DUKE REALTY LIMITED PARTNERSHIP/
Form 10-Q
October 28, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
OR
o 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) 0-20625 (Duke Realty Limited Partnership)
DUKE REALTY CORPORATION
DUKE REALTY LIMITED PARTNERSHIP
(Exact Name of Registrant as Specified in Its Charter)

Indiana (Duke Realty Corporation)	35-1740409 (Duke Realty Corporation)
Indiana (Duke Realty Limited Partnership)	35-1898425 (Duke Realty Limited Partnership)
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
600 East 96th Street, Suite 100 Indianapolis, Indiana	46240
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (317) 808-6000
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.
Duke Realty Corporation Yes x No o Duke Realty Limited Partnership Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Duke Realty Corporation Yes x No o Duke Realty Limited Partnership Yes x No o
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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Duke Realty Corporation:
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o
Duke Realty Limited Partnership:
Large accelerated filer o Accelerated filer o Non-accelerated filer x Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
Duke Realty Corporation Yes o No x Duke Realty Limited Partnership Yes o No x
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding Common Shares of Duke Realty Corporation at October 26, 2016
Common Stock, $.01 par value per share	354,693,496

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2016 of both Duke Realty Corporation and Duke Realty Limited Partnership. Unless stated otherwise or the context otherwise requires, references to "Duke Realty Corporation" or the "General Partner" mean Duke Realty Corporation and its consolidated subsidiaries; and references to the "Partnership" mean Duke Realty Limited Partnership and its consolidated subsidiaries. The terms the "Company," "we," "us" and "our" refer to the General Partner and the Partnership, collectively, and those entities owned or controlled by the General Partner and/or the Partnership.

Duke Realty Corporation is a self-administered and self-managed real estate investment trust ("REIT") and is the sole general partner of the Partnership, owning 99.0% of the common partnership interests of the Partnership ("General Partner Units") as of September 30, 2016. The remaining 1.0% of the common partnership interests ("Limited Partner Units" and, together with the General Partner Units, the "Common Units") are owned by limited partners. As the sole general partner of the Partnership, the General Partner has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Partnership.

The General Partner and the Partnership are operated as one enterprise. The management of the General Partner consists of the same members as the management of the Partnership. As the sole general partner with control of the Partnership, the General Partner consolidates the Partnership for financial reporting purposes, and the General Partner does not have any significant assets other than its investment in the Partnership. Therefore, the assets and liabilities of the General Partner and the Partnership are substantially the same.

We believe combining the quarterly reports on Form 10-Q of the General Partner and the Partnership into this single report results in the following benefits:

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

We believe it is important to understand the few differences between the General Partner and the Partnership in the context of how we operate as an interrelated consolidated company. The General Partner's only material asset is its ownership of partnership interests in the Partnership. As a result, the General Partner does not conduct business itself, other than acting as the sole general partner of the Partnership and issuing public equity from time to time. The General Partner does not issue any indebtedness, but does guarantee some of the unsecured debt of the Partnership. The Partnership holds substantially all the assets of the business, directly or indirectly, and holds the ownership interests related to certain of the Company's investments. The Partnership conducts the operations of the business and has no publicly traded equity. Except for net proceeds from equity issuances by the General Partner, which are contributed to the Partnership in exchange for General Partner Units or Preferred Units, the Partnership generates the capital required by the business through its operations, its incurrence of indebtedness and the issuance of Limited Partner Units to third parties.

Noncontrolling interests, shareholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of the General Partner and those of the Partnership. The noncontrolling interests in the Partnership's financial statements include the interests in consolidated investees not wholly owned by the Partnership. The noncontrolling interests in the General Partner's financial statements include the same noncontrolling interests at the Partnership level, as well as the common limited partnership interests in the Partnership, which are accounted for as partners' capital by the Partnership.

In order to highlight the differences between the General Partner and the Partnership, there are separate sections in this report, as applicable, that separately discuss the General Partner and the Partnership, including separate financial statements and separate Exhibit 31 and 32 certifications. In the sections that combine disclosure of the General Partner and the Partnership, this report refers to actions or holdings as being actions or holdings of the collective Company.

DUKE REALTY CORPORATION/DUKE REALTY LIMITED PARTNERSHIP
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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except per share amounts)

	September 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Real estate investments:		
Land and improvements	$ 1,494,196	$ 1,391,763
Buildings and tenant improvements	4,919,897	4,740,837
Construction in progress	290,647	321,062
Investments in and advances to unconsolidated companies	261,447	268,390
Undeveloped land	316,369	383,045
	7,282,556	7,105,097
Accumulated depreciation	(1,282,033)	(1,192,425)
Net real estate investments	6,000,523	5,912,672
Real estate investments and other assets held-for-sale	18,184	45,801
Cash and cash equivalents	110,211	22,533
Accounts receivable, net of allowance of $1,185 and $1,113	26,180	18,846
Straight-line rent receivable, net of allowance of $6,664 and $6,155	118,594	116,781
Receivables on construction contracts, including retentions	8,528	16,459
Deferred leasing and other costs, net of accumulated amortization of $255,300 and $245,426	335,109	346,374
Escrow deposits and other assets	244,752	416,049
	$ 6,862,081	$ 6,895,515
LIABILITIES AND EQUITY		
Indebtedness:		
Secured debt, net of deferred financing costs of $1,062 and $1,552	$ 385,763	$ 738,444
Unsecured debt, net of deferred financing costs of $23,692 and $20,046	2,605,288	2,510,697
Unsecured line of credit	—	71,000
	2,991,051	3,320,141
Liabilities related to real estate investments held-for-sale	238	972
Construction payables and amounts due subcontractors, including retentions	51,339	54,921
Accrued real estate taxes	93,722	71,617
Accrued interest	30,601	34,447
Other accrued expenses	41,314	61,827
Other liabilities	103,602	106,283
Tenant security deposits and prepaid rents	41,292	40,506
Total liabilities	3,353,159	3,690,714
Shareholders' equity:		
Common shares ($0.01 par value); 600,000 shares authorized; 354,616 and 345,285 shares issued and outstanding, respectively	3,546	3,453
Additional paid-in capital	5,187,374	4,961,923
Accumulated other comprehensive income	938	1,806

Distributions in excess of net income	(1,710,215)	(1,785,250)
Total shareholders' equity	3,481,643	3,181,932
Noncontrolling interests	27,279	22,869
Total equity	3,508,922	3,204,801
	$ 6,862,081	$ 6,895,515

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income
For the three and nine months ended September 30,
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2016	2015	2016	2015
Revenues:				
Rental and related revenue	$206,848	$200,938	$609,171	$617,549
General contractor and service fee revenue	19,351	33,599	68,546	110,320
	226,199	234,537	677,717	727,869
Expenses:				
Rental expenses	26,084	30,137	81,092	96,355
Real estate taxes	31,313	27,702	90,888	86,228
General contractor and other services expenses	17,182	29,694	60,330	98,455
Depreciation and amortization	80,688	79,898	238,647	240,135
	155,267	167,431	470,957	521,173
Other operating activities:				
Equity in earnings (loss) of unconsolidated companies	12,010	(5,088)	37,404	16,281
Gain on dissolution of unconsolidated company	—	—	30,697	—
Promote income	2,212	—	26,299	—
Gain on sale of properties	82,698	71,259	137,589	202,153
Gain on land sales	1,601	1,659	2,438	24,096
Other operating expenses	(1,424)	(1,467)	(3,496)	(4,579)
Impairment charges	(3,042)	(2,426)	(15,098)	(7,896)
General and administrative expenses	(12,534)	(11,340)	(42,216)	(47,582)
	81,521	52,597	173,617	182,473
Operating income	152,453	119,703	380,377	389,169
Other income (expenses):				
Interest and other income, net	507	1,343	3,597	3,056
Interest expense	(34,606)	(41,615)	(109,520)	(134,576)
(Loss) gain on debt extinguishment	(6,243)	64	(8,673)	(82,589)
Acquisition-related activity	(7)	(5,660)	(82)	(6,993)
Income from continuing operations before income taxes	112,104	73,835	265,699	168,067
Income tax benefit	359	3,305	173	4,109
Income from continuing operations	112,463	77,140	265,872	172,176
Discontinued operations:				
Income (loss) before gain on sales	377	(43)	741	10,546
Gain on sale of depreciable properties, net of tax	319	111	485	414,620
Income from discontinued operations	696	68	1,226	425,166
Net income	113,159	77,208	267,098	597,342
Net income attributable to noncontrolling interests	(1,145)	(774)	(2,710)	(6,284)
Net income attributable to common shareholders	$112,014	$76,434	$264,388	$591,058
Basic net income per common share:				
Continuing operations attributable to common shareholders	$0.32	$0.22	$0.75	$0.49
Discontinued operations attributable to common shareholders	—	—	—	1.22
Total	$0.32	$0.22	$0.75	$1.71
Diluted net income per common share:				
Continuing operations attributable to common shareholders	$0.32	$0.22	$0.75	$0.49
Discontinued operations attributable to common shareholders	—	—	—	1.21

Total	$0.32	$0.22	$0.75	$1.70
Weighted average number of common shares outstanding	351,856	345,256	348,341	344,986
Weighted average number of common shares and potential dilutive securities	358,981	352,150	355,405	352,013
Comprehensive income:				
Net income	$113,159	$77,208	$267,098	$597,342
Other comprehensive loss:				
Amortization of interest contracts	(255)	(274)	(845)	(837)
Other	(23)	—	(23)	(123)
Total other comprehensive loss	(278)	(274)	(868)	(960)
Comprehensive income	$112,881	$76,934	$266,230	$596,382

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the nine months ended September 30,
(in thousands)
(Unaudited)

	2016	2015
Cash flows from operating activities:		
Net income	$267,098	$597,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of buildings and tenant improvements	191,554	192,135
Amortization of deferred leasing and other costs	47,093	51,517
Amortization of deferred financing costs	3,998	5,543
Straight-line rental income and expense, net	(10,832)	(18,498)
Impairment charges	15,098	7,896
Loss on debt extinguishment	8,673	82,589
Gain on dissolution of unconsolidated company	(30,697)	—
Gains on land and depreciated property sales	(140,512)	(644,044)
Third-party construction contracts, net	5,601	(3,805)
Other accrued revenues and expenses, net	14,773	7,129
Operating distributions received (less than) in excess of equity in earnings from unconsolidated companies	(24,476)	414
Net cash provided by operating activities	347,371	278,218
Cash flows from investing activities:		
Development of real estate investments	(308,199)	(221,201)
Acquisition of real estate investments and related intangible assets	(16,029)	(28,849)
Acquisition of undeveloped land	(77,593)	(39,881)
Second generation tenant improvements, leasing costs and building improvements	(39,169)	(45,688)
Other deferred leasing costs	(25,949)	(26,940)
Other assets	164,450	(38,104)
Proceeds from land and depreciated property sales, net	369,118	1,534,177
Capital distributions from unconsolidated companies	52,514	68,915
Capital contributions and advances to unconsolidated companies	(54,853)	(55,020)
Net cash provided by investing activities	64,290	1,147,409
Cash flows from financing activities:		
Proceeds from issuance of common shares, net	217,513	4,592
Proceeds from unsecured debt	375,000	—
Payments on unsecured debt	(285,339)	(759,948)
Payments on secured indebtedness including principal amortization	(352,723)	(221,085)
Repayments of line of credit, net	(71,000)	(106,000)
Distributions to common shareholders	(187,885)	(175,967)
Distributions to noncontrolling interests	(1,955)	(1,403)
Change in book overdrafts	(11,025)	(7,754)
Deferred financing costs	(6,569)	(110)
Net cash used for financing activities	(323,983)	(1,267,675)
Net increase in cash and cash equivalents	87,678	157,952
Cash and cash equivalents at beginning of period	22,533	17,922
Cash and cash equivalents at end of period	$110,211	$175,874
Non-cash investing and financing activities:		
Mortgage notes receivable from buyers in property sales	$1,685	$204,428

Conversion of Limited Partner Units to common shares	$1,015	$2,416

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
For the nine months ended September 30, 2016
(in thousands, except per share data)
(Unaudited)

	Common Shareholders					
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Distributions in Excess of Net Income	Noncontrolling Interests	Total
Balance at December 31, 2015	$ 3,453	$4,961,923	$ 1,806	$(1,785,250)	$ 22,869	$3,204,801
Net income		—	—	264,388	2,710	267,098
Other comprehensive loss	—	—	(868)	—	—	(868)
Issuance of common shares	84	217,429	—	—	—	217,513
Stock-based compensation plan activity	8	7,008	—	(1,468)	4,670	10,218
Conversion of Limited Partner Units	1	1,014	—	—	(1,015)	—
Distributions to common shareholders ($0.54 per share)	—	—	—	(187,885)	—	(187,885)
Distributions to noncontrolling interests	—	—	—	—	(1,955)	(1,955)
Balance at September 30, 2016	$ 3,546	$5,187,374	$ 938	$(1,710,215)	$ 27,279	$3,508,922

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands)

	September 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Real estate investments:		
Land and improvements	$ 1,494,196	$ 1,391,763
Buildings and tenant improvements	4,919,897	4,740,837
Construction in progress	290,647	321,062
Investments in and advances to unconsolidated companies	261,447	268,390
Undeveloped land	316,369	383,045
	7,282,556	7,105,097
Accumulated depreciation	(1,282,033)	(1,192,425)
Net real estate investments	6,000,523	5,912,672
Real estate investments and other assets held-for-sale	18,184	45,801
Cash and cash equivalents	110,211	22,533
Accounts receivable, net of allowance of $1,185 and $1,113	26,180	18,846
Straight-line rent receivable, net of allowance of $6,664 and $6,155	118,594	116,781
Receivables on construction contracts, including retentions	8,528	16,459
Deferred leasing and other costs, net of accumulated amortization of $255,300 and $245,426	335,109	346,374
Escrow deposits and other assets	244,752	416,049
	$ 6,862,081	$ 6,895,515
LIABILITIES AND EQUITY		
Indebtedness:		
Secured debt, net of deferred financing costs of $1,062 and $1,552	$ 385,763	$ 738,444
Unsecured debt, net of deferred financing costs of $23,692 and $20,046	2,605,288	2,510,697
Unsecured line of credit	—	71,000
	2,991,051	3,320,141
Liabilities related to real estate investments held-for-sale	238	972
Construction payables and amounts due subcontractors, including retentions	51,339	54,921
Accrued real estate taxes	93,722	71,617
Accrued interest	30,601	34,447
Other accrued expenses	41,314	61,827
Other liabilities	103,602	106,283
Tenant security deposits and prepaid rents	41,292	40,506
Total liabilities	3,353,159	3,690,714
Partners' equity:		
Common equity (354,616 and 345,285 General Partner Units issued and outstanding, respectively)	3,480,705	3,180,126
	3,480,705	3,180,126
Limited Partners' common equity (3,427 and 3,487 Limited Partner Units issued and outstanding, respectively)	24,478	20,032

Accumulated other comprehensive income	938	1,806
Total partners' equity	3,506,121	3,201,964
Noncontrolling interests	2,801	2,837
Total equity	3,508,922	3,204,801
	$ 6,862,081	$ 6,895,515

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income
For the three and nine months ended September 30,
(in thousands, except per unit amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2016	2015	2016	2015
Revenues:				
Rental and related revenue	$206,848	$200,938	$609,171	$617,549
General contractor and service fee revenue	19,351	33,599	68,546	110,320
	226,199	234,537	677,717	727,869
Expenses:				
Rental expenses	26,084	30,137	81,092	96,355
Real estate taxes	31,313	27,702	90,888	86,228
General contractor and other services expenses	17,182	29,694	60,330	98,455
Depreciation and amortization	80,688	79,898	238,647	240,135
	155,267	167,431	470,957	521,173
Other operating activities:				
Equity in earnings (loss) of unconsolidated companies	12,010	(5,088)	37,404	16,281
Gain on dissolution of unconsolidated company	—	—	30,697	—
Promote income	2,212	—	26,299	—
Gain on sale of properties	82,698	71,259	137,589	202,153
Gain on land sales	1,601	1,659	2,438	24,096
Other operating expenses	(1,424)	(1,467)	(3,496)	(4,579)
Impairment charges	(3,042)	(2,426)	(15,098)	(7,896)
General and administrative expenses	(12,534)	(11,340)	(42,216)	(47,582)
	81,521	52,597	173,617	182,473
Operating income	152,453	119,703	380,377	389,169
Other income (expenses):				
Interest and other income, net	507	1,343	3,597	3,056
Interest expense	(34,606)	(41,615)	(109,520)	(134,576)
(Loss) gain on debt extinguishment	(6,243)	64	(8,673)	(82,589)
Acquisition-related activity	(7)	(5,660)	(82)	(6,993)
Income from continuing operations before income taxes	112,104	73,835	265,699	168,067
Income tax benefit	359	3,305	173	4,109
Income from continuing operations	112,463	77,140	265,872	172,176
Discontinued operations:				
Income (loss) before gain on sales	377	(43)	741	10,546
Gain on sale of depreciable properties, net of tax	319	111	485	414,620
Income from discontinued operations	696	68	1,226	425,166
Net income	113,159	77,208	267,098	597,342
Net income attributable to noncontrolling interests	(14)	(23)	(40)	(72)
Net income attributable to common unitholders	$113,145	$77,185	$267,058	$597,270
Basic net income per Common Unit:				
Continuing operations attributable to common unitholders	$0.32	$0.22	$0.75	$0.49
Discontinued operations attributable to common unitholders	—	—	—	1.22
Total	$0.32	$0.22	$0.75	$1.71
Diluted net income per Common Unit:				
Continuing operations attributable to common unitholders	$0.32	$0.22	$0.75	$0.49
Discontinued operations attributable to common unitholders	—	—	—	1.21

Total	$0.32	$0.22	$0.75	$1.70
Weighted average number of Common Units outstanding	355,351	348,760	351,840	348,595
Weighted average number of Common Units and potential dilutive securities	358,981	352,150	355,405	352,013
Comprehensive income:				
Net income	$113,159	$77,208	$267,098	$597,342
Other comprehensive loss:				
Amortization of interest contracts	(255)	(274)	(845)	(837)
Other	(23)	—	(23)	(123)
Total other comprehensive loss	(278)	(274)	(868)	(960)
Comprehensive income	$112,881	$76,934	$266,230	$596,382

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the nine months ended September 30,
(in thousands)
(Unaudited)

	2016	2015
Cash flows from operating activities:		
Net income	$267,098	$597,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of buildings and tenant improvements	191,554	192,135
Amortization of deferred leasing and other costs	47,093	51,517
Amortization of deferred financing costs	3,998	5,543
Straight-line rental income and expense, net	(10,832)	(18,498)
Impairment charges	15,098	7,896
Loss on debt extinguishment	8,673	82,589
Gain on dissolution of unconsolidated company	(30,697)	—
Gains on land and depreciated property sales	(140,512)	(644,044)
Third-party construction contracts, net	5,601	(3,805)
Other accrued revenues and expenses, net	14,773	6,949
Operating distributions received (less than) in excess of equity in earnings from unconsolidated companies	(24,476)	414
Net cash provided by operating activities	347,371	278,038
Cash flows from investing activities:		
Development of real estate investments	(308,199)	(221,201)
Acquisition of real estate investments and related intangible assets	(16,029)	(28,849)
Acquisition of undeveloped land	(77,593)	(39,881)
Second generation tenant improvements, leasing costs and building improvements	(39,169)	(45,688)
Other deferred leasing costs	(25,949)	(26,940)
Other assets	164,450	(38,104)
Proceeds from land and depreciated property sales, net	369,118	1,534,177
Capital distributions from unconsolidated companies	52,514	68,915
Capital contributions and advances to unconsolidated companies	(54,853)	(55,020)
Net cash provided by investing activities	64,290	1,147,409
Cash flows from financing activities:		
Contributions from the General Partner	217,513	4,772
Proceeds from unsecured debt	375,000	—
Payments on unsecured debt	(285,339)	(759,948)
Payments on secured indebtedness including principal amortization	(352,723)	(221,085)
Repayments of line of credit, net	(71,000)	(106,000)
Distributions to common unitholders	(189,764)	(177,815)
Contributions from (distributions to) noncontrolling interests, net	(76)	445
Change in book overdrafts	(11,025)	(7,754)
Deferred financing costs	(6,569)	(110)
Net cash used for financing activities	(323,983)	(1,267,495)
Net increase in cash and cash equivalents	87,678	157,952
Cash and cash equivalents at beginning of period	22,533	17,922
Cash and cash equivalents at end of period	$110,211	$175,874
Non-cash investing and financing activities:		
Mortgage notes receivable from buyers in property sales	$1,685	$204,428

Conversion of Limited Partner Units to common shares of the General Partner	$1,015	$2,416

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
For the nine months ended September 30, 2016
(in thousands, except per unit data)
(Unaudited)

	Common Unitholders					
	General Partner's Common Equity	Limited Partners' Common Equity	Accumulated Other Comprehensive Income	Total Partners' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2015	$3,180,126	$20,032	$ 1,806	$3,201,964	$ 2,837	$3,204,801
Net income	264,388	2,670	—	267,058	40	267,098
Other comprehensive loss	—	—	(868)	(868)	—	(868)
Capital contribution from the General Partner	217,513	—	—	217,513	—	217,513
Stock-based compensation plan activity	5,548	4,670	—	10,218	—	10,218
Conversion of Limited Partner Units to common shares of the General Partner	1,015	(1,015)	—	—	—	—
Distributions to Partners ($0.54 per Common Unit)	(187,885)	(1,879)	—	(189,764)	—	(189,764)
Distributions to noncontrolling interests	—	—	—	—	(76)	(76)
Balance at September 30, 2016	$3,480,705	$24,478	$ 938	$3,506,121	$ 2,801	$3,508,922

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY CORPORATION AND DUKE REALTY LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General Basis of Presentation

The interim consolidated financial statements included herein have been prepared by the General Partner and the Partnership. The 2015 year-end consolidated balance sheet data included in this Report was derived from the audited financial statements in the combined Annual Report on Form 10-K of the General Partner and the Partnership for the year ended December 31, 2015 (the "2015 Annual Report"), but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). The financial statements have been prepared in accordance with GAAP for interim financial information and in accordance with Rule 10-01 of Regulation S-X of the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses during the reporting period. Our actual results could differ from those estimates and assumptions. These financial statements should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included herein and the consolidated financial statements and notes thereto included in the 2015 Annual Report.

The General Partner was formed in 1985, and we believe that it qualifies as a REIT under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"). The Partnership was formed on October 4, 1993, when the General Partner contributed all of its properties and related assets and liabilities, together with the net proceeds from an offering of additional shares of its common stock, to the Partnership. Simultaneously, the Partnership completed the acquisition of Duke Associates, a full-service commercial real estate firm operating in the Midwest whose operations began in 1972.

The General Partner is the sole general partner of the Partnership, owning approximately 99.0% of the Common Units at September 30, 2016. The remaining 1.0% of the Common Units are owned by limited partners. As the sole general partner of the Partnership, the General Partner has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Partnership. The General Partner and the Partnership are operated as one enterprise. The management of the General Partner consists of the same members as the management of the Partnership. As the sole general partner with control of the Partnership, the General Partner consolidates the Partnership for financial reporting purposes, and the General Partner does not have any significant assets other than its investment in the Partnership. Therefore, the assets and liabilities of the General Partner and the Partnership are substantially the same.

Limited Partners have the right to redeem their Limited Partner Units, subject to certain restrictions. Pursuant to the Fifth Amended and Restated Agreement of Limited Partnership, as amended (the "Partnership Agreement"), the General Partner is obligated to redeem the Limited Partner Units in shares of its common stock, unless it determines in its reasonable discretion that the issuance of shares of its common stock could cause it to fail to qualify as a REIT. Each Limited Partner Unit shall be redeemed for one share of the General Partner's common stock, or, in the event that the issuance of shares could cause the General Partner to fail to qualify as a REIT, cash equal to the fair market value of one share of the General Partner's common stock at the time of redemption, in each case, subject to certain adjustments described in the Partnership Agreement. The Limited Partner Units are not required, per the terms of the Partnership Agreement, to be redeemed in registered shares of the General Partner.

As of September 30, 2016, we owned and operated a portfolio consisting primarily of industrial and medical office properties and provided real estate services to third-party owners. Substantially all of our Rental Operations (see Note 10) are conducted through the Partnership. We conduct our Service Operations (see Note 10) through Duke Realty Services, LLC, Duke Realty Services Limited Partnership and Duke Construction Limited Partnership ("DCLP"), which are consolidated entities that are 100% owned by a combination of the General Partner and the Partnership. DCLP is owned through a taxable REIT subsidiary. The consolidated financial statements include our accounts and the accounts of our majority-owned or controlled subsidiaries.

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2. New Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing GAAP revenue recognition guidance as well as impact the existing GAAP guidance governing the sale of nonfinancial assets. The standard’s core principle is that a company will recognize revenue when it satisfies performance obligations, by transferring promised goods or services to customers, in an amount that reflects the consideration to which an entity expects to be entitled in exchange for fulfilling those performance obligations. ASU 2014-09 will be effective for public entities for annual and interim reporting periods beginning after December 15, 2017 and early adoption is permitted in periods ending after December 15, 2016. ASU 2014-09 allows for either full or modified retrospective adoption.

We have begun to evaluate each of our revenue streams under the new standard and the pattern of recognition is not expected to change significantly. Additionally, we have primarily disposed of property and land in all cash transactions with no contingencies and no future involvement in the operations, and therefore, do not expect the new standard to significantly impact the recognition of property and land sales. We have not yet selected a transition method.

Consolidation

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis ("ASU 2015-02"). ASU 2015-02 made targeted amendments to the current consolidation guidance and ended the deferral granted to investment companies from applying the existing variable interest entity ("VIE") guidance. ASU 2015-02 was effective for public entities for annual and interim reporting periods beginning after December 15, 2015. We adopted ASU 2015-02 during the three months ended March 31, 2016, and it has not had a significant impact on our consolidated financial statements.

Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). ASU 2015-03 required that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 was effective for us retrospectively for financial statements issued for annual and interim reporting periods beginning after December 15, 2015. We adopted ASU 2015-03 during the three months ended March 31, 2016.

Debt issuance costs related to the Partnership's unsecured line of credit continue to be presented as assets in the consolidated balance sheets, as part of escrow deposits and other assets, pursuant to ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements.

Business Combinations

In September 2015, the FASB issued ASU 2015-16, Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). ASU 2015-16 amended the retroactive requirement to apply adjustments made to provisional amounts recognized in a business combination. The update required that the acquirer record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. ASU 2015-16 was effective for annual and interim periods beginning after December 15, 2015. We adopted ASU 2015-16 during the three months ended March 31, 2016 and it has not had a significant impact on our consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). ASU 2016-02 supersedes existing leasing standards.

ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. ASU 2016-02 requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 also requires that lessors expense certain initial direct costs, which are capitalizable under existing leasing standards, as incurred.

ASU 2016-02 is effective for us retrospectively for annual and interim reporting periods beginning after December 15, 2018, with early adoption permitted. A set of practical expedients for implementation, which must be elected as a package and for all leases, may also be elected. These practical expedients include relief from re-assessing lease classification at the adoption date for expired or existing leases, although a right-of-use asset and lease liability would still be recorded for such leases. We are currently assessing the method of adoption and the impact that ASU 2016-02 will have on our consolidated financial statements.

Stock Based Compensation

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Accounting ("ASU 2016-09"). ASU 2016-09 requires that all excess tax benefits and tax deficiencies related to stock based compensation arrangements must be recognized in the income statement as they occur as opposed to the current guidance where excess tax benefits are recorded in equity. ASU 2016-09 also allows entities to make an accounting policy election to either continue to estimate forfeitures on stock based compensation arrangements or to account for forfeitures as they occur. ASU 2016-09 is effective for annual and interim reporting periods beginning after December 15, 2016 with early adoption permitted. We do not believe ASU 2016-09 will have a material impact on our consolidated financial statements.

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows ("ASU 2016-15"). ASU 2016-15 clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows and how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. ASU 2016-15 is effective for us retrospectively for annual and interim reporting periods beginning after December 15, 2017 with early adoption permitted. We do not believe ASU 2016-15 will have a material impact on our consolidated financial statements.

3. Reclassifications

Certain amounts in the accompanying consolidated financial statements for 2015, including the change in presentation of deferred financing costs pursuant to ASU 2015-03, have been reclassified to conform to the 2016 consolidated financial statement presentation.

4. Variable Interest Entities

Partnership

As the result of the adoption of ASU 2015-02, which stipulates that limited partnerships (and similar entities) where the limited partners do not have substantive participating or kick-out rights are VIEs, we determined that the Partnership is a VIE. Prior to the adoption of ASU 2015-02, the General Partner consolidated the Partnership pursuant to the voting interest model. We concluded that, because it holds majority ownership and exercises control over every aspect of the Partnership's operations, the General Partner is the primary beneficiary of the Partnership and, as such, will continue to consolidate the Partnership.

The assets and liabilities of the General Partner and the Partnership are substantially the same, as the General Partner does not have any significant assets other than its investment in the Partnership. All of the Company's debt is also an obligation of the Partnership.

Unconsolidated Joint Ventures

We have equity interests in unconsolidated joint ventures that primarily own and operate rental properties or hold land for development. We consolidate those joint ventures that are considered to be VIEs where we are the primary beneficiary. We analyze our investments in joint ventures to determine if the joint venture is considered a VIE and would require consolidation. We (i) evaluate the sufficiency of the total equity investment at risk, (ii) review the voting rights and decision-making authority of the equity investment holders as a group and whether there are limited partners (or similar owning entities) that lack substantive participating or kick out rights, guaranteed returns, protection against losses, or capping of residual returns within the group and (iii) establish whether activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination. To the extent that we own interests in a VIE and we (i) are the sole entity that has the power to direct the activities of the VIE and (ii) have the obligation or rights to absorb the VIE's losses or receive its benefits, then we would be determined to be the primary beneficiary and would consolidate the VIE. To the extent we own interests in a VIE, then at each reporting period, we re-assess our conclusions as to which, if any, party within the VIE is considered the primary beneficiary.

There were no unconsolidated joint ventures, in which we have any recognized assets or liabilities or have retained any economic exposure to loss at September 30, 2016 that met the criteria to be considered VIEs. Our maximum loss exposure for guarantees of joint venture indebtedness, none of which relate to VIEs, totaled $52.7 million at September 30, 2016.

5. Acquisitions and Dispositions

Acquisitions and dispositions for the periods presented were completed in accordance with our strategy to reposition our investment concentration among the product types and markets in which we operate. The results of operations for all acquired properties have been included in continuing operations within our consolidated financial statements since their respective dates of acquisition.

Acquisitions

We acquired two properties during the nine months ended September 30, 2016, which included a property received as part of a non-cash distribution in connection with the dissolution of an unconsolidated joint venture. The following table summarizes amounts recognized for each major class of asset and liability (in thousands) for these acquisitions during the nine months ended September 30, 2016:

Real estate assets	$72,824
Lease related intangible assets	6,427
Fair value of acquired net assets	$79,251

Acquired leases had an average remaining life at acquisition of approximately 8.9 years.

We have included $2.1 million in rental revenues and a net loss of $28,000 in continuing operations during the nine months ended September 30, 2016 for the properties since their respective dates of acquisition.

Distribution of Joint Venture Properties

Included in our property acquisitions for the nine months ended September 30, 2016 was an industrial property that we received as part of a non-cash distribution of properties from Duke/Hulfish LLC ("Duke/Hulfish"), a 20%

owned unconsolidated joint venture. On June 30, 2016, as part of a plan of dissolution, Duke/Hulfish distributed its ownership in seven properties to our partner in the joint venture while distributing its ownership interest in one property to us. We also received $2.8 million in cash from the joint venture in order to balance the value of the distributions received in accordance with the applicable ownership percentages. As the result of this dissolution transaction, we recognized a gain equal to the excess of the fair value of the one property distributed to us, plus the cash that we received, over the carrying value of our 20% investment in the eight properties that were distributed from Duke/Hulfish (both to us and our partner). The computation of this gain is shown as follows (in thousands):

Fair value of one property received in non-cash distribution	$63,000
Cash received at dissolution	2,760
Carrying value of investment in properties distributed to partners	(35,063)
Gain on dissolution of unconsolidated company	$30,697

In connection with the dissolution of Duke/Hulfish, and the sale of its final property to a third party in July 2016, we recognized promote income (additional incentive-based cash distributions from the joint venture, in excess of our 20% ownership interest) totaling $26.3 million for the nine months ended September 30, 2016.

Fair Value Measurements

The fair value estimates used in allocating the aggregate purchase price of an acquisition, to the extent accounted for as a business combination, among the individual components of real estate assets and liabilities were determined primarily through calculating the "as-if vacant" value of a building, using the income approach, and relied significantly upon internally determined assumptions. We have determined that these estimates primarily rely upon level 3 inputs, which are unobservable inputs based on our own assumptions. The most significant assumptions utilized in making the lease-up and future disposition estimates used in calculating the "as-if vacant" value for acquisition activity during the nine months ended September 30, 2016 are as follows:

	Low	High
Discount rate	7.46%	8.10%
Exit capitalization rate	6.46%	6.96%
Lease-up period (months)	12	12
Net rental rate per square foot - Industrial	$3.39	$3.39
Net rental rate per square foot - Medical Office	$15.40	$15.40

Acquisition-Related Activity

The acquisition-related activity in our consolidated Statements of Operations and Comprehensive Income consisted of adjustments to the fair value of contingent consideration from acquisitions after the measurement period was complete and transaction costs for completed acquisitions.

Dispositions

Dispositions of buildings (see Note 11 for the number of buildings sold as well as for their classification between continuing and discontinued operations) and undeveloped land generated net cash proceeds of $369.1 million and $1.53 billion during the nine months ended September 30, 2016 and 2015, respectively.

6. Indebtedness

All debt is held directly or indirectly by the Partnership. The General Partner does not have any indebtedness, but does guarantee some of the unsecured debt of the Partnership. The following table summarizes the book value and changes in the fair value of our debt (in thousands):

	Book Value at 12/31/2015	Book Value at 9/30/2016	Fair Value at 12/31/2015	Issuances and Assumptions	Payments/Payoffs	Adjustments to Fair Value	Fair Value at 9/30/2016
Fixed rate secured debt	$736,896	$384,025	$789,095	$ —	$ (352,382)	$ (11,765)	$424,948
Variable rate secured debt	3,100	2,800	3,100	—	(300)	—	2,800
Unsecured debt	2,530,743	2,628,980	2,624,795	375,000	(276,764)	93,015	2,816,046
Unsecured line of credit	71,000	—	70,852	—	(71,000)	148	—
Total	$3,341,739	$3,015,805	$3,487,842	$ 375,000	$ (700,446)	$ 81,398	$3,243,794
Less: Deferred financing costs	21,598	24,754					
Total indebtedness as reported on the consolidated balance sheets	$3,320,141	$2,991,051					

Secured Debt

Because our fixed rate secured debt is not actively traded in any marketplace, we utilized a discounted cash flow methodology to determine its fair value. Accordingly, we calculated fair value by applying an estimate of the current market rate to discount the debt's remaining contractual cash flows. Our estimate of a current market rate, which is the most significant input in the discounted cash flow calculation, is intended to replicate debt of similar maturity and loan-to-value relationship. The estimated rates ranged from 2.50% to 3.30%, depending on the attributes of the specific loans. The current market rates we utilized were internally estimated; therefore, we have concluded that our determination of fair value for our fixed rate secured debt was primarily based upon level 3 inputs.

During the nine months ended September 30, 2016, we repaid five loans, totaling $346.4 million, which had a weighted average stated rate of 5.90%.

Unsecured Debt

At September 30, 2016, with the exception of one variable rate term note, all of our unsecured debt bore interest at fixed rates and primarily consisted of unsecured notes that are publicly traded. We utilized broker estimates in estimating the fair value of our fixed rate unsecured debt. Our unsecured notes are thinly traded and, in certain cases, the broker estimates were not based upon comparable transactions. The broker estimates took into account any recent trades within the same series of our fixed rate unsecured debt, comparisons to recent trades of other series of our fixed rate unsecured debt, trades of fixed rate unsecured debt from companies with profiles similar to ours, as well as overall economic conditions. We reviewed these broker estimates for reasonableness and accuracy, considering whether the estimates were based upon market participant assumptions within the principal and most advantageous market and whether any other observable inputs would be more accurate indicators of fair value than the broker estimates. We concluded that the broker estimates were representative of fair value. We have determined that our estimation of the fair value of our fixed rate unsecured debt was primarily based upon level 3 inputs. The estimated trading values of our fixed rate unsecured debt, depending on the maturity and coupon rates, ranged from 103.00% to 137.00% of face value.

During the nine months ended September 30, 2016, we issued $375.0 million of senior unsecured notes that bear interest at a stated interest rate of 3.25%, have an effective interest rate of 3.36%, and mature on June 30, 2026. A portion of these proceeds were used to repurchase, through a tender offer, $72.0 million of our 5.95% senior unsecured notes due February 2017 ("5.95% Senior Unsecured Notes"), for a cash payment of $74.5 million in June 2016. In July 2016, we redeemed the remaining $203.0 million of 5.95% Senior Unsecured Notes for a cash payment of $209.0 million. Together, the repurchase and the redemption resulted in an $8.7 million loss on debt extinguishment, which included repurchase premiums, redemption premiums and the write-off of unamortized deferred financing costs.

We utilize a discounted cash flow methodology in order to estimate the fair value of our $250.0 million variable rate term loan. Our estimate of the current market rate for our variable rate term loan was 1.68% and was based primarily upon level 3 inputs. To the extent that credit spreads have changed since the origination of this term loan,

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the net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate would represent the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate, considering current market conditions and our specific credit profile, at which we estimate we could obtain similar borrowings. As our credit spreads have not changed appreciably, we believe that the contractual interest rate and the current market rate on the term loan are the same.

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 at September 30, 2016.

Unsecured Line of Credit

Our unsecured line of credit at September 30, 2016 is described as follows (in thousands):

Description	Maximum Capacity	Maturity Date	Outstanding Balance at September 30, 2016
Unsecured Line of Credit - Partnership	$1,200,000	January 2019	$ —

The Partnership's unsecured line of credit has an interest rate on borrowings of LIBOR plus 1.05% and a maturity date of January 2019 (with extension options that could extend the maturity date to January 2020). Subject to certain conditions, the terms also include an option to increase the facility by up to an additional $400.0 million, for a total of up to $1.60 billion. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line at rates that may be lower than the stated interest rate, subject to certain restrictions.

This line of credit contains financial covenants that require us to meet certain financial ratios and defined levels of performance, including those related to fixed charge coverage, unsecured interest expense coverage and debt-to-asset value (with asset value being defined in the Partnership's unsecured line of credit agreement). At September 30, 2016, we were in compliance with all covenants under this line of credit.

To the extent that there are outstanding borrowings, we utilize a discounted cash flow methodology in order to estimate the fair value of our unsecured line of credit. To the extent that credit spreads have changed since the origination of the line of credit, the net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate would represent the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate, considering current market conditions and our specific credit profile, at which we estimate we could obtain similar borrowings. As our credit spreads have not changed appreciably, we believe that the contractual interest rate and the current market rate on the line of credit are the same. To the extent there are outstanding borrowings, this current market rate is internally estimated and therefore would be primarily based upon a level 3 input.

7. Shareholders' Equity of the General Partner and Partners' Capital of the Partnership

General Partner

During the nine months ended September 30, 2016, the General Partner issued 8.3 million common shares pursuant to its at the market ("ATM") equity program, generating gross proceeds of approximately $216.2 million and, after deducting commissions and other costs, net proceeds of approximately $213.6 million. The proceeds from these offerings were contributed to the Partnership and used to fund development activities and loan repayments.

Partnership

For each common share or preferred share that the General Partner issues, the Partnership issues a corresponding General Partner Unit or Preferred Unit, as applicable, to the General Partner in exchange for the contribution of the proceeds from the stock issuance. Similarly, when the General Partner redeems or repurchases common shares or preferred shares, the Partnership redeems the corresponding Common Units or Preferred Units held by the General Partner at the same price.

8. Related Party Transactions

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Management fees	$1,035	$1,835	$3,585	$5,388
Leasing fees	629	692	2,061	1,714
Construction and development fees	1,307	2,247	6,666	3,377

9. Net Income Per Common Share or Common Unit

Basic net income per common share or Common Unit is computed by dividing net income attributable to common shareholders or common unitholders, less dividends or distributions on share-based awards expected to vest (referred to as "participating securities" and primarily composed of unvested restricted stock units), by the weighted average number of common shares or Common Units outstanding for the period.

Diluted net income per common share is computed by dividing the sum of basic net income attributable to common shareholders and the noncontrolling interest in earnings allocable to Limited Partner Units (to the extent the Limited Partner Units are dilutive) by the sum of the weighted average number of common shares outstanding and, to the extent they are dilutive, units outstanding and any potential dilutive securities for the period. Diluted net income per Common Unit is computed by dividing the basic net income attributable to common unitholders by the sum of the weighted average number of Common Units outstanding and any potential dilutive securities for the period. The following table reconciles the components of basic and diluted net income per common share or Common Unit (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
General Partner				
Net income attributable to common shareholders	$112,014	$76,434	$264,388	$591,058
Less: Dividends on participating securities	(580)	(593)	(1,751)	(1,803)
Basic net income attributable to common shareholders	111,434	75,841	262,637	589,255
Add back dividends on dilutive participating securities	580	593	1,751	1,803
Noncontrolling interest in earnings of common unitholders	1,131	751	2,670	6,212
Diluted net income attributable to common shareholders	$113,145	$77,185	$267,058	$597,270
Weighted average number of common shares outstanding	351,856	345,256	348,341	344,986
Weighted average Limited Partner Units outstanding	3,495	3,504	3,499	3,609
Other potential dilutive shares	3,630	3,390	3,565	3,418
Weighted average number of common shares and potential dilutive securities	358,981	352,150	355,405	352,013
Partnership				
Net income attributable to common unitholders	$113,145	$77,185	$267,058	$597,270
Less: Distributions on participating securities	(580)	(593)	(1,751)	(1,803)
Basic net income attributable to common unitholders	$112,565	$76,592	$265,307	$595,467
Add back distributions on dilutive participating securities	580	593	1,751	1,803
Diluted net income attributable to common unitholders	$113,145	$77,185	$267,058	$597,270
Weighted average number of Common Units outstanding	355,351	348,760	351,840	348,595
Other potential dilutive units	3,630	3,390	3,565	3,418
Weighted average number of Common Units and potential dilutive securities	358,981	352,150	355,405	352,013

The following table summarizes the potentially dilutive shares or units excluded from the computation of net income per common share or Common Unit as a result of being anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
General Partner and Partnership				
Potential dilutive shares or units:				
Anti-dilutive outstanding potential shares or units under fixed stock option and other stock-based compensation plans	170	997	170	997
Outstanding participating securities	—	—	—	—

10. Segment Reporting

Reportable Segments

We had three reportable operating segments at September 30, 2016, the first two of which consist of the ownership and rental of (i) industrial and (ii) medical office real estate investments. Beginning in 2016, our office properties are no longer presented as a separate reportable segment, as they no longer meet the quantitative thresholds for separate presentation, and are referred to as part of our non-reportable Rental Operations. The operations of our industrial and medical office properties as well as our non-reportable Rental Operations, are collectively referred to as "Rental Operations." Our third reportable segment consists of various real estate services such as property management, asset management, maintenance, leasing, development, general contracting and construction management to third-party property owners and joint ventures, and is collectively referred to as "Service Operations." Our reportable segments offer different products or services and are managed separately because each segment requires different operating strategies and management expertise.

Revenues by Reportable Segment

The following table shows the revenues for each of the reportable segments, as well as a reconciliation to consolidated revenues (in thousands):

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Rental Operations:				
Industrial	$149,746	$136,276	$432,945	$419,391
Medical Office	45,353	39,911	130,713	120,213
Non-reportable Rental Operations	10,065	23,277	38,490	72,103
Service Operations	19,351	33,599	68,546	110,320
Total segment revenues	224,515	233,063	670,694	722,027
Other revenue	1,684	1,474	7,023	5,842
Consolidated revenue from continuing operations	226,199	234,537	677,717	727,869
Discontinued operations	380	7	735	32,171
Consolidated revenue	$226,579	$234,544	$678,452	$760,040

Supplemental Performance Measure

Property-level net operating income on a cash basis ("PNOI") is the non-GAAP supplemental performance measure that we use to evaluate the performance of, and to allocate resources among, the real estate investments in the reportable and operating segments that comprise our Rental Operations. PNOI for our Rental Operations segments is comprised of rental revenues from continuing operations less rental expenses and real estate taxes from continuing operations, along with certain other adjusting items (collectively referred to as "Rental Operations revenues and expenses excluded from PNOI," as shown in the following table). Additionally, we do not allocate interest expense, depreciation expense and certain other non-property specific revenues and expenses (collectively referred to as "Non-Segment Items," as shown in the following table) to our individual operating segments.

We evaluate the performance of our Service Operations reportable segment using net income or loss, as allocated to that segment ("Earnings from Service Operations").

The following table shows a reconciliation of our segment-level measures of profitability to consolidated income from continuing operations before income taxes (in thousands and excluding discontinued operations):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
PNOI				
Industrial	$109,350	$96,966	$314,349	$285,087
Medical Office	29,401	25,827	84,822	76,878
Non-reportable Rental Operations	4,083	4,636	12,273	14,100
PNOI, excluding all sold/held-for-sale properties	142,834	127,429	411,444	376,065
PNOI from sold/held-for-sale properties included in continuing operations	1,840	12,136	16,512	46,635
PNOI, continuing operations	$144,674	$139,565	$427,956	$422,700
Earnings from Service Operations	2,169	3,905	8,216	11,865
Rental Operations revenues and expenses excluded from PNOI:				
Straight-line rental income and expense, net	5,008	5,723	10,832	16,830
Revenues related to lease buyouts	1,491	408	1,725	1,366
Amortization of lease concessions and above and below market rents	(303)	(357)	(1,361)	(2,559)
Intercompany rents and other adjusting items	(27)	(434)	(246)	(1,306)
Non-Segment Items:				
Equity in earnings (loss) of unconsolidated companies	12,010	(5,088)	37,404	16,281
Gain on dissolution of unconsolidated company	—	—	30,697	—
Promote income	2,212	—	26,299	—
Interest expense	(34,606)	(41,615)	(109,520)	(134,576)
Depreciation and amortization expense	(80,688)	(79,898)	(238,647)	(240,135)
Gain on sale of properties	82,698	71,259	137,589	202,153
Impairment charges on non-depreciable properties	(3,042)	(2,426)	(15,098)	(7,896)
Interest and other income, net	507	1,343	3,597	3,056
General and administrative expenses	(12,534)	(11,340)	(42,216)	(47,582)
Gain on land sales	1,601	1,659	2,438	24,096
Other operating expenses	(1,424)	(1,467)	(3,496)	(4,579)
(Loss) gain on extinguishment of debt	(6,243)	64	(8,673)	(82,589)
Acquisition-related activity	(7)	(5,660)	(82)	(6,993)
Other non-segment revenues and expenses, net	(1,392)	(1,806)	(1,715)	(2,065)
Income from continuing operations before income taxes	$112,104	$73,835	$265,699	$168,067

The most comparable GAAP measure to PNOI is income from continuing operations before income taxes. PNOI excludes expenses that materially impact our overall results of operations and, therefore, should not be considered as a substitute for income from continuing operations before income taxes or any other measures derived in accordance with GAAP. Furthermore, PNOI may not be comparable to other similarly titled measures of other companies.

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Assets by Reportable Segment

The assets for each of the reportable segments were as follows (in thousands):

	September 30, 2016	December 31, 2015
Assets		
Rental Operations:		
Industrial	$ 4,712,532	$ 4,552,107
Medical Office	1,319,955	1,269,546
Non-reportable Rental Operations	214,130	367,469
Service Operations	129,775	137,257
Total segment assets	6,376,392	6,326,379
Non-segment assets	485,689	569,136
Consolidated assets	$ 6,862,081	$ 6,895,515

11. Discontinued Operations, Assets Held-for-Sale and Impairments

Discontinued Operations

The following table illustrates the number of sold or held-for-sale properties included in, or excluded from, discontinued operations:

	Held-for-Sale at September 30, 2016	Sold Year-to-Date in 2016	Sold in 2015	Total
Industrial	0	0	5	5
Medical Office	0	0	1	1
Non-reportable Rental Operations	0	0	56	56
Total properties included in discontinued operations	0	0	62	62
Properties excluded from discontinued operations	1	22	91	114
Total properties sold or classified as held-for-sale	1	22	153	176

For the properties that were classified in discontinued operations, we allocated interest expense to discontinued operations and have included such interest expense in computing income from discontinued operations. Interest expense allocable to discontinued operations includes interest on any secured debt for properties included in discontinued operations and an allocable share of our consolidated unsecured interest expense for unencumbered properties. The allocation of unsecured interest expense to discontinued operations was based upon the gross book value of the unencumbered real estate assets included in discontinued operations as it related to the total gross book value of our unencumbered real estate assets. There were no additional properties classified as discontinued operations during the nine months ended September 30, 2016 and, as such, no interest expense was allocated to discontinued operations during that period.

The following table illustrates the operational results of the buildings reflected in discontinued operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	$380	$7	$735	$32,171
Operating expenses	(3)	(50)	6	(12,449)
Depreciation and amortization	—	—	—	(3,517)
Operating income	377	(43)	741	16,205
Interest expense	—	—	—	(5,659)
Income before gain on sales	377	(43)	741	10,546
Gain on sale of depreciable properties	319	66	485	417,795
Income from discontinued operations before income taxes	696	23	1,226	428,341
Income tax expense	—	45	—	(3,175)
Income from discontinued operations	$696	$68	$1,226	$425,166

We had no capital expenditures for the nine months ended September 30, 2016 and $7.4 million for the nine months ended September 30, 2015 related to properties classified within discontinued operations.

Allocation of Noncontrolling Interests - General Partner

The following table illustrates the General Partner's share of the income attributable to common shareholders from continuing operations and discontinued operations, reduced by the allocation of income between continuing and discontinued operations to the Limited Partner Units (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Income from continuing operations attributable to common shareholders	$111,325	$76,367	$263,174	$170,294
Income from discontinued operations attributable to common shareholders	689	67	1,214	420,764
Net income attributable to common shareholders	$112,014	$76,434	$264,388	$591,058

Allocation of Noncontrolling Interests - Partnership

Substantially all of the income from discontinued operations for all periods presented in the Partnership's Consolidated Statements of Operations and Comprehensive Income is attributable to the common unitholders.

Properties Held-for-Sale

At September 30, 2016, one in-service property and 14 acres of undeveloped land were classified as held-for-sale but did not meet the criteria to be classified within discontinued operations. The following table illustrates aggregate balance sheet information for all held-for-sale properties (in thousands):

	Held-for-Sale Properties Included in Continuing Operations	
	September 30, 2016	December 31, 2015
Land and improvements	$5,142	$9,797
Buildings and tenant improvements	6,032	39,480
Undeveloped land	9,939	—
Accumulated depreciation	(3,763)	(7,183)
Deferred leasing and other costs, net	419	3,293
Other assets	415	414
Total assets held-for-sale	$18,184	$45,801

Accrued expenses	$150	$322
Other liabilities	88	650
Total liabilities held-for-sale	$238	$972

Impairment Charges

The following table illustrates impairment charges recognized (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Impairment charges - land	$—	$2,426	$12,056	$7,032
Impairment charges - building	3,042	—	3,042	864
Impairment charges	$3,042	$2,426	$15,098	$7,896

As the result of changes in our intended use or plans for sale of certain of our undeveloped land holdings, we recognized land impairment charges of $12.1 million for the nine months ended September 30, 2016. The various land holdings written down to fair value totaled 174 acres. The fair value of the land upon which we recognized impairment charges was estimated based on asset-specific offers to purchase and comparable transactions. Our valuation estimates primarily relied upon level 3 inputs.

12. Subsequent Events

Declaration of Dividends/Distributions

The General Partner's board of directors declared the following dividends/distributions at its regularly scheduled board meeting held on October 19, 2016:

Class of stock/units	Quarterly Amount per Share or Unit	Record Date	Payment Date
Common - Quarterly	$0.19	November 16, 2016	November 30, 2016

Debt Extinguishment

On October 20, 2016, we redeemed $129.5 million in unsecured notes that had a scheduled maturity in August of 2019. We will recognize a net loss on the extinguishment of these notes in the fourth quarter totaling approximately $25.0 million, which is comprised of a make-whole payment to the bondholders as well as the write-off of unamortized deferred financing costs.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand our operations and our present business environment. Management's Discussion and Analysis is provided as a supplement to and should be read in conjunction with our consolidated financial statements and the notes thereto, contained in Part I, Item I of this Report and the consolidated financial statements and notes thereto, contained in Part IV, Item 15 of our 2015 Annual Report.

Cautionary Notice 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 of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "estimate," "expect," "anticipate," "intend," "plan," "seek," "may," "could" and similar expressions or statements regarding future periods are intended to identify forward-looking statements, although not all forward-looking statements contain such words.

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. 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 the financial condition of our tenants and the value of our real estate assets;
- The General Partner's continued qualification as a REIT for U.S. federal income tax purposes;
- Heightened competition for tenants and potential decreases in property occupancy;
- Potential changes in the financial markets and interest rates;
- Volatility in the General Partner's stock price and trading volume;
- Our continuing ability to raise funds on favorable terms, or at all;
- Our ability to successfully identify, acquire, develop and/or manage properties on terms that are favorable to us;
- Potential increases in real estate construction costs;
- Our ability to successfully dispose of properties on terms that are favorable to us, including, without limitation, through one or more transactions that are consistent with our previously disclosed strategic plans;
- Our ability to retain our current credit ratings;
- Inherent risks in the real estate business, including, but not limited to, tenant defaults, potential liability relating to environmental matters and liquidity of real estate investments; and
- Other risks and uncertainties described herein, as well as those risks and uncertainties discussed from time to time in our other reports and other public filings with the Securities and Exchange Commission (the "SEC").

Although we presently believe that the plans, expectations and anticipated results expressed in or suggested by the forward-looking statements contained or incorporated by reference into this Report are reasonable, all forward-looking statements are inherently subjective, uncertain and subject to change, as they involve substantial risks and uncertainties, including those 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.

The above list of risks and uncertainties 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 in our 2015 Annual Report. The risk factors contained in our Annual Report are updated by us from time to time in Quarterly Reports on Form 10-Q and other public filings.

Business Overview

The General Partner is a self-administered and self-managed REIT that began operations in 1986 and is the sole general partner of the Partnership. The Partnership is a limited partnership formed in 1993, at which time all of the properties and related assets and liabilities of the General Partner, as well as proceeds from a secondary offering of the General Partner's common shares, were contributed to the Partnership. Simultaneously, the Partnership completed the acquisition of Duke Associates, a full-service commercial real estate firm operating in the Midwest whose operations began in 1972. We operate the General Partner and the Partnership as one enterprise, and therefore, our discussion and analysis refers to the General Partner and its consolidated subsidiaries, including the Partnership, collectively. A more complete description of our business, and of management's philosophy and priorities, is included in our 2015 Annual Report.

At September 30, 2016, we:

- Owned or jointly controlled 566 primarily industrial and medical office properties, of which 545 properties with 131.9 million square feet were in service and 21 properties with 7.2 million square feet were under development. The 545 in-service properties were comprised of 486 consolidated properties with 118.6 million square feet and 59 jointly controlled unconsolidated properties with 13.3 million square feet. The 21 properties under development consisted of 20 consolidated properties with 6.5 million square feet and one jointly controlled unconsolidated property with 708,000 square feet.
- Owned directly, or through ownership interests in unconsolidated joint ventures (with acreage not adjusted for our percentage ownership interest), approximately 2,600 acres of land and controlled approximately 1,600 acres through purchase options.

Our overall strategy is to continue to increase our investment in quality industrial properties in both existing and select new markets and to continue to increase our investment in on-campus or hospital affiliated medical office properties.

We had three reportable operating segments at September 30, 2016, the first two of which consist of the ownership and rental of (i) industrial and (ii) medical office real estate investments. Beginning in 2016, our office properties are no longer presented as a separate reportable segment, as they no longer meet the quantitative thresholds for separate presentation, and are referred to as part of our non-reportable Rental Operations. The operations of our industrial and medical office properties as well as our non-reportable Rental Operations, are collectively referred to as "Rental Operations." The third reportable segment consists of various real estate services such as property management, asset management, maintenance, leasing, development, general contractor and construction management to third-party property owners and joint ventures, and is collectively referred to as "Service Operations." Our reportable segments offer different products or services and are managed separately because each segment requires different operating strategies and management expertise. Our Service Operations segment also includes our taxable REIT subsidiary, a legal entity through which certain of the segment's operations are conducted.

Key Performance Indicators

Our operating results depend primarily upon rental income from our Rental Operations. The following discussion highlights the areas of Rental Operations that we consider critical drivers of future revenues.

Occupancy Analysis

Our ability to maintain high occupancy rates is a principal driver of maintaining and increasing rental revenue. The following table sets forth percent leased and average net effective rent information regarding our in-service portfolio of rental properties, including properties classified within both continuing and discontinued operations, at September 30, 2016 and 2015, respectively:

Type	Total Square Feet (in thousands) 2016	2015	Percent of Total Square Feet 2016	2015	Percent Leased* 2016	2015	Average Annual Net Effective Rent** 2016	2015
Industrial	111,148	105,258	93.7 %	91.7 %	97.5 %	96.7 %	$4.10	$4.02
Medical Office	5,580	5,172	4.7 %	4.5 %	95.0 %	94.8 %	$23.75	$23.13
Non-reportable Rental Operations	1,876	4,407	1.6 %	3.8 %	79.3 %	87.6 %	$14.73	$12.85
Total Consolidated	118,604	114,837	100.0 %	100.0 %	97.1 %	96.3 %	$5.14	$5.18
Unconsolidated Joint Ventures	13,269	19,145			94.8 %	92.8 %	$6.24	$5.33
Total Including Unconsolidated Joint Ventures	131,873	133,982			96.9 %	95.8 %	$5.54	$5.19

* Represents the percentage of total square feet leased based on executed leases and without regard to whether the leases have commenced.

**Represents average annual base rental payments per leased square foot, on a straight-line basis for the term of each lease, from space leased to tenants at the end of the most recent reporting period. This amount excludes additional amounts paid by tenants as reimbursement for operating expenses.

Vacancy Activity

The following table sets forth vacancy activity, shown in square feet, regarding our in-service rental properties, including properties classified within both continuing and discontinued operations, at September 30, 2016, (in thousands):

	Consolidated Properties	Unconsolidated Joint Venture Properties	Total Including Unconsolidated Joint Venture Properties
Vacant square feet at December 31, 2015	4,015	1,310	5,325
Vacant space in completed developments	2,368	359	2,727
Dispositions	(202)	(938)	(1,140)
Expirations	3,984	334	4,318
Early lease terminations	440	42	482
Property structural changes/other	6	—	6
Leasing of previously vacant space	(7,160)	(413)	(7,573)
Vacant square feet at September 30, 2016	3,451	694	4,145

Total Leasing Activity

The initial leasing of development projects or vacant space in acquired properties is referred to as first generation lease activity. The leasing of such space that we have previously held under lease is referred to as second generation lease activity. The total leasing activity for our rental properties, expressed in square feet of leases signed during the period, is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
New Leasing Activity - First Generation	2,394	750	6,721	3,690
New Leasing Activity - Second Generation	594	1,851	3,961	4,031
Renewal Leasing Activity	1,445	1,743	6,993	6,371
Total Consolidated Leasing Activity	4,433	4,344	17,675	14,092
Unconsolidated Joint Venture Leasing Activity	184	106	1,928	1,576
Total Including Unconsolidated Joint Venture Leasing Activity	4,617	4,450	19,603	15,668

New Second Generation Leases

The following table sets forth the estimated costs of tenant improvements and leasing commissions, on a per square foot basis, that we are obligated to fulfill under the new second generation leases signed for our rental properties during the three and nine months ended September 30, 2016 and 2015, respectively:

	Square Feet of New Second Generation Leases Signed (in thousands)		Average Term in Years		Estimated Tenant Improvement Cost per Square Foot		Leasing Commissions per Square Foot	
	2016	2015	2016	2015	2016	2015	2016	2015
Three Months								
Industrial	589	1,833	5.8	5.2	$2.68	$1.86	$2.05	$1.49
Medical Office	3	1	9.6	7.0	$87.58	—	$16.82	$9.37
Non-reportable Rental Operations	2	17	5.9	6.0	$8.25	$18.90	$5.90	$6.96
Total Consolidated	594	1,851	5.8	5.2	$3.13	$2.02	$2.14	$1.55
Nine Months								
Industrial	3,908	3,798	6.8	5.1	$2.49	$2.76	$1.83	$1.70
Medical Office	10	41	7.6	6.5	$35.35	$5.22	$15.18	$5.34
Non-reportable Rental Operations	43	192	7.0	6.0	$10.46	$13.72	$9.92	$6.36
Total Consolidated	3,961	4,031	6.8	5.2	$2.66	$3.30	$1.95	$1.96
Unconsolidated Joint Ventures	346	314	7.4	5.7	$5.15	$6.00	$2.64	$4.82
Total Including Unconsolidated Joint Ventures	4,307	4,345	6.8	5.2	$2.86	$3.50	$2.00	$2.17

Lease Renewals

The following table summarizes our lease renewal activity within our rental properties for the three and nine months ended September 30, 2016 and 2015, respectively:

	Square Feet of Leases Renewed (in thousands)		Percent of Expiring Leases Renewed		Average Term in Years		Growth (Decline) in Net Effective Rents*		Estimated Tenant Improvement Cost per Square Foot		Leasing Commissions per Square Foot	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Three Months												
Industrial	1,377	1,556	66.5 %	73.1%	4.1	4.3	20.9 %	13.9%	$0.58	$0.98	$0.83	$1.25
Medical Office	21	110	62.4 %	95.4%	4.9	10.7	11.0 %	14.3%	$2.00	$18.32	$5.64	$6.36
Non-reportable Rental Operations	47	77	98.5 %	59.7%	5.1	4.7	12.0 %	3.9 %	$1.05	$4.26	$5.67	$3.23
Total Consolidated	1,445	1,743	67.1 %	73.5%	4.1	4.8	19.4 %	13.1%	$0.62	$2.22	$1.06	$1.66
Unconsolidated Joint Ventures	134	106	100.0%	91.9%	4.3	5.1	18.9 %	2.3 %	$3.14	$1.06	$1.35	$1.33
Total Including Unconsolidated Joint Ventures	1,579	1,849	69.0 %	74.3%	4.1	4.8	19.4 %	12.7%	$0.83	$2.15	$1.08	$1.64
Nine Months												
Industrial	6,459	5,996	68.6 %	74.9%	3.5	6.1	15.8 %	12.8%	$0.45	$1.41	$0.73	$1.36
Medical Office	88	136	78.2 %	83.5%	6.0	9.4	14.4 %	13.1%	$7.44	$15.53	$4.05	$5.45
Non-reportable Rental Operations	446	239	79.5 %	59.1%	10.1	4.4	2.9 %	6.8 %	$2.43	$5.29	$2.41	$3.48
Total Consolidated	6,993	6,371	69.3 %	74.3%	4.0	6.1	13.1 %	12.3%	$0.67	$1.86	$0.88	$1.52
Unconsolidated Joint Ventures	1,403	557	82.9 %	87.0%	5.1	3.2	(1.5)%	0.1 %	$0.75	$0.88	$2.02	$1.00
Total Including Unconsolidated Joint Ventures	8,396	6,928	71.3 %	75.2%	4.2	5.8	9.8 %	11.1%	$0.68	$1.78	$1.07	$1.48

* Represents the percentage change in net effective rent between the original leases and the renewal leases. Net effective rents represent average annual base rental payments, on a straight-line basis for the term of each lease, excluding operating expense reimbursements.

Lease Expirations

Our ability to maintain and improve occupancy rates and net effective rents primarily depends upon our continuing ability to re-lease expiring space. The table below reflects our consolidated in-service portfolio lease expiration schedule, excluding the leases in properties designated as held-for-sale, at September 30, 2016 (in thousands, except percentage data and number of leases):

	Total Consolidated Portfolio			Industrial		Medical Office		Non-reportable	
Year of Expiration	Square Feet	Ann. Rent Revenue*	Number of Leases	Square Feet	Ann. Rent Revenue*	Square Feet	Ann. Rent Revenue*	Square Feet	Ann. Rent Revenue*
Remainder of 2016	1,697	$ 5,980	42	1,622	$ 5,056	34	$ 429	41	$ 495
2017	11,727	45,819	154	11,499	41,523	188	3,860	40	436
2018	12,932	57,025	189	12,473	46,323	390	9,791	69	911
2019	14,248	64,000	211	13,724	53,222	317	7,546	207	3,232
2020	12,538	64,350	171	12,063	55,097	423	8,772	52	481
2021	12,063	56,252	181	11,694	49,067	257	5,739	112	1,446
2022	11,137	48,909	99	10,776	41,352	337	7,075	24	482
2023	3,693	26,028	64	3,137	16,139	415	7,725	141	2,164
2024	7,446	38,282	47	6,991	30,916	131	2,713	324	4,653
2025	7,913	35,423	39	7,682	31,308	212	3,877	19	238
2026 and Thereafter	19,562	149,641	126	16,507	73,894	2,597	68,369	458	7,378
Total Leased	114,956	$ 591,709	1,323	108,168	$ 443,897	5,301	$ 125,896	1,487	$ 21,916
Total Portfolio Square Feet	118,409			110,953		5,580		1,876	
Percent Leased	97.1 %			97.5 %		95.0 %		79.3 %	

* Annualized rental revenue represents average annual base rental payments, on a straight-line basis for the term of each lease, from space leased to tenants at the end of the most recent reporting period. Annualized rental revenue excludes additional amounts paid by tenants as reimbursement for operating expenses.

Information on current market rents can be difficult to obtain, is highly subjective, and is often not directly comparable between properties. As a result, we believe the increase or decrease in net effective rent on lease renewals, as previously defined, is the most objective and meaningful relationship between rents on leases expiring in the near-term and current market rents.

Building Acquisitions

Our decision process in determining whether or not to acquire a target property or portfolio of properties involves several factors, including expected rent growth, multiple yield metrics, property locations and expected demographic growth in each location, current occupancy of the target properties, tenant profile and remaining terms of the in-place leases in the target properties. We pursue both brokered and non-brokered acquisitions, and it is difficult to predict which markets and product types may present acquisition opportunities that align with our strategy. Because of the numerous factors considered in our acquisition decisions, we do not establish specific target yields for future acquisitions.

We acquired two buildings during the nine months ended September 30, 2016 and two buildings during the year ended December 31, 2015. The following table summarizes the acquisition price, percent leased at time of acquisition and in-place yields, by product type, for these acquisitions (in thousands, except percentage data):

Type	Year-to-Date 2016 Acquisitions			Full Year 2015 Acquisitions		
	Acquisition Price*	In-Place Yield**	Percent Leased at Acquisition Date***	Acquisition Price*	In-Place Yield**	Percent Leased at Acquisition Date***
Industrial	$63,000	6.5 %	100.0 %	$28,277	6.0 %	100.0 %
Medical Office	16,251	7.0 %	100.0 %	—	— %	— %
Total	$79,251	6.6 %	100.0 %	$28,277	6.0 %	100.0 %

* Includes real estate assets and net acquired lease-related intangible assets, including above or below market leases, but excludes other acquired working capital assets and liabilities.
** In-place yields of completed acquisitions are calculated as the current annualized net rental payments from space leased to tenants at the date of acquisition, divided by the acquisition price of the acquired real estate. Annualized net rental payments are comprised of base rental payments, excluding additional amounts payable by tenants as reimbursement for operating expenses, less current annualized operating expenses not recovered through tenant reimbursements.
*** Represents percentage of total square feet leased based on executed leases and without regard to whether the leases have commenced, at the date of acquisition.

As described in Note 5 to the consolidated financial statements included in Part I, Item 1 of this Report, a $63.0 million property was acquired during the nine months ended September 30, 2016 through a non-monetary distribution of its ownership interest from an unconsolidated joint venture, in connection with that joint venture's dissolution.

Building Dispositions

We regularly work to identify, consider and pursue opportunities to dispose of properties on an opportunistic basis and on a basis that is generally consistent with our strategic plans.

We sold 22 wholly owned buildings during the nine months ended September 30, 2016 and 153 wholly owned buildings during the year ended December 31, 2015. The following table summarizes the sales prices, in-place yields and percent leased, by product type, of these buildings (in thousands, except percentage data):

Type	Year-to-Date 2016 Dispositions			Full Year 2015 Dispositions		
	Sales Price	In-Place Yield*	Percent Occupied**	Sales Price	In-Place Yield*	Percent Occupied**
Industrial	$135,517	6.3 %	96.7 %	$410,647	6.6 %	93.5 %
Medical Office	—	— %	— %	20,400	6.8 %	100.0 %
Non-reportable Rental Operations	233,134	7.8 %	84.2 %	1,310,538	7.2 %	85.5 %
Other	—	— %	— %	40,250	9.0 %	83.4 %
Total	$368,651	7.3 %	90.9 %	$1,781,835	7.1 %	88.7 %

* In-place yields of completed dispositions are calculated as current annualized net rental payments from space leased to tenants at the date of sale, divided by the sales price of the real estate. Annualized net rental payments are comprised of base rental payments, excluding additional amounts payable by tenants as reimbursement for operating expenses, less current annualized operating expenses not recovered through tenant reimbursements.
** Represents percentage of total square feet leased based on executed leases where the leases have commenced.

Development

At September 30, 2016, we had 7.2 million square feet of property under development with total estimated costs upon completion of $588.8 million compared to 7.4 million square feet with total estimated costs upon completion of $692.2 million at September 30, 2015. The square footage and estimated costs include both consolidated properties and unconsolidated joint venture development activity at 100%.

The following table summarizes our properties under development at September 30, 2016 (in thousands, except percentage data):

Ownership Type	Square Feet	Percent Leased	Total Estimated Project Costs	Total Incurred to Date	Amount Remaining to be Spent
Consolidated properties	6,537	64%	$561,063	$267,462	$293,601
Unconsolidated joint venture property	708	—%	27,722	11,737	15,985
Total	7,245	58%	$588,785	$279,199	$309,586

Results of Operations

A summary of our operating results and property statistics is as follows (in thousands, except number of properties and per share or Common Unit data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Rental and related revenue from continuing operations	$206,848	$200,938	$609,171	$617,549
General contractor and service fee revenue	19,351	33,599	68,546	110,320
Operating income	152,453	119,703	380,377	389,169
General Partner				
Net income attributable to common shareholders	$112,014	$76,434	$264,388	$591,058
Weighted average common shares outstanding	351,856	345,256	348,341	344,986
Weighted average common shares and potential dilutive securities	358,981	352,150	355,405	352,013
Partnership				
Net income attributable to common unitholders	$113,145	$77,185	$267,058	$597,270
Weighted average Common Units outstanding	355,351	348,760	351,840	348,595
Weighted average Common Units and potential dilutive securities	358,981	352,150	355,405	352,013
General Partner and Partnership				
Basic income per common share or Common Unit:				
Continuing operations	$0.32	$0.22	$0.75	$0.49
Discontinued operations	$—	$—	$—	$1.22
Diluted income per common share or Common Unit:				
Continuing operations	$0.32	$0.22	$0.75	$0.49
Discontinued operations	$—	$—	$—	$1.21
Number of in-service consolidated properties at end of period	486	491	486	491
In-service consolidated square footage at end of period	118,604	114,837	118,604	114,837
Number of in-service joint venture properties at end of period	59	70	59	70
In-service joint venture square footage at end of period	13,269	19,145	13,269	19,145

Supplemental Performance Measures

In addition to net income computed in accordance with GAAP, we assess and measure the overall operating results of the General Partner and the Partnership using certain non-GAAP supplemental performance measures, which include (i) Funds From Operations ("FFO"), (ii) PNOI and (iii) Same-Property Net Operating Income - Cash Basis ("SPNOI").

These non-GAAP metrics are commonly used by industry analysts and investors as supplemental operating performance measures of REITs and are viewed by management to be useful indicators of operating performance. 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. Management believes that the

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use of FFO, PNOI and SPNOI, combined with net income (which remains the primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful.

The most comparable GAAP measure to FFO is net income (loss) attributable to common shareholders or common unitholders, while the most comparable GAAP measure to PNOI and SPNOI is income (loss) from continuing operations before income taxes.

FFO, PNOI and SPNOI each exclude expenses that materially impact our overall results of operations and, therefore, should not be considered as a substitute for net income (loss) attributable to common shareholders or common unitholders, income (loss) from continuing operations before income taxes, or any other measures derived in accordance with GAAP. Furthermore, these metrics may not be comparable to other similarly titled measures of other companies.

Funds From Operations

The National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a non-GAAP supplemental measure of REIT operating performance. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding extraordinary items as defined under GAAP, gains or losses from sales of previously depreciated real estate assets, impairment charges related to depreciable 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. We calculate FFO in accordance with the definition that was adopted by the Board of Governors of NAREIT.

Management believes that the use of FFO as a performance measure enables investors and analysts to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assists them in comparing these operating results between periods or between different companies that use the NAREIT definition of FFO.

The following table shows a reconciliation of net income attributable to common shareholders or common unitholders to the calculation of FFO attributable to common shareholders or common unitholders (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income attributable to common shareholders of the General Partner	$112,014	$76,434	$264,388	$591,058
Add back: Net income attributable to noncontrolling interests - common limited partnership interests in the Partnership	1,131	751	2,670	6,212
Net income attributable to common unitholders of the Partnership	113,145	77,185	267,058	597,270
Adjustments:				
Depreciation and amortization	80,688	79,898	238,647	243,652
Company share of joint venture depreciation, amortization and other adjustments	3,772	12,501	11,664	22,247
Gain on dissolution of unconsolidated company	—	—	(30,697)	—
Impairment charges - depreciable property	3,042	—	3,042	864
Gains on depreciable property sales - wholly owned	(83,017)	(71,325)	(138,074)	(619,948)
Income tax benefit triggered by depreciable property sales	(359)	(3,350)	(173)	(934)
Gains on depreciable property sales - share of joint venture	(5,668)	(189)	(23,700)	(13,722)
FFO attributable to common unitholders of the Partnership	$111,603	$94,720	$327,767	$229,429
Additional General Partner Adjustments:				
Net income attributable to noncontrolling interests - common limited partnership interests in the Partnership	(1,131)	(751)	(2,670)	(6,212)
Noncontrolling interest share of adjustments	15	(176)	(604)	3,808
FFO attributable to common shareholders of the General Partner	$110,487	$93,793	$324,493	$227,025

The increase in FFO during the nine months ended September 30, 2016, compared to the nine months ended

September 30, 2015, was primarily the result of $82.6 million in losses on debt extinguishment that were recognized during the second quarter of 2015. Development properties being placed in service, operational improvements and lower interest expense also contributed to the increased FFO in 2016 as compared to the corresponding periods in 2015.

Property-Level Net Operating Income - Cash Basis

PNOI is comprised of rental revenues from continuing operations less rental expenses and real estate taxes from continuing operations, along with certain other adjusting items. As a performance metric that consists of only the cash-based revenues and expenses directly related to ongoing real estate rental operations, PNOI is narrower in scope than FFO.

PNOI, as we calculate it, may not be directly comparable to similarly titled, but differently calculated, measures for other REITs. We believe that PNOI is another useful supplemental performance measure, as it is an input in many REIT valuation models and it provides a means by which to evaluate the performance of the properties within our Rental Operations segments.

The major factors influencing PNOI are occupancy levels, acquisitions and sales, development properties that achieve stabilized operations, rental rate increases or decreases, and the recoverability of operating expenses.

Note 10 to the consolidated financial statements included in Part I, Item 1 of this Report shows a calculation of our PNOI for the three and nine months ended September 30, 2015 and 2016 and provides a reconciliation of PNOI for our Rental Operations segments to income from continuing operations before income taxes.

Same Property Net Operating Income - Cash Basis

We also evaluate the performance of our properties, including our share of properties we jointly control, on a "same property" basis, using a metric referred to as SPNOI. We view SPNOI as a useful supplemental performance measure because it improves comparability between periods by eliminating the effects of changes in the composition of our portfolio.

On an individual property basis, SPNOI is generally computed in a consistent manner as PNOI.

We have defined our same-property portfolio, for the three months ended September 30, 2016, as those properties that have been owned and in operation throughout the twenty-four months ended September 30, 2016. In addition to excluding properties that have not been owned and in operation for the twenty-four months ended September 30, 2016, we have also excluded properties from our same-property portfolio where revenues from individual lease buyouts in excess of $250,000 have been recognized. A reconciliation of SPNOI to income from continuing operations before income taxes is presented as follows (in thousands):

	Three Months Ended September 30,		Percent
	2016	2015	Change
Income from continuing operations before income taxes	$112,104	$73,835	
Share of SPNOI from unconsolidated joint ventures	5,205	5,120	
PNOI excluded from the same property population	(25,559)	(16,636)	
Earnings from Service Operations	(2,169)	(3,905)	
Rental Operations revenues and expenses excluded from PNOI	(8,009)	(17,476)	
Non-Segment Items	40,908	74,975	
SPNOI	$122,480	$115,913	5.7 %

The composition of the line items titled "Rental Operations revenues and expenses excluded from PNOI" and "Non-Segment Items" from the table above are shown in greater detail in Note 10 to the consolidated financial statements included in Part I, Item 1 of this Report.

We believe that the factors that impact SPNOI are generally the same as those that impact PNOI. The following table details the number of properties, square feet, average occupancy and cash rental rates for the properties included in SPNOI for the respective periods:

	Three Months Ended September 30,	
	2016	2015
Number of properties	459	459
Square feet (in thousands) (1)	104,194	104,194
Average commencement occupancy percentage (2)	97.7%	96.8%
Average rental rate - cash basis (3)	$4.85	$4.78

(1) Includes the total square feet of the consolidated properties that are in the same property population as well as 4.6 million square feet of space for unconsolidated joint ventures, which represents our ratable share of the 9.9 million total square feet of space for buildings owned by unconsolidated joint ventures that are in the same property population.

(2) Commencement occupancy represents the percentage of total square feet where the leases have commenced.

(3) Represents the average annualized contractual rent per square foot for the three-month periods ended September 30, 2016 and 2015 for tenants in occupancy in properties in the same property population. Cash rent does not include the tenant's obligation to pay property operating expenses and real estate taxes. If a tenant was within a free rent period at September 30, 2016 or 2015 its rent would equal zero for purposes of this metric.

Comparison of Three Months Ended September 30, 2016 to Three Months Ended September 30, 2015

Rental and Related Revenue

The following table sets forth rental and related revenue from continuing operations by reportable segment (in thousands):

	Three Months Ended September 30,	
	2016	2015
Rental and related revenue:		
Industrial	$149,746	$136,276
Medical Office	45,353	39,911
Non-reportable Rental Operations and non-segment revenues	11,749	24,751
Total rental and related revenue from continuing operations	$206,848	$200,938
Rental and Related Revenue from Discontinued Operations	380	7
Total Rental and Related Revenue from Continuing and Discontinued Operations	$207,228	$200,945

The following factors contributed to the increase in rental and related revenue from continuing operations:

- We acquired four properties and placed 41 developments in service from January 1, 2015 to September 30, 2016, which provided incremental revenues of $13.0 million in the third quarter of 2016, as compared to the same period in 2015.
- Increased occupancy and rental rates within our same-property portfolio also resulted in an increase to rental and related revenue from continuing operations. Average commencement occupancy in our same-property portfolio increased by 0.9% from the three months ended September 30, 2015.
- The sale of 113 properties since January 1, 2015, which did not meet the criteria to be classified within discontinued operations, resulted in a decrease of $15.4 million to rental and related revenue from continuing operations in the

three months ended September 30, 2016, as compared to the same period in 2015, which partially offset the aforementioned increases to rental and related revenues.

Rental Expenses and Real Estate Taxes

The following table sets forth rental expenses and real estate taxes from continuing operations by reportable segment (in thousands):

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Three
Months
Ended
September
30,
2016