman Pointe Office Park | Norman Pointe I | Office | | 3,650 | 25,966 | 2,350 | 3,650 | 28,316 | 31,966 | 5,621 | 2000 | 2000 |
| Norman Pointe Office Park | Norman Pointe II | Office | | 5,885 | 38,649 | 1,206 | 5,885 | 39,855 | 45,740 | 279 | 2007 | 2007 |

**Duke Realty
Corporation**
Schedule 3
Real Estate and Accumulated Depreciation
December 31, 2007
(in thousands)

| Development | Building | | Initial Cost | | Cost Capitalized Subsequent to | Gross Book Value 12/31/07 | Accumulated Depreciation (1) | Year Constructed | Year Acquired | | | | |
|-----------------------------|-------------------------------|------------|--------------|-------|--------------------------------|---------------------------|------------------------------|------------------|---------------|----------------------------|---------------|----------|-------|
| | Name | Type | Encumbrances | Land | Buildings | | | | | Development or Acquisition | Land/Land Imp | Bldgs/TI | Total |
| | | | | | | | | | | | | | |
| BLUE ASH, OHIO | | | | | | | | | | | | | |
| McAuley Place Huntington | McAuley Place Huntington | Office | | 2,331 | 17,604 | 2,103 | 2,331 | 19,707 | 22,038 | 3,822 | 2000 | 2001 | |
| Bank Building Lake | Bank Building Lake Forest | Office | | 175 | 241 | | 175 | 241 | 416 | 71 | 1986 | 1996 | |
| Forest/Westlake | Place | Office | | 1,953 | 18,680 | 3,281 | 1,953 | 21,961 | 23,914 | 6,367 | 1985 | 1996 | |
| Northmark Office Park | Northmark Building 1 | Office | | 1,452 | 5,077 | 440 | 1,452 | 5,517 | 6,969 | 1,913 | 1987 | 2004 | |
| Lake Forest/Westlake | Westlake Center | Office | | 2,459 | 15,911 | 3,446 | 2,459 | 19,357 | 21,816 | 6,049 | 1981 | 1996 | |
| Landings | Landings Building I | Office | | 4,302 | 17,512 | 301 | 4,302 | 17,813 | 22,115 | 1,171 | 2006 | 2006 | |
| Landings | Landings Building II | Office | | 4,817 | 9,377 | 2,134 | 4,817 | 11,511 | 16,328 | 318 | 2007 | 2007 | |
| BOLINGBROOK, ILLINOIS | | | | | | | | | | | | | |
| Joliet Road Business Park | 555 Joliet Road, Bolingbrook | Industrial | | 2,184 | 9,284 | 752 | 2,332 | 9,888 | 12,220 | 1,527 | 1967 | 2002 | |
| Joliet Road Business Park | Dawes Transportation | Industrial | | 3,050 | 4,453 | | 3,050 | 4,453 | 7,503 | 632 | 2005 | 2005 | |
| BRASELTON, GEORGIA | | | | | | | | | | | | | |
| Braselton Business Park | Braselton II | Industrial | | 1,365 | 8,720 | 1,720 | 1,884 | 9,921 | 11,805 | 1,787 | 2001 | 2001 | |
| Park 85 at Braselton | Park 85 at Braselton Bldg 625 | Industrial | | 9,855 | 25,690 | 463 | 9,855 | 26,153 | 36,008 | 1,871 | 2004 | 2005 | |
| BRENTWOOD, TENNESSEE | | | | | | | | | | | | | |
| Brentwood South Bus. Center | Brentwood South Bus Ctr I | Industrial | | 1,065 | 5,773 | 838 | 1,065 | 6,611 | 7,676 | 1,572 | 1987 | 1999 | |
| Brentwood South Bus. Center | Brentwood South Bus Ctr II | Industrial | | 1,065 | 2,781 | 1,275 | 1,065 | 4,056 | 5,121 | 882 | 1987 | 1999 | |
| Brentwood South Bus. Center | Brentwood South Bus Ctr III | Industrial | | 848 | 3,998 | 660 | 848 | 4,658 | 5,506 | 1,160 | 1989 | 1999 | |
| Creekside Crossing | Creekside Crossing I | Office | | 1,900 | 7,649 | 580 | 1,901 | 8,228 | 10,129 | 2,294 | 1997 | 1997 | |
| Creekside Crossing | Creekside Crossing II | Office | | 2,087 | 7,801 | 1,204 | 2,087 | 9,005 | 11,092 | 2,477 | 1999 | 1999 | |
| Creekside Crossing | Creekside Crossing III | Office | | 2,969 | 9,700 | 1,668 | 2,969 | 11,368 | 14,337 | 840 | 2006 | 2006 | |

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| | | | | | | | | | | | |
|---------------------------------|------------------------------|------------|--------|--------|-------|--------|--------|--------|-------|------|------|
| Creekside Crossing | Creekside Crossing IV | Office | 2,966 | 8,104 | 651 | 3,010 | 8,711 | 11,721 | 101 | 2007 | 2007 |
| BROOKLYN PARK, MINNESOTA | | | | | | | | | | | |
| 7300 Northland Drive | 7300 Northland Drive | Industrial | 700 | 6,578 | 278 | 703 | 6,853 | 7,556 | 1,831 | 1980 | 1998 |
| Crosstown North Bus. Ctr. | Crosstown North Bus. Ctr. 1 | Industrial | 835 | 5,321 | 1,113 | 1,286 | 5,983 | 7,269 | 1,705 | 1998 | 1999 |
| Crosstown North Bus. Ctr. | Crosstown North Bus. Ctr. 2 | Industrial | 449 | 2,722 | 674 | 599 | 3,246 | 3,845 | 834 | 1998 | 1999 |
| Crosstown North Bus. Ctr. | Crosstown North Bus. Ctr. 3 | Industrial | 758 | 1,891 | 233 | 837 | 2,045 | 2,882 | 515 | 1999 | 1999 |
| Crosstown North Bus. Ctr. | Crosstown North Bus. Ctr. 4 | Industrial | 2,079 | 7,324 | 1,331 | 2,397 | 8,337 | 10,734 | 2,617 | 1999 | 1999 |
| Crosstown North Bus. Ctr. | Crosstown North Bus. Ctr. 5 | Industrial | 1,079 | 4,433 | 509 | 1,354 | 4,667 | 6,021 | 1,049 | 1999 | 1999 |
| Crosstown North Bus. Ctr. | Crosstown North Bus. Ctr. 6 | Industrial | 788 | 2,951 | 2,144 | 1,031 | 4,852 | 5,883 | 1,550 | 2000 | 2000 |
| Crosstown North Bus. Ctr. | Crosstown North Bus. Ctr. 10 | Industrial | 2,757 | 4,642 | 1,079 | 2,723 | 5,755 | 8,478 | 801 | 2004 | 2004 |
| Crosstown North Bus. Ctr. | Crosstown North Bus. Ctr. 12 | Industrial | 4,564 | 9,014 | 215 | 4,564 | 9,229 | 13,793 | 1,066 | 2005 | 2005 |
| BUFFALO, NEW YORK | | | | | | | | | | | |
| Office Development | HealthNow | Office | 11,686 | 54,009 | 3,732 | 11,686 | 57,741 | 69,427 | | 2007 | 2007 |
| CARMEL, INDIANA | | | | | | | | | | | |
| Hamilton Crossing | Hamilton Crossing I | Industrial | 835 | 4,008 | 2,588 | 847 | 6,584 | 7,431 | 2,599 | 1989 | 1993 |
| Hamilton Crossing | Hamilton Crossing II | Office | 313 | 840 | 1,180 | 384 | 1,949 | 2,333 | 623 | 1997 | 1997 |
| Hamilton Crossing | Hamilton Crossing III | Office | 890 | 9,581 | 1,912 | 890 | 11,493 | 12,383 | 3,276 | 2000 | 2000 |
| Hamilton Crossing | Hamilton Crossing IV | Office | 515 | 5,186 | 571 | 598 | 5,674 | 6,272 | 1,320 | 1999 | 1999 |
| Hamilton Crossing | Hamilton Crossing VI | Office | 1,044 | 13,671 | 840 | 1,068 | 14,487 | 15,555 | 2,271 | 2003 | 2003 |
| Meridian Technology Center | Meridian Tech Center | Office | 376 | 2,695 | 1,107 | 376 | 3,802 | 4,178 | 831 | 1986 | 2002 |
| West Carmel Marketplace | Burger King (Ground Lease) | Grounds | 848 | | 189 | 1,037 | | 1,037 | | n/a | 2007 |
| CAROL STREAM, ILLINOIS | | | | | | | | | | | |
| Carol Stream Business Park | Carol Stream IV | Industrial | 3,204 | 14,986 | 471 | 3,204 | 15,457 | 18,661 | 2,303 | 1994 | 2003 |
| Carol Stream Business Park | Carol Stream V | Industrial | 4,553 | 7,605 | 242 | 4,553 | 7,847 | 12,400 | 707 | 1986 | 2003 |
| CARY, NORTH CAROLINA | | | | | | | | | | | |
| Regency Forest | 200 Regency Forest Dr. | Office | 1,230 | 13,365 | 1,877 | 1,230 | 15,242 | 16,472 | 3,641 | 1999 | 1999 |

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| | | | | | | | | | | | |
|----------------|------------------------|--------|-------|--------|-------|-------|--------|--------|-------|------|------|
| Regency Forest | 100 Regency Forest Dr. | Office | 1,538 | 9,835 | 1,907 | 1,618 | 11,662 | 13,280 | 2,720 | 1997 | 1999 |
| Weston Parkway | 6501 Weston Parkway | Office | 1,775 | 10,580 | 1,287 | 1,775 | 11,867 | 13,642 | 2,807 | 1996 | 1999 |

CELEBRATION, FLORIDA

| | | | | | | | | | | | |
|-----------------------------|--------------------------------|--------|-------|-------|-------|-------|-------|-------|-------|------|------|
| Celebration Business Center | Celebration Business Center I | Office | 1,102 | 4,722 | 529 | 1,308 | 5,045 | 6,353 | 1,151 | 1997 | 1999 |
| Celebration Business Center | Celebration Business Center II | Office | 771 | 3,587 | 337 | 961 | 3,734 | 4,695 | 879 | 1997 | 1999 |
| Celebration Office Center | Celebration Office Center I | Office | 1,382 | 5,771 | 326 | 1,382 | 6,097 | 7,479 | 1,318 | 2000 | 2000 |
| Celebration Office Center | Celebration Office Center II | Office | 1,382 | 5,859 | 2,422 | 1,382 | 8,281 | 9,663 | 2,455 | 2001 | 2001 |

CHANTILLY, VIRGINIA

| | | | | | | | | | | | |
|--------------------------|----------------------|--------|-------|-------|-----|-------|-------|-------|--|------|------|
| Northridge at Westfields | 15002 Northridge Dr. | Office | 1,148 | 2,597 | 442 | 1,148 | 3,039 | 4,187 | | 2007 | 2007 |
| Northridge at Westfields | 15004 Northridge Dr. | Office | 1,305 | 2,981 | 426 | 1,305 | 3,407 | 4,712 | | 2007 | 2007 |
| Northridge at Westfields | 15006 Northridge Dr. | Office | 1,611 | 3,586 | 522 | 1,611 | 4,108 | 5,719 | | 2007 | 2007 |

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Duke Realty
Corporation

Schedule 3

Real Estate and Accumulated Depreciation

December 31, 2007

(in thousands)

| Cost Capitalized Subsequent to | | | | | | | | | | | |
|--------------------------------|-------------------------------|------------|--------------|--------------|-----------|----------------------------|---------------------------|---------------|------------------------------|------------------|---------------|
| Building | | | | Initial Cost | | Development or Acquisition | Gross Book Value 12/31/07 | | Accumulated Depreciation (1) | Year Constructed | Year Acquired |
| Development | Name | Type | Encumbrances | Land | Buildings | | Land/Land Imp | Bldgs/TITotal | | | |
| CHILLICOTHE, OHIO | | | | | | | | | | | |
| Adena Health Pavilion | Adena Health Pavilion | Healthcare | | | 11,738 | 8 | | 11,746,746 | 396 | 2005 | 2007 |
| Adena Health System OPC | Adena Health System OPC | Healthcare | | | 2,946 | 1 | | 2,947,947 | 266 | 2005 | 2007 |
| CINCINNATI, OHIO | | | | | | | | | | | |
| 311 Elm | 311 Elm | Office | | 339 | 5,734 | 1,321 | 346 | 7,048,394 | 3,955 | 1986 | 1993 |
| 312 Elm | 312 Elm | Office | 34,273 | 4,750 | 46,380 | 5,159 | 5,428 | 50,861,289 | 18,388 | 1992 | 1993 |
| 312 Plum | 312 Plum | Office | | 2,539 | 23,832 | 3,736 | 2,590 | 27,371,107 | 9,825 | 1987 | 1993 |
| One Ashview Place | One Ashview Place | Office | | 1,204 | 12,613 | 2,877 | 1,204 | 15,490,694 | 5,149 | 1989 | 1997 |
| Blue Ash Office Center | Blue Ash Office Center VI | Office | | 518 | 2,752 | 647 | 518 | 3,399,917 | 975 | 1989 | 1997 |
| Towers of Kenwood | Towers of Kenwood | Office | | 4,891 | 42,239 | 2,103 | 4,891 | 44,342,233 | 5,897 | 1989 | 2003 |
| Governors Hill | 8790 Governor s Hill | Office | | 400 | 4,559 | 1,055 | 408 | 5,606,014 | 2,058 | 1985 | 1993 |
| Governors Hill | 8800 Governor s Hill | Office | | 225 | 2,293 | 597 | 231 | 2,884,115 | 1,394 | 1985 | 1993 |
| Governors Hill | 8600/8650 Governor s Hill Dr. | Office | | 1,220 | 18,337 | 6,138 | 1,245 | 24,450,695 | 8,726 | 1986 | 1993 |
| Kenwood Executive Center | Kenwood Executive Center | Office | | 606 | 3,930 | 971 | 664 | 4,845,507 | 1,377 | 1981 | 1997 |
| Kenwood Commons | 8230 Kenwood Commons | Office | 3,398 | 638 | 4,225 | 1,006 | 638 | 5,231,869 | 2,676 | 1986 | 1993 |
| Kenwood Commons | 8280 Kenwood Commons | Office | 2,102 | 638 | 3,027 | 504 | 638 | 3,534,169 | 1,542 | 1986 | 1993 |
| Kenwood Medical Bldg. | Kenwood Medical Office Bldg. | Office | | | 7,663 | 100 | | 7,763,763 | 1,710 | 1999 | 1999 |
| Pfeiffer Place | Pfeiffer Place | Office | | 3,608 | 12,806 | 1,491 | 3,608 | 14,297,905 | 3,390 | 2001 | 2001 |
| Pfeiffer Woods | Pfeiffer Woods | Office | | 1,450 | 12,322 | 1,777 | 2,131 | 13,415,549 | 3,090 | 1998 | 1999 |
| Remington Office Park | Remington Park Building A | Office | | 560 | 1,448 | 680 | 560 | 2,128,688 | 571 | 1982 | 1997 |
| Remington Office Park | Remington Park Building B | Office | | 560 | 1,347 | 953 | 560 | 2,300,860 | 700 | 1982 | 1997 |
| Triangle Office Park | Triangle Office Park | Office | 3,470 | 1,018 | 10,917 | 1,294 | 1,018 | 12,213,229 | 6,380 | 1965 | 1993 |
| CLAYTON, MISSOURI | | | | | | | | | | | |
| Interco Corporate Tower | Interco Corporate Tower | Office | | 6,150 | 43,068 | 2,555 | 6,150 | 45,623,773 | 7,890 | 1986 | 2002 |

Restricted Stock Units

166

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**COLUMBUS,
OHIO**

| | | | | | | | | | | |
|---------|----------------------|--------|-------|--------|-------|-------|------------|-------|------|------|
| Easton | One Easton Oval | Office | 2,789 | 9,946 | 731 | 2,789 | 10,673,466 | 2,659 | 1998 | 1998 |
| Easton | Two Easton Oval | Office | 2,489 | 16,379 | 1,756 | 2,489 | 18,135,624 | 4,584 | 1996 | 1998 |
| Easton | Easton Way One | Office | 1,874 | 9,181 | 582 | 1,874 | 9,763,637 | 2,707 | 2000 | 2000 |
| Easton | Easton Way Two | Office | 2,005 | 8,994 | 794 | 2,005 | 9,788,793 | 3,243 | 2001 | 2001 |
| Easton | Easton Way Three | Office | 2,768 | 11,186 | 93 | 2,768 | 11,279,047 | 2,823 | 2002 | 2002 |
| Easton | Lane Bryant | Office | 4,346 | 11,395 | 71 | 4,371 | 11,451,812 | 1,336 | 2005 | 2005 |
| Easton | 4400 Easton Commons | Office | 1,886 | 7,779 | 988 | 1,886 | 8,761,653 | 812 | 2005 | 2005 |
| Easton | 4343 Easton Commons | Office | 3,059 | 7,248 | 344 | 3,059 | 7,592,651 | 49 | 2007 | 2007 |
| Polaris | 1000 Polaris Parkway | Office | 1,200 | 5,723 | 1,502 | 1,293 | 7,132,425 | 1,665 | 1992 | 1999 |

**COPPELL,
TEXAS**

| | | | | | | | | | | |
|----------------|------------|------------|-------|--------|-------|-------|------------|-------|------|------|
| Freeport North | Freeport X | Industrial | 8,198 | 18,852 | 3,031 | 8,198 | 21,888,081 | 5,300 | 2003 | 2003 |
|----------------|------------|------------|-------|--------|-------|-------|------------|-------|------|------|

**DAVENPORT,
FLORIDA**

| | | | | | | | | | | |
|-----------------------------|-------------------------------|------------|-------|-------|----|-------|-----------|-------|------|------|
| Park 27 Distribution Center | Park 27 Distribution Center I | Industrial | 2,449 | 6,107 | 20 | 2,449 | 6,123,576 | 1,398 | 2002 | 2002 |
|-----------------------------|-------------------------------|------------|-------|-------|----|-------|-----------|-------|------|------|

**DES
PLAINES,
ILLINOIS**

| | | | | | | | | | | |
|----------------------|----------------------|------------|-----|-------|-----|-----|-----------|-----|------|------|
| 2180 South Wolf Road | 2180 South Wolf Road | Industrial | 179 | 1,632 | 486 | 179 | 2,113,297 | 611 | 1966 | 1998 |
|----------------------|----------------------|------------|-----|-------|-----|-----|-----------|-----|------|------|

**DOWNERS
GROVE,
ILLINOIS**

| | | | | | | | | | | |
|------------------|----------------------|--------|-------|--------|-------|-------|------------|--------|------|------|
| Executive Towers | Executive Towers I | Office | 2,652 | 23,402 | 6,571 | 2,652 | 29,972,625 | 8,141 | 1983 | 1997 |
| Executive Towers | Executive Towers II | Office | 3,386 | 27,730 | 8,441 | 3,386 | 36,191,557 | 10,255 | 1984 | 1997 |
| Executive Towers | Executive Towers III | Office | 3,512 | 32,345 | 6,854 | 3,512 | 39,142,711 | 11,467 | 1987 | 1997 |

**DUBLIN,
OHIO**

| | | | | | | | | | | |
|-------------------------|-------------------------|--------|-------|--------|-------|-------|------------|-------|------|------|
| Scioto Corporate Center | Scioto Corporate Center | Office | 1,100 | 2,876 | 1,527 | 1,100 | 4,405,503 | 1,317 | 1987 | 1996 |
| Tuttle Crossing | Qwest | Office | 2,618 | 18,715 | 1,816 | 2,670 | 20,479,149 | 7,456 | 1990 | 1993 |
| Tuttle Crossing | 4600 Lakehurst | Office | 1,494 | 12,858 | 560 | 1,524 | 13,388,912 | 4,915 | 1990 | 1993 |
| Tuttle Crossing | 4700 Lakehurst Court | Office | 717 | 2,406 | 776 | 717 | 3,182,899 | 1,067 | 1994 | 1994 |
| Tuttle Crossing | 4675 Lakehurst | Office | 605 | 5,863 | 176 | 605 | 6,032,644 | 2,006 | 1995 | 1995 |
| Tuttle Crossing | 5500 Glendon Court | Office | 1,066 | 7,620 | 1,147 | 1,066 | 8,767,833 | 3,174 | 1995 | 1995 |
| Tuttle Crossing | 5555 Glendon Court | Office | 1,600 | 7,197 | 1,313 | 1,767 | 8,343,110 | 3,021 | 1995 | 1995 |
| Britton Central | 6060 Britton Parkway | Office | 1,601 | 8,725 | 182 | 1,601 | 8,901,508 | 4,189 | 1996 | 1996 |
| Tuttle Crossing | Compmangement | Office | 867 | 4,397 | 653 | 867 | 5,059,917 | 1,751 | 1997 | 1997 |
| Tuttle Crossing | 4725 Lakehurst | Office | 483 | 9,349 | 759 | 483 | 10,108,591 | 3,533 | 1998 | 1998 |
| Tuttle Crossing | 5555 Parkcenter Circle | Office | 1,580 | 8,951 | 1,084 | 1,580 | 10,035,615 | 3,426 | 1992 | 1994 |
| Tuttle Crossing | Parkwood Place | Office | 1,690 | 11,563 | 1,093 | 1,690 | 12,656,346 | 4,802 | 1997 | 1997 |
| Tuttle Crossing | Nationwide | Office | 4,815 | 15,431 | 823 | 4,815 | 16,254,069 | 4,899 | 1996 | 1996 |
| Tuttle Crossing | Emerald II | Office | 495 | 2,767 | 199 | 495 | 2,966,461 | 776 | 1998 | 1998 |

Duke Realty
Corporation

Schedule 3

Real Estate and Accumulated Depreciation

December 31, 2007

(in thousands)

| Development | Name | Building Type | Encumbrances | Initial Cost | | Development or Acquisition | Gross Book Value 12/31/07 | | | Accumulated Depreciation (1) | Year Constructed | Year Acquired |
|----------------------------|-----------------------------|---------------|--------------|--------------|-----------|----------------------------|---------------------------|---------|---------|------------------------------|------------------|---------------|
| | | | | Land | Buildings | | Land/Land Imp | Bldgs | Total | | | |
| Tuttle Crossing | Atrium II, Phase I | Office | | 1,649 | 9,884 | 551 | 1,649 | 13,084 | 14,733 | 3,348 | 1997 | 1997 |
| Tuttle Crossing | Atrium II, Phase II | Office | | 1,597 | 7,993 | 1,134 | 1,597 | 10,724 | 12,321 | 2,359 | 1998 | 1998 |
| Tuttle Crossing | Blazer I | Office | | 904 | 4,511 | 592 | 904 | 108,007 | 117,911 | 1,445 | 1999 | 1999 |
| Tuttle Crossing | Parkwood II | Office | | 1,848 | 14,030 | 821 | 2,400 | 20,699 | 23,099 | 4,943 | 2000 | 2000 |
| Tuttle Crossing | Blazer II | Office | | 1,016 | 6,046 | 736 | 1,016 | 67,798 | 68,814 | 1,853 | 2000 | 2000 |
| Tuttle Crossing | Emerald III | Office | | 1,685 | 8,079 | 1,683 | 1,685 | 13,447 | 15,132 | 2,316 | 2001 | 2001 |
| DULUTH, GEORGIA | | | | | | | | | | | | |
| Crestwood Pointe | 3805 Crestwood Parkway | Office | | 877 | 14,888 | 1,449 | 877 | 17,214 | 18,091 | 3,952 | 1997 | 1999 |
| Crestwood Pointe | 3885 Crestwood Parkway | Office | | 878 | 13,972 | 877 | 878 | 19,727 | 20,605 | 3,345 | 1998 | 1999 |
| Hampton Green | Hampton Green Office I | Office | | 1,388 | 11,379 | 772 | 1,388 | 13,539 | 14,927 | 3,103 | 2000 | 2000 |
| River Green | 3450 River Green Court | Industrial | | 194 | 2,001 | 273 | 194 | 2,468 | 2,662 | 484 | 1989 | 1999 |
| Business Park At Sugarloaf | 2775 Premiere Parkway | Industrial | 6,854 | 560 | 4,671 | 277 | 560 | 5,508 | 6,338 | 1,065 | 1997 | 1999 |
| Business Park At Sugarloaf | 3079 Premiere Parkway | Industrial | 11,554 | 776 | 6,277 | 1,995 | 783 | 6,048 | 13,665 | 2,249 | 1998 | 1999 |
| Business Park At Sugarloaf | Sugarloaf Office I | Office | | 1,042 | 8,680 | 725 | 1,042 | 10,447 | 11,489 | 2,285 | 1998 | 1999 |
| Business Park At Sugarloaf | 2850 Premiere Parkway | Office | 7,071 | 621 | 4,631 | 19 | 621 | 4,271 | 11,932 | 612 | 1997 | 2002 |
| Business Park At Sugarloaf | Sugarloaf Office II (3039) | Office | | 972 | 3,784 | 618 | 1,006 | 3,374 | 5,368 | 599 | 1999 | 2002 |
| Business Park At Sugarloaf | Sugarloaf Office III (2810) | Office | | 696 | 3,896 | 431 | 696 | 3,023 | 7,615 | 763 | 1999 | 2002 |
| Business Park At Sugarloaf | 2855 Premiere Parkway | Industrial | 6,068 | 765 | 3,512 | 512 | 770 | 1,789 | 11,369 | 951 | 1999 | 1999 |
| Business Park At Sugarloaf | 6655 Sugarloaf | Industrial | 9,934 | 1,651 | 6,985 | 75 | 1,651 | 58,711 | 71,337 | 1,083 | 1998 | 2001 |
| Business Park At Sugarloaf | Sugarloaf Office IV | Office | | 623 | 2,695 | 391 | 623 | 88,709 | 95,423 | 650 | 2000 | 2000 |
| Business Park At Sugarloaf | Sugarloaf Office V | Office | | 744 | 3,159 | 539 | 744 | 3,442 | 7,735 | 1,511 | 2001 | 2001 |
| Business Park At Sugarloaf | Sugarloaf VI | Office | | 1,589 | 5,902 | 967 | 1,589 | 60,458 | 67,049 | 1,035 | 2004 | 2004 |

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| | | | | | | | | | | |
|----------------------------------|-------------------------------------|------------|--------|--------|-------|--------|--------|-------|--------|--------|
| Business Park At Sugarloaf | | | | | | | | | | |
| Business Park At Sugarloaf | Sugarloaf VII | Office | 1,722 | 5,163 | 2,396 | 1,722 | 5,163 | 2,396 | 1,722 | 5,163 |
| EAGAN, MINNESOTA | | | | | | | | | | |
| Apollo Industrial Center | Apollo Industrial Ctr I | Industrial | 866 | 4,976 | 1,472 | 866 | 4,976 | 1,472 | 866 | 4,976 |
| Apollo Industrial Center | Apollo Industrial Ctr II | Industrial | 474 | 2,462 | 167 | 474 | 2,462 | 167 | 474 | 2,462 |
| Apollo Industrial Center | Apollo Industrial Ctr III | Industrial | 1,432 | 6,316 | 51 | 1,432 | 6,316 | 51 | 1,432 | 6,316 |
| Silver Bell Commons | Silver Bell Commons | Industrial | 1,807 | 6,527 | 1,747 | 1,807 | 6,527 | 1,747 | 1,807 | 6,527 |
| Trapp Road Commerce Center | Trapp Road Commerce Center I | Industrial | 671 | 3,847 | 453 | 671 | 3,847 | 453 | 671 | 3,847 |
| Trapp Road Commerce Center | Trapp Road Commerce Center II | Industrial | 1,250 | 6,738 | 1,095 | 1,250 | 6,738 | 1,095 | 1,250 | 6,738 |
| EARTH CITY, MISSOURI | | | | | | | | | | |
| Earth City | Rider Trail | Office | 2,615 | 10,877 | 2,105 | 2,615 | 10,877 | 2,105 | 2,615 | 10,877 |
| Earth City | 3300 Pointe 70 | Office | 1,186 | 7,357 | 2,516 | 1,186 | 7,357 | 2,516 | 1,186 | 7,357 |
| Earth City | Corporate Center, Earth City | Industrial | 783 | 3,399 | 1,501 | 783 | 3,399 | 1,501 | 783 | 3,399 |
| Earth City | Corporate Trail Distribution | Industrial | 2,850 | 6,163 | 659 | 2,850 | 6,163 | 659 | 2,850 | 6,163 |
| EAST POINTE, GEORGIA | | | | | | | | | | |
| Camp Creek | Camp Creek Bldg 1400 | Office | 5,211 | 561 | 2,839 | 5,211 | 561 | 2,839 | 5,211 | 561 |
| Camp Creek | Camp Creek Bldg 1800 | Office | 4,124 | 462 | 2,612 | 4,124 | 462 | 2,612 | 4,124 | 462 |
| Camp Creek | Camp Creek Bldg 2000 | Office | 3,322 | 395 | 2,292 | 3,322 | 395 | 2,292 | 3,322 | 395 |
| Camp Creek | Camp Creek Bldg 2400 | Industrial | 3,050 | 296 | 1,675 | 3,050 | 296 | 1,675 | 3,050 | 296 |
| Camp Creek | Camp Creek Bldg 2600 | Industrial | 3,393 | 364 | 2,086 | 3,393 | 364 | 2,086 | 3,393 | 364 |
| Camp Creek | Clorox Company | Industrial | 19,322 | 4,406 | 9,512 | 19,322 | 4,406 | 9,512 | 19,322 | 4,406 |
| Camp Creek | Camp Creek Building 1200 | Office | 1,334 | 2,475 | 946 | 1,334 | 2,475 | 946 | 1,334 | 2,475 |
| Camp Creek | 3900 North Commerce | Industrial | 5,321 | 1,059 | 2,967 | 5,321 | 1,059 | 2,967 | 5,321 | 1,059 |
| Camp Creek | 3909 North Commerce | Industrial | 5,687 | 10,192 | 8,741 | 5,687 | 10,192 | 8,741 | 5,687 | 10,192 |
| Camp Creek | Hartsfield Warehouse BTS | Industrial | 11,930 | 2,065 | 7,076 | 11,930 | 2,065 | 7,076 | 11,930 | 2,065 |
| Camp Creek | Camp Creek Building 1000 | Office | 1,537 | 2,459 | 1,103 | 1,537 | 2,459 | 1,103 | 1,537 | 2,459 |
| Camp Creek | 3000 Centre Parkway | Industrial | 1,163 | 1,884 | 881 | 1,163 | 1,884 | 881 | 1,163 | 1,884 |
| EVANSVILLE, INDIANA | | | | | | | | | | |
| | Healthcare | | | 20,946 | 1,298 | | 20,946 | 1,298 | | 20,946 |

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|-------------------------------|----------------------------------|--|--|--|--|--|--|--|--|
| St. Mary's Heart Institute | St. Mary's Heart Institute | | | | | | | | |
|-------------------------------|----------------------------------|--|--|--|--|--|--|--|--|

**FAIRFIELD,
OHIO**

| | | | | | | | | | |
|---------------------------|---------------------------|------------|-----|-------|-----|-------------|-----|------|------|
| Thunderbird Building 1 | Thunderbird Building 1 | Industrial | 248 | 1,656 | 331 | 248,982,235 | 632 | 1991 | 1995 |
|---------------------------|---------------------------|------------|-----|-------|-----|-------------|-----|------|------|

**FISHERS,
INDIANA**

| | | | | | | | | | |
|--------|----------------------|------------|-----|-------|-----|-------------|-------|------|------|
| Exit 5 | Exit 5 Building 1 | Industrial | 822 | 2,695 | 153 | 822,284,670 | 796 | 1999 | 1999 |
| Exit 5 | Exit 5 Building 2 | Industrial | 749 | 4,134 | 373 | 749,505,256 | 1,603 | 1999 | 1999 |

**FRANKLIN,
TENNESSEE**

| | | | | | | | | | |
|-----------------------------------|--------------------------------------|------------|-------|-------|-------|---------------|-------|------|------|
| Aspen Grove Business Center | Aspen Grove Business Ctr I | Industrial | 936 | 6,382 | 2,721 | 936,100,039 | 2,371 | 1996 | 1999 |
| Aspen Grove Business Center | Aspen Grove Business Ctr II | Industrial | 1,151 | 6,482 | 540 | 1,151,028,173 | 1,556 | 1996 | 1999 |
| Aspen Grove Business Center | Aspen Grove Business Ctr III | Industrial | 970 | 5,815 | 84 | 970,890,869 | 1,522 | 1998 | 1999 |
| Aspen Grove Business Center | Aspen Grove Business Center IV | Industrial | 492 | 2,416 | 20 | 492,438,928 | 443 | 2002 | 2002 |
| Aspen Grove Business Center | Aspen Grove Business Ctr V | Industrial | 943 | 5,172 | 1,452 | 943,624,567 | 1,587 | 1996 | 1999 |

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Schedule
3

Duke Realty Corporation
Real Estate and Accumulated Depreciation
December 31, 2007
(in thousands)

| Development | Name | Building Type | Encumbrances | Initial Cost | | Cost Capitalized Subsequent to Development or Acquisition | Gross Book Value 12/31/07 | | | Accumulated Development (1) | Year Constructed | Year Acquired |
|--------------------------------------|---------------------------------------|------------------|--------------|--------------|-----------|---|---------------------------|----------|--------|-----------------------------------|---------------------|------------------|
| | | | | Land | Buildings | | Land/Land Imp | Bldgs/TI | Total | | | |
| Aspen Grove Business Center | Aspen Grove Flex Center II | Industrial | | 240 | 1,289 | 373 | 240 | 1,662 | 1,902 | 144 | 1999 | 1999 |
| Aspen Grove Business Center | Aspen Grove Office Center I | Office | | 950 | 6,247 | 2,449 | 950 | 8,696 | 9,646 | 1,974 | 1999 | 1999 |
| Aspen Grove Business Center | Aspen Grove Flex Center I | Industrial | | 301 | 1,233 | 630 | 301 | 1,863 | 2,164 | 443 | 1999 | 1999 |
| Aspen Grove Business Center | Aspen Grove Flex Center III | Industrial | | 327 | 1,697 | 846 | 327 | 2,543 | 2,870 | 789 | 2001 | 2001 |
| Aspen Grove Business Center | Aspen Grove Flex Center IV | Industrial | | 205 | 861 | 205 | 205 | 1,066 | 1,271 | 164 | 2001 | 2001 |
| Aspen Grove Business Center | Aspen Corporate Center 100 | Office | | 723 | 3,451 | 94 | 723 | 3,545 | 4,268 | 718 | 2004 | 2004 |
| Aspen Grove Business Center | Aspen Corporate Center 200 | Office | | 1,306 | 1,870 | 1,341 | 1,306 | 3,211 | 4,517 | 344 | 2005 | 2005 |
| Aspen Grove Business Center | Aspen Corporate Center 400 | Office | | 1,833 | 2,621 | 461 | 1,833 | 3,082 | 4,915 | 90 | 2007 | 2007 |
| Aspen Grove Business Center | Aspen Grove Office Center II | Office | | 2,320 | 8,177 | 3,661 | 2,320 | 11,838 | 14,158 | 518 | 2007 | 2007 |
| Brentwood South Bus. Center | Brentwood South Bus Ctr IV | Industrial | | 569 | 2,435 | 901 | 569 | 3,336 | 3,905 | 673 | 1990 | 1999 |
| Brentwood South Bus. Center | Brentwood South Bus Ctr V | Industrial | | 445 | 1,932 | 93 | 445 | 2,025 | 2,470 | 439 | 1990 | 1999 |
| Brentwood South Bus. Center | Brentwood South Bus Ctr VI | Industrial | | 489 | 1,243 | 602 | 489 | 1,845 | 2,334 | 408 | 1990 | 1999 |
| FRANKLIN PARK, ILLINOIS | | | | | | | | | | | | |
| O Hare Distribution Center | O Hare Distribution Ctr | Industrial | | 3,900 | 3,013 | 233 | 3,900 | 3,246 | 7,146 | 31 | 2007 | 2007 |
| FRISCO, TEXAS | | | | | | | | | | | | |
| Duke Bridges | Duke Bridges III | Office | | 4,647 | 7,676 | 1,885 | 4,647 | 9,561 | 14,208 | | 2007 | 2007 |
| FT. WAYNE, INDIANA | | | | | | | | | | | | |
| Parkview Ambulatory Svcs - MOB | Parkview Ambulatory Svcs - MOB | Healthcare | | 937 | 10,974 | 526 | 937 | 11,500 | 12,437 | 75 | 2006 | 2007 |

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| | | | | | | | | | | | | |
|------------------------------|--------------------------------|------------|--------|--------|-------|-------|--------|--------|--------|-------|------|------|
| GARDEN CITY, GEORGIA | | | | | | | | | | | | |
| Aviation Court | Aviation Court Land | Grounds | 1,509 | | 1,509 | | 1,509 | | 37 | n/a | 2006 | |
| GRAND PRAIRIE, TEXAS | | | | | | | | | | | | |
| Grand Lakes | Grand Lakes I | Industrial | 8,106 | 13,069 | 316 | 8,040 | 13,451 | 21,491 | 1,149 | 2006 | 2006 | |
| GROVEPORT, OHIO | | | | | | | | | | | | |
| 6600 Port Road | 6600 Port Road | Industrial | 2,725 | 23,261 | 1,422 | 2,850 | 24,558 | 27,408 | 6,819 | 1995 | 1997 | |
| Groveport Commerce Center | Groveport Commerce Center #437 | Industrial | 1,049 | 6,759 | 1,244 | 1,065 | 7,987 | 9,052 | 1,782 | 1999 | 1999 | |
| Groveport Commerce Center | Groveport Commerce Center #168 | Industrial | 510 | 3,755 | 1,060 | 510 | 4,815 | 5,325 | 1,389 | 1999 | 1999 | |
| Groveport Commerce Center | Groveport Commerce Center #345 | Industrial | 1,045 | 6,435 | 942 | 1,045 | 7,377 | 8,422 | 1,712 | 2000 | 2000 | |
| Groveport Commerce Center | Groveport Commerce Center #667 | Industrial | 4,420 | 14,231 | 356 | 4,420 | 14,587 | 19,007 | 2,300 | 2004 | 2004 | |
| HANAHAN, SOUTH CAROLINA | | | | | | | | | | | | |
| Charleston | 916 Commerce Circle | Industrial | 1,079 | 286 | 1,781 | 79 | 286 | 1,860 | 2,146 | 1999 | 2006 | |
| HAZELWOOD, MISSOURI | | | | | | | | | | | | |
| Hazelwood | Lindbergh Distribution Center | Industrial | 8,200 | 10,305 | 1,064 | 8,200 | 11,369 | 19,569 | 154 | 2007 | 2007 | |
| HEBRON, KENTUCKY | | | | | | | | | | | | |
| Southpark, KY | Southpark Building 4 | Industrial | 779 | 3,353 | 156 | 779 | 3,509 | 4,288 | 1,225 | 1994 | 1994 | |
| Southpark, KY | CR Services | Industrial | 1,085 | 4,214 | 1,410 | 1,085 | 5,624 | 6,709 | 1,922 | 1994 | 1994 | |
| Hebron Industrial Park | Hebron Building 1 | Industrial | 8,855 | 11,527 | 221 | 8,855 | 11,748 | 20,603 | 1,157 | 2006 | 2006 | |
| Hebron Industrial Park | Hebron Building 2 | Industrial | 6,790 | 9,039 | 380 | 6,791 | 9,418 | 16,209 | 81 | 2007 | 2007 | |
| HOPKINS, MINNESOTA | | | | | | | | | | | | |
| Cornerstone Business Center | Cornerstone Business Center | Industrial | 4,563 | 1,469 | 8,402 | 497 | 1,543 | 8,825 | 10,368 | 2,375 | 1996 | 1997 |
| HOUSTON, TEXAS | | | | | | | | | | | | |
| Cedar Crossing Business Park | Cedar Crossing | Industrial | 12,615 | 6,098 | 9,776 | 6,098 | 9,776 | 15,874 | | 2005 | 2007 | |
| Sam Houston Crossing | Sam Houston Crossing One | Office | 4,016 | 8,535 | 135 | 4,052 | 8,634 | 12,686 | | 2007 | 2007 | |
| HUTCHINS, TEXAS | | | | | | | | | | | | |
| Duke Intermodal Park | Duke Intermodal I | Industrial | 5,290 | 9,641 | 1,091 | 5,290 | 10,732 | 16,022 | 1,399 | 2006 | 2006 | |

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**INDEPENDENCE,
OHIO**

| | | | | | | | | | | | |
|-------------------|-----------------------|--------|-------|--------|-------|-------|--------|--------|-------|------|------|
| Corporate Plaza | Corporate Plaza I | Office | 2,116 | 14,072 | 2,599 | 2,116 | 16,671 | 18,787 | 4,625 | 1989 | 1996 |
| Corporate Plaza | Corporate Plaza II | Office | 1,841 | 11,906 | 2,661 | 1,841 | 14,567 | 16,408 | 3,977 | 1991 | 1996 |
| Freedom Square | Freedom Square I | Office | 595 | 3,842 | 816 | 600 | 4,653 | 5,253 | 1,348 | 1980 | 1996 |
| Freedom Square | Freedom Square II | Office | 1,746 | 11,534 | 2,288 | 1,746 | 13,822 | 15,568 | 3,686 | 1987 | 1996 |
| Freedom Square | Freedom Square III | Office | 701 | 5,861 | 371 | 701 | 6,232 | 6,933 | 1,620 | 1997 | 1997 |
| Oak Tree Place | Oak Tree Place | Office | 703 | 4,555 | 844 | 703 | 5,399 | 6,102 | 1,339 | 1979 | 1997 |
| Park Center Plaza | Park Center Plaza I | Office | 2,193 | 12,607 | 991 | 2,193 | 13,598 | 15,791 | 3,953 | 1998 | 1998 |
| Park Center Plaza | Park Center Plaza II | Office | 2,190 | 13,353 | 918 | 2,190 | 14,271 | 16,461 | 4,194 | 1999 | 1999 |
| Park Center Plaza | Park Center Plaza III | Office | 2,190 | 11,545 | 2,605 | 2,190 | 14,150 | 16,340 | 3,327 | 2000 | 2000 |

Duke Realty Corporation
Real Estate and Accumulated Depreciation
December 31, 2007
(in thousands)

| | | | | Cost | | | | | | | | | |
|-----------------------------|-------------------------------|------------|--------------|-------------|-----------|--------------|-------|----------------|--------|---------------------------|------|--------------|--|
| | | | | Capitalized | | Subsequent | | to | | | | | |
| | | | | Building | | Initial Cost | | Development or | | Gross Book Value 12/31/07 | | Accumulated | |
| | | | | Type | | Encumbrances | | Acquisition | | Land/Land | | Depreciation | |
| | | | | Imp | | Bldgs/TI | | Total | | (1) | | Year | |
| | | | | Constructed | | Acquired | | | | | | | |
| Development | Name | Type | Encumbrances | Land | Buildings | Acquisition | Imp | Bldgs/TI | Total | | | | |
| INDIANAPOLIS, INDIANA | | | | | | | | | | | | | |
| Park 100 | Park 465 | Industrial | | 124 | 759 | 19 | 124 | 778 | 902 | 59 | 1983 | 2005 | |
| Franklin Road Business Park | Franklin Road Business Center | Industrial | | 594 | 9,280 | 1,354 | 594 | 10,634 | 11,228 | 3,789 | 1962 | 1995 | |
| 6061 Guion Road | 6061 Guion Rd | Industrial | | 274 | 1,798 | 194 | 274 | 1,992 | 2,266 | 664 | 1974 | 1995 | |
| Hillsdale | Hillsdale Technecenter 4 | Industrial | | 366 | 5,007 | 1,295 | 366 | 6,302 | 6,668 | 2,248 | 1987 | 1993 | |
| Hillsdale | Hillsdale Technecenter 5 | Industrial | | 251 | 2,933 | 1,107 | 251 | 4,040 | 4,291 | 1,371 | 1987 | 1993 | |
| Hillsdale | Hillsdale Technecenter 6 | Industrial | | 315 | 2,962 | 1,925 | 315 | 4,887 | 5,202 | 1,692 | 1987 | 1993 | |
| Keystone Crossing | 8555 N. River Road | Office | | | 5,911 | 1,231 | | 7,142 | 7,142 | 2,069 | 1985 | 1997 | |
| One North Capitol | One North Capitol | Office | | 1,439 | 9,276 | 1,416 | 1,439 | 10,692 | 12,131 | 2,671 | 1980 | 1998 | |
| 8071 Township Line Road | 8071 Township Line Road | Healthcare | | | 2,319 | 561 | | 2,880 | 2,880 | 17 | 1976 | 2007 | |
| Park 100 | Park 100 Bldg 31 | Industrial | | 64 | 378 | 20 | 64 | 398 | 462 | 28 | 1978 | 2005 | |
| Park 100 | Park 100 Building 96 | Industrial | | 1,414 | 13,804 | 113 | 1,667 | 13,664 | 15,331 | 4,535 | 1994 | 1995 | |
| Park 100 | Park 100 Building 98 | Industrial | | 273 | 8,217 | 2,170 | 273 | 10,387 | 10,660 | 3,874 | 1968 | 1994 | |
| Park 100 | Park 100 Building 100 | Industrial | | 103 | 2,073 | 663 | 103 | 2,736 | 2,839 | 915 | 1995 | 1995 | |
| Park 100 | Park 100 Building 102 | Office | | 182 | 1,118 | 68 | 182 | 1,186 | 1,368 | 89 | 1982 | 2005 | |
| Park 100 | Park 100 Building 107 | Industrial | | 99 | 1,698 | 370 | 99 | 2,068 | 2,167 | 656 | 1984 | 1995 | |
| Park 100 | Park 100 Building 109 | Industrial | | 240 | 1,802 | 350 | 246 | 2,146 | 2,392 | 1,103 | 1985 | 1986 | |
| Park 100 | Park 100 Building 116 | Office | | 341 | 3,166 | 367 | 348 | 3,526 | 3,874 | 1,742 | 1988 | 1988 | |
| Park 100 | Park 100 Building 118 | Office | | 226 | 2,198 | 791 | 230 | 2,985 | 3,215 | 1,093 | 1988 | 1993 | |
| Park 100 | Park 100 Building 119 | Office | | 388 | 3,667 | 1,394 | 500 | 4,949 | 5,449 | 2,265 | 1989 | 1993 | |
| Park 100 | Park 100 Building 122 | Industrial | | 284 | 3,695 | 1,017 | 290 | 4,706 | 4,996 | 1,748 | 1990 | 1993 | |
| Park 100 | Park 100 Building 124 | Office | | 227 | 2,496 | 418 | 227 | 2,914 | 3,141 | 403 | 1992 | 2002 | |
| Park 100 | Park 100 Building 127 | Industrial | | 96 | 1,654 | 454 | 96 | 2,108 | 2,204 | 682 | 1995 | 1995 | |
| Park 100 | Park 100 Building 141 | Industrial | | 1,120 | 3,305 | 93 | 1,120 | 3,398 | 4,518 | 472 | 2005 | 2005 | |
| Park 100 | UPS Parking | Grounds | | 270 | | | 270 | | 270 | 92 | n/a | 1997 | |
| Park 100 | Norgate Ground Lease | Grounds | | 51 | | | 51 | | 51 | | n/a | 1995 | |
| Park 100 | Zollman Ground Lease | Grounds | | 115 | | | 115 | | 115 | | n/a | 1994 | |
| Park 100 | Bldg 111 Parking Lot | Grounds | | 196 | | | 196 | | 196 | 62 | n/a | 1994 | |
| Park 100 | Becton Dickinson Lot | Grounds | | | | 13 | 13 | | 13 | 12 | n/a | 1993 | |

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| | | | | | | | | | | | |
|-------------------------|------------------------------------|------------|-------|--------|-------|-------|--------|--------|-------|------|------|
| Park 100 | 3.58 acres on Allison Avenue | Grounds | 242 | | | 242 | 242 | 31 | n/a | 2000 | |
| Park 100 | Hewlett-Packard Land Lease | Grounds | 252 | | | 252 | 252 | 25 | n/a | 2003 | |
| Park 100 | Park 100 Bldg 121 Land Lease | Grounds | 5 | | | 5 | 5 | | n/a | 2003 | |
| Park 100 | Hewlett Packard Land Lse-62 | Grounds | 45 | | | 45 | 45 | 4 | n/a | 2003 | |
| Park 100 | West 79th St. Parking Lot LL | Grounds | 350 | | | 350 | 350 | 17 | n/a | 2006 | |
| Park Fletcher | Park Fletcher Building 33 | Industrial | 1,237 | 5,264 | 17 | 1,237 | 5,281 | 6,518 | 307 | 1997 | 2006 |
| Park Fletcher | Park Fletcher Building 34 | Industrial | 1,331 | 5,636 | 193 | 1,331 | 5,829 | 7,160 | 351 | 1997 | 2006 |
| Park Fletcher | Park Fletcher Building 35 | Industrial | 380 | 1,503 | 3 | 380 | 1,506 | 1,886 | 107 | 1997 | 2006 |
| Park Fletcher | Park Fletcher Building 36 | Industrial | 476 | 2,355 | 27 | 476 | 2,382 | 2,858 | 131 | 1997 | 2006 |
| Park Fletcher | Park Fletcher Building 37 | Industrial | 286 | 653 | 2 | 286 | 655 | 941 | 49 | 1998 | 2006 |
| Park Fletcher | Park Fletcher Building 38 | Industrial | 1,428 | 5,957 | 49 | 1,428 | 6,006 | 7,434 | 326 | 1999 | 2006 |
| Park Fletcher | Park Fletcher Building 39 | Industrial | 570 | 2,130 | 101 | 570 | 2,231 | 2,801 | 127 | 1999 | 2006 |
| Park Fletcher | Park Fletcher Building 40 | Industrial | 761 | 3,363 | 111 | 761 | 3,474 | 4,235 | 183 | 1999 | 2006 |
| Park Fletcher | Park Fletcher Building 41 | Industrial | 952 | 4,310 | 78 | 952 | 4,388 | 5,340 | 226 | 2001 | 2006 |
| Park Fletcher | Park Fletcher Building 42 | Industrial | 2,095 | 8,301 | 13 | 2,095 | 8,314 | 10,409 | (6) | 2001 | 2006 |
| Parkwood Crossing | One Parkwood Crossing | Office | 1,018 | 10,007 | 1,110 | 1,028 | 11,107 | 12,135 | 3,642 | 1989 | 1995 |
| Parkwood Crossing | Two Parkwood Crossing | Office | 861 | 6,421 | 1,027 | 871 | 7,438 | 8,309 | 2,276 | 1996 | 1996 |
| Parkwood Crossing | Three Parkwood Crossing | Office | 1,377 | 8,583 | 749 | 1,387 | 9,322 | 10,709 | 3,007 | 1997 | 1997 |
| Parkwood Crossing | Four Parkwood Crossing | Office | 1,489 | 10,995 | 656 | 1,537 | 11,603 | 13,140 | 2,840 | 1998 | 1998 |
| Parkwood Crossing | Five Parkwood Crossing | Office | 1,485 | 11,703 | 702 | 1,528 | 12,362 | 13,890 | 3,185 | 1999 | 1999 |
| Parkwood Crossing | Six Parkwood Crossing | Office | 1,960 | 16,055 | 1,028 | 1,960 | 17,083 | 19,043 | 4,840 | 2000 | 2000 |
| Parkwood Crossing | Eight Parkwood Crossing | Office | 6,435 | 16,367 | 482 | 6,435 | 16,849 | 23,284 | 3,603 | 2002 | 2002 |
| Parkwood Crossing | Nine Parkwood Crossing | Office | 6,046 | 15,991 | 841 | 6,047 | 16,831 | 22,878 | 1,837 | 2005 | 2005 |
| Parkwood West | One West River Road - Indianapolis | Office | 5,361 | 16,182 | 898 | 5,361 | 17,080 | 22,441 | 173 | 2007 | 2007 |
| Woodland Corporate Park | Woodland Corporate Park I | Office | 290 | 4,338 | 700 | 320 | 5,008 | 5,328 | 1,966 | 1998 | 1998 |
| Woodland Corporate Park | Woodland Corporate Park II | Office | 271 | 3,543 | 855 | 297 | 4,372 | 4,669 | 1,323 | 1999 | 1999 |
| Woodland Corporate Park | Woodland Corporate Park III | Office | 1,227 | 4,135 | 242 | 1,227 | 4,377 | 5,604 | 1,193 | 1999 | 2000 |
| Woodland Corporate Park | Woodland Corporate Park IV | Office | 715 | 7,245 | 528 | 715 | 7,773 | 8,488 | 2,426 | 2000 | 2000 |
| Woodland Corporate Park | Woodland Corporate Park V | Office | 768 | 10,015 | 36 | 768 | 10,051 | 10,819 | 1,800 | 2002 | 2002 |

IRVING, TEXAS

| | | | | | | | | | | | |
|-----------------------------|---------------|------------|-------|-------|-------|-------|--------|--------|--|------|------|
| International Commerce Park | DFW Airport I | Industrial | 3,612 | 9,160 | 4,028 | 3,612 | 13,188 | 16,800 | | 2007 | 2007 |
|-----------------------------|---------------|------------|-------|-------|-------|-------|--------|--------|--|------|------|

LAKE FOREST, ILLINOIS

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| | | | | | | | | | | | |
|-------------------------|-------------------------|------------|-------|--------|-------|-------|--------|--------|-------|------|------|
| Bradley Business Center | 13825 West Laurel Drive | Industrial | 750 | 1,874 | 906 | 750 | 2,780 | 3,530 | 1,129 | 1978 | 1999 |
| Conway Park | One Conway Park | Office | 1,901 | 17,612 | 2,591 | 1,901 | 20,203 | 22,104 | 5,284 | 1989 | 1998 |

Duke Realty Corporation
Real Estate and Accumulated Depreciation
December 31, 2007
(in thousands)

| Development | Name | Building | | Initial Cost Land and Buildings | Cost Capitalized Subsequent to Development or Acquisition | Gross Book Value Land/Land Imp | 12/31/07 | | Accumulated Depreciation (1) | Year Constructed | Year Acquired | |
|--------------------------------|--------------------------------|------------|-------------|------------------------------------|---|--------------------------------------|----------|--------|------------------------------------|---------------------|------------------|------|
| | | Type | Encumbrance | | Bldgs/TI | | Total | | | | | |
| LAKE MARY, FLORIDA | | | | | | | | | | | | |
| Northpoint | Northpoint Center I | Office | 1,087 | 10,487 | 1,464 | 1,087 | 11,951 | 13,038 | 2,612 | 1998 | 2001 | |
| Northpoint | Northpoint Center II | Office | 1,202 | 9,238 | 916 | 1,202 | 10,154 | 11,356 | 1,988 | 1999 | 2001 | |
| Northpoint | Northpoint III | Office | 1,552 | 10,252 | 198 | 1,552 | 10,450 | 12,002 | 2,818 | 2001 | 2001 | |
| Northpoint | Northpoint IV | Office | 1,605 | 8,273 | 4,703 | 1,605 | 12,976 | 14,581 | 2,182 | 2002 | 2002 | |
| LAWRENCEVILLE, GEORGIA | | | | | | | | | | | | |
| Hillside at Huntcrest | Huntcrest I | Office | 1,193 | 10,829 | 286 | 1,193 | 11,115 | 12,308 | 2,618 | 2000 | 2001 | |
| Hillside at Huntcrest | Huntcrest II | Office | 927 | 9,559 | 1,010 | 927 | 10,569 | 11,496 | 1,657 | 2000 | 2001 | |
| Hillside at Huntcrest | Huntcrest III | Office | 1,358 | 12,817 | 348 | 1,358 | 13,165 | 14,523 | 2,733 | 2001 | 2002 | |
| Hillside at Huntcrest | Huntcrest IV | Office | 1,295 | 5,742 | 332 | 1,306 | 6,063 | 7,369 | 766 | 2003 | 2003 | |
| Other Northeast I85 Properties | Weyerhaeuser BTS | Industrial | 9,297 | 974 | 3,101 | 21 | 3,982 | 3,114 | 7,096 | 786 | 2004 | 2004 |
| LEBANON, INDIANA | | | | | | | | | | | | |
| Lebanon Business Park | Lebanon Building 4 | Industrial | 11,610 | 305 | 9,012 | 236 | 305 | 9,248 | 9,553 | 2,236 | 1997 | 1997 |
| Lebanon Business Park | Lebanon Building 9 | Industrial | 10,614 | 554 | 6,871 | 770 | 554 | 7,641 | 8,195 | 1,806 | 1999 | 1999 |
| Lebanon Business Park | Lebanon Building 12 | Industrial | 24,651 | 163 | 13,207 | 394 | 5,163 | 13,601 | 18,764 | 2,731 | 2002 | 2002 |
| Lebanon Business Park | Lebanon Building 13 | Industrial | 9,365 | 561 | 6,579 | 83 | 1,901 | 5,322 | 7,223 | 1,262 | 2003 | 2003 |
| Lebanon Business Park | Lebanon Building 14 | Industrial | 19,423 | 813 | 12,056 | 601 | 2,813 | 12,657 | 15,470 | 1,418 | 2004 | 2004 |
| LEBANON, TENNESSEE | | | | | | | | | | | | |
| Park 840 Logistics Center | Pk 840 Logistics Cnt. Bldg 653 | Industrial | 6,776 | 11,125 | 1,090 | 6,776 | 12,215 | 18,991 | 733 | 2006 | 2006 | |
| LISLE, ILLINOIS | | | | | | | | | | | | |
| Corporate Lakes Business Park | 2275 Cabot Drive | Office | 3,355 | 7,008 | 6 | 3,355 | 7,014 | 10,369 | 901 | 1996 | 2004 | |
| MARYLAND HEIGHTS, MISSOURI | | | | | | | | | | | | |
| Riverport Business Park | Riverport Tower | Office | 3,549 | 29,254 | 8,249 | 3,954 | 37,098 | 41,052 | 10,929 | 1991 | 1997 | |
| Riverport Business Park | Riverport Distribution | Industrial | 242 | 2,230 | 1,043 | 242 | 3,273 | 3,515 | 736 | 1990 | 1997 | |
| Riverport Business Park | Express Scripts Service Center | Industrial | 1,197 | 8,755 | 427 | 1,197 | 9,182 | 10,379 | 2,570 | 1992 | 1997 | |
| Riverport Business Park | Express Scripts HQ | Office | 2,285 | 8,988 | 295 | 2,285 | 9,283 | 11,568 | 2,036 | 1999 | 1999 | |
| Riverport Business Park | Riverport 1 | Industrial | 900 | 2,849 | 372 | 900 | 3,221 | 4,121 | 937 | 1999 | 1999 | |

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| | | | | | | | | | | | |
|-----------------------------------|--------------------------------|------------|--------|--------|--------|-------|--------|--------|--------|-------|------|
| Riverport Business Park | Riverport 2 | Industrial | 1,238 | 4,161 | 80 | 1,238 | 4,241 | 5,479 | 1,091 | 2000 | 2000 |
| Riverport Business Park | Riverport 3 | Industrial | 1,269 | 3,804 | 2,171 | 1,269 | 5,975 | 7,244 | 2,270 | 2001 | 2001 |
| Riverport Business Park | Riverport IV | Industrial | 1,864 | 3,362 | 1,353 | 1,864 | 4,715 | 6,579 | 169 | 2007 | 2007 |
| MASON, OHIO | | | | | | | | | | | |
| Deerfield Crossing | Deerfield Crossing Building 1 | Office | 1,493 | 12,046 | 853 | 1,493 | 12,899 | 14,392 | 3,285 | 1999 | 1999 |
| Deerfield Crossing | Deerfield Crossing Building 2 | Office | 1,069 | 13,478 | 491 | 1,069 | 13,969 | 15,038 | 4,335 | 2001 | 2001 |
| Governors Pointe | Governor s Pointe 4770 | Office | 586 | 7,870 | 818 | 596 | 8,678 | 9,274 | 3,996 | 1986 | 1993 |
| Governors Pointe | Governor s Pointe 4705 | Office | 719 | 6,100 | 3,688 | 987 | 9,520 | 10,507 | 3,471 | 1988 | 1993 |
| Governors Pointe | Governor s Pointe 4605 | Office | 630 | 17,632 | 3,526 | 909 | 20,879 | 21,788 | 7,277 | 1990 | 1993 |
| Governors Pointe | Governor s Pointe 4660 | Office | 385 | 4,298 | 279 | 529 | 4,433 | 4,962 | 1,382 | 1997 | 1997 |
| Governors Pointe | Governor s Pointe 4680 | Office | 1,115 | 7,283 | 1,041 | 1,115 | 8,324 | 9,439 | 2,418 | 1998 | 1998 |
| Governors Pointe Retail | Bigg s Supercenter | Retail | 2,107 | 9,927 | 430 | 4,227 | 8,237 | 12,464 | 3,429 | 1996 | 1996 |
| Governors Pointe Retail | Lowes | Retail | 3,750 | 6,502 | 623 | 3,750 | 7,125 | 10,875 | 3,190 | 1997 | 1997 |
| MCDONOUGH, GEORGIA | | | | | | | | | | | |
| Liberty Distribution Center | 120 Declaration Drive | Industrial | 615 | 8,522 | 282 | 615 | 8,804 | 9,419 | 1,954 | 1997 | 1999 |
| Liberty Distribution Center | 250 Declaration Drive | Industrial | 22,292 | 273 | 13,225 | 2,278 | 2,312 | 15,464 | 17,776 | 2,757 | 2001 |
| MENDOTA HEIGHTS, MINNESOTA | | | | | | | | | | | |
| Enterprise Industrial Center | Enterprise Industrial Center | Industrial | 1,138 | 64 | 5,027 | 579 | 888 | 5,582 | 6,470 | 1,502 | 1979 |
| MIAMISBURG, OHIO | | | | | | | | | | | |
| Kettering Sycamore POB | Kettering Sycamore POB | Healthcare | 203 | 12,501 | 459 | 203 | 12,960 | 13,163 | | 2007 | 2007 |
| MONROE, OHIO | | | | | | | | | | | |
| Monroe Business Center | Monroe Business Center Bldg. 1 | Industrial | 660 | 5,082 | 354 | 660 | 5,436 | 6,096 | 1,511 | 1992 | 1999 |
| MOREHEAD CITY, NC | | | | | | | | | | | |
| Industrial Development | NC State Ports Authority | Industrial | | 11,653 | 1,693 | | 13,346 | 13,346 | | 2007 | 2007 |

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Schedule
3

Duke Realty Corporation
Real Estate and Accumulated Depreciation
December 31, 2007
(in thousands)

| Development | Name | Building Type | Encumbrances | Land | Cost | Development or Acquisition | Gross Book Land/Land Imp | Value 12/31/07 Bldgs/TI | Total | Accumulated Depreciation (1) | Year Constructed | Year Acquired |
|-----------------------------|--------------------------------|------------------|--------------|-------|------------------|----------------------------------|--------------------------------|----------------------------|--------|------------------------------------|---------------------|------------------|
| | | | | | Capitalized | | | | | | | |
| | | | | | Subsequent to | | | | | | | |
| MORRISVILLE, NORTH CAROLINA | | | | | | | | | | | | |
| Perimeter Park | 507 Airport Blvd | Industrial | | 1,327 | 273 | 1,510 | 1,351 | 9,759 | 11,110 | 2,424 | 1993 | 1999 |
| Perimeter Park | 5151 McCrimmon Pkwy | Office | | 1,378 | 532 | 1,926 | 1,342 | 9,734 | 11,076 | 1,934 | 1995 | 1999 |
| Perimeter Park | 2600 Perimeter Park Dr | Industrial | | 975 | 210 | 613 | 991 | 5,807 | 6,798 | 1,217 | 1997 | 1999 |
| Perimeter Park | 5150 McCrimmon Pkwy | Industrial | | 1,732 | 207 | 819 | 1,773 | 12,992 | 14,765 | 2,782 | 1998 | 1999 |
| Perimeter Park | 2400 Perimeter Park Dr. | Office | | 760 | 776 | 1,159 | 778 | 6,917 | 7,695 | 1,676 | 1999 | 1999 |
| Perimeter Park | 3000 Perimeter Park Dr (Met 1) | Industrial | 554 | 482 | 891 | 1,160 | 491 | 4,042 | 4,533 | 1,036 | 1989 | 1999 |
| Perimeter Park | 2900 Perimeter Park Dr (Met 2) | Industrial | 407 | 235 | 942 | 1,108 | 264 | 3,021 | 3,285 | 663 | 1990 | 1999 |
| Perimeter Park | 2800 Perimeter Park Dr (Met 3) | Industrial | 762 | 777 | 826 | 599 | 811 | 5,391 | 6,202 | 1,235 | 1992 | 1999 |
| Perimeter Park | 1100 Perimeter Park Drive | Industrial | | 737 | 950 | 932 | 794 | 6,865 | 7,659 | 1,618 | 1990 | 1999 |
| Perimeter Park | 1400 Perimeter Park Drive | Office | | 666 | 561 | 1,214 | 900 | 5,541 | 6,441 | 1,490 | 1991 | 1999 |
| Perimeter Park | 1500 Perimeter Park Drive | Office | | 1,148 | 262 | 404 | 1,177 | 10,637 | 11,814 | 2,337 | 1996 | 1999 |
| Perimeter Park | 1600 Perimeter Park Drive | Office | | 1,463 | 964 | 2,101 | 1,513 | 12,015 | 13,528 | 2,859 | 1994 | 1999 |
| Perimeter Park | 1800 Perimeter Park Drive | Office | | 967 | 649 | 1,067 | 993 | 6,630 | 7,623 | 1,554 | 1994 | 1999 |
| Perimeter Park | 2000 Perimeter Park Drive | Office | | 788 | 738 | 897 | 842 | 6,581 | 7,423 | 1,909 | 1997 | 1999 |
| Perimeter Park | 1700 Perimeter Center West | Office | | 1,250 | 765 | 2,779 | 1,260 | 13,514 | 14,774 | 3,018 | 1997 | 1999 |
| Perimeter Park | 3900 N. Paramount Parkway | Office | | 340 | 270 | 256 | 574 | 13,492 | 14,066 | 2,901 | 1998 | 1999 |
| Perimeter Park | 3900 S. Paramount Pkwy | Office | | 1,325 | 152 | 1,483 | 1,612 | 13,598 | 15,210 | 3,918 | 2000 | 1999 |

Restricted Stock Units

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| | | | | | | | | | | |
|---------------------------------|---|------------|-----------|-------|-------|--------|--------|-------|------|------|
| Perimeter Park | 5200 East Paramount | Office | 1,743,388 | 1,010 | 1,797 | 18,349 | 20,146 | 5,681 | 1999 | 1999 |
| Perimeter Park | 3500 Paramount Pkwy | Office | 715,948 | 137 | 755 | 13,085 | 13,840 | 4,333 | 1999 | 2000 |
| Perimeter Park | 2700 Perimeter Park | Industrial | 662,794 | 1,732 | 662 | 4,526 | 5,188 | 1,379 | 2001 | 2001 |
| Perimeter Park | 5200 West Paramount | Office | 1,831,608 | 1,083 | 1,831 | 13,691 | 15,522 | 2,954 | 2000 | 2001 |
| Perimeter Park | 2450 Perimeter Park | Office | 669,894 | 25 | 669 | 2,919 | 3,588 | 789 | 2001 | 2001 |
| Perimeter Park | 3800 Paramount Parkway | Office | 2,657,329 | 3,052 | 2,657 | 10,381 | 13,038 | 660 | 2006 | 2006 |
| Perimeter Park | Lenovo BTS I | Office | 1,439,961 | 1,503 | 1,439 | 18,464 | 19,903 | 932 | 2006 | 2006 |
| Perimeter Park | Lenovo BTS II | Office | 1,715,809 | 1,984 | 1,725 | 18,793 | 20,518 | 801 | 2007 | 2007 |
| Perimeter Park | Perimeter One | Office | 5,880,421 | 833 | 5,880 | 15,254 | 21,134 | 112 | 2007 | 2007 |
| Woodlake Center | 100 Innovation Avenue (Woodlk) | Industrial | 633,748 | 634 | 633 | 4,382 | 5,015 | 859 | 1994 | 1999 |
| Woodlake Center | 101 Innovation Ave(Woodlk III) | Industrial | 645,095 | 148 | 615 | 4,243 | 4,858 | 957 | 1997 | 1999 |
| Woodlake Center | 200 Innovation Drive | Industrial | 337,489 | 60 | 357 | 4,549 | 4,906 | 1,271 | 1999 | 1999 |
| Woodlake Center | 501 Innovation Ave. | Industrial | 640,632 | 176 | 640 | 5,808 | 6,448 | 1,140 | 1999 | 1999 |
| Woodlake Center | 1000 Innovation (Woodlk 6) | Industrial | 524,927 | 88 | 514 | 3,015 | 3,529 | 436 | 1996 | 2002 |
| Woodlake Center | 1200 Innovation (Woodlk 7) | Industrial | 740,936 | 98 | 740 | 6,034 | 6,774 | 1,958 | 1996 | 2002 |
| Woodlake Center | Woodlake VIII | Industrial | 908,517 | 339 | 908 | 1,856 | 2,764 | 441 | 2003 | 2003 |
| NAPERVILLE, ILLINOIS | | | | | | | | | | |
| Meridian Business Campus | 1835 Jefferson | Industrial | 3,180,959 | 5 | 3,184 | 7,960 | 11,144 | 956 | 2003 | 2003 |
| NASHVILLE, TENNESSEE | | | | | | | | | | |
| Airpark East | Airpark East-800 Commerce Dr. | Industrial | 1,564,943 | 732 | 1,564 | 3,675 | 5,239 | 696 | 2001 | 2002 |
| Lakeview Place | Three Lakeview | Office | 2,116,737 | 2,869 | 2,126 | 14,606 | 16,732 | 3,143 | 1999 | 1999 |
| Lakeview Place | One Lakeview Place | Office | 2,046,147 | 1,837 | 2,123 | 12,907 | 15,030 | 3,140 | 1986 | 1998 |
| Lakeview Place | Two Lakeview Place | Office | 2,046,712 | 1,954 | 2,046 | 13,666 | 15,712 | 3,374 | 1988 | 1998 |
| Riverview Business Center | Riverview Office Building | Office | 847,892 | 1,456 | 847 | 7,348 | 8,195 | 1,731 | 1983 | 1999 |
| Nashville Business Center | Nashville Business Center I | Industrial | 960,031 | 656 | 936 | 6,687 | 7,623 | 1,397 | 1997 | 1999 |

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| | | | | | | | | | | |
|-------------------------------|--------------------------------|------------|---------------|-------|-------|--------|--------|-------|------|------|
| Nashville Business Center | Nashville Business Center II | Industrial | 5,659,206 | 840 | 5,659 | 11,046 | 16,705 | 1,074 | 2005 | 2005 |
| NEW ALBANY, OHIO | | | | | | | | | | |
| New Albany | 6525 West Campus Oval | Office | 842,607 | 2,245 | 881 | 5,813 | 6,694 | 1,072 | 1999 | 1999 |
| NILES, ILLINOIS | | | | | | | | | | |
| Howard 220 | Howard 220 | Industrial | 4,920,669 | 138 | 4,920 | 3,807 | 8,727 | 306 | 1950 | 2004 |
| NORCROSS, GEORGIA | | | | | | | | | | |
| Gwinnett Park | 1835 Shackleford Court | Office | 290,522 | 1,012 | 29 | 7,064 | 7,093 | 1,708 | 1990 | 1999 |
| Gwinnett Park | 1854 Shackelford Court | Office | 927,902 | 1,331 | 52 | 11,121 | 11,173 | 2,524 | 1985 | 1999 |
| Gwinnett Park | 4275 Shackleford Road | Office | 280,272 | 548 | 12 | 2,571 | 2,583 | 693 | 1985 | 1999 |
| NORFOLK, VIRGINIA | | | | | | | | | | |
| Norfolk Industrial Park | 1400 Sewells Point Road | Industrial | 3,131,463,723 | | 1,463 | 5,723 | 7,186 | | 1983 | 2007 |
| NORTHLAKE, ILLINOIS | | | | | | | | | | |
| Northlake I Park | Northlake I | Industrial | 5,710,579 | 624 | 5,721 | 11,203 | 16,924 | 1,863 | 2002 | 2002 |
| Northlake Distribution Park | Northlake III - Grand Whse. | Industrial | 5,382,708 | 230 | 5,382 | 5,938 | 11,320 | 368 | 2006 | 2006 |
| NORTH OLMSTED, OHIO | | | | | | | | | | |
| Great Northern Corporate Ctr. | Great Northern Corp Center I | Office | 1,048,779 | 1,697 | 1,040 | 8,484 | 9,524 | 2,373 | 1985 | 1996 |
| Great Northern Corporate Ctr. | Great Northern Corp Center II | Office | 1,048,742 | 1,750 | 1,048 | 8,492 | 9,540 | 2,264 | 1987 | 1996 |
| Great Northern Corporate Ctr. | Great Northern Corp Center III | Office | 604,952 | 605 | 604 | 5,557 | 6,161 | 1,244 | 1999 | 1999 |

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**Duke Realty
Corporation
Real Estate and
Accumulated
Depreciation
December 31,
2007
(in thousands)**

**Schedule
3**

| Development | Building | | | Initial Cost | Development or Acquisition | Gross Book Value 12/31/07 | Land/Land Imp | Bldgs/TI | Total | Accumulated Depreciation (1) | Year Constructed | Year Acquired |
|-------------------------------|--------------------------------|------------|-------------|--------------|----------------------------|---------------------------|---------------|----------|-------|------------------------------|------------------|---------------|
| | | | | | | | | | | | | |
| | Name | Type | Encumbrance | | | | | | | | | |
| OAK BROOK, ILLINOIS | | | | | | | | | | | | |
| 2000 York Road | 2000 York Road | Office | 10,422 | 15,831 | 15 | 2,625 | 15,846 | 18,471 | 5,421 | 1960 | 2005 | |
| ORLANDO, FLORIDA | | | | | | | | | | | | |
| Liberty Park at Southcenter | Southcenter I-Brede/Allied BTS | Industrial | 3,094 | 3,867 | | 3,094 | 3,867 | 6,961 | 877 | 2002 | 2002 | |
| Parksouth Distribution Center | Parksouth Dist. Ctr-Bldg B | Industrial | 565 | 4,893 | 431 | 570 | 5,319 | 5,889 | 1,264 | 1996 | 1999 | |
| Parksouth Distribution Center | Parksouth Dist. Ctr-Bldg A | Industrial | 493 | 4,521 | 234 | 498 | 4,750 | 5,248 | 1,052 | 1997 | 1999 | |
| Parksouth Distribution Center | Parksouth Dist. Ctr-Bldg D | Industrial | 593 | 4,131 | 287 | 597 | 4,414 | 5,011 | 928 | 1998 | 1999 | |
| Parksouth Distribution Center | Parksouth Dist. Ctr-Bldg E | Industrial | 649 | 4,549 | 344 | 653 | 4,889 | 5,542 | 1,098 | 1997 | 1999 | |
| Parksouth Distribution Center | Parksouth Dist. Ctr-Bldg F | Industrial | 1,030 | 5,232 | 1,104 | 1,035 | 6,331 | 7,366 | 1,629 | 1999 | 1999 | |
| Parksouth Distribution Center | Parksouth Dist. Ctr-Bldg H | Industrial | 725 | 3,310 | 125 | 730 | 3,430 | 4,160 | 742 | 2000 | 2000 | |
| Parksouth Distribution Center | Parksouth Dist. Ctr-Bldg C | Industrial | 598 | 1,769 | 1,273 | 674 | 2,966 | 3,640 | 481 | 2000 | 2000 | |
| Parksouth Distribution Center | Parksouth-Benjamin Moore BTS | Industrial | 708 | 2,070 | 10 | 1,115 | 1,673 | 2,788 | 347 | 2003 | 2003 | |
| Crossroads Business Park | Crossroads Business Center VII | Industrial | 2,803 | 5,891 | 3,184 | 2,803 | 9,075 | 11,878 | 600 | 2006 | 2006 | |
| Crossroads Business Park | Crossroads VIII | Industrial | 2,701 | 4,817 | 303 | 2,701 | 5,120 | 7,821 | 70 | 2007 | 2007 | |
| Park 27 Distribution Center | Park 27 Distribution Center II | Industrial | 4,374 | 8,218 | 235 | 4,374 | 8,453 | 12,827 | 92 | 2007 | 2007 | |
| OTSEGO, MINNESOTA | | | | | | | | | | | | |
| Gateway North Business Center | Gateway North 1 | Industrial | 2,243 | 3,959 | 4 | 2,243 | 3,963 | 6,206 | 49 | 2007 | 2007 | |
| PARK RIDGE, ILLINOIS | | | | | | | | | | | | |
| O Hare Corporate Centre | O Hare Corporate Centre | Office | 1,476 | 8,816 | 787 | 1,476 | 9,603 | 11,079 | 1,279 | 1985 | 2003 | |
| PHOENIX, ARIZONA | | | | | | | | | | | | |
| | | Industrial | 7,421 | 26,329 | 212 | 7,424 | 26,538 | 33,962 | | 2007 | 2007 | |

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| | | | | | | | | | | | |
|--------------------------------|--------------------------------|------------|--------|--------|--------|--------|--------|--------|-------|------|------|
| Buckeye Logistics Center | Buckeye Logistics Center | | | | | | | | | | |
| PLAINFIELD, ILLINOIS | | | | | | | | | | | |
| Edward Plainfield MOB I | Edward Plainfield MOB I | Healthcare | 9,483 | 706 | 10,189 | 10,189 | 480 | 2005 | 2007 | | |
| PLAINFIELD, INDIANA | | | | | | | | | | | |
| Plainfield Business Park | Plainfield Building 1 | Industrial | 17,024 | 11,151 | 425 | 1,104 | 11,576 | 12,680 | 2,354 | 2000 | 2000 |
| Plainfield Business Park | Plainfield Building 2 | Industrial | 17,657 | 9,437 | 2,806 | 2,603 | 11,027 | 13,630 | 2,762 | 2000 | 2000 |
| Plainfield Business Park | Plainfield Building 3 | Industrial | 17,420 | 9,239 | 2,303 | 2,016 | 11,542 | 13,558 | 1,306 | 2002 | 2002 |
| Plainfield Business Park | Plainfield Building 5 | Industrial | 13,127 | 7,284 | 212 | 2,726 | 7,496 | 10,222 | 1,115 | 2004 | 2004 |
| Plainfield Business Park | Plainfield Building 8 | Industrial | 21,643 | 11,928 | 859 | 4,527 | 12,787 | 17,314 | 815 | 2006 | 2006 |
| PLANO, TEXAS | | | | | | | | | | | |
| 5556 & 5560 Tennyson Parkway | 5560 Tennyson Parkway | Office | 1,527 | 5,831 | 724 | 1,527 | 6,555 | 8,082 | 1,615 | 1997 | 1999 |
| 5556 & 5560 Tennyson Parkway | 5556 Tennyson Parkway | Office | 1,181 | 11,154 | 205 | 1,181 | 11,359 | 12,540 | 3,119 | 1999 | 1999 |
| PLYMOUTH, MINNESOTA | | | | | | | | | | | |
| Medicine Lake Indust Ctr | Medicine Lake Indus. Center | Industrial | 1,968 | 5,977 | 1,362 | 1,145 | 7,339 | 8,484 | 1,789 | 1970 | 1997 |
| PORT WENTWORTH, GEORGIA | | | | | | | | | | | |
| Grange Road | 318 Grange Road | Industrial | 2,824 | 4,816 | 1 | 957 | 4,817 | 5,774 | 351 | 2001 | 2006 |
| Grange Road | 246 Grange Road | Industrial | 6,197 | 8,294 | 7 | 1,191 | 8,301 | 9,492 | 525 | 2006 | 2006 |
| Crossroads (Savannah) | 100 Ocean Link Way-Godley Rd | Industrial | 11,120 | 13,389 | 30 | 2,336 | 13,389 | 15,725 | 646 | 2006 | 2006 |
| RALEIGH, NORTH CAROLINA | | | | | | | | | | | |
| Brook Forest | Brook Forest I | Office | 1,242 | 5,248 | 541 | 1,242 | 5,789 | 7,031 | 1,502 | 2000 | 2000 |
| Centerview | Centerview 5540 | Office | 773 | 6,243 | 1,462 | 773 | 7,705 | 8,478 | 1,222 | 1986 | 2003 |
| Centerview | Centerview 5565 | Office | 513 | 4,807 | 691 | 513 | 5,498 | 6,011 | 783 | 1999 | 2003 |
| Crabtree Overlook | Crabtree Overlook | Office | 2,164 | 20,253 | 135 | 2,164 | 20,388 | 22,552 | 6,054 | 2000 | 2000 |
| Interchange Plaza | 801 Jones Franklin Rd | Office | 1,351 | 7,753 | 934 | 1,351 | 8,687 | 10,038 | 2,036 | 1995 | 1999 |
| Interchange Plaza | 5520 Capital Ctr Dr (Intrch I) | Office | 842 | 4,395 | 531 | 842 | 4,926 | 5,768 | 1,432 | 1993 | 1999 |
| Walnut Creek | Walnut Creek Business Park#1 | Industrial | 419 | 2,294 | 582 | 442 | 2,853 | 3,295 | 649 | 2001 | 2001 |
| Walnut Creek | Walnut Creek Business Park#2 | Industrial | 456 | 3,529 | 287 | 487 | 3,785 | 4,272 | 1,106 | 2001 | 2001 |
| Walnut Creek | Walnut Creek Business Park#3 | Industrial | 679 | 3,966 | 1,251 | 719 | 5,177 | 5,896 | 1,197 | 2001 | 2001 |
| Walnut Creek | Walnut Creek IV | Industrial | 2,038 | 2,152 | 514 | 2,083 | 2,621 | 4,704 | 597 | 2004 | 2004 |
| ROMEDEVILLE, ILLINOIS | | | | | | | | | | | |
| Crossroads Business Park | Chapco Carton Company | Industrial | 917 | 4,537 | 49 | 917 | 4,586 | 5,503 | 696 | 1999 | 2002 |
| Park 55 | Park 55 Bldg. 1 | Industrial | 6,433 | 8,997 | 944 | 6,433 | 9,941 | 16,374 | 1,680 | 2004 | 2004 |
| ROSEMONT, ILLINOIS | | | | | | | | | | | |
| | | Office | 7,700 | 33,263 | 386 | 7,700 | 33,649 | 41,349 | 6,332 | 1984 | 2005 |

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| | | | | | | | | | | | | |
|--------------------------|-----------------------------|--------|-------|--------|-------|-------|--------|--------|-------|------|------|--|
| O Hare International Ctr | O Hare International Ctr I | | | | | | | | | | | |
| O Hare International Ctr | O Hare International Ctr II | Office | 8,103 | 31,997 | 2,675 | 8,103 | 34,672 | 42,775 | 5,440 | 1987 | 2005 | |

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Schedule
3

Duke Realty
Corporation
Real Estate and
Accumulated
Depreciation
December 31,
2007
(in thousands)

| Development | Name | Building Type | Encumbrance | Cost Capitalized Subsequent to | | | | | | | | Year Constructed | Year Acquired |
|--------------------------|-------------------------------|------------------|-------------|--------------------------------|----------------------------------|---------------------------|----------|--------|------------------------------------|------|------|---------------------|------------------|
| | | | | Initial Cost Land/Buildings | Development or Acquisition | Gross Book Value 12/31/07 | | | Accumulated Depreciation (1) | | | | |
| | | | | | | Land/Land Imp | Bldgs/TI | Total | | | | | |
| Riverway | Riverway East | Office | 13,664 | 34,542 | 1,477 | 13,664 | 36,019 | 49,683 | 7,300 | 1987 | 2005 | | |
| Riverway | Riverway West | Office | 3,294 | 39,676 | 3,499 | 3,294 | 43,175 | 46,469 | 5,567 | 1989 | 2005 | | |
| Riverway | Riverway Central | Office | 4,229 | 68,293 | 2,311 | 4,229 | 70,604 | 74,833 | 8,727 | 1989 | 2005 | | |
| Riverway | Riverway Retail | Retail | 189 | | 3 | 189 | 3 | 192 | 45 | 1987 | 2005 | | |
| Riverway | Riverway MW II (Ground Lease) | Grounds | 586 | | | 586 | | 586 | | n/a | 2007 | | |
| SAVANNAH, GEORGIA | | | | | | | | | | | | | |
| Gulfstream Road | 198 Gulfstream | Industrial | 6,285 | 4,255 | | 549 | 4,255 | 4,804 | 323 | 1997 | 2006 | | |
| Gulfstream Road | 194 Gulfstream | Industrial | 978 | 2,816 | 20 | 412 | 2,836 | 3,248 | 212 | 1998 | 2006 | | |
| Gulfstream Road | 190 Gulfstream | Industrial | 2,175 | 4,916 | | 689 | 4,916 | 5,605 | 355 | 1999 | 2006 | | |
| Grange Road | 250 Grange Road | Industrial | 4,649 | 8,648 | 7 | 928 | 8,655 | 9,583 | 555 | 2002 | 2006 | | |
| Grange Road | 248 Grange Road | Industrial | 1,986 | 3,496 | 8 | 664 | 3,504 | 4,168 | 230 | 2002 | 2006 | | |
| SPA Park | 80 Coleman Blvd. | Industrial | 2,074 | 2,962 | | 782 | 2,962 | 3,744 | 160 | 2002 | 2006 | | |
| Crossroads (Savannah) | 163 Portside Court | Industrial | 21,487 | 8,366 | 1 | 8,433 | 8,367 | 16,800 | 945 | 2004 | 2006 | | |
| Crossroads (Savannah) | 151 Portside Court | Industrial | 3,769 | 7,155 | | 966 | 7,155 | 8,121 | 341 | 2003 | 2006 | | |
| Crossroads (Savannah) | 175 Portside Court | Industrial | 13,892 | 15,696 | | 4,300 | 15,696 | 19,996 | 1,179 | 2005 | 2006 | | |
| Crossroads (Savannah) | 150 Portside Court | Industrial | 10,688 | 23,001 | 704 | 3,071 | 23,705 | 26,776 | 1,581 | 2001 | 2006 | | |
| Crossroads (Savannah) | 235 Jimmy Deloach Parkway | Industrial | 3,850 | 8,442 | | 1,074 | 8,442 | 9,516 | 517 | 2001 | 2006 | | |
| Crossroads (Savannah) | 239 Jimmy Deloach Parkway | Industrial | 3,387 | 7,141 | | 1,074 | 7,141 | 8,215 | 441 | 2001 | 2006 | | |
| Crossroads (Savannah) | 246 Jimmy Deloach Parkway | Industrial | 3,769 | 5,383 | 14 | 992 | 5,397 | 6,389 | 337 | 2006 | 2006 | | |
| Crossroads (Savannah) | 276 Jimmy Deloach Parkway | Grounds | 2,266 | | | 2,266 | | 2,266 | 84 | n/a | 2006 | | |
| SEVEN HILLS, OHIO | | | | | | | | | | | | | |
| Rock Run Business Campus | Rock Run North | Office | 837 | 5,429 | 664 | 960 | 5,970 | 6,930 | 1,847 | 1984 | 1996 | | |
| | | Office | 1,046 | 6,898 | 758 | 1,169 | 7,533 | 8,702 | 2,400 | 1985 | 1996 | | |

Restricted Stock Units

185

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| | | | | | | | | | | | | |
|--|---|------------|-------|--------|-------|-------|--------|--------|-------|------|------|--|
| Rock Run Business Campus | Rock Run Center | | | | | | | | | | | |
| SHARONVILLE, OHIO | | | | | | | | | | | | |
| Mosteller Distribution Center | Mosteller Distribution Ctr. I | Industrial | 1,275 | 5,294 | 3,534 | 1,275 | 8,828 | 10,103 | 2,618 | 1957 | 1996 | |
| Mosteller Distribution Center | Mosteller Distribution Ctr. II | Industrial | 828 | 4,723 | 1,577 | 828 | 6,300 | 7,128 | 2,413 | 1997 | 1997 | |
| ST. LOUIS PARK, MINNESOTA | | | | | | | | | | | | |
| The West End | 1600 Tower | Office | 2,321 | 29,136 | 4,686 | 2,321 | 33,822 | 36,143 | 8,348 | 2000 | 2000 | |
| The West End | MoneyGram Tower | Office | 3,039 | 35,487 | 6,151 | 3,091 | 41,586 | 44,677 | 8,927 | 1987 | 1999 | |
| Minneapolis | Chilies Ground Lease | Grounds | 921 | | 69 | 990 | | 990 | 5 | n/a | 1998 | |
| Minneapolis | Olive Garden Ground Lease | Grounds | 921 | | | 921 | | 921 | | n/a | 1998 | |
| ST. LOUIS, MISSOURI | | | | | | | | | | | | |
| Lakeside Crossing | Lakeside Crossing Building One | Industrial | 596 | 2,078 | 637 | 596 | 2,715 | 3,311 | 800 | 2001 | 2001 | |
| Lakeside Crossing | Lakeside Crossing Building II | Industrial | 1,122 | 2,227 | | 1,121 | 2,228 | 3,349 | 1,007 | 2002 | 2002 | |
| Lakeside Crossing | Lakeside Crossing Building III | Industrial | 1,905 | 4,305 | 650 | 1,905 | 4,955 | 6,860 | 1,101 | 2001 | 2001 | |
| Lakeside Crossing | Lakeside Crossing V | Office | 860 | 1,928 | | 860 | 1,928 | 2,788 | 776 | 2003 | 2003 | |
| Lakeside Crossing | Lakeside Crossing Building VI | Industrial | 1,079 | 2,125 | 2,388 | 1,512 | 4,080 | 5,592 | 1,053 | 2002 | 2002 | |
| Laumeier Office Park | Laumeier I | Office | 1,384 | 8,869 | 2,271 | 1,384 | 11,140 | 12,524 | 3,825 | 1987 | 1995 | |
| Laumeier Office Park | Laumeier II | Office | 1,421 | 9,440 | 1,565 | 1,421 | 11,005 | 12,426 | 3,855 | 1988 | 1995 | |
| Laumeier Office Park | Laumeier IV | Office | 1,029 | 6,728 | 1,455 | 1,029 | 8,183 | 9,212 | 2,107 | 1987 | 1998 | |
| Maryville Center | 500-510 Maryville Centre | Office | 3,402 | 24,533 | 3,915 | 3,402 | 28,448 | 31,850 | 7,537 | 1984 | 1997 | |
| Maryville Center | 530 Maryville Centre | Office | 2,219 | 15,231 | 2,381 | 2,219 | 17,612 | 19,831 | 5,023 | 1990 | 1997 | |
| Maryville Center | 550 Maryville Centre | Office | 1,996 | 12,516 | 2,261 | 1,996 | 14,777 | 16,773 | 3,730 | 1988 | 1997 | |
| Maryville Center | 635-645 Maryville Centre | Office | 3,048 | 18,166 | 2,372 | 3,048 | 20,538 | 23,586 | 5,550 | 1987 | 1997 | |
| Maryville Center | 655 Maryville Centre | Office | 1,860 | 13,258 | 2,320 | 1,860 | 15,578 | 17,438 | 3,864 | 1994 | 1997 | |
| Maryville Center | 540 Maryville Centre | Office | 2,219 | 14,455 | 1,736 | 2,219 | 16,191 | 18,410 | 4,503 | 1990 | 1997 | |
| Maryville Center | 520 Maryville Centre | Office | 2,404 | 14,520 | 1,121 | 2,404 | 15,641 | 18,045 | 3,751 | 1998 | 1998 | |

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| | | | | | | | | | | | |
|-------------------|----------------------------|------------|-------|--------|-------|-------|--------|--------|-------|------|------|
| Maryville Center | 700 Maryville Centre | Office | 4,556 | 28,599 | 397 | 4,556 | 28,996 | 33,552 | 7,789 | 1999 | 1999 |
| Maryville Center | 533 Maryville Centre | Office | 3,230 | 16,746 | 283 | 3,230 | 17,029 | 20,259 | 4,342 | 2000 | 2000 |
| Maryville Center | 555 Maryville Centre | Office | 3,226 | 15,978 | 1,901 | 3,226 | 17,879 | 21,105 | 3,965 | 2000 | 2000 |
| Maryville Center | 625 Maryville Centre | Office | 2,125 | 11,229 | 282 | 2,509 | 11,511 | 14,020 | 2,343 | 1996 | 2002 |
| West Port Place | Westport Center I | Industrial | 1,707 | 5,329 | 887 | 1,707 | 6,216 | 7,923 | 1,959 | 1998 | 1998 |
| West Port Place | Westport Center II | Industrial | 914 | 2,000 | 257 | 914 | 2,257 | 3,171 | 740 | 1998 | 1998 |
| West Port Place | Westport Center III | Industrial | 1,206 | 2,651 | 523 | 1,206 | 3,174 | 4,380 | 902 | 1998 | 1998 |
| West Port Place | Westport Center IV | Industrial | 1,440 | 4,660 | 58 | 1,440 | 4,918 | 6,358 | 1,142 | 2000 | 2000 |
| West Port Place | Westport Center V | Industrial | 493 | 1,274 | 52 | 493 | 1,326 | 1,619 | 316 | 1989 | 1999 |
| West Port Place | Westport Place | Office | 1,990 | 5,478 | 2,069 | 1,990 | 7,547 | 9,537 | 1,637 | 1999 | 1999 |
| Westmark | Westmark | Office | 1,497 | 10,012 | 2,234 | 1,884 | 12,059 | 13,743 | 4,371 | 1987 | 1995 |
| Westview Place | Westview Place | Office | 668 | 6,295 | 3,482 | 869 | 11,777 | 12,446 | 3,707 | 1988 | 1995 |
| Woodsmill Commons | Woodsmill Commons II (400) | Office | 1,718 | 7,696 | 51 | 1,718 | 7,947 | 9,665 | 1,198 | 1985 | 2003 |
| Woodsmill Commons | Woodsmill Commons I (424) | Office | 1,836 | 7,779 | 598 | 1,836 | 8,377 | 10,213 | 1,307 | 1985 | 2003 |

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Duke Realty Corporation
Real Estate and Accumulated Depreciation
December 31, 2007
(in thousands)

Schedule 3

| Development | Name | Building | | Initial Cost | | Development or Acquisition | Gross Book Value 12/31/07 | | Accumulated Depreciation (1) | Year Constructed | Year Acquired |
|-------------------------------------|--|------------|--------------|--------------|-----------|----------------------------------|------------------------------|---------------|------------------------------------|---------------------|------------------|
| | | Type | Encumbrances | Land | Buildings | | Land/Land Imp | Bldgs/TITotal | | | |
| STERLING, VIRGINIA | | | | | | | | | | | |
| TransDulles Centre | 22800 Davis Drive | Office | | 2,550 | 11,250 | | 2,550 | 11,250,800 | 648 | 1989 | 2006 |
| TransDulles Centre | 22714 Glenn Drive | Industrial | | 3,973 | 4,422 | 128 | 3,973 | 4,550,523 | | 2007 | 2007 |
| SUFFOLK, VIRGINIA | | | | | | | | | | | |
| Northgate Commerce Park | 101 Industrial Drive, Bldg. A | Industrial | | 1,558 | 8,231 | | 1,558 | 8,231,789 | | 2007 | 2007 |
| Northgate Commerce Park | 155 Industrial Drive, Bldg. B | Industrial | | 1,558 | 8,231 | | 1,558 | 8,231,789 | | 2007 | 2007 |
| SUMMIT, NEW JERSEY | | | | | | | | | | | |
| Medical Arts Center II | Medical Arts Center II | Healthcare | | | 13,096 | 1,054 | | 14,150,150 | | 2006 | 2007 |
| SUMNER, WASHINGTON | | | | | | | | | | | |
| Sumner Transit | Sumner Transit | Industrial | 18,519 | 17,385 | 6,100 | | 17,385 | 6,100,485 | | 2005 | 2007 |
| SUNRISE, FLORIDA | | | | | | | | | | | |
| Sawgrass | Sawgrass - Building B | Office | | 1,211 | 5,176 | 1,253 | 1,211 | 6,420,640 | 1,504 | 1999 | 2001 |
| Sawgrass | Sawgrass - Building A | Office | | 1,147 | 4,544 | 63 | 1,147 | 4,607,754 | 1,214 | 2000 | 2001 |
| Sawgrass | Sawgrass Pointe | Office | | 3,484 | 21,827 | 5,804 | 3,484 | 27,631,115 | 5,473 | 2001 | 2001 |
| TAMPA, FLORIDA | | | | | | | | | | | |
| Fairfield Distribution Center | Fairfield Distribution Ctr I | Industrial | | 483 | 2,626 | 94 | 487 | 2,710,203 | 589 | 1998 | 1999 |
| Fairfield Distribution Center | Fairfield Distribution Ctr II | Industrial | | 530 | 4,900 | 70 | 534 | 4,960,500 | 1,066 | 1998 | 1999 |
| Fairfield Distribution Center | Fairfield Distribution Ctr III | Industrial | | 334 | 2,771 | 98 | 338 | 2,860,203 | 610 | 1999 | 1999 |
| Fairfield Distribution Center | Fairfield Distribution Ctr IV | Industrial | | 600 | 1,958 | 1,089 | 604 | 3,040,647 | 755 | 1999 | 1999 |
| Fairfield Distribution | Fairfield Distribution | Industrial | | 488 | 2,796 | 213 | 488 | 3,000,497 | 669 | 2000 | 2000 |

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| | | | | | | | | | | | |
|---|--|------------|--------|--------|-------|--------|--------|-------|-------|------|------|
| Center Fairfield Distribution Center | Ctr V Fairfield Distribution Ctr VI | Industrial | 555 | 4,153 | 487 | 555 | 4,640 | 1,195 | 1,070 | 2001 | 2001 |
| Fairfield Distribution Center | Fairfield Distribution Ctr VII | Industrial | 394 | 2,618 | 778 | 394 | 3,396 | 1,790 | 1,018 | 2001 | 2001 |
| Fairfield Distribution Center | Fairfield VIII | Industrial | 1,082 | 3,326 | | 1,082 | 3,326 | 1,408 | 979 | 2004 | 2004 |
| Eagle Creek Business Center | Eagle Creek Business Ctr. I | Industrial | 3,705 | 3,187 | 1,043 | 3,705 | 4,237 | 1,935 | 431 | 2006 | 2006 |
| Eagle Creek Business Center | Eagle Creek Business Ctr. II | Industrial | 2,354 | 2,272 | 960 | 2,354 | 3,232 | 1,586 | 179 | 2007 | 2007 |
| Eagle Creek Business Center | Eagle Creek Business Ctr. III | Industrial | 2,332 | 2,237 | 501 | 2,332 | 2,738 | 1,070 | 138 | 2007 | 2007 |
| Highland Oaks | Highland Oaks I | Office | 1,525 | 12,720 | 937 | 1,525 | 13,657 | 1,182 | 3,236 | 1999 | 1999 |
| Highland Oaks | Highland Oaks II | Office | 1,605 | 10,991 | 3,218 | 1,605 | 14,219 | 1,814 | 3,623 | 1999 | 1999 |
| Highland Oaks | Highland Oaks III | Office | 2,882 | 8,871 | 288 | 2,522 | 9,512 | 1,041 | 312 | 2007 | 2007 |
| Highland Oaks | Highland Oaks V | Office | 2,412 | 6,524 | 961 | 2,412 | 7,485 | 1,897 | 317 | 2007 | 2007 |
| TITUSVILLE, FLORIDA | | | | | | | | | | | |
| Retail Development | Crossroads Marketplace | Retail | 12,678 | 6,314 | 503 | 12,021 | 7,474 | 1,495 | | 2007 | 2007 |
| WEST CHESTER, OHIO | | | | | | | | | | | |
| Centre Pointe Office Park | Centre Pointe I | Office | 2,501 | 9,552 | 313 | 2,501 | 9,853 | 1,366 | 2,101 | 2000 | 2004 |
| Centre Pointe Office Park | Centre Pointe II | Office | 2,056 | 10,063 | 286 | 2,056 | 10,319 | 1,405 | 2,109 | 2001 | 2004 |
| Centre Pointe Office Park | Centre Pointe III | Office | 2,048 | 10,309 | 461 | 2,048 | 10,777 | 1,818 | 2,352 | 2002 | 2004 |
| Centre Pointe Office Park | Centre Pointe IV | Office | 2,013 | 9,017 | 1,540 | 2,932 | 9,653 | 1,570 | 939 | 2005 | 2005 |
| Centre Pointe Office Park | Centre Pointe V | Office | 2,557 | 13,982 | 98 | 2,611 | 14,006 | 1,637 | | 2007 | 2007 |
| World Park at Union Centre | World Park at Union Centre 10 | Industrial | 2,150 | 7,885 | 587 | 2,151 | 8,471 | 1,622 | 543 | 2005 | 2005 |
| World Park at Union Centre | World Park at Union Centre 11 | Industrial | 2,592 | 6,936 | 13 | 2,592 | 6,949 | 1,541 | 1,247 | 2004 | 2004 |
| WESTMONT, ILLINOIS | | | | | | | | | | | |
| Oakmont Corporate Center | Oakmont Tech Center | Office | 1,501 | 8,590 | 2,488 | 1,703 | 10,877 | 1,579 | 2,676 | 1989 | 1998 |
| Oakmont Corporate Center | Oakmont Circle Office | Office | 3,177 | 13,798 | 2,785 | 3,521 | 16,299 | 1,760 | 4,073 | 1990 | 1998 |
| WESTON, FLORIDA | | | | | | | | | | | |
| Weston Pointe | Weston Pointe I | Office | 2,580 | 10,020 | 705 | 2,580 | 10,723 | 1,305 | 1,536 | 1999 | 2003 |
| Weston Pointe | Weston Pointe II | Office | 2,183 | 10,791 | 64 | 2,183 | 10,853 | 1,038 | 1,539 | 2000 | 2003 |
| Weston Pointe | Weston Pointe III | Office | 2,183 | 11,531 | 717 | 2,183 | 12,244 | 1,431 | 1,546 | 2001 | 2003 |

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| | | | | | | | | | | |
|------------------------|-------------------------|--------|---------|---------|-----------|---------|------------|-----------|---------|------|
| Weston Pointe | Weston Pointe IV | Office | 3,349 | 10,686 | 29 | 3,349 | 10,714,064 | 1,030 | 2005 | 2005 |
| ZIONSVILLE, INDIANA | | | | | | | | | | |
| Anson | Marketplace at Anson | Retail | 2,147 | 2,862 | 160 | 2,147 | 3,022,169 | | 2007 | 2007 |
| | | | | | | | | | | |
| Eliminations | | | | | (764) | (17) | (747,764) | (3,008) | | |
| | | | | | | | | | | |
| | | | 548,460 | 914,492 | 4,334,420 | 516,835 | 931,767 | 4,833,747 | 990,280 | |

(1) Depreciation of real estate is computed using the straight-line method over 40 years for buildings, 15 years for land improvements and shorter periods based on lease terms (generally 3 to 10 years) for tenant improvements.

Duke Realty Corporation
Real Estate and Accumulated Depreciation
December 31, 2007
(in thousands)

Schedule 3

| | 2007 | Real Estate Assets 2006 | 2005 | 2007 | Accumulated Depreciation 2006 | 2005 |
|--|--------------|----------------------------|--------------|------------|----------------------------------|------------|
| Balance at beginning of year | \$ 5,583,188 | \$ 4,831,506 | \$ 5,377,094 | \$ 900,898 | \$ 754,742 | \$ 788,900 |
| Acquisitions | 194,072 | 836,146 | 272,141 | | | |
| Construction costs and tenant improvements | 788,951 | 540,442 | 321,786 | | | |
| Depreciation expense | | | | 214,477 | 206,999 | 204,377 |
| Acquisition of minority interest | | | | | | |
| | 6,566,211 | 6,208,094 | 5,971,021 | 1,115,375 | 961,741 | 993,277 |
| Deductions during year: | | | | | | |
| Cost of real estate sold or contributed | (726,860) | (582,457) | (1,077,172) | (51,491) | (18,660) | (179,848) |
| Impairment Allowance | | (266) | (3,656) | | | |
| Write-off of fully amortized assets | (73,604) | (42,183) | (58,687) | (73,604) | (42,183) | (58,687) |
| Balance at end of year | \$ 5,765,747 | \$ 5,583,188 | \$ 4,831,506 | \$ 990,280 | \$ 900,898 | \$ 754,742 |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DUKE REALTY CORPORATION

February 29, 2008

By: /s/ Dennis D. Oklak
Dennis D. Oklak
Chairman and Chief Executive
Officer

By: /s/ Matthew A. Cohoat
Matthew A. Cohoat
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Date | Title |
|---|-------------|--------------|
| /s/ Barrington H. Branch* Barrington H. Branch | 1/30/08 | Director |
| /s/ Geoffrey Button* Geoffrey Button | 1/30/08 | Director |
| /s/ William Cavanaugh, III* William Cavanaugh, III | 1/30/08 | Director |
| /s/ Ngaire E. Cuneo* Ngaire E. Cuneo | 1/30/08 | Director |
| /s/ Charles R. Eitel* Charles R. Eitel | 1/30/08 | Director |
| /s/ Dr. R. Glenn Hubbard* Dr. R. Glenn Hubbard | 1/30/08 | Director |
| /s/ Dr. Martin C. Jischke* Dr. Martin C. Jischke | 1/30/08 | Director |
| /s/ L. Ben Lytle* L. Ben Lytle | 1/30/08 | Director |

| | | |
|--------------------------|---------|----------|
| /s/ William O. McCoy * | 1/30/08 | Director |
| William O. McCoy | | |
| /s/ Jack R. Shaw * | 1/30/08 | Director |
| Jack R. Shaw | | |
| /s/ Robert J. Woodward * | 1/30/08 | Director |
| Robert J. Woodward | | |

* By Dennis D. Oklak,
Attorney-in-Fact

/s/ Dennis D. Oklak