

DUKE REALTY CORP
Form 10-Q
August 06, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2010

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: 1-09044

DUKE REALTY CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Indiana
(State or Other Jurisdiction)

35-1740409
(I.R.S. Employer

of Incorporation or Organization)

Identification Number)

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

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

| Class | Outstanding at August 3, 2010 |
|---|-------------------------------|
| Common Stock, \$.01 par value per share | 251,566,640 shares |

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DUKE REALTY CORPORATION

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Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****DUKE REALTY CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets****(in thousands, except per share amounts)**

| | June 30, 2010 (Unaudited) | December 31, 2009 |
|--|--|----------------------|
| <u>ASSETS</u> | | |
| Real estate investments: | | |
| Land and improvements | \$ 1,103,003 | \$ 1,106,016 |
| Buildings and tenant improvements | 5,215,245 | 5,284,103 |
| Construction in progress | 79,971 | 103,298 |
| Investments in and advances to unconsolidated companies | 518,157 | 501,121 |
| Undeveloped land | 643,832 | 660,723 |
| | 7,560,208 | 7,655,261 |
| Accumulated depreciation | (1,357,939) | (1,311,733) |
| Net real estate investments | 6,202,269 | 6,343,528 |
| Cash and cash equivalents | 256,265 | 147,322 |
| Accounts receivable, net of allowance of \$3,002 and \$3,198 | 19,382 | 20,604 |
| Straight-line rent receivable, net of allowance of \$6,789 and \$6,929 | 136,944 | 131,934 |
| Receivables on construction contracts, including retentions | 55,532 | 18,755 |
| Deferred financing costs, net of accumulated amortization of \$40,640 and \$37,577 | 49,195 | 54,489 |
| Deferred leasing and other costs, net of accumulated amortization of \$248,646 and \$240,151 | 355,248 | 371,286 |
| Escrow deposits and other assets | 226,852 | 216,361 |
| | \$ 7,301,687 | \$ 7,304,279 |
| <u>LIABILITIES AND EQUITY</u> | | |
| Indebtedness: | | |
| Secured debt | \$ 788,850 | \$ 785,797 |
| Unsecured notes | 2,929,603 | 3,052,465 |
| Unsecured lines of credit | 16,083 | 15,770 |
| | 3,734,536 | 3,854,032 |
| Construction payables and amounts due subcontractors, including retentions | 73,165 | 43,147 |
| Accrued real estate taxes | 90,049 | 84,347 |
| Accrued interest | 60,351 | 62,971 |
| Other accrued expenses | 35,058 | 48,758 |
| Other liabilities | 188,239 | 198,906 |
| Tenant security deposits and prepaid rents | 38,989 | 44,258 |
| Total liabilities | 4,220,387 | 4,336,419 |
| Shareholders' equity: | | |
| Preferred shares (\$.01 par value); 5,000 shares authorized; 3,844 and 4,067 shares issued and outstanding | 960,957 | 1,016,625 |

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| | | |
|---|---------------------|--------------|
| Common shares (\$.01 par value); 400,000 shares authorized; 251,539 and 224,029 shares issued and outstanding | 2,515 | 2,240 |
| Additional paid-in capital | 3,569,386 | 3,267,196 |
| Accumulated other comprehensive loss | (2,888) | (5,630) |
| Distributions in excess of net income | (1,490,099) | (1,355,086) |
| Total shareholders' equity | 3,039,871 | 2,925,345 |
| Noncontrolling interests | 41,429 | 42,515 |
| Total equity | 3,081,300 | 2,967,860 |
| | \$ 7,301,687 | \$ 7,304,279 |

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

For the three and six months ended June 30,

(in thousands, except per share amounts)

(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------------|------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | |
| Rental and related revenue | \$ 215,536 | \$ 218,828 | \$ 436,625 | \$ 435,110 |
| General contractor and service fee revenue | 168,398 | 129,444 | 282,039 | 234,532 |
| | 383,934 | 348,272 | 718,664 | 669,642 |
| Expenses: | | | | |
| Rental expenses | 47,745 | 48,240 | 101,395 | 101,478 |
| Real estate taxes | 29,140 | 29,311 | 59,246 | 57,824 |
| General contractor and other services expenses | 160,617 | 123,664 | 267,779 | 223,111 |
| Depreciation and amortization | 81,681 | 84,859 | 164,833 | 163,555 |
| | 319,183 | 286,074 | 593,253 | 545,968 |
| Other operating activities: | | | | |
| Equity in earnings of unconsolidated companies | 2,016 | 2,462 | 6,945 | 4,989 |
| Gain on sale of properties | 4,973 | | 7,042 | |
| Earnings from sales of land | | | | 357 |
| Undeveloped land carrying costs | (2,542) | (2,680) | (4,793) | (5,045) |
| Impairment charges | (7,974) | (16,949) | (7,974) | (16,949) |
| Other operating expenses | (145) | (182) | (422) | (520) |
| General and administrative expense | (9,151) | (13,600) | (22,695) | (23,480) |
| | (12,823) | (30,949) | (21,897) | (40,648) |
| Operating income | 51,928 | 31,249 | 103,514 | 83,026 |
| Other income (expenses): | | | | |
| Interest and other income, net | 204 | 5 | 355 | 128 |
| Interest expense | (60,637) | (50,917) | (119,447) | (101,777) |
| Gain (loss) on debt transactions | (15,773) | 1,449 | (16,127) | 34,511 |
| Loss on business combinations | | (999) | | (999) |
| Income (loss) from continuing operations before income taxes | (24,278) | (19,213) | (31,705) | 14,889 |
| Income tax benefit | | 3,187 | | 5,894 |
| Income (loss) from continuing operations | (24,278) | (16,026) | (31,705) | 20,783 |
| Discontinued operations: | | | | |
| Income before impairment charges and gain on sales | 560 | 1,651 | 857 | 2,310 |
| Impairment charges | | (772) | | (772) |
| Gain on sale of depreciable properties | 3,078 | 49 | 12,856 | 5,168 |
| Income from discontinued operations | 3,638 | 928 | 13,713 | 6,706 |

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| | | | | |
|--|-------------|-------------|-------------|------------|
| Net income (loss) | (20,640) | (15,098) | (17,992) | 27,489 |
| Dividends on preferred shares | (18,363) | (18,363) | (36,726) | (36,726) |
| Loss on repurchase of preferred shares | (4,492) | | (4,492) | |
| Net loss attributable to noncontrolling interests | 1,104 | 1,055 | 1,555 | 421 |
| Net loss attributable to common shareholders | \$ (42,391) | \$ (32,406) | \$ (57,655) | \$ (8,816) |
| Basic net income (loss) per common share: | | | | |
| Continuing operations attributable to common shareholders | \$ (0.21) | \$ (0.16) | \$ (0.32) | \$ (0.09) |
| Discontinued operations attributable to common shareholders | 0.02 | | 0.06 | 0.03 |
| Total | \$ (0.19) | \$ (0.16) | \$ (0.26) | \$ (0.06) |
| Diluted net income (loss) per common share: | | | | |
| Continuing operations attributable to common shareholders | \$ (0.21) | \$ (0.16) | \$ (0.32) | \$ (0.09) |
| Discontinued operations attributable to common shareholders | 0.02 | | 0.06 | 0.03 |
| Total | \$ (0.19) | \$ (0.16) | \$ (0.26) | \$ (0.06) |
| Weighted average number of common shares outstanding | 227,082 | 207,290 | 225,625 | 178,052 |
| Weighted average number of common shares and potential dilutive securities | 227,082 | 207,290 | 225,625 | 178,052 |

See accompanying Notes to Consolidated Financial Statements

Table of Contents**DUKE REALTY CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the six months ended June 30,****(in thousands)****(Unaudited)**

| | 2010 | 2009 |
|--|-----------------|------------------|
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (17,992) | \$ 27,489 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation of buildings and tenant improvements | 130,236 | 131,678 |
| Amortization of deferred leasing and other costs | 35,937 | 35,348 |
| Amortization of deferred financing costs | 7,092 | 6,746 |
| Straight-line rent adjustment | (9,083) | (10,092) |
| Impairment charges | 7,974 | 17,721 |
| (Gain) loss on debt extinguishment | 16,127 | (34,511) |
| Loss on business combinations | | 999 |
| Earnings from land and depreciated property sales | (19,898) | (5,525) |
| Build-for-Sale operations, net | | 14,793 |
| Third-party construction contracts, net | (17,407) | (10,573) |
| Other accrued revenues and expenses, net | 12,815 | 6,051 |
| Operating distributions received in excess of equity in earnings from unconsolidated companies | 2,597 | 7,632 |
| Net cash provided by operating activities | 148,398 | 187,756 |
| Cash flows from investing activities: | | |
| Development of real estate investments | (56,762) | (149,218) |
| Acquisition of real estate investments and related intangible assets | (19,205) | (16,591) |
| Acquisition of undeveloped land | (4,706) | (5,474) |
| Second generation tenant improvements, leasing costs and building improvements | (34,805) | (36,709) |
| Other deferred leasing costs | (16,752) | (14,753) |
| Other assets | (28,699) | 14,223 |
| Proceeds from land and depreciated property sales, net | 151,835 | 100,226 |
| Capital distributions from unconsolidated companies | 3,897 | |
| Capital contributions and advances to unconsolidated companies, net | (16,577) | (6,311) |
| Net cash used for investing activities | (21,774) | (114,607) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common shares, net | 298,148 | 551,631 |
| Payments for repurchases of preferred shares | (58,304) | |
| Proceeds from unsecured debt issuance | 250,000 | |
| Payments on and repurchases of unsecured debt | (387,860) | (274,015) |
| Proceeds from secured debt financings | 4,160 | 164,952 |
| Payments on secured indebtedness including principal amortization | (5,317) | (5,608) |
| Borrowings (payments) on lines of credit, net | 313 | (390,736) |
| Distributions to common shareholders | (76,259) | (75,176) |
| Distributions to preferred shareholders | (36,726) | (36,726) |
| Contributions from (distributions to) noncontrolling interests, net | (3,866) | 729 |
| Deferred financing costs | (1,970) | (4,033) |

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| | | |
|---|-------------------|------------|
| Net cash used for financing activities | (17,681) | (68,982) |
| Net increase in cash and cash equivalents | 108,943 | 4,167 |
| Cash and cash equivalents at beginning of period | 147,322 | 22,532 |
| Cash and cash equivalents at end of period | \$ 256,265 | \$ 26,699 |
| Non-cash investing and financing activities: | | |
| Assumption of secured debt for real estate acquisitions | \$ 4,503 | \$ |
| Contribution of properties to unconsolidated companies | \$ 7,002 | \$ 8,054 |
| Consolidation of previously unconsolidated companies | \$ | \$ 206,852 |
| Conversion of Limited Partner Units to common shares | \$ (4,335) | \$ 453 |

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

For the six months ended June 30, 2010

(in thousands, except per share data)

(Unaudited)

| | Common Shareholders | | | | | | |
|--|---------------------|-----------------|---------------------|-------------------|-----------------------|------------------|---------------------|
| | Preferred | Common | Additional | Accumulated | Distributions | Non- | Total |
| | Stock | Stock | Paid-in | Other | in Excess of | Controlling | |
| | | | Capital | Comprehensive | Net Income | Interests | |
| | | | | Income | | | |
| | | | | (Loss) | | | |
| Balance at December 31, 2009 | \$ 1,016,625 | \$ 2,240 | \$ 3,267,196 | \$ (5,630) | \$ (1,355,086) | \$ 42,515 | \$ 2,967,860 |
| Comprehensive Loss: | | | | | | | |
| Net loss | | | | | (16,437) | (1,555) | (17,992) |
| Derivative instrument activity | | | | 2,742 | | | 2,742 |
| Comprehensive loss | | | | | | | (15,250) |
| Issuance of common shares | | 265 | 297,801 | | | | 298,066 |
| Stock based compensation plan activity | | 2 | 6,876 | | (1,099) | | 5,779 |
| Conversion of Limited Partner Units | | 8 | (4,343) | | | 4,335 | |
| Distributions to preferred shareholders | | | | | (36,726) | | (36,726) |
| Repurchase of preferred shares | (55,668) | | 1,856 | | (4,492) | | (58,304) |
| Distributions to common shareholders (\$0.34 per share) | | | | | (76,259) | | (76,259) |
| Distributions to noncontrolling interests | | | | | | (3,866) | (3,866) |
| Balance at June 30, 2010 | \$ 960,957 | \$ 2,515 | \$ 3,569,386 | \$ (2,888) | \$ (1,490,099) | \$ 41,429 | \$ 3,081,300 |

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. General Basis of Presentation

The interim consolidated financial statements included herein have been prepared by Duke Realty Corporation (the Company) without audit. The 2009 year-end consolidated balance sheet data included in this Quarterly Report on Form 10-Q (this Report) was derived from our audited financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009, but does not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). The financial statements have been prepared in accordance with GAAP for interim financial information and in accordance with Rule 10-01 of Regulation S-X of the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses during the reporting period. Our actual results could differ from those estimates and assumptions. These financial statements should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included herein and the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009.

We believe we qualify as a real estate investment trust (REIT) under the provisions of the Internal Revenue Code of 1986, as amended. Substantially all of our Rental Operations (see Note 8) are conducted through Duke Realty Limited Partnership (DRLP). We owned approximately 97.8% of the common partnership interests of DRLP (Units) at June 30, 2010. At the option of the holders, subject to certain restrictions, the remaining Units are redeemable for shares of our common stock on a one-to-one basis and earn dividends at the same rate as shares of our common stock. If determined to be necessary in order to continue to qualify as a REIT, we may elect to purchase the Units for an equivalent amount of cash rather than issuing shares of common stock upon redemption. We conduct our Service Operations (see Note 8) through Duke Construction Limited Partnership, which is owned through a taxable REIT subsidiary, Duke Realty Services LLC and Duke Realty Services Limited Partnership. The consolidated financial statements include our accounts and the accounts of our majority-owned or controlled subsidiaries. In this Report, unless the context indicates otherwise, the terms we, us and our refer to the Company and those entities owned or controlled by the Company.

2. Variable Interest Entities

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

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During the six months ended June 30, 2010, transactions took place within two of our unconsolidated joint ventures that required us to re-evaluate our previous conclusions that these two joint ventures were not VIEs. The majority of the business activities of these joint ventures are financed with third-party debt, with joint and several guarantees provided by the joint venture partners. We concluded that these two ventures now meet the applicable criteria to be considered VIEs. This conclusion was based upon a determination that the fair value of the equity investment at risk was not sufficient when considering the overall capital requirements of the joint ventures.

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

We include the following balances related to these two joint ventures in our consolidated balance sheet as of June 30, 2010:

| | Carrying Value | Maximum Loss Exposure |
|--------------------------------------|-------------------|-----------------------|
| Investment in Unconsolidated Company | \$ 27.9 million | \$ 27.9 million |
| Guarantee Obligations (1) | (\$ 35.7 million) | (\$ 59.3 million) |

- (1) We are party to joint and several guarantees of the third-party debt of both of these joint ventures and our maximum loss exposure is equal to the maximum monetary obligation pursuant to the guarantee agreements. In 2009, we recorded a liability for our probable future obligation under a guarantee to the lender of one of these ventures.

3. Reclassifications

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

4. Indebtedness

The following table summarizes the book value and changes in the fair value of our debt for the six months ended June 30, 2010 (in thousands):

| | Book Value at 12/31/09 | Book Value at 6/30/10 | Fair Value at 12/31/09 | Total Realized Losses/(Gains) | Issuances | Payoffs | Adjustments to Fair Value | Fair Value at 6/30/10 |
|----------------------------|---------------------------|--------------------------|---------------------------|----------------------------------|-------------------|--------------------|------------------------------|--------------------------|
| Fixed rate secured debt | \$ 766,299 | \$ 765,365 | \$ 770,255 | \$ | \$ 4,676 | \$ | \$ 25,836 | \$ 800,767 |
| Variable rate secured debt | 19,498 | 23,485 | 14,419 | \$ | 3,987 | \$ | 5,080 | 23,486 |
| Fixed rate unsecured notes | 3,052,465 | 2,929,603 | 3,042,230 | 12,301 | 250,000 | (375,559) | 144,018 | 3,072,990 |
| Unsecured lines of credit | 15,770 | 16,083 | 14,714 | \$ | 21,312 | (21,000) | 676 | 15,702 |
| Total | \$ 3,854,032 | \$ 3,734,536 | \$ 3,841,618 | \$ 12,301 | \$ 279,975 | \$(396,559) | \$ 175,610 | \$ 3,912,945 |

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We utilized a discounted cash flow methodology in order to determine the fair value of our fixed rate secured debt as it is not actively traded in any marketplace. 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, which is the most significant, and only, input to the discounted cash flow calculation, is intended to replicate debt of similar maturity and loan-to-value relationship. The estimated rates ranged from 4.70% to 7.00%, depending on the attributes of the specific loans. The current market rates we utilized were internally estimated; therefore, we have concluded that our determination of fair value for our fixed rate secured debt was primarily based upon Level 3 inputs, which are unobservable inputs based on an entity's own assumptions in cases in which there is little, if any, market activity.

Fixed Rate Unsecured Debt

In January 2010, we repaid \$99.8 million of corporate unsecured debt, which had an effective interest rate of 5.37%, at its scheduled maturity date. During the six-month period ended June 30, 2010, we also repurchased a portion of various series of our senior unsecured notes for \$288.0 million. The total face value of these repurchases was \$275.7 million. We recognized a loss of \$16.1 million on the repurchases after writing off applicable issuance costs and other accounting adjustments.

On April 1, 2010, we issued \$250.0 million of senior unsecured notes that bear interest at 6.75% and mature on March 15, 2020.

We utilized broker estimates in estimating the fair value of our fixed rate unsecured debt. Our unsecured notes are thinly traded and, in many cases, the broker estimates were not based upon comparable transactions. The broker estimates took into account any recent trades within the same series of our fixed rate unsecured debt, comparisons to recent trades of other series of our fixed rate unsecured debt, trades of fixed rate unsecured debt from companies with profiles similar to ours, as well as overall economic conditions. We reviewed these broker estimates for reasonableness and accuracy, considering whether the estimates were based upon market participant assumptions within the principal and most advantageous market and whether any observable inputs would be more preferable indicators of fair value to the broker estimates. We concluded that the broker estimates were representative of fair value. We have determined that our estimation of the fair value of our fixed rate unsecured debt was primarily based upon Level 3 inputs. The estimated trading values of our fixed rate unsecured debt, depending on the maturity and coupon rates, ranged from 94.00% to 115.00% of face value.

The indentures (and related supplemental indentures) governing our outstanding series of notes also require us to comply with financial ratios and other covenants regarding our operations. We were in compliance with all such covenants as of June 30, 2010.

Unsecured Lines of Credit

Our unsecured lines of credit as of June 30, 2010 are described as follows (in thousands):

| Description | Borrowing Capacity | Maturity Date | Outstanding Balance at June 30, 2010 |
|--|---------------------------|----------------------|---|
| Unsecured Line of Credit - DRLP | \$ 850,000 | February 2013 | \$ |
| Unsecured Line of Credit - Consolidated Subsidiary | \$ 30,000 | July 2011 | \$ 16,083 |

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The DRLP unsecured line of credit has a borrowing capacity of \$850.0 million with an interest rate on borrowings of LIBOR plus 2.75%, and matures in February 2013. Subject to certain conditions, the terms also include an option to increase the facility by up to an additional \$200.0 million, for a total of up to \$1.05 billion.

This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line, at rates that may be lower than the stated interest rate, subject to certain restrictions.

This line of credit contains financial covenants that require us to meet certain financial ratios and defined levels of performance, including those related to fixed charge coverage and debt-to-asset value (with asset value being defined in the DRLP unsecured line of credit agreement). As of June 30, 2010, we were in compliance with all covenants under this line of credit.

The consolidated subsidiary's unsecured line of credit allows for borrowings up to \$30.0 million at a rate of LIBOR plus .85% (equal to 1.2% for outstanding borrowings as of June 30, 2010). This unsecured line of credit is used to fund development activities within the consolidated subsidiary and matures in July 2011 with, at our option, a 12-month extension.

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

5. Shareholders Equity

In June 2010, we issued 26.5 million shares of common stock for net proceeds of approximately \$298.1 million. The proceeds from this offering were contributed to DRLP in exchange for additional Units in DRLP and will be used for future acquisitions (see Note 10), general corporate purposes and future transactions to reduce leverage.

In June 2010, we repurchased 2.2 million of our 8.375% Series O Cumulative Redeemable Preferred Shares. The preferred shares that we repurchased had a total face value of approximately \$55.7 million, and were repurchased for \$58.3 million. A net loss of approximately \$4.5 million, which included a ratable portion of issuance costs, was included in the net loss attributable to common shareholders.

6. 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 six months ended June 30, 2010 and 2009, respectively, we earned management fees of \$4.1 million and \$4.2 million, leasing fees of \$1.1 million and \$2.1 million and construction and development fees of \$4.0 million and \$6.4 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 percentage of these fees in the consolidated financial statements.

Table of Contents**7. Net Income (Loss) Per Common Share**

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

The following table reconciles the components of basic and diluted net loss per common share for the three and six months ended June 30, 2010 and 2009, respectively (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------------|------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Net loss attributable to common shareholders | \$ (42,391) | \$ (32,406) | \$ (57,655) | \$ (8,816) |
| Less: Dividends on share-based awards expected to vest | (505) | (403) | (1,005) | (976) |
| Basic net loss attributable to common shareholders | (42,896) | (32,809) | (58,660) | (9,792) |
| Noncontrolling interest in earnings of common unitholders (1) | | | | |
| Diluted net loss attributable to common shareholders | \$ (42,896) | \$ (32,809) | \$ (58,660) | \$ (9,792) |
| Weighted average number of common shares outstanding | 227,082 | 207,290 | 225,625 | 178,052 |
| Weighted average partnership Units outstanding (1) | | | | |
| Other potential dilutive shares (2) | | | | |
| Weighted average number of common shares and potential dilutive securities | 227,082 | 207,290 | 225,625 | 178,052 |

- (1) The partnership Units are anti-dilutive for the three and six months ended June 30, 2010 and 2009, as a result of the net loss for these periods. Therefore, 6,404 and 6,725 Units (in thousands) for the three months ended June 30, 2010 and 2009, respectively, and 6,505 and 6,745 Units (in thousands) for the six months ended June 30, 2010 and 2009, respectively, are excluded from the weighted average number of common shares and potential dilutive securities. Also, \$1,212 and \$1,051 noncontrolling interest in earnings of common unitholders (in thousands) for the three months ended June 30, 2010 and 2009, respectively, and \$1,661 and \$334 noncontrolling interest in earnings of common unitholders (in thousands) for the six months ended June 30, 2010 and 2009, respectively, are excluded from diluted net loss attributable to common shareholders.
- (2) Excludes (in thousands of shares) 4,402 and 7,677 of anti-dilutive potential shares for the three months ended June 30, 2010 and 2009, respectively, and 4,339 and 7,722 of anti-dilutive potential shares for the six months ended June 30, 2010 and 2009, respectively, related to stock-based compensation plans. Also excludes (in thousands of shares) the 3.75% Exchangeable Senior Notes (Exchangeable Notes) that have 4,335 of anti-dilutive potential shares for the three and six months ended June 30, 2010 and 9,051 of anti-dilutive potential shares for the three and six months ended June 30, 2009.

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 medical office and retail properties, are collectively referred to as Rental Operations. Our medical office and retail properties do not meet the quantitative thresholds for separate presentation as reportable segments. The third reportable segment consists of providing various real estate services such as property management, maintenance, leasing, development and construction management to third-party property owners and joint ventures, and is collectively referred to as Service

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Operations. Our reportable segments offer different products or services and are managed separately because each segment requires different operating strategies and management expertise.

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

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

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

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

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The following table shows (i) the revenues for each of the reportable segments and (ii) a reconciliation of consolidated basic FFO attributable to common shareholders to net loss attributable to common shareholders for the three and six months ended June 30, 2010 and 2009, respectively (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-------------------|------------------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues | | | | |
| Rental Operations: | | | | |
| Office | \$ 131,995 | \$ 137,255 | \$ 267,694 | \$ 277,206 |
| Industrial | 63,242 | 65,316 | 130,133 | 130,197 |
| Non-reportable Rental Operations segments | 16,725 | 13,053 | 32,958 | 20,954 |
| General contractor and service fee revenue | 168,398 | 129,444 | 282,039 | 234,532 |
| Total Segment Revenues | 380,360 | 345,068 | 712,824 | 662,889 |
| Other Revenue | 3,574 | 3,204 | 5,840 | 6,753 |
| Consolidated Revenue from continuing operations | 383,934 | 348,272 | 718,664 | 669,642 |
| Discontinued Operations | 1,286 | 6,349 | 4,456 | 12,872 |
| Consolidated Revenue | \$ 385,220 | \$ 354,621 | \$ 723,120 | \$ 682,514 |
| Reconciliation of Consolidated Basic Funds From Operations | | | | |
| Net earnings excluding depreciation and Non-Segment Items | | | | |
| Office | \$ 77,084 | \$ 81,390 | \$ 153,264 | \$ 160,643 |
| Industrial | 48,017 | 50,108 | 96,843 | 97,856 |
| Non-reportable Rental Operations segments | 11,577 | 8,466 | 22,155 | 13,230 |
| Service Operations | 7,781 | 5,780 | 14,260 | 11,421 |
| | 144,459 | 145,744 | 286,522 | 283,150 |
| Non-Segment Items: | | | | |
| Interest expense | (60,637) | (50,917) | (119,447) | (101,777) |
| Impairment charges | (7,974) | (16,949) | (7,974) | (16,949) |
| Interest and other income | 204 | 5 | 355 | 128 |
| Other operating expenses | (145) | (182) | (422) | (520) |
| General and administrative expenses | (9,151) | (13,600) | (22,695) | (23,480) |
| Gain on land sales | | | | 357 |
| Undeveloped land carrying costs | (2,542) | (2,680) | (4,793) | (5,045) |
| Gain (loss) on debt transactions | (15,773) | 1,449 | (16,127) | 34,511 |
| Loss on business combinations | | (999) | | (999) |
| Income tax benefit | | 3,187 | | 5,894 |
| Other non-segment income | 1,973 | 1,313 | 3,722 | 4,079 |
| Net loss attributable to noncontrolling interests | 1,104 | 1,055 | 1,555 | 421 |
| Noncontrolling interest share of FFO adjustments | (2,315) | (2,985) | (4,593) | (6,618) |
| Joint venture items | 12,384 | 10,713 | 24,572 | 24,458 |
| Dividends on preferred shares | (18,363) | (18,363) | (36,726) | (36,726) |
| Loss on repurchase of preferred shares | (4,492) | | (4,492) | |
| Discontinued operations | 884 | 2,838 | 2,197 | 5,009 |
| Consolidated basic FFO attributable to common shareholders | 39,616 | 59,629 | 101,654 | 165,893 |
| Depreciation and amortization on continuing operations | (81,681) | (84,859) | (164,833) | (163,555) |
| Depreciation and amortization on discontinued operations | (324) | (1,959) | (1,340) | (3,471) |
| Company's share of joint venture adjustments | (10,372) | (8,251) | (19,935) | (19,469) |
| Earnings from depreciated property sales on continuing operations | 4,973 | | 7,042 | |
| | 3,078 | 49 | 12,856 | 5,168 |

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Earnings from depreciated property sales on discontinued operations

| | | | | |
|---|--------------------|-------------|--------------------|------------|
| Earnings from depreciated property sales share of joint venture | 4 | | 2,308 | |
| Noncontrolling interest share of FFO adjustments | 2,315 | 2,985 | 4,593 | 6,618 |
| Net loss attributable to common shareholders | \$ (42,391) | \$ (32,406) | \$ (57,655) | \$ (8,816) |

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Table of Contents**9. Discontinued Operations**

The operations of 17 buildings are currently classified as discontinued operations for the six-month periods ended June 30, 2010 and June 30, 2009. These 17 buildings consist of 13 office, two industrial, and two retail properties. Of these properties, 11 were sold during the first six months of 2010, five were sold during 2009 and one property, which is immaterial, is classified as held-for-sale as of June 30, 2010.

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 the operations of the buildings reflected in discontinued operations for the three and six months ended June 30, 2010 and 2009, respectively (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|----------|------------------------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues | \$ 1,286 | \$ 6,349 | \$ 4,456 | \$ 12,872 |
| Operating expenses | (168) | (1,576) | (1,150) | (4,144) |
| Depreciation and amortization | (324) | (1,959) | (1,340) | (3,471) |
| Operating income | 794 | 2,814 | 1,966 | 5,257 |
| Interest expense | (234) | (1,163) | (1,109) | (2,947) |
| Income before impairment charges and gain on sales | 560 | 1,651 | 857 | 2,310 |
| Impairment charges | | (772) | | (772) |
| Gain on sale of depreciable properties | 3,078 | 49 | 12,856 | 5,168 |
| Income from discontinued operations | \$ 3,638 | \$ 928 | \$ 13,713 | \$ 6,706 |

The following table illustrates the allocation of the amounts attributable to common shareholders between continuing operations and discontinued operations for the three and six months ended June 30, 2010 and 2009, respectively (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-------------|------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Loss from continuing operations attributable to common shareholders | \$ (45,930) | \$ (33,304) | \$ (70,984) | \$ (15,277) |
| Income from discontinued operations attributable to common shareholders | 3,539 | 898 | 13,329 | 6,461 |
| Net loss attributable to common shareholders | \$ (42,391) | \$ (32,406) | \$ (57,655) | \$ (8,816) |

Table of Contents**10. Subsequent Events***Declaration of Dividends*

Our board of directors declared the following dividends at its regularly scheduled board meeting held on July 28, 2010:

| Class | Quarterly Amount/Share | Record Date | Payment Date |
|-----------------------------------|-----------------------------------|--------------------|---------------------|
| Common | \$ 0.17 | August 17, 2010 | August 31, 2010 |
| Preferred (per depositary share): | | | |
| Series J | \$ 0.414063 | August 17, 2010 | August 31, 2010 |
| Series K | \$ 0.406250 | August 17, 2010 | August 31, 2010 |
| Series L | \$ 0.412500 | August 17, 2010 | August 31, 2010 |
| Series M | \$ 0.434375 | September 16, 2010 | September 30, 2010 |
| Series N | \$ 0.453125 | September 16, 2010 | September 30, 2010 |
| Series O | \$ 0.523438 | September 16, 2010 | September 30, 2010 |

Acquisition

On July 1, 2010, we acquired our joint venture partner's 50% interest in Dugan Realty, L.L.C. ("Dugan"), a real estate joint venture that we had previously accounted for using the equity method, for a net cash payment of \$144.3 million, subject to working capital adjustments. As the result of this acquisition, we now hold a 100% ownership interest in Dugan.

Dugan owns 106 industrial buildings totaling 20.8 million square feet and 62.6 net acres of undeveloped land located in Midwest and Southeast markets. Dugan has a \$195.4 million secured loan due in October 2010 and an \$87.6 million secured loan due in October 2012.

The accounting for this acquisition is not complete, but we expect to recognize a gain on acquisition, ranging between \$53.0 million and \$63.0 million, which is the difference between the fair value and the \$108.5 million carrying value of our existing net ownership interest in Dugan.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**Cautionary Notice Regarding Forward-Looking Statements**

Certain statements contained in or incorporated by reference into this 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, similar expressions or statements regarding future periods are intended to identify forward-looking statements.

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

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

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

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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;

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Volatility in our stock price and trading volume;

Our continuing ability to raise funds on favorable terms;

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

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

Our ability to successfully dispose of properties on terms that are favorable to us;

Our ability to retain our current credit ratings;

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

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

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

This list of risks and uncertainties, however, is only a summary of some of the most important factors and is not intended to be exhaustive. Additional information regarding risk factors that may affect us is included under the caption Risk Factors in Part II, Item 1A of this Report, and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which we filed with the SEC on March 1, 2010. The risk factors contained in our Annual Report are updated by us from time to time in Quarterly Reports on Form 10-Q and other public filings.

Business Overview

We are a self-administered and self-managed REIT that began operations through a related entity in 1972. A more complete description of our business, and of management's philosophy and priorities, is included in our Annual Report on Form 10-K.

As of June 30, 2010, we:

Owned or jointly controlled 749 industrial, office, medical office and other properties, of which 744 properties with more than 133.3 million square feet are in service and five properties with more than 823,000 square feet are under development. The 744 in-service properties are comprised of 529 consolidated properties with approximately 89.5 million square feet and 215 jointly controlled properties with more than 43.8 million square feet. The five properties under development consist of three consolidated properties with more than 301,000 square feet and two jointly controlled properties with more than 522,000 square feet.

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Owned, including through ownership interest in unconsolidated joint ventures, more than 4,900 acres of land and controlled an additional 1,700 acres through purchase options.

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Through our Service Operations reportable segment, which includes our taxable REIT subsidiary, 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.

Key Performance Indicators

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

Occupancy Analysis: Our ability to maintain high occupancy rates is a principal driver of maintaining and increasing rental revenue from continuing operations. The following table sets forth occupancy information regarding our in-service portfolio of consolidated rental properties as of June 30, 2010 and 2009, respectively (in thousands, except percentage data):

| Type | Total Square Feet | | Percent of Total Square Feet | | Percent Occupied | |
|--|-------------------|--------|------------------------------|--------|------------------|-------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Industrial | 56,320 | 56,843 | 62.9% | 62.5% | 91.9% | 88.2% |
| Office | 30,495 | 31,512 | 34.1% | 34.7% | 85.0% | 86.2% |
| Other (Medical Office and Retail) | 2,678 | 2,526 | 3.0% | 2.8% | 82.8% | 85.1% |
| Total | 89,493 | 90,881 | 100.0% | 100.0% | 89.2% | 87.5% |

Lease Expiration and Renewals: Our ability to maintain and improve occupancy rates primarily depends upon our continuing ability to re-lease expiring space. The following table reflects our consolidated in-service portfolio lease expiration schedule by property type as of June 30, 2010. The table indicates square footage and annualized net effective rents (based on June 2010 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 |
| Remainder of 2010 | 3,814 | \$ 23,753 | 4% | 2,730 | \$ 10,352 | 1,078 | \$ 13,302 | 6 | \$ 99 |
| 2011 | 9,407 | 65,612 | 12% | 6,426 | 27,418 | 2,936 | 37,597 | 45 | 597 |
| 2012 | 7,833 | 60,637 | 10% | 4,643 | 19,947 | 3,123 | 39,509 | 67 | 1,181 |

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| | | | | | | | | | |
|---------------------|--------|------------|------|--------|------------|--------|------------|-------|-----------|
| 2013 | 11,892 | 87,848 | 14% | 7,718 | 29,835 | 4,124 | 57,008 | 50 | 1,005 |
| 2014 | 8,760 | 62,051 | 10% | 5,811 | 22,665 | 2,788 | 36,615 | 161 | 2,771 |
| 2015 | 9,198 | 60,280 | 10% | 6,514 | 25,602 | 2,660 | 34,150 | 24 | 528 |
| 2016 | 6,519 | 41,949 | 7% | 4,621 | 16,957 | 1,821 | 23,210 | 77 | 1,782 |
| 2017 | 4,951 | 38,541 | 6% | 3,392 | 14,145 | 1,259 | 17,957 | 300 | 6,439 |
| 2018 | 4,274 | 43,924 | 7% | 2,232 | 9,029 | 1,464 | 21,353 | 578 | 13,542 |
| 2019 | 2,509 | 35,060 | 6% | 584 | 3,162 | 1,652 | 25,030 | 273 | 6,868 |
| 2020 and Thereafter | 10,704 | 89,636 | 14% | 7,061 | 29,489 | 3,006 | 45,758 | 637 | 14,389 |
| Total Leased | 79,861 | \$ 609,291 | 100% | 51,732 | \$ 208,601 | 25,911 | \$ 351,489 | 2,218 | \$ 49,201 |
| Total Portfolio | | | | | | | | | |
| Square Feet | 89,493 | | | 56,320 | | 30,495 | | 2,678 | |
| Percent Occupied | 89.2% | | | 91.9% | | 85.0% | | 82.8% | |

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Within our consolidated properties, we renewed 81.5% and 83.4% of our leases up for renewal in the three and six months ended June 30, 2010, totaling approximately 2.8 million and 4.9 million square feet, respectively. This compares to renewals of 77.7% and 78.1% for the three and six months ended June 30, 2009, which totaled approximately 1.5 million and 3.2 million square feet, respectively. There was a 1.8% and .8% decline, respectively, in average contractual rents on these renewals in the three and six months ended June 30, 2010, respectively.

The average term of renewals for the three and six months ended June 30, 2010 was 5.4 and 6.3 years, respectively, compared to 3.7 and 4.7 years for the three and six months ended June 30, 2009, respectively.

Recent and Future Development:

We had 823,000 square feet of property under development with total estimated costs upon completion of \$264.1 million at June 30, 2010 compared to 2.9 million square feet with total costs of \$636.6 million at June 30, 2009. The overall decrease in properties under development is the result of placing projects in service while limiting new developments. The square footage and estimated costs include both consolidated and joint venture development activity at 100%.

The following table summarizes our properties under development as of June 30, 2010 (in thousands, except percentage data):

| Ownership Type | Square Feet | Percent Leased | Total Estimated Project Costs | Total Incurred to Date | Amount Remaining to be Spent |
|--------------------------|-------------|----------------|-------------------------------|------------------------|------------------------------|
| Consolidated properties | 301 | 92% | \$ 76,905 | \$ 64,633 | \$ 12,272 |
| Joint venture properties | 522 | 94% | 187,211 | 73,751 | 113,460 |
| Total | 823 | 93% | \$ 264,116 | \$ 138,384 | \$ 125,732 |

Acquisition and Disposition Activity: Gross sales proceeds related to the dispositions of wholly owned undeveloped land and buildings totaled \$160.5 million and \$102.8 million for the six months ended June 30, 2010 and 2009, respectively. Proceeds from the first half of 2010 include \$28.2 million from the sale of three buildings to a joint venture in which we have a 20% equity interest. Our share of proceeds from sales of properties within unconsolidated joint ventures in which we have less than a 100% interest totaled \$4.7 million for the six months ended June 30, 2010. We had no such dispositions in the same period in 2009.

For the six months ended June 30, 2010, we acquired \$24.0 million of industrial real estate properties comprised of two properties in South Florida and one in Phoenix, Arizona, compared to an acquisition of \$17.0 million during the same period in 2009, comprised of two industrial real estate properties in Savannah, Georgia. We also acquired \$4.8 million of undeveloped land in the six months ended June 30, 2010, compared to \$6.2 million in the same period in 2009.

In the first six months of 2010, one of our unconsolidated joint ventures, in which we have a 20% equity interest, acquired two properties from our joint venture partner for \$42.3 million. We contributed \$8.6 million to the joint venture for our share of the acquisition.

Table of Contents**Funds From Operations**

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

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

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

The following table shows a reconciliation of net income (loss) attributable to common shareholders to the calculation of consolidated basic FFO attributable to common shareholders for the three and six months ended June 30, 2010 and 2009, respectively (in thousands):

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------|------------------|------------|
| | June 30, | | June 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| Net loss attributable to common shareholders | \$ (42,391) | \$ (32,406) | \$ (57,655) | \$ (8,816) |
| Adjustments: | | | | |
| Depreciation and amortization | 82,005 | 86,818 | 166,173 | 167,026 |
| Company share of joint venture depreciation and amortization | 10,372 | 8,251 | 19,935 | 19,469 |
| Earnings from depreciable property sales wholly owned | (8,051) | (49) | (19,898) | (5,168) |
| Earnings from depreciable property sales share of joint venture | (4) | | (2,308) | |
| Noncontrolling interest share of adjustments | (2,315) | (2,985) | (4,593) | (6,618) |
| Consolidated basic Funds From Operations attributable to common shareholders | \$ 39,616 | \$ 59,629 | \$ 101,654 | \$ 165,893 |

Table of Contents**Results of Operations**

A summary of our operating results and property statistics for the three and six months ended June 30, 2010 and 2009, respectively, is as follows (in thousands, except number of properties and per share data):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------|------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Rental and related revenue | \$ 215,536 | \$ 218,828 | \$ 436,625 | \$ 435,110 |
| General contractor and service fee revenue | 168,398 | 129,444 | 282,039 | 234,532 |
| Operating income | 51,928 | 31,249 | 103,514 | 83,026 |
| Net loss attributable to common shareholders | (42,391) | (32,406) | (57,655) | (8,816) |
| Weighted average common shares outstanding | 227,082 | 207,290 | 225,625 | 178,052 |
| Weighted average common shares and potential dilutive securities | 227,082 | 207,290 | 225,625 | 178,052 |
| Basic income (loss) per common share: | | | | |
| Continuing operations | \$ (0.21) | \$ (0.16) | \$ (0.32) | \$ (0.09) |
| Discontinued operations | \$ 0.02 | \$ | \$ 0.06 | \$ 0.03 |
| Diluted income (loss) per common share: | | | | |
| Continuing operations | \$ (0.21) | \$ (0.16) | \$ (0.32) | \$ (0.09) |
| Discontinued operations | \$ 0.02 | \$ | \$ 0.06 | \$ 0.03 |
| Number of in-service consolidated properties at end of period | 529 | 540 | 529 | 540 |
| In-service consolidated square footage at end of period | 89,493 | 90,881 | 89,493 | 90,881 |
| Number of in-service joint venture properties at end of period | 215 | 207 | 215 | 207 |
| In-service joint venture square footage at end of period | 43,820 | 41,637 | 43,820 | 41,637 |

Comparison of Three Months Ended June 30, 2010 to Three Months Ended June 30, 2009**Rental and Related Revenue**

Overall, rental and related revenue from continuing operations decreased from \$218.8 million for the quarter ended June 30, 2009 to \$215.5 million for the same period in 2010. The following table sets forth rental and related revenue from continuing operations by reportable segment for the three months ended June 30, 2010 and 2009, respectively (in thousands):

| | 2010 | 2009 |
|-----------------------------|------------|------------|
| Rental and Related Revenue: | | |
| Office | \$ 131,995 | \$ 137,255 |
| Industrial | 63,242 | 65,316 |
| Non-reportable segments | 20,299 | 16,257 |
| Total | \$ 215,536 | \$ 218,828 |

The following factors contributed to these results:

We contributed eight properties to an unconsolidated joint venture in 2009 and the first quarter of 2010, resulting in a \$3.4 million reduction in rental and related revenues from continuing operations for the three months ended June 30, 2010, as compared to the same period in 2009.

We sold seven properties in 2009 and the first six months of 2010 that were excluded from discontinued operations as a result of continuing involvement in these properties through management agreements. This resulted in a decrease in rental and related

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revenues from continuing operations of \$2.4 million for the three months ended June 30, 2010, as compared to the same period in 2009.

Revenues from reimbursable rental expenses decreased by \$2.2 million, which was driven by a corresponding decrease in overall rental expenses.

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The factors noted above were partially offset by incremental revenues resulting from acquisitions, consolidations, and developments placed in service. We acquired or consolidated eight properties and placed 17 developments in service from January 1, 2009 to June 30, 2010, which provided incremental revenues of \$5.6 million in the second quarter of 2010, as compared to the same period in 2009.

Rental Expenses and Real Estate Taxes

The following table sets forth rental expenses and real estate taxes by reportable segment for the three months ended June 30, 2010 and 2009, respectively (in thousands):

| | 2010 | 2009 |
|---------------------------|------------------|-----------|
| Rental Expenses: | | |
| Office | \$ 36,888 | \$ 36,875 |
| Industrial | 5,930 | 6,155 |
| Non-reportable segments | 4,927 | 5,210 |
| Total | \$ 47,745 | \$ 48,240 |
| Real Estate Taxes: | | |
| Office | \$ 18,023 | \$ 18,990 |
| Industrial | 9,295 | 9,053 |
| Non-reportable segments | 1,822 | 1,268 |
| Total | \$ 29,140 | \$ 29,311 |

Overall, rental expenses decreased by approximately \$495,000 in the second quarter of 2010, compared to the same period in 2009. This decrease is consistent with the decrease in rental and related revenues from reimbursable rental expenses. There was also a decrease of \$1.1 million related to 15 properties that were sold in 2009 and the first six months of 2010, but did not meet the criteria for classification as discontinued operations, which was partially offset by \$923,000 of incremental costs associated with properties acquired or consolidated and developments placed in service from January 1, 2009 to June 30, 2010.

Real estate taxes remained relatively consistent in the second quarter of 2010, compared to the same period in 2009. Real estate taxes decreased by \$818,000 as a result of 15 properties that were sold in 2009 and the first six months of 2010, but did not meet the criteria for classification as discontinued operations. This decrease was partially offset by \$406,000 of increased expense that resulted from properties acquired or consolidated and developments placed in service. Additional increases were driven by increases in taxes on our existing properties.

Service Operations

The following table sets forth the components of the Service Operations reportable segment for the three months ended June 30, 2010 and 2009, respectively (in thousands):

| | 2010 | 2009 |
|--|-------------------|------------|
| Service Operations: | | |
| General contractor and service fee revenue | \$ 168,398 | \$ 129,444 |
| General contractor and other services expenses | (160,617) | (123,664) |
| Total | \$ 7,781 | \$ 5,780 |

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Service Operations primarily consist of the leasing, management, development, construction management and general contractor services for joint venture properties and properties owned by third parties. Service Operations are heavily influenced by the current state of the economy, as leasing and property management fees are dependent upon occupancy while construction and development services rely on the expansion of business operations of third-party property owners and joint venture partners. The increase in earnings from Service Operations was largely driven by increased third-party construction activity in the second quarter of 2010 as compared to the same period in 2009.

Depreciation and Amortization

Depreciation and amortization expense decreased from \$84.9 million during the second quarter of 2009 to \$81.7 million for the same period in 2010 primarily due to reductions in depreciation resulting from dispositions of real estate assets, which did not meet the criteria for classification within discontinued operations.

Equity in Earnings of Unconsolidated Companies

Equity in earnings represents our ownership share of net income or loss from investments in unconsolidated companies that generally own and operate rental properties and develop properties for sale. These earnings decreased from \$2.5 million in the three months ended June 30, 2009 to \$2.0 million for the same period in 2010. The slight decrease in equity in earnings was largely due to the recognition of termination fees at one of our unconsolidated joint ventures in the three-month period ended June 30, 2009.

Gain on Sale of Properties

We sold four properties during the second quarter of 2010, recognizing total gains on sale of \$5.0 million. As the result of continuing involvement after sale, in the form of property management agreements, these properties did not meet the criteria for inclusion in discontinued operations.

Impairment Charges

The decrease in impairment charges from \$16.9 million in the second quarter of 2009 to \$8.0 million in the second quarter of 2010 is primarily due to the following activity:

In the second quarter of 2010, we sold 50 acres of land, which resulted in an impairment charge of \$8.0 million. We had not previously identified or actively marketed this land for disposition.

In the second quarter of 2009, we recognized \$4.6 million of non-cash impairment charges on certain parcels of undeveloped land that were either sold during that period or identified for sale in the immediate future and sold thereafter.

In the second quarter of 2009, we recognized \$6.5 million of non-cash impairment charges on five office and industrial buildings, four of which were sold in the second quarter of 2009 and one that we contributed to an unconsolidated joint venture later in 2009. We did not include these buildings in discontinued operations because of our continuing involvement, either through a continuing equity interest or a property management agreement.

In the second quarter of 2009, we recognized a \$5.8 million charge on our investment in an unconsolidated joint venture that was determined to be other-than-temporarily impaired.

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General and Administrative Expense

General and administrative expenses decreased from \$13.6 million for the second quarter of 2009 to \$9.2 million for the same period in 2010. General and administrative expenses consist of two components. The first component includes general corporate expenses and the second component includes the indirect operating costs not allocated to the development or operations of our owned properties and Service Operations. Those indirect costs not allocated to or absorbed by these operations are charged to general and administrative expenses. The decrease in general and administrative costs is largely the result of a \$6.7 million decrease in total overhead costs, partially offset by a \$1.6 million reduction in overhead costs absorbed by leasing activity. The decrease in total overhead costs was primarily the result of a reduction in severance and related costs, resulting from headcount reductions in the second quarter of 2009. Additionally, there was a decrease in stock based compensation expense from the second quarter of 2009 that was driven by the grant of the 2009 annual award being delayed until the second quarter of 2009, compared to the 2010 annual award being granted in the first quarter of 2010.

Interest Expense

Interest expense increased from \$50.9 million in the second quarter of 2009 to \$60.6 million in the second quarter of 2010. The increased expense partially resulted from a higher weighted average borrowing rate on our outstanding debt in the second quarter of 2010 when compared to the second quarter of 2009. A \$3.5 million decrease in the capitalization of interest costs, which was the result of reduced development activity, also contributed to the increase in interest expense.

Gain (Loss) on Debt Transactions

During the second quarter of 2010, through a cash tender offer and open market transactions, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2011 and 2013. In total, we paid \$273.1 million for unsecured notes that had a face value of \$260.7 million, recognizing a net loss on extinguishment of \$15.8 million after considering the write-off of unamortized deferred financing costs and discounts.

During the second quarter of 2009, through open market transactions, we repurchased certain outstanding series of outstanding notes, with a face value of \$21.5 million, for \$19.6 million. We recognized a gain on extinguishment of \$1.4 million after considering the write-off of unamortized deferred financing costs and discounts.

Income Taxes

We recognized an income tax benefit of \$3.2 million for the three months ended June 30, 2009, compared to no income tax benefit or expense for the same period in 2010. As a result of our projections of future taxable income, we recorded a full valuation allowance on the deferred tax assets generated by our taxable REIT subsidiary in 2010.

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 and depreciation expense, as well as the net gain or loss on the disposition of properties.

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The operations of 17 buildings are classified as discontinued operations for the three months ended June 30, 2010 and June 30, 2009. These 17 buildings consist of 13 office, two industrial, and two retail properties. As a result, we classified income, before impairment charges and gain on sales, of \$560,000 and \$1.7 million in discontinued operations for the three months ended June 30, 2010 and 2009, respectively.

Of these properties, two were sold during the second quarter of 2010 and one was sold during the second quarter of 2009. The gains on disposal of \$3.1 million and \$49,000 for the three months ended June 30, 2010 and 2009 are reported in discontinued operations. An impairment charge of \$(772,000) was recognized on the property sold in the second quarter of 2009 and is reported in discontinued operations.

Comparison of Six Months Ended June 30, 2010 to Six Months Ended June 30, 2009**Rental and Related Revenue**

Overall, rental and related revenue from continuing operations increased from \$435.1 million for the six months ended June 30, 2009 to \$436.6 million for the same period in 2010. The following table sets forth rental and related revenue from continuing operations by reportable segment for the six months ended June 30, 2010 and 2009, respectively (in thousands):

| | 2010 | 2009 |
|------------------------------------|-------------------|------------|
| Rental and Related Revenue: | | |
| Office | \$ 267,694 | \$ 277,206 |
| Industrial | 130,133 | 130,197 |
| Non-reportable segments | 38,798 | 27,707 |
| Total | \$ 436,625 | \$ 435,110 |

The following factors contributed to these results:

We contributed eight properties to an unconsolidated joint venture in 2009 and the first quarter of 2010, resulting in a \$5.1 million reduction in rental and related revenues from continuing operations for the six months ended June 30, 2010, as compared to the same period in 2009.

We sold seven properties in 2009 and the first six months of 2010 that were excluded from discontinued operations as a result of continuing involvement in these properties through management agreements. This resulted in a decrease in rental and related revenues from continuing operations of \$4.6 million for the six months ended June 30, 2010, as compared to the same period in 2009.

The factors noted above were offset by incremental revenues resulting from acquisitions, consolidations, and developments placed in service. We acquired or consolidated eight properties and placed 17 developments in service from January 1, 2009 to June 30, 2010, which provided incremental revenues of \$15.7 million in the first six months of 2010, as compared to the same period in 2009.

The remaining decrease is primarily attributable to a decrease in revenues from reimbursable rental expenses of \$3.5 million, excluding properties noted above. This decrease is largely offset by a corresponding decrease in overall rental expenses.

Table of Contents**Rental Expenses and Real Estate Taxes**

The following table sets forth rental expenses and real estate taxes by reportable segment for the six months ended June 30, 2010 and 2009, respectively (in thousands):

| | 2010 | 2009 |
|---------------------------|-------------------|-------------------|
| Rental Expenses: | | |
| Office | \$ 77,363 | \$ 78,869 |
| Industrial | 14,617 | 14,432 |
| Non-reportable segments | 9,415 | 8,177 |
| Total | \$ 101,395 | \$ 101,478 |
| Real Estate Taxes: | | |
| Office | \$ 37,067 | \$ 37,694 |
| Industrial | 18,673 | 17,909 |
| Non-reportable segments | 3,506 | 2,221 |
| Total | \$ 59,246 | \$ 57,824 |

Overall, rental expenses decreased by approximately \$83,000 in the first six months of 2010, compared to the same period in 2009. We recognized \$2.7 million of incremental costs associated with properties acquired or consolidated and developments placed in service from January 1, 2009 to June 30, 2010, which was partially offset by a decrease of \$1.6 million related to 15 properties that were sold in 2009 and the first six months of 2010, but did not meet the criteria for classification as discontinued operations. The remaining decrease is consistent with the decrease in rental and related revenues from reimbursable rental expenses.

The overall \$1.4 million increase in real estate taxes in the first six months of 2010, compared to the same period in 2009, was primarily attributable to increases in taxes on our existing properties. Incremental real estate tax expense from properties acquired, consolidated and developments placed in service was offset by the reduction to real estate tax expense from the disposition of properties that did not meet the criteria for classification as discontinued operations.

Service Operations

The following table sets forth the components of the Service Operations reportable segment for the six months ended June 30, 2010 and 2009, respectively (in thousands):

| | 2010 | 2009 |
|--|------------------|------------------|
| Service Operations: | | |
| General contractor and service fee revenue | \$ 282,039 | \$ 234,532 |
| General contractor and other services expenses | (267,779) | (223,111) |
| Total | \$ 14,260 | \$ 11,421 |

The increase in earnings from Service Operations was largely driven by increased third-party construction activity in the first six months of 2010 as compared to the same period in 2009.

Depreciation and Amortization

Depreciation and amortization expense slightly increased from \$163.6 million during the first six months of 2009 to \$164.8 million for the same period in 2010 primarily due to depreciation related to additions to our asset base from properties acquired, consolidated or placed in service during 2009 and 2010 slightly exceeding the reduction in depreciation that resulted from dispositions during that same period, which did not

meet the criteria for classification within discontinued operations.

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Equity in Earnings of Unconsolidated Companies

Equity in earnings increased from \$5.0 million in the six months ended June 30, 2009 to \$6.9 million for the same period in 2010. This increase was primarily a result of the sale of our 20% interest in one of our unconsolidated joint ventures in the first six months of 2010, which resulted in a \$1.8 million gain.

Gain on Sale of Properties

We sold eight properties during the six months ended June 30, 2010, recognizing total gains on sale of \$7.0 million. As the result of varying forms of continuing involvement after sale, these properties did not meet the criteria for inclusion in discontinued operations.

Impairment Charges

The decrease in impairment charges from \$16.9 million in the six months ended June 30, 2009 to \$8.0 million in the six months ended June 30, 2010 is primarily due to the following activity:

In the second quarter of 2010, we sold 50 acres of land, which resulted in an impairment charge of \$8.0 million. We had not previously identified or actively marketed this land for disposition.

In the second quarter of 2009, we recognized \$4.6 million of non-cash impairment charges on certain parcels of undeveloped land that were either sold during that period or identified for sale in the immediate future and sold thereafter.

In the second quarter of 2009, we recognized \$6.5 million of non-cash impairment charges on five office and industrial buildings, four of which were sold in the second quarter of 2009 and one that we contributed to an unconsolidated joint venture later in 2009. We did not include these buildings in discontinued operations because of our continuing involvement, either through a continuing equity interest or a property management agreement.

In the second quarter of 2009, we recognized a \$5.8 million charge on our investment in an unconsolidated joint venture that was determined to be other-than-temporarily impaired.

General and Administrative Expense

General and administrative expenses decreased from \$23.5 million for the six months ended June 30, 2009 to \$22.7 million for the same period in 2010. Total overhead costs were approximately \$7.3 million lower during the six months ended June 30, 2010, largely as the result of severance and related costs that resulted from workforce reductions during 2009. The decrease in total overhead costs was largely offset by a \$6.3 million decrease in overhead costs absorbed by development and leasing activities, as the result of less volume in these areas during the six-month period ended June 30, 2010.

Interest Expense

Interest expense increased from \$101.8 million in the first six months of 2009 to \$119.4 million in the first six months of 2010. The increase was the result of an overall increase to interest cost that resulted from a higher weighted average borrowing rate on our outstanding debt in the first six months of 2010. A \$7.2 million decrease in the capitalization of interest costs, which was the result of reduced development activity, also contributed to the increase in interest expense.

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Gain (Loss) on Debt Transactions

During the first six months of 2010, through a cash tender offer and open market transactions, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2011 and 2013. In total, we paid \$288.0 million for unsecured notes that had a face value of \$275.7 million, recognizing a net loss on extinguishment of \$16.1 million after considering the write-off of unamortized deferred financing costs and discounts.

During the first six months of 2009, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2009 through 2011. The majority of our debt repurchases during this period consisted of our 3.75% Exchangeable Senior Notes. In total, we paid \$150.0 million for unsecured notes that had a face value of \$191.0 million, recognizing a net gain on extinguishment of \$34.5 million after considering the write-off of unamortized deferred financing costs and discounts.

Income Taxes

We recognized an income tax benefit of \$5.9 million for the six months ended June 30, 2009, compared to no income tax benefit or expense for the same period in 2010. As a result of our projections of future taxable income, we recorded a full valuation allowance on the deferred tax assets generated by our taxable REIT subsidiary in 2010.

Discontinued Operations

The operations of 17 buildings are classified as discontinued operations for the six months ended June 30, 2010 and June 30, 2009. These 17 buildings consist of 13 office, two industrial, and two retail properties. As a result, we classified income, before impairment charges and gain on sales, of \$857,000 and \$2.3 million in discontinued operations for the six months ended June 30, 2010 and 2009, respectively.

Of these properties, 11 were sold during the first six months of 2010 and three were sold during the first six months of 2009. The \$12.9 million and \$5.2 million gains on disposal of these properties for the six months ended June 30, 2010 and 2009, respectively, are also reported in discontinued operations, as well as an impairment charge of \$(772,000) recognized on one of the three properties sold in the first six months of 2009.

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 the second generation capital expenditures needed to maintain our current real estate assets, primarily through working capital, net cash provided by operating activities and proceeds received from real estate dispositions. Additionally, we have no outstanding borrowings on DRLP's \$850.0 million unsecured line of credit at June 30, 2010, which allows us significant additional flexibility for temporary financing of either short-term obligations or strategic acquisitions.

We expect to meet long-term liquidity requirements, such as scheduled mortgage and unsecured debt maturities, property acquisitions, financing of development activities and other capital improvements, through multiple sources of capital including accessing the public debt and equity markets.

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Rental Operations

We believe our principal 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 a short time following the actual revenue recognition.

We are subject to a number of risks as a result of current economic conditions, including reduced occupancy, tenant defaults and bankruptcies, and potential reduction in rental rates upon renewal or re-letting of properties, each of which would result in reduced cash flow from operations.

Unsecured Debt and Equity Securities

We have historically used the DRLP unsecured line of credit to fund development activities, acquire additional rental properties and provide working capital.

At June 30, 2010, we had on file with the SEC an automatic shelf registration statement on Form S-3, relating to the offer and sale, from time to time, of an indeterminate amount of DRLP's debt securities (including guarantees thereof) and the Company's common shares, preferred shares, and other securities. From time to time, we expect to issue additional securities under this automatic shelf registration statement to fund the repayment of long-term debt upon maturity.

The indentures (and related supplemental indentures) governing our outstanding series of unsecured notes 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 June 30, 2010.

In June 2010, we issued 26.5 million shares of common stock for net proceeds of approximately \$298.1 million. The proceeds from this offering were contributed to DRLP in exchange for additional Units in DRLP and will be used for future acquisitions, general corporate purposes and future debt repayments.

At June 30, 2010, we have a registration statement on file with the SEC that allows us to issue new shares of our common stock, from time to time, with an aggregate offering price of up to \$150.0 million. No new shares have yet been issued under this registration statement.

Sale of Real Estate Assets

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

Transactions with Unconsolidated Entities

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

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We have a 20% equity interest in an unconsolidated joint venture that may acquire up to \$800.0 million of our newly developed build-to-suit projects over the three-year period from its formation in May 2008. Properties are sold to the joint venture upon completion, lease commencement and satisfaction of other customary conditions. We received net proceeds of \$334.1 million, through December 31, 2009, related to the joint venture's acquisition of 12 of our properties. During the six months ended June 30, 2010, the joint venture acquired three additional properties from us and we received net proceeds, commensurate to our joint venture partner's ownership interest, of \$28.1 million.

Uses of Liquidity

Our principal uses of liquidity include the following:

accretive 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.

On July 1, 2010, we acquired our joint venture partner's 50% membership in Dugan Realty, L.L.C. ("Dugan"), a significant real estate joint venture that we had previously accounted for using the equity method, for a cash payment of \$166.7 million, subject to working capital adjustments. Dugan owns 106 industrial buildings totaling 20.8 million square feet and 62.6 net acres of undeveloped land located in Midwest and Southeast markets.

In light of current economic conditions, management continues to evaluate our investment priorities and is focused on accretive growth.

Second Generation Expenditures

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

One of the principal uses of our liquidity is to fund the second generation leasing/capital expenditures of our real estate investments. The following is a summary of our second generation capital expenditures for the six months ended June 30, 2010 and 2009, respectively (in thousands):

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| | 2010 | 2009 |
|---------------------------------------|-----------|-----------|
| Second generation tenant improvements | \$ 16,450 | \$ 16,047 |
| Second generation leasing costs | 16,389 | 17,761 |
| Building improvements | 1,966 | 2,901 |
| Totals | \$ 34,805 | \$ 36,709 |

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Table of Contents**Dividend and Distribution Requirements**

We are required to meet the distribution requirements of the Internal Revenue Code of 1986, as amended (the Code), in order to maintain our REIT status. Because depreciation and impairments are non-cash expenses, cash flow will typically be greater than operating income. We paid distributions of \$0.17 per common share in the first and second quarters of 2010 and our board of directors declared dividends of \$0.17 per share for the third quarter of 2010. Our future distributions will be declared at the discretion of our board of directors and will be subject to our future capital needs and availability.

At June 30, 2010, we had six series of preferred stock 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 June 30, 2010 had a face value totaling \$3.7 billion with a weighted average interest rate of 6.44% and matures at various dates through 2028. Of this total amount, we had \$2.9 billion of unsecured debt, \$16.1 million outstanding on a consolidated subsidiary's unsecured line of credit and \$787.9 million of secured debt outstanding at June 30, 2010. Scheduled principal amortization, repurchases and maturities of such debt totaled \$400.6 million for the six months ended June 30, 2010.

The following is a summary of the scheduled future amortization and maturities of our indebtedness at June 30, 2010 (in thousands, except percentage data):

| Year | Future Repayments | | | Weighted Average Interest Rate of Future Repayments |
|-------------------|------------------------|--------------|--------------|---|
| | Scheduled Amortization | Maturities | Total | |
| Remainder of 2010 | \$ 6,299 | \$ | \$ 6,299 | 6.16% |
| 2011 | 11,848 | 386,087 | 397,935 | 5.11% |
| 2012 | 10,011 | 217,122 | 227,133 | 5.83% |
| 2013 | 9,925 | 428,765 | 438,690 | 6.40% |
| 2014 | 10,113 | 272,112 | 282,225 | 6.43% |
| 2015 | 8,785 | 250,000 | 258,785 | 7.45% |
| 2016 | 7,994 | 490,900 | 498,894 | 6.16% |
| 2017 | 6,508 | 469,324 | 475,832 | 5.94% |
| 2018 | 4,671 | 300,000 | 304,671 | 6.08% |
| 2019 | 3,463 | 518,438 | 521,901 | 7.98% |
| 2020 | 3,234 | 250,000 | 253,234 | 6.73% |
| Thereafter | 21,205 | 50,000 | 71,205 | 6.80% |
| | \$ 104,056 | \$ 3,632,748 | \$ 3,736,804 | 6.44% |

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

On July 1, 2010, we acquired our joint venture partner's 50% interest in Dugan. Dugan has a \$195.4 million secured loan due in October 2010 as well as an \$87.6 million secured loan due in October 2012.

Repurchases of Outstanding Debt

During the first six months of 2010, through a cash tender offer and open market transactions, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2011 and 2013. In total, we paid \$288.0 million for unsecured notes that had a face value of \$275.7 million.

We will continue to evaluate opportunities to reduce our leverage and, in future periods, may repurchase additional debt prior to its scheduled maturity.

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Historical Cash Flows

Cash and cash equivalents were \$256.3 million and \$26.7 million at June 30, 2010 and 2009, respectively. The following highlights significant changes in net cash associated with our operating, investing and financing activities (in millions):

| | Six Months Ended June 30, | |
|---|--------------------------------------|-------------|
| | 2010 | 2009 |
| Net Cash Provided by Operating Activities | \$ 148.4 | \$ 187.8 |
| Net Cash Used for Investing Activities | \$ (21.8) | \$ (114.6) |
| Net Cash Used for Financing Activities | \$ (17.7) | \$ (69.0) |

Operating Activities

The receipt of rental income from Rental Operations continues to be our primary source of operating cash flows. For the six months ended June 30, 2010, cash provided by operating activities was \$148.4 million compared to \$187.8 million for the same period in 2009. The decrease in cash provided from operating activities is primarily a result of increased interest costs as well no further proceeds from the sale of buildings through our former Build-for-Sale program, in the first six months of 2010 as compared to the same period in 2009.

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:

Held-for-rental development costs decreased to \$56.8 million for the six-month period ended June 30, 2010 from \$149.2 million for the same period in 2009, primarily as a result of a planned reduction in new development.

Sales of land and depreciated property provided \$151.8 million in net proceeds for the six-month period ended June 30, 2010 compared to \$100.2 million for the same period in 2009.

During the first six months of 2010, we paid cash of \$19.2 million for real estate acquisitions and \$4.7 million for undeveloped land acquisitions, compared to \$16.6 million for real estate acquisitions and \$5.5 million for undeveloped land acquisitions in the same period in 2009.

Financing Activities

The following items highlight major fluctuations in net cash flow related to financing activities in the first six months of 2010 compared to the same period in 2009:

In January 2010, we repaid \$99.8 million of senior unsecured notes with an effective interest rate of 5.37% on their scheduled maturity date. This compares to repayments of \$124.0 million of corporate unsecured debt with an effective interest rate of 6.83% on its scheduled maturity date in February 2009.

In April 2010, we issued \$250.0 million of senior unsecured notes that bear interest at 6.75% and mature in March 2020.

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During the first six months of 2010, through a cash tender offer and open market transactions, we repurchased certain of our outstanding series of unsecured notes scheduled to mature in 2011 and 2013. In total, we paid \$288.0 million for unsecured notes that had a face value of \$275.7 million. Throughout the same period in 2009, we paid \$150.0 million to repurchase notes with a face value of \$191.0 million that were scheduled to mature in 2009 through 2011.

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During June 2010, we completed open market repurchases of approximately 2.2 million shares of our 8.375% Series O preferred stock. We paid \$58.3 million to repurchase these shares, which had a face value of \$55.7 million.

In June 2010, we issued 26.5 million shares of common stock for net proceeds of \$298.1 million. In April 2009, we issued 75.2 million shares of common stock for net proceeds of \$551.9 million. The proceeds from the 2009 offering were used to repay outstanding borrowings under the DRLP unsecured line of credit and for other general purposes.

In February and March 2009, we received cash proceeds of \$156.0 million from two 10-year secured debt financings that are secured by 22 existing rental properties. The secured debt bears interest at a weighted average rate of 7.6% and matures at various points in 2019.

We had no net change in borrowings on DRLP's \$850.0 million unsecured line of credit for the six months ended June 30, 2010, compared to a decrease of \$396.0 million for the same period in 2009. We have no outstanding borrowings on the DRLP line of credit at June 30, 2010.

Contractual Obligations

Aside from changes in long-term debt discussed above under **Repurchases of Outstanding Debt**, there have not been material changes in our outstanding commitments since December 31, 2009 as previously discussed in our 2009 Annual Report on Form 10-K. In most cases we may withdraw from land purchase contracts with the sellers only recourse being earnest money deposits already made.

Off Balance Sheet Arrangements - Investments in Unconsolidated Companies

We analyze our investments in joint ventures to determine if the joint venture is a variable interest entity (a VIE) and would require consolidation. We (a) evaluate the sufficiency of the total equity investment at risk, (b) review the voting rights and decision-making authority of the equity investment holders as a group, and whether there are any guaranteed returns, protection against losses, or capping of residual returns within the group and (c) establish whether activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination. We would consolidate a venture that is determined to be a VIE if we were the primary beneficiary. To the extent that our joint ventures do not qualify as VIEs, we further assess each joint venture partner's substantive participating rights to determine if the venture should be consolidated.

We have equity interests in unconsolidated partnerships and joint ventures that own and operate rental properties and hold land for development. Our unconsolidated subsidiaries are primarily engaged in the operation and development of industrial, office and medical office real estate properties. These investments provide us with increased market share and tenant and property diversification. The equity method of accounting is used for these investments in which we have the ability to exercise significant influence, but not control, over operating and financial policies. As a result, the assets and liabilities of these joint ventures are not included on our balance sheet. Our investments in and advances to unconsolidated companies represented approximately 7% of our total assets as of both June 30, 2010 and December 31, 2009. Total assets of our unconsolidated subsidiaries were \$2.7 billion and \$2.6 billion as of June 30, 2010 and December 31, 2009, respectively. The combined revenues of our unconsolidated subsidiaries totaled \$136.2 million and \$129.8 million for the six-month periods ended June 30, 2010 and 2009, respectively.

We have guaranteed the repayment of certain secured and unsecured loans of our unconsolidated subsidiaries and the outstanding balances on the guaranteed portion of these loans totaled \$360.9 million at June 30, 2010.

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We are exposed to interest rate changes primarily as a result of our line of credit and long-term borrowings. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to control overall borrowing costs. To achieve our objectives, we borrow primarily at fixed rates. We do not enter into derivative or interest rate transactions for speculative purposes. Our two outstanding swaps, which fixed the rates on two of our variable rate loans, were not significant to our Financial Statements in terms of notional amount or fair value at June 30, 2010.

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

| | Remainder of | | | | | | Total | Fair Value |
|--------------------------------|--------------|------------|------------|------------|------------|--------------|--------------|--------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | Thereafter | | |
| Fixed rate secured debt | \$ 5,549 | \$ 23,202 | \$ 10,397 | \$ 12,810 | \$ 31,290 | \$ 681,122 | \$ 764,370 | \$ 800,767 |
| Weighted average interest rate | 6.91% | 7.16% | 6.76% | 6.70% | 7.44% | 6.62% | | |
| Variable rate secured debt | \$ 750 | \$ 785 | \$ 16,736 | \$ 880 | \$ 935 | \$ 3,400 | \$ 23,486 | \$ 23,486 |
| Weighted average interest rate | 0.58% | 0.58% | 4.78% | 0.59% | 0.60% | 0.39% | | |
| Fixed rate unsecured notes | \$ | \$ 357,865 | \$ 200,000 | \$ 425,000 | \$ 250,000 | \$ 1,700,000 | \$ 2,932,865 | \$ 3,072,990 |
| Weighted average interest rate | N/A | 5.16% | 5.87% | 6.40% | 6.33% | 6.78% | | |
| Unsecured lines of credit | \$ | \$ 16,083 | \$ | \$ | \$ | \$ | \$ 16,083 | \$ 15,702 |
| Rate at June 30, 2010 | N/A | 1.20% | N/A | N/A | N/A | N/A | | |

As the table incorporates only those exposures that exist as of June 30, 2010, it does not consider those exposures or positions that could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period, our hedging strategies at that time to the extent we are party to interest rate derivatives, and interest rates. Interest expense on our unsecured lines of credit will be affected by fluctuations in the LIBOR indices as well as changes in our credit rating. The interest rate at such point in the future as we may renew, extend or replace our unsecured lines of credit will be heavily dependent upon the state of the credit environment.

Item 4. Controls and Procedures**(a) Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures are further designed to ensure that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon the foregoing, the Chief Executive Officer and the Chief Financial Officer concluded that, as of the end of the period covered by this Report, our disclosure controls and procedures are effective in all material respects.

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(b) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we are parties to a variety of legal proceedings and claims arising in the ordinary course of our businesses. While these matters generally are covered by insurance, there is no assurance that our insurance will cover any particular proceeding or claim. We presently believe that all of these proceedings to which we were subject as of June 30, 2010, taken as a whole, will not have a material adverse effect on our liquidity, business, financial condition or results of operations.

Item 1A. Risk Factors

In addition to the information set forth in this Report, you also should carefully review and consider the information contained in our other reports and periodic filings that we make with the SEC, including, without limitation the information contained under the caption "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009. The risks and uncertainties described in our 2009 Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us, or that we presently deem to be immaterial, also may materially adversely affect our business, financial condition and results of operations.

The following risks have been deemed appropriate for inclusion subsequent to our Annual Report on Form 10-K for the year ended December 31, 2009:

Downgrades in our credit ratings could increase our borrowing costs or reduce our access to funding sources in the credit and capital markets.

We have a significant amount of debt outstanding, consisting mostly of unsecured debt. We are currently assigned corporate credit ratings from Moody's Investors Service, Inc. and Standard and Poor's Ratings Group ("S&P") based on their evaluation of our creditworthiness. These agencies ratings are based on a number of factors, some of which are not within our control. In addition to factors specific to our financial strength and performance, the rating agencies also consider conditions affecting REITs generally. In January 2010, S&P downgraded our credit rating. All of our debt ratings remain investment grade, but in light of the difficulties continuing to confront the economy generally, including, among others, the weak global economic conditions, credit market disruptions, and the severe stress on commercial real estate markets, there can be no assurance that we will not be further downgraded or that any of our ratings will remain investment grade. If our credit ratings are further downgraded or other negative action is taken, we could be required, among other things, to pay additional interest and fees on outstanding borrowings under our revolving credit agreement.

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Further credit rating reductions by one or more rating agencies could also adversely affect our access to funding sources, the cost and other terms of obtaining funding as well as our overall financial condition, operating results and cash flow.

We are exposed to the potential impacts of future climate change and climate-change related risks

We are exposed to potential physical risks from possible future changes in climate. Our properties may be exposed to rare catastrophic weather events, such as severe storms and/or floods. If the frequency of extreme weather events increases due to climate change, our exposure to these events could increase.

We do not currently consider that we are exposed to regulatory risk related to climate change. However, we may be adversely impacted as a real estate developer in the future by stricter energy efficiency standards for buildings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**(a) Unregistered Sales of Equity Securities**

None

(b) Use of Proceeds

None

(c) 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). On April 28, 2010, the board of directors adopted a resolution that amended and restated the Repurchase Program and delegated authority to management to repurchase a maximum of \$75.0 million of common shares, \$250.0 million of debt securities and \$75.0 million of preferred shares (the April 2010 Resolution). The April 2010 Resolution will expire on April 27, 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.

The following table shows the share repurchase activity for each of the three months in the quarter ended June 30, 2010:

| Month | Total Number of Shares Purchased (1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs |
|-------|--------------------------------------|------------------------------|--|
| April | 5,454 | \$ 12.73 | 5,454 |
| May | 6,511 | \$ 12.85 | 6,511 |
| June | 4,952 | \$ 12.16 | 4,952 |
| Total | 16,917 | \$ 12.61 | 16,917 |

(1) All 16,917 shares repurchased represent common shares repurchased under our Employee Stock Purchase Plan.

Item 3. Defaults upon Senior Securities

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During the period covered by this Report, we did not default under the terms of any of our material indebtedness, nor has there been any material arrearage of dividends or other material uncured delinquency with respect to any class of our preferred shares.

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Item 4. Reserved

Item 5. Other Information

During the period covered by this Report, there was no information required to be disclosed by us in a Current Report on Form 8-K that was not so reported, nor were there any material changes to the procedures by which our security holders may recommend nominees to our board of directors.

Item 6. Exhibits

(a) Exhibits

- 3.1(i) Fourth Amended and Restated Articles of Incorporation 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 July 30, 2009, File No. 001-09044, and incorporated herein by this reference).
- 3.2(i) Fourth Amended and Restated Bylaws of Duke Realty Corporation (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K as filed with the SEC on July 30, 2009, File No. 001-09044, and incorporated herein by this reference).
- 4.1 Seventh Supplemental Indenture, dated as of April 1, 2010, by and between Duke Realty Limited Partnership and the Bank of New York Mellon Trust Company, N.A., including the form of global note evidencing the 6.75% Senior Notes Due 2020 (filed as Exhibit 4.1 to DRLP's Current Report on Form 8-K as filed with the SEC on April 1, 2010, File No. 000-20625, and incorporated herein by this reference).
- 10.1 Fourth Amended and Restated Agreement of Limited Partnership of DRLP (filed as Exhibit 3.1 to DRLP's Current Report on Form 8-K, as filed with the SEC on November 3, 2009, File No. 000-20625, and incorporated herein by this reference).
- 10.2 2010 Amendment to the Duke Realty Corporation Amended and Restated 2005 Long-Term Incentive Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on May 4, 2010, File No. 001-09044, and incorporated herein by this reference). #
- 10.3 Amendment Eleven to the 1995 Key Employees' Stock Option Plan of Duke Realty Investments, Inc. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the SEC on May 4, 2010, File No. 001-09044, and incorporated herein by this reference). #
- 11.1 Statement Regarding Computation of Earnings.***
- 12.1 Statement of Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Dividends.*
- 31.1 Rule 13a-14(a) Certification of the Chief Executive Officer.*
- 31.2 Rule 13a-14(a) Certification of the Chief Financial Officer.*
- 32.1 Section 1350 Certification of the Chief Executive Officer.**
- 32.2 Section 1350 Certification of the Chief Financial Officer.**

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101 The following materials from Duke Realty Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statement of Changes in Equity, (v) the Notes to Consolidated Financial Statements, tagged as blocks of text.

Represents management contract or compensatory plan or arrangement.

* Filed herewith.

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

*** Data required by Financial Accounting Standards Board Auditing Standards Codification No. 260 is provided in Note 7 to the Consolidated Financial Statements included in this report.

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SIGNATURES

Pursuant to the requirements 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.

Date: August 6, 2010

DUKE REALTY CORPORATION

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

/s/ Christie B. Kelly
Christie B. Kelly
Executive Vice President and
Chief Financial Officer

/s/ Mark A. Denien
Mark A. Denien
Senior Vice President and
Chief Accounting Officer