

DUKE REALTY CORP
Form 10-K
February 25, 2009
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File Number: 1-9044

DUKE REALTY CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Indiana
(State or Other Jurisdiction of

35-1740409
(IRS Employer
Identification Number)

Incorporation or Organization)

600 East 96th Street, Suite 100

Indianapolis, Indiana
(Address of Principal Executive Offices)

46240
(Zip Code)

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

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

Title of Each Class:
Common Stock (\$.01 par value)
Depository Shares, each representing a 1/10 interest in a 6.625%
Series J Cumulative Redeemable Preferred Share (\$.01 par value)

Name of Each Exchange on Which Registered:
New York Stock Exchange
New York Stock Exchange

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Depository Shares, each representing a 1/10 interest in a 6.5% Series K Cumulative Redeemable Preferred Share (\$.01 par value) New York Stock Exchange	New York Stock Exchange
Depository Shares, each representing a 1/10 interest in a 6.6% Series L Cumulative Redeemable Preferred Share (\$.01 par value) New York Stock Exchange	New York Stock Exchange
Depository Shares, each representing 1/10 interest in a 6.95% Series M Cumulative Redeemable Preferred Share (\$.01 par value) New York Stock Exchange	New York Stock Exchange
Depository Shares, each representing 1/10 interest in a 7.25% Series N Cumulative Redeemable Preferred Share (\$.01 par value) New York Stock Exchange	New York Stock Exchange
Depository Shares, each representing a 1/10 interest in an 8.375% Series O Cumulative Redeemable Preferred Share (\$.01 par value) New York Stock Exchange	New York Stock Exchange

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

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

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

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

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

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

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

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

The aggregate market value of the voting shares of the registrant's outstanding common shares held by non-affiliates of the registrant is \$3.3 billion based on the last reported sale price on June 30, 2008.

The number of common shares, \$.01 par value outstanding as of February 19, 2009 was 148,498,027.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of Duke Realty Corporation's Definitive Proxy Statement for its 2009 Annual Meeting of Shareholders (the Proxy Statement) to be filed pursuant to Rule 14a-6 of the Securities Exchange Act of 1934, as amended, are incorporated by reference into this Form 10-K. Other than those portions of the Proxy Statement specifically incorporated by reference pursuant to Items 10 through 14 of Part III hereof, no other portions of the Proxy Statement shall be deemed so incorporated.

Table of Contents

TABLE OF CONTENTS

Form 10-K

Item No.	Page(s)
<u>PART I</u>	
1. <u>Business</u>	2 - 5
1A. <u>Risk Factors</u>	5 - 14
1B. <u>Unresolved Staff Comments</u>	14
2. <u>Properties</u>	14 - 16
3. <u>Legal Proceedings</u>	17
4. <u>Submission of Matters to a Vote of Security Holders</u>	17
<u>PART II</u>	
5. <u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	17 - 18
6. <u>Selected Financial Data</u>	18 - 19
7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19 - 41
7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	41 - 42
8. <u>Financial Statements and Supplementary Data</u>	42
9. <u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>	42
9A. <u>Controls and Procedures</u>	42
9B. <u>Other Information</u>	42
<u>PART III</u>	
10. <u>Directors and Executive Officers of the Registrant</u>	43
11. <u>Executive Compensation</u>	44
12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	44
13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	44
14. <u>Principal Accountant Fees and Services</u>	44
<u>PART IV</u>	
15. <u>Exhibits and Financial Statement Schedules</u>	44 - 96
<u>Signatures</u>	97 - 98

Table of Contents

IMPORTANT INFORMATION ABOUT THIS REPORT

In this Report, the words Duke, the Company, we, us and our refer to Duke Realty Corporation and its subsidiaries as well as Duke Realty Corporation's predecessors and their subsidiaries. DRLP refers to our subsidiary, Duke Realty Limited Partnership.

Cautionary Notice Regarding Forward-Looking Statements

Certain statements contained in or incorporated by reference into this Annual Report on Form 10-K (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 and similar statements regarding future periods are intended to identify forward-looking statements.

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

Changes in general economic and business conditions, including, without limitation, the impact of the current credit crisis and economic down-turn, which are having and may continue to have a negative effect on the fundamentals of our business, the financial condition of our tenants and our lenders, and the value of our real estate assets;

Our continued qualification as a real estate investment trust, or REIT, for U.S. federal income tax purposes;

Heightened competition for tenants and potential decreases in property occupancy;

Potential increases in real estate construction costs;

Potential changes in the financial markets and interest rates;

Volatility in our stock price and trading volume;

Our continuing ability to raise funds on favorable terms, if at all, through the issuance of debt and equity in the capital markets, which may negatively affect both our ability to refinance our existing debt as well as our future interest expense;

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Our ability to successfully identify, acquire, develop and/or manage properties on terms that are favorable to us;

Our ability to be flexible in the development and operation of joint venture properties;

Our ability to successfully dispose of properties, if at all, on terms that are favorable to us;

Inherent risks in the real estate business, including, but not limited to, tenant defaults, potential liability relating to environmental matters and liquidity of real estate investments; and

Other risks and uncertainties described herein, as well as those risks and uncertainties discussed from time to time in our other reports and other public filings with the Securities and Exchange Commission (SEC).

- 1 -

Table of Contents

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

This list of risks and uncertainties, however, is only a summary of some of the most important factors and is not intended to be exhaustive. Additional information regarding risk factors that may affect us is included under the caption **Risk Factors** in this Report, and is updated by us from time to time in Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings that we make with the SEC.

PART I

Item 1. Business

Background

We are a self-administered and self-managed REIT, which began operations upon completion of our initial public offering in February 1986. In October 1993, we completed an additional common stock offering and acquired the rental real estate and service businesses of Duke Associates, whose operations began in 1972. As of December 31, 2008, our diversified portfolio of 738 rental properties (including nine properties comprising 1.4 million square feet under development and excluding all properties developed with the intent to sell) encompasses approximately 128.6 million rentable square feet and is leased by a diverse base of approximately 3,400 tenants whose businesses include manufacturing, retailing, wholesale trade, distribution, healthcare and professional services. We also own or control more than 7,200 acres of land available for development.

Our Service Operations provide, on a fee basis, leasing, property and asset management, development, construction, build-to-suit and other tenant-related services. We conduct our Service Operations through Duke Realty Services LLC, Duke Realty Services Limited Partnership and Duke Construction Limited Partnership. Our Rental Operations are conducted through Duke Realty Limited Partnership. See Item 7, **Management's Discussion and Analysis of Financial Condition and Results of Operations** and Item 8, **Financial Statements and Supplementary Data** for financial information related to our reportable segments.

Our headquarters and executive offices are located in Indianapolis, Indiana. In addition, we have 17 regional offices located in Alexandria, Virginia; Atlanta, Georgia; Baltimore, Maryland; Chicago, Illinois; Cincinnati, Ohio; Columbus, Ohio; Dallas, Texas; Houston, Texas; Minneapolis, Minnesota; Nashville, Tennessee; Orlando, Florida; Phoenix, Arizona; Raleigh, North Carolina; St. Louis, Missouri; Savannah, Georgia; Tampa, Florida; and Weston, Florida. We had more than 1,200 employees as of December 31, 2008.

Operational Objectives

Our primary operational objective is to maximize Funds From Operations (FFO) by (i) maintaining and increasing property occupancy and rental rates through the management of our portfolio of existing properties; (ii) selectively developing and acquiring new properties for our Rental Operations in our existing markets when economic conditions improve; (iii) using our construction expertise to act as a general contractor or construction manager in our existing markets and other domestic markets on a fee basis; and (iv) providing a full line of real estate services to our tenants

and to third parties. FFO is used by industry analysts and investors as a supplemental operating performance measure of an equity REIT like Duke. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT). NAREIT created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items, from

- 2 -

Table of Contents

net income determined in accordance with United States generally accepted accounting principles (GAAP). FFO is a non-GAAP financial measure. The most comparable GAAP measure is net income (loss). FFO should not be considered as a substitute for net income or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies.

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

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

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

We believe that the management of real estate opportunities and risks can be done most effectively at regional or local levels. As a result, we intend to continue our emphasis on increasing our market share and effective rents in the primary markets where we own properties. We believe that this regional focus will allow us to assess market supply and demand for real estate more effectively as well as to capitalize on the strong relationships with our tenant base. In addition, we seek to further capitalize on strong customer relationships to provide third-party construction services across the United States. As a fully integrated real estate company, we are able to arrange for or provide to our industrial, office and healthcare customers not only well located and well maintained facilities, but also additional services such as build-to-suit construction, tenant finish construction, and expansion flexibility.

All of our properties are located in areas that include competitive properties. Institutional investors, other REITs or local real estate operators generally own such properties; however, no single competitor or small group of competitors is dominant in our current markets. The supply and demand of similar available rental properties may affect the rental rates we will receive on our properties. Other competitive factors include the attractiveness of the property location, the quality of the property and tenant services provided, and the reputation of the owner and operator. In addition, our Service Operations face competition from a considerable number of other real estate companies that provide comparable services, some of whom may have greater marketing and financial resources than are available to us.

Financial Strategy

Our financing strategy is to actively manage the components of our capital structure and maintain investment grade ratings for our unsecured notes from our credit rating agencies. Additionally, to the extent that market conditions permit, we employ a capital recycling program that utilizes sales of operating real estate assets that no longer fit our

strategies to generate proceeds that can be recycled into new properties that better fit our current and long-term strategies.

Table of Contents

We also seek to maintain a balanced and flexible capital structure by: (i) extending and sequencing the maturity dates of our outstanding debt obligations; (ii) borrowing primarily at fixed rates by targeting a variable rate component of total debt less than 20%; (iii) pursuing current and future long-term debt financings; (iv) maintaining fixed charge coverage and other ratios at levels required to maintain investment grade ratings for our unsecured notes; (v) generating proceeds from the sale of non-strategic properties and (vi) issuing perpetual preferred shares for 5-10% of our total capital structure. However, given the current state of the economy and capital markets, our near term focus is on improving liquidity through capital preservation by substantially decreasing acquisitions and development, diligently managing our overhead expenses, reducing dividend payments and actively seeking new sources of capital, including secured indebtedness, to refinance and extend our existing debt maturities. In order to strengthen our capital structure, we intend to repurchase on the open market our unsecured debt maturing over the next three years, from time to time when favorable pricing is available. By focusing on strengthening our balance sheet, we expect to be positioned for future growth as the economy improves.

In addition, as discussed under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, we have a \$1.3 billion unsecured line of credit available for our capital needs. We may, at our sole discretion, exercise an option to extend the maturity of this line of credit from January 2010 to January 2011.

Corporate Governance

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

Board Composition Our Board is controlled by supermajority (92.9%) of Independent Directors, as such term is defined under the rules of the New York Stock Exchange (the NYSE) as of January 30, 2009 and thereafter

Board Committees Our Board Committee members are all Independent Directors

Lead Director The Chairman of our Corporate Governance Committee serves as Lead Director of the Independent Directors

Board Policies No Shareholder Rights Plan (Poison Pill)

Code of Conduct applies to all Directors and employees, including the Chief Executive Officer and senior financial officers; waivers require the vote of a majority of our Board of Directors or our Corporate Governance Committee.

Effective orientation program for new Directors

Independence of Directors is reviewed annually

Independent Directors meet at least quarterly in executive sessions

Independent Directors receive no compensation from Duke other than as Directors

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Equity-based compensation plans require shareholder approval

Board effectiveness and performance is reviewed annually by our Corporate Governance Committee

Corporate Governance Committee conducts an annual review of the Chief Executive Officer succession plan

Independent Directors and all Board Committees may retain outside advisors, as they deem appropriate

Policy governing retirement age for Directors

Prohibition on repricing of outstanding stock options

Directors required to offer resignation upon job change

Majority voting for election of Directors

Shareholder Communications Policy

Table of Contents

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

Additional Information

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

Available Information and Exchange Certifications

In addition to this Report, we file quarterly and special reports, proxy statements and other information with the SEC. All documents that are filed with the SEC are available free of charge on our corporate website, which is www.dukerealty.com. We are not incorporating the information on our website into this Report, and our website and the information appearing on our website is not included in, and is not part of, this Report. You may also read and copy any document filed at the public reference facilities of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information about the public reference facilities. These documents also may be accessed through the SEC's Interactive Data Electronic Application (IDEA) via the SEC's home page on the Internet (<http://www.sec.gov>). In addition, since some of our securities are listed on the NYSE, you may read our SEC filings at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

The NYSE requires that the Chief Executive Officer of each listed company certify annually to the NYSE that he or she is not aware of any violation by the company of NYSE corporate governance listing standards as of the date of such certification. We submitted the certification of our Chairman and Chief Executive Officer, Dennis D. Oklak, with our 2008 Annual Written Affirmation to the NYSE on May 22, 2008.

We included the certification of our Principal Executive Officer and Principal Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 and related rules, relating to the quality of the Company's public disclosure, in this Report as Exhibit 31.1.

Item 1A. Risk Factors

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

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

Table of Contents

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

Risks Related to Our Business

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

We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required principal and interest payments and the risk that we will be unable to refinance our existing indebtedness, or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. Specifically, we may not be able to refinance our \$1.3 billion unsecured line of credit at its maturity with the same capacity, on terms that are as favorable as the current terms, or at all. Additionally, we may not be able to refinance borrowings at our unconsolidated subsidiaries on favorable terms or at all. If our debt cannot be paid, refinanced or extended, we may not be able to make distributions to shareholders at expected levels or at all. Further, if prevailing interest rates or other factors at the time of a refinancing result in higher interest rates or other restrictive financial covenants upon the refinancing, then such refinancing would adversely affect our cash flow and funds available for operation, development and distribution.

We are also subject to financial covenants under our existing debt instruments. Should we fail to comply with the covenants in our existing debt instruments, then we would not only be in breach under the applicable debt instruments but we would also likely be unable to borrow any further amounts under our other debt instruments, which could adversely affect our ability to fund operations. We also have incurred, and may incur in the future, indebtedness that bears interest at variable rates. Thus, if market interest rates increase, so will our debt expense, which could reduce our cash flow and our ability to make distributions to shareholders.

Debt financing may not be available and equity issuances could be dilutive to our shareholders.

Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity. Debt financing may not be available in sufficient amounts, on favorable terms or at all. If we issue additional equity securities, instead of debt, to manage capital needs, the interests of our existing shareholders could be diluted.

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

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

The current credit crisis may limit our ability to refinance our debt obligations in the short-term and may limit our access to liquidity.

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Approximately 46% of our outstanding debt will mature between now and December 31, 2011. The majority of these debt maturities are comprised of \$711.5 million of unsecured notes, \$575.0 million of exchangeable unsecured notes, \$125.0 million of corporate unsecured debt and our \$1.3 billion unsecured line of credit, which has an outstanding principal balance of \$474.0 million as of December 31, 2008. The unsecured line

- 6 -

Table of Contents

of credit matures in January 2010 with a one-year extension available at our option. Given the current economic conditions including, but not limited to, the credit crisis and related turmoil in the global financial markets, we may be unable to refinance these obligations on favorable terms, or at all, and could also potentially lose access to our current available liquidity under our unsecured line of credit if one or more participating lenders default on their commitments. If we are unable to refinance these obligations prior to the maturity date, then we may be forced to seek liquidity through a variety of options, including, but not limited to, the sale of properties at below market prices. In the event that we default on one or more of these obligations, it may result in additional defaults under our other obligations.

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

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

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

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

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

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

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

could further limit our ability to make distributions to our common shareholders. Any additional preferred stock that we may issue may have a preference over our common stock and existing series of preferred stock with respect to distributions and upon liquidation.

Table of Contents

Our leverage strategy may require us to seek substantial amounts of commercial credit and issue debt securities to manage our capital needs. Because our decision to incur debt and issue securities in our future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings and debt financings. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future. Thus, our shareholders will bear the risk of our future offerings reducing the value of their shares of common stock and diluting their interest in us. We may change this leverage strategy from time to time without shareholder approval.

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

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

We could become engaged in a dispute with any of our joint venture partners that might affect our ability to develop or operate a property;

Our joint venture partners may have different objectives than we have regarding the appropriate timing and terms of any sale or refinancing of properties;

Our joint venture partners may have competing interests in our markets that could create conflict of interest issues; and

Maturities of debt encumbering our jointly owned investments may not be able to be refinanced at all or on terms that are as favorable as the current terms.

The SEC has proposed changes to the eligibility requirements for Form S-3 that could prevent us from issuing debt securities on our automatic shelf registration statement.

From time to time, DRLP issues debt securities pursuant to an automatic shelf registration statement on Form S-3. On July 1, 2008, the SEC issued a proposed rule that would revise the transaction eligibility criteria for registering primary offerings of non-convertible securities (like DRLP's debt securities) on Forms S-3. As proposed, the instructions to these forms would no longer refer to security ratings by a nationally recognized statistical rating organization as a transaction requirement to permit issuers to register primary offerings of non-convertible securities for cash. Instead, the Form S-3 would be available to register primary offerings of non-convertible securities if the issuer has issued (as of a date within 60 days prior to the filing of the registration statement) for cash more than \$1 billion in non-convertible securities, other than common equity, through registered primary offerings over the prior three years.

Currently, DRLP relies on the eligibility standard for offerings of investment grade rated non-convertible debt securities in order to offer securities pursuant to an automatic shelf registration statement on Form S-3. The SEC's proposal would effectively eliminate this eligibility standard. Although we currently satisfy the SEC's proposed eligibility criteria (namely, having issued more than \$1 billion of non-convertible debt in registered offerings over the most recent three years), it is possible that we may not meet this test in the future, in which case DRLP would not be

eligible to issue securities on Form S-3. If DRLP is unable to issue securities of Form S-3, then, to the extent it seeks to issue registered securities, it would be required to use Form S-1, which would impede our ability to launch and price public offerings of debt securities on short notice with the speed and efficiency necessary to take advantage of favorable market conditions.

Table of Contents

Risks Related to the Real Estate Industry

Our net earnings available for investment or distribution to shareholders could decrease as a result of factors related to the ownership and operation of commercial real estate that are outside of our control.

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

Changes in the general economic climate;

The availability of capital on favorable terms, or at all;

Increases in interest rates;

Local conditions such as oversupply of property or a reduction in demand;

Competition for tenants;

Changes in market rental rates;

Oversupply or reduced demand for space in the areas where our properties are located;

Delay or inability to collect rent from tenants who are bankrupt, insolvent or otherwise unwilling or unable to pay;

Difficulty in leasing or re-leasing space quickly or on favorable terms;

Costs associated with periodically renovating, repairing and reletting rental space;

Our ability to provide adequate maintenance and insurance on our properties;

Our ability to control variable operating costs;

Changes in government regulations; and

Potential liability under, and changes in, environmental, zoning, tax and other laws.

Further, a significant portion of our costs, such as real estate taxes, insurance and maintenance costs and our debt service payments, are generally not reduced when circumstances cause a decrease in cash flow from our properties. Any one or more of these factors could result in a reduction in our net earnings available for investment or distribution to shareholders.

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

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

Table of Contents

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

Although we have significantly reduced our development activities, we may still pursue select opportunities and have previously started developments that are currently in various stages of completion. These development activities generally require various government and other approvals, which we may not receive. In addition, we also are subject to the following risks associated with development activities:

Unsuccessful development opportunities could result in direct expenses to us;

Construction costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or possibly unprofitable;

Time required to complete the construction of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;

Occupancy rates and rents of a completed project may not be sufficient to make the project profitable;

Our ability to dispose of properties developed with the intent to sell or other properties we identify for sale in our capital recycling program could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and

Favorable sources to fund our development activities may not be available.

We may be unsuccessful in operating completed real estate projects.

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

Prices paid for acquired facilities are based upon a series of market judgments; and

Costs of any improvements required to bring an acquired facility up to standards to establish the market position intended for that facility might exceed budgeted costs.

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

We are exposed to the risks of defaults by tenants.

Any of our tenants may experience a downturn in their businesses that may weaken their financial condition. Additionally, the recent disruption in the credit markets and the U.S. economy generally may lead to additional

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

We may be unable to renew leases or relet space.

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

Table of Contents

Our insurance coverage on our properties may be inadequate.

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

Acquired properties may expose us to unknown liability.

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

liabilities for clean-up of undisclosed environmental contamination;

claims by tenants, vendors or other persons against the former owners of the properties;

liabilities incurred in the ordinary course of business; and

claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

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

As an owner and operator of real property, we may be liable under various federal, state and local laws for the costs of removal or remediation of certain hazardous substances released on or in our property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of the hazardous substances. In addition, we could have greater difficulty in selling real estate on which hazardous substances were present or in obtaining borrowings using such real estate as collateral. It is our general policy to have Phase I environmental audits performed for all of our properties and land by qualified environmental consultants. These Phase I environmental audits have not revealed any environmental liability that would have a material adverse effect on our business. However, a Phase I environmental audit does not involve invasive procedures such as soil sampling or

ground water analysis, and we cannot be sure that the Phase I environmental audits did not fail to reveal a significant environmental liability or that a prior owner did not create a material environmental condition on our properties or land which has not yet been discovered. We could also incur environmental liability as a result of future uses or conditions of such real estate or changes in applicable environmental laws.

- 11 -

Table of Contents

Risks Related to Our Organization and Structure

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

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

We would not be allowed a deduction for distributions to shareholders and would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates;

Unless we were entitled to relief under certain statutory provisions, we would be disqualified from treatment as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT;

Our net earnings available for investment or distribution to our shareholders would decrease due to the additional tax liability for the year or years involved; and

We would no longer be required to make any distributions to shareholders in order to qualify as a REIT.

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

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

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

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

In May 2003, federal legislation was enacted that reduced the maximum tax rate for dividends payable to individual taxpayers generally from 38.6% to 15% (from January 1, 2003 through 2008). However, dividends payable by REITs are not eligible for this treatment, except in limited circumstances. Although this legislation did not have a direct adverse effect on the taxation of REITs or dividends paid by REITs, the more favorable treatment for non-REIT dividends could cause individual investors to consider investments in non-REIT corporations as more attractive relative to an investment in us as a REIT.

- 12 -

Table of Contents

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

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

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

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

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

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

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

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

The holders of 80% of our outstanding shares of capital stock approve the transaction;

The transaction has been approved by three-fourths of those directors who served on the board before the shareholder became a 10% owner; or

The significant shareholder complies with the fair price provisions of our charter. Among the transactions with large shareholders requiring the supermajority shareholder approval are dispositions of assets with a value greater than or equal to \$1,000,000 and business combinations.

Table of Contents

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

Any voluntary sale, exchange, merger, consolidation or other disposition of all or substantially all of the assets of DRLP in one or more transactions other than a disposition occurring upon a financing or refinancing of DRLP;

Our merger, consolidation or other business combination with another entity unless after the transaction substantially all of the assets of the surviving entity are contributed to DRLP in exchange for units;

Our transfer of our interests in DRLP other than to one of our wholly owned subsidiaries; and

Any reclassification or recapitalization or change of outstanding shares of our common stock other than certain changes in par value, stock splits, stock dividends or combinations.

We are dependent on key personnel.

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

Item 1B. Unresolved Staff Comments

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

Item 2. Properties

Product Review

As of December 31, 2008, we own interests in a diversified portfolio of 738 commercial properties encompassing approximately 128.6 million net rentable square feet (including nine properties comprising more than 1.4 million square feet under development and excluding all properties developed with the intent to sell) and more than 7,200 acres of land for future development.

Industrial Properties: We own interests in 421 industrial properties encompassing approximately 92.1 million square feet (72% of total square feet) more specifically described as follows:

Bulk Warehouses Industrial warehouse/distribution buildings with clear ceiling heights of 20 feet or more. We own 369 buildings totaling approximately 88.7 million square feet of such properties.

Service Center Properties Also known as flex buildings or light industrial, this product type has 12-18 foot clear ceiling heights and a combination of drive-up and dock-height loading access. We own 52 buildings totaling more than 3.4 million square feet of such properties.

Office Properties: We own interests in 295 office buildings totaling more than 34.2 million square feet (26% of total square feet). These properties include primarily suburban office properties.

Other Properties: We own interests in 22 healthcare and retail buildings totaling more than 2.2 million square feet (2% of total square feet).

Table of Contents

Land: We own or control more than 7,200 acres of land located primarily in existing business parks. The land is ready for immediate use and is primarily unencumbered by debt. More than 107 million square feet of additional space can be developed on these sites and substantially all of the land is zoned for either office, industrial, healthcare or retail development.

Property Descriptions

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

Table of Contents

Duke Realty Corporation

Geographic Highlights

In Service Properties as of December 31, 2008

	Square Feet (1)				Percent of Overall	Annual Net Effective Rent (2)	Percent of Annual Net Effective Rent
	Industrial	Suburban Office	Other	Overall			
Primary Market							
Indianapolis	20,155,574	3,160,668	407,902	23,724,144	18.66%	\$ 92,407,592	13.78%
Cincinnati	10,917,647	4,787,331	625,862	16,330,840	12.86%	81,293,746	12.13%
Atlanta	8,791,723	4,087,493	389,659	13,268,875	10.44%	76,691,717	11.44%
St. Louis	3,937,328	3,311,455	-	7,248,783	5.70%	56,973,658	8.50%
Chicago	5,984,700	2,936,240	73,255	8,994,195	7.07%	56,651,940	8.45%
Raleigh	2,101,449	3,058,935	-	5,160,384	4.06%	51,033,241	7.61%
Columbus	4,703,880	3,249,298	73,433	8,026,611	6.31%	49,695,922	7.41%
Central Florida	4,268,901	1,701,657	-	5,970,558	4.70%	35,629,497	5.32%
Nashville	3,118,718	1,546,823	120,860	4,786,401	3.76%	34,094,723	5.09%
Minneapolis	3,546,117	1,046,620	-	4,592,737	3.61%	30,103,152	4.49%
Dallas	13,459,360	334,700	-	13,794,060	10.85%	24,485,378	3.65%
Savannah	5,936,500	-	-	5,936,500	4.67%	19,754,038	2.95%
Washington DC	736,882	2,364,654	-	3,101,536	2.44%	15,611,686	2.33%
South Florida	-	773,923	-	773,923	0.61%	15,241,745	2.27%
Cleveland	-	1,324,367	-	1,324,367	1.04%	13,679,360	2.04%
Houston	835,540	159,175	-	994,715	0.78%	5,903,354	0.88%
Phoenix	1,617,384	-	-	1,617,384	1.27%	3,393,507	0.51%
Baltimore	462,070	-	-	462,070	0.36%	2,661,358	0.40%
Norfolk	466,000	-	-	466,000	0.37%	2,290,177	0.34%
Other (3)	556,139	-	-	556,139	0.44%	2,717,914	0.41%
Total	91,595,912	33,843,339	1,690,971	127,130,222	100.00%	\$ 670,313,705	100.00%
	72.05%	26.62%	1.33%	100.00%			

	Occupancy %			
	Industrial	Suburban Office	Other	Overall
Primary Market				
Indianapolis	97.62%	93.19%	90.18%	96.90%
Cincinnati	89.20%	87.19%	97.53%	88.93%
Atlanta	86.22%	88.81%	93.76%	87.24%
St. Louis	90.20%	90.52%	-	90.35%
Chicago	89.60%	82.49%	92.34%	87.30%
Raleigh	99.04%	93.73%	-	95.89%
Columbus	100.00%	93.12%	95.85%	97.18%
Central Florida	92.15%	82.26%	-	89.33%
Nashville	89.59%	87.86%	54.46%	88.14%
Minneapolis	95.20%	75.67%	-	90.75%

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Dallas	73.02%	45.41%	-	72.35%
Savannah	100.00%	-	-	100.00%
Washington DC	95.92%	88.84%	-	90.52%
South Florida	-	93.15%	-	93.15%
Cleveland	-	77.73%	-	77.73%
Houston	68.79%	84.13%	-	71.25%
Phoenix	69.13%	-	-	69.13%
Baltimore	100.00%	-	-	100.00%
Norfolk	100.00%	-	-	100.00%
Other	100.00%	-	-	100.00%
Total	90.01%	87.91%	91.51%	89.47%

- (1) Includes all wholly owned and joint venture projects shown at 100% as of report date.
- (2) Represents the average annual rental property revenue due from tenants in occupancy as of the date of this report, excluding additional rent due as operating expense reimbursements, landlord allowances for operating expenses and percentage rents. Joint Venture properties are shown at the Company's ownership percentage.
- (3) Represents properties not located in the Company's primary markets. These properties are located in similar midwest or southeast markets. Note: Excludes buildings that are in the held for sale portfolio.

Table of Contents**Item 3. Legal Proceedings**

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

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

No matters were submitted to a vote of security holders during the quarter ended December 31, 2008.

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

Our common stock is listed for trading on the NYSE under the symbol DRE. The following table sets forth the high and low sales prices of our common stock for the periods indicated and the dividend paid per share during each such period. As of February 19, 2009, there were 10,188 record holders of our common stock.

Quarter Ended	2008			2007		
	High	Low	Dividend	High	Low	Dividend
December 31	\$ 24.12	\$ 3.85	\$.485	\$ 35.40	\$ 24.25	\$.480
September 30	27.02	20.62	.485	37.05	29.74	.480
June 30	27.05	21.94	.480	44.90	35.22	.475
March 31	26.01	20.56	.480	48.42	40.02	.475

On January 28, 2009, we declared a quarterly cash dividend of \$.25 per share, payable on February 27, 2009, to common shareholders of record on February 13, 2009.

A summary of the tax characterization of the dividends paid per common share for the years ended December 31, 2008, 2007 and 2006 follows:

	2008	2007	2006
Total dividends paid per share	\$ 1.93	\$ 1.91	\$ 1.89
Ordinary income	39.3%	63.1%	64.2%
Return of capital	27.3%	0%	5.3%
Capital gains	33.4%	36.9%	30.5%
	100.0%	100.0%	100.0%

Securities Authorized for Issuance Under Equity Compensation Plans

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

Sales of Unregistered Securities

We did not sell any of our securities during the year ended December 31, 2008 that were not registered under the Securities Act.

- 17 -

Table of Contents**Issuer Purchases of Equity Securities**

From time to time, we repurchase our securities under a repurchase program that initially was approved by the board of directors and publicly announced in October 2001 (the Repurchase Program). In October 2008, the board of directors adopted a resolution (the October 2008 resolution) that reaffirmed management's authority to repurchase common shares under the Repurchase Program and also amended the Repurchase Program to permit the repurchase of outstanding series of preferred shares, as well as any outstanding series of debt securities. The October 2008 resolution also limited management's authority to repurchase a maximum of \$75.0 million of common shares, \$75.0 million of debt securities and \$25.0 million of preferred shares. The authority to repurchase such securities expires in October 2009. In December 2008, the board of directors granted management further authority, in addition to the previous \$75.0 million authorization, to repurchase any outstanding debt securities maturing through December 31, 2011. Under the Repurchase Program, we also execute share repurchases on an ongoing basis associated with certain employee elections under our compensation and benefit programs.

There was no common share repurchase activity for any of the three months in the quarter ended December 31, 2008.

Item 6. Selected Financial Data

The following sets forth selected financial and operating information on a historical basis for each of the years in the five-year period ended December 31, 2008. The following information should be read in conjunction with Item 7,

Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Financial Statements and Supplementary Data included in this Form 10-K (in thousands, except per share amounts):

	2008	2007	2006	2005	2004
Results of Operations:					
Revenues:					
Rental Operations from Continuing Operations	\$ 894,189	\$ 852,089	\$ 805,296	\$ 647,397	\$ 582,222
Service Operations from Continuing Operations	101,898	99,358	90,125	81,941	70,803
Total Revenues from Continuing Operations	\$ 996,087	\$ 951,447	\$ 895,421	\$ 729,338	\$ 653,025
Income from Continuing Operations	\$ 96,298	\$ 161,834	\$ 151,360	\$ 134,714	\$ 131,672
Net Income Available for Common Shareholders	\$ 56,616	\$ 217,692	\$ 145,095	\$ 309,183	\$ 151,279
Per Share Data:					
Basic income per common share:					
Continuing operations	\$ 0.27	\$ 0.72	\$ 0.69	\$ 0.63	\$ 0.67
Discontinued operations	0.12	0.84	0.39	1.56	0.40
Diluted income per common share:					
Continuing operations	0.26	0.71	0.68	0.62	0.66
Discontinued operations	0.12	0.84	0.39	1.55	0.40
Dividends paid per common share	1.93	1.91	1.89	1.87	1.85
Dividends paid per common share - special	-	-	-	1.05	-
Weighted average common shares outstanding	146,915	139,255	134,883	141,508	141,379
Weighted average common shares and potential dilutive securities	155,041	149,614	149,393	155,877	157,062
Balance Sheet Data (at December 31):					
Total Assets	\$ 7,690,883	\$ 7,661,981	\$ 7,238,595	\$ 5,647,560	\$ 5,896,643

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Total Debt	4,298,478	4,316,460	4,109,154	2,600,651	2,518,704
Total Preferred Equity	1,016,625	744,000	876,250	657,250	657,250
Total Shareholders' Equity	2,821,758	2,750,033	2,503,583	2,452,798	2,825,869
Total Common Shares Outstanding	148,420	146,175	133,921	134,697	142,894
Other Data:					
Funds From Operations (1)	\$ 375,906	\$ 384,032	\$ 338,008	\$ 341,189	\$ 352,469

- 18 -

Table of Contents

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

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

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

See reconciliation of FFO to GAAP net income under the caption Year in Review under item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations .

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

Business Overview

We are a self-administered and self-managed REIT that began operations through a related entity in 1972. As of December 31, 2008, we:

Owned or jointly controlled 738 industrial, office, healthcare and retail properties (including properties under development and excluding all properties developed with the intent to sell), consisting of approximately 128.6 million square feet; and

Owned or jointly controlled more than 7,200 acres of land with an estimated future development potential of more than 107 million square feet of industrial, office, healthcare and retail properties.

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

Property leasing;
Property management;
Asset management;
Construction;
Development; and

Other tenant-related services.

Table of Contents

We also develop or acquire properties with the intent to sell (hereafter referred to as Build-for-Sale properties). Build-for-Sale properties represent properties where our investment strategy results in a decision to sell the property within a relatively short time after it is placed in service. Build-for-Sale properties are generally identified as such prior to construction commencement and may either be sold or contributed to an unconsolidated entity in which we have an ownership interest or sold outright to third parties.

Financial Strategy

Our financing strategy is to actively manage the components of our capital structure and maintain investment grade ratings for our unsecured notes from our credit rating agencies. Additionally, to the extent that market conditions permit, we employ a capital recycling program that utilizes sales of operating real estate assets that no longer fit our strategies to generate proceeds that can be recycled into new properties that better fit our current and long-term strategies.

We also seek to maintain a balanced and flexible capital structure by: (i) extending and sequencing the maturity dates of our outstanding debt obligations; (ii) borrowing primarily at fixed rates by targeting a variable rate component of total debt less than 20%; (iii) pursuing current and future long-term debt financings; (iv) maintaining fixed charge coverage and other ratios at levels required to maintain investment grade ratings for our unsecured notes; (v) generating proceeds from the sale of non-strategic properties and (vi) issuing perpetual preferred shares for 5-10% of our total capital structure. However, given the current state of the economy and capital markets, our near term focus is on improving liquidity through capital preservation by substantially decreasing acquisitions and development, diligently managing our overhead expenses, reducing dividend payments and actively seeking new sources of capital, including secured indebtedness, to refinance and extend our debt maturities. In order to strengthen our capital structure we intend to repurchase unsecured debt, on the open market, when favorable pricing is available. By focusing on strengthening our balance sheet, we expect to be well-positioned for future growth as the economy improves.

Operational Objectives

Our primary operational objective is to maximize Funds From Operations (FFO) by (i) maintaining and increasing property occupancy and rental rates through the management of our portfolio of existing properties; (ii) selectively developing and acquiring new properties for rental operations in our existing markets when economic conditions improve; (iii) using our construction expertise to act as a general contractor or construction manager in our existing markets and other domestic markets on a fee basis; and (iv) providing a full line of real estate services to our tenants and to third parties.

Year in Review

Notwithstanding the overall state of the economy, we were still able to execute several significant transactions throughout the year as discussed below. However, due to the volatile state of the credit markets, we were forced to limit our development activities. While the curtailment of development activities, in the short-term, will allow us to preserve additional capital, it will also result in a short-term decrease in the rate of revenue growth, and proceeds from dispositions of Build-for-Sale properties, from what has been achieved historically.

Net income available for common shareholders for the year ended December 31, 2008, was \$56.6 million, or \$.38 per share (diluted), compared to net income of \$217.7 million, or \$1.55 per share (diluted) for the year ended 2007. The decrease in net income available for common shareholders was driven largely by significant held-for-rental property sales that took place during 2007 as part of our capital recycling program. Access to credit by potential buyers was

limited during 2008; therefore, we were not able to continue our capital recycling

Table of Contents

program in 2008 at the levels we achieved in 2007. FFO available to common shareholders totaled \$375.9 million for the year ended December 31, 2008, compared to \$384.0 million for the same period in 2007. Industry analysts and investors use FFO as a supplemental operating performance measure of an equity real estate investment trust (REIT). FFO is calculated in accordance with the definition that was adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT). FFO, as defined by NAREIT, represents net income (loss) determined in accordance with United States generally accepted accounting principles (GAAP), excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated real estate assets, plus certain non-cash items such as real estate asset depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Thus, NAREIT created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items, from GAAP net income. Management believes that the use of FFO, combined with the required primary GAAP presentations, improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful. Management believes FFO is a useful measure for reviewing comparative operating results and financial performance (although FFO should be reviewed in conjunction with net income which remains the primary measure of performance) because by excluding gains or losses related to sales of previously depreciated real estate assets and excluding real estate asset depreciation and amortization, FFO provides a useful comparison of the operating performance of our real estate between periods or as compared to different companies.

The following table summarizes the calculation of FFO for the years ended December 31, 2008, 2007 and 2006, respectively (in thousands):

	2008	2007	2006
Net income available for common shareholders	\$ 56,616	\$ 217,692	\$ 145,095
Adjustments:			
Depreciation and amortization	314,952	277,691	254,268
Company share of joint venture depreciation and amortization	38,321	26,948	18,394
Earnings from depreciable property sales wholly owned	(16,961)	(121,072)	(42,089)
Earnings from depreciable property sales share of joint venture	(495)	(6,244)	(18,802)
Minority interest share of adjustments	(16,527)	(10,983)	(18,858)
Funds From Operations	\$ 375,906	\$ 384,032	\$ 338,008

During 2008, we continued to execute within our core areas of competency, while making adjustments due to the general disruption in the U.S. economy. Highlights of our operating activities are as follows:

In December 2008, we sold 16 acres of land in Alexandria, VA, to the United States government for the development of an administrative office complex for the U.S. Department of the Army. The land sale, for

\$105.1 million, is part of an overall \$953.1 million development and construction agreement with the U.S. Army Corps of Engineers that implements the 2005 Base Realignment and Closure Commission (the BRAC Construction Contract) and will continue through 2011. The development will consist of facilities containing more than 1.7 million square feet, and includes two multi-story office towers, two parking garages and a public transportation center. The total anticipated profit on the overall agreement will be recognized over the course of the contract using the percentage of completion method of accounting.

Table of Contents

During 2008, we sold seven newly developed properties to unconsolidated joint ventures from which we received \$251.6 million of sales and financing proceeds and recognized pre-tax gains on sale of \$23.3 million. We also sold seven Build-for-Sale properties to third parties for \$120.5 million of gross proceeds and recognized pre-tax gains on sale of \$18.8 million.

We disposed of eight wholly owned held-for-rental properties for \$79.4 million of gross proceeds and also generated \$47.4 million of gross proceeds, excluding the government contract described above, from the divestiture of non-strategic land parcels.

The current state of the economy has limited our ability to access debt and equity capital markets. Management's priorities with regard to uses of capital for development of new properties, therefore, have been re-evaluated and new wholly owned development commitments have been significantly curtailed. As such, the total cost of our wholly owned properties under construction totaled \$372.6 million at December 31, 2008 with \$142.5 million of such costs having been incurred through that date. Our total cost for joint venture properties under construction was \$356.6 million at December 31, 2008 with \$189.6 million of costs incurred through that date.

The occupancy level for our in-service held-for-rental portfolio (including joint venture properties) decreased from 92.1% at December 31, 2007 to 89.5% at December 31, 2008. The decrease was primarily the result of developments which were not fully leased being placed in service during 2008. However, occupancy of this portfolio did improve over the last two quarters of the year as we experienced positive net leasing absorption for the year.

We engaged in a number of financing activities during 2008 to adapt to, as well as to capitalize on, opportunities provided by the volatility in the credit markets. Highlights of our key financing activities in 2008 are as follows:

In January 2008, we repaid \$125.0 million of senior unsecured notes with an effective interest rate of 3.36% on their scheduled maturity date.

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

In May 2008, we repaid \$100.0 million of senior unsecured notes with an effective interest rate of 6.76% on their scheduled maturity date.

In May 2008, we issued \$325.0 million of 6.25% senior unsecured notes due in May 2013. After including the effect of forward starting swaps, which were designated as cash flow hedges for this offering, the effective interest rate is 7.36%.

During the fourth quarter of 2008, we opportunistically repurchased preferred shares on the open market in order to take advantage of significant trading discounts. In total, we repurchased preferred shares having a

redemption value of approximately \$27.4 million for \$12.4 million, which resulted in an approximate \$14.0 million gain on repurchase after considering the charge-off of offering costs from those shares.

During the fourth quarter of 2008, we also repurchased certain of our outstanding series of unsecured notes maturing in 2009 and 2010 on the open market. We repurchased unsecured notes that had a face value of approximately \$38.5 million, for approximately \$36.5 million, and recognized a gain on extinguishment of these notes of approximately \$2.0 million.

Table of Contents

In order to strengthen our liquidity position going forward and to preserve cash for future debt maturities, the board of directors resolved in January 2009 to reduce our annual dividend from \$1.94 per share to \$1.00 per share. When considering common shares and limited partnership units outstanding as of December 31, 2008, this dividend reduction will generate \$145.2 million in additional available cash annually, when compared to an annual dividend of \$1.94 per share.

Key Performance Indicators

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

Occupancy Analysis: As discussed above, our ability to maintain high occupancy rates is a principal driver of maintaining and increasing rental revenue from continuing operations. The following table sets forth occupancy information regarding our in-service portfolio of rental properties (including rental properties of unconsolidated joint ventures but excluding all in-service Build-for-Sale properties) as of December 31, 2008 and 2007, respectively (in thousands, except percentage data):

Type	Total Square Feet		Percent of Total Square Feet		Percent Occupied	
	2008	2007	2008	2007	2008	2007
Industrial	91,596	78,456	72.1%	69.8%	90.0%	93.0%
Office	33,843	32,482	26.6%	28.9%	87.9%	89.9%
Other	1,691	1,414	1.3%	1.3%	91.5%	92.5%
Total	127,130	112,352	100.0%	100.0%	89.5%	92.1%

The decrease in occupancy at December 31, 2008, as compared to December 31, 2007, is primarily the result of developments which were not fully leased being placed in service during 2008. Certain of these developments were built with the intention to sell shortly after completion but, due to economic conditions, were not sold and are being held as rental properties for the foreseeable future. Our ongoing ability to maintain favorable occupancy levels may be adversely affected by the impact of workforce reductions triggered by the current economic downturn on current and prospective tenants and such a reduction in the level of occupancy may have an adverse impact on revenues from rental operations. There are no significant differences in occupancy between wholly owned properties and properties held by unconsolidated subsidiaries.

Lease Expiration and Renewals: Our ability to maintain and improve occupancy rates primarily depends upon our continuing ability to re-lease expiring space. The following table reflects our in-service portfolio lease expiration schedule by property type as of December 31, 2008. The table indicates square footage and annualized net effective rents (based on December 2008 rental revenue) under expiring leases (in thousands, except percentage data):

Year of Expiration	Total Portfolio			Industrial		Office		Other	
	Square Feet	Ann. Rent Revenue	% of Revenue	Square Feet	Ann. Rent Revenue	Square Feet	Ann. Rent Revenue	Square Feet	Ann. Rent Revenue
2009	11,842	\$ 75,705	10%	8,702	\$ 34,063	3,076	\$ 40,975	64	\$ 667
2010	14,066	95,747	12%	10,222	43,795	3,831	51,765	13	187

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2011	16,219	95,831	12%	12,593	47,246	3,556	47,410	70	1,175
2012	12,062	82,274	11%	8,511	33,122	3,503	48,278	48	874
2013	12,748	103,662	13%	7,803	32,167	4,887	70,601	58	894
2014	10,619	65,503	8%	8,179	29,888	2,404	34,993	36	622
2015	8,746	66,137	9%	6,318	25,237	2,427	40,871	1	29
2016	5,058	33,825	4%	3,585	12,285	1,262	19,097	211	2,443
2017	6,424	44,010	6%	4,599	18,145	1,562	22,492	263	3,373
2018	6,850	48,979	6%	5,123	22,542	1,222	18,815	505	7,622
2019 and Thereafter	9,110	66,216	9%	6,811	30,251	2,021	29,849	278	6,116
	113,744	\$ 777,889	100%	82,446	\$ 328,741	29,751	\$ 425,146	1,547	\$ 24,002
Total Portfolio Square Feet	127,130			91,596		33,843		1,691	
 Percent Occupied	 89.5%			 90.0%		 87.9%		 91.5%	

Note: Includes all properties in unconsolidated joint ventures and excludes all Build-for-Sale properties.

Table of Contents

We renewed 71.9% and 79.7% of our leases up for renewal totaling approximately 9.2 million and 9.8 million square feet in 2008 and 2007, respectively. We attained 1.80% growth in net effective rents on these renewals during 2008. Excluding the effect of one significant 322,679 square foot early lease renewal in certain of our office properties, our growth in net effective rents for 2008 would have been 4.90%, which is more consistent with our 2007 growth in net effective rent rate upon renewal of 5.81%. Our lease renewal percentages over the past three years have remained relatively consistent at a 70-80% success rate. The effects of current economic conditions upon our base of existing tenants may adversely affect our ability to continue to achieve this renewal rate.

Future Development: Another source of our earnings growth is our wholly owned and joint venture development activities. We expect to generate future earnings through income upon the sale of these development properties or from Rental Operations income as the development properties are placed in service and leased. Considering the current state of the economy and the risks presented by constraints on our ability to access capital on favorable terms, if at all, we have reduced the level of our wholly owned new development activities pending improvements in the economy and capital markets and are focused on the lease-up of recently completed and under development projects.

We had 4.0 million square feet of property under development with total estimated costs upon completion of \$729.2 million at December 31, 2008, compared to 16.6 million square feet of property under development with total estimated costs of \$1.2 billion at December 31, 2007. The square footage and estimated costs include both wholly owned and joint venture development activity at 100%.

The following table summarizes our properties under development as of December 31, 2008 (in thousands, except percentage data):

Anticipated In-Service Date	Square Feet	Percent Leased	Total Estimated Project Costs (1)	Total Incurred to Date	Amount Remaining to be Spent	Anticipated Stabilized Return (2)
Held-for-Rental properties:						
1 st Quarter 2009	93	100%	\$ 16,776	\$ 12,749	\$ 4,027	10.42%
2 nd Quarter 2009	523	0%	23,130	13,307	9,823	8.08%
3 rd Quarter 2009	428	57%	96,214	43,460	52,754	8.26%
Thereafter	401	52%	113,660	34,277	79,383	8.24%
	1,445	38%	249,780	103,793	145,987	8.38%
Build-for-Sale properties:						
1 st Quarter 2009	112	90%	18,232	14,198	4,034	8.72%
2 nd Quarter 2009	655	18%	38,869	28,092	10,777	8.86%
3 rd Quarter 2009	951	30%	261,646	147,247	114,399	8.28%
Thereafter	858	95%	160,659	38,786	121,873	7.98%
	2,576	51%	479,406	228,323	251,083	8.24%
Total	4,021	46%	\$ 729,186	\$ 332,116	\$ 397,070	8.29%

(1) Includes total estimated project costs upon completion for wholly owned and joint venture properties, both at 100%.

(2) Anticipated yield upon leasing 95% of the property.

Acquisition and Disposition Activity: Gross sales proceeds related to the dispositions of wholly owned held-for-rental properties were \$79.4 million in 2008, compared to \$336.7 million in 2007. Proceeds from 2007 included the disposition of a portfolio of eight office properties in the Cleveland market and a portfolio of twelve industrial properties in the St. Louis market.

Dispositions of wholly owned Build-for-Sale properties resulted in \$346.8 million in proceeds in 2008, compared to \$256.6 million in 2007. This increase was largely a result of \$225.9 million in current year proceeds from seven buildings sold to a 20% owned unconsolidated joint venture with which we have an agreement to sell up to \$800.0 million in Build-for-Sale properties over a three-year period.

Table of Contents

Our share of proceeds from sales of properties within unconsolidated joint ventures, in which we have less than a 100% interest, totaled \$35.1 million in 2008, compared to \$25.9 million in 2007.

We intend to continue to identify properties for disposition in order to recycle the proceeds into higher yielding assets and to reduce our debt maturities. We believe that the number of dispositions we execute in 2009 will be impacted by the ability of prospective buyers to obtain favorable financing given the current state of the economy and credit markets in particular.

In 2008, we acquired \$60.5 million of income producing properties and \$42.7 million of undeveloped land, compared to \$117.0 million of income producing properties and \$321.3 million of undeveloped land in 2007. In 2007, we also continued our expansion into the healthcare real estate market by completing the acquisition of Bremner Healthcare Real Estate, a national healthcare development and management firm. The initial consideration paid to the sellers totaled \$47.1 million and the sellers may be eligible for further contingent payments over the three years following the acquisition date.

Results of Operations

A summary of our operating results and property statistics for each of the years in the three-year period ended December 31, 2008, is as follows (in thousands, except number of properties and per share data):

	2008	2007	2006
Rental Operations revenues from Continuing Operations	\$ 894,189	\$ 852,089	\$ 805,296
Service Operations revenues from Continuing Operations	101,898	99,358	90,125
Earnings from Continuing Rental Operations	79,565	126,346	137,262
Earnings from Continuing Service Operations	61,943	52,034	53,196
Operating income	94,924	169,031	160,555
Net income available for common shareholders	56,616	217,692	145,095
Weighted average common shares outstanding	146,915	139,255	134,883
Weighted average common shares and potential dilutive securities	155,041	149,614	149,393
Basic income per common share:			
Continuing operations	\$.27	\$.72	\$.69
Discontinued operations	\$.12	\$.84	\$.39
Diluted income per common share:			
Continuing operations	\$.26	\$.71	\$.68
Discontinued operations	\$.12	\$.84	\$.39
Number of in-service properties at end of year	729	692	696
In-service square footage at end of year	127,130	112,352	108,852

Comparison of Year Ended December 31, 2008 to Year Ended December 31, 2007**Rental Revenue from Continuing Operations**

Overall, rental revenue from continuing operations increased from \$822.7 million in 2007 to \$870.4 million in 2008. The following table reconciles rental revenue from continuing operations by reportable segment to our total reported rental revenue from continuing operations for the years ended December 31, 2008 and 2007, respectively (in thousands):

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	2008	2007
Office	\$ 568,405	\$ 562,277
Industrial	250,078	218,055
Non-reportable segments	51,889	42,376
Total	\$ 870,372	\$ 822,708

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

In 2008, we acquired five new properties and placed 36 developments in service. These acquisitions and developments provided incremental revenues of \$3.5 million and \$20.4 million, respectively.

- 25 -

Table of Contents

Acquisitions and developments that were placed in service in 2007 provided \$10.3 million and \$37.7 million, respectively, of incremental revenue in 2008.

We sold eight properties to an unconsolidated joint venture in 2007, resulting in an \$11.2 million reduction in revenues for the year ended December 31, 2008, as compared to the same period in 2007. Of these properties, seven were sold in the second quarter of 2007 and one was sold in the fourth quarter of 2007.

Rental revenue from continuing operations includes lease termination fees. Lease termination fees relate to specific tenants who pay a fee to terminate their lease obligations before the end of the contractual lease term. Lease termination fees decreased from \$24.2 million in 2007 to \$9.4 million in 2008.

Equity in Earnings of Unconsolidated Companies

Equity in earnings represents our ownership share of net income from investments in unconsolidated companies. These unconsolidated companies generally own and operate rental properties and develop properties. Equity in earnings decreased from \$29.4 million in 2007 to \$23.8 million in 2008 largely as the result of our \$7.0 million share of additional depreciation expense recognized when two properties owned by unconsolidated companies were removed from held-for-sale classification. The additional depreciation expense was partially offset by an increase in gain on building sales in 2008 compared to 2007. During 2007, our joint ventures sold ten non-strategic buildings, with our share of the net gain recognized through equity in earnings totaling \$8.0 million, compared to five joint venture building sales in 2008, with \$10.1 million recorded to equity in earnings for our share of the net gains.

Rental Expenses and Real Estate Taxes

The following table reconciles rental expenses and real estate taxes by reportable segment to our total reported amounts in the statements of operations for the years ended December 31, 2008 and 2007, respectively (in thousands):

	2008	2007
Rental Expenses:		
Office	\$ 156,184	\$ 148,493
Industrial	27,703	23,819
Non-reportable segments	12,728	8,435
Total	\$ 196,615	\$ 180,747
Real Estate Taxes:		
Office	\$ 71,128	\$ 65,810
Industrial	30,580	27,409
Non-reportable segments	9,874	7,033
Total	\$ 111,582	\$ 100,252

Of the overall \$15.9 million increase in rental expenses in 2008 compared to 2007, \$11.5 million was attributable to properties acquired and developments placed in service from January 1, 2007 through December 31, 2008. This increase was partially offset by a reduction in rental expenses of \$2.0 million resulting from the sale of eight properties to an unconsolidated joint venture in 2007. Increases in utility costs and snow removal in our existing base

of properties also contributed to the increase in rental expenses.

Of the overall \$11.3 million increase in real estate taxes in 2008 compared to 2007, \$7.0 million was attributable to properties acquired and developments placed in service from January 1, 2007 through December 31, 2008. The remaining increase in real estate taxes was driven by increases in taxes on our existing properties.

Table of Contents

Interest Expense

Interest expense from continuing operations increased from \$172.0 million in 2007 to \$195.1 million in 2008. The increase is primarily the result of interest costs related to development projects that were placed in service in late 2007 and 2008 where the costs to finance these projects were capitalized during construction. Overall, our weighted average interest rates remained fairly consistent from 2007 to 2008, as the weighted average interest rate on our unsecured notes increased from 5.73% to 5.93%, while we experienced lower interest rates throughout 2008 on our LIBOR-based unsecured lines of credit.

Depreciation and Amortization Expense

Depreciation and amortization increased from \$272.8 million in 2007 to \$311.3 million in 2008 due to increases in our held-for-rental asset base from acquisitions and developments placed in service during 2007 and 2008 as well as the result of recording additional depreciation expense in the amount of \$13.2 million for properties removed from held-for-sale classification in 2008.

Service Operations

Service Operations primarily consist of sales of Build-for-Sale properties and the leasing, management, construction and development services for joint venture properties and properties owned by third parties. These operations are heavily influenced by the current state of the economy, as leasing and management fees are dependent upon occupancy while construction and development services rely on the expansion of business operations of third-party property owners. Earnings from Service Operations increased from \$52.0 million in 2007 to \$61.9 million in 2008. The increase in earnings from Service Operations was primarily the result of a \$4.4 million increase in pre-tax gains on dispositions of Build-for-Sale properties and lower income tax expense in our taxable REIT subsidiary.

General and Administrative Expense

General and administrative expense increased from \$37.7 million in 2007 to \$39.5 million in 2008. General and administrative expenses consist of two components. The first component is direct expenses that are not attributable to specific assets such as legal fees, audit fees, marketing costs, investor relations expenses and other corporate overhead. The second component is the unallocated indirect costs determined to be unrelated to the operation of our owned properties and Service Operations. Those indirect costs not allocated to these operations are charged to general and administrative expenses. The increase in general and administrative expenses was largely driven by a \$10.9 million decrease in overhead costs allocated to leasing and construction activity based on decreased volume in these areas. Offsetting the decreased allocation of general and administrative expenses to operating activities was a \$9.1 million decrease in total overhead costs in 2008 as we focused on overhead reduction opportunities.

Impairment Charges and Other Expenses

Impairment charges and other expenses consist of impairment charges recognized on our long-lived assets as well as the write-off of previously capitalized costs of potential projects that we determined are no longer likely to be pursued. The increase from \$5.7 million in 2007 to \$19.7 million in 2008 was largely the result of a re-assessment of our intended use of some of our land holdings, as well as the negative effect of the overall economy on real estate values in certain of our markets. We recognized non-cash impairment charges in 2008 on seven of our tracts of undeveloped land totaling \$8.6 million. Additionally, as the result of the economy's negative effect on real estate selling prices, we recognized \$2.8 million of impairment charges on two of our Build-for-Sale properties that were under construction at December 31, 2008, as they were expected to sell in 2009. The fair values of these assets were calculated either by

discounting estimated future cash flows and sales proceeds or were based on comparable transactions.

The remaining \$8.3 million and \$5.7 million of activity in 2008 and 2007, respectively, primarily pertained to costs previously capitalized for potential projects that we later determined would not be pursued.

Table of Contents**Discontinued Operations**

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

The operations of 61 buildings are currently classified as discontinued operations. These 61 properties consist of 35 industrial and 26 office properties. As a result, we classified net income from operations, net of minority interest, of \$1.6 million, \$4.1 million and \$10.7 million in discontinued operations for the years ended December 31, 2008, 2007 and 2006, respectively.

Of these properties, eight were sold during 2008, 32 properties were sold during 2007 and 21 properties were sold during 2006. The gains on disposal of these properties, net of minority interest, of \$16.1 million, \$113.6 million and \$42.1 million for the years ended December 31, 2008, 2007 and 2006, respectively, are also reported in discontinued operations.

Comparison of Year Ended December 31, 2007 to Year Ended December 31, 2006**Rental Revenue from Continuing Operations**

Overall, rental revenue from continuing operations increased from \$767.3 million in 2006 to \$822.7 million in 2007. The following table reconciles rental revenue from continuing operations by reportable segment to our total reported rental revenue from continuing operations for the years ended December 31, 2007 and 2006, respectively (in thousands):

	2007	2006
Office	\$ 562,277	\$ 547,370
Industrial	218,055	193,675
Non-reportable segments	42,376	26,247
Total	\$ 822,708	\$ 767,292

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

In 2007, we acquired six new properties and placed 38 development projects in service. These acquisitions and developments provided incremental revenues of \$2.9 million and \$16.6 million, respectively.

Acquisitions and developments that were placed in service in 2006 provided \$12.4 million and \$25.1 million, respectively, of incremental revenue in 2007.

We acquired an additional 31 properties in 2006 and later sold them to an unconsolidated joint venture, resulting in a \$40.2 million reduction in revenues for the year ended December 31, 2007, as compared to the same period in 2006. Of these properties, 23 were sold in the fourth quarter of 2006, seven were sold in the second quarter of 2007 and one was sold in the fourth quarter of 2007.

Rental revenue includes lease termination fees. Lease termination fees relate to specific tenants who pay a fee to terminate their lease obligations before the end of the contractual lease term. Lease termination fees increased from \$16.1 million in 2006 to \$24.2 million in 2007.

The remaining increase in rental revenues is primarily the result of an \$18.2 million increase in revenues from reimbursable rental expenses. This increase is largely offset by a corresponding increase in overall rental expenses.

Table of ContentsEquity in Earnings of Unconsolidated Companies

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

Rental Expenses and Real Estate Taxes

The following table reconciles rental expenses and real estate taxes by reportable segment to our total reported amounts in the statements of operations for the years ended December 31, 2007 and 2006, respectively (in thousands):

	2007	2006
Rental Expenses:		
Office	\$ 148,493	\$ 147,387
Industrial	23,819	21,890
Non-reportable segments	8,435	3,519
Total	\$ 180,747	\$ 172,796
Real Estate Taxes:		
Office	\$ 65,810	\$ 58,056
Industrial	27,409	21,663
Non-reportable segments	7,033	6,015
Total	\$ 100,252	\$ 85,734

Our rental expenses increased by \$8.0 million in 2007 compared to 2006. A \$9.9 million increase in rental expenses attributable to properties acquired and developments placed in service from January 1, 2006 through December 31, 2007 was largely offset by a reduction in rental expenses of \$7.6 million resulting from the contribution of 31 properties to an unconsolidated joint venture in 2006 and 2007. Inclement weather conditions in the first quarter of 2007, an increase in utility rates and volume in the third quarter of 2007 due to unseasonably high temperatures and normal inflationary factors triggered the remaining increase in rental expenses.

Of the overall \$14.5 million increase in real estate taxes in 2007 compared to 2006, \$7.7 million was attributable to properties acquired and developments placed in service from January 1, 2006 through December 31, 2007. The remaining increase in real estate taxes was driven by increases in taxes on our existing properties.

Interest Expense

Interest expense from continuing operations remained fairly consistent from 2006 to 2007 at \$172.7 million in 2006, compared to \$172.0 million in 2007. While we maintained higher outstanding borrowings in 2007 compared to 2006, these higher borrowings were used to fund our increase in development activities and thus, the increased interest costs from these borrowings were capitalized into project costs rather than expensed.

Depreciation and Amortization Expense

Depreciation and amortization increased from \$236.8 million in 2006 to \$272.8 million in 2007 due to increases in our held-for-rental asset base from acquisitions and developments placed in service during 2006 and 2007.

Table of Contents**Service Operations**

Earnings from Service Operations decreased slightly from \$53.2 million in 2006 to \$52.0 million in 2007. During 2007, we generated pre-tax gains of \$34.7 million from the sale of 15 Build-for-Sale properties compared to \$44.6 million from the sale of nine such properties in 2006. Partially offsetting this decrease was a \$2.9 million reduction in income taxes on these gains on sale, with the net effect of decreased gains on sale in 2007 resulting in a \$7.0 million decrease in earnings from Service Operations. Increased net general contractor revenues drove a \$9.7 million increase in earnings from Service Operations from 2006 as the result of increased volume and margins and favorable settlement of previously existing warranty reserves.

General and Administrative Expense

General and administrative expense increased from \$35.8 million in 2006 to \$37.7 million in 2007. There was a \$31.7 million increase in total overhead costs in 2007 as the result of our overall growth. The majority of this increase in the total overhead costs was a result of increased rental and service operations activity and thus, was allocated to rental operations, construction, development and leasing. Approximately \$1.5 million of the increase in total overhead costs was not allocated to operations, which was the primary reason for the overall \$1.9 million increase to general and administrative expense.

Critical Accounting Policies

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

Accounting for Joint Ventures: We analyze our investments in joint ventures under Financial Accounting Standards Board (FASB) Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, to determine if the joint venture is considered a variable interest entity and would require consolidation. To the extent that our joint ventures do not qualify as variable interest entities, we further assess under the guidelines of Emerging Issues Task Force (EITF) Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5); Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures* (SOP 78-9); Accounting Research Bulletin No. 51, *Consolidated Financial Statements*; and Statement of Financial Accounting Standard (SFAS) No. 94, *Consolidation of All Majority-Owned Subsidiaries*, to determine if the venture should be consolidated. We have equity interests generally ranging from 10% to 50% in unconsolidated joint ventures that develop, own and operate rental properties and hold land for development. To the extent applicable, we consolidate those joint ventures that are considered to be variable interest entities where we are the primary beneficiary. For non-variable interest entities, we consolidate those joint ventures that we control through majority ownership interests or where we are the managing entity and our partner does not have substantive participating rights. Control is further demonstrated by the ability of the general partner to manage day-to-day operations, refinance debt and sell the assets of the joint venture without the consent of the limited partner and inability of the limited partner to replace the general partner. We use the equity method of

accounting for those joint ventures where we do not have control over operating and financial policies. Under the equity method of accounting, our investment in each joint venture is included on our balance sheet; however, the assets and liabilities of the joint ventures for which we use the equity method are not included on our balance sheet.

- 30 -

Table of Contents

To the extent that we contribute assets to a joint venture, our investment in the joint venture is recorded at our cost basis in the assets that were contributed to the joint venture. To the extent that our cost basis is different than the basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in our share of equity in net income of the joint venture. In accordance with the provisions of SOP 78-9 and SFAS No. 66, *Accounting for Sales of Real Estate*, we recognize gains on the contribution or sale of real estate to joint ventures, relating solely to the outside partner's interest, to the extent the economic substance of the transaction is a sale.

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

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

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

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

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

Impairment of Real Estate Assets: We evaluate our real estate assets, with the exception of those that are classified as held-for-sale, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If such an evaluation is considered necessary, we compare the carrying amount of that real estate asset, or asset group, with the expected undiscounted cash flows that are directly associated with, and that are expected to arise as a direct result of, the use and eventual disposition of that asset, or asset group. Our estimate of the expected future cash flows used in testing for impairment is based on, among other things, our estimates regarding future market conditions, rental rates, occupancy levels, costs of tenant improvements, leasing commissions and other

tenant concessions, assumptions regarding the residual value of our properties at the end of our anticipated holding period and the length of

Table of Contents

our anticipated holding period and is, therefore, subjective by nature. These assumptions could differ materially from actual results. If our strategy changes or if market conditions otherwise dictate a reduction in the holding period and an earlier sale date, an impairment loss could be recognized and such loss could be material. To the extent the carrying amount of a real estate asset, or asset group, exceeds the associated estimate of undiscounted cash flows, an impairment loss is recorded to reduce the carrying value of the asset to its fair value. The determination of the fair value of real estate assets is also highly subjective, especially in markets where there is a lack of recent comparable transactions.

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

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

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

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

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

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

We maintain a tenant watch list containing a list of significant tenants for which the payment of receivables and future rent may be at risk. Various factors such as late rent payments, lease or debt instrument defaults, and indications of a deteriorating financial position are considered when determining whether to include a tenant on the watch list.

As a matter of policy, we reserve the entire receivable balance, including straight-line rent, of any tenant with an amount outstanding over 90 days. Straight-line rent receivables for any tenant on the watch list or any other tenant identified as a potential long-term risk, regardless of the status of rent receivables, are reviewed and reserved as necessary.

Table of Contents

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

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

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

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

Liquidity and Capital Resources

Sources of Liquidity

We expect to meet our short-term liquidity requirements over the next twelve months, including payments of dividends and distributions, as well as recurring capital expenditures relating to maintaining our current real estate assets, primarily through working capital and net cash provided by operating activities.

We expect to meet long-term liquidity requirements, such as scheduled mortgage and unsecured debt maturities, property acquisitions, financing of development activities and other non-recurring capital improvements, primarily from the following sources:

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

Due to the current disruption in the U.S. economy, we are constantly monitoring the state of the capital markets and actively managing our capital needs, such as development expenditures and commitments. We will continue to utilize the Duke Realty Limited Partnership (DRLP) \$1.3 billion unsecured revolving line of credit to complete development projects currently under construction. We have virtually halted all new development activity and are focused on the completion and lease-up of under construction and recently completed projects. In January 2009, we announced a reduction in our annual dividend from \$1.94 per share to \$1.00 per share, which will result in approximately \$145.2 million of additional undistributed cash on an annual basis. We anticipate using multiple sources of capital, including issuances of secured debt in the near future, to meet our long-term capital needs.

Rental Operations

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

- 33 -

Table of Contents

We are subject to a number of risks as a result of the current economic downturn, including reduced occupancy, tenant defaults and bankruptcies, and potential reduction in rental rates upon renewal or re-letting of properties, each of which would result in reduced cash flow from operations. These risks may be heightened as a result of the current economic conditions. However, we believe that these risks may be mitigated by our relatively strong market presence in most of our markets and the fact that we perform in-house credit reviews and analyses on major tenants and all significant leases before they are executed.

Debt and Equity Securities

Our unsecured lines of credit as of December 31, 2008 are described as follows (in thousands):

Description	Borrowing Capacity	Maturity Date	Outstanding Balance at December 31, 2008
Unsecured Line of Credit DRLP	\$ 1,300,000	January 2010	\$ 474,000
Unsecured Line of Credit Consolidated Subsidiary	\$ 30,000	July 2011	\$ 9,659

We use the DRLP unsecured line of credit to fund development activities, acquire additional rental properties and provide working capital. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line, at rates that may be lower than the stated interest rate, subject to certain restrictions. The stated rate on the amounts outstanding on the DRLP unsecured line of credit as of December 31, 2008 was LIBOR plus .525% (ranging from 1.005% to 2.355% as of December 31, 2008). We may, at our sole discretion, exercise an option to extend the maturity date to January 2011. This line of credit also contains financial covenants that require us to meet financial ratios and defined levels of performance, including those related to fixed charge, variable rate indebtedness, consolidated net worth and debt-to-net asset value. As of December 31, 2008, we were in compliance with all covenants under this line of credit.

Due to the current volatile state of the credit markets, the borrowing cost of future secured or unsecured debt issuances may be higher, for the foreseeable future, than what has been historically available. We anticipate that additional issuances, in the near term, will be in the form of secured debt offerings.

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

In May 2008, we issued \$325.0 million of 6.25% senior unsecured notes due in May 2013. After taking into account the effect of forward starting swaps, which were designated as cash flow hedges for this offering, the notes had an effective interest rate of 7.36%.

The indentures (and related supplemental indentures) governing our outstanding series of notes also require us to comply with financial ratios and other covenants regarding our operations. We were in compliance with all such covenants, as well as applicable covenants under our unsecured line of credit, as of December 31, 2008.

At December 31, 2008, we had on file with the SEC an automatic shelf registration statement on Form S-3, relating to the offer and sale, from time to time, of an indeterminate amount of DRLP's debt securities (including guarantees thereof) and the Company's common shares, preferred shares, depository shares, warrants, stock purchase contracts and units comprised of one or more of these securities. From time to time, we expect to issue additional securities under this automatic shelf registration statement to fund the repayment of the credit facility and other long-term debt upon maturity.

Sale of Real Estate Assets

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

In 2008, our capital recycling program was significantly reduced due to the current state of the economy and the credit markets and it is likely that this trend will continue in 2009.

Table of Contents**Transactions with Unconsolidated Entities**

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

In May 2008, we entered into an unconsolidated joint venture that will acquire up to \$800.0 million of our newly developed build-to-suit projects over a three-year period. Properties will be sold to the joint venture upon completion, lease commencement and satisfaction of other customary conditions. We will retain a 20% equity interest in the joint venture. As of December 31, 2008, the joint venture has acquired seven properties from us and we received year-to-date net sale proceeds and financing distributions of approximately \$251.6 million.

In January 2008, we sold a tract of land to an unconsolidated joint venture in which we hold a 50% equity interest and received a distribution, commensurate to our partner's 50% ownership interest, of approximately \$38.3 million. In November 2008, that unconsolidated joint venture entered a loan agreement with a consortium of banks and distributed a portion of the loan proceeds to us and our partner, with our share of the distribution totaling \$20.4 million.

Uses of Liquidity

Our principal uses of liquidity include the following:

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

Property Investment

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

Recurring Expenditures

One of our principal uses of our liquidity is to fund the recurring leasing/capital expenditures of our real estate investments. The following is a summary of our recurring capital expenditures for the years ended December 31, 2008, 2007 and 2006, respectively (in thousands):

2008	2007	2006
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Recurring tenant improvements	\$ 36,885	\$ 45,296	\$ 41,895
Recurring leasing costs	28,205	32,238	32,983
Building improvements	9,724	8,402	8,122
Totals	\$ 74,814	\$ 85,936	\$ 83,000

- 35 -

Table of Contents**Dividends and Distributions**

In order to qualify as a REIT for federal income tax purposes, we must currently distribute at least 90% of our taxable income to shareholders. Because depreciation is a non-cash expense, cash flow will typically be greater than operating income. We paid dividends per share of \$1.93, \$1.91 and \$1.89 for the years ended December 31, 2008, 2007 and 2006, respectively. We expect to continue to distribute taxable earnings to meet the requirements to maintain our REIT status. However, distributions are declared at the discretion of our board of directors and are subject to actual cash available for distribution, our financial condition, capital requirements and such other factors as our board of directors deems relevant. In January 2009, our board of directors resolved to decrease our annual dividend from \$1.94 per share to \$1.00 per share in order to retain additional cash to help meet our capital needs. We anticipate retaining additional cash of approximately \$145.2 million per year, when compared to an annual dividend of \$1.94 per share, as the result of this action.

At December 31, 2008 we had six series of preferred shares outstanding. The annual dividend rates on our preferred shares range between 6.5% and 8.375% and are paid in arrears quarterly.

Debt Maturities

Debt outstanding at December 31, 2008 totaled \$4.3 billion with a weighted average interest rate of 5.43% maturing at various dates through 2028. We had \$3.3 billion of unsecured debt, \$483.7 million outstanding on our unsecured lines of credit and \$507.4 million of secured debt outstanding at December 31, 2008. Scheduled principal amortization and maturities of such debt totaled \$319.1 million for the year ended December 31, 2008.

The following is a summary of the scheduled future amortization and maturities of our indebtedness at December 31, 2008 (in thousands, except percentage data):

Year	Scheduled Amortization	Future Repayments		Weighted Average Interest Rate of Future Repayments
		Maturities (1)	Total	
2009	\$ 10,957	\$ 246,740	\$ 257,697	7.31%
2010	10,717	638,728	649,445	2.45%
2011	10,823	1,042,798	1,053,621	5.09%
2012	8,906	201,216	210,122	5.89%
2013	8,889	475,000	483,889	6.49%
2014	9,109	272,112	281,221	6.44%
2015	7,700	-	7,700	6.08%
2016	6,822	490,900	497,722	6.16%
2017	5,242	469,324	474,566	5.94%
2018	3,304	300,000	303,304	6.08%
2019	3,062	-	3,062	5.85%
Thereafter	24,439	50,000	74,439	6.84%
	\$ 109,970	\$ 4,186,818	\$ 4,296,788	5.43%

(1) The balance outstanding on the DRLP unsecured line of credit is included in debt maturities for 2010. This line of credit may be extended to 2011 at our option.

We anticipate generating capital to fund our debt maturities by using undistributed cash generated from rental operations, which will increase as the result of reducing our annual dividends and development expenditures, as well

as through raising additional capital which, in the near term, is expected to occur mainly through the issuance of secured debt and through asset dispositions.

Opportunistic Repurchases of Outstanding Debt

We intend to repurchase, when favorable pricing is available, outstanding unsecured debt maturing over the next three years.

Table of Contents**Historical Cash Flows**

Cash and cash equivalents were \$22.5 million and \$48.0 million at December 31, 2008 and 2007, respectively. The following highlights significant changes in net cash associated with our operating, investing and financing activities (in millions):

	Years Ended December 31,		
	2008	2007	2006
Net Cash Provided by Operating Activities	\$ 642.8	\$ 323.9	\$ 272.9
Net Cash Provided by (Used for) Investing Activities	(522.6)	(434.8)	(1,234.1)
Net Cash Provided by (Used for) Financing Activities	(145.7)	90.4	1,002.9

Operating Activities

Cash flows from operating activities provide the cash necessary to meet normal operational requirements of our Rental Operations and Service Operations activities. The receipt of rental income from Rental Operations continues to provide the primary source of our revenues and operating cash flows. In addition, we develop buildings with the intent to sell them at or soon after completion, which provides another significant source of operating cash flow activity. Highlights of such activity are as follows:

During the year ended December 31, 2008, we incurred Build-for-Sale property development costs of \$216.1 million, compared to \$281.1 million and \$281.7 million for the years ended December 31, 2007 and 2006, respectively. The decrease is a result of lower activity in our Build-for-Sale business. Build-for-Sale projects under construction as of December 31, 2008 had anticipated total costs upon completion of \$220.6 million, of which \$138.5 million has not yet been incurred as of December 31, 2008.

We sold 14 Build-for-Sale properties in 2008 compared to 15 in 2007 and nine in 2006, receiving net proceeds of \$343.0 million, \$232.6 million and \$181.8 million, respectively. We recognized pre-tax gains of \$39.1 million, \$34.7 million and \$49.0 million on these sales for the years ended December 31, 2008, 2007 and 2006, respectively.

Net cash flows from third party construction contracts increased by \$151.7 million from 2007. The increase was largely driven by \$105.1 million in cash proceeds from the 2008 sale of a parcel of land to the U.S.

Department of the Army in conjunction with the BRAC Construction Contract.

Investing Activities

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

Sales of land and depreciated property provided \$116.6 million in net proceeds in 2008, compared to \$480.9 million in 2007 and \$180.8 million in 2006. We sold portfolios of eight suburban office properties in our Cleveland market and twelve industrial properties in our St. Louis market during 2007, which together provided \$203.5 million of the net proceeds received in 2007.

We received capital distributions (as a result of the sale of properties or refinancing) from unconsolidated subsidiaries of \$95.4 million in 2008, compared to \$235.8 million in 2007 and \$296.6 million in 2006.

Development expenditures for our held-for-rental portfolio totaled \$436.3 million for the year ended December 31, 2008, compared to \$451.2 million and \$385.5 million for the years ended December 31, 2007

and 2006, respectively.

- 37 -

Table of Contents

During 2008, we paid cash of \$20.1 million for real estate acquisitions, compared to \$117.4 million in 2007 and \$735.3 million in 2006. In addition, we paid cash of \$40.9 million for undeveloped land in 2008, compared to \$317.3 million in 2007 and \$435.9 million in 2006. The cash paid for real estate acquisitions in 2007 included both \$36.1 million for the Bremner acquisition (with the remaining \$11.0 million paid through the issuance of Units in Duke Realty Limited Partnership) and \$55.4 million for a portfolio of industrial properties located in Seattle, Virginia and Houston. The most significant activity in 2006 consisted of the purchase of a portfolio of suburban office and light industrial properties and undeveloped land in the Washington, D.C. area for \$867.6 million (of which \$713.5 million was paid in cash) and the purchase of a portfolio of industrial properties in Savannah, Georgia for \$196.2 million (of which \$125.9 million was paid in cash).

Financing Activities

The following items highlight significant capital transactions:

In January 2008, we repaid \$125.0 million of senior unsecured notes with an effective interest rate of 3.36% on their scheduled maturity date.

In February 2008, we received net proceeds of approximately \$290.0 million from the issuance of our 8.375% Series O Cumulative Redeemable Preferred Shares; we issued no preferred shares in 2007.

We decreased net borrowings on DRLP's \$1.3 billion line of credit by \$69.0 million for the year ended December 31, 2008, compared to an increase of \$226.0 million for the same period in 2007.

In March 2008, we settled three forward-starting swaps and made a cash payment of \$14.6 million to the counterparties.

In May 2008, we repaid \$100.0 million of senior unsecured notes with an effective interest rate of 6.76% on their scheduled maturity date.

In May 2008, we issued \$325.0 million of 6.25% senior unsecured notes due in May 2013. After including the effect of forward starting interest rate swaps, the effective interest rate is 7.36%.

During the fourth quarter of 2008, we opportunistically repurchased preferred shares from all outstanding series in the open market in order to take advantage of the significant discounts at which they were trading. In total, we repurchased preferred shares having a redemption value of approximately \$27.4 million for \$12.4 million, which resulted in an approximate \$14.0 million gain on repurchase after considering the charge-off of offering costs from those shares.

During the fourth quarter of 2008, we also repurchased certain of our outstanding series of unsecured notes maturing in 2009 and 2010 on the open market. We repurchased unsecured notes that had a face value of approximately \$38.5 million, for approximately \$36.5 million, and recognized a gain on extinguishment of these notes of approximately \$2.0 million.

Credit Ratings

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

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

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

Table of Contents**Financial Instruments**

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

Off Balance Sheet Arrangements*Investments in Unconsolidated Companies*

We have equity interests generally ranging from 10% to 50% in unconsolidated partnerships and joint ventures that own and operate rental properties and hold land for development. Our unconsolidated subsidiaries are primarily engaged in the operations and development of Industrial, Office and Retail real estate properties. We hold interests both in joint ventures that operate real estate for long-term investment and rental income (Operating Joint Ventures) as well as joint ventures that develop properties with the intent to sell within a relatively short period of time after completion and lease-up (Development Joint Ventures). The equity method of accounting (see Critical Accounting Policies) is used for these investments in which we have the ability to exercise significant influence, but not control, over operating and financial policies. As a result, the assets and liabilities of these joint ventures are not included on our balance sheet. Total assets of our unconsolidated subsidiaries were \$2.6 billion and \$2.2 billion as of December 31, 2008 and 2007, respectively.

Our investments in and advances to unconsolidated companies represents approximately 9% and 8% of our total assets as of December 31, 2008 and 2007, respectively. These investments provide several benefits to us, including increased market share, tenant and property diversification and an additional source of capital to fund real estate projects.

The following table presents summarized financial information for unconsolidated companies for the years ended December 31, 2008 and 2007, respectively (in thousands, except percentage data):

	Operating Joint Ventures		Development Joint Ventures		Total	
	2008	2007	2008	2007	2008	2007
Land, buildings and tenant improvements, net	\$ 1,802,999	\$ 1,543,467	\$ 215,385	\$ 227,875	\$ 2,018,384	\$ 1,771,342
Construction in progress	44,071	41,157	148,082	64,639	192,153	105,796
Undeveloped land	24,739	27,558	154,285	86,695	179,024	114,253
Other assets	191,149	158,978	47,897	35,638	239,046	194,616
	\$ 2,062,958	\$ 1,771,160	\$ 565,649	\$ 414,847	\$ 2,628,607	\$ 2,186,007
Indebtedness	\$ 1,029,815	\$ 873,611	\$ 195,947	\$ 115,509	\$ 1,225,762	989,120
Other liabilities	56,632	50,347	191,461	174,121	248,093	224,468
	1,086,447	923,958	387,408	289,630	1,473,855	1,213,588
Owners' equity	976,511	847,202	178,241	125,217	1,154,752	972,419
	\$ 2,062,958	\$ 1,771,160	\$ 565,649	\$ 414,847	\$ 2,628,607	\$ 2,186,007
Rental revenue	\$ 230,733	\$ 207,584	\$ 19,579	\$ 8,271	\$ 250,312	\$ 215,855

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Gain on sale of properties	\$	982	\$	13,688	\$	23,432	\$	-	\$	24,414	\$	13,688
Net income	\$	22,123	\$	40,099	\$	18,314	\$	1,626	\$	40,437	\$	41,725
Total square feet		39,854		34,046		3,236		4,491		43,090		38,537
Percent leased		91.19%		92.67%		33.05%		73.28%		86.66%		90,34%
Company ownership percentage		10%-50%		10%-50%		50%		50%				

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

Table of Contents**Contractual Obligations**

At December 31, 2008, we were subject to certain contractual payment obligations as described in the table below:

Contractual Obligations	Total	Payments due by Period (in thousands)					
		2009	2010	2011	2012	2013	Thereafter
Long-term debt (1)	\$ 5,000,789	\$ 470,077	\$ 369,059	\$ 1,225,524	\$ 347,894	\$ 595,845	\$ 1,992,390
Lines of credit (2)	491,374	7,053	474,589	9,732	-	-	-
Share of debt of unconsolidated joint ventures (3)	560,508	49,490	168,849	72,155	56,714	40,607	172,693
Ground leases	17,291	1,952	1,933	1,837	1,798	1,764	8,007
Operating leases	435	321	62	41	11	-	-
Development and construction backlog costs (4)	1,096,004	587,265	405,413	103,326	-	-	-
Future land acquisitions (5)	7,950	7,950	-	-	-	-	-
Other (6)	2,979	1,137	482	248	252	258	602
Total Contractual Obligations	\$ 7,177,330	\$ 1,125,245	\$ 1,420,387	\$ 1,412,863	\$ 406,669	\$ 638,474	\$ 2,173,692

- (1) Our long-term debt consists of both secured and unsecured debt and includes both principal and interest. Interest expense for variable rate debt was calculated using the interest rate at December 31, 2008.
- (2) Our unsecured lines of credit consist of an operating line of credit that matures January 2010 and the line of credit of a consolidated subsidiary that matures July 2011. We may, at our option, extend the term of our operating line of credit by one year. Interest expense for our unsecured lines of credit was calculated using the most recent stated interest rates that were in effect.
- (3) Our share of unconsolidated joint venture debt includes both principal and interest. Interest expense for variable rate debt was calculated using the interest rate at December 31, 2008.
- (4) Represents estimated remaining costs on the completion of held-for-rental, Build-for-Sale and third-party construction projects.
- (5) These land acquisitions are subject to the completion of due diligence requirements, resolution of certain contingencies and completion of customary closing conditions. In most cases, we may withdraw from land purchase contracts and the seller's only recourse is earnest money deposits that we have already paid.
- (6) Represents other contractual obligations.

Related Party Transactions

We provide property management, leasing, construction and other tenant related services to unconsolidated companies in which we have equity interests. For the years ended December 31, 2008, 2007 and 2006, respectively, we earned management fees of \$7.8 million, \$7.1 million and \$4.4 million, leasing fees of \$2.8 million, \$4.2 million and \$2.9 million and construction and development fees of \$12.7 million, \$13.1 million and \$19.1 million from these companies. We recorded these fees based on contractual terms that approximate market rates for these types of services and we have eliminated our ownership percentages of these fees in the consolidated financial statements.

Commitments and Contingencies

We have guaranteed the repayment of \$68.1 million of economic development bonds issued by various municipalities in connection with certain commercial developments. We will be required to make payments under our guarantees to the extent that incremental taxes from specified developments are not sufficient to pay the bond debt service. Management does not believe that it is probable that we will be required to make any significant payments in satisfaction of these guarantees.

We also have guaranteed the repayment of secured and unsecured loans of nine of our unconsolidated subsidiaries. At December 31, 2008, the maximum guarantee exposure for these loans was approximately \$255.1 million. Additionally, we guaranteed \$29.0 million of secured indebtedness related to a property sold to a third party in 2006. Management believes that the value of the underlying real estate exceeds the associated loan balances and that we will not be required to satisfy these guarantees.

We have entered into agreements, subject to the completion of due diligence requirements, resolution of certain contingencies and completion of customary closing conditions, for the future acquisitions of land totaling \$8.0 million. In most cases, we may withdraw from land purchase contracts and the seller's only recourse is earnest money deposits that we have already paid.

- 40 -

Table of Contents

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

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

Recent Accounting Pronouncements

In May 2008, the FASB ratified FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1) that will require separate accounting for the debt and equity components of convertible instruments. FSP APB 14-1 will require that the value assigned to the debt component would be the estimated fair value of a similar bond without the conversion feature, which would result in the debt being recorded at a discount. The resulting debt discount will be amortized over the period during which the debt is expected to be outstanding (i.e., through the first optional redemption date) as additional non-cash interest expense. FSP APB 14-1 is effective January 1, 2009 and will be applied retrospectively. We currently estimate that FSP APB 14-1 will result in us recognizing additional non-cash interest expense of between \$5.5 million and \$7.5 million per annum.

Item 7A. Quantitative and Qualitative Disclosure About Market Risks

We are exposed to interest rate changes primarily as a result of our line of credit and long-term debt borrowings. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve our objectives, we borrow primarily at fixed rates and may enter into derivative financial instruments such as interest rate swaps, caps and treasury locks in order to mitigate our interest rate risk on a related financial instrument. We do not enter into derivative or interest rate transactions for speculative purposes. Our two outstanding swaps, that fixed the rates on two of our variable rate loans, were not significant to the Financial Statements in terms of notional amount or fair value at December 31, 2008.

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

	2009	2010	2011	2012	2013	Thereafter	Total	Fair Value
Fixed rate secured debt	\$ 10,247	\$ 9,967	\$ 22,177	\$ 9,292	\$ 8,009	\$ 437,679	\$ 497,371	\$ 438,049
Weighted average interest rate	6.92%	6.85%	7.14%	6.67%	6.48%	6.03%		
Variable rate secured debt	\$ 710	\$ 750	\$ 785	\$ 830	\$ 880	\$ 4,335	\$ 8,290	\$ 8,290
Weighted average interest rate	3.85%	3.84%	3.84%	3.84%	3.83%	3.92%		
Fixed rate unsecured notes	\$ 246,740	\$ 164,728	\$ 1,021,000	\$ 200,000	\$ 475,000	\$ 1,200,000	\$ 3,307,468	\$ 2,196,689
Weighted average interest rate	7.34%	5.37%	5.08%	5.87%	6.50%	6.21%		
Unsecured lines of credit	\$ -	\$ 474,000	\$ 9,659	\$ -	\$ -	\$ -	\$ 483,659	\$ 477,080
Rate at December 31, 2008	N/A	1.34%	1.32%	N/A	N/A	N/A		

As the table incorporates only those exposures that exist as of December 31, 2008, it does not consider those exposures or positions that could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period, our hedging strategies at that time and interest rates.

Table of Contents

At December 31, 2007 the redemption value of our unsecured notes was \$3.2 billion and we estimated the fair value of those unsecured notes to be \$3.1 billion. Our unsecured notes are thinly traded and our estimate of the fair value of those notes, when compared to the redemption values of those notes, has declined significantly since December 31, 2007 largely as the result of recent comparable trades at significant discounts as well as overall market conditions having the effect of increasing credit spreads.

Interest expense on our unsecured lines of credit will be affected by future fluctuations in the LIBOR indices. The interest rate at such point in the future as we may renew, extend or replace our unsecured lines of credit and other long-term debt borrowings will be heavily dependent upon the state of the credit environment.

Item 8. Financial Statements and Supplementary Data

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

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

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

Item 9A. Controls and Procedures

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

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

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

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

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

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

There was no information required to be disclosed in a report on Form 8-K during the fourth quarter of 2008 for which no Form 8-K was filed.

- 42 -

Table of Contents

PART III

Item 10. Directors and Executive Officers of the Registrant

The following is a summary of the executive officers of the Company as of January 1, 2009:

Dennis D. Oklak, age 55. Mr. Oklak, our Principal Executive Officer and Principal Financial Officer, was named Chief Executive Officer of the Company in April 2004, and was elected Chairman of the Board of Directors in April 2005. He served as President and Chief Executive Officer from April 2004 to April 2005. He was Co-Chief Operating Officer from April 2002 through January 2003, at which time he was named President and Chief Operating Officer. Mr. Oklak assumed the position of Executive Vice President and Chief Administrative Officer in 1997. From 1986 through 1997, Mr. Oklak served in various financial positions in the Company. He is also a member of the board of directors of recreational vehicle manufacturer Monaco Coach Corporation and the board of directors of the Central Indiana Corporate Partnership. Mr. Oklak also serves on the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT. Mr. Oklak has served as a director of the Company since 2004.

Robert M. Chapman, age 55. Mr. Chapman has served as Chief Operating Officer of the Company since August 2007. He served as Senior Executive Vice President, Real Estate Operations, from November 2003 to July 2007. From 1999 through November 2003, Mr. Chapman served in various real estate investment and operating positions within the Company. Mr. Chapman serves as a director for Rock-Tenn Company, a leading manufacturer of packaging products, merchandising displays and bleached and recycled paperboard.

Howard L. Feinsand, age 61. Mr. Feinsand has served as our Executive Vice President and General Counsel since 1999 and, since 2003, also has served as our Corporate Secretary. Mr. Feinsand served on our Board of Directors from 1988 to January 2003. Mr. Feinsand serves as vice chair of the board of directors of The Alliance Theatre at the Woodruff Arts Center in Atlanta, Georgia, the predominant regional theatre for the southeastern United States. Mr. Feinsand is a director of the Center for Jewish Educational Experiences and a trustee of the Jewish Federation of Greater Atlanta.

Steven R. Kennedy, age 52. Mr. Kennedy was named Executive Vice President, Construction on January 1, 2004. From 1986 until 2004, he served in various capacities in the construction group, most recently as Senior Vice President. Mr. Kennedy serves as Vice Chair of the advisory council for Purdue University's School of Engineering.

All other information required by this item will be included in our 2009 proxy statement (the "2009 Proxy Statement") for our Annual Meeting of Shareholders to be held on April 29, 2009, and is incorporated herein by this reference. Certain information with respect to our executive officers required by this item is included in the discussion entitled "Executive Officer of the Registrant" after Item 4 of Part I of this Report. In addition, our Code of Conduct (which applies to each of our associates, officers and directors) and our Corporate Governance Guidelines are available in the investor information/corporate governance section of our website at www.dukerealty.com. A copy of these documents may also be obtained without charge by writing to Duke Realty Corporation, 600 East 96th Street, Suite 100, Indianapolis, Indiana 46240, Attention: Investor Relations.

Table of Contents

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Consolidated Financial Statements

The following Consolidated Financial Statements, together with the Management's Report on Internal Control and the Report of Independent Registered Public Accounting Firm are listed below:

Management's Report on Internal Control
Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets, December 31, 2008 and 2007
Consolidated Statements of Operations, Years Ended December 31, 2008, 2007 and 2006
Consolidated Statements of Cash Flows, Years Ended December 31, 2008, 2007 and 2006
Consolidated Statements of Shareholders' Equity, Years Ended December 31, 2008, 2007 and 2006
Notes to Consolidated Financial Statements

2. Consolidated Financial Statement Schedules

Schedule III Real Estate and Accumulated Depreciation

- 44 -

Table of Contents**3. Exhibits**

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

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

Table of Contents

- 3.1(ix) Amendment to the Third Restated Articles of Incorporation of Duke Realty Corporation, establishing the amount, terms and rights of Duke Realty Corporation's 8.375% Series O Cumulative Redeemable Preferred Shares (filed as Exhibit 3.1 to the Company's Registration Statement on Form 8-A, as filed with the SEC on February 22, 2008, File No. 001-09044, and incorporated herein by this reference).
- 3.1(x) Amendment to the Third Restated Articles of Incorporation of Duke Realty Corporation, deleting Exhibit C and de-designating the related Series C Junior Preferred Shares (filed as Exhibit 3.1(x) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, as filed with the SEC on November 7, 2008, File No. 001-09044, and incorporated herein by this reference).
- 3.2(i) Third Amended and Restated Bylaws of Duke Realty Corporation (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, as filed with the SEC on May 13, 2003, File No. 001-09044, and incorporated herein by this reference).
- 3.2(ii) Amendment No. 1 to the Third Amended and Restated By-Laws of Duke Realty Corporation (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, as filed with the SEC on February 7, 2008, File No. 001-09044, and incorporated herein by this reference).
- 4.1(i) Indenture, dated September 19, 1995, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, as filed with the SEC on September 22, 1995, File No. 001-09044, and incorporated herein by this reference).
- 4.1(ii) Fourth Supplemental Indenture, dated August 21, 1997, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4.8 to the Company's Registration Statement on Form S-4, as filed with the SEC on May 4, 1999, File No. 333-77645, and incorporated herein by this reference).
- 4.1(iii) Sixth Supplemental Indenture, dated February 12, 1999, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4 to DRLP's Current Report on Form 8-K, as filed with the SEC on February 12, 1999, File No. 000-20625, and incorporated herein by this reference).
- 4.1(iv) Eighth Supplemental Indenture, dated November 16, 1999, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on November 15, 1999, File No. 000-20625, and incorporated herein by this reference).
- 4.1(v) Ninth Supplemental Indenture, dated March 5, 2001, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on March 2, 2001, File No. 000-20625, and incorporated herein by this reference).
- 4.1(vi) Eleventh Supplemental Indenture, dated August 26, 2002, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on August 26, 2002, File No. 000-20625, and incorporated herein by this reference).
- 4.1(vii) Twelfth Supplemental Indenture, dated January 16, 2003, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on January 16, 2003, File No. 000-20625, and incorporated herein by this reference).

Table of Contents

- 4.1(viii) Thirteenth Supplemental Indenture, dated May 22, 2003, between DRLP and Bank One Trust Company, N.A., Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on May 22, 2003, File No. 000-20625, and incorporated herein by this reference).
- 4.1(ix) Seventeenth Supplemental Indenture, dated August 16, 2004, between DRLP and J.P. Morgan Trust Company, National Association, Trustee (filed as Exhibit 4 to the DRLP's Current Report on Form 8-K, as filed with the SEC on August 18, 2004, File No. 000-20625, and incorporated herein by this reference).
- 4.1(x) Nineteenth Supplemental Indenture, dated as of March 1, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association (successor in interest to Bank One Trust Company, N.A.), including the form of global note evidencing the 5.5% Senior Notes Due 2016 (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on March 3, 2006, File No. 000-20625, and incorporated herein by this reference).
- 4.1(xi) Twentieth Supplemental Indenture, dated as of July 24, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association (successor in interest to The First National Bank of Chicago), modifying certain financial covenants contained in Sections 1004 and 1005 of the Indenture, dated September 19, 1995, between DRLP and The First National Bank of Chicago, Trustee (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, filed with the SEC on July 28, 2006, and incorporated herein by this reference).
- 4.2(i) Indenture, dated as of July 28, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association (filed as Exhibit 4.1 to the Company's automatic shelf registration statement on Form S-3, filed with the SEC on July 31, 2006, and incorporated herein by this reference).
- 4.2(ii) First Supplemental Indenture, dated as of August 24, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association, including the form of global note evidencing the 5.625% Senior Notes Due 2011 (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on August 30, 2006, and incorporated herein by this reference).
- 4.2(iii) Second Supplemental Indenture, dated as of August 24, 2006, by and between DRLP and J.P. Morgan Trust Company, National Association, including the form of global note evidencing the 5.95% Senior Notes Due 2017 (filed as Exhibit 4.2 to DRLP's Current Report on Form 8-K, as filed with the SEC on August 30, 2006, and incorporated herein by this reference).
- 4.2(iv) Third Supplemental Indenture, dated as of September 11, 2007, by and between Duke Realty Limited Partnership and The Bank of New York Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), including the form of global note evidencing the 6.50% Senior Notes Due 2018 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Duke Realty Limited Partnership, filed with the Commission on September 11, 2007).
- 4.2(v) Fourth Supplemental Indenture, dated as of May 8, 2008, by and between Duke Realty Limited Partnership and The Bank of New York Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), including the form of global note evidencing the 6.25% Senior Notes due 2013 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Duke Realty Limited Partnership, filed with the Commission on May 8, 2008).
- 10.1(i) Second Amended and Restated Agreement of Limited Partnership of DRLP (filed as Exhibit 4.1 to DRLP's Annual Report on Form 10-K, as filed with the SEC on March 12, 2007, File No. 000-20625).

Table of Contents

- 10.1(ii) Second Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP, (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).
- 10.1(iii) Third Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).
- 10.1(iv) Fourth Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).
- 10.1(v) Fifth Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP, dated August 25, 2003, establishing the amount, terms and rights of DRLP's 6.625% Series J Cumulative Redeemable Preferred Units (filed as Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 7, 2006, File No. 001-09044, and incorporated herein by this reference).
- 10.1(vi) Sixth Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP, dated February 13, 2004, establishing the amount, terms and rights of DRLP's 6.5% Series K Cumulative Redeemable Preferred Units (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 7, 2006, File No. 001-09044, and incorporated herein by this reference).
- 10.1(vii) Seventh Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP, dated November 30, 2004, establishing the amount, terms and rights of DRLP's 6.6% Series L Cumulative Redeemable Preferred Units (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 7, 2006, File No. 001-09044, and incorporated herein by this reference).
- 10.1(viii) Eighth Amendment to Second Amended and Restated Agreement of Limited Partnership of DRLP, dated January 31, 2006, establishing the amount, terms and rights of DRLP's 6.95% Series M Cumulative Redeemable Preferred Units (filed as Exhibit 3.1 to the Current Report on Form 8-K, as filed with the SEC on February 6, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.1(ix) Ninth Amendment to the Second Amended and Restated Agreement of Limited Partnership of DRLP, dated June 30, 2006, establishing the amount, terms and rights of DRLP's 7.25% Series N Cumulative Redeemable Preferred Units (filed as Exhibit 3.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on July 5, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.1(x) Tenth Amendment to the Second Amended and Restated Agreement of Limited Partnership of DRLP, dated April 30, 2007, deleting those exhibits setting forth the rights of the Series A, D, E, F, H and I preferred units and de-designating the related series of preferred units (filed as Exhibit 3.2(x) to DRLP's Quarterly Report on Form 10-Q, as filed with the SEC on August 13, 2007, File No. 000-20625, and incorporated herein by this reference).
- 10.1(xi) Eleventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of DRLP, dated October 3, 2007, deleting those exhibits setting forth the rights of the Series B preferred units and de-designating the related series of preferred units (filed as Exhibit 10.1(xi) to the Company's Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the SEC on February 29, 2008, File No. 001-09044, and incorporated herein by this reference).

Table of Contents

- 10.1(xii) Twelfth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Duke Realty Limited Partnership, establishing the amount, terms and rights of Duke Realty Limited Partnership's 8.375% Series O Cumulative Redeemable Preferred Units (filed as Exhibit 3.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on February 27, 2008, and incorporated herein by this reference).
- 10.2(i) Second Amended and Restated Agreement of Limited Partnership of Duke Realty Services Limited Partnership (the Services Partnership), dated as of September 30, 1994 (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994, as filed with the SEC on February 21, 1996, File No. 001-09044, and incorporated herein by this reference).
- 10.2(ii) First Amendment to Second Amended and Restated Agreement of Limited Partnership of the Services Partnership, dated July 23, 1998 (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated by this reference).
- 10.2(iii) Second Amendment to Second Amended and Restated Agreement of Limited Partnership of the Services Partnership, dated October 26, 1995 (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated by this reference).
- 10.2(iv) Third Amendment to Second Amended and Restated Agreement of Limited Partnership of the Services Partnership, effective as of January 1, 2002 (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated by this reference).
- 10.3 Promissory Note of the Services Partnership (filed as Exhibit 10.3 to the Company's Registration Statement on Form S-2, as filed with the SEC on June 8, 1993, File No. 33-64038, and incorporated herein by this reference).
- 10.4 Duke Realty Corporation 2005 Long-Term Incentive Plan (filed as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A, dated March 16, 2005, as filed with the SEC on March 16, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.5 Duke Realty Corporation 2005 Shareholder Value Plan, a sub-plan of the 2005 Long-Term Incentive Plan (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.6(i) Duke Realty Corporation Non-Employee Directors Compensation Plan, a sub-plan of the 2005 Long-Term Incentive Plan (filed as Exhibit 99.3 to the Company's Current Report on Form 8-K as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.6(ii) Amendment One to the Duke Realty Corporation 2005 Non-Employee Directors Compensation Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on October 31, 2005, File No. 001-09044, and incorporated by this reference).#
- 10.6(iii) Amendment Two to the Duke Realty Corporation 2005 Non-Employee Directors Compensation Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on February 7, 2006, File No. 001-09044, and incorporated by this reference).#
- 10.6(iv) Amendment Three to the Duke Realty Corporation 2005 Non-Employee Directors Compensation Plan (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 8, 2006, File No. 001-09044, and incorporated by this reference).#

Table of Contents

- 10.7 Form of 2005 Long-Term Incentive Plan Stock Option Award Certificate (filed as Exhibit 99.4 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.8 Form of 2005 Long-Term Incentive Plan Award Certificate for Restricted Stock Units and Shareholder Value Plan Awards (filed as Exhibit 99.5 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.9 Form of 2005 Long-Term Incentive Plan Restricted Stock Unit Award Certificate for Non- Employee Directors (filed as Exhibit 99.6 to the Company's Current Report on Form 8-K, as filed with the SEC on May 3, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.10 Duke Realty Corporation 2005 Dividend Increase Unit Replacement Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on December 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.11 Form of Forfeiture Agreement/Performance Unit Award Agreement (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K, as filed with the SEC on December 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(i) 1995 Key Employee Stock Option Plan of the Company (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, as filed with the SEC on March 30, 1995, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(ii) Amendment One To The 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(iii) Amendment Two to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(iv) Amendment Three to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(v) Amendment Four to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(vi) Amendment Five to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(vii) Amendment Six to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#

Table of Contents

- 10.15(viii) Amendment Seven to the 1995 Key Employees Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(ix) Amendment Eight to the 1995 Key Employees Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.15(ix) to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference.) #
- 10.15(x) Amendment Nine to the 1995 Key Employees Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on October 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.15(xi) Amendment Ten to the 1995 Key Employees Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 8, 2006, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(i) Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(ii) Amendment One to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(iii) Amendment Two to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.27 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(iv) Amendment Three to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.16(v) Amendment Four to the Dividend Increase Unit Plan of the Services Partnership (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 7, 2006, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(i) 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995, as filed with the SEC on March 30, 1995, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(ii) Amendment One to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(iii) Amendment Two to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#

Table of Contents

- 10.17(iv) Amendment Three to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2001, as filed with the SEC on March 15, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(v) Amendment Four to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.17(vi) Amendment Five to the 1995 Shareholder Value Plan of the Services Partnership (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on October 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.18(i) 1999 Directors' Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Annex F to the prospectus in the Company's Registration Statement on Form S-4, as filed with the SEC on May 4, 1999, File No. 333-77645, and incorporated herein by this reference).#
- 10.18(ii) Amendment One to the 1999 Directors' Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Appendix B of the Registrant's Definitive Proxy Statement on Schedule 14A, as filed with the SEC on March 15, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.19(i) 1999 Salary Replacement Stock Option and Dividend Increase Unit Plan (filed as Annex G to the prospectus in the Company's Registration Statement on Form S-4, as filed with the SEC on May 4, 1999, File No. 333-77645, and incorporated herein by this reference).#
- 10.19(ii) Amendment One to the 1999 Salary Replacement Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.19(iii) Amendment Two to the 1999 Salary Replacement Stock Option and Dividend Increase Unit Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.20(i) 2000 Performance Share Plan of Duke-Weeks Realty Corporation (filed as Exhibit A of the Registrant's Definitive Proxy Statement on Schedule 14A, as filed with the SEC on March 15, 2001, File No. 001-09044, and incorporated herein by this reference).#
- 10.20(ii) Amendment One to the 2000 Performance Share Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 13, 2002, File No. 001-09044, and incorporated herein by this reference).#
- 10.20(iii) Amendment Two to the 2000 Performance Share Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, as filed with the SEC on March 5, 2004, File No. 001-09044, and incorporated herein by this reference).#
- 10.20(iv) Amendment Three to the 2000 Performance Share Plan of Duke-Weeks Realty Corporation, (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on May 2, 2006, File No. 001-09044, and incorporated herein by this reference).#

Table of Contents

- 10.21(i) Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 8, 2006, File No. 001-09044, and incorporated herein by this reference).#
- 10.21(ii) Amendment One to the Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.21(ii) to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference).#
- 10.21(iii) Amendment Two to the Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on October 9, 2005, File No. 001-09044, and incorporated herein by this reference).#
- 10.21(iv) Amendment Three to the Directors' Deferred Compensation Plan of Duke-Weeks Realty Corporation (filed as Exhibit 99.2 to the Company's Registration Statement on Form S-8, as filed with the SEC on March 24, 2004, File No. 333-113907, and incorporated herein by this reference).#
- 10.22 Term Loan Agreement, Dated May 31, 2005, by and between DRLP, the Company, J.P. Morgan Securities, Inc., JP Morgan Chase Bank, N.A. and the several banks, financial institutions and other entities from time to time parties thereto as lenders (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, as filed with the SEC on June 6, 2005, File No. 001-09044, and incorporated herein by this reference).
- 10.23 Form of Letter Agreement Regarding Executive Severance, dated December 13, 2007, between the Company, as the General Partner of DRLP, and the following executive officers: Dennis D. Oklak, Robert M. Chapman, Matthew A. Cohoat, Howard L. Feinsand and Steven R. Kennedy (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the SEC on February 29, 2008, File No. 001-09044, and incorporated herein by this reference).
- 10.24 Commercial Multi-Property Agreement of Purchase and Sale, dated January 24, 2006, by and among DRLP, The Mark Winkler Company, and each of the other entities controlled by or affiliated with The Mark Winkler Company named therein, as amended by the First Amendment to Commercial Multi-Property Agreement of Purchase and Sale dated February 28, 2006, the Second Amendment to Commercial Multi-Property Agreement of Purchase and Sale dated March 10, 2006, and the Third Amendment to Commercial Multi-Property Agreement of Purchase and Sale dated April 21, 2006 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on May 10, 2006, File No. 001-09044, and incorporated herein by this reference).
- 10.25(i) Fifth Amended and Restated Revolving Credit Agreement dated January 25, 2006, among DRLP, as borrower, the Company as General Partner and Guarantor, and Bank One as Administrative Agent and Lender (filed as Exhibit 10.56 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005, as filed with the SEC on March 7, 2006, File No. 001-09044, and incorporated herein by this reference).
- 10.25(ii) First Amendment to the Fifth Amended and Restated Revolving Credit Agreement, dated November 13, 2007, by and between Duke Realty Limited Partnership, Duke Realty Corporation, JP Morgan Chase Bank, N.A., and the several banks, financial institutions and other entities from time to time parties thereto as lenders (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, as filed with the SEC on November 15, 2007, File No. 001-09044, and incorporated herein by this reference).

Table of Contents

- 10.26 Term Loan Agreement, dated as of February 28, 2006, by and among DRLP, as borrower, the Company, as General Partner and Guarantor, certain of their respective subsidiaries, as guarantors, Bank of America, N.A., individually and as Administrative Agent, Banc of America Securities LLC, as Lead Arranger and Sole Book Runner, and each of the other lenders named therein (filed as Exhibit 10.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on March 3, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.27 Indenture, dated November 22, 2006, by and among DRLP, the Company and The Bank of New York Trust Company, N.A., as trustee, including the form of 3.75% Exchangeable Senior Note due 2011 (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K, as filed with the Commission on November 29, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.28 Registration Rights Agreement, dated November 22, 2006, by and among DRLP, the Company, Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc. and UBS Securities LLC, as representatives of the initial purchasers of the Notes (incorporated by reference to Exhibit 10.11 to DRLP's Current Report on Form 8-K, as filed with the Commission on November 29, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.29 Common Stock Delivery Agreement, dated November 22, 2006, by and between DRLP and the Company (filed as Exhibit 10.2 to DRLP's Current Report on Form 8-K, as filed with the Commission on November 29, 2006, File No. 000-20625, and incorporated herein by this reference).
- 10.30 Contribution Agreement, dated December 5, 2006, by and between DRLP and Quantico and Belbrook Realty Corporation, an affiliate of an investment fund managed by Eaton Vance (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference).(1)
- 10.31 Contribution Agreement, dated December 5, 2006, by and between DRLP and Lafayette and Belcrest Realty Corporation, an affiliate of an investment fund managed by Eaton Vance (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC on March 1, 2007, File No. 001-09044, and incorporated herein by this reference).(1)
- 12.1 Statement of Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.*
- 21.1 List of the Company's Subsidiaries.*
- 23.1 Consent of KPMG LLP.*
- 24.1 Executed Powers of Attorney of certain directors.*
- 31.1 Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 32.1 Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* **
- 99.1 Selected Quarterly Financial Information.*
- # Represents management contract or compensatory plan or arrangement.

Table of Contents

* Filed herewith.

** The certification attached as Exhibit 32.1 accompanies this Report and is furnished to the Securities and Exchange Commission pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by us for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

(1) Confidential treatment of the agreement was requested.

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

(b) Exhibits

The exhibits required to be filed with this Report pursuant to Item 601 of Regulation S-K are listed under Exhibits in Part IV, Item 15(a)(3) of this Report and are incorporated herein by reference.

(c) Financial Statement Schedule

The Financial Statement Schedule required to be filed with this Report is listed under Consolidated Financial Statement Schedules in Part IV, Item 15(a)(2) of this Report, and is incorporated herein by reference.

Table of Contents

Management's Report on Internal Control

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

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2008 based on the control criteria established in a report entitled Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on such evaluation, we have concluded that, as of December 31, 2008, our internal control over financial reporting is effective based on these criteria.

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

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

Table of Contents

Report of Independent Registered Public Accounting Firm

The Shareholders and Directors of

Duke Realty Corporation:

We have audited the accompanying consolidated balance sheets of Duke Realty Corporation and Subsidiaries (the Company) as of December 31, 2008 and 2007 and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2008. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule III. We also have audited the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Realty Corporation and Subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule III, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, Duke Realty Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Indianapolis, Indiana
February 25, 2009

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets****As of December 31,****(in thousands, except per share amounts)**

	2008	2007
ASSETS		
Real estate investments:		
Land and improvements	\$ 1,074,751	\$ 872,372
Buildings and tenant improvements	5,206,359	4,600,408
Construction in progress	159,330	412,729
Investments in and advances to unconsolidated companies	693,503	601,801
Undeveloped land	806,379	912,448
	7,940,322	7,399,758
Accumulated depreciation	(1,167,113)	(951,375)
Net real estate investments	6,773,209	6,448,383
Real estate investments and other assets held-for-sale	18,131	273,591
Cash and cash equivalents	22,532	48,012
Accounts receivable, net of allowance of \$1,777 and \$1,359	27,966	29,009
Straight-line rent receivable, net of allowance of \$4,086 and \$2,886	123,217	110,737
Receivables on construction contracts, including retentions	75,100	66,925
Deferred financing costs, net of accumulated amortization of \$38,046 and \$29,170	47,907	55,987
Deferred leasing and other costs, net of accumulated amortization of \$195,034 and \$150,702	368,626	374,635
Escrow deposits and other assets	234,195	254,702
	\$ 7,690,883	\$ 7,661,981
LIABILITIES AND SHAREHOLDERS' EQUITY		
Indebtedness:		
Secured debt	\$ 507,351	\$ 524,393
Unsecured notes	3,307,468	3,246,000
Unsecured lines of credit	483,659	546,067
	4,298,478	4,316,460
Liabilities of properties held-for-sale	379	8,954
Construction payables and amounts due subcontractors, including retentions	105,227	142,655
Accrued expenses:		
Real estate taxes	78,113	63,796
Interest	56,376	54,631
Other	45,050	59,221
Other liabilities	187,425	148,013
Tenant security deposits and prepaid rents	41,348	34,535
Total liabilities	4,812,396	4,828,265

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Minority interest	56,729	83,683
Shareholders' equity:		
Preferred shares (\$.01 par value); 5,000 shares authorized; 4,067 and 2,976 shares issued and outstanding	1,016,625	744,000
Common shares (\$.01 par value); 250,000 shares authorized; 148,420 and 146,175 shares issued and outstanding	1,484	1,462
Additional paid-in capital	2,667,842	2,632,615
Accumulated other comprehensive income (loss)	(8,652)	(1,279)
Distributions in excess of net income	(855,541)	(626,765)
Total shareholders' equity	2,821,758	2,750,033
	\$ 7,690,883	\$ 7,661,981

See accompanying Notes to Consolidated Financial Statements.

- 58 -

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES****Consolidated Statements of Operations****For the Years Ended December 31,****(in thousands, except per share amounts)**

	2008	2007	2006
RENTAL OPERATIONS			
Revenues:			
Rental and related revenue	\$ 870,372	\$ 822,708	\$ 767,292
Equity in earnings of unconsolidated companies	23,817	29,381	38,004
	894,189	852,089	805,296
Operating expenses:			
Rental expenses	196,615	180,747	172,796
Real estate taxes	111,582	100,252	85,734
Interest expense	195,148	171,994	172,658
Depreciation and amortization	311,279	272,750	236,846
	814,624	725,743	668,034
Earnings from continuing rental operations	79,565	126,346	137,262
SERVICE OPERATIONS			
Revenues:			
General contractor gross revenue	405,131	280,537	308,562
General contractor costs	(371,783)	(246,872)	(284,633)
Net general contractor revenue	33,348	33,665	23,929
Service fee revenue	29,493	31,011	21,633
Gain on sale of Build-for-Sale properties	39,057	34,682	44,563
Total service operations revenue	101,898	99,358	90,125
Operating expenses	39,955	47,324	36,929
Earnings from service operations	61,943	52,034	53,196
General and administrative expense	(39,506)	(37,689)	(35,811)
Earnings from sales of land, net	12,651	33,998	8,192
Impairment charges and other expenses	(19,729)	(5,658)	(2,284)
Operating income	94,924	169,031	160,555
OTHER INCOME (EXPENSE)			
Interest and other income (expense), net	4,041	(415)	348
Minority interest in earnings of common unitholders	(2,667)	(6,782)	(9,543)

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Income from continuing operations	96,298	161,834	151,360
Discontinued operations:			
Income from discontinued operations, net of minority interest	1,573	4,068	10,654
Gain on sale of depreciable properties, net of minority interest	16,125	113,565	42,133
Income from discontinued operations	17,698	117,633	52,787
Net income	113,996	279,467	204,147
Dividends on preferred shares	(71,426)	(58,292)	(56,419)
Adjustments for redemption of preferred shares	-	(3,483)	(2,633)
Gain on repurchase of preferred shares	14,046	-	-
Net income available for common shareholders	\$ 56,616	\$ 217,692	\$ 145,095
Basic net income per common share:			
Continuing operations	\$.27	\$.72	\$.69
Discontinued operations	.12	.84	.39
Total	\$.39	\$ 1.56	\$ 1.08
Diluted net income per common share:			
Continuing operations	\$.26	\$.71	\$.68
Discontinued operations	.12	.84	.39
Total	\$.38	\$ 1.55	\$ 1.07
Weighted average number of common shares outstanding	146,915	139,255	134,883
Weighted average number of common shares and potential dilutive securities	155,041	149,614	149,393

See accompanying Notes to Consolidated Financial Statements.

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

	2008	2007	2006
Cash flows from operating activities:			
Net income	\$ 113,996	\$ 279,467	\$ 204,147
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of buildings and tenant improvements	246,441	214,477	206,999
Amortization of deferred leasing and other costs	68,511	63,214	47,269
Amortization of deferred financing costs	13,640	11,212	8,617
Minority interest in earnings	3,585	17,743	14,953
Straight-line rent adjustment	(15,118)	(16,843)	(20,795)
Impairment charges and other expenses	19,695	-	-
Earnings from land and depreciated property sales	(29,612)	(154,493)	(49,614)
Build-for-Sale operations, net	80,751	(84,547)	(148,849)
Construction contracts, net	125,855	(25,818)	1,749
Other accrued revenues and expenses, net	9,485	24,150	26,752
Operating distributions received in excess of (less than) equity in earnings from unconsolidated companies	5,618	(4,631)	(18,339)
Net cash provided by operating activities	642,847	323,931	272,889
Cash flows from investing activities:			
Development of real estate investments	(436,256)	(451,162)	(385,516)
Acquisition of real estate investments and related intangible assets	(20,123)	(116,021)	(735,294)
Acquisition of undeveloped land	(40,893)	(317,324)	(435,917)
Recurring tenant improvements, leasing costs and building improvements	(74,814)	(85,936)	(83,000)
Other deferred leasing costs	(22,201)	(39,387)	(22,429)
Other deferred costs and other assets	(8,016)	644	880
Proceeds from land and depreciated property sales, net	116,563	480,943	180,825
Capital distributions from unconsolidated companies	95,392	235,754	296,573
Capital contributions and advances to unconsolidated companies, net	(132,244)	(142,330)	(50,182)
Net cash provided by (used for) investing activities	(522,592)	(434,819)	(1,234,060)
Cash flows from financing activities:			
Proceeds from issuance of common shares	17,100	240,802	6,672
Payments for repurchases of common shares	-	-	(101,282)
Proceeds from issuance of preferred shares, net	290,014	-	283,994
Payments for redemption/repurchases of preferred shares	(12,405)	(132,272)	(75,010)
Proceeds from unsecured debt issuance	325,000	340,160	1,429,497
Payments on unsecured debt	(261,479)	(223,657)	(350,000)
Proceeds from issuance of secured debt	-	-	1,029,426
Payments on secured indebtedness including principal amortization	(55,600)	(24,780)	(750,354)
Borrowings (payments) on lines of credit, net	(62,408)	229,067	(66,000)
Distributions to common shareholders	(283,375)	(265,698)	(255,502)
Distributions to preferred shareholders	(71,439)	(58,292)	(56,419)
Distributions to minority interest, net	(12,837)	(19,576)	(24,207)
Payment for capped call option	-	-	(26,967)
Cash settlement of interest rate swaps	(14,625)	10,747	733
Deferred financing costs	(3,681)	(6,084)	(41,659)
Net cash provided by (used for) financing activities	(145,735)	90,417	1,002,922

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Net increase (decrease) in cash and cash equivalents	(25,480)	(20,471)	41,751
Cash and cash equivalents at beginning of year	48,012	68,483	26,732
Cash and cash equivalents at end of year	\$ 22,532	\$ 48,012	\$ 68,483
Non-cash investing and financing activities:			
Assumption of secured debt for real estate acquisitions	\$ 39,480	\$ 34,259	\$ 217,520
Contribution of property to, net of debt assumed by, unconsolidated companies	\$ 133,312	\$ 146,593	\$ 505,440
Distribution of property from unconsolidated company	\$ 76,449	\$ -	\$ -
Conversion of Limited Partner Units to common shares	\$ 13,149	\$ 179,092	\$ 39,918
Issuance of Limited Partner Units for acquisition	\$ -	\$ 11,020	\$ -

See accompanying Notes to Consolidated Financial Statements.

- 60 -

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES****Consolidated Statements of Shareholders' Equity**

(in thousands, except per share data)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Distributions In Excess of Net Income	Total
Balance at December 31, 2005	\$ 657,250	\$ 1,347	\$ 2,266,204	\$ (7,118)	\$ (464,885)	\$ 2,452,798
Comprehensive Income:						
Net income	-	-	-	-	204,147	204,147
Gains on derivative instruments	-	-	-	12,553	-	12,553
Comprehensive income	-	-	-	-	-	216,700
Issuance of common shares	-	5	6,181	-	-	6,186
Redemption of Preferred Series I shares	(75,000)	-	(10)	-	-	(75,010)
Adjustment for carrying value of preferred share redemption	-	-	2,633	-	(2,633)	-
Issuance of Preferred Series M shares	184,000	-	(6,266)	-	-	177,734
Issuance of Preferred Series N shares	110,000	-	(3,740)	-	-	106,260
Conversion of Limited Partner Units	-	10	39,908	-	-	39,918
Capped call option	-	-	(26,967)	-	-	(26,967)
Stock based compensation plan activity	-	-	10,347	-	(849)	9,498
Distributions to preferred shareholders	-	-	-	-	(56,419)	(56,419)
Retirement of common shares	-	(23)	(91,902)	-	-	(91,925)
Distributions to common shareholders (\$1.89 per share)	-	-	-	-	(255,190)	(255,190)
Balance at December 31, 2006	\$ 876,250	\$ 1,339	\$ 2,196,388	\$ 5,435	\$ (575,829)	\$ 2,503,583
Effect of implementing new accounting principle	-	-	-	-	(1,717)	(1,717)
Balance at January 1, 2007	\$ 876,250	\$ 1,339	\$ 2,196,388	\$ 5,435	\$ (577,546)	\$ 2,501,866
Comprehensive Income:						
Net income	-	-	-	-	279,467	279,467
Losses on derivative instruments	-	-	-	(6,714)	-	(6,714)
Comprehensive income	-	-	-	-	-	272,753
Issuance of common shares	-	73	239,532	-	-	239,605
Redemption of Preferred Series B shares	(132,250)	-	(22)	-	-	(132,272)
Adjustment for carrying value of preferred share redemption	-	-	3,483	-	(3,483)	-
Stock based compensation plan activity	-	2	14,190	-	(1,213)	12,979
Conversion of Limited Partner Units	-	48	179,044	-	-	179,092
Distributions to preferred shareholders	-	-	-	-	(58,292)	(58,292)
Distributions to common shareholders (\$1.91 per share)	-	-	-	-	(265,698)	(265,698)
Balance at December 31, 2007	\$ 744,000	\$ 1,462	\$ 2,632,615	\$ (1,279)	\$ (626,765)	\$ 2,750,033
Comprehensive Income:						
Net income	-	-	-	-	113,996	113,996
Losses on derivative instruments	-	-	-	(7,373)	-	(7,373)
Comprehensive income	-	-	-	-	-	106,623
Issuance of preferred shares	300,000	-	(10,000)	-	-	290,000
Issuance of common shares	-	9	15,482	-	-	15,491

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Stock based compensation plan activity	-	2	15,683	-	(2,017)	13,668
Conversion of Limited Partner Units	-	11	13,138	-	-	13,149
Distributions to preferred shareholders	-	-	-	-	(71,426)	(71,426)
Repurchase of preferred shares	(27,375)	-	924	-	14,046	(12,405)
Distributions to common shareholders (\$1.93 per share)	-	-	-	-	(283,375)	(283,375)

Balance at December 31, 2008	\$ 1,016,625	\$ 1,484	\$ 2,667,842	\$ (8,652)	\$ (855,541)	\$ 2,821,758
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See accompanying Notes to Consolidated Financial Statements.

Table of Contents

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) The Company

Our Rental Operations (see Note 8) are conducted through Duke Realty Limited Partnership (DRLP). We owned approximately 95.6% of the common partnership interests of DRLP (Units) at December 31, 2008. The remaining Units in DRLP are redeemable for shares of our common stock on a one-to-one basis and earn dividends at the same rate as shares of our common stock. We conduct our Service Operations (see Note 8) through Duke Realty Services LLC and Duke Realty Services Limited Partnership, of which we are the sole general partner and of which DRLP is the sole limited partner. We also conduct Service Operations through Duke Construction Limited Partnership, which is effectively 100% owned by DRLP. The consolidated financial statements include our accounts and our majority-owned or controlled subsidiaries, and the terms we , us and our refer to Duke Realty Corporation and subsidiaries (the Company) and those entities owned or controlled by the Company.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include our accounts and our controlled subsidiaries. The equity interests in these controlled subsidiaries not owned by us are reflected as minority interests in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. Investments in entities that we do not control through majority voting interest or where the other owner has substantial participating rights are not consolidated and are reflected as investments in unconsolidated companies under the equity method of reporting.

Reclassifications

Certain amounts in the accompanying consolidated financial statements for 2007 and 2006 have been reclassified to conform to the 2008 consolidated financial statement presentation.

Real Estate Investments

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

Depreciation

Buildings and land improvements are depreciated on the straight-line method over their estimated life not to exceed 40 and 15 years, respectively, and tenant improvement costs are depreciated using the straight-line method over the term of the related lease.

Cost Capitalization

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

Table of Contents

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

We cease capitalization of all project costs on extended lease-up periods after the shorter of a one-year period after the completion of the building shell or when the property attains 90% occupancy.

Impairment

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

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

Purchase Accounting

We allocate the purchase price of acquired properties to net tangible and identified intangible assets based on their respective fair values, based on all pertinent information available and adjusted based on changes in that information in no event to exceed one year from the date of acquisition. The allocation to tangible assets (buildings, tenant improvements and land) is based upon management's determination of the value of the property as if it were vacant using discounted cash flow models similar to those used by independent appraisers. Factors considered by management include an estimate of carrying costs during the expected lease-up periods considering current market conditions, and costs to execute similar leases. The purchase price of real estate assets is also allocated among three categories of intangible assets consisting of the above or below market component of in-place leases, the value of

in-place leases and the value of customer relationships.

The value allocable to the above or below market component of an acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired leases) of the difference between (i) the contractual amounts to be paid pursuant to the lease over its

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

remaining term and (ii) management's estimate of the amounts that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above market leases are included in deferred leasing and other costs in the balance sheet and below market leases are included in other liabilities in the balance sheet; both are amortized to rental income over the remaining terms of the respective leases.

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

Joint Ventures

We analyze our investments in joint ventures under Financial Accounting Standards Board (FASB) Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, to determine if the joint venture is considered a variable interest entity and would require consolidation. To the extent that our joint ventures do not qualify as variable interest entities, we further assess under the guidelines of Emerging Issues Task Force (EITF) Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* (EITF 04-5); Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures* (SOP 78-9); Accounting Research Bulletin No. 51, *Consolidated Financial Statements*; and Statement of Financial Accounting Standard (SFAS) No. 94, *Consolidation of All Majority-Owned Subsidiaries*, to determine if the venture should be consolidated. We have equity interests generally ranging from 10% to 50% in unconsolidated joint ventures that develop, own and operate rental properties and hold land for development. We consolidate those joint ventures that are considered to be variable interest entities where we are the primary beneficiary. For non-variable interest entities, we consolidate those joint ventures that we control through majority ownership interests or where we are the managing member and our partner does not have substantive participating rights. Control is further demonstrated by the ability of the general partner to manage day-to-day operations, refinance debt and sell the assets of the joint venture without the consent of the limited partner and inability of the limited partner to replace the general partner. We use the equity method of accounting for those joint ventures where we do not have control over operating and financial policies. Under the equity method of accounting, our investment in each joint venture is included on our balance sheet; however, the assets and liabilities of the joint ventures for which we use the equity method are not included on our balance sheet.

To the extent that we contribute assets to a joint venture, our investment in the joint venture is recorded at our cost basis in the assets that were contributed to the joint venture. To the extent that our cost basis is different than the basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in our share of equity in net income of the joint venture. In accordance with the provisions of SOP 78-9 and SFAS No. 66, *Accounting for Sales of Real Estate* (SFAS 66), we recognize gains on the contribution or sale of real estate to joint ventures, relating solely to the outside partner's interest, to the extent the economic substance of the transaction is a sale.

Cash Equivalents

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

Valuation of Receivables

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

Table of Contents

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Deferred Costs

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

Minority Interest

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

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

Revenues

Rental Operations

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

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

Service Operations

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

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

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Unbilled receivables on construction contracts totaled \$22.7 million and \$33.1 million at December 31, 2008 and 2007, respectively.

Property Sales

Gains on sales of all properties are recognized in accordance with SFAS 66. The specific timing of the sale is measured against various criteria in SFAS 66 related to the terms of the transactions and any continuing involvement in the form of management or financial assistance from the seller associated with the properties. We make judgments based on the specific terms of each transaction as to the amount of the total profit from the transaction that we recognize considering factors such as continuing ownership interest we may have with the buyer (partial sales) and our level of future involvement with the property or the buyer that acquires the assets. If the sales criteria are not met, we defer gain recognition and account for the continued operations of the property by applying the finance, installment or cost recovery methods, as appropriate, until the full accrual sales criteria are met. Estimated future costs to be incurred after completion of each sale are included in the determination of the gain on sales.

Gains from sales of depreciated property are included in discontinued operations and the proceeds from the sale of these held-for-rental properties are classified in the investing activities section of the Consolidated Statements of Cash Flows.

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

Net Income Per Common Share

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

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

	2008	2007	2006
Basic net income available for common shareholders	\$ 56,616	\$ 217,692	\$ 145,095
Minority interest in earnings of common unitholders	2,968	14,399	14,238
Diluted net income available for common shareholders	\$ 59,584	\$ 232,091	\$ 159,333
Weighted average number of common shares outstanding	146,915	139,255	134,883

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Weighted average partnership Units outstanding	7,619	9,204	13,186
Dilutive shares for stock-based compensation plans (1)	507	1,155	1,324
Weighted average number of common shares and potential dilutive securities	155,041	149,614	149,393

- (1) Excludes (in thousands of shares) 7,731, 780 and 719 of anti-dilutive shares for the years ended December 31, 2008, 2007 and 2006, respectively. Also excludes the 3.75% Exchangeable Senior Notes due November 2011 (Exchangeable Notes) issued in 2006, that have an anti-dilutive effect on earnings per share for the years ended December 31, 2008, 2007 and 2006.

A joint venture partner in one of our unconsolidated companies has the option to convert a portion of its ownership in the joint venture to our common shares. The effect of this option on earnings per share was anti-dilutive for the years ended December 31, 2008, 2007 and 2006.

- 66 -

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Federal Income Taxes

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

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

The following table reconciles our net income to taxable income before the dividends paid deduction for the years ended December 31, 2008, 2007 and 2006 (in thousands):

	2008	2007	2006
Net income	\$ 113,996	\$ 279,467	\$ 204,147
Book/tax differences	120,168	84,914	66,303
Taxable income before adjustments	234,164	364,381	270,450
Less: capital gains	(76,709)	(160,797)	(78,246)
Adjusted taxable income subject to 90% dividend requirement	\$ 157,455	\$ 203,584	\$ 192,204

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

	2008	2007	2006
Cash dividends paid	\$ 355,782	\$ 324,085	\$ 311,615
Cash dividends declared and paid in subsequent year that apply to current year	-	52,471	-
Cash dividends declared and paid in current year that apply to previous year	(52,471)	(7,795)	(21,782)
Less: Capital gain distributions	(76,709)	(160,797)	(78,246)
Less: Return of capital	(64,936)	-	(15,018)
Total dividends paid deduction attributable to adjusted taxable income	\$ 161,666	\$ 207,964	\$ 196,569

A summary of the tax characterization of the dividends paid for the years ended December 31, 2008, 2007 and 2006 follows:

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	2008	2007	2006
<u>Common Shares</u>			
Ordinary income	39.3%	63.1%	64.2%
Return of capital	27.3%	-	5.3%
Capital gains	33.4%	36.9%	30.5%
	100.0%	100.0%	100.0%
<u>Preferred Shares</u>			
Ordinary income	70.2%	63.1%	73.7%
Capital gains	29.8%	36.9%	26.3%
	100.0%	100.0%	100.0%

- 67 -

Table of Contents

DUKE REALTY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

We recorded federal and state income tax expense (benefit) of \$(6.3 million), \$9.0 million and \$6.8 million for 2008, 2007 and 2006, respectively, which were primarily attributable to the earnings (loss) of our taxable REIT subsidiaries. We paid federal and state income taxes of \$3.5 million, \$10.1 million and \$4.3 million for 2008, 2007 and 2006, respectively. The taxable REIT subsidiaries have no significant deferred income tax or unrecognized tax benefit items.

Stock Based Compensation

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

Derivative Financial Instruments

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

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

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

Use of Estimates

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

(3) Significant Acquisitions and Dispositions

Acquisitions

We acquired total income producing real estate related assets of \$60.5 million, \$219.9 million and \$948.4 million in 2008, 2007 and 2006, respectively.

- 68 -

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

In December 2007, in order to further establish our property positions around strategic port locations, we purchased a portfolio of five industrial buildings in Seattle, Virginia and Houston, as well as approximately 161 acres of undeveloped land and a 12-acre container storage facility in Houston. The total price was \$89.7 million and was financed in part through assumption of secured debt that had a fair value of \$34.3 million. Of the total purchase price, \$64.1 million was allocated to in-service real estate assets, \$20.0 million was allocated to undeveloped land and the container storage facility, \$5.4 million was allocated to lease related intangible assets, and the remaining amount was allocated to acquired working capital related assets and liabilities. The results of operations for the acquired properties since the date of acquisition have been included in continuing rental operations in our consolidated financial statements.

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

In February 2006, we acquired the majority of a Washington, D.C. metropolitan area portfolio of suburban office and light industrial properties (the Mark Winkler Portfolio). The assets acquired for a purchase price of approximately \$867.6 million were comprised of 32 in-service properties with approximately 2.9 million square feet for rental, 166 acres of undeveloped land, as well as certain related assets of the Mark Winkler Company, a real estate management company. The acquisition was financed primarily through assumed mortgage loans and new borrowings. The assets acquired and liabilities assumed were recorded at their estimated fair value at the date of acquisition, as summarized below (in thousands):

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

In December 2006, we contributed 23 of these in-service properties acquired from the Mark Winkler Portfolio with a basis of \$381.6 million representing real estate investments and acquired lease related intangible assets to two new unconsolidated subsidiaries. Of the remaining nine in-service properties, eight were contributed to these two unconsolidated subsidiaries in 2007 and one remains in continuing operations as of December 31, 2008. The eight properties contributed in 2007 had a basis of \$298.4 million representing real estate investments and acquired lease related intangible assets, and debt secured by these properties of \$146.4 million was also assumed by the unconsolidated subsidiaries.

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

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

Dispositions

In March 2007, as part of our capital recycling program, we sold a portfolio of eight suburban office properties totaling 894,000 square feet in the Cleveland market. The sales price totaled \$140.4 million, of which we received net proceeds of \$139.3 million. We also sold a portfolio of twelve flex and light industrial properties in July 2007, totaling 865,000 square feet in the St. Louis market, for a sales price of \$65.0 million, of which we received net proceeds of \$64.2 million.

(4) Related Party Transactions

We provide property management, leasing, construction and other tenant related services to unconsolidated companies in which we have equity interests. For the years ended December 31, 2008, 2007 and 2006, respectively, we earned management fees of \$7.8 million, \$7.1 million and \$4.4 million, leasing fees of \$2.8 million, \$4.2 million and \$2.9 million and construction and development fees of \$12.7 million, \$13.1 million and \$19.1 million from these companies. We recorded these fees based on contractual terms that approximate market rates for these types of services and we have eliminated our ownership percentages of these fees in the consolidated financial statements.

(5) Investments in Unconsolidated Companies

We have equity interests generally ranging from 10% to 50% in unconsolidated joint ventures that develop, own and operate rental properties and hold land for development.

Combined summarized financial information for the unconsolidated companies as of December 31, 2008 and 2007, and for the years ended December 31, 2008, 2007 and 2006, are as follows (in thousands):

	2008	2007	2006
Rental revenue	\$ 250,312	\$ 215,855	\$ 157,186
Net income	\$ 40,437	\$ 41,725	\$ 65,985
Land, buildings and tenant improvements, net	\$ 2,018,384	\$ 1,771,342	

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Construction in progress	192,153	105,796
Undeveloped land	179,024	114,253
Other assets	239,046	194,616
	\$ 2,628,607	\$ 2,186,007
Indebtedness	\$ 1,225,762	\$ 989,120
Other liabilities	248,093	224,468
	1,473,855	1,213,588
Owners equity	1,154,752	972,419
	\$ 2,628,607	\$ 2,186,007

- 70 -

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Our share of the scheduled payments of long term debt for the unconsolidated joint ventures for each of the next five years and thereafter as of December 31, 2008 are as follows (in thousands):

Year	Future Repayments
2009	\$ 27,182
2010	168,163
2011	37,247
2012	44,661
2013	30,942
Thereafter	146,930
	\$ 455,125

(6) Discontinued Operations, Assets Held-for-Sale and Impairments

The operations of 61 buildings are currently classified as discontinued operations for the three-year period ended December 31, 2008. These 61 buildings consist of 35 industrial and 26 office properties. Of these properties, eight were sold during 2008, 32 properties were sold during 2007 and 21 properties were sold during 2006.

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

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

	2008	2007	2006
Revenues	\$ 9,012	\$ 27,343	\$ 65,969
Expenses:			
Operating	2,242	10,997	22,898
Interest	1,440	7,030	13,848
Depreciation and amortization	3,673	4,941	17,422
General and administrative	2	38	105
Operating income	1,655	4,337	11,696
Minority interest expense	(82)	(269)	(1,042)
Income from discontinued operations, before gain on sales	1,573	4,068	10,654

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Gain on sale of properties	16,961	121,072	46,254
Minority interest expense gain on sales	(836)	(7,507)	(4,121)
Gain on sale of properties, net of minority interest	16,125	113,565	42,133
Income from discontinued operations	\$ 17,698	\$ 117,633	\$ 52,787

At December 31, 2008, we have classified one in-service property as held-for-sale. The following table illustrates the aggregate balance sheet information of this held-for-sale property at December 31, 2008 (in thousands):

Real estate investments, net	\$ 16,813
Other assets	1,318
Total assets held-for-sale	\$ 18,131
Accrued expenses	\$ 379
Other liabilities	-
Total liabilities held-for-sale	\$ 379

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

As the result of disruptions in the U.S. economy and the difficulties of potential buyers in obtaining financing in the volatile credit markets, we determined that 28 properties no longer met the criteria for held-for-sale classification. As the result of removing these properties from held-for-sale classification, we recognized \$13.2 million of additional depreciation expense in 2008.

As the result of a re-assessment of our intended use, as well as the negative effect of the overall economy on real estate values in certain of our markets, we recognized non-cash impairment charges of \$8.6 million in 2008 on seven of our tracts of undeveloped land. We also recognized \$2.8 million of impairment charges on two of our Build-for-Sale office rental properties that were under construction at December 31, 2008. The fair values of these assets were calculated either by discounting estimated future cash flows and sales proceeds or based on comparable transactions. All of the non-cash impairment charges recognized in 2008 are included in income from continuing operations.

We recorded impairment adjustments on depreciable properties of \$266,000 in 2006. No impairment adjustments were recorded on depreciable properties in 2007.

(7) Indebtedness

Indebtedness at December 31, 2008 and 2007 consists of the following (in thousands):

	2008	2007
Fixed rate secured debt, weighted average interest rate of 6.13% at December 31, 2008, and 6.11% at December 31, 2007, maturity dates ranging from 2009 to 2027	\$ 499,061	\$ 515,423
Variable rate secured debt, weighted average interest rate of 3.88% at December 31, 2008, and 3.35% at December 31, 2007, maturity dates ranging from 2014 to 2025	8,290	8,970
Fixed rate unsecured debt, weighted average interest rate of 5.93% at December 31, 2008, and 5.73% at December 31, 2007, maturity dates ranging from 2009 to 2028	3,307,468	3,246,000
Unsecured lines of credit, weighted average interest rate of 1.34% at December 31, 2008, and 5.52% at December 31, 2007 maturity dates ranging from 2010 to 2011	483,659	546,067
	\$ 4,298,478	\$ 4,316,460

Fixed Rate Secured Debt

As of December 31, 2008, the \$507.4 million of secured debt was collateralized by rental properties with a carrying value of \$710.5 million and by letters of credit in the amount of \$8.4 million.

The fair value of our fixed rate secured debt as of December 31, 2008 was \$438.0 million. We utilized a discounted cash flow methodology in order to determine the fair value of our fixed rate secured debt. The net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a

current market rate represents the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate at which we estimate we could obtain similar borrowings when considering current market conditions. 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 (as described in Note 14) inputs.

Fixed Rate Unsecured Debt

We took the following actions during 2008 and 2007 as it pertains to our fixed rate unsecured indebtedness:

In January 2008, we repaid \$125.0 million of senior unsecured notes with an effective interest rate of 3.36% on their scheduled maturity date.

In May 2008, we repaid \$100.0 million of senior unsecured notes with an effective interest rate of 6.76% on their scheduled maturity date.

- 72 -

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

In May 2008, we issued \$325.0 million of 6.25% senior unsecured notes due in May 2013. After including the effect of forward starting swaps (see Note 13), which were designated as cash flow hedges for this offering, the effective interest rate is 7.36%.

In August 2007, we repaid \$100.0 million of senior unsecured notes on their scheduled maturity date that had an effective interest rate of 7.47%.

In September 2007, we issued \$300.0 million of 6.50% senior unsecured notes due in January 2018. This issuance was hedged with a forward starting interest rate swap that was settled and reduced the effective interest rate to 6.16%.

In November 2007, we repaid \$100.0 million of senior unsecured notes on their scheduled maturity date that had an effective interest rate of 3.63%.

The fair value of our fixed rate unsecured debt as of December 31, 2008 was approximately \$2.2 billion. We utilized multiple broker estimates in estimating the fair value. Our unsecured notes are thinly traded and, in many cases, the broker estimates were not based upon comparable transactions. As such, we have determined that our estimation of the fair value of our fixed rate unsecured debt was primarily based upon Level 3 inputs.

The indentures (and related supplemental indentures) governing our outstanding series of notes also require us to comply with financial ratios and other covenants regarding our operations. We were in compliance with all such covenants as of December 31, 2008.

Unsecured Lines of Credit

Our unsecured lines of credit as of December 31, 2008 are described as follows (in thousands):

Description	Borrowing Capacity	Maturity Date	Outstanding at December 31, 2008
Unsecured Line of Credit DRLP	\$ 1,300,000	January 2010	\$ 474,000
Unsecured Line of Credit Consolidated Subsidiary	\$ 30,000	July 2011	\$ 9,659

We use the DRLP unsecured line of credit to fund development activities, acquire additional rental properties and provide working capital. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line, at rates that may be lower than the stated interest rate, subject to certain restrictions. The stated rate on the amounts outstanding on the DRLP unsecured line of credit as of December 31, 2008 was LIBOR plus .525% (ranging from 1.005% to 2.355% as of December 31, 2008). We may, solely at our option, exercise an option to extend the maturity date to January 2011. This line of credit also contains various financial covenants that require us to meet financial ratios and defined levels of performance, including those related to fixed charge, variable rate indebtedness, consolidated net worth and debt-to-net asset value. As of December 31, 2008, we were in compliance with all covenants under this line of credit.

The consolidated subsidiary's unsecured line of credit allows for borrowings up to \$30.0 million at a rate of LIBOR plus .85% (equal to 1.32% for outstanding borrowings as of December 31, 2008). This unsecured line of credit is used to fund development activities within the consolidated subsidiary and matures in July 2011 with a 12-month extension option.

The fair value of our unsecured lines of credit as of December 31, 2008 was \$477.1 million. We utilized a discounted cash flow methodology in order to estimate the fair value. The net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate represents the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate, considering current market conditions and our specific credit profile, at which we estimate we could obtain similar borrowings. The current market rate we utilized was internally estimated; therefore, we have concluded that our determination of fair value for our unsecured lines of credit was primarily based upon Level 3 inputs.

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Scheduled Maturities and Interest Paid

At December 31, 2008, the scheduled amortization and maturities of all indebtedness for the next five years and thereafter were as follows (in thousands):

Year	Amount
2009	\$ 257,697
2010	649,445
2011	1,053,621
2012	210,122
2013	483,889
Thereafter	1,642,014
	\$ 4,296,788

The amount of interest paid in 2008, 2007 and 2006 was \$235.6 million, \$225.8 million and \$198.1 million, respectively. The amount of interest capitalized in 2008, 2007 and 2006 was \$53.5 million, \$59.2 million and \$36.3 million, respectively.

(8) Segment Reporting

We have three reportable operating segments, the first two of which consist of the ownership and rental of office and industrial real estate investments. The operations of our office and industrial properties, along with our healthcare and retail properties, are collectively referred to as *Rental Operations*. Our healthcare and retail properties, which do not meet the quantitative thresholds defined in SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, are not separately presented as a reportable segment. The third reportable segment consists of our Build-for-Sale operations and providing various real estate services such as property management, maintenance, leasing, development and construction management to third-party property owners and joint ventures (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.

During the period between the completion of development, rehabilitation or repositioning of a Build-for-Sale property and the date the property is contributed to an unconsolidated company or sold to a third party, the property and its associated rental income and rental expenses are included in the applicable *Rental Operations* segment because the primary activity associated with the Build-for-Sale property during that period is rental activities. Upon contribution or sale, the resulting gain or loss is part of the income of the *Service Operations* business segment.

Other revenue consists of equity in earnings of unconsolidated companies as well as other operating revenues not identified with one of our operating segments. Segment FFO information (FFO is defined below) is calculated by subtracting operating expenses attributable to the applicable segment from segment revenues. Non-segment assets consist of corporate assets including cash, deferred financing costs and investments in unconsolidated companies.

Interest expense and other non-property specific revenues and expenses are not allocated to individual segments in determining our performance measure.

We assess and measure segment operating results based upon an industry performance measure referred to as Funds From Operations (FFO), which management believes is a useful indicator of our operating performance. FFO is used by industry analysts and investors as a supplemental operating performance measure of a REIT. FFO is calculated in accordance with the definition that was adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT). NAREIT created FFO as a supplemental measure of REIT operating performance that excludes historical cost depreciation, among other items, from net income determined in accordance with GAAP. FFO is a non-GAAP financial measure. The most comparable GAAP measure is net income (loss). FFO should not be considered as a substitute for net income or any other measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other companies.

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

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

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

The following table shows (i) the revenues and FFO for each of the reportable segments and (ii) a reconciliation of net income available for common shareholders to the calculation of FFO for the years ended December 31, 2008, 2007 and 2006 (in thousands):

	2008	2007	2006
Revenues			
Rental Operations:			
Office	\$ 568,405	\$ 562,277	\$ 547,370
Industrial	250,078	218,055	193,675
Non-reportable Rental Operations segments	31,987	20,952	5,775
Service Operations	101,898	99,358	90,125
Total Segment Revenues	952,368	900,642	836,945
Other Revenue	43,719	50,805	58,476
Consolidated Revenue from continuing operations	996,087	951,447	895,421
Discontinued Operations	9,012	27,343	65,969
Consolidated Revenue	\$ 1,005,099	\$ 978,790	\$ 961,390
Funds From Operations			
Rental Operations:			
Office	\$ 341,093	\$ 347,974	\$ 341,927
Industrial	191,795	166,827	150,122
Non-reportable Rental Operations segments	20,159	14,384	4,372
Services Operations	61,943	52,034	53,196
Total Segment FFO	614,990	581,219	549,617
Non-Segment FFO:			

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Interest expense	(195,148)	(171,994)	(172,658)
Impairment charges and other expenses	(19,729)	(5,658)	(2,284)
Interest and other income (expense), net	4,041	(415)	348
General and administrative expense	(39,506)	(37,689)	(35,811)
Gain on land sales, net	12,651	33,998	8,192
Other non-segment income (expense)	9,128	12,523	11,897
Minority interest	(2,667)	(6,782)	(9,543)
Minority interest share of FFO adjustments	(16,527)	(10,983)	(18,858)
Joint venture FFO	61,643	50,085	37,774
Dividends on preferred shares	(71,426)	(58,292)	(56,419)
Adjustment for redemption of preferred shares	-	(3,483)	(2,633)
Gain on repurchase of preferred shares	14,046	-	-
Discontinued operations, net of minority interest	4,410	1,503	28,386
Consolidated basic FFO	375,906	384,032	338,008
Depreciation and amortization on continuing operations	(311,279)	(272,750)	(236,846)
Depreciation and amortization on discontinued operations	(3,673)	(4,941)	(17,422)
Company's share of joint venture adjustments	(38,321)	(26,948)	(18,394)
Earnings from depreciated property sales on discontinued operations	16,961	121,072	42,089
Earnings from depreciated property sales - share of joint venture	495	6,244	18,802
Minority interest share of FFO adjustments	16,527	10,983	18,858
Net income available for common shareholders	\$ 56,616	\$ 217,692	\$ 145,095

- 75 -

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

The assets for each of the reportable segments as of December 31, 2008 and 2007 are as follows (in thousands):

	December 31, 2008	December 31, 2007
<u>Assets</u>		
Rental Operations:		
Office	\$ 3,758,839	\$ 3,705,928
Industrial	2,363,632	2,313,507
Non-reportable Rental Operations segments	364,848	312,246
Service Operations	373,186	476,033
Total Segment Assets	6,860,505	6,807,714
Non-Segment Assets	830,378	854,267
Consolidated Assets	\$ 7,690,883	\$ 7,661,981

In addition to revenues and FFO, we also review our recurring capital expenditures in measuring the performance of our individual Rental Operations segments. These recurring capital expenditures consist of tenant improvements, leasing commissions and building improvements. We review these expenditures to determine the costs associated with re-leasing vacant space and maintaining the condition of our properties. Our recurring capital expenditures by segment are summarized as follows for the years ended December 31, 2008, 2007 and 2006 (in thousands):

	2008	2007	2006
<u>Recurring Capital Expenditures</u>			
Office	\$ 56,844	\$ 68,427	\$ 66,449
Industrial	16,443	16,454	16,210
Non-reportable Rental Operations segments	1,527	1,055	341
Total	\$ 74,814	\$ 85,936	\$ 83,000

(9) Leasing Activity

Future minimum rents due to us under non-cancelable operating leases at December 31, 2008 are as follows (in thousands):

Year	Amount
2009	\$ 725,314
2010	703,082
2011	622,876
2012	543,304
2013	447,890

Thereafter	1,534,866
	\$ 4,577,332

In addition to minimum rents, certain leases require reimbursements of specified operating expenses that amounted to \$183.2 million, \$177.2 million and \$161.7 million for the years ended December 31, 2008, 2007 and 2006, respectively.

(10) Employee Benefit Plans

We maintain a 401(k) plan for full-time employees. We make matching contributions up to an amount equal to three percent of the employee's salary and may also make annual discretionary contributions. The total expense recognized for this plan was \$3.0 million, \$3.7 million and \$3.9 million for the years ended December 31, 2008, 2007 and 2006, respectively.

We make contributions to a contributory health and welfare plan as necessary to fund claims not covered by employee contributions. The total expense we recognized related to this plan was \$9.6 million, \$9.3 million and \$9.4 million for 2008, 2007 and 2006, respectively. These expense amounts include estimates based upon the historical experience of claims incurred but not reported as of year-end.

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(11) Shareholders' Equity

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

Beginning in August 2007, we issued new shares of common stock under employee and non-employee stock purchase plans, as well as for dividend reinvestment plans. We received \$15.5 million and \$6.9 million of proceeds from these share issuances during the years ended December 31, 2008 and 2007, respectively.

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

In February 2008, we issued \$300.0 million of 8.375% Series O Cumulative Redeemable Preferred Shares and used the net proceeds to reduce the outstanding balance on DRLP's unsecured line of credit. Our Series O Cumulative Redeemable Preferred Shares have no stated maturity date although they may be redeemed, at our option, beginning in February 2013.

During the fourth quarter of 2008, pursuant to the share repurchase plan approved by our board of directors, we repurchased 109,500 preferred shares from all of our outstanding series. The preferred shares repurchased had a total redemption value of approximately \$27.4 million, and were repurchased for \$12.4 million. In conjunction with the repurchases, approximately \$924,000 of offering costs, the ratable portion of total offering costs associated with the repurchased shares, were charged against income available for common shareholders in the fourth quarter. A net gain of approximately \$14.0 million was included in income available to common shareholders. All shares repurchased were retired prior to December 31, 2008.

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

The following series of preferred shares were outstanding as of December 31, 2008 (in thousands, except percentage data):

Description	Shares Outstanding	Dividend Rate	Optional	Liquidation Preference
			Redemption Date	
Series J Preferred	396	6.625%	August 29, 2008	\$ 99,058
Series K Preferred	598	6.500%	February 13, 2009	\$ 149,550
Series L Preferred	797	6.600%	November 30, 2009	\$ 199,075
Series M Preferred	673	6.950%	January 31, 2011	\$ 168,272
Series N Preferred	435	7.250%	June 30, 2011	\$ 108,630

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Series O Preferred	1,168	8.375%	February 22, 2013	\$ 292,040
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All series of preferred shares require cumulative distributions and have no stated maturity date (although we may redeem all such preferred shares on or following their optional redemption dates at our option, in whole or in part).

(12) Stock Based Compensation

We are authorized to issue up to 9,079,187 shares of our common stock under our stock based employee and non-employee compensation plans.

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

- 77 -

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Fixed Stock Option Plans

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

The following table summarizes transactions under our stock option plans as of December 31, 2008:

		2008		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life	Aggregate Intrinsic Value (1) (in Millions)
Outstanding, beginning of year	5,850,956	\$ 29.84		
Granted	2,792,012	\$ 23.34		
Exercised	(232,886)	\$ 22.21		
Forfeited	(986,815)	\$ 28.33		
Outstanding, end of year	7,423,267	\$ 27.84	7.2	\$ -
Options exercisable, end of year	2,703,868	\$ 27.96	4.9	\$ -

- (1) The aggregate intrinsic value represents the total pre-tax intrinsic value, based on the closing stock price of \$10.96 at December 31, 2008, which would have been received by the option holders had all option holders exercised their options as of that date. This amount changes continuously based on the market prices of the stock.

Options granted in the years ended December 31, 2008, 2007 and 2006, respectively, had a weighted average fair value per option of \$1.76, \$2.89 and \$3.60. As of December 31, 2008, there was \$6.3 million of total unrecognized compensation expense related to stock options granted under the plans, which is expected to be recognized over a weighted average remaining period of 3.59 years. The total intrinsic value of options exercised during the years ended December 31, 2008, 2007 and 2006 respectively, was approximately \$898,000, \$5.6 million and \$11.3 million. Compensation expense recognized for fixed stock option plans was \$3.9 million, \$2.3 million and \$1.7 million for the years ended December 31, 2008, 2007 and 2006, respectively. The fair value of options vested during the years ended December 31, 2008, 2007 and 2006 was \$2.6 million, \$1.6 million and \$1.6 million, respectively.

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

	2008	2007	2006
Dividend yield	6.75%	5.75%-6.50%	6.25%

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Volatility	20.0%	18.0%	20.0%
Risk-free interest rate	2.79%	3.63-4.78%	4.5%
Expected life	5 years	5 years	6 years

The risk free interest rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The dividend yield assumption is based on the history of and our present expectation of future dividend payouts. Our computation of expected volatility for the valuation of stock options granted in the years ended December 31, 2008, 2007 and 2006 is based on historic, and our present expectation of future volatility over a period of time equal to the expected term. The expected life of employee stock options represents the weighted average period the stock options are expected to remain outstanding.

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Performance Share Plan

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

The following table summarizes transactions for our performance shares for the year ended December 31, 2008:

2000 Performance Share Plan	Vested	Unvested	Total
Performance Share Plan units at December 31, 2007	138,199	39,977	178,176
Granted	-	-	-
Vested	27,499	(27,499)	-
Forfeited	-	(2,345)	(2,345)
Dividend reinvestments	21,283	-	21,283
Disbursements	(11,217)	-	(11,217)
Total Performance Share Plan units Outstanding at December 31, 2008	175,764	10,133	185,897

Compensation expense recognized for Performance Share Plan units was \$201,000, \$1.3 million and \$1.2 million for 2008, 2007 and 2006, respectively. The total vest date fair value of shares vesting during the year ended December 31, 2008 was \$991,000.

Shareholder Value Plan Awards

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

Awards made under the 2005 SVP Plan are measured at fair value, which is determined using a Monte Carlo simulation model that was developed to accommodate the unique features of the 2005 SVP Plan. Compensation cost recognized under the 2005 SVP Plan was \$2.0 million, \$1.5 million and \$879,000 for the years ended December 31, 2008, 2007 and 2006, respectively.

The following table summarizes transactions for our awards under the 2005 SVP Plan for 2008:

	Number of SVP Units	Weighted Average Grant Date Fair Value
2005 Shareholder Value Plan Awards		
SVP awards at December 31, 2007	164,180	\$ 40.20
Granted	206,578	\$ 23.34
Vested	(70,847)	\$ 34.17
Forfeited	(57,835)	\$ 30.96
Other	(383)	\$ 30.71
 SVP awards at December 31, 2008	 241,693	 \$ 29.78

- 79 -

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

As of December 31, 2008, there was \$2.0 million of total unrecognized compensation expense related to nonvested SVP Plan awards granted under the 2005 SVP Plan, which will be recognized over a weighted average period of 1.7 years. All 2005 SVP Plan awards have a contractual life of three years.

Restricted Stock Units

Under our 2005 Long-Term Incentive Plan and our 2005 Non-Employee Directors Compensation Plan approved by our shareholders in April 2005, restricted stock units (RSUs) may be granted to non-employee directors, executive officers and selected management employees. An RSU is economically equivalent to one share of our common stock. RSUs generally vest 20% per year over five years, have contractual lives of five years and are payable in shares of our common stock. However, RSUs granted to existing non-employee directors vest 100% over one year, and have contractual lives of one year. We recognize the value of the granted RSUs over this vesting period as expense.

The following table summarizes transactions for our RSUs, excluding dividend equivalents, for 2008:

Restricted Stock Units	Number of RSUs	Weighted Average Grant Date Fair Value
RSUs at December 31, 2007	261,098	\$ 37.87
Granted	275,616	\$ 23.35
Vested	(75,019)	\$ 38.03
Forfeited	(60,320)	\$ 30.20
RSUs at December 31, 2008	401,375	\$ 29.03

Compensation cost recognized for RSUs totaled \$4.9 million, \$3.0 million and \$2.1 million for the years ended December 31, 2008, 2007 and 2006, respectively.

As of December 31, 2008, there was \$4.8 million of total unrecognized compensation expense related to nonvested RSUs granted under the Plan, which is expected to be recognized over a weighted average period of 3.7 years.

(13) Financial Instruments

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

In November 2007, we entered into forward starting interest swaps with notional amounts appropriate to hedge interest rates on \$300.0 million of anticipated debt offerings in 2008. The forward starting swaps were appropriately designated and tested for effectiveness as cash flow hedges. In March 2008, we settled the forward starting swaps and

made a cash payment of \$14.6 million to the counterparties. An effectiveness test was performed as of the settlement date and it was concluded that a highly effective cash flow hedge was still in place for the expected debt offering. Of the amount paid in settlement, approximately \$700,000 was immediately reclassified to interest expense, as the result of partial ineffectiveness calculated at the settlement date. The net amount of \$13.9 million was recorded in Other Comprehensive Income (OCI) and is being recognized through interest expense over the life of the hedged debt offering, which took place in May 2008. The remaining unamortized amount included as a reduction to accumulated OCI as of December 31, 2008 is \$12.0 million.

- 80 -

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

In August 2005, we entered into \$300.0 million of cash flow hedges through forward starting interest rate swaps to hedge interest rates on \$300.0 million of anticipated debt offerings in 2007. The swaps qualified for hedge accounting, with any changes in fair value recorded in OCI. In conjunction with the September 2007 issuance of \$300.0 million of senior unsecured notes, we terminated these cash flow hedges as designated. The settlement amount received of \$10.7 million is being recognized to earnings through a reduction of interest expense over the term of the hedged cash flows. The remaining unamortized amount included as an increase to accumulated OCI as of December 31, 2008 is \$9.3 million. The ineffective portion of the hedge was insignificant.

In March 2005, we entered into \$300.0 million of cash flow hedges through forward starting interest rate swaps to hedge interest rates on \$300.0 million of anticipated debt offerings in 2006. The swaps qualified for hedge accounting, with any changes in fair value recorded in OCI. In March 2006, we issued \$150.0 million of 5.50% senior unsecured notes due 2016 and terminated a corresponding amount of the cash flow hedges designated for this transaction. The settlement amount paid of approximately \$800,000 is being recognized to earnings through interest expense ratably over the life of the senior unsecured notes and the ineffective portion of the hedge was insignificant. In August 2006, we issued \$450.0 million of 5.95% senior unsecured notes due 2017 and \$250.0 million of 5.63% senior unsecured notes due 2011 and terminated the remaining \$150.0 million of cash flow hedges. The settlement amount received of approximately \$1.6 million is being recognized to earnings through a reduction of interest expense ratably over the lives of the senior unsecured notes. The ineffective portion of the hedge was insignificant. The net remaining unamortized amount included as an increase to accumulated OCI related to these two swaps that were unwound in 2006 is approximately \$599,000 as of December 31, 2008.

The effectiveness of our hedges is evaluated throughout their lives using the hypothetical derivative method under which the change in fair value of the actual swap designated as the hedging instrument is compared to the change in fair value of a hypothetical swap. We had no material interest rate derivatives, when considering both fair value and notional amount, at December 31, 2008.

(14) Recent Accounting Pronouncements

SFAS No. 157, Fair Value Measurements (SFAS 157) was effective for us on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances. Based on the guidance provided by Financial Accounting Standards Board (FASB) Staff Position No. 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2), we have only partially implemented the guidance promulgated under SFAS 157 as of January 1, 2008, which in our circumstances only affects financial instruments. SFAS 157 was not applied during 2008 to nonfinancial long-lived asset groups measured for an impairment assessment, reporting units measured at fair value in the first step of the goodwill impairment test, and nonfinancial assets and nonfinancial liabilities initially measured at fair value in a business combination. We will fully apply the provisions of SFAS 157 beginning January 1, 2009 and do not expect there to be a material impact to the financial statements.

SFAS 157 emphasized that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities to which we have access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 requires enhanced disclosures for derivative instruments and hedging activities, specifically in regard to the purpose of the derivative and how the derivative and hedging activities affect an entity's financial position, financial performance and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008 and early application is allowed. We will apply SFAS 161 beginning in 2009.

In May 2008, the FASB ratified FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1) that will require separate accounting for the debt and equity components of convertible instruments. FSP APB 14-1 will require that the value assigned to the debt component would be the estimated fair value of a similar bond without the conversion feature, which would result in the debt being recorded at a discount. The resulting debt discount will be amortized over the period during which the debt is expected to be outstanding (i.e., through the first optional redemption date) as additional non-cash interest expense. FSP APB 14-1 is effective January 1, 2009 and will be applied retrospectively. We currently estimate that FSP APB 14-1 will result in us recognizing additional non-cash interest expense of between \$5.5 million and \$7.5 million per annum.

(15) Commitments and Contingencies

We have guaranteed the repayment of \$68.1 million of economic development bonds issued by various municipalities in connection with certain commercial developments. We will be required to make payments under our guarantees to the extent that incremental taxes from specified developments are not sufficient to pay the bond debt service. Management does not believe that it is probable that we will be required to make any significant payments in satisfaction of these guarantees.

- 82 -

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

We also have guaranteed the repayment of secured and unsecured loans of nine of our unconsolidated subsidiaries. At December 31, 2008, the maximum guarantee exposure for these loans was approximately \$255.1 million.

Additionally, we guaranteed \$29.0 million of secured indebtedness related to a property sold to a third party in 2006. Management believes that the value of the underlying real estate exceeds the associated loan balances and that we will not be required to satisfy these guarantees.

We have entered into agreements, subject to the completion of due diligence requirements, resolution of certain contingencies and completion of customary closing conditions, for the future acquisitions of land totaling \$8.0 million. In most cases, we may withdraw from land purchase contracts and the seller's only recourse is earnest money deposits that we have already paid.

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

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

(16) Subsequent Events*Declaration of Dividends*

Our board of directors declared the following dividends at its regularly scheduled board meeting held on January 28, 2009:

Class	Quarterly Amount/Share	Record Date	Payment Date
Common	\$ 0.25	February 13, 2009	February 27, 2009
Preferred (per depository share):			
Series J	\$ 0.414063	February 13, 2009	February 27, 2009
Series K	\$ 0.406250	February 13, 2009	February 27, 2009
Series L	\$ 0.412500	February 13, 2009	February 27, 2009
Series M	\$ 0.434375	March 17, 2009	March 31, 2009
Series N	\$ 0.453125	March 17, 2009	March 31, 2009
Series O	\$ 0.523438	March 17, 2009	March 31, 2009

Table of Contents

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 cumulated Depreciation

Name	Building Type	Encumbrances	Initial Cost		Subsequent to Development or Acquisition	Gross Book Value 12/31/08			Accumulated Depreciation (2)	Cons
			Land	Buildings		Land/Land Imp	Bldgs/TI	Total(1)		
One Allen Center	Office	-	1,966	11,051	2,672	1,720	13,969	15,689	696	2
GEORGIA										
Radiant I	Office	-	1,269	14,697	132	1,269	14,829	16,098	3,521	1
Brookside I	Office	-	1,625	8,545	4,131	1,492	12,809	14,301	3,319	1
Radiant II	Office	-	831	6,755	203	831	6,958	7,789	1,415	2
Brookside II	Office	-	1,381	11,025	2,239	1,248	13,397	14,645	3,586	2
Northwinds VII	Office	-	2,271	19,557	1,589	2,304	21,113	23,417	5,363	1
Northwinds I	Office	-	1,879	15,498	1,820	1,879	17,318	19,197	4,402	1
Northwinds II	Office	-	1,796	15,973	665	1,796	16,638	18,434	4,494	1
Northwinds III	Office	15,363	1,868	16,087	336	1,499	16,792	18,291	4,582	1
Northwinds IV	Office	14,621	1,844	16,075	2,009	1,844	18,084	19,928	4,954	1
Northwinds V	Office	-	2,215	15,514	1,911	2,215	17,425	19,640	4,504	1
Northwinds VI	Office	-	2,662	15,297	858	2,662	16,155	18,817	4,503	2
Northwinds Village	Retail	-	704	4,453	194	710	4,641	5,351	777	2
Northwinds Restaurant	Retail	-	202	329	-	202	329	531	66	1
1320 Ridgeland Parkway	Industrial	-	998	5,874	53	998	5,927	6,925	1,403	1
1345 Ridgeland Parkway	Industrial	-	488	2,005	1,068	488	3,073	3,561	799	1
1335 Ridgeland Pkwy	Industrial	-	579	2,105	790	579	2,895	3,474	845	2
Preston Ridge IV	Office	-	2,777	13,293	728	2,781	14,017	16,798	4,826	2
800 North Point Parkway	Office	-	1,250	18,443	-	1,250	18,443	19,693	2,832	1
900 North Point Parkway	Office	-	1,250	13,945	-	1,250	13,945	15,195	2,159	1
OHIO, ILLINOIS										
Atrium II	Office	-	776	6,800	2,316	776	9,116	9,892	2,825	1
GEORGIA										
6 West Druid Hills Drive	Office	-	473	5,976	2,590	473	8,566	9,039	2,322	1
2801 Buford Highway	Office	-	794	9,284	2,870	794	12,154	12,948	3,355	1
1190 West Druid Hills Drive	Office	-	689	6,485	1,357	689	7,842	8,531	2,085	1
Center Pointe I and II	Healthcare	30,659	9,697	29,194	7,714	9,697	36,908	46,605	5,591	1
ILLINOIS										
535 Exchange	Industrial	-	386	920	269	386	1,189	1,575	354	1
525 North Enterprise Street	Industrial	-	342	1,678	110	342	1,788	2,130	534	1
615 North Enterprise Street	Industrial	-	468	2,824	649	468	3,473	3,941	1,118	1
3615 Exchange	Industrial	-	410	1,603	140	410	1,743	2,153	568	1
4000 Sussex Avenue	Industrial	-	417	1,711	371	417	2,082	2,499	610	1
3737 East Exchange	Industrial	-	598	2,543	177	598	2,720	3,318	815	1
444 North Commerce Street	Industrial	-	722	5,403	597	722	6,000	6,722	1,879	1
880 North Enterprise Street	Industrial	-	1,150	5,669	626	1,150	6,295	7,445	1,664	2
Meridian Office Service Center	Industrial	-	567	1,083	1,701	567	2,784	3,351	724	2
Genera Corporation	Industrial	-	1,957	3,827	-	1,957	3,827	5,784	775	2
Butterfield 550	Industrial	-	9,185	10,797	658	9,185	11,455	20,640	179	2
MARYLAND										
Baltimore Building B-2	Industrial	-	3,345	4,220	3,243	3,345	7,463	10,808	405	2
Baltimore Building B-4	Industrial	-	6,488	9,213	1,502	6,488	10,715	17,203	387	2
Mercy Hospital Clermont MOB	Healthcare	-	-	8,249	831	-	9,080	9,080	930	2

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Business Park	Cedar Crossing	Industrial	12,025	9,323	5,934	-	9,323	5,934	15,257	413	2
TENNESSEE											
Center	Four-Forty Business Center I	Industrial	-	938	6,454	56	938	6,510	7,448	1,543	1
Center	Four-Forty Business Center III	Industrial	-	1,812	7,579	499	1,812	8,078	9,890	2,034	1
Center	Four-Forty Business Center IV	Industrial	-	1,522	5,480	485	1,522	5,965	7,487	1,472	1
Center	Four-Forty Business Center V	Industrial	-	471	3,321	526	471	3,847	4,318	1,631	1

- 84 -

Table of Contents

Accumulated Depreciation											
Name	Building Type	Encumbrances	Initial Cost		Cost Capitalized		Gross Book Value 12/31/08			Accumulated Depreciation (2)	Yr
			Land	Buildings	Subsequent to Development or Acquisition	Land/Land Imp	Bldgs/Tr	Total(1)			
MINNESOTA											
Alpha Business Ctr I&II	Office	-	280	1,383	366	280	1,749	2,029	455	19	
Alpha Business Ctr III&IV	Industrial	-	341	1,769	375	341	2,144	2,485	587	19	
Alpha Business Ctr V	Industrial	-	537	2,926	361	538	3,286	3,824	882	19	
Hampshire Dist Center North	Industrial	945	779	4,488	286	779	4,774	5,553	1,387	19	
Hampshire Dist Center South	Industrial	1,104	901	5,063	323	901	5,386	6,287	1,564	19	
Norman Pointe I	Office	-	3,650	25,424	2,398	3,650	27,822	31,472	6,062	20	
Norman Pointe II	Office	-	5,885	38,649	6,948	5,700	45,782	51,482	1,735	20	
INDIANA											
McAuley Place	Office	-	2,331	17,604	2,304	2,331	19,908	22,239	4,607	20	
Huntington Bank Building	Office	-	175	241	-	175	241	416	78	19	
Lake Forest Place	Office	-	1,953	18,663	4,198	1,953	22,861	24,814	7,159	19	
Northmark Building 1	Office	-	1,452	5,044	578	1,452	5,622	7,074	2,543	19	
Westlake Center	Office	-	2,459	15,381	4,027	2,459	19,408	21,867	6,556	19	
Landings Building I	Office	-	4,302	17,512	323	4,302	17,835	22,137	2,056	20	
Landings Building II	Office	-	4,817	9,377	3,403	4,817	12,780	17,597	1,023	20	
ILLINOIS											
555 Joliet Road, Bolingbrook	Industrial	-	2,184	9,284	780	2,332	9,916	12,248	1,844	20	
Dawes Transportation	Industrial	-	3,050	4,453	16	3,050	4,469	7,519	886	20	
GEORGIA											
Braselton II	Industrial	-	1,365	8,720	1,734	1,884	9,935	11,819	2,141	20	
Park 85 at Braselton Bldg 625	Industrial	-	9,855	25,690	1,639	9,855	27,329	37,184	3,190	20	
1350 Braselton Parkway	Industrial	-	8,227	8,874	1,417	8,227	10,291	18,518	411	20	
TENNESSEE											
Brentwood South Bus Ctr I	Industrial	-	1,065	5,765	1,135	1,065	6,900	7,965	1,853	19	
Brentwood South Bus Ctr II	Industrial	-	1,065	2,759	1,304	1,065	4,063	5,128	1,025	19	
Brentwood South Bus Ctr III	Industrial	-	848	3,989	714	848	4,703	5,551	1,344	19	
Creekside Crossing I	Office	-	1,900	7,650	903	1,901	8,552	10,453	2,696	19	
Creekside Crossing II	Office	-	2,087	7,764	1,371	2,087	9,135	11,222	2,882	20	
Creekside Crossing III	Office	-	2,969	9,621	2,196	2,969	11,817	14,786	1,557	20	
Creekside Crossing IV	Office	-	2,966	8,104	3,380	2,877	11,573	14,450	607	20	
ARKANSAS											
7300 Northland Drive	Industrial	-	700	6,570	289	703	6,856	7,559	2,163	19	
Crosstown North Bus. Ctr. 1	Industrial	-	835	5,321	1,113	1,286	5,983	7,269	1,912	19	
Crosstown North Bus. Ctr. 2	Industrial	-	449	2,700	674	599	3,224	3,823	935	19	
Crosstown North Bus. Ctr. 3	Industrial	-	758	1,891	265	837	2,077	2,914	617	19	
Crosstown North Bus. Ctr. 4	Industrial	-	2,079	7,324	1,331	2,397	8,337	10,734	2,988	19	
Crosstown North Bus. Ctr. 5	Industrial	-	1,079	4,430	698	1,354	4,853	6,207	1,227	20	
Crosstown North Bus. Ctr. 6	Industrial	-	788	2,755	2,204	1,031	4,716	5,747	1,694	20	
Crosstown North Bus. Ctr. 10	Industrial	-	2,757	4,642	1,079	2,723	5,755	8,478	1,203	20	
Crosstown North Bus. Ctr. 12	Industrial	-	4,564	8,708	300	4,564	9,008	13,572	1,343	20	
INDIANA											
Ortho Indy West-MOB	Healthcare	-	-	9,817	1,401	-	11,218	11,218	110	20	

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NEW YORK											
at	HealthNow	Office	-	11,686	54,009	4,500	11,748	58,447	70,195	2,060	20
FLORIDA											
	Hamilton Crossing I	Industrial	-	833	4,032	2,814	845	6,834	7,679	2,981	20
	Hamilton Crossing II	Office	-	313	840	1,188	384	1,957	2,341	745	19
	Hamilton Crossing III	Office	-	890	9,418	2,215	890	11,633	12,523	3,730	20
	Hamilton Crossing IV	Office	-	515	5,186	605	598	5,708	6,306	1,554	19
	Hamilton Crossing VI	Office	-	1,044	13,671	926	1,068	14,573	15,641	2,895	20
gy Center	Meridian Tech Center	Office	-	376	2,693	1,108	376	3,801	4,177	1,046	19
etplace	Burger King (Ground Lease)	Grounds	-	848	-	189	1,037	-	1,037	-	n

- 85 -

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CAS

	Freeport X	Industrial	-	8,198	18,249	3,031	8,198	21,280	29,478	6,115	200
	Point West I	Office	-	5,513	9,288	1,626	5,513	10,914	16,427	346	200
Industrial	Point West VI	Industrial	-	10,181	17,905	3,692	10,181	21,597	31,778	802	200
Industrial	Point West VII	Industrial	-	6,785	13,668	2,462	6,785	16,130	22,915	827	200

- 86 -

Table of Contents

Accumulated Depreciation												Schedule
												008
Name	Building Type	Encumbrances	Initial Cost			Cost Capitalized	Gross Book Value 12/31/08			Accumulated Depreciation (2)	Year of Construction/Renovation	
			Land	Buildings		Subsequent to Development or Acquisition	Land/Land Imp	Bldgs/TI	Total(1)			
FLORIDA												
Distribution Center	Park 27 Distribution Center I	Industrial	-	2,449	6,107	33	2,449	6,140	8,589	1,712	2003	
Distribution Center	Park 27 Distribution Center II	Industrial	-	4,374	8,218	4,618	4,374	12,836	17,210	733	2007	
ILLINOIS												
Office Road	2180 South Wolf Road	Industrial	-	179	1,515	548	179	2,063	2,242	582	1969	
ROVE, ILLINOIS												
Office	Executive Towers I	Office	-	2,652	23,196	7,243	2,652	30,439	33,091	9,230	1983	
Office	Executive Towers II	Office	-	3,386	26,931	10,771	3,386	37,702	41,088	10,945	1984	
Office	Executive Towers III	Office	-	3,512	32,168	6,855	3,512	39,023	42,535	12,926	1987	
OHIO												
Office Center	Scioto Corporate Center	Office	-	1,100	2,843	1,555	1,100	4,398	5,498	1,508	1987	
Office	Qwest	Office	-	2,618	18,686	1,845	2,670	20,479	23,149	8,126	1990	
Office	4600 Lakehurst	Office	-	1,494	12,776	561	1,524	13,307	14,831	5,248	1990	
Office	4700 Lakehurst Court	Office	-	717	2,393	797	717	3,190	3,907	1,253	1994	
Office	4675 Lakehurst	Office	-	605	5,853	176	605	6,029	6,634	2,189	1995	
Office	5500 Glendon Court	Office	-	1,066	7,411	1,264	1,066	8,675	9,741	3,381	1995	
Office	5555 Glendon Court	Office	-	1,600	7,139	1,649	1,767	8,621	10,388	3,379	1995	
Office	6060 Britton Parkway	Office	-	1,601	8,725	182	1,601	8,907	10,508	4,600	1996	
Office	Compmanagement	Office	-	867	4,397	683	867	5,080	5,947	1,945	1997	
Office	4725 Lakehurst	Office	-	483	9,349	759	483	10,108	10,591	3,881	1998	
Office	5555 Parkcenter Circle	Office	-	1,580	8,945	1,113	1,580	10,058	11,638	3,764	1992	
Office	Parkwood Place	Office	-	1,690	11,534	1,094	1,690	12,628	14,318	5,286	1997	
Office	Nationwide	Office	-	4,815	15,378	832	4,815	16,210	21,025	5,402	1996	
Office	Emerald II	Office	-	495	2,638	249	495	2,887	3,382	841	1998	
Office	Atrium II, Phase I	Office	-	1,649	9,309	557	1,649	9,866	11,515	3,176	1998	
Office	Atrium II, Phase II	Office	-	1,597	7,962	1,134	1,597	9,096	10,693	2,618	1999	
Office	Blazer I	Office	-	904	4,511	596	904	5,107	6,011	1,635	1999	
Office	Parkwood II	Office	-	1,848	11,389	821	2,400	11,658	14,058	2,684	2000	
Office	Blazer II	Office	-	1,016	5,798	1,010	1,016	6,808	7,824	1,924	2000	
Office	Emerald III	Office	-	1,685	7,482	1,954	1,694	9,427	11,121	2,270	2001	
ORGIA												
Office	3805 Crestwood Parkway	Office	-	877	14,720	1,485	877	16,205	17,082	4,360	1997	
Office	3885 Crestwood Parkway	Office	-	878	13,882	1,168	878	15,050	15,928	3,751	1998	
Office	Hampton Green Office I	Office	-	1,388	11,199	776	1,388	11,975	13,363	3,412	2000	
Industrial	2775 Premiere Parkway	Industrial	6,784	560	4,671	277	565	4,943	5,508	1,231	1997	
Industrial	3079 Premiere Parkway	Industrial	12,085	776	6,363	2,007	783	8,363	9,146	2,819	1998	
Office	Sugarloaf Office I	Office	-	1,042	8,680	725	1,042	9,405	10,447	2,599	1998	
Office	2850 Premiere Parkway	Office	7,671	621	4,631	578	627	5,203	5,830	735	1997	
Office	Sugarloaf Office II (3039)	Office	-	972	3,784	625	1,006	4,375	5,381	760	1999	
Office	Sugarloaf Office III (2810)	Office	-	696	3,896	431	696	4,327	5,023	964	1999	
Industrial	2855 Premiere Parkway	Industrial	6,035	765	3,512	537	770	4,044	4,814	1,099	1999	
Industrial	6655 Sugarloaf	Industrial	11,093	1,651	6,985	89	1,659	7,066	8,725	1,265	1998	
Office	Sugarloaf Office IV	Office	-	623	2,695	471	623	3,166	3,789	823	2000	
Office	Sugarloaf Office V	Office	-	744	2,119	590	744	2,709	3,453	647	2001	
Office	Sugarloaf VI	Office	-	1,589	5,699	1,181	1,589	6,880	8,469	1,406	2005	
Office	Sugarloaf VII	Office	-	1,722	5,163	2,499	1,726	7,658	9,384	808	2006	
WISCONSIN												
Industrial Center	Apollo Industrial Ctr I	Industrial	-	866	4,660	1,472	882	6,116	6,998	2,047	1997	
Industrial Center	Apollo Industrial Ctr II	Industrial	-	474	2,462	167	474	2,629	3,103	629	2000	
Industrial Center	Apollo Industrial Ctr III	Industrial	-	1,432	6,316	51	1,432	6,367	7,799	1,530	2000	

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Commons	Silver Bell Commons	Industrial	-	1,807	6,191	1,748	1,908	7,838	9,746	2,485	1999
Commerce Center	Trapp Road Commerce Center I	Industrial	-	671	3,847	453	700	4,271	4,971	1,180	1996
Commerce Center	Trapp Road Commerce Center II	Industrial	-	1,250	6,738	1,095	1,266	7,817	9,083	2,335	1998
MISSOURI											
	Rider Trail	Office	-	2,615	10,769	2,407	2,615	13,176	15,791	3,994	1987
	3300 Pointe 70	Office	-	1,186	6,447	2,551	1,186	8,998	10,184	2,946	1989
	Corporate Center, Earth City	Industrial	-	783	3,399	1,506	783	4,905	5,688	2,345	2000
	Corporate Trail Distribution	Industrial	-	2,850	6,163	856	2,850	7,019	9,869	847	2006

- 87 -

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Table of Contents

Accumulated Depreciation		Building		Initial Cost		Cost Capitalized	Gross Book Value 12/31/08			Accumulated	Constr
8		Type		Land Buildings		Subsequent to Development or Acquisition	Land/Land Imp	Bldgs/TI	Total(1)	Depreciation (2)	Renov
Name		Encumbrances									
GEORGIA											
	Camp Creek Bldg 1400	Office	5,185	561	2,706	901	563	3,605	4,168	867	19
	Camp Creek Bldg 1800	Office	4,228	462	2,578	362	464	2,938	3,402	599	19
	Camp Creek Bldg 2000	Office	3,315	395	2,285	59	397	2,342	2,739	482	19
	Camp Creek Bldg 2400	Industrial	2,917	296	1,599	468	298	2,065	2,363	484	19
	Camp Creek Bldg 2600	Industrial	3,386	364	2,086	198	366	2,282	2,648	502	19
	Clorox Company	Industrial	19,135	4,406	9,512	609	4,841	9,686	14,527	1,944	20
	Camp Creek Building 1200	Office	-	1,334	2,246	1,069	1,334	3,315	4,649	1,190	20
	3900 North Commerce	Industrial	5,267	1,059	2,966	-	1,059	2,966	4,025	457	20
	3909 North Commerce	Industrial	-	5,687	10,192	12,209	8,818	19,270	28,088	2,332	20
	Hartsfield Warehouse BTS	Industrial	11,809	2,065	7,076	64	2,065	7,140	9,205	717	20
	Camp Creek Building 1000	Office	-	1,537	2,459	1,115	1,537	3,574	5,111	716	20
	3000 Centre Parkway	Industrial	-	1,163	1,884	964	1,170	2,841	4,011	338	20
	1500 Centre Parkway	Office	-	1,683	5,564	743	1,683	6,307	7,990	162	20
	1100 Centre Parkway	Office	-	1,309	4,881	290	1,311	5,169	6,480	205	20
	4800 N. Commerce Dr. (Site Q)	Industrial	-	2,476	4,650	125	2,476	4,775	7,251	35	20
GEORGIA											
	1086 Orafold Pkwy	Industrial	11,209	2,042	13,104	190	2,046	13,290	15,336	469	20
INDIANA											
	St. Mary's Heart Institute	Healthcare	-	-	20,792	1,534	-	22,326	22,326	1,892	20
IO											
	Thunderbird Building 1	Industrial	-	248	1,617	334	248	1,951	2,199	681	19
IANA											
	Exit 5 Building 1	Industrial	-	822	2,695	158	822	2,853	3,675	896	19
	Exit 5 Building 2	Industrial	-	749	4,102	395	749	4,497	5,246	1,838	20
	St. Vincent Northeast MOB	Healthcare	-	-	23,101	2,330	-	25,431	25,431	526	20
TENNESSEE											
	Aspen Grove Business Ctr I	Industrial	-	936	6,382	2,825	936	9,207	10,143	2,849	19
	Aspen Grove Business Ctr II	Industrial	-	1,151	6,459	701	1,151	7,160	8,311	1,755	19
	Aspen Grove Business Ctr III	Industrial	-	970	5,571	133	970	5,704	6,674	1,474	19
	Aspen Grove Business Center IV	Industrial	-	492	2,416	20	492	2,436	2,928	524	20
	Aspen Grove Business Ctr V	Industrial	-	943	5,172	2,483	943	7,655	8,598	1,914	19
	Aspen Grove Flex Center II	Industrial	-	240	1,289	383	240	1,672	1,912	196	19
	Aspen Grove Office Center I	Office	-	950	6,170	2,545	950	8,715	9,665	2,261	19
	Aspen Grove Flex Center I	Industrial	-	301	1,216	639	301	1,855	2,156	502	19
	Aspen Grove Flex Center III	Industrial	-	327	1,593	847	327	2,440	2,767	859	20
	Aspen Grove Flex Center IV	Industrial	-	205	861	205	205	1,066	1,271	199	20
	Aspen Corporate Center 100	Office	-	723	3,451	94	723	3,545	4,268	982	20
	Aspen Corporate Center 200	Office	-	1,306	1,870	1,349	1,306	3,219	4,525	600	20
	Aspen Corporate Center 300	Office	-	1,451	2,050	258	1,453	2,306	3,759	34	20
	Aspen Corporate Center 400	Office	-	1,833	2,621	2,435	1,833	5,056	6,889	357	20
	Aspen Grove Office Center II	Office	-	2,320	8,177	3,739	2,320	11,916	14,236	1,307	20
	Brentwood South Bus Ctr IV	Industrial	-	569	2,435	1,108	704	3,408	4,112	865	19
	Brentwood South Bus Ctr V	Industrial	-	445	1,932	124	445	2,056	2,501	504	19
	Brentwood South Bus Ctr VI	Industrial	-	489	1,240	610	489	1,850	2,339	477	19
ILLINOIS											
	O'Hare Distribution Ctr	Industrial	-	3,900	3,013	760	3,900	3,773	7,673	167	20
	Duke Bridges III	Office	-	4,647	7,546	4,071	4,647	11,617	16,264	762	20

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DIANA

ory Svcs -	Parkview Ambulatory Svcs -MOB	Healthcare	-	937	10,974	1,745	937	12,719	13,656	473	20
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GEORGIA

	Aviation Court Land	Grounds	-	1,509	-	-	1,509	-	1,509	56	n
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- 88 -

Table of Contents

Accumulated Depreciation		Building		Initial Cost		Cost Capitalized		Gross Book Value 12/31/08			Accumulated	Year
08		Name	Type	Land	Buildings	Subsequent to Development or Acquisition	Land/Land Imp	Bldgs/TI	Total(1)	Depreciation (2)	Renov	
ARIZONA												
g Ind. Park		Goodyear One	Industrial	-	5,142	4,942	594	5,142	5,536	10,678	240	200
g Ind. Park		Goodyear Two	Industrial	-	10,040	9,598	7,269	10,040	16,867	26,907	659	200
TEXAS												
		Grand Lakes I	Industrial	-	8,106	13,069	399	8,040	13,534	21,574	2,236	200
		Grand Lakes II	Industrial	-	11,853	16,714	3,286	11,853	20,000	31,853	954	200
OHIO												
		6600 Port Road	Industrial	-	2,725	23,261	1,422	2,850	24,558	27,408	7,634	199
er Center		Groveport Commerce Center #437	Industrial	-	1,049	6,759	1,244	1,065	7,987	9,052	2,007	199
er Center		Groveport Commerce Center #168	Industrial	-	510	3,490	1,082	510	4,572	5,082	1,385	200
er Center		Groveport Commerce Center #345	Industrial	-	1,045	6,435	942	1,045	7,377	8,422	2,031	200
er Center		Groveport Commerce Center #667	Industrial	-	4,420	14,172	360	4,420	14,532	18,952	3,071	200
MISSOURI												
		Lindbergh Distribution Center	Industrial	-	8,200	10,305	2,974	8,227	13,252	21,479	755	200
KENTUCKY												
		Southpark Building 4	Industrial	-	779	3,341	308	779	3,649	4,428	1,355	199
		CR Services	Industrial	-	1,085	4,214	1,410	1,085	5,624	6,709	2,106	199
rk		Hebron Building 1	Industrial	-	8,855	11,527	227	8,855	11,754	20,609	1,904	200
rk		Hebron Building 2	Industrial	-	6,790	9,039	1,533	6,799	10,563	17,362	588	200
MINNESOTA												
ess Center		Cornerstone Business Center	Industrial	4,211	1,469	8,390	497	1,543	8,813	10,356	2,630	199
Texas												
ssing		Sam Houston Crossing One	Office	-	4,016	8,535	4,556	4,052	13,055	17,107	536	200
rk		Point North One	Industrial	-	3,125	3,420	429	3,125	3,849	6,974	151	200
s Park		Westland I	Industrial	-	4,183	5,200	2,635	4,233	7,785	12,018	393	200
Texas												
rk		Duke Intermodal I	Industrial	-	5,290	9,242	1,091	5,290	10,333	15,623	976	200
OHIO												
		Corporate Plaza I	Office	-	2,116	14,072	2,664	2,116	16,736	18,852	5,726	198
		Corporate Plaza II	Office	-	1,841	11,823	3,051	1,841	14,874	16,715	4,814	199
		Freedom Square I	Office	-	595	3,725	871	600	4,591	5,191	1,561	198
		Freedom Square II	Office	-	1,746	11,485	2,300	1,746	13,785	15,531	4,444	198
		Freedom Square III	Office	-	701	5,856	484	701	6,340	7,041	2,048	199
		Oak Tree Place	Office	-	703	4,555	905	703	5,460	6,163	1,662	199
		Park Center Plaza I	Office	-	2,193	11,212	1,629	2,193	12,841	15,034	3,621	199
		Park Center Plaza II	Office	-	2,190	11,232	1,629	2,190	12,861	15,051	3,321	199
		Park Center Plaza III	Office	-	2,190	11,405	2,830	2,190	14,235	16,425	4,179	200
INDIANA												
		Park 465	Industrial	-	124	759	24	124	783	907	86	198
usiness Park		Franklin Road Business Center	Industrial	-	594	9,149	1,614	594	10,763	11,357	4,130	199
		6061 Guion Rd	Industrial	-	274	1,798	194	274	1,992	2,266	735	197
		Hillsdale Technecenter 4	Industrial	-	366	4,867	1,556	366	6,423	6,789	2,395	198
		Hillsdale Technecenter 5	Industrial	-	251	2,873	1,121	251	3,994	4,245	1,488	198
		Hillsdale Technecenter 6	Industrial	-	315	2,962	2,299	315	5,261	5,576	1,911	198
g		8555 N. River Road	Office	-	-	5,815	1,234	-	7,049	7,049	2,337	198
l		One North Capitol	Office	-	1,439	9,116	1,808	1,439	10,924	12,363	3,068	198
ne Road		8071 Township Line Road	Healthcare	-	-	2,319	866	-	3,185	3,185	131	200
		Park 100 Bldg 31	Industrial	-	64	369	136	64	505	569	45	197

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Park 100 Building 96	Industrial	-	1,414	13,804	113	1,667	13,664	15,331	4,993	199
Park 100 Building 98	Industrial	-	273	8,036	2,286	273	10,322	10,595	4,235	199
Park 100 Building 100	Industrial	-	103	2,033	705	103	2,738	2,841	1,001	199
Park 100 Building 102	Office	-	182	1,118	195	182	1,313	1,495	139	198
Park 100 Building 107	Industrial	-	99	1,698	381	99	2,079	2,178	748	198
Park 100 Building 109	Industrial	-	240	1,727	400	246	2,121	2,367	1,132	198

- 89 -

Table of Contents

Accumulated Depreciation		Cost		Capitalized		Gross Book Value 12/31/08			Accumulated	Year	
Name	Building	Encumbrances	Initial Cost	Subsequent to	Development	Land/Land Imp	Bldgs/TI	Total(1)	Depreciation (2)	Construction	
	Type		Land	Buildings	or Acquisition					Renovations	
Park 100 Building 116	Office	-	341	2,930	491	348	3,414	3,762	1,652	1988	
Park 100 Building 118	Office	-	226	2,161	845	230	3,002	3,232	1,210	1988	
Park 100 Building 119	Office	-	283	3,667	1,394	395	4,949	5,344	2,408	1988	
Park 100 Building 122	Industrial	-	284	3,695	1,021	290	4,710	5,000	2,002	1990	
Park 100 Building 124	Office	-	227	2,496	435	227	2,931	3,158	540	1992	
Park 100 Building 127	Industrial	-	96	1,654	454	96	2,108	2,204	770	1995	
Park 100 Building 141	Industrial	-	1,120	3,305	101	1,120	3,406	4,526	720	2005	
UPS Parking	Grounds	-	270	-	-	270	-	270	102	n/a	
Norgate Ground Lease	Grounds	-	51	-	-	51	-	51	-	n/a	
Zollman Ground Lease	Grounds	-	115	-	-	115	-	115	-	n/a	
Bldg 111 Parking Lot	Grounds	-	196	-	-	196	-	196	82	n/a	
Becton Dickinson Lot	Grounds	-	-	-	-	-	-	-	-	n/a	
3.58 acres on Allison Avenue	Grounds	-	242	-	-	242	-	242	41	n/a	
Hewlett-Packard Land Lease	Grounds	-	252	-	-	252	-	252	33	n/a	
Park 100 Bldg 121 Land Lease	Grounds	-	5	-	-	5	-	5	1	n/a	
Hewlett Packard Land Lse-62	Grounds	-	45	-	-	45	-	45	6	n/a	
West 79th St. Parking Lot LL	Grounds	-	350	-	697	1,047	-	1,047	60	n/a	
Park Fletcher Building 33	Industrial	-	1,237	5,264	17	1,237	5,281	6,518	537	1997	
Park Fletcher Building 34	Industrial	-	1,331	5,632	204	1,331	5,836	7,167	653	1997	
Park Fletcher Building 35	Industrial	-	380	1,464	38	380	1,502	1,882	173	1997	
Park Fletcher Building 36	Industrial	-	476	2,355	30	476	2,385	2,861	234	1997	
Park Fletcher Building 37	Industrial	-	286	653	2	286	655	941	82	1998	
Park Fletcher Building 38	Industrial	-	1,428	5,957	68	1,428	6,025	7,453	575	1999	
Park Fletcher Building 39	Industrial	-	570	2,130	117	570	2,247	2,817	233	1999	
Park Fletcher Building 40	Industrial	-	761	3,363	407	761	3,770	4,531	391	1999	
Park Fletcher Building 41	Industrial	-	952	4,310	78	952	4,388	5,340	420	2001	
Park Fletcher Building 42	Industrial	-	2,095	8,301	14	2,095	8,315	10,410	707	2001	
One Parkwood Crossing	Office	-	1,018	9,598	1,156	1,028	10,744	11,772	3,734	1989	
Three Parkwood Crossing	Office	-	1,377	8,495	897	1,387	9,382	10,769	3,410	1997	
Four Parkwood Crossing	Office	-	1,489	11,308	724	1,537	11,984	13,521	3,646	1998	
Five Parkwood Crossing	Office	-	1,485	11,666	1,001	1,528	12,624	14,152	3,602	1999	
Six Parkwood Crossing	Office	-	1,960	16,055	1,080	1,960	17,135	19,095	5,569	2000	
Eight Parkwood Crossing	Office	-	6,435	15,899	486	6,435	16,385	22,820	4,172	2003	
Nine Parkwood Crossing	Office	-	6,046	15,991	1,067	6,047	17,057	23,104	2,925	2005	
One West	Office	-	5,361	16,182	4,602	5,361	20,784	26,145	913	2007	
River Road Building I	Office	-	856	7,725	1,790	856	9,515	10,371	4,072	1998	
River Road Building II	Office	-	1,827	8,416	1,246	1,827	9,662	11,489	208	2008	
Woodland Corporate Park I	Office	-	290	3,423	911	320	4,304	4,624	1,210	1998	
Woodland Corporate Park II	Office	-	271	3,529	896	297	4,399	4,696	1,489	1999	
Woodland Corporate Park III	Office	-	1,227	4,135	358	1,227	4,493	5,720	1,393	2000	
Woodland Corporate Park IV	Office	-	715	7,231	534	715	7,765	8,480	2,797	2000	
Woodland Corporate Park V	Office	-	768	10,000	27	768	10,027	10,795	2,172	2003	
Woodland Corporate Park VI	Office	-	2,145	10,165	3,801	2,145	13,966	16,111	474	2008	
ILLINOIS											
Center	13825 West Laurel Drive	Industrial	-	750	1,401	906	750	2,307	3,057	808	1988
	One Conway Park	Office	-	1,901	17,200	2,812	1,901	20,012	21,913	5,665	1988
	West Lake at Conway	Office	-	4,218	10,461	1,309	4,218	11,770	15,988	284	2008
FLORIDA											
	Northpoint Center I	Office	-	1,087	10,359	1,528	1,087	11,887	12,974	3,101	1998
	Northpoint Center II	Office	-	1,202	9,124	1,072	1,202	10,196	11,398	2,335	1999
	Northpoint III	Office	-	1,552	10,252	210	1,552	10,462	12,014	3,310	2001
	Northpoint IV	Office	-	1,605	8,157	4,722	1,605	12,879	14,484	2,960	2002

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ALL, GEORGIA

rest	Huntcrest I	Office	-	1,193	10,829	2,680	1,193	13,509	14,702	3,259	200
rest	Huntcrest II	Office	-	927	9,458	1,049	927	10,507	11,434	1,953	200
rest	Huntcrest III	Office	-	1,358	12,716	367	1,358	13,083	14,441	3,210	200
rest	Huntcrest IV	Office	-	1,295	5,742	480	1,306	6,211	7,517	992	200
85 Properties	Weyerhaeuser BTS	Industrial	9,197	3,974	3,101	22	3,982	3,115	7,097	1,042	200

- 90 -

Table of Contents

Corporation	Name	Building Type	Encumbrances	Initial Cost			Cost Capitalized Subsequent to Development or Acquisition	Gross Book Value 12/31/08			Accumulated Depreciation (2)	Schedule
				Land	Buildings			Land/Land Imp	Bldgs/TI	Total(1)		
INDIANA												
Business Park	Lebanon Building 4	Industrial	11,491	305	9,012	236	305	9,248	9,553	2,517	2008	
Business Park	Lebanon Building 9	Industrial	10,273	554	6,871	770	554	7,641	8,195	2,040	1998	
Business Park	Lebanon Building 12	Industrial	24,360	5,163	13,207	394	5,163	13,601	18,764	3,420	2000	
Business Park	Lebanon Building 13	Industrial	9,270	561	6,579	83	1,901	5,322	7,223	1,575	2000	
Business Park	Lebanon Building 14	Industrial	19,626	2,813	12,056	809	2,813	12,865	15,678	1,995	2000	
KENTUCKY												
Business Center	Pk 840 Logistics Cnt. Bldg 653	Industrial	-	6,776	11,125	1,283	6,776	12,408	19,184	1,350	2000	
MICHIGAN												
Business Park	2275 Cabot Drive	Office	-	3,355	7,008	6	3,355	7,014	10,369	1,169	1998	
MISSOURI												
Business Park	Riverport Tower	Office	-	3,549	29,086	8,324	3,954	37,005	40,959	12,415	1998	
Business Park	Riverport Distribution	Industrial	-	242	2,230	1,059	242	3,289	3,531	897	1998	
Business Park	Express Scripts Service Center	Industrial	-	1,197	8,755	427	1,197	9,182	10,379	2,871	1998	
Business Park	13900 Riverport Drive	Office	-	2,285	9,467	295	2,285	9,762	12,047	2,782	1998	
Business Park	Riverport 1	Industrial	-	900	2,763	388	900	3,151	4,051	1,014	1998	
Business Park	Riverport 2	Industrial	-	1,238	4,161	103	1,238	4,264	5,502	1,243	2000	
Business Park	Riverport III	Industrial	-	1,269	3,376	2,171	1,269	5,547	6,816	2,329	2000	
Business Park	Riverport IV	Industrial	-	1,864	3,362	1,568	1,864	4,930	6,794	414	2000	
MISSOURI (continued)												
Office	Deerfield Crossing A	Office	-	1,493	11,551	1,209	1,493	12,760	14,253	3,315	1998	
Office	Deerfield Crossing B	Office	-	1,069	13,349	535	1,069	13,884	14,953	4,896	2000	
Office	Governor s Pointe 4770	Office	-	586	7,759	898	596	8,647	9,243	4,263	1998	
Office	Governor s Pointe 4705	Office	-	719	6,100	3,726	987	9,558	10,545	3,903	1998	
Office	Governor s Pointe 4605	Office	-	630	17,632	3,843	909	21,196	22,105	8,278	1998	
Office	Governor s Pointe 4660	Office	-	385	4,189	396	529	4,441	4,970	1,482	1998	
Office	Governor s Pointe 4680	Office	-	1,115	6,869	1,051	1,115	7,920	9,035	2,656	1998	
Retail	Bigg s Supercenter	Retail	-	2,107	9,927	430	4,227	8,237	12,464	3,827	1998	
Retail	Lowe s	Retail	-	3,750	6,502	760	3,750	7,262	11,012	3,618	1998	
GEORGIA												
Industrial Center	120 Declaration Drive	Industrial	-	615	8,377	287	615	8,664	9,279	2,064	1998	
Industrial Center	250 Declaration Drive	Industrial	22,074	2,273	13,225	2,279	2,312	15,465	17,777	3,441	2000	
MINNESOTA												
Industrial Center	Enterprise Industrial Center	Industrial	891	864	4,944	652	888	5,572	6,460	1,603	1998	
LOUISIANA												
Industrial Center	Monroe Business Center Bldg. 1	Industrial	-	660	5,082	852	660	5,934	6,594	1,708	1998	
NORTH CAROLINA												
Industrial	507 Airport Blvd	Industrial	-	1,327	8,130	1,766	1,351	9,872	11,223	2,707	1998	
Office	5151 McCrimmon Pkwy	Office	-	1,318	7,824	2,040	1,342	9,840	11,182	2,317	1998	
Industrial	2600 Perimeter Park Dr	Industrial	-	975	5,204	1,144	991	6,332	7,323	1,453	1998	
Industrial	5150 McCrimmon Pkwy	Industrial	-	1,739	12,140	1,445	1,773	13,551	15,324	3,136	1998	
Office	2400 Perimeter Park Dr.	Office	-	760	5,513	1,195	778	6,690	7,468	1,646	1998	
Industrial	3000 Perimeter Park Dr (Met 1)	Industrial	450	482	2,891	1,228	491	4,110	4,601	1,243	1998	

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2900 Perimeter Park Dr (Met 2)	Industrial	324	235	1,942	1,108	264	3,021	3,285	799	199
2800 Perimeter Park Dr (Met 3)	Industrial	628	777	4,797	797	854	5,517	6,371	1,417	199
1100 Perimeter Park Drive	Industrial	-	777	5,696	957	794	6,636	7,430	1,684	199
1400 Perimeter Park Drive	Office	-	666	4,561	1,214	900	5,541	6,441	1,738	199
1500 Perimeter Park Drive	Office	-	1,148	10,086	539	1,177	10,596	11,773	2,484	199
1600 Perimeter Park Drive	Office	-	1,463	9,763	2,127	1,513	11,840	13,353	3,123	199
1800 Perimeter Park Drive	Office	-	907	5,649	1,252	993	6,815	7,808	1,854	199
2000 Perimeter Park Drive	Office	-	788	5,738	954	842	6,638	7,480	2,175	199
1700 Perimeter Center West	Office	-	1,230	10,764	2,779	1,260	13,513	14,773	3,564	199
3900 N. Paramount Parkway	Office	-	540	13,224	256	574	13,446	14,020	3,205	199
3900 S. Paramount Pkwy	Office	-	1,575	10,733	1,483	1,612	12,179	13,791	2,992	199
5200 East Paramount	Office	-	1,748	17,388	1,010	1,797	18,349	20,146	6,418	199

- 91 -

Table of Contents

Location	Name	Building Type	Encumbrances	Initial Cost			Cost Capitalized		Gross Book Value 12/31/08			Accumulated Depreciation (2)	Consolidated
				Land	Buildings	or Acquisition	Land/Land Imp	Bldgs/TI	Total(1)				
	3500 Paramount Pkwy	Office	-	755	12,948	137	755	13,085	13,840	4,962	2		
	2700 Perimeter Park	Industrial	-	662	2,584	1,738	662	4,322	4,984	1,473	2		
	5200 West Paramount	Office	-	1,831	12,608	1,083	1,831	13,691	15,522	3,545	2		
	2450 Perimeter Park	Office	-	669	2,894	25	669	2,919	3,588	931	2		
	3800 Paramount Parkway	Office	-	2,657	7,329	3,235	2,657	10,564	13,221	1,461	2		
	Lenovo BTS I	Office	-	1,439	16,961	1,509	1,439	18,470	19,909	1,825	2		
	Lenovo BTS II	Office	-	1,725	16,809	1,989	1,725	18,798	20,523	1,626	2		
	Lenovo BTS III	Office	-	1,661	14,086	133	1,661	14,219	15,880	-	2		
	2250 Perimeter Park	Office	-	2,290	6,981	1,496	2,290	8,477	10,767	151	2		
	Perimeter One	Office	-	5,880	14,339	7,897	5,880	22,236	28,116	1,385	2		
	100 Innovation Avenue (Woodlk)	Industrial	-	633	3,748	639	633	4,387	5,020	1,015	1		
	101 Innovation Ave (Woodlk III)	Industrial	-	615	4,095	148	615	4,243	4,858	1,078	1		
	200 Innovation Drive	Industrial	-	357	4,200	145	357	4,345	4,702	1,092	1		
	501 Innovation Ave.	Industrial	-	640	5,632	176	640	5,808	6,448	1,356	1		
	1000 Innovation (Woodlk 6)	Industrial	-	514	2,927	160	514	3,087	3,601	519	1		
	1200 Innovation (Woodlk 7)	Industrial	-	740	4,416	245	740	4,661	5,401	772	1		
	Woodlake VIII	Industrial	-	908	1,517	339	908	1,856	2,764	569	2		
TENNESSEE													
Center - MOB	Middle Tenn Med Ctr - MOB	Healthcare	-	-	20,564	1,558	7	22,115	22,122	402	2		
ILLINOIS													
Campus	1835 Jefferson	Industrial	-	3,180	7,959	5	3,184	7,960	11,144	1,235	2		
TENNESSEE													
	Airpark East-800 Commerce Dr.	Industrial	-	1,564	2,617	947	1,564	3,564	5,128	529	2		
	Three Lakeview	Office	-	2,126	11,737	3,192	2,126	14,929	17,055	3,779	1		
	One Lakeview Place	Office	-	2,046	11,004	1,960	2,123	12,887	15,010	3,468	1		
	Two Lakeview Place	Office	-	2,046	11,442	2,105	2,046	13,547	15,593	3,672	1		
Center	Riverview Office Building	Office	-	847	5,809	1,629	847	7,438	8,285	2,013	1		
Center	Nashville Business Center I	Industrial	-	936	5,943	879	936	6,822	7,758	1,546	1		
Center	Nashville Business Center II	Industrial	-	5,659	10,206	845	5,659	11,051	16,710	1,671	2		
OHIO													
	6525 West Campus Oval	Office	-	842	3,601	2,254	881	5,816	6,697	1,330	1		
	Howard 220	Industrial	-	4,920	3,669	9,201	7,761	10,029	17,790	840	2		
GEORGIA													
	1835 Shackelford Court	Office	-	29	5,662	1,012	29	6,674	6,703	1,687	1		
	1854 Shackelford Court	Office	-	52	9,667	1,433	52	11,100	11,152	2,747	1		
	4275 Shackelford Road	Office	-	8	1,906	547	12	2,449	2,461	686	1		
INDIANA													
Park	1400 Sewells Point Road	Industrial	2,912	1,463	5,723	500	1,463	6,223	7,686	202	1		
ILLINOIS													
	Northlake I	Industrial	-	5,721	10,319	836	5,721	11,155	16,876	2,063	2		
on Park	Northlake III - Grand Whse.	Industrial	-	5,382	5,708	253	5,382	5,961	11,343	688	2		
OHIO													
porate Ctr.	Great Northern Corp Center I	Office	-	1,048	6,759	1,735	1,040	8,502	9,542	2,958	1		
porate Ctr.	Great Northern Corp Center II	Office	-	1,048	6,733	2,404	1,048	9,137	10,185	2,851	1		
porate Ctr.	Great Northern Corp Center III	Office	-	604	4,951	619	604	5,570	6,174	1,574	1		
ILLINOIS													

2000 York Road	Office	-	2,625	15,825	27	2,625	15,852	18,477	7,515
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Walnut Creek Business Park #3	Industrial	-	679	3,966	1,251	719	5,177	5,896	1,483	2
Walnut Creek IV	Industrial	-	2,038	2,152	721	2,083	2,828	4,911	812	2
Walnut Creek V	Industrial	-	1,718	3,302	349	1,718	3,651	5,369	136	2

ILLINOIS

Chapco Carton Company	Industrial	-	917	4,537	49	917	4,586	5,503	817	1
Park 55 Bldg. 1	Industrial	-	6,433	8,408	944	6,433	9,352	15,785	1,660	2

- 93 -

Table of Contents

Accumulated Depreciation		Building		Initial Cost		Cost Capitalized Subsequent to Development or Acquisition	Gross Book Value 12/31/08			Accumulated Depreciation (2)	Y
Name	Type	Encumbrances	Land	Buildings			Land/Land Imp	Bldgs/TI	Total(1)		Ren
ILLINOIS											
al Ctr	O Hare International Ctr I	Office	-	7,700	33,239	813	7,700	34,052	41,752	8,954	1
al Ctr	O Hare International Ctr II	Office	-	8,103	31,997	3,410	8,103	35,407	43,510	7,811	1
	Riverway East	Office	-	13,664	34,542	1,571	13,664	36,113	49,777	10,444	1
	Riverway West	Office	-	3,294	39,329	4,515	3,294	43,844	47,138	8,227	1
	Riverway Central	Office	-	4,229	68,293	2,975	4,229	71,268	75,497	12,379	1
	Riverway Retail	Retail	-	189	-	3	189	3	192	46	1
	Riverway MW II (Ground Lease)	Grounds	-	586	-	-	586	-	586	-	1
at Balmoral	Rosemont Crossing I	Office	-	5,170	12,373	1,029	5,170	13,402	18,572	145	2
GEORGIA											
	198 Gulfstream	Industrial	6,217	549	4,255	-	549	4,255	4,804	488	1
	194 Gulfstream	Industrial	835	412	2,816	16	412	2,832	3,244	320	1
	190 Gulfstream	Industrial	1,915	689	4,916	-	689	4,916	5,605	530	1
	250 Grange Road	Industrial	4,295	928	8,648	7	928	8,655	9,583	832	2
	248 Grange Road	Industrial	1,831	664	3,496	8	664	3,504	4,168	342	2
	80 Coleman Blvd.	Industrial	1,902	782	2,962	-	782	2,962	3,744	241	2
ah)	163 Portside Court	Industrial	21,222	8,433	8,366	20	8,433	8,386	16,819	1,425	2
ah)	151 Portside Court	Industrial	3,497	966	7,155	15	966	7,170	8,136	530	2
ah)	175 Portside Court	Industrial	13,438	4,300	15,696	14	4,300	15,710	20,010	1,753	2
ah)	150 Portside Court	Industrial	9,721	3,071	23,001	729	3,071	23,730	26,801	2,385	2
ah)	235 Jimmy Deloach Parkway	Industrial	3,550	1,074	8,442	37	1,074	8,479	9,553	798	2
ah)	239 Jimmy Deloach Parkway	Industrial	3,070	1,074	7,141	37	1,074	7,178	8,252	682	2
ah)	246 Jimmy Deloach Parkway	Industrial	3,646	992	5,383	14	992	5,397	6,389	520	2
	276 Jimmy Deloach Land	Grounds	-	2,267	-	-	2,267	-	2,267	129	1
ah)	200 Ocean Link Way	Industrial	6,846	878	10,021	12	883	10,028	10,911	374	2
OHIO											
Campus	Rock Run North	Office	-	837	5,413	701	960	5,991	6,951	2,147	1
Campus	Rock Run Center	Office	-	1,046	6,695	987	1,169	7,559	8,728	2,613	1
OHIO											
ion Center	Mosteller Distribution Ctr. I	Industrial	-	1,275	5,282	3,534	1,275	8,816	10,091	3,067	1
ion Center	Mosteller Distribution Ctr. II	Industrial	-	828	4,060	1,598	828	5,658	6,486	2,037	1
MINNESOTA											
	1600 Tower	Office	-	2,321	27,284	6,504	2,516	33,593	36,109	7,734	2
	MoneyGram Tower	Office	-	3,039	35,315	6,564	3,315	41,603	44,918	10,411	1
	Chilies Ground Lease	Grounds	-	921	-	157	1,078	-	1,078	18	1
	Olive Garden Ground Lease	Grounds	-	921	-	114	1,035	-	1,035	17	1
MOURI											
	Lakeside Crossing Building One	Industrial	-	596	2,078	540	480	2,734	3,214	1,027	2
	Lakeside Crossing Building II	Industrial	-	783	2,227	10	782	2,238	3,020	981	2
	Lakeside Crossing Building III	Industrial	-	1,905	4,305	384	1,623	4,971	6,594	1,352	2
	Lakeside Crossing V	Office	-	750	1,928	9	750	1,937	2,687	991	2
	Lakeside Crossing Building VI	Industrial	-	1,079	2,125	2,251	1,333	4,122	5,455	1,412	2
rk	Laumeier I	Office	-	1,384	8,780	2,689	1,384	11,469	12,853	4,288	1
rk	Laumeier II	Office	-	1,421	9,353	2,172	1,421	11,525	12,946	4,279	1
rk	Laumeier IV	Office	-	1,029	6,671	1,440	1,029	8,111	9,140	2,378	1
	500-510 Maryville Centre	Office	-	3,402	24,174	4,119	3,402	28,293	31,695	8,267	1
	530 Maryville Centre	Office	-	2,219	15,008	2,525	2,219	17,533	19,752	5,517	1
	550 Maryville Centre	Office	-	1,996	12,516	2,294	1,996	14,810	16,806	4,388	1
	635-645 Maryville Centre	Office	-	3,048	18,034	2,432	3,048	20,466	23,514	6,278	1
	655 Maryville Centre	Office	-	1,860	13,217	2,320	1,860	15,537	17,397	4,374	1

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540 Maryville Centre	Office	-	2,219	14,384	2,228	2,219	16,612	18,831	5,106	1
520 Maryville Centre	Office	-	2,404	14,484	1,387	2,404	15,871	18,275	4,290	1
700 Maryville Centre	Office	-	4,556	28,599	397	4,556	28,996	33,552	8,885	2
533 Maryville Centre	Office	-	3,230	16,746	305	3,230	17,051	20,281	4,989	2
555 Maryville Centre	Office	-	3,226	15,978	1,954	3,226	17,932	21,158	4,829	2
625 Maryville Centre	Office	939	2,509	11,186	539	2,509	11,725	14,234	2,735	1

- 94 -

Table of Contents

Corporation
and Accumulated Depreciation
2008
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Schedule I

	Name	Building Type	Encumbrances	Initial Cost			Cost Capitalized Subsequent to Development or Acquisition	Gross Book Value 12/31/08			Accumulated Depreciation (2)	Year Constructed or Renovated
				Land	Buildings			Land/Land Imp	Bldgs/TI	Total(1)		
	Westport Center I	Industrial	-	1,707	5,329		920	1,707	6,249	7,956	2,293	1998
	Westport Center II	Industrial	-	914	1,924		270	914	2,194	3,108	746	1998
	Westport Center III	Industrial	-	1,206	2,651		531	1,206	3,182	4,388	1,009	1999
	Westport Center IV	Industrial	-	1,440	4,860		58	1,440	4,918	6,358	1,294	2000
	Westport Center V	Industrial	-	493	1,274		56	493	1,330	1,823	362	2000
	Westport Place	Office	-	1,990	5,478		2,113	1,990	7,591	9,581	2,254	2000
	Westmark	Office	-	1,497	9,843		2,497	1,684	12,153	13,837	4,743	1987
	Westview Place	Office	-	669	8,219		3,655	669	11,874	12,543	4,378	1988
Commons	Woodsmill Commons II (400)	Office	-	1,718	7,896		438	1,718	8,334	10,052	1,590	1985
Commons	Woodsmill Commons I (424)	Office	-	1,836	7,743		941	1,836	8,684	10,520	1,761	1985
TEXAS												
	Stafford Distribution Center	Industrial	-	3,502	5,433		1,924	3,502	7,357	10,859	239	2008
VIRGINIA												
Centre	22800 Davis Drive	Office	-	2,550	11,250		26	2,550	11,276	13,826	953	1989
Centre	22714 Glenn Drive	Industrial	-	3,973	4,422		1,015	3,973	5,437	9,410	358	2007
VIRGINIA												
Commerce Park	101 Industrial Drive, Bldg. A	Industrial	-	1,558	8,230		-	1,558	8,230	9,788	251	2007
Commerce Park	155 Industrial Drive, Bldg. B	Industrial	-	1,558	8,230		-	1,558	8,230	9,788	251	2007
WASHINGTON												
Sumner Transit	Sumner Transit	Industrial	18,223	16,032	5,935		-	16,032	5,935	21,967	435	2005
FLORIDA												
Site	Sawgrass - Building B	Office	-	1,211	5,176		1,380	1,211	6,556	7,767	1,819	1999
Site	Sawgrass - Building A	Office	-	1,147	4,242		96	1,147	4,338	5,485	1,139	2000
Site	Sawgrass Pointe I	Office	-	3,484	21,284		6,737	3,484	28,021	31,505	6,335	2002
FLORIDA												
Distribution Center	Fairfield Distribution Ctr I	Industrial	-	483	2,621		124	487	2,741	3,228	667	1998
Distribution Center	Fairfield Distribution Ctr II	Industrial	-	530	4,900		127	534	5,023	5,557	1,200	1998
Distribution Center	Fairfield Distribution Ctr III	Industrial	-	334	2,771		98	338	2,865	3,203	688	1999
Distribution Center	Fairfield Distribution Ctr IV	Industrial	-	600	1,917		1,141	604	3,054	3,658	889	1999
Distribution Center	Fairfield Distribution Ctr V	Industrial	-	488	2,635		254	488	2,889	3,377	613	2000
Distribution Center	Fairfield Distribution Ctr VI	Industrial	-	555	3,989		516	555	4,505	5,060	1,097	2001
Distribution Center	Fairfield Distribution Ctr VII	Industrial	-	394	2,137		779	394	2,916	3,310	720	2001
Distribution Center	Fairfield VIII	Industrial	-	1,082	3,326		-	1,082	3,326	4,408	1,305	2004
Distribution Center	Fairfield Distribution Ctr. IX	Industrial	-	3,718	4,385		306	3,718	4,691	8,409	91	2008
Business Center	Eagle Creek Business Ctr. I	Industrial	-	3,705	3,187		1,033	3,705	4,220	7,925	807	2006
Business Center	Eagle Creek Business Ctr. II	Industrial	-	2,354	2,272		969	2,354	3,241	5,595	449	2007
Business Center	Eagle Creek Business Ctr. III	Industrial	-	2,332	2,237		1,274	2,332	3,511	5,843	329	2007
Offices	Highland Oaks I	Office	-	1,525	12,518		996	1,525	13,514	15,039	3,528	1999
Offices	Highland Oaks II	Office	-	1,605	10,845		3,612	1,605	14,457	16,062	4,217	1999
Offices	Highland Oaks III	Office	-	2,882	8,871		689	2,522	9,920	12,442	887	2007
Offices	Highland Oaks IV	Office	-	3,068	9,962		402	3,068	10,364	13,432	62	2008
Offices	Highland Oaks V	Office	-	2,412	6,524		3,418	2,412	9,942	12,354	942	2007
FLORIDA												
Development	Crossroads Marketplace	Retail	-	12,678	4,451		1,009	11,922	6,216	18,138	1,052	2007
OHIO												
Office Park	Centre Pointe I	Office	-	2,501	9,427		438	2,501	9,865	12,366	2,753	2000
Office Park	Centre Pointe II	Office	-	2,056	10,063		287	2,056	10,350	12,406	2,761	2001

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Office Park	Centre Pointe III	Office	-	2,048	10,001	1,139	2,048	11,140	13,188	2,955	2002
Office Park	Centre Pointe IV	Office	-	2,013	9,017	1,540	2,932	9,638	12,570	1,508	2005
Office Park	Centre Pointe V	Office	-	2,557	13,982	274	2,611	14,202	16,813	-	2007
Office Park	Centre Pointe VI	Office	-	2,759	8,266	2,019	2,759	10,285	13,044	327	2008
Union Centre	World Park at Union Centre 10	Industrial	-	2,150	7,885	7,369	2,151	15,253	17,404	1,358	2006
Union Centre	World Park at Union Centre 11	Industrial	-	2,592	6,936	13	2,592	6,949	9,541	1,622	2004
Industrial Park	Union Centre Indust. Park #2	Industrial	-	5,635	8,709	471	5,635	9,180	14,815	250	2008

- 95 -

Table of Contents

Company Corporation
 Schedule III
 and Accumulated Depreciation
 12/31, 2008
 (in thousands)

Asset	Name	Building Type	Encumbrances	Initial Cost			Cost Capitalized Subsequent to Development or Acquisition	Gross Book Value 12/31/08			Accumulated Depreciation (2)	Year Constructed/Renovated
				Land	Buildings			Land/Land Imp	Bldgs/TI	Total(1)		
JEFFERSON, OHIO												
West Jefferson	Restoration Hardware BTS	Industrial	-	6,454	24,812		2,158	6,454	26,970	33,424	640	2008
CHICAGO, ILLINOIS												
Corporate Center	Oakmont Tech Center	Office	-	1,501	8,590		2,505	1,703	10,893	12,596	3,155	1989
FLORIDA												
Pointe	Weston Pointe I	Office	-	2,580	9,572		1,524	2,580	11,096	13,676	1,718	1999
Pointe	Weston Pointe II	Office	-	2,183	10,728		572	2,183	11,300	13,483	1,821	2000
Pointe	Weston Pointe III	Office	-	2,183	11,514		739	2,183	12,253	14,436	1,915	2001
Pointe	Weston Pointe IV	Office	-	3,349	10,686		29	3,349	10,715	14,064	1,664	2006
INDIANAPOLIS, INDIANA												
	Marketplace at Anson	Retail	-	2,147	2,777		1,619	2,147	4,396	6,543	212	2007
	Eliminations						(824)	(14)	(810)	(824)	(2,659)	
			538,011	1,055,634	4,552,335		689,953	1,077,361	5,220,561	6,297,922	1,167,113	

- (1) The tax basis of our real estate assets at 12/31/08 was approximately \$6,405,032 for federal income tax purposes.
- (2) Depreciation of real estate is computed using the straight-line method over 40 years for buildings, 15 years for land improvements and shorter periods based on lease terms (generally 3 to 10 years) for tenant improvements.

	Real Estate Assets			Accumulated Depreciation		
	2008	2007	2006	2008	2007	2006
Balance at beginning of year	\$ 5,765,747	\$ 5,583,188	\$ 4,831,506	\$ 990,280	\$ 900,898	\$ 754,742
Acquisitions	141,505	194,072	836,146	-	-	-
Construction costs and tenant improvements	812,084	788,951	540,442	-	-	-
Depreciation expense	-	-	-	246,440	214,477	206,999
Acquisition of minority interest	-	-	-	-	-	-
	6,719,336	6,566,211	6,208,094	1,236,720	1,115,375	961,741
Deductions during year:						
Cost of real estate sold or contributed	(367,922)	(726,860)	(582,457)	(16,115)	(51,491)	(18,660)
Impairment Allowance	-	-	(266)	-	-	-
Write-off of fully amortized assets	(53,492)	(73,604)	(42,183)	(53,492)	(73,604)	(42,183)
Balance at end of year	\$ 6,297,922	\$ 5,765,747	\$ 5,583,188	\$ 1,167,113	\$ 990,280	\$ 900,898

Table of Contents

SIGNATURES

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

DUKE REALTY CORPORATION

February 25, 2009

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

By: /s/ Mark Denien
 Mark Denien
 Senior Vice President, Corporate Controller
 (Principal Accounting Officer)

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

Signature	Date	Title
/s/ Barrington H. Branch* Barrington H. Branch	<u>1/28/09</u>	Director
/s/ Geoffrey Button * Geoffrey Button	<u>1/28/09</u>	Director
/s/ William Cavanaugh, III* William Cavanaugh, III	<u>1/28/09</u>	Director
/s/ Ngaire E. Cuneo * Ngaire E. Cuneo	<u>1/28/09</u>	Director
/s/ Charles R. Eitel* Charles R. Eitel	<u>1/28/09</u>	Director
/s/ Dr. R. Glenn Hubbard* Dr. R. Glenn Hubbard	<u>1/28/09</u>	Director
/s/ Dr. Martin C. Jischke* Dr. Martin C. Jischke	<u>1/28/09</u>	Director
/s/ L. Ben Lytle *	<u>1/28/09</u>	Director

L. Ben Lytle

- 97 -

Table of Contents

/s/ William O. McCoy *	<u>1/28/09</u>	Director
William O. McCoy		
/s/ Jack R. Shaw *	<u>1/28/09</u>	Director
Jack R. Shaw		
/s/ Lynn C. Thurber *	<u>1/28/09</u>	Director
Lynn C. Thurber		
/s/ Robert J. Woodward *	<u>1/28/09</u>	Director
Robert J. Woodward		

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