NATIONAL ASSOCIATION OF
REAL ESTATE INVESTMENT TRUSTS®

July 25, 2014

Chairman Russell Golden
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Delivered Electronically

Subject: Lease Accounting Project, Accounting for Initial Direct Leasing Costs

Dear Chairman Golden:

The National Association of Real Estate Investment Trusts (NAREIT®) is submitting this unsolicited comment letter to provide the Financial Accounting Standards Board (FASB) its views on the financial reporting implications of the proposed accounting for initial direct leasing costs on companies that own, operate and lease portfolios of investment property.

NAREIT is the worldwide representative voice for real estate investment trusts (REITs) and publicly traded real estate companies with an interest in U.S. real estate and capital markets. NAREIT's members are REITs and other real estate businesses throughout the world that own, operate and finance commercial and residential real estate. NAREIT's members play an important role in providing diversification, dividends, liquidity and transparency to investors through their businesses that operate in all facets of the real estate economy.

REITs are generally deemed to operate as either Equity REITs or Mortgage REITs. Our members that operate as Equity REITs acquire, develop, lease and operate income-producing real estate. Our members that operate as Mortgage REITs finance housing and commercial real estate, by originating mortgages or by purchasing whole loans or mortgage backed securities in the secondary market.

A useful way to look at the REIT industry is to consider an index of stock exchange-listed companies like the FTSE NAREIT U.S. Real Estate Index, which covers both Equity REITs and Mortgage REITs. This Index contained 209 companies representing an equity market capitalization of $804 billion at May 31, 2014. Of these companies, 169 were equity REITs representing 91.2% of total U.S. listed REIT equity market capitalization (amounting to $733 billion)[1]. The remainder, as

[1] http://www.reit.com/sites/default/files/reitwatch/RW1406.pdf at page 21.

of May 31, 2014, was 40 publicly traded mortgage REITs with a combined equity market capitalization of $71 billion.

Implications of Recent Tentative Decision on "Initial Direct Costs"

At the joint meeting held on May 21, 2014, the Boards tentatively decided that "initial direct costs" should include only incremental costs that an entity would not have incurred if the lease had not been obtained (executed) (for example, commissions or payments made to existing tenants to obtain the lease). These costs could include external and certain internal costs but would not include allocations of internal costs, for example, regular salaries of employees engaged in arranging and negotiating leases.

The decision to allow the capitalization of *only* incremental costs represents a major change from existing U.S. GAAP and, in practice, IFRS. Currently, many companies capitalize all internal direct leasing costs provided that they are able to clearly identify those costs as directly attributable to obtaining successful lease agreements. The costs capitalized are not required to be incremental. Under the proposed accounting, significant internal costs of leasing may not be considered *incremental*. In our view, there is no conceptual basis for, in effect, accounting for direct *internal* leasing costs related to signed leases differently than direct *external* leasing costs.

The implication of no longer permitting the capitalization of a major portion of *direct* costs of internal efforts in securing tenant leases would have a significant detrimental impact on the operating results of NAREIT's member companies and potentially their share prices. This divergence of accounting for direct leasing costs between internal and external costs would clearly result in the lack of comparable operating results between companies having similar substantive leasing efforts despite similarity in economics. In the event that the Board continues in the direction of its May 21 decision, NAREIT is concerned that the proposed accounting standard would create structuring opportunities by encouraging companies to outsource their leasing function to third parties to achieve the most advantageous accounting result. Investors would be harmed if issuers undertake non-economic steps merely to achieve better financial statement results.

The Critical Nature of Leasing Investment Property

Leases generate rental revenue, which is the most important element in generating earnings, cash flow and in the valuation of an investment property. The cash flow from an investment property is the basis on which the property is valued and this property value directly impacts the share price of real estate investment trusts. See Exhibit I *REIT Valuation; The NAV-based Pricing Model* for a full discussion of the relationship between property cash flows (driven primarily by lease revenue), property values and the evaluation of share price.

Generally, a company will develop a leasing plan for each project. These plans identify spaces in each property that are or that will become vacant. With the help of market research, management assigns target rents for each space. Similarly, before making a decision to acquire or develop a property, management will evaluate the market and develop a leasing plan as a critical part of evaluating whether the project's cash flows will generate an adequate economic return.

These leasing plans are typically executed by the internal leasing staff; in some cases supplemented by external leasing resources. Achieving the leasing targets underlies the growth in operating performance of an investment property. Internal leasing staff is generally compensated at a base salary often plus bonuses based on achievement of overall leasing targets. These costs support the same business function as external leasing resources and are generally less costly and more effective than external leasing agents.

The critical nature of leasing in the effort to maximize returns from investment property is evidenced by the significant disclosures made by companies about the impact of leasing on future operating performance. These disclosures are contained in a REIT's Management's Discussion and Analysis, as well as in the company's supplemental reporting materials. See Exhibit II, *Duke Realty Supplemental Information* first quarter 2014, particularly the *Property Information* section, for an illustration of lease and tenant information generally included in a REIT's supplemental materials.

Because of the critical nature of leasing, most of NAREIT's member companies maintain internal leasing staff. They are an integral part of the management team and not simply hired guns with no long-term stake in the company's success. It would be a step backward in reporting the economics of investment property operating performance if the direct costs of this critical internal leasing staff were accounted for differently from the costs of external leasing resources, which, may not be aligned with the company's long-term success.

Further, it would be a very unfortunate result if the proposed accounting forced companies to abandon the most effective leasing structure (internal leasing staff) for a structure external to the management of the company or to dramatically change their compensation arrangements with their leasing staff in order to achieve a desired accounting outcome with limited change in overall economics. There seems to be three possible alternatives for structuring the leasing function under the FASB's most recent decision:

- Maintain current internal structure and expense a significant portion of the cost of internal leasing staff, even when direct efforts result in signed lease agreements;

- Maintain an internal structure but modify the compensation structure to pay staff based on a minimal base salary plus a commission for signed leases (we assume this arrangement would meet the *incremental* criteria for capitalizing leasing costs); or,

- Engage external leasing services, which our industry firmly believes may be less effective and more expensive, and therefore an economic drag on operating results.

NAREIT believes strongly that the proposed Leases standard, which was not intended to change the general model for lessor accounting, should not provide impetus for restructuring a REIT's leasing function to be able to properly capitalize all direct leasing costs.

Current Accounting for Internal Leasing Costs

While practice is mixed in some IFRS jurisdictions, most investment property companies in North America have developed systems to capture the cost of internal leasing effort *directly* related to signed leases. These costs are capitalized and amortized over the term of the related lease in accordance with the guidance in Topic 840 of the U.S. GAAP Accounting Standards Codification (ASC) and, as applied in practice, paragraph 38 of IAS 17, *Leases*.

ASC 840-20-25-18 states "The costs directly related to those activities shall include only that portion of the employees' total compensation and payroll-related fringe benefits directly related to time spent performing those activities for that lease and other costs related to those activities that would not have been incurred but for that lease."

IAS 17 paragraph 38 states that "(I)nitial direct costs are often incurred by lessors and include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease."

In Agenda paper 11A of the March 22-23, 2011 meeting of the IASB/FASB, the staff recommendation was "that *initial direct costs* should be defined as: Costs that are directly attributable to negotiating and arranging a lease that would not have been incurred had the lease transaction not been made." It was also noted that "(V)ery little feedback about the definition of initial direct costs was received. The staff thinks that the definition in the ED is appropriate and **consistent with current lease guidance under Topic 840 and IAS 17. The staff notes that the proposed definition is not intended to change current practice for how initial direct costs are defined"** [emphasis added].

Absent the Board overturning its May 21, 2014 decision, it appears that the Boards will change current practice despite the intentions previously expressed by both the Boards and their respective staff. To emphasize, the current accounting practice that reflects the direct relationship between rental revenues and the cost to generate that revenue has been applied for decades and results in the most relevant measurement of operating performance of real estate companies and should be able to be continued.

The Boards' Due Process

NAREIT respectfully, but strongly, objects to the way in which the accounting for initial direct leasing costs was handled in the *Leases* project exposure drafts. The language used in the May 2013 Revised Exposure Draft (the Revised ED) was quite similar to the guidance in Topic 840, particularly when considering the implementation guidance. While Topic 840 did not use the word "incremental" to qualify leasing costs for capitalization, the definition of incremental was similar to the language in Topic 840, which allowed the capitalization of all direct internal costs related to signed leases.

In addition, some constituents were confused based on their view that the definition of initial direct costs in the Revised ED appeared to be inconsistent with the examples provided in the Implementation Guidance.

As a result, NAREIT believes that many constituents concluded that the standard would not change current accounting practice for initial direct leasing costs, and therefore, did not object to this guidance in the Revised ED. It seems as though the Boards have based a major decision on short-circuited constituent input.

IFRIC's Review of this Matter

NAREIT understands that the IFRS Interpretations Committee (IFRIC) discussed this matter in November 2013 and April 2014 and concluded, for a number of reasons, not to add the topic of accounting for *incremental costs* to its agenda. NAREIT is aware of two comment letters that discuss the practice of maintaining internal leasing staff and the basis for capitalizing the costs of all direct internal, as well as external, leasing resources. These letters are attached as Exhibit III (*i.e.*, Real Property Association of Canada (REALpac)) and Exhibit IV (*i.e.*, EY).

NAREIT's Recommendation: Develop a Comprehensive and Consistent Accounting Standard for Costs (both Direct and Indirect).

NAREIT understands that the accounting treatment for costs is an area that varies widely within U.S. GAAP. Costs come in varying types and definitions (*e.g.*, commitment fees, credit card fees and costs, loan syndication fees, loan origination fees and direct loan origination costs, interest costs, insurance acquisition costs, costs of acquiring non-financial assets, etc.) and U.S. GAAP permits capitalization of costs in certain circumstances.

Given the wide diversity of accounting treatment for cost within U.S. GAAP, NAREIT recommends that the FASB forgo further evaluation of accounting for initial direct cost within the *Leases* project. In our view, a robust and comprehensive analysis of cost accounting treatment that would cut across all GAAP literature should be added to the FASB's agenda. We believe that this project would provide a comprehensive cost accounting model and eliminate inconsistencies as a result of dealing with costs on a piece-meal basis in future standard setting.

We offer the following citations as examples of the spectrum of accounting models for capitalizing and expensing costs:

Costs that are Fully Capitalized

The following excerpt is taken from ASC *Property, Plant and Equipment*.

> ASC 360-10-30-1 Paragraph 835-20-05-1 states that the historical cost of acquiring an asset includes the costs necessarily incurred to bring it to the condition and location necessary for its intended use. As indicated in that paragraph, if an asset requires a period of time in which to carry out the activities

> necessary to bring it to that condition and location, **the interest cost incurred during that period as a result of expenditures for the asset is a part of the historical cost of acquiring the asset** [emphasis added].

The following excerpt is taken from the *Financial Instruments – Recognition and Measurement* 2013 Proposal. NAREIT observes that there is no proposed change from current GAAP for loan origination costs. We also note that it appears that the Boards are treating direct finance leases in a different manner when they are economically similar to a loan.

> Direct Loan Origination Costs
>
> Direct loan origination costs represent costs associated with originating a loan. Direct loan origination costs of a completed loan shall include only the following:
>
> a. Incremental direct costs of loan origination incurred in transactions with independent third parties for that loan
>
> b. Certain costs directly related to specified activities performed by the lender for that loan. Those activities include all of the following:
>
> 1. Evaluating the prospective borrower's financial condition
> 2. Evaluating and recording guarantees, collateral, and other security arrangements
> 3. Negotiating loan terms
> 4. Preparing and processing loan documents
> 5. Closing the transaction.
>
> The costs directly related to those activities shall include only that portion of the employees' total compensation and payroll-related fringe benefits directly related to time spent performing those activities for that loan and other costs related to those activities that would not have been incurred but for that loan. See Section 310-20-55 for examples of items.

The following excerpt is taken from the *Insurance Contracts* Proposal.

> ASC 944-30-25-1 An insurance entity shall capitalize only the following as acquisition costs related directly to the successful acquisition of new or renewal insurance contracts:
>
> a. Incremental direct costs of contract acquisition

b. The portion of the employee's total compensation (excluding any compensation that is capitalized as incremental direct costs of contract acquisition) and payroll-related fringe benefits related directly to time spent performing any of the following acquisition activities for a contract that actually has been acquired:

1. Underwriting

2. Policy issuance and processing

3. Medical and inspection

4. Sales force contract selling.

c. Other costs related directly to the insurer's acquisition activities in (b) that would not have been incurred by the insurance entity had the acquisition contract transaction(s) not occurred.

d. Advertising costs that meet the capitalization criteria in paragraph 340-20-25-4.

Costs that are Partially Capitalized

The following excerpt is taken from ASC *Receivables*.

ASC 310-20-25-6 **Bonuses based on successful production of loans that are paid to employees involved in loan origination activities are partially deferrable as direct loan origination costs** under the definition of that term. Bonuses are part of an employee's total compensation. The portion of the employee's total compensation that may be deferred as direct loan origination costs is the portion that is directly related to time spent on the activities contemplated in the definition of that term and results in the origination of a loan [emphasis added].

The following excerpts are taken from the recently issued *Revenue from Contracts with Customers* Standard.

ASC 340-40-55-1 Example 1 illustrates the guidance in paragraphs 340-40-25-1 through 25-4 on incremental costs of obtaining a contract, paragraphs 340-40- 25-5 through 25-8 on costs to fulfill a contract, and paragraphs 340-40-35-1 through 35-6 on amortization and impairment of contract costs.

> > > Example 1—Incremental Costs of Obtaining a Contract
340-40-55-2 An entity, a provider of consulting services, wins a competitive bid to provide consulting services to a new customer. The entity incurred the following costs to obtain the contract:

External legal fees for due diligence	$15,000
Travel costs to deliver proposal	25,000
Commissions to sales employees	10,000
Total costs incurred	$50,000

> 340-40-55-3 In accordance with paragraph 340-40-25-1, the entity recognizes an asset for the $10,000 incremental costs of obtaining the contract arising from the commissions to sales employees because the entity expects to recover those costs through future fees for the consulting services. The entity also pays discretionary annual bonuses to sales supervisors based on annual sales targets, overall profitability of the entity, and individual performance evaluations. In accordance with paragraph 340-40-25-1, the entity does not recognize an asset for the bonuses paid to sales supervisors because the bonuses are not incremental to obtaining a contract. The amounts are discretionary and are based on other factors, including the profitability of the entity and the individuals' performance. The bonuses are not directly attributable to identifiable contracts.
>
> 340-40-55-4 The entity observes that the external legal fees and travel costs would have been incurred regardless of whether the contract was obtained. Therefore, in accordance with paragraph 340-40-25-3, those costs are recognized as expenses when incurred, unless they are within the scope of another Topic, in which case, the guidance in that Topic applies.

Costs that are Fully Expensed

The following excerpt is taken from ASC *Business Combinations*.

> ASC 805-10-25-23 Acquisition-related costs are costs the acquirer incurs to effect a business combination. These costs include finder's fees; advisory, legal, accounting, valuation, and other professional and consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. **The acquirer shall account for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received**, with one exception. The costs to issue debt or equity securities shall be recognized in accordance with other applicable GAAP [emphasis added].

Conclusion

NAREIT objects to the Board's conclusion with respect to initial direct leasing costs, and respectfully requests that the Board reverse the decision in order to preserve current practice. On numerous occasions, the Board has asserted that the intention was not to change current lessor accounting; however, the Board's decision with respect to leasing costs would change the accounting by many lessors of investment property. As we have said in our previous letters to the Boards, we do not believe that current lessor accounting model is broken, and fail to see the reason to create inconsistent accounting results between significant direct internal and external leasing costs that do not reflect the underlying economics of obtaining successful lease agreements.

NAREIT would like to meet with the Board to discuss our views in greater detail. Please contact George Yungmann, NAREIT's Senior Vice President, Financial Standards, at gyungmann@nareit.com or 202-739-9432 to arrange a time for this meeting. If you have questions regarding this letter, please contact George Yungmann or Christopher Drula, NAREIT's Vice President, Financial Standards, at cdrula@nareit.com or 202-739-9442.

Respectfully submitted,

George Yungmann
Senior Vice President, Financial Standards
NAREIT

Christopher T. Drula
Vice President, Financial Standards
NAREIT

cc: Chairman Hans Hoogervorst
International Accounting Standards Board

Exhibit I

REIT Valuation
The NAV-based Pricing Model

Green Street Advisors

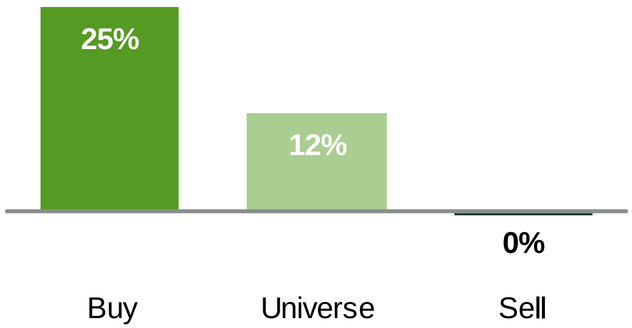
It's All Relative

Our NAV-based Pricing Model has served as the backbone of our stock selection process for over twenty years. The model is designed to assess relative valuations; i.e., it identifies the REITs that are most/least attractively valued.

The model combines NAV – a great starting point and high quality estimates are essential – with the factors that impact the premiums at which REITs should trade: franchise value, balance sheet risk, corporate governance, and overhead. The compartmentalized nature of the model forces discipline to consider all relevant valuation issues.

An Impressive Track Record

20+Yr Annualized Total Return of Green Street's Stock Recommendations*



* Past performance (as of 5/30/14) can not be used to predict future performance. Please see recommendation track record disclosure on page 20

Important disclosure on pages 19-20

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This report is an excerpt from REIT Valuation: Version 3.0 of our Pricing Model

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Executive Summary

Overview

- Our NAV-based pricing model has been a driver of our stock recomendations for over twenty years
- It has played an instrumental role in our successful recommendation track record
- The compartmentalized nature of the model forces discipline to consider all relevant valuation issues

The Basics

- NAV is the starting point - the value of a REIT is a function of the value of the assets it owns
- Warranted share price = NAV plus or minus a premium for future value added by management
- Franchise value, balance sheet risk, corporate governance and G&A impact the size of the premium
- It is a relative valuation model: roughly equal number of Buys and Sells at all times
- Relative approach anchors around average sector premiums at which REITs trade

The Components

- Franchise values are inherently subjective, but objective inputs help
  - Management Value Added (MVA) shines a bright light on performance attributable to mgm't
  - Total returns relative to peers are also important
  - Balance sheet acumen scores give credit for broad financing menus and low debt costs
- Balance sheets are important; less leverage is better
  - REITs with less leverage have delivered far better returns
  - Investors usually ascribe higher NAV premiums to REITs with low leverage
- Corporate Governance scoring system ranks REITs in a systematic fashion
- The impact of G&A is readily quantified and is dealt with apart from the other factors
  - Differences in G&A are large; they warrant large differences in unlevered asset value premiums

Overview: A Disciplined Approach Toward Stock Selection

A Key Driver of Success: The Green Street NAV-based pricing model is designed to assess the valuation of any REIT relative to sector-level peers. The discipline and rigor the model embodies have played a pivotal role in the two-decade-long success of our recommendation track record. While the model is designed to be neutral with regard to whether REITs in aggregate are cheap or expensive, investors can employ other Green Street analytic tools to help assess overall valuation and/or sector allocation issues.

Company Research

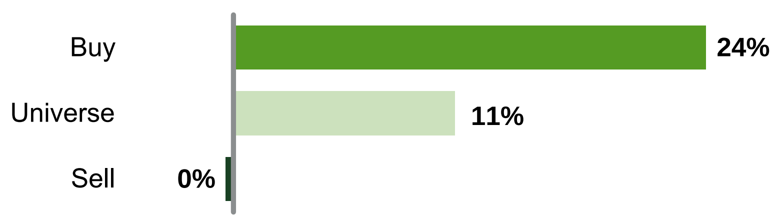
NAV-Based Pricing Model

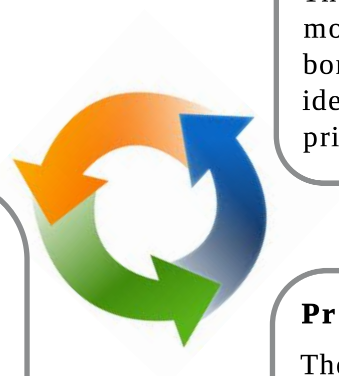
NAV
+ Warranted Premium to NAV
= Warranted Share Price

Stock Recomendations

The NAV-based Pricing Model, coupled with heavy analyst input, drives our stock recommendations. The recommendations are always market and sector neutral.

20+Yr Annualized Returns of Green Street's Recommendations*





Macro Research

Overall REIT Valuation

The ***RMZ Forecast Tool***, published monthly, assesses overall REIT valuation vs. bonds and stocks. Has proven very helpful in identifying periods when REITs are badly mis-priced.

Property Sector Allocation

The ***Commercial Property Outlook***, published quarterly, addresses sector-level valuation questions with a focus on the long term. It is based on extensive research we've published on long-term sector performance and cap-ex requirements.

* Past performance can not be used to predict future performance. Please see recommendation track record disclosure on page 20

Overview: Why Use NAV?

Because We Can: Most equity investors focus a great deal of attention on P/E multiples and/or yields, so it is fair to question why NAV should be the primary valuation benchmark for REITs. The short answer is that investors elsewhere would use NAV if they could, but the concept doesn't translate well to companies that are not in the business of owning hard assets. Because the value of a REIT is, first and foremost, a function of the value of the assets it owns, NAV is a great starting point for a valuation analysis.

Too Simplistic

~~Dividend Yield~~

~~FFO Yield or Multiple~~

~~AFFO Yield or Multiple~~

Far Better

Net Asset Value "NAV"

Good NAV estimates are critical and they require serious resources

Discounted Cash Flow "DCF"

We use DCF internally to double-check results

There is More to it Than Just NAV

Compartmentalized Analysis Looks at Relevant Factors

NAV: The Starting Point

+

The Warranted Premium to NAV

Warranted premiums are a function of:

- Premiums Ascribed by the Market to Other REITs
- Franchise Value
- Balance Sheet Risk
- Corporate Governance
- Overhead (G&A expenses)

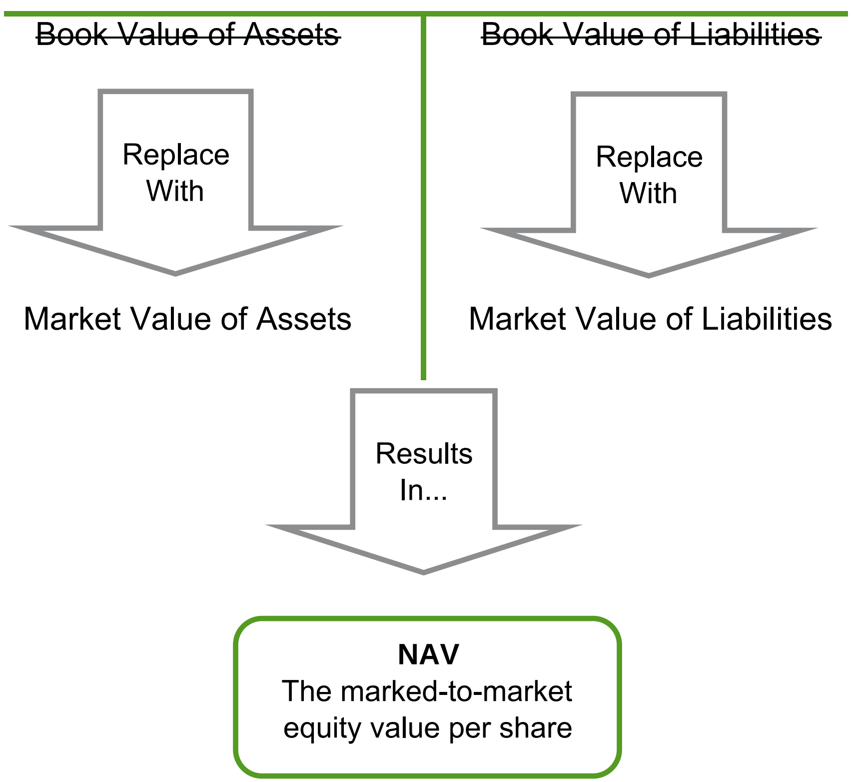
Warranted Share Price

Used to compare valuations *relative* to those of other REITs. It's fair to call it "relative intrinsic value."

Overview: What is NAV?

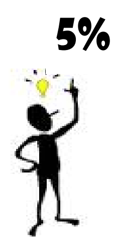
Mark It to Market: An NAV-based valuation methodology is only as good as the underlying estimate of NAV. High-quality estimates of marked-to-market asset value require a great deal of effort and resources, but the estimate can be reasonably precise when done properly. It is also important to mark-to-market the right-hand side of the balance sheet, as the cost of in-place debt can stray substantially from prevailing market. Many market participants skip this important step.

REIT Balance Sheet



Common Question: *Many REIT investors and analysts do not mark debt to market. Is it really necessary?*

Imagine: Two identical office buildings, except that one is encumbered by a 60% LTV mortgage carrying a 7% interest rate with another five years to run, while the other has an identical loan at a 5% rate. Which building will command the higher price?



The answer is obvious to any real estate market practitioner. Building prices are profoundly impacted by assumed debt, and a high-cost mortgage negatively impacts pricing. The same holds true when those buildings are held by a REIT and if the debt is unsecured rather than secured. Marking assets to market without doing the same for liabilities yields the wrong answer.

Overview: NAV - A Simplified Example

Calculating NAV - A Simplified Example

Balance Sheet for REIT XYZ (X's $1,000)

	Book Value	Analyze Market Value and Replace	Current Value
Real Estate Assets			
Operating Real Estate	$6,000,000	A	$9,350,000
			$2,250,000
Construction in Progress	$500,000	B	$550,000
Land	$200,000	C	$162,000
		D	
Equity in Unconsolidated JVs	$1,000,000		$0
		D	
Value of Fee Businesses	$0	E	$500,000
Other Assets	$100,000	F	$68,625
Total Assets	$7,800,000		$12,880,625
Liabilities	$5,000,000	G	$5,250,000
			$1,500,000
Preferred Stock	$500,000		$500,000
Shareholders Equity	$2,300,000		$5,630,625
Fully Diluted Shares	200,000	H	204,750
NAV	$11.50		$27.50

The Adjustments:

A. Operating Real Estate: The most important part of an NAV analysis, this step invloves calculating a 12-month forward estimate of NOI and applying an appropriate cap rate. The quality of the analysis rests on an in-depth knowledge of prevailing cap rates, the quality/location of the real estate, and other required industry- and company-specific adjustments.

B. Construction in Progress: Adjustments to the book value of CIP reflect the extent to which stabilized yields are likely to exceed an appropriately high risk-adjusted return bogey.

C. Land: Land values can be much higher or lower than book.

D. Joint Venture Accounting is a Mess: Because of that, we present a pro-rata allocation of JV assets and liabilities. There is no reliable way to otherwise value JV interests, as leverage within the JV typically renders more simplified approaches useless. A pro-rata allocation also does a much better job of showing leverage that may be embedded, but otherwise hidden, in JV investments.

E. Fee Income: Some REITs generate asset management/property management fees associated with JV structures. This fee income can be lucrative, and the range of appropriate multiples to apply is dependent on the quality of the fee stream. This value is not reflected on GAAP balance sheets.

F. Other Assets: REITs often have a material amount of intangible assets, which are deducted for this exercise.

G. Liabilities: Mark-to-market adjustments are necessary where: subsidized financing is present, or market interest rates are materially higher or lower than contract rates on the REIT's debt.

H. Fully Diluted Shares: All in-the-money options, converts, etc. need to be included in the share count.

Overview: NAV - More on Operating Real Estate

Calculating NAV - More on Operating Real Estate

Income Statement for REIT XYZ (X's $1,000)

Three Months Ending XXX	
GAAP Net Operating Income (NOI)	$149,500
Adjustments	
Straight-Line Rent (A)	($1,250)
NOI of Properties Acquired During Quarter (B)	$1,750
Quarterly Pace of Net Operating Income	$150,000
Annual Pace NOI	$600,000
Estimated Growth Over Next 12 Months	$12,000
12-Month Look-Forward NOI Estimate	$612,000
Cap Rate (C)	6.5%
Value of Operating Real Estate	$9,350,000

The Adjustments:

A. Straight-Line Rent: GAAP requires that companies report average rental revenue over the term of the lease. For example, GAAP rent for a 10-yr lease with a starting rent of $50/sqft and 2% annual escalators is $55/sqft. Phantom income items like straight-line rent need to be deducted to arrive at "cash" NOI.

B. Acquisitions: Properties acquired during the quarter will contribute less to reported NOI than they would have had they been owned the full period. Reported NOI needs to be adjusted upward when this is the case.

C. Cap Rate: The convention in the real estate industry is to quote pricing in terms of the first-year yield on investment. This measure is known as the capitalization rate (cap rate). Cap rates are the most critical input in the NAV analysis. An in-depth understanding of the location, age, and general desirability of the real estate portfolio coupled with a good handle on prevailing cap rates is essential to coming up with good estimates. The cap rate for the entire porttfolio is shown here, but the analysis is typically done on a market-by-market basis.

Overview: Where Do Green Street NAVs Come From?

Hard Work: Green Street takes its NAVs very seriously. We devote a great deal of resources toward deriving the best possible estimates of NAV because it has always been the driver of our valuation conclusions.

Kicking the Tires

Extensive property visits
Deep market contacts - public & private
Lengthy coverage of most REITs
Strategic partner: Eastdil Secured

A Large Research Team

25 full-time research professionals in US
We take NAV seriously
It has always driven our Pricing Model

Real Estate Data Sources

Green Street's property databases are extensive
We also use other research vendors
Local leasing and sales brokers

Cap-ex: the 500-Pound Gorilla

Capitalized costs are big and they need to be considered
They vary a lot even among REITs in the same sector
Cap-ex is broadly misunderstood…we have studied extensively
Market participants underestimate cap-ex
Cap-ex policies influence the cap rate used

Overview: Warranted Premiums to NAV

NAV Plus or Minus? Prospective future total returns for any REIT are a function of how its real estate portfolio is likely to perform, as well as the value that its management team is likely to add or detract. Our Pricing Model provides a systematic assessment of the four key variables - franchise value, corporate governance, balance sheet risk, and overhead - that typically distinguish REITs that deliver "real estate plus" returns from those in the "real estate minus" camp.

Warranted Premium to NAV for a REIT is a Function of...

Prevailing Premiums for Sector Peers Based on Prevailing Share Prices

The *net* value that a management team is likely to add or detract in the future

Our Pricing Model tallies up a total score on the variables below and ranks each REIT relative to sector peers

Franchise Value
A gauge of management's propensity to add or detract value

Corporate Governance
Our governance scoring system provides an annual review

Balance Sheet Risk
Capital Structure plays a big role in how REITs are valued

Capitalized Value of Unusual G&A
This can be readily quantified and is dealt with apart from the other factors that impact premiums

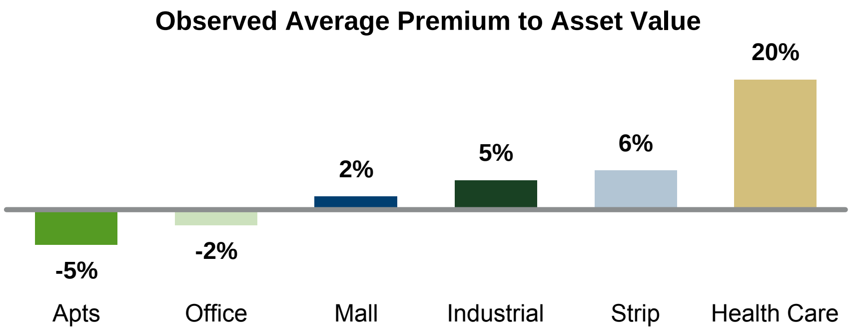
Which is it, NAV or UAV?

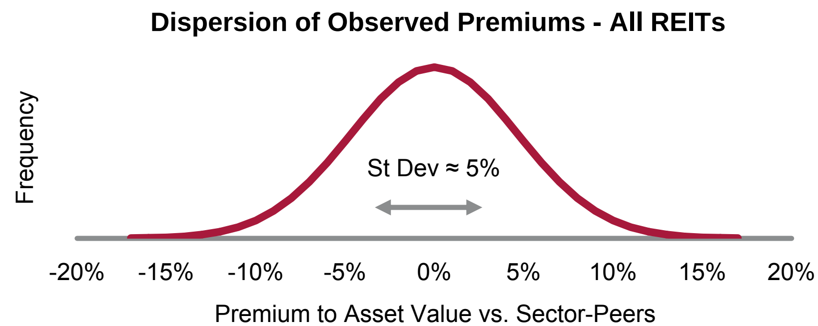
The investment world focuses on premiums to **NAV**, which are impacted by leverage, but the mechanics of our model strip out the distortions leverage can cause by focusing on premiums to **unlevered asset value (UAV)**. Even though the model is UAV-centric, the many references herein to NAV are employed to better speak the language most commonly used in our industry.

Overview: The Influence of Property Sectors

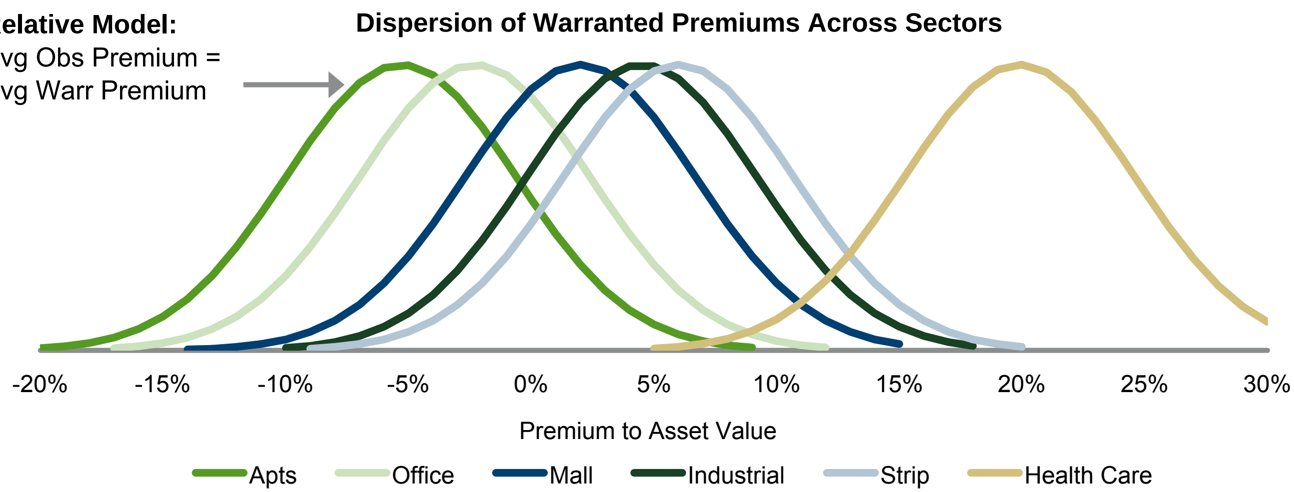
A Normal World: The starting point in calculating the warranted premium for any REIT is the sector-average premium ascribed by the market at current share prices. An assumption is made that the dispersion of observed premiums for the entirety of our coverage universe serves as a good indicator of how premiums should be dispersed in any given sector. REITs that stack up better in the Pricing Model relative to their sector peers are then ascribed better-than-average warranted premiums, and vice versa.

Each sector tends to march to its own drummer on average premiums... ...to which the dispersion of premiums for all REITs can be applied





Relative Model:
Avg Obs Premium =
Avg Warr Premium



Why Sector Premiums Vary

There are three primary reasons:
1) REIT investors often disagree with private-market valuations
2) Some sectors may offer more lucrative growth opportunities.
3) A sector full of "A-students" should trade better

The model is neutral with regard to sector valuations.

This report is an excerpt from REIT Valuation: Version 3.0 of our Pricing Model

Franchise Value: What is it?

An Important Assessment: Franchise value and G&A are the most important drivers of UAV premiums. Franchise value pertains to the value that a management team is likely to create in the future, which is a question best addressed by combining objective tools with subjective input from experienced analysts.

Franchise Value: a Forward-Looking Concept

Franchise value is an estimate of the relative value that a management team is likely to add or detract in coming years. Our analysts determine franchise value based on a wide variety of objective inputs and subjective assessments.

Subjective Factors

Lessons from REIT History

Simplicity is a virtue

Activity ≠ Value Added

Development is a tough business

Capital allocation skills are critical

Other Factors to Consider

Will past performance recur?

Has there been a strategy change?

Has management learned lessons?

Objective Metrics

Past Performance	Balance Sheet Management
Management Value Added (MVA)	Balance Sheet Acumen Score
Total Returns to Shareholders	Full Menu of Options is good
	Cheap debt → UAV Premium

Franchise Score

The objective metrics help guide the analyst, but the ultimate score is entirely at his/her discretion.

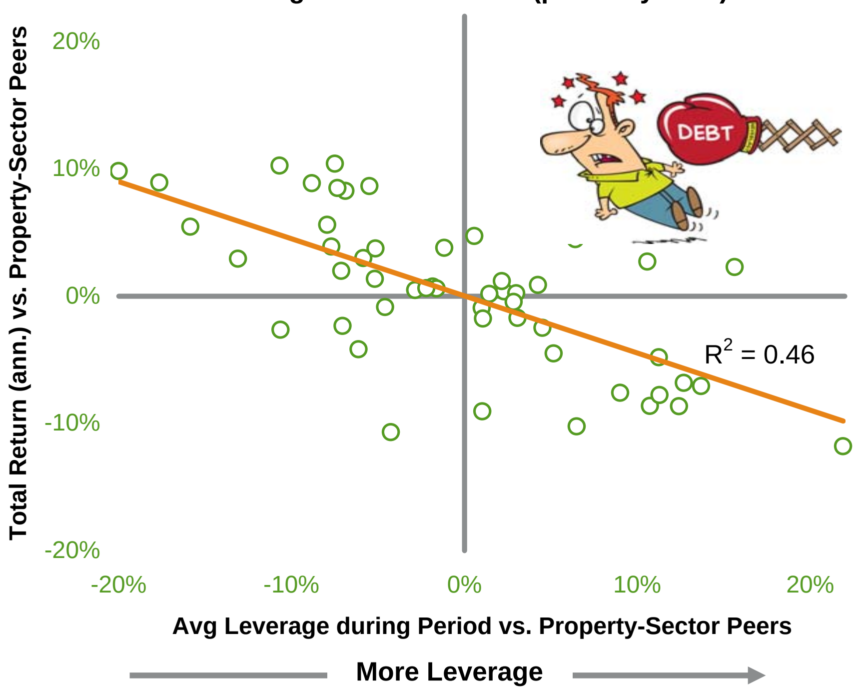
Balance Sheet Risk: Balance Sheets Matter

Low Leverage is Better: Even though property prices have risen more than 50% over the last ten years, REITs that have employed less leverage have delivered far better returns over that time period than REITs with higher leverage. The same statement has held true over the vast majority of ten-year periods since the Modern REIT era commenced in the early-'90s. Not surprisingly, investors are willing to ascribe much higher NAV premiums to REITs with low leverage.

Leverage has Impacted Total Returns

A 10% variance in the lev'g ratio has been associated with a 5% gap in total returns. Every year!

Leverage & Total Returns (past 10 years*)



Leverage has a Big Impact on Pricing

A 10% variance in the lev'g ratio currently equates to a 4% variance in the UAV premiums at which REITs trade

Leverage & Premiums to Asset Value*

* Charts are from Oct 2, 2012 Heard on the Beach. Left chart uses total returns from Aug '02 to Aug '12; right is based on stock pricing as of Sept '12.

Corporate Governance

Green Street's Governance Scoring System: Our governance ranking system, which is published annually, differs in two key respects from those provided by other evaluators: 1) our familiarity with the companies allows for subjective input; and 2) issues unique to REITs (e.g., the 5 or fewer rule) are ignored by others. Scoring is on a 100-point basis with the key inputs highlighted below. REITs with higher governance scores typically trade at larger premiums to asset value.

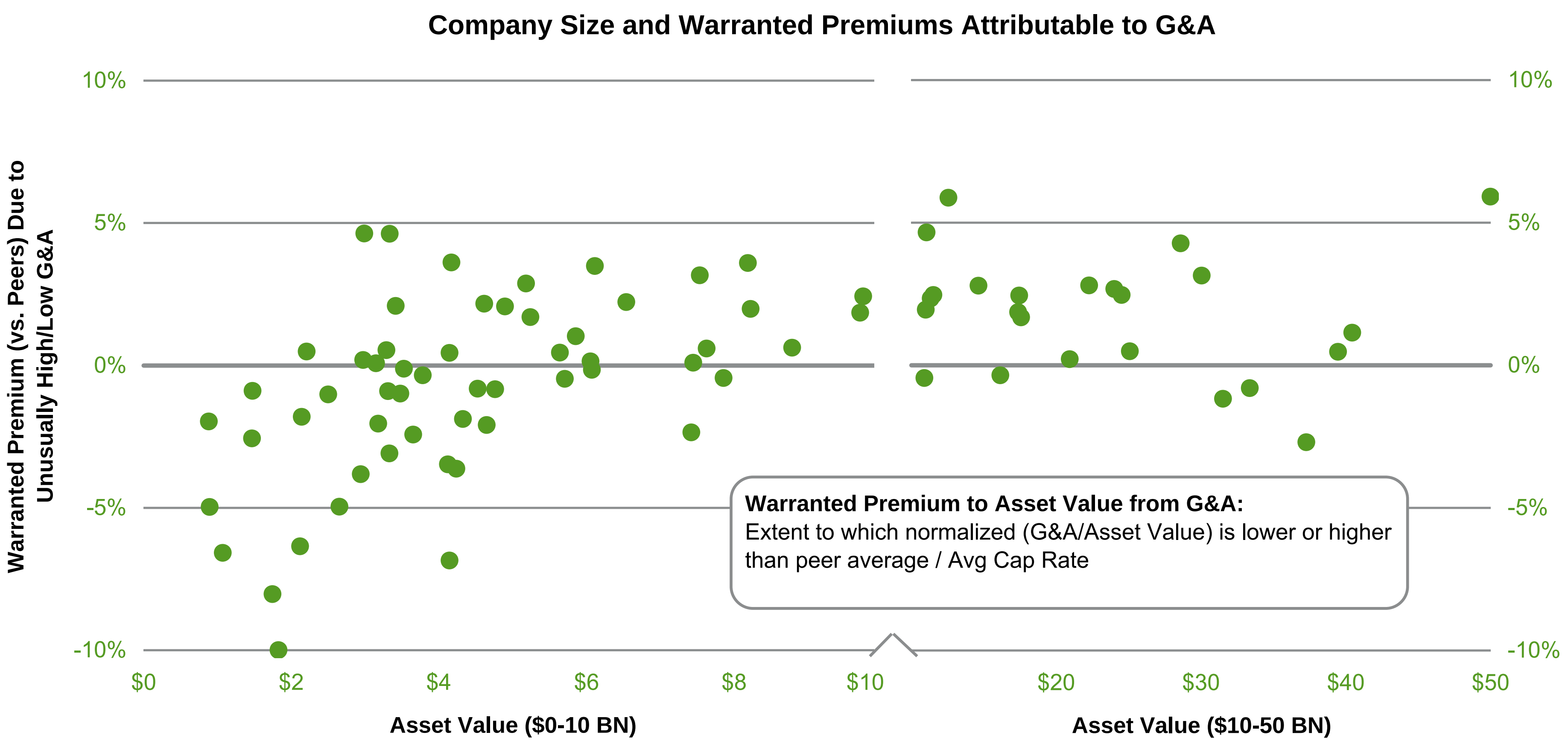
Category	Max Points	Ideal Structure
Board Rating:		
Non-staggered Board	20	Yes
Independent Board	5	80+%
Investment by Board Members	5	Large Investment by Numerous Members
Conduct	25	No Blemishes, Fair Comp, Leadership
Total	**55**	
Anti-Takeover Weapons:		
State Anti-takeover Provisions	12	Opt out/Shareholders Approve Change
Ownership Limits from 5/50 Rule	5	Limit Waived for Ownership by other REITs
Shareholder Rights Plan	10	Shareholders Must Approve Implementation
Insider Blocking Power	8	No Veto Power
Total	**35**	
Potential Conflicts of Interest:		
Business Dealings with Mgmt.	6	No Business Dealings
Divergent Tax Basis of Insiders	4	Basis Near Share Price
Total	**10**	
Perfect Score	**100**	

Anti-Takeover Weapons

There are only a handful of REITs where insiders hold a blocking position, but it's a big deal where it exists. Because of that, a cap is placed on how many points a REIT where blocking power is present can score on anti-takeover rankings. After all, the anti-takeover provisions don't matter much if insiders control the vote.

Overhead: A Strong Connection with Size

Big is Better: A dollar of cash flow devoted to G&A is worth the same as a dollar of cash flow at the property level, and efficiency differences between REITs can have a profound impact on share valuation. The impact on appropriate unlevered valuations can be calculated by capping those differences at the all-REIT cap rate and adding or subtracing that figure directly as a warranted premium to unlevered asset value. Not surprisingly, big REITs are more efficient when it comes to overhead, and this efficiency should translate into higher relative valuations.



Frequently Asked Questions

Answers to Frequently Asked Questions

Q. Net Asset Value (NAV) estimates are far from precise. It's very common to see NAV estimates for a given REIT spanning a broad range, with some being as much as 30% higher than others. Why base a model on such an imprecise estimate?

A. NAV is admittedly an imprecise estimate of value. It may be best to consider NAV as the midpoint of a reasonable range in which a figure at least 5% higher or lower than the midpoint might be accurate. Reasonable minds can disagree within this range. However, this lack of precision should not be viewed as a serious shortcoming. Every valuation methodology lacks precision, and alternative methodologies are almost certainly less precise than NAV. For instance, where do appropriate Price/Earnings (P/E) multiples come from? EBITDA multiples? An NAV-based approach componentizes the valuation question into discrete pieces and incorporates private-market pricing information, attributes that should yield a higher level of precision than a broad-brush approach to entity valuation. When analyst estimates of NAV fall well outside a reasonable range, this probably reflects the quality of the analysis, as opposed to the metric's quality. In addition, most analysts only mark-to-market the left-hand side of the balance sheet; Green Street marks-to-market the right-hand side too. NAV calculations require a great deal of time, energy, and expertise to get right; big errors likely occur when shortcuts are taken.

Q. An NAV analysis is only as good as the cap rate applied to net operating income (NOI). Where does Green Street get its cap rates?

A. The choice of cap rates is the most important input in our model. Our analysts spend a great deal of time talking to market participants (e.g., REIT executives, private real estate participants, brokers, etc.), compiling databases of comparable transactions, reading trade publications, reviewing findings of providers of transaction information, and understanding the extent to which contractual rents are above or below market.

Q. As the REIT industry continues to mature, analysts and investors will inevitably value these stocks the same way the vast majority of other stocks are valued. Approaches based on P/E multiples, EBITDA multiples, or discounted cash flow models will take the place of a REIT-centric concept like NAV. After all, no one tries to figure out the NAV of General Motors or Microsoft, so why bother to do so with REITs?

A. The simple answer to this question is that investors in other sectors would use NAV if they could. However, their inability to do so relegates them to using generally inferior metrics. Thoughtfully applied alternative approaches to valuation should result in similar answers to an NAV-based approach, but these other methods must be used with caution.

Frequently Asked Questions (continued)

Q. REITs are more than just a collection of assets. Management matters a lot, and an NAV-based approach can't possibly factor that in.

A. Contrary to a widespread misperception, the use of an NAV-based model is consistent with a view that management is important. As long as an NAV-based model provides output with a sizable variance in company-specific warranted premiums/discounts, that model is implicitly acknowledging that management matters significantly. Capital allocation and balance sheet management are by far the key differentiators of management capabilities.

Q. Many REITs own hundreds of properties spread across the U.S., and an asset-by-asset appraisal would take an enormous amount of time. How can an analyst know the value of any given portfolio?

A. A reasonable NAV estimate can be derived if disclosure at the portfolio level is sufficient to allow for a comparison of the characteristics of a given portfolio with the characteristics of properties that have traded hands. No two portfolios are exactly the same, but plenty of pricing benchmarks exist to allow for adjustments based on portfolio location, quality, lease structure, growth prospects, etc.

Q. REITs have broad latitude in how they expense many operating costs. Can an NAV-based approach be fooled if a REIT inflates NOI by moving costs to the General & Administrative (G&A) expense line?

A. Yes. This is why an explicit valuation adjustment for G&A expense is included in our pricing model. It identifies companies that shift expenses in ways that are inconsistent with those of its peers.

Q. An NAV analysis derived from real estate NOI seemingly ignores capital expenditures (cap-ex). How does cap-ex factor into the analysis?

A. One of the easiest ways to make big mistakes in an NAV analysis is to utilize simple rules of thumb with regard to cap-ex. Most rules of thumb undercount the magnitude of cap-ex. In addition, the range of appropriate reserves varies hugely by property sector, property quality, and accounting practices. Each factor needs to be addressed before choosing the cap-ex reserve to utilize for a particular portfolio. The real estate portfolios in any sector that offer the highest quality, best growth, and lowest risk should be accorded the highest valuation multiples (lowest cap rates), and vice versa. Thus, it is important to rank the portfolios relative to each other and to then ensure "economic" cap rates (based on NOI less a cap-ex reserve) line up in this manner. An analysis that does not back out cap-ex costs, and is instead based off of nominal cap rates, will generate misleading relative conclusions.

Frequently Asked Questions (continued)

Q. NAV is a backward looking metric.

A. Real estate markets are active and liquid, and when buyers and sellers agree on deal terms (e.g., cap rates, price/square foot, etc.), those terms reflect their views of future prospects. When prevailing cap rates are applied to a REIT's forward-looking NOI estimate, the result is an estimate of value that is as forward looking as any other approach toward valuing stocks.

This report is an excerpt from REIT Valuation: Version 3.0 of our Pricing Model

To View the Full Report…
Please contact a member of our Sales team at
(949) 640-8780 or e-mail
inquiry@greenstreetadvisors.com

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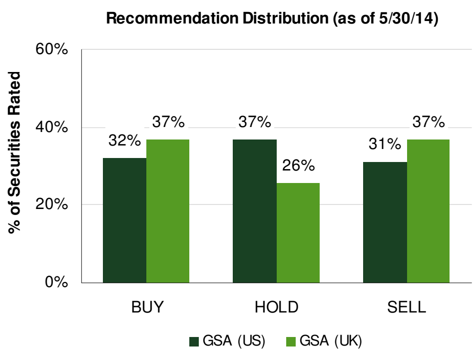
<u>Review of Recommendations:</u>

- Unless otherwise indicated, Green Street reviews all investment recommendations on at least a monthly basis**.**
- The research recommendation contained in this report was first released for distribution on the date identified on the cover of this report.
- Green Street will furnish upon request available investment information supporting the recommendation(s) contained in this report.

At any given time, Green Street publishes roughly the same number of "BUY" recommendations that it does "SELL" recommendations.



Green Street's "BUYs" have historically achieved far higher total returns than its "HOLDs", which, in turn, have outperformed its "SELLs".

Year	Buy	Hold	Sell	Universe[3]
2014 YTD	17 7%	14 6%	10 8%	14 4%
2013	4 1%	0 6%	1 7%	2 2%
2012	24 5%	24 7%	18 9%	23 0%
2011	18 9%	7 6%	4 7%	7 6%
2010	43 3%	32 8%	26 6%	33 8%
2009	59 0%	47 7%	6 0%	37 9%
2008	28 1%	30 9%	52 6%	37 3%
2007	6 9%	22 4%	27 8%	19 7%
2006	45 8%	29 6%	19 5%	31 6%
2005	26 3%	18 5%	1 8%	15 9%
2004	42 8%	28 7%	16 4%	29 4%
2003	43 3%	37 4%	21 8%	34 8%
2002	17 3%	2 8%	2 6%	5 4%
2001	34 9%	19 1%	13 0%	21 1%
2000	53 4%	28 9%	5 9%	29 6%
1999	12 3%	9 0%	20 5%	6 9%
1998	1 6%	15 1%	15 5%	12 1%
1997	36 7%	14 8%	7 2%	18 3%
1996	47 6%	30 7%	18 9%	32 1%
1995	22 9%	13 9%	0 5%	13 5%
1994	20 8%	0 8%	8 7%	3 1%
1993	27 3%	4 7%	8 1%	12 1%
Cumulative Total Return	**10566 3%**	**856 2%**	**1 8%**	**961 4%**
Annualized	**24 5%**	**11 2%**	**0 1%**	**11 7%**

The results shown in the table in the upper right corner are hypothetical; they do not represent the actual trading of securities. Actual performance will vary from this hypothetical performance due to, but not limited to 1) advisory fees and other expenses that one would pay; 2) transaction costs; 3) the inability to execute trades at the last published price (the hypothetical returns assume execution at the last closing price); 4) the inability to maintain an equally-weighted portfolio in size (the hypothetical returns assume an equal weighting); and 5) market and economic factors will almost certainly cause one to invest differently than projected by the model that simulated the above returns. All returns include the reinvestment of dividends. Past performance, particularly hypothetical performance, can not be used to predict future performance.

(1) Results are for recommendations made by Green Street's North American Research Team only (includes securities in the US, Canada, and Australia). Uses recommendations given in Green Street's "Real Estate Securities Monthly" from January 28, 1993 through May 23, 2014. Historical results from January 28, 1993 through October 1, 2013 were independently verified by an international "Big 4" accounting firm. The accounting firm did not verify the stated results subsequent to October 1, 2013. As of October 1, 2013, the annualized total return of Green Street's recommendations since January 28, 1993 was: Buy +24.5%, Hold +10.9%, Sell -0.3%, Universe +11.5%.

(2) Company inclusion in the calculation of total return has been based on whether the companies were listed in the primary exhibit of Green Street's "Real Estate Securities Monthly". Beginning April 28, 2000, Gaming C-Corps and Hotel C-Corps, with the exception of Starwood Hotels and Homestead Village, were no longer included in the primary exhibit and therefore no longer included in the calculation of total return. Beginning March 3, 2003, the remaining Hotel companies were excluded.

(3) All securities covered by Green Street with a published rating that were included in the calculation of total return. Excludes "not rated" securities.

Per NASD rule 2711, "Buy" = Most attractively valued stocks. We recommend overweight position; "Hold" = Fairly valued stocks. We recommend market-weighting; "Sell" = Least attractively valued stocks. We recommend underweight position.

Green Street will furnish upon request available investment information regarding the recommendation

Exhibit II

SUPPLEMENTAL INFORMATION

FIRST QUARTER 2014

Duke REALTY

RELIABLE. ANSWERS.

Exhibit II

Duke REALTY

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Duke Realty Corporation 600 East 96th Street, Suite 100 Indianapolis, IN 46240 317-808-6005 FAX 317-808-6770

When used in this supplemental information package and the conference call to be held in connection herewith, the word “believes,” “expects,” “estimates” and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially. In particular, among the factors that could cause actual results to differ materially are continued qualification as a real estate investment trust, general business and economic conditions, competition, increases in real estate construction costs, interest rates, accessibility of debt and equity capital markets and other risks inherent in the real estate business including tenant defaults, potential liability relating to environmental matters and liquidity of real estate investments. Readers are advised to refer to Duke Realty's Form 10-K Report as filed with the Securities and Exchange Commission on February 21, 2014 for additional information concerning these risks.

Duke Realty Corporation

About Duke Realty

Duke Realty Corporation ("Duke Realty") specializes in the ownership, management and development of bulk industrial, suburban office and medical office real estate. Duke Realty is the largest publicly traded, vertically integrated office/industrial/medical office real estate company in the United States. The company owns, maintains an interest in or has under development approximately 154.1 million rentable square feet in 22 major U.S. metropolitan areas. Duke Realty is publicly traded on the NYSE under the symbol DRE and is listed on the S&P MidCap 400 Index.

Duke Realty's Mission Statement

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

Structure of the Company

Duke Realty has elected to be taxed as a Real Estate Investment Trust (REIT) under the Internal Revenue Code. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of our adjusted taxable income to our shareholders. Management intends to continue to adhere to these requirements and to maintain our REIT status. As a REIT, we are entitled to a tax deduction for some or all of the dividends we pay to shareholders. Accordingly, we generally will not be subject to federal income taxes as long as we distribute an amount equal to or in excess of our taxable income to shareholders. We are also generally subject to federal income taxes on any taxable income that is not distributed to our shareholders. Our property operations are conducted through a partnership in which Duke Realty is the sole general partner owning a 99 percent interest at March 31, 2014. This structure is commonly referred to as an "UPREIT." The limited partnership ownership interests in this partnership (referred to as Units) are exchangeable for shares of common stock of Duke Realty. Duke Realty is also the sole general partner in another partnership which conducts our service operations.

Product Review

Bulk Distribution Industrial Properties: Duke Realty owns interests in 503 bulk distribution industrial properties encompassing more than 127.8 million square feet (83 percent of total square feet). These properties are primarily warehouse facilities with clear ceiling heights of 28 feet or more. This also includes 37 light industrial buildings, also known as flex buildings, totaling 2.3 million square feet.

Suburban Office Properties: Duke Realty owns interests in 167 suburban office buildings totaling more than 19.6 million square feet (12 percent of total square feet).

Medical Office Properties: Duke Realty owns interests in 72 medical office buildings totaling more than 5.7 million square feet (4 percent of total square feet).

Retail Properties: Duke Realty owns interests in 5 retail buildings encompassing more than 936,000 square feet (1 percent of total square feet).

Land: Duke Realty owns or controls through options or joint ventures more than 5,600 acres of land located primarily in its existing business parks. The land is ready for immediate use and is primarily unencumbered by debt. More than 86 million square feet of additional space can be developed on these sites and all of the land is fully entitled for either office, industrial, or medical office.

Service Operations: As a fully integrated company, Duke Realty provides property and asset management, development, leasing and construction services to third party owners in addition to its own properties. Our current property management base for third parties includes more than 4.3 million square feet.

Investor Information

Research Coverage

Bank of America/Merrill Lynch	Jamie Feldman	212.449.6339
Barclays	Ross Smotrich	212.526.2306
BMO Capital Markets	Paul Adornato	212.885.4170
Citi	Kevin Varin	212.816.6243
Cowen and Company	James Sullivan	646.562.1380
Edward Jones & Co.	Ashtyn Evans	314.515.2751
Green Street Advisors	Eric Frankel	949.640.8780
J.P. Morgan	Tony Paolone	212.622.6682
Morgan Stanley	Vance Edelson	212.761.0078
RBC Capital Markets	Mike Salinsky	440.715.2648
R.W. Baird	Dave Rodgers	216.737.7341
S&P Capital IQ	Erik Oja	212.438.4314
SunTrust Robinson Humphrey	Ki Bin Kim	212.303.4124
Stifel Nicolaus & Co	John Guinee	443.224.1307
UBS	Ross Nussbaum	212.713.2484
Wells Fargo Securities	Brendan Maiorana	443.263.6516

Timing

Quarterly results will be announced according to the following approximate schedule:

First Quarter	Late April
Second Quarter	Late July
Third Quarter	Late October
Fourth Quarter and Year-End	Late January

Duke will typically publish other materials of interest to investors according to the following schedule:

Report	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Due Date
Form 10Q	May	August	November		
Supplemental Materials	Late April	Late July	Late October	Late January	
Annual Report					March
Proxy Statement					March
Form 10-K					March
News Releases					As Appropriate

The above information is available on Duke Realty’s web site at http://www.dukerealty.com

Stock Information

Duke Realty’s common stock is traded on the New York Stock Exchange (symbol: DRE).
Duke Realty’s Series J preferred stock is traded on the New York Stock Exchange (symbol: DRE PRJ).
Duke Realty’s Series K preferred stock is traded on the New York Stock Exchange (symbol: DRE PRK).
Duke Realty’s Series L preferred stock is traded on the New York Stock Exchange (symbol: DRE PRL).

Senior Unsecured Debt Ratings:

Standard & Poor's	BBB
Moody's	Baa2

Inquiries

Duke Realty welcomes inquiries from stockholders, financial analysts, other professional investors, representatives of the news media and others wishing to discuss the company. Please address inquiries to, Investor Relations, at the address listed on the cover of this guide. Investors, analysts and reporters wishing to speak directly with our operating officers are encouraged to first contact the Investor Relations department. Interviews will be arranged as schedules permit.

Common Stock Data (NYSE:DRE):

	1st Quarter 2013	2nd Quarter 2013	3rd Quarter 2013	4th Quarter 2013	1st Quarter 2014
High price*	17.16	18.80	17.56	17.23	17.03
Low price*	13.94	14.29	14.12	14.18	14.48
Closing price*	16.98	15.59	15.44	15.04	16.88
Dividends paid per share	.170	.170	.170	.170	.170
Closing dividend yield	4.0%	4.4%	4.4%	4.5%	4.0%

FFO and AFFO Reporting Definitions

Funds from Operations ("FFO"): FFO is computed in accordance with standards established by the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as net income (loss) excluding gains (losses) on sales of depreciable property, impairment charges related to depreciable real estate assets, and extraordinary items (computed in accordance with generally accepted accounting principles ("GAAP")); plus real estate related depreciation and amortization, and after similar adjustments for unconsolidated joint ventures. We believe FFO to be most directly comparable to net income as defined by GAAP. We believe that FFO should be examined in conjunction with net income (as defined by GAAP) as presented in the financial statements accompanying this release. FFO does not represent a measure of liquidity, nor is it indicative of funds available for our cash needs, including our ability to make cash distributions to shareholders.

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

Adjusted Funds from Operations ("AFFO"): AFFO is defined by the company as Core FFO (as defined above), less recurring building improvements and total second generation capital expenditures (the leasing of vacant space that had previously been under lease by the company is referred to as second generation lease activity) related to leases commencing during the reporting period, and adjusted for certain non-cash items including straight line rental income and expense, non-cash components of interest expense and stock compensation expense, and after similar adjustments for unconsolidated partnerships and joint ventures.

Exhibit II

Balance Sheets

(unaudited and in thousands)

	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Assets:					
Rental property	$7,096,174	$7,031,660	$7,234,934	$7,094,986	$6,727,590
Accumulated depreciation	(1,422,986)	(1,382,757)	(1,406,849)	(1,364,439)	(1,346,961)
Construction in progress	277,400	256,911	198,988	266,388	303,383
Undeveloped land	570,718	590,052	580,052	621,143	607,283
Net real estate investments	6,521,306	6,495,866	6,607,125	6,618,078	6,291,295
Cash and cash equivalents	19,474	19,275	24,112	21,402	307,167
Accounts receivable	34,883	26,664	20,411	21,148	21,380
Straight-line rents receivable	126,387	120,497	127,311	124,951	123,108
Receivables on construction contracts, including retentions	27,833	19,209	28,706	30,205	27,465
Investments in and advances to unconsolidated companies	336,060	342,947	328,660	327,698	331,041
Deferred financing costs, net	33,764	36,250	38,029	40,837	41,097
Deferred leasing and other costs, net	462,176	473,413	502,714	523,100	489,621
Escrow deposits and other assets	205,480	218,493	209,771	176,483	169,925
Total assets	$7,767,363	$7,752,614	$7,886,839	$7,883,902	$7,802,099
Liabilities and Equity:					
Secured debt	$1,077,468	$1,100,124	$1,158,456	$1,241,527	$1,151,660
Unsecured debt	3,065,742	3,066,252	3,066,755	3,067,250	3,242,737
Unsecured line of credit	180,000	88,000	210,000	88,000	0
Construction payables and amounts due subcontractors	72,695	69,391	79,180	87,730	81,044
Accrued real estate taxes	77,301	75,396	105,263	86,968	78,985
Accrued interest	36,468	52,824	36,439	58,426	41,626
Other accrued expenses	52,118	68,276	40,983	45,078	33,586
Other liabilities	138,602	142,589	130,508	123,649	123,914
Tenant security deposits and prepaid rents	50,307	45,133	46,311	42,808	43,966
Total liabilities	4,750,701	4,707,985	4,873,895	4,841,436	4,797,518
Preferred stock	428,926	447,683	447,683	447,683	447,683
Common stock and additional paid-in capital	4,653,199	4,624,228	4,604,477	4,571,131	4,540,121
Accumulated other comprehensive income	3,832	4,119	3,780	3,950	3,228
Distributions in excess of net income	(2,100,245)	(2,062,787)	(2,076,299)	(2,014,399)	(2,020,455)
Total shareholders' equity	2,985,712	3,013,243	2,979,641	3,008,365	2,970,577
Noncontrolling interest	30,950	31,386	33,303	34,101	34,004
Total liabilities and equity	$7,767,363	$7,752,614	$7,886,839	$7,883,902	$7,802,099

Exhibit II

Statements of Operations

(unaudited and in thousands)

	Three Months Ended		
	March 31, 2014	March 31, 2013	% Change
Revenues:			
Rental and related revenue	**$237,350**	$209,879	13%
General contractor and service fee revenue	**55,820**	47,404	18%
	293,170	257,283	14%
Expenses:			
Rental expenses	**50,267**	38,861	29%
Real estate taxes	**32,467**	29,040	12%
General contractor and other services expenses	**47,271**	38,341	23%
Depreciation and amortization	**98,059**	92,993	5%
	228,064	199,235	14%
Other Operating Activities:			
Equity in earnings of unconsolidated companies	**2,321**	49,378	-95%
Gain on sale of properties	**15,853**	168	9336%
Gain on land sales	**152**	0	
Undeveloped land carrying costs	**(2,124)**	(2,198)	3%
Other operating expenses	**(92)**	(68)	-35%
General and administrative expenses	**(14,694)**	(13,145)	-12%
	1,416	34,135	-96%
Operating income	**66,522**	92,183	-28%
Other Income (Expenses):			
Interest and other income, net	**351**	153	129%
Interest expense	**(55,257)**	(57,181)	3%
Acquisition-related activity	**(14)**	643	-102%
Income tax expense (1)	**(2,674)**	0	
Income from continuing operations	**8,928**	35,798	-75%
Discontinued Operations:			
Loss before gain on sales	**(132)**	(629)	79%
Gain on sale of depreciable properties, net of tax	**16,775**	8,954	87%
Income from discontinued operations	**16,643**	8,325	100%
Net income	**25,571**	44,123	-42%
Dividends on preferred shares	**(7,037)**	(9,550)	26%
Adjustments for redemption/repurchase of preferred shares	**483**	(5,932)	0%
Net income attributable to noncontrolling interests	**(334)**	(598)	44%
Net income attributable to common shareholders	**$18,683**	$28,043	-33%
Basic net income per common share:			
Continuing operations attributable to common shareholders (2)	**$0.01**	$0.06	-83%
Discontinued operations attributable to common shareholders	**$0.05**	$0.03	67%
Total	**$0.06**	$0.09	-33%
Diluted net income per common share:			
Continuing operations attributable to common shareholders (2)	**$0.01**	$0.06	-83%
Discontinued operations attributable to common shareholders	**$0.05**	$0.03	67%
Total	**$0.06**	$0.09	-33%
Weighted average number of common shares outstanding	**327,106**	314,936	
Weighted average number of common shares and potential dilutive securities	**331,716**	319,571	

(1) The income tax expense included in continuing operations during the three months ended March 31, 2014 was triggered by the sale of one property during that time period, which was partially owned by our taxable REIT subsidiary, but due to continuing involvement in managing the property, was not classified as a discontinued operation.

(2) Dividends on preferred shares and adjustments for the redemption/repurchase of preferred shares are allocated entirely to continuing operations for basic and diluted net income (loss) per common share.

Exhibit II

Statements of FFO

(unaudited and in thousands)

	Three Months Ended	
	March 31, 2014	March 31, 2013
Rental Operations		
Revenues:		
Rental and related revenue from continuing operations	**$235,308**	$208,048
Lease buyouts	**2,042**	1,831
Revenues from continuing rental operations	**237,350**	209,879
Rental and related revenue from discontinued operations	**1,368**	16,404
	238,718	226,283
Operating expenses:		
Rental expenses	**50,267**	38,861
Real estate taxes	**32,467**	29,040
Operating expenses from discontinued operations	**913**	5,986
	83,647	73,887
FFO from rental operations	**155,071**	152,396
Unconsolidated Subsidiaries		
FFO from unconsolidated subsidiaries	**9,117**	8,497
Service Operations		
General contractor and service fee revenue	**55,820**	47,404
General contractor and other services expenses	**(47,271)**	(38,341)
FFO from fee based Service Operations	**8,549**	9,063
FFO from Operations	**172,737**	169,956
Gain on land sales	**152**	0
Undeveloped land carrying costs	**(2,124)**	(2,198)
Other operating expenses	**(92)**	(68)
General and administrative expenses	**(14,694)**	(13,145)
Interest and other income, net	**351**	153
Interest expense	**(55,257)**	(57,181)
Interest expense from discontinued operations	**(382)**	(4,260)
Dividends on preferred shares	**(7,037)**	(9,550)
Adjustments for redemption/repurchase of preferred shares	**483**	(5,932)
Acquisition-related activity	**(14)**	643
Noncontrolling interest share of FFO from consolidated subsidiaries	**(319)**	(510)
Diluted Funds from Operations - NAREIT	**$93,804**	$77,908
Less gain on land sales	**(152)**	0
Add back adjustments for redemption/repurchase of preferred shares	**(483)**	5,932
Add back acquisition-related activity	**14**	(643)
Diluted Core Funds from Operations	**$93,183**	$83,197
Weighted average number of common shares and potential dilutive securities	**334,380**	322,439
Diluted FFO per share	**$0.28**	$0.24
Diluted Core FFO per share	**$0.28**	$0.26

Exhibit II

Summary of EPS, FFO and AFFO

(unaudited and in thousands)

	Three Months Ended March 31 (Unaudited)					
	2014			2013		
	Amount	Wtd. Avg. Shares	Per Share	Amount	Wtd. Avg. Shares	Per Share
Net income attributable to common shareholders	$18,683			$28,043		
Less dividends on participating securities	(645)			(688)		
Net Income Per Common Share-Basic	18,038	327,106	$0.06	27,355	314,936	$0.09
Add back:						
Noncontrolling interest in earnings of unitholders	250	4,387		392	4,405	
Other potentially dilutive securities		223			230	
Net Income Attributable to Common Shareholders-Diluted	**$18,288**	**331,716**	**$0.06**	**$27,747**	**319,571**	**$0.09**
Reconciliation to Funds From Operations ("FFO")						
Net Income Attributable to Common Shareholders	$18,683	327,106		$28,043	314,936	
Adjustments:						
Depreciation and amortization	98,264			99,780		
Company share of joint venture depreciation, amortization and other	6,396			7,629		
Gains on depreciable property sales, net of tax-wholly owned, discontinued operations	(16,775)			(8,954)		
Gains on depreciable property sales, net of tax-wholly owned, continuing operations	(13,179)			(168)		
Gains/losses on depreciable property sales-JV	165			(48,814)		
Noncontrolling interest share of adjustments	(991)			(682)		
Funds From Operations-Basic	92,563	327,106	$0.28	76,834	314,936	$0.24
Noncontrolling interest in income of unitholders	250	4,387		392	4,405	
Noncontrolling interest share of adjustments	991			682		
Other potentially dilutive securities		2,887			3,098	
Funds From Operations-Diluted	**$93,804**	**334,380**	**$0.28**	**$77,908**	**322,439**	**$0.24**
Gain on land sales	(152)			-		
Adjustments for redemption/repurchase of preferred shares	(483)			5,932		
Acquisition-related activity	14			(643)		
Core Funds From Operations - Diluted	**$93,183**	**334,380**	**$0.28**	**$83,197**	**322,439**	**$0.26**
Adjusted Funds From Operations						
Core Funds From Operations - Diluted	$93,183	334,380	$0.28	$83,197	322,439	$0.26
Adjustments:						
Straight-line rental income and expense	(6,701)			(5,891)		
Amortization of above/below market rents and concessions	2,468			2,210		
Stock based compensation expense	8,277			6,854		
Noncash interest expense	1,602			2,310		
Second generation concessions	(76)			(68)		
Second generation tenant improvements	(7,461)			(7,859)		
Second generation leasing commissions	(6,902)			(5,636)		
Building improvements	(337)			(634)		
Adjusted Funds From Operations - Diluted	**$84,053**	**334,380**	**$0.25**	**$74,483**	**322,439**	**$0.23**
Dividends Declared Per Common Share			$0.170			$0.170
Payout Ratio of Core Funds From Operations - Diluted			60.71%			65.38%
Payout Ratio of Adjusted Funds From Operations - Diluted			68.00%			73.91%

Exhibit II

Discontinued Operations Disclosure

(unaudited and in thousands)

	Three Months Ended	
	March 31, 2014	March 31, 2013
Properties Comprising Discontinued Operations (1):		
Income Statement:		
Revenues	**$1,368**	$16,404
Operating expenses	**(913)**	(5,986)
Depreciation and amortization	**(205)**	(6,787)
Operating income	**250**	3,631
Interest expense	**(382)**	(4,260)
Gain on sale of depreciable properties	**19,752**	8,954
Income from discontinued operations before income taxes	**19,620**	8,325
Income tax expense (2)	**(2,977)**	0
Income from discontinued operations	**$16,643**	$8,325

(1) The amounts classified in discontinued operations for the periods ended March 31, 2014 and March 31, 2013 are comprised of three properties that are currently held for sale, ten properties sold in the three months ended March 31, 2014 and 25 properties sold during the year ended December 31, 2013.

Excluded from the above is one property that was sold during the three months ended March 31, 2014 and 13 properties that were sold during the year ended December 31, 2013 and, as a result of our maintaining varying forms of continuing involvement after the sale, did not meet the criteria to be classified in discontinued operations.

(2) The income tax expense included in discontinued operations during the three months ended March 31, 2014 was triggered by the sale of one property during that time period, which was partially owned by our taxable REIT subsidiary.

Exhibit II

Selected Financial Information

(unaudited and in thousands)

	Three Months Ended	
	March 31, 2014	March 31, 2013
Revenues from continuing operations	**$293,170**	$257,283
Revenues from discontinued operations	**1,368**	16,404
Total revenues	**$294,538**	$273,687
Calculation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)		
Net income	**$25,571**	$44,123
Add depreciation and amortization - continuing operations	**98,059**	92,993
Add depreciation and amortization - discontinued operations	**205**	6,787
Add interest expense - continuing operations	**55,257**	57,181
Add interest expense - discontinued operations	**382**	4,260
Add income tax expense - continuing and discontinued operations (1)	**5,651**	0
EBITDA, prior to adjustments for joint ventures	**$185,125**	$205,344
Less pre-tax gains on depreciable property sales	**(35,605)**	(9,122)
Less gains/losses on depreciable property sales - Company's share of JV	**165**	(48,814)
Less gains on land sales	**(152)**	0
Add acquisition-related activity	**14**	(643)
Core EBITDA, prior to adjustments for joint ventures	**$149,547**	$146,765
Add back gains (losses) on depreciable property sales - Company's share of JV	**(165)**	48,814
Less equity in earnings	**(2,321)**	(49,378)
Company's share of JV EBITDA	**12,608**	13,144
Core EBITDA, including share of joint ventures	**$159,669**	$159,345
Components of Fixed Charges		
Interest expense, including discontinued operations	**$55,639**	$61,441
Company's share of JV interest expense	**3,084**	5,508
Capitalized interest	**4,170**	4,660
Company's share of JV capitalized interest	**54**	0
Interest costs for Fixed Charge reporting	**$62,947**	$71,609
Dividends on preferred shares	**7,037**	9,550
Total Fixed Charges	**$69,984**	$81,159
Common dividends paid	**$55,596**	$54,678
Unit distributions paid	**$746**	$751
Acquired lease-based intangible assets (included within deferred leasing and other costs)	**$394,497**	$398,717
Accumulated amortization on acquired lease-based intangible assets	**($159,762)**	($142,981)
Acquired lease based intangible assets, net	**$234,735**	$255,736
Common shares outstanding	**328,480**	321,667
Partnership units outstanding	**4,387**	4,388
Total common shares and units outstanding at end of period	**332,867**	326,055
Common Equity Market Capitalization (2)	**$5,618,795**	$5,536,414
Total Market Capitalization (3)	**$10,370,930**	$10,378,486

Note: Amounts shown represent continuing and discontinued operations except where noted.

(1) Income tax expense for the three months ended March 31, 2014 was the result of the sale of two properties partially owned by our taxable REIT subsidiary.

(2) Number of common shares and partnership units outstanding multiplied by the Company's closing share price at the end of each reporting period.

(3) Common Equity Market Capitalization plus face or redemption value of outstanding debt and preferred stock.

Exhibit II

Ratio Summary

(dollars in thousands)

	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Effective Leverage (Debt + Company's Share of JV Debt) / (Total Assets + Accumulated Depreciation + Company's Share of JV Gross Assets)	**46%**	**46%**	**47%**	**47%**	**48%**
Debt to Total Market Capitalization (Debt / Total Market Capitalization as defined on page 11)	**42%**	**44%**	**44%**	**44%**	**42%**
Effective Leverage with Preferred Stock (Debt + Share of JV Debt + Preferred Stock) / (Total Assets + Accumulated Depreciation + Company's Share of JV Gross Assets)	**51%**	**50%**	**52%**	**52%**	**52%**
Debt plus Preferred to Total Market Capitalization ((Debt + Preferred Stock) / Total Market Capitalization as defined on page 11)	**46%**	**49%**	**49%**	**49%**	**47%**
Net Debt (Debt - Cash + Share of JV Debt) to Core EBITDA, Including Share of Joint Ventures:					
Trailing twelve months	**7.1**	**7.0**	**7.5**	**7.5**	**7.2**
Current quarter annualized	**7.2**	**6.8**	**7.4**	**7.3**	**6.9**
Proforma current quarter annualized (*)	**7.2**				
Net Debt (Debt - Cash + Share of JV Debt) + Preferred Equity to Core EBITDA, Including Share of Joint Ventures:					
Trailing twelve months	**7.8**	**7.7**	**8.2**	**8.2**	**7.9**
Current quarter annualized	**7.9**	**7.5**	**8.1**	**8.0**	**7.6**
Proforma current quarter annualized (*)	**7.8**				
Fixed Charge Coverage Ratio (Core EBITDA, Including Joint Ventures) / Total Fixed Charges					
Trailing twelve months	**2.2**	**2.1**	**2.0**	**1.9**	**1.9**
Most recent quarter	**2.3**	**2.3**	**2.2**	**2.1**	**2.0**

(*) Proforma Calculations - Core EBITDA and Net Debt	**Three Months Ended March 31, 2014**	
Core EBITDA, including share of joint ventures	$159,669	
Proforma EBITDA adjustment for current quarter acquisition	42	(1)
Proforma EBITDA adjustment for current quarter developments placed in service	1,275	(2)
Proforma EBITDA adjustment for properties in development pipeline	11,538	(3)
Remove EBITDA related to properties sold	(368)	(4)
Proforma Core EBITDA, including share of joint ventures	$172,156	
	x 4	
Annualized proforma Core EBITDA, including share of joint ventures	$688,624	
Total debt	$4,323,210	
Less cash	(19,474)	
Share of JV debt	307,484	
Net Debt	$4,611,220	
Plus remaining costs to spend for properties in development pipeline	331,004	(3)
Proforma Net Debt	$4,942,224	
Proforma Net Debt to EBITDA	**7.2**	
Proforma Net Debt	$4,942,224	
Preferred stock	428,926	
Proforma Net Debt plus Preferred	$5,371,150	
Proforma Net Debt plus Preferred to EBITDA	**7.8**	

Notes to Proforma Calculations:

(1) Current quarter acquisition consists of one industrial building that is 100% leased, totaling approximately 407,000 square feet. Adjustment is to reflect a full quarter of operations for this property.

(2) Current quarter developments placed in service consist of one office and three medical office buildings that are 100% leased, totaling more than 392,000 square feet. Adjustment is to reflect a full quarter of operations for such properties.

(3) There are 15 industrial, eight medical office and two office properties in our development pipeline as of March 31, 2014, totaling more than 7.5 million square feet (including two industrial properties, totaling approximately 1.8 million square feet, within one of our unconsolidated joint ventures). These properties have projected stabilized costs of more than $607.2 million (with the joint venture development costs reflected at our ownership percentage) and are 86% pre-leased in the aggregate. The proforma EBITDA is calculated based on the projected stabilized yield of 7.6% for these properties. The remaining costs to spend for these properties represent the total projected stabilized costs less the costs funded through March 31, 2014.

(4) Current quarter properties sold consist of nine industrial and two medical office buildings, totaling approximately 620,000 square feet. Adjustment is to remove the pre-sale operations of these properties from Core EBITDA for the quarter.

Exhibit II

Summary of Unsecured Public Debt Covenants

Covenant	Threshold	First Quarter '14	Fourth Quarter '13	Third Quarter '13	Second Quarter '13
Total Debt to Undepreciated Assets	<60%	48%	47%	49%	48%
Debt Service Coverage	>1.5x	2.5	2.5	2.4	2.3
Secured Debt to Undepreciated Assets	<40%	14%	14%	14%	15%
Undepreciated Unencumbered Assets to Unsecured Debt	>150%	217%	221%	215%	216%

Note: The ratios are based upon the results of Duke Realty Limited Partnership, the partnership through which Duke Realty conducts its operations, using calculations that are defined in the trust indenture.

	Three Months Ended		
Unencumbered Consolidated Assets	**March 31, 2014**		**March 31, 2013**
Number of properties	468	(1)	460
Total square feet (in thousands)	85,796	(1)	78,495
Gross book value (in thousands)	$6,091,021	(1)	$5,624,287
Annual stabilized NOI (in thousands)	$538,407	(1)	$517,895

(1) Excludes 23 wholly owned properties under development at March 31, 2014 which will be unencumbered upon completion. These properties totaled approximately 5.8 million square feet with total anticipated stabilized project costs of more than $568.3 million and anticipated stabilized NOI of more than $43.5 million.

Exhibit II

Owned Property Occupancy Analysis

(*SF in thousands*)

	March 31, 2013			June 30, 2013			September 30, 2013			December 31, 2013			March 31, 2014		
	# of Bldgs.	SF	% Leased	# of Bldgs.	SF	% Leased	# of Bldgs.	SF	% Leased	# of Bldgs.	SF	% Leased	# of Bldgs.	SF	% Leased
Stabilized or In Service Geater Than One Year:															
Bulk Distribution	481	110,458	94.0%	494	117,155	95.2%	495	118,909	95.4%	495	120,150	95.8%	487	120,539	95.2%
Suburban Office	176	20,131	84.5%	177	20,508	86.5%	177	20,507	87.2%	165	19,073	87.8%	165	19,172	88.1%
Medical Office	69	5,417	91.3%	72	5,563	93.0%	73	5,578	93.9%	63	5,298	93.7%	64	5,312	93.7%
Retail	6	1,327	85.4%	5	937	84.7%	5	937	87.1%	5	937	86.7%	5	937	87.6%
Total	732	137,334	92.4%	748	144,163	93.8%	750	145,931	94.2%	728	145,458	94.6%	721	145,959	94.2%
Unstabilized and In Service Less Than One Year: (1)															
Bulk Distribution	1	421	0.0%	2	1,021	0.0%	2	1,021	0.0%	2	1,021	33.6%	1	600	57.2%
Suburban Office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical Office	1	52	52.0%	1	52	61.0%	1	52	58.1%	-	-	-	-	-	-
Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2	473	5.7%	3	1,073	3.0%	3	1,073	2.8%	2	1,021	33.6%	1	600	57.2%
Total In-Service Portfolio:															
Bulk Distribution	482	110,879	93.6%	496	118,176	94.4%	497	119,930	94.6%	497	121,171	95.3%	488	121,139	95.0%
Suburban Office	176	20,131	84.5%	177	20,508	86.5%	177	20,507	87.2%	165	19,073	87.8%	165	19,172	88.1%
Medical Office	70	5,469	90.9%	73	5,615	92.7%	74	5,630	93.6%	63	5,298	93.7%	64	5,312	93.7%
Retail	6	1,327	85.4%	5	937	84.7%	5	937	87.1%	5	937	86.7%	5	937	87.6%
Total	734	137,807	92.1%	751	145,237	93.2%	753	147,004	93.5%	730	146,479	94.2%	722	146,559	94.0%
Properties Under Development:															
Bulk Distribution	7	3,396	75.3%	3	1,936	87.6%	3	826	70.9%	10	4,854	89.8%	15	6,673	85.5%
Suburban Office	3	703	92.8%	2	406	75.8%	3	611	84.6%	3	652	81.5%	2	452	83.2%
Medical Office	13	1,021	100.0%	13	988	100.0%	12	817	100.0%	11	590	93.0%	8	397	89.6%
Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	23	5,120	82.6%	18	3,331	89.8%	18	2,253	85.2%	24	6,095	89.2%	25	7,522	85.6%
Total Portfolio:															
Bulk Distribution	489	114,275	93.1%	499	120,112	94.3%	500	120,756	94.5%	507	126,025	95.0%	503	127,812	94.5%
Suburban Office	179	20,835	84.8%	179	20,915	86.3%	180	21,117	87.2%	168	19,724	87.6%	167	19,624	88.0%
Medical Office	83	6,491	92.4%	86	6,604	93.8%	86	6,447	94.4%	74	5,888	93.6%	72	5,709	93.4%
Retail	6	1,327	85.4%	5	937	84.7%	5	937	87.1%	5	937	86.7%	5	937	87.6%
Total	757	142,928	91.8%	769	148,567	93.1%	771	149,257	93.4%	754	152,574	94.0%	747	154,081	93.6%

Note: Percentage leased numbers are shown on a lease-up basis. Lease-up basis occupancy represents the percentage of total square feet based on executed leases without regard to whether the leases have commenced.

Note: Joint Ventures are included at 100%.

(1) Includes development projects placed in-service less than 1 year that have not reached 90% occupancy.

Exhibit II

Historical Occupancy Summary

(*SF in thousands*)

	Properties in Service (1)		Under Development		Total Portfolio	
	Total Square Feet	Percent Leased	Total Square Feet	Percent Leased	Total Square Feet	Percent Leased
December 31, 2002	105,196	87.1%	3,058	79.5%	108,254	86.8%
December 31, 2003	106,220	89.3%	2,813	72.6%	109,033	88.9%
December 31, 2004	109,987	90.9%	4,228	59.2%	114,215	89.7%
December 31, 2005	98,671	92.5%	9,005	41.7%	107,676	88.3%
December 31, 2006	110,629	92.9%	10,585	33.8%	121,214	87.7%
December 31, 2007	116,323	92.0%	16,578	50.7%	132,901	86.9%
December 31, 2008	131,049	88.8%	4,021	46.4%	135,070	87.6%
December 31, 2009	133,829	87.4%	1,620	70.0%	135,449	87.2%
December 31, 2010	136,735	89.1%	2,741	88.5%	139,476	89.1%
December 31, 2011	135,590	90.7%	913	89.1%	136,503	90.7%
December 31, 2012	141,196	93.0%	4,446	73.5%	145,642	92.4%
December 31, 2013	146,479	94.2%	6,095	89.2%	152,574	94.0%
March 31, 2014	146,559	94.0%	7,522	85.6%	154,081	93.6%

Note: Percentage leased numbers are shown on a lease-up basis. Lease-up basis occupancy represents the percentage of total square feet based on executed leases without regard to whether the leases have commenced.

Note: Joint Ventures are included at 100%.

(1) Includes unstabilized developments that have reached shell completion.

Exhibit II

FFO and NOI Reconciliation

(unaudited and in thousands)

	Three Months Ended	
	March 31, 2014	March 31, 2013
Core Funds from Operations - Diluted (page 9)	**$93,183**	$83,197
Add back: Interest expense, continuing operations	**55,257**	57,181
Add back: Interest expense, discontinued operations	**382**	4,260
Add back: Dividends on preferred shares	**7,037**	9,550
Less: Company share of joint venture depreciation, amortization and other	**(6,396)**	(7,629)
Add back: Noncontrolling interest in consolidated joint ventures	**84**	206
Core EBITDA, Prior to Adjustments for Joint Ventures (page 11)	**$149,547**	$146,765
Less: General contractor and service fee revenue, net of related expenses	**(8,549)**	(9,063)
Add back: General and administrative expenses	**14,694**	13,145
Add back: Undeveloped land carrying costs	**2,124**	2,198
Add back: Other operating expenses	**92**	68
Add back: Gains (losses) on depreciable property sales - Company's share of JV	**(165)**	48,814
Less: Equity in earnings	**(2,321)**	(49,378)
Less: Interest and other income	**(351)**	(153)
Less: Revenues not allocable to operating segments	**(979)**	(1,197)
Add back: Rental expenses and real estate taxes not allocable to operating segments	**1,671**	886
Wholly Owned Property Level NOI	**$155,763**	$152,085
Less: Revenues from discontinued operations	**(1,368)**	(16,404)
Add back: Rental expenses and real estate taxes from discontinued operations	**913**	5,986
Wholly Owned Property Level NOI from Continuing Operations	**$155,308**	$141,667
Adjustments to rental revenues (1)	**(5,549)**	(3,332)
Sold assets not in discontinued operations	**96**	(2,767)
Wholly Owned Property Level NOI - Cash Basis (page 17)	**$149,855**	$135,568
Proforma property level NOI adjustments - wholly owned properties (2)	**1,140**	388
Property level NOI - cash basis (share of JV properties)	**12,342**	11,256
Total Proforma Property Level NOI - Cash Basis (Page 17)	**$163,337**	$147,212

(1) Represents adjustments for straight line rental income and expense, amortization of above and below market rents, amortization of lease concessions, intercompany rents and termination fees.

(2) NOI is adjusted to reflect a full quarter of operations for properties that were placed in service or acquired during the quarter.

Exhibit II

Net Operating Income by Product Type

(dollars and SF in thousands)

	Bulk Distribution	Suburban Office	Medical Office	Retail	Total	
Total Wholly Owned and Joint Venture In-Service Portfolio						
Rental revenues from continuing operations	$134,002	$66,972	$33,310	$2,087	$236,371	(1)
Adjustments to rental revenues	(3,874)	(1,636)	97	(136)	(5,549)	(2)
Sold assets not in discontinued operations	-	10	86	-	96	(3)
Adjusted rental revenues	130,128	65,346	33,493	1,951	230,918	
Rental and real estate tax expenses from continuing operations	(38,219)	(29,082)	(12,916)	(846)	(81,063)	(4)
Wholly owned property level NOI-cash basis (PNOI)	91,909	36,264	20,577	1,105	149,855	
Proforma property level NOI adjustments- wholly owned properties	44	185	911	-	1,140	(5)
Wholly owned pro-forma property level NOI-cash basis	$91,953	$36,449	$21,488	$1,105	$150,995	
Property level NOI- cash basis (share of JV properties)	4,767	5,362	1,222	991	12,342	(6)
Total pro-forma property level NOI- cash basis	$96,720	$41,811	$22,710	$2,096	$163,337	
NOI % by product type	59%	26%	14%	1%		
Number of properties	486	165	63	5	719	(7)
Total square footage at 100%	120,576	19,172	5,255	937	145,939	(7)
Total square footage at economic ownership %	109,472	15,976	4,732	718	130,897	(7)
Average commencement occupancy for the three months ended 3/31/14	92.9%	86.4%	90.2%	84.9%	91.9%	(8)
Ending lease up occupancy at 3/31/14	95.0%	88.1%	93.6%	87.6%	94.0%	(9)

Note: **NOI information is for the three months ended March 31, 2014 and includes only wholly owned and joint venture in-service properties as of March 31,2014. Joint venture property NOI is shown at economic ownership percentage. Sold properties and projects designated as held for sale have been excluded.**

Note: **See page 19 for further detail regarding the composition of our in-service portfolio.**

Note: **Three properties are classified as held for sale, and treated as discontinued operations, at March 31, 2014 and, as such, are not included in the schedule above. These properties generated $729 of NOI during the three months ended March 31, 2014 and had a gross basis of $39,339 as of March 31, 2014.**

(1) Rental revenues from continuing operations as included in the segment reporting disclosures in the notes to our consolidated financial statements. Revenues not allocated to reportable segments, which are not included above, totaled $979 for the three months ended March 31, 2014.

(2) Represents adjustments for straight line rental income and expense, amortization of above and below market rents, amortization of lease concessions, intercompany rents and lease termination fees.

(3) Represents properties that were sold but not included in discontinued operations due primarily to ongoing property management agreements.

(4) Rental and real estate taxes as used in the computation of PNOI from the segment reporting disclosures in the notes to our consolidated financial statements. Rental expenses and real estate taxes not allocated to reportable segments, which are not included above, totaled $1,671 for the three months ended March 31,2014.

(5) NOI is adjusted to reflect a full quarter of operations for properties that were placed in service or acquired during the quarter.

(6) NOI for joint venture properties is presented at Duke's effective ownership percentage.

(7) Number of properties, total square footage at 100% and total square footage at economic ownership % exclude two industrial buildings (563,000 SF) and one medical office building (57,000 SF) that are held for sale and included in discontinued operations.

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

(9) Lease up occupancy represents the percentage of total square feet based on executed leases without regard to whether the leases have commenced.

Exhibit II

Net Operating Income

(dollars and SF in thousands)

	Bulk Distribution	Suburban Office	Medical Office	Retail	Total
Stabilized Properties Generating Positive NOI (1)					
Total pro-forma property level NOI-cash basis, included in total from page 18	$ 97,928	$ 42,688	$ 22,710	$ 2,096	$ 165,421
Gross book value (4)	$4,868,181	$2,099,676	$ 1,233,091	$209,983	$8,410,931
Number of properties	465	154	63	5	687
Average age	11.8	14.9	6.1	8.0	11.9
Total square footage at 100%	116,096	18,110	5,254	937	140,396
Total square footage at economic ownership %	105,309	14,949	4,732	718	125,708
Average commencement occupancy for the three months ended 3/31/14	95.4%	88.3%	90.2%	84.9%	94.2%
Lease up occupancy at 3/31/14	96.6%	90.1%	93.6%	87.6%	95.6%
Stabilized Properties with Negative NOI (2)					
Total pro-forma property level NOI-cash basis, included in total from page 18	$ (1,185)	$ (877)	N/A	N/A	$ (2,063)
Gross book value (4)	$ 187,812	$ 113,590	N/A	N/A	$ 301,402
Number of properties	20	11	N/A	N/A	31
Average age	8.7	20.0	N/A	N/A	11.2
Total square footage at 100%	3,880	1,063	N/A	N/A	4,943
Total square footage at economic ownership %	3,863	1,026	N/A	N/A	4,890
Average commencement occupancy for the three months ended 3/31/14	23.8%	53.1%	N/A	N/A	30.1%
Lease up occupancy at 3/31/14	52.3%	54.0%	N/A	N/A	52.7%
Unstabilized Properties (3)					
Total pro-forma property level NOI-cash basis, included in total from page 18	$ (21)	N/A	N/A	N/A	$ (21)
Gross book value (4)	$ 9,543	N/A	N/A	N/A	$ 9,543
Number of properties	1	N/A	N/A	N/A	1
Average age	0.8	N/A	N/A	N/A	0.8
Total square footage at 100%	600	N/A	N/A	N/A	600
Total square footage at economic ownership %	300	N/A	N/A	N/A	300
Average commencement occupancy for the three months ended 3/31/14	57.2%	N/A	N/A	N/A	57.2%
Lease up occupancy at 3/31/14	57.2%	N/A	N/A	N/A	57.2%

Note: NOI information is for the three months ended March 31, 2014 and includes only wholly owned and joint venture in-service properties as of March 31, 2014. Joint venture property NOI is shown at economic ownership percentage. Sold properties and projects designated as held for sale have been excluded.

Note: This schedule provides supplemental information for the same population of properties presented on page 17 and 18.

Note: Three properties are classified as held for sale and treated as discontinued operations, at March 31, 2014 and, as such, are not included in the schedule above. These properties generated $729 of NOI during the three months ended March 31, 2014 and had a gross basis of $39,339 as of March 31, 2014.

(1) Represents buildings that have reached 90% occupancy and/or been in service for at least one year and that have positive NOI for the current reporting period.

(2) Represents buildings that have reached 90% lease-up occupancy and have negative NOI for the current reporting period.

(3) Represents buildings that have been in service for less than one year and have not reached 90% occupancy.

(4) Joint ventures are included at ownership percentage.

Exhibit II

Net Operating Income by Market

(dollars and SF in thousands)

Market	Net Operating Income: Bulk Distribution	Net Operating Income: Suburban Office	Net Operating Income: Medical Office	Net Operating Income: Retail	Net Operating Income: Total	Total Square Footage at Economic Ownership %: Bulk Distribution	Total Square Footage at Economic Ownership %: Suburban Office	Total Square Footage at Economic Ownership %: Medical Office	Total Square Footage at Economic Ownership %: Retail	Total Square Footage at Economic Ownership %: Total
Indianapolis	$ 11,174	$ 8,560	$ 2,165	$ 10	$ 21,909	14,917	2,812	402	38	18,170
Cincinnati	7,003	7,082	1,480	40	15,604	9,533	3,060	370	30	12,993
Dallas	8,873	539	4,184	-	13,596	10,663	200	816	-	11,678
Raleigh	3,612	7,285	1,578	52	12,527	2,801	2,297	357	20	5,475
Atlanta	6,078	1,937	4,104	-	12,119	8,370	724	891	-	9,986
South Florida	6,382	5,047	646	-	12,075	4,793	1,484	107	-	6,384
Chicago	10,528	98	976	-	11,602	10,773	20	161	-	10,954
Nashville	3,793	3,691	633	-	8,117	3,932	1,023	121	-	5,076
St. Louis	4,224	3,435	-	-	7,659	4,559	1,960	-	-	6,520
Central Florida	4,184	695	2,280	-	7,158	3,542	208	466	-	4,216
Columbus	6,684	97	-	-	6,781	8,332	51	-	-	8,383
Washington DC	612	3,626	576	-	4,814	272	728	101	-	1,101
Minneapolis	3,612	-	-	991	4,603	3,599	-	-	340	3,938
Houston	3,382	143	553	-	4,078	2,452	32	169	-	2,652
Pennsylvania	2,708	-	-	1,003	3,711	2,384	-	-	290	2,674
Savannah	3,606	-	-	-	3,606	5,318	-	-	-	5,318
Northern California	2,676	-	-	-	2,676	2,572	-	-	-	2,572
Southern California	2,557	-	-	-	2,557	1,796	-	-	-	1,796
Seattle	1,950	-	-	-	1,950	1,136	-	-	-	1,136
New Jersey	1,827	-	-	-	1,827	1,335	-	-	-	1,335
Phoenix	1,342	-	-	-	1,342	1,251	-	-	-	1,251
Baltimore	746	-	-	-	746	462	-	-	-	462
Other	375	452	3,534	-	4,362	517	350	772	-	1,638
Totals	$ 97,928	$ 42,688	$ 22,710	$ 2,096	$ 165,421	105,309	14,949	4,732	718	125,708

Note: NOI information is for the three months ended March 31, 2014 and includes only wholly owned and joint venture in-service properties as of March 31, 2014. Joint venture property NOI is shown at economic ownership percentage. Sold properties and projects designated as held for sale have been excluded.

Note: This schedule provides supplemental information for the stabilized properties generating positive NOI shown on page 18.

Exhibit II

Geographic Highlights

In Service Properties as of March 31, 2014

Primary Market	Square Feet (1): Bulk Distribution	Suburban Office	Medical Office	Retail	Overall	Percent of Overall	Average Annual Rental Revenue (2)	Percent of Annual Net Effective Rent
Indianapolis	19,524,342	2,918,233	539,157	38,366	23,020,098	15.7%	$ 92,195,992	12.8%
Cincinnati	9,626,505	3,311,264	370,180	206,315	13,514,264	9.2%	68,998,199	9.5%
Dallas	14,758,823	199,800	1,200,905	-	16,159,528	11.0%	56,664,699	7.8%
South Florida	4,915,895	1,794,523	107,000	-	6,817,418	4.7%	55,906,910	7.7%
Atlanta	8,938,350	1,249,036	890,892	-	11,078,278	7.6%	55,629,900	7.7%
Raleigh	2,800,680	2,394,831	356,836	20,061	5,572,408	3.8%	52,094,943	7.2%
Chicago	11,447,070	98,304	161,443	-	11,706,817	8.0%	48,240,791	6.7%
St. Louis	4,678,255	2,264,278	-	-	6,942,533	4.7%	39,932,968	5.5%
Nashville	3,932,110	1,167,531	120,660	-	5,220,301	3.6%	34,149,832	4.7%
Central Florida	4,268,901	415,373	465,727	-	5,150,001	3.5%	27,997,605	3.9%
Columbus	9,246,217	253,705	-	-	9,499,922	6.5%	25,403,374	3.5%
Minneapolis	3,720,250	-	-	381,922	4,102,172	2.8%	23,789,932	3.3%
Savannah	6,935,446	-	-	-	6,935,446	4.7%	19,640,725	2.7%
Houston	2,691,611	318,231	168,850	-	3,178,692	2.2%	19,331,482	2.7%
Washington DC	748,362	2,366,239	100,952	-	3,215,553	2.2%	18,265,052	2.5%
Pennsylvania	2,384,240	-	-	289,855	2,674,095	1.8%	15,899,000	2.2%
Northern California	2,571,630	-	-	-	2,571,630	1.8%	10,953,257	1.5%
Southern California	2,339,379	-	-	-	2,339,379	1.6%	10,914,228	1.5%
Seattle	1,136,109	-	-	-	1,136,109	0.8%	10,256,153	1.4%
New Jersey	1,335,464	-	-	-	1,335,464	0.9%	7,016,296	1.0%
Phoenix	2,058,316	-	-	-	2,058,316	1.4%	5,241,798	0.7%
Baltimore	462,070	-	-	-	462,070	0.3%	2,696,875	0.4%
Other	618,944	420,869	829,044	-	1,868,857	1.3%	21,667,161	3.0% (3)
Total	121,138,969	19,172,217	5,311,646	936,519	146,559,351	100.0%	$ 722,887,174	100.0%
% of Square Feet	82.7%	13.1%	3.6%	0.6%	100.0%			

Primary Market	Occupancy %: Bulk Distribution	Suburban Office	Medical Office	Retail	Overall
Indianapolis	97.3%	93.4%	97.1%	92.1%	96.8%
Cincinnati	97.5%	84.8%	98.4%	100.0%	94.4%
Dallas	97.1%	100.0%	95.7%	-	97.1%
South Florida	91.4%	92.2%	100.0%	-	91.7%
Atlanta	89.3%	92.3%	95.7%	-	90.2%
Raleigh	95.8%	95.2%	97.2%	71.7%	95.5%
Chicago	98.0%	100.0%	98.9%	-	98.0%
St. Louis	95.5%	80.6%	-	-	90.7%
Nashville	81.0%	94.4%	100.0%	-	84.4%
Central Florida	93.6%	92.1%	81.3%	-	92.4%
Columbus	99.2%	75.4%	-	-	98.5%
Minneapolis	95.3%	-	-	82.5%	94.1%
Savannah	87.7%	-	-	-	87.7%
Houston	100.0%	100.0%	85.0%	-	99.2%
Washington DC	93.4%	80.3%	100.0%	-	84.0%
Pennsylvania	100.0%	-	-	85.9%	98.5%
Northern California	100.0%	-	-	-	100.0%
Southern California	76.8%	-	-	-	76.8%
Seattle	100.0%	-	-	-	100.0%
New Jersey	100.0%	-	-	-	100.0%
Phoenix	96.3%	-	-	-	96.3%
Baltimore	100.0%	-	-	-	100.0%
Other **(3)**	82.0%	58.6%	87.8%	-	79.3%
Total	95.0%	88.1%	93.7%	87.6%	94.0%

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

(2) Annualized rental revenue represents average annual base rental payments, on a straight-line basis for the term of each lease, from space leased to tenants at the end of the most recent reporting period. Annualized rental revenue excludes additional amounts paid by tenants as reimbursement for operating expenses and real estate taxes, as well as percentage rents. Joint venture properties are included at the Company's economic ownership percentage.

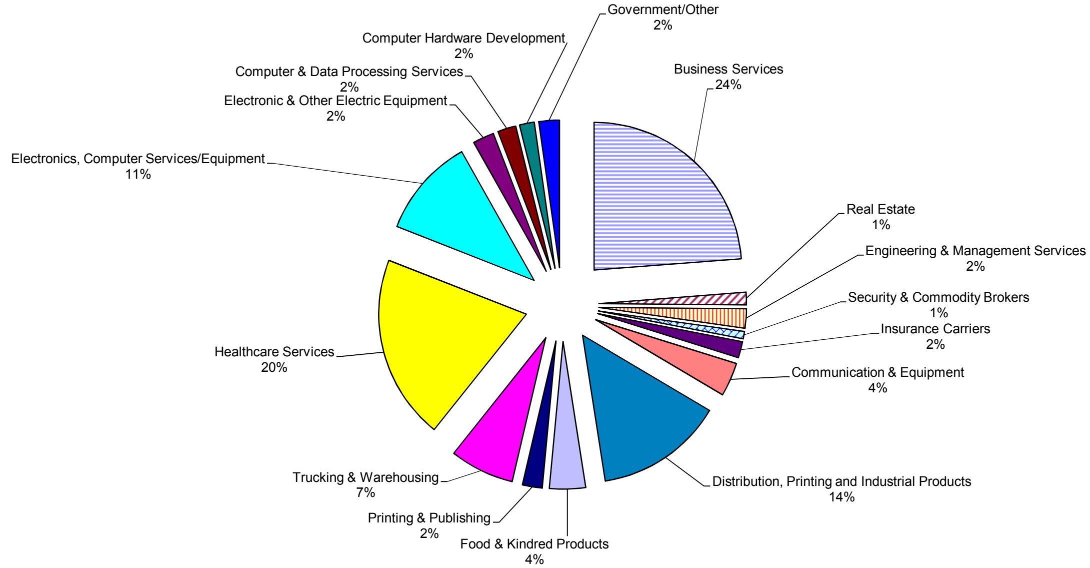
(3) Represents properties not located in the company's primary markets.

Exhibit II

Tenant Industry Profile and Largest Tenant Summary

March 31, 2014

Tenant Industry Profile as a Percentage of Annualized Gross Effective Rent (1)



Largest Tenants (In-Service Properties) Based Upon Annualized Gross Rent

Tenant	Primary Location	Primary Industry	Year of Lease Expiration	Average Annual Gross Effective Rent (1) (In Thousands)	Percentage of Annualized Gross Effective Rent
Baylor Scott & White Healthcare	Dallas	Healthcare Services	2014 - 2029	$20,201	2.5%
U.S. Government Agencies	South Florida	U.S. Government	2014 - 2034	17,126	2.2%
Amazon.com	Seattle	Retail	2017 - 2028	15,521	2.0%
Ascension Health	Other Midwest	Healthcare Services	2015 - 2029	10,226	1.3%
Lenovo Inc.	Raleigh	Computer Hardware Development	2020	9,558	1.2%
Crate and Barrel	New Jersey	Retail	2020 - 2022	8,236	1.0%
Mars, Incorporated	Columbus	Manufacturing/Agriculture	2014 - 2023	7,165	0.9%
Harbin Clinic	Atlanta	Healthcare Services	2027	7,093	0.9%
Home Depot	Northern California	Retail	2015 - 2024	6,377	0.8%
Interactive Intelligence	Indianapolis	Computer Software Services	2016 - 2019	6,194	0.8%
Northside Hospital Health Syst	Atlanta	Healthcare Services	2014 - 2023	6,169	0.8%
Tenet Healthcare Corp.	Dallas	Healthcare Services	2022 - 2030	5,846	0.7%
Schneider National	Savannah	Distribution/Warehousing	2014 - 2023	5,680	0.7%
Carolinas Healthcare System	Raleigh	Healthcare Services	2020	5,375	0.7%
Adventist Health	Central Florida	Healthcare Services	2014 - 2028	5,273	0.7%
Restoration Hardware	Columbus	Retail	2028	5,121	0.6%
Mercy	St. Louis	Healthcare Services	2014 - 2019	5,015	0.6%
Catholic Health Initiatives	Cincinnati	Healthcare Services	2021 - 2028	4,944	0.6%
Genco Distribution Systems	Indianapolis	Distribution/Warehousing	2014 - 2016	4,781	0.6%
CEVA Group PLC	Chicago	Distribution/Warehousing	2014 - 2020	4,728	0.6%
				$160,629	20.1%

(1) Represents average annual gross effective rents due from tenants in service as of March 31, 2014. Average annual gross effective rent equals the average annual rental property revenue over the terms of the respective leases including landlord operating expense allowance and excluding additional rent due as operating expense reimbursements and percentage rents.

Note: Joint ventures are included at the Company's economic ownership percentage.

Exhibit II

Same Property Performance

	Three Months Ended March 31, 2014 and 2013					Twelve Months Ended March 31, 2014 and 2013				
All Properties:	Bulk Distribution	Suburban Office	Medical Office	Retail	Total	Bulk Distribution	Suburban Office	Medical Office	Retail	Total
Number of properties (3)	446	156	25	4	631	446	156	25	4	631
Square feet	89,210,870	14,467,633	2,048,239	688,193	106,414,934	89,210,870	14,467,633	2,048,239	688,193	106,414,934
Percent of in-service properties	81.1%	90.6%	42.8%	95.9%	80.9%	81.1%	90.6%	42.8%	95.9%	80.9%
2014 Average Commencement Occupancy (1)	93.9%	85.6%	89.1%	80.8%	92.6%	93.8%	84.1%	88.6%	79.2%	92.3%
Period over period percent change	0.4%	3.7%	0.9%	3.6%	0.8%	1.0%	2.8%	1.0%	0.6%	1.2%

	Three Months Ended March 31				Twelve Months Ended March 31		
	2014	2013	% Change		2014	2013	% Change
				Bulk Distribution			
Total operating revenues	$ 112,037,791	$ 105,505,806	6.2%		$ 432,520,086	$ 416,584,839	3.8%
Total operating expenses	37,308,301	32,423,761	15.1%		130,431,514	122,735,346	6.3%
Net Operating Income (2)	$ 74,729,491	$ 73,082,045	2.3%		$ 302,088,572	$ 293,849,493	2.8%
				Suburban Office			
Total operating revenues	$ 67,757,406	$ 63,971,543	5.9%		$ 263,216,223	$ 252,794,131	4.1%
Total operating expenses	30,602,054	27,764,196	10.2%		114,777,650	110,523,242	3.8%
Net Operating Income (2)	$ 37,155,352	$ 36,207,347	2.6%		$ 148,438,573	$ 142,270,889	4.3%
				Medical Office			
Total operating revenues	$ 14,462,284	$ 13,435,853	7.6%		$ 55,758,912	$ 53,556,093	4.1%
Total operating expenses	6,298,683	5,580,943	12.9%		23,440,138	22,356,186	4.8%
Net Operating Income (2)	$ 8,163,601	$ 7,854,911	3.9%		$ 32,318,774	$ 31,199,907	3.6%
				Retail			
Total operating revenues	$ 4,492,438	$ 4,342,731	3.4%		$ 17,080,577	$ 16,987,728	0.5%
Total operating expenses	2,615,477	2,242,168	16.6%		9,036,786	7,897,900	14.4%
Net Operating Income (2)	$ 1,876,960	$ 2,100,563	-10.6%		$ 8,043,791	$ 9,089,828	-11.5%
				Total			
Total operating revenues	$ 198,749,919	$ 187,255,934	6.1%		$ 768,575,799	$ 739,922,791	3.9%
Total operating expenses	76,824,515	68,011,068	13.0%		277,686,088	263,512,674	5.4%
Net Operating Income (2)	**$ 121,925,405**	**$ 119,244,866**	**2.2%**		**$ 490,889,710**	**$ 476,410,116**	**3.0%**

Note: All information for joint venture properties is presented at Duke's effective ownership percentage.

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

(2) Net Operating Income (NOI) is equal to FFO excluding the effects of straight-line rent, concession amortization and market lease amortization.

(3) The population for determining same property performance includes both consolidated and joint venture properties. In order not to distort trends due to non-operating events, properties with termination fees over $250,000 have been excluded from both periods shown. The population, for both periods shown, consists of the 722 in-service properties that we own or jointly control, as of March 31, 2014, less (i) 47 in-service buildings that were acquired within the last 24 months, (ii) 26 in-service buildings we developed that were placed in service within the last 24 months, (iii) 15 in-service buildings that have recognized income from a lease termination fee of greater than $250,000 within the last 24 months and (iv) 3 in-service buildings that are under contract to sell at March 31, 2014 and are classified as held-for-sale for accounting purposes.

Exhibit II

Lease Expiration Comparison - Square Feet and Annualized Net Effective Rent

In-Service Properties as of March 31, 2014

(dollars and SF in thousands)

Wholly Owned Portfolio:	Total Portfolio			Bulk Distribution Portfolio		Suburban Office Portfolio		Medical Office Portfolio		Retail Portfolio	
Year of Expiration	Square Feet	Average Annual Rental Revenue (1)	%	Square Feet	Average Annual Rental Revenue (1)	Square Feet	Average Annual Rental Revenue (1)	Square Feet	Average Annual Rental Revenue (1)	Square Feet	Average Annual Rental Revenue (1)
2014	7,554	$ 37,520	6%	6,460	$ 24,478	985	$ 11,253	105	$ 1,669	4	$ 120
2015	12,713	63,955	10%	10,985	41,362	1,663	21,265	57	1,152	8	176
2016	14,667	74,647	11%	12,645	46,587	1,794	23,453	209	4,250	19	357
2017	14,326	74,653	11%	12,663	49,986	1,407	19,102	183	3,842	73	1,723
2018	12,525	75,548	11%	10,188	39,124	1,872	25,145	388	9,807	77	1,472
2019	11,660	65,132	10%	9,860	38,354	1,531	20,088	257	6,406	12	284
2020	10,807	61,512	9%	9,354	37,659	986	14,576	457	9,020	10	257
2021	7,443	42,451	6%	6,280	24,984	912	11,613	238	5,582	13	272
2022	5,920	29,731	4%	5,333	18,230	246	4,339	319	6,715	22	447
2023	2,883	24,489	4%	2,101	10,518	465	7,366	311	6,456	6	149
2024 and Therafter	16,183	117,592	18%	13,385	59,253	1,003	14,751	1,743	42,946	52	642
	116,681	$ 667,230	100%	99,254	$ 390,535	12,864	$ 172,951	4,267	$ 97,845	296	$ 5,899
Total Portfolio Square Feet	124,146			104,590		14,628		4,580		348	
Percent Leased - Lease up Basis (2)	94.0%			94.9%		87.9%		93.2%		85.7%	
Joint Venture Portfolio:											
2014	1,483	$ 3,280	6%	1,334	$ 2,239	146	$ 973	-	$ -	3	$ 68
2015	1,981	7,743	14%	967	1,570	1,014	6,173	-	-	-	-
2016	2,256	5,341	10%	1,867	2,912	373	2,126	1	3	15	300
2017	1,330	3,387	6%	1,007	1,749	316	1,638	-	-	7	-
2018	3,313	6,957	12%	2,296	2,126	800	4,332	-	-	217	499
2019	3,667	4,379	8%	3,350	2,359	309	1,750	-	-	8	270
2020	542	3,068	6%	417	846	50	326	-	-	75	1,896
2021	2,596	3,959	7%	2,449	2,572	120	805	6	27	21	555
2022	707	3,117	6%	414	601	284	2,238	-	-	9	278
2023	233	1,034	2%	121	67	102	880	-	-	10	87
2024 and Therafter	2,987	13,392	23%	1,621	2,441	508	2,207	702	4,708	156	4,036
	21,095	$ 55,657	100%	15,843	$ 19,482	4,022	$ 23,448	709	$ 4,738	521	$ 7,989
Total Portfolio Square Feet	22,413			16,549		4,544		732		588	
Percent Leased - Lease up Basis (2)	94.1%			95.7%		88.5%		96.8%		88.6%	
Total:											
2014	9,037	$ 40,800	6%	7,794	$ 26,717	1,131	$ 12,226	105	$ 1,669	7	$ 188
2015	14,694	71,698	10%	11,952	42,932	2,677	27,438	57	1,152	8	176
2016	16,923	79,988	11%	14,512	49,499	2,167	25,579	210	4,253	34	657
2017	15,656	78,040	11%	13,670	51,735	1,723	20,740	183	3,842	80	1,723
2018	15,838	82,505	11%	12,484	41,250	2,672	29,477	388	9,807	294	1,971
2019	15,327	69,511	10%	13,210	40,713	1,840	21,838	257	6,406	20	554
2020	11,349	64,580	9%	9,771	38,505	1,036	14,902	457	9,020	85	2,153
2021	10,039	46,410	6%	8,729	27,556	1,032	12,418	244	5,609	34	827
2022	6,627	32,848	5%	5,747	18,831	530	6,577	319	6,715	31	725
2023	3,116	25,523	4%	2,222	10,585	567	8,246	311	6,456	16	236
2024 and Therafter	19,170	130,984	17%	15,006	61,694	1,511	16,958	2,445	47,654	208	4,678
	137,776	$ 722,887	100%	115,097	$ 410,017	16,886	$ 196,399	4,976	$ 102,583	817	$ 13,888
Total Portfolio Square Feet	146,559			121,139		19,172		5,312		936	
Percent Leased - Lease up Basis (2)	94.0%			95.0%		88.1%		93.7%		87.6%	

(1) Annualized rental revenue represents average annual base rental payments, on a straight-line basis for the term of each lease, from space leased to tenants at the end of the most recent reporting period. Annualized rental revenue excludes additional amounts paid by tenants as reimbursement for operating expenses and real estate taxes, as well as percentage rents. Joint venture properties are included at the Company's economic ownership percentage.

(2) Lease up basis occupancy represents the percentage of total square feet based on executed leases without regard to whether the leases have commenced.

Exhibit II

New Lease Analysis

Second Generation Deals as of March 31, 2014

Product Type	Number of New Leases	Square Feet of Second Generation Spaces	2nd Generation Weighted Average Capital Expenditures: Per Sq. Ft.	2nd Generation Weighted Average Capital Expenditures: Per Sq. Ft. / Per Year of Lease Term	Average Term in Years	Average Net Effective Rent
Year Ended 2013						
Bulk Distribution	126	6,752,474	$ 4.00	$ 0.73	5.48	$ 3.63
Suburban Office	161	1,305,293	25.75	3.80	6.78	12.49
Medical Office	11	40,711	16.37	2.94	5.56	17.97
	298	8,098,478	$ 7.57	$ 1.33	5.69	$ 5.13
1st Quarter 2014						
Bulk Distribution	28	2,381,949	$ 4.98	$ 0.66	7.49	$ 3.58
Suburban Office	26	220,592	19.15	4.19	4.57	12.79
Medical Office	4	14,090	29.36	4.89	6.01	16.69
	58	2,616,631	$ 6.30	$ 0.87	7.23	$ 4.43
Year to Date 2014						
Bulk Distribution	28	2,381,949	$ 4.98	$ 0.66	7.49	$ 3.58
Suburban Office	26	220,592	19.15	4.19	4.57	12.79
Medical Office	4	14,090	29.36	4.89	6.01	16.69
	58	2,616,631	$ 6.30	$ 0.87	7.23	$ 4.43

Note: **Activity noted above does not include first generation lease-up of new development and acquisitions as these amounts are included in our initial return calculations. Activity is based on leases signed during the period and excludes temporary leases of space.**

Note: **Joint ventures are shown at 100%**

Exhibit II

Renewal Analysis

As of March 31, 2014

Product Type	Leases up for Renewal Number	Leases up for Renewal Square Feet	Leases Renewed Number	Leases Renewed Square Feet	Percent Renewed (1)	Average Term in Years	Average Net Effective Rent	Average Capital Expenditures Per Sq. Ft.	Average Capital Expenditures Per Sq. Ft. / Per Year of Lease Term	Growth in Net Eff. Rent (2)
Year Ended 2013										
Bulk Distribution	240	16,446,780	159	11,286,276	68.6%	4.22	$ 4.00	$ 1.66	$ 0.39	4.31%
Suburban Office	269	2,703,532	179	2,214,216	81.9%	4.66	14.52	10.52	2.26	1.38%
Medical Office	39	138,984	22	53,433	38.4%	3.83	19.13	6.86	1.79	5.96%
	548	19,289,296	360	13,553,925	70.3%	4.29	$ 5.78	$ 3.13	$ 0.73	3.11%
1st Quarter 2014										
Bulk Distribution	50	2,694,499	36	1,784,591	66.2%	3.80	$ 4.56	$ 0.87	$ 0.23	8.29%
Suburban Office	43	295,701	22	158,011	53.4%	3.90	13.43	7.95	2.04	4.47%
Medical Office	10	32,751	4	18,153	55.4%	5.00	21.00	4.00	0.80	20.76%
	103	3,022,951	62	1,960,755	64.9%	3.82	$ 5.43	$ 1.47	$ 0.38	7.90%
Year to Date 2014										
Bulk Distribution	50	2,694,499	36	1,784,591	66.2%	3.80	$ 4.56	$ 0.87	$ 0.23	8.29%
Suburban Office	43	295,701	22	158,011	53.4%	3.90	13.43	7.95	2.04	4.47%
Medical Office	10	32,751	4	18,153	55.4%	5.00	21.00	4.00	0.80	20.76%
	103	3,022,951	62	1,960,755	64.9%	3.82	$ 5.43	$ 1.47	$ 0.38	7.90%

(1) The percentage renewed is calculated by dividing the square feet of leases renewed by the square feet of leases up for renewal. The square feet of leases up for renewal is defined as the square feet of leases renewed plus the square feet of space vacated due to lease expirations. Excludes temporary leases of space. Joint venture properties are included at 100%.

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

Exhibit II

Space Vacated Analysis

As of March 31, 2014

	Total	Terminations	Lease Expirations (1)		Default / Bankruptcy		Buyouts (2)		Relocations (3)		Contractions (4)	
Year Ended 2013												
Bulk Distribution	130	8,106,662	81	5,160,504	22	1,293,566	9	800,704	6	491,805	12	360,083
Suburban Office	145	855,736	90	489,316	13	68,233	15	92,115	7	27,181	20	178,891
Medical Office	22	106,118	17	85,551	2	10,312	-	-	1	2,355	2	7,900
	297	9,068,516	188	5,735,371	37	1,372,111	24	892,819	14	521,341	34	546,874
1st Quarter 2014												
Bulk Distribution	25	2,036,855	14	909,908	2	37,102	7	860,339	1	77,281	1	152,225
Suburban Office	35	249,503	21	137,690	6	75,415	2	11,376	4	9,544	2	15,478
Medical Office	7	18,715	6	14,598	-	-	1	4,117	-	-	-	-
	67	2,305,073	41	1,062,196	8	112,517	10	875,832	5	86,825	3	167,703
Year to Date 2014												
Bulk Distribution	25	2,036,855	14	909,908	2	37,102	7	860,339	1	77,281	1	152,225
Suburban Office	35	249,503	21	137,690	6	75,415	2	11,376	4	9,544	2	15,478
Medical Office	7	18,715	6	14,598	-	-	1	4,117	-	-	-	-
	67	2,305,073	41	1,062,196	8	112,517	10	875,832	5	86,825	3	167,703

Space Vacated for the Following Reasons: Lease Expirations (1), Default / Bankruptcy, Buyouts (2), Relocations (3), Contractions (4)

Note: Excludes temporary leases of space.

Note: Joint Ventures are shown at 100%.

(1) Represents tenants who did not renew their leases upon expiration due to the closing of their local operations, relocation to another property not owned or built by the Company, or the exercising of a termination option.

(2) Represents space with termination fees required to allow the tenants to vacate their space prior to the normal expiration of their lease term.

(3) Represents tenants who vacated their space and relocated to another property owned or built by the Company or moved out to accommodate another Duke tenant expansion.

(4) Represents tenants who have downsized prior to expiration of their lease term.

Exhibit II

Debt Maturity & Preferred Stock Analysis

March 31, 2014

(in thousands)

Year	Mortgages (1) Amortization	Mortgages (1) Maturities	Unsecured (1) Amortization	Unsecured (1) Maturities	Credit Facility (2)	Total (3)	Weighted Average Effective Interest Rates (3)
2014	$ 11,090	$ 49,406	$ 1,581	$ -	$ -	$ 62,077	6.23%
2015	12,432	193,346	2,226	250,000	180,000	638,004	5.07%
2016	9,937	368,132	2,370	150,000	-	530,439	6.14%
2017	7,616	108,129	2,523	450,000	-	568,268	5.89%
2018	5,252	-	2,685	550,000	-	557,937	4.03%
2019	4,077	268,438	2,859	250,000	-	525,374	7.97%
2020	3,883	-	1,498	250,000	-	255,381	6.73%
2021	3,416	9,047	-	250,000	-	262,463	3.99%
2022	3,611	-	-	600,000	-	603,611	4.20%
2023	3,817	-	-	250,000	-	253,817	3.75%
2024	4,036	-	-	-	-	4,036	5.62%
Thereafter	6,325	-	-	50,000	-	56,325	7.11%
	$ 75,492	$ 996,498	$ 15,742	$ 3,050,000	$ 180,000	$ 4,317,732	5.41%

(1) Scheduled amortizations and maturities represent only Duke's consolidated debt obligations.

(2) Comprised of the following:

Commitment	Balance O/S @ 3/31	Maturity	Rate @ 3/31	Type
$850,000	$180,000	December 2015	1.41%	DRLP line of credit

(3) Total debt balance and weighted average effective interest rates exclude fair value adjustments of $5,478 reflected on the balance sheet.

Fixed and Variable Rate Components of Debt	Balance	Weighted Average Interest Rate	Weighted Average Maturity (yrs)
Fixed Rate Secured Debt	$ 1,065,750	6.24%	2.81
Fixed Rate Unsecured Debt	2,815,741	5.70%	5.49
Variable Rate Debt and LOC	436,241	1.45%	2.77
Total	$ 4,317,732	5.41%	4.55

Preferred Stock Summary

Security	Dividend Rate	Liquidation Preference	Depositary Shares Outstanding	Optional Redemption Date
Series J preferred stock	6.63%	$ 96,133	3,845	Currently Redeemable
Series K preferred stock	6.50%	149,395	5,976	Currently Redeemable
Series L preferred stock	6.60%	183,399	7,336	Currently Redeemable
Weighted Average	6.57%	$ 428,926		

Exhibit II

Joint Venture Information

March 31, 2014

	Eaton/Vance	Duke Hulfish LLC	Dugan Texas	3630 Peachtree	Baylor Cancer Center	West End Retail (3)	All Points Industrial	Wishard	Linden Development (4)	Dugan Millenia	Other (5)	Total
In-service properties:												
Bulk distribution	11	7	35	-	-	-	1	-	-	-	13	67
Suburban office	20	10	-	1	-	-	-	-	-	3	1	35
Medical office	-	-	-	-	1	-	-	1	-	-	-	2
Retail	-	-	-	-	-	1	-	-	-	-	1	2
	31	17	35	1	1	1	1	1	-	3	15	106
Under development properties:												
Bulk distribution	-	-	-	-	-	-	2	-	-	-	-	2
	-	-	-	-	-	-	2	-	-	-	-	2
Total number of properties	31	17	35	1	1	1	3	1	-	3	15	108
Percent leased	86.0%	99.0%	95.3%	83.7%	94.9%	82.5%	89.1%	100.0%	N/A	92.1%	97.3%	94.5%
Square feet in-service (in thousands):												
Bulk distribution	670	6,120	6,876	-	-	-	600	-	-	-	2,283	16,549
Suburban office	2,147	1,201	-	436	-	-	-	-	-	415	345	4,544
Medical office	-	-	-	-	458	-	-	274	-	-	-	732
Retail	-	-	-	-	-	382	-	-	-	-	206	588
	2,817	7,321	6,876	436	458	382	600	274	-	415	2,834	22,413
Square feet under development (in thousands):												
Bulk distribution	-	-	-	-	-	-	1,758	-	-	-	-	1,758
	-	-	-	-	-	-	1,758	-	-	-	-	1,758
Total square feet (in thousands)	2,817	7,321	6,876	436	458	382	2,358	274	-	415	2,834	24,171
Company effective ownership percentage	30.0%	20.0%	50.0%	50.0%	16.0%	50.0%	50.0%	50.0%	50.0%	50.0%	10%-50%	
Balance sheet information (in thousands) (A)												
Real estate assets	$ 493,005	$ 384,404	$ 195,110	$ 103,327	$ 109,558	$ 113,502	$ 13,587	$ 74,422	$ -	$ 39,762	$ 96,930	$ 1,623,607
Construction in progress	151	63	508	1,075	-	43	21,558	-	148	31	895	24,472
Undeveloped land	-	-	1,657	-	-	-	43,183	-	59,920	6,204	15,608	126,572
Other assets	43,020	46,756	18,028	20,530	8,160	6,756	11,218	3,423	2,657	7,832	36,377	204,757
Total assets	$ 536,176	$ 431,223	$ 215,303	$ 124,932	$ 117,718	$ 120,301	$ 89,546	$ 77,845	$ 62,725	$ 53,829	$ 149,810	$ 1,979,408
Debt	$ 460,069	$ 79,408	$ -	$ 99,582	$ -	$ 99,400	$ 59,456	$ -	$ -	$ 35,000	$ 64,483	$ 897,398
Other liabilities	9,662	8,267	5,303	31,053	1,657	8,394	7,241	917	4,604	1,120	12,567	90,785
Equity	66,445	343,548	210,000	(5,703)	116,061	12,507	22,849	76,928	58,121	17,709	72,760	991,225
Total liabilities and equity	$ 536,176	$ 431,223	$ 215,303	$ 124,932	$ 117,718	$ 120,301	$ 89,546	$ 77,845	$ 62,725	$ 53,829	$ 149,810	$ 1,979,408
Selected QTD financial information (B)												
QTD share of rental revenue (in thousands)	$5,297	$2,954	$4,163	$1,459	$837	$2,769	$158	$1,199	-	$1,086	$560	$20,482
QTD share of in-service property unlevered NOI (in thousands)	$3,571	$2,175	$3,010	$414	$451	$945	($22)	$771	-	$675	$352	$12,342
QTD share of interest expense (in thousands)	$1,918	$208	-	$331	-	$390	$101	-	-	$105	$31	$3,084
QTD share of EBITDA (in thousands)	$3,451	$2,016	$2,941	$785	$507	$1,056	$71	$918	($93)	$644	$312	$12,608
Company share of JV gross assets (in thousands)	$194,528	$100,881	$145,228	$70,225	$20,887	$70,397	$47,036	$39,335	$31,363	$32,633	$35,223	$787,736
Interest rate (C)	(1)	(2)	N/A	L+2.5%	N/A	(3)	L+1.8%	N/A	N/A	L+1.7%	(5)	N/A
Company share of debt (in thousands)	$138,021	$15,882	N/A	$49,791	N/A	$49,700	$29,728	N/A	N/A	$17,500	$6,862	$307,484
Debt maturity date	(1)	(2)	N/A	7/15	N/A	(3)	12/14	N/A	N/A	7/16	(5)	N/A

(A) Balance sheet information is reported at 100% of joint venture. (B) Reported at Duke's share of joint venture. (C) Interest rate is fixed, except as noted.

Notes in (000's)

(1) The outstanding debt consists of nine separate loans: i) $22,587 at a fixed rate of 6.4% maturing August 2014, ii) $6,384 at a fixed rate of 8.2% maturing December of 2015, iii) $11,916 at a fixed rate of 6.0% maturing March 2016, iv) $27,765 at a fixed rate of 6.2% maturing June 2016, v) $131,250 at a fixed rate of 5.4% maturing March 2017, vi) $203,250 at a fixed rate of 5.4% maturing March 2017 , vii) $15,128 at a fixed rate of 5.6% maturing December 2019, viii) $33,879 at a fixed rate of 5.9% maturing January 2020 and ix) $6,782 at a fixed rate of 8.3% maturing November 2023.

(2) Debt consists of three separate loans: i) $13,653 at a fixed rate of 5.0% maturing September 2021, ii) $10,535 at a fixed rate of 4.4% maturing September 2021, and iii) $55,221 at a fixed rate of 5.2% maturing October 2021.

(3) Our share of in-service property revenue, unlevered NOI, EBITDA and interest expense for this joint venture is computed based on the operating cash flow distributions we would receive pursuant to our accumulated preferred return in this joint venture, which equates to our share being 89%. The debt consists of two separate loans: i) a variable rate land loan of LIBOR + 1.5% maturing September 2014, with a current amount outstanding of $14,400 and ii) a construction line of credit at LIBOR + 1.5% maturing September 2014, with a current amount outstanding of $85,000. Amounts charged by Duke to the joint venture are not included in share of interest expense above.

(4) This joint venture currently has 45.3 acres of land in Linden, New Jersey, anticipated for use to develop 450,000 square feet of retail buildings.

(5) Consists of 8 separate joint ventures that own and operate buildings and hold undeveloped land. Debt balance consists of three separate loans: i) $250 at a variable rate of LIBOR + 3.0% maturing June 2014, ii) $24,000 at a fixed rate of 8.0% maturing October 2015 and iii) $40,233 at a variable rate of LIBOR + 1.4% maturing December 2016.

Exhibit II

Joint Venture Debt Maturity Summary

March 31, 2014

(in thousands)

Year	Scheduled Amortization	Maturities	Total	Weighted Average Interest Rate
2014	$ 912	$ 86,191	$ 87,103	2.15%
2015	1,207	53,933	55,140	3.14%
2016	977	33,167	34,144	3.35%
2017	899	100,350	101,249	5.40%
2018	955	-	955	6.04%
2019	1,002	3,824	4,826	5.67%
2020	645	8,693	9,338	5.92%
2021	543	13,305	13,848	5.15%
2022	272	-	272	8.33%
2023	270	-	270	8.33%
2024	-	-	-	0.00%
Thereafter	-	-	-	0.00%
	$ 7,682	$ 299,463	$ 307,145	3.86%

	Balance	Weighted Average Interest Rate	Weighted Average Maturity (yrs)
Fixed Rate Secured Debt	$ 155,964	5.62%	3.33
Fixed Rate Unsecured Debt	-	-	0.00
Variable Rate Debt and LOC's	151,181	2.05%	0.62
Total	$ 307,145	3.86%	1.99

Note: Scheduled amortization and maturities reported at Duke's share.

Exhibit II

Development Projects Under Construction

March 31, 2014

(*in thousands*)

Project	Product Type	Market	Own %	Square Feet (000's)	Current Occ. %	Stabilized Costs (000's) (at Owner %)	Projected Costs Remaining (000's) (at Owner %)	Initial Stabilized Cash Yield	Stabilized GAAP Yield
Wholly Owned									
Grand Warehouse Expansion	Industrial	Chicago	100%	52	100%				
Centerre/Mercy	Medical Office	Other Midwest	100%	60	100%				
Perimeter Two	Office	Raleigh	100%	206	97%				
Baylor, Burleson	Medical Office	Dallas	100%	38	100%				
Projected In-Service Second Quarter 2014				356	98%				
10 Enterprise Parkway	Industrial	Columbus	100%	534	100%				
Baylor, Mansfield	Medical Office	Dallas	100%	38	100%				
Baylor, Colleyville	Medical Office	Dallas	100%	17	100%				
HH Gregg BTS	Industrial	Atlanta	100%	403	100%				
Linden Spec.	Industrial	New Jersey	100%	494	0%				
Lebanon Bldg. 2 Expansion	Industrial	Indianapolis	100%	218	100%				
Perimeter Three	Office	Raleigh	100%	245	71%				
Amazon BTS	Industrial	Baltimore	100%	1,018	100%				
Amazon BTS	Industrial	Baltimore	100%	346	100%				
Projected In-Service Third Quarter 2014				3,313	83%				
Centerre Baptist	Medical Office	Nashville	100%	53	100%				
FedEx BTS	Industrial	Atlanta	100%	77	100%				
West Chester Medical Off. Bldg	Medical Office	Cincinnati	100%	49	100%				
Gateway North 6	Industrial	Minneapolis	100%	300	100%				
Gateway Northwest One	Industrial	Houston	100%	358	0%				
Gateway Northwest Two	Industrial	Houston	100%	115	0%				
Palisades Ambulatory Care Ctr	Medical Office	New Jersey	100%	57	70%				
Projected In-Service Fourth Quarter 2014				1,009	51%				
Subtotal Projected In-Service 2014				4,678	77%				
20 Enterprise Parkway	Industrial	Columbus	100%	744	100%				
3909 North Commerce Expansion	Industrial	Atlanta	100%	257	100%				
St. Vincent Women's MOB	Medical Office	Indianapolis	100%	86	72%				
Projected In-Service First Quarter 2015				1,086	98%				
Wholly Owned Developments Under Construction				**5,764**	**81%**				
Joint Venture									
AllPoints Midwest Bldg 3	Industrial	Indianapolis	50%	1,144	100%				
AllPoints Midwest Bldg 5	Industrial	Indianapolis	50%	614	100%				
Projected In-Service Third Quarter 2014				1,758	100%				
Joint Venture Developments Under Construction				**1,758**	**100%**				
Total Company				**7,522**	**86%**	**$ 607,248**	**$ 331,004**	**7.6%**	**8.4%**

Exhibit II

Development Projects Placed In-Service

2012 - 2014

(*in thousands*)

	Wholly Owned					Joint Venture					Total				
			Initial Stabilized					Initial Stabilized					Initial Stabilized		
	Square Feet	Current Occ % (1)	Project Costs	Cash Yield	GAAP Yield	Square Feet	Current Occ % (1)	Project Costs	Cash Yield	GAAP Yield	Square Feet	Current Occ % (1)	Project Costs	Cash Yield	GAAP Yield
2012 Total	1,270	98%	$ 125,197	8.4%	8.7%	376	100%	$ 7,082	7.7%	7.9%	1,646	99%	$ 132,279	8.3%	8.7%
2013:															
1st Quarter	595	29%	40,764	6.4%	7.4%	-	-	-	-	-	595	29%	40,764	6.4%	7.4%
2nd Quarter	1,512	100%	181,920	7.7%	8.1%	600	57%	10,858	7.5%	7.9%	2,111	88%	192,778	7.7%	8.1%
3rd Quarter	1,917	100%	189,786	7.3%	7.7%	-	-	-	-	-	1,917	100%	189,786	7.3%	7.7%
4th Quarter	390	100%	63,430	7.8%	8.8%	273	100%	41,527	7.1%	8.5%	664	100%	104,957	7.5%	8.7%
2013 Total	4,414	90%	$ 475,900	7.4%	8.0%	873	71%	$ 52,385	7.2%	8.4%	5,287	87%	$ 528,285	7.4%	8.0%
2014:															
1st Quarter	392	100%	105,998	7.7%	8.7%	-	-	-	-	-	392	100%	105,998	7.7%	8.7%
2014 Total YTD	392	100%	$ 105,998	7.7%	8.7%	-	-	-	-	-	392	100%	$ 105,998	7.7%	8.7%

(1) Occupancy represents the percentage of total square feet based on executed leases without regard to whether the leases have commenced.

Note: Square feet for Joint Venture projects is shown at 100%; Project costs & returns included at Duke Realty ownership share.

Note: Excludes development projects completed which have subsequently been sold as of current quarter end.

Dispositions and Acquisitions Summary

(in thousands)

	Dispositions				Acquisitions					
	Square Feet	Sales Proceeds	In-Place Cap Rate (1)	In-Place Occ % (2)	Square Feet	Stabilized Investment (3)	Acquisition Price (4)	In-Place Occ % (5)	In-Place Cash Yield (6)	
2013										
1st Quarter	4,099	$ 222,220	7.7%	98%	472	$ 29,980	$ 28,325	97%	6.9%	(7)
2nd Quarter	617	197,645	5.0%	76%	5,937	411,729	404,980	100%	6.3%	
3rd Quarter	232	45,565	4.4%	53%	453	39,398	38,765	100%	5.7%	
4th Quarter	2,606	411,731	7.4%	91%	1,191	74,034	73,414	100%	5.5%	
Total	7,554	$ 877,161	6.8%	92%	8,053	$ 555,141	$ 545,484	100%	6.1%	(7)
2014										
1st Quarter	725	$ 78,370	7.4%	93%	407	$ 17,753	$ 17,550	100%	6.3%	
Total YTD	725	$ 78,370	7.4%	93%	407	$ 17,753	$ 17,550	100%	6.3%	

Note: Sales of joint venture properties are included at ownership share.

(1) In-place cap rates of completed dispositions are calculated as current annualized net operating income, from space leased to tenants at the date of sale, divided by the sale price of the real estate. Annualized net operating income is comprised of base rental payments, excluding reimbursement of operating expenses, less current annualized operating expenses not recovered through tenant reimbursements.

(2) Occupancy represents the percentage of total square feet based on executed leases where the leases have commenced.

(3) Represents projected stabilized investment of real estate assets acquired after stabilization costs (such as applicable closing costs, lease up costs of any vacant space acquired, and deferred maintenance costs) are added to the acquisition price.

(4) Includes real estate assets and net acquired lease-related intangible assets but excludes other acquired working capital assets and liabilities.

(5) Occupancy represents the percentage of total square feet based on executed leases without regard to whether the leases have commenced.

(6) In-place yields of completed acquisitions are calculated as the current annualized net operating income, from space leased to tenants at the date of acquisition, divided by the acquisition price of the acquired real estate. Annualized net operating income is comprised of base rental payments, excluding reimbursement of operating expenses, less current annualized operating expenses not recovered through tenant reimbursements.

(7) Price, Investment, Yield, & Occ % includes one or more acquisitions in which Duke Realty purchased a partner's interest in a joint venture.

Exhibit III

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March 17, 2014

International Financial Reporting Standards
Interpretations Committee
30 Cannon Street
London
EC4M 6XH

Subject: Tentative agenda decision – IAS 17 Leases – Meaning of incremental costs

Dear IFRS Interpretations Committee members,

This letter is submitted by the Real Property Association of Canada (REALpac) in response to the tentative agenda decision from the November 2013 discussion on IAS 17 Leases, Meaning of Incremental costs.

REALpac is Canada's senior national industry association for owners and managers of investment real estate. Our Members include publicly traded real estate companies, real estate investment trusts (REITs), private companies, pension funds, banks and life insurance companies. The association is further supported by large owner/occupiers and pension fund advisers as well as individually selected investment dealers and real estate brokerages. Members of REALpac currently own in excess of $180 Billion CAD in real estate assets located in the major centers across Canada

REALpac's Comments

The Interpretations Committee received a request for clarification about IAS 17 *Leases* related to the meaning of "incremental costs" within the context of IAS 17, and in particular, whether salary costs of permanent staff involved in negotiating and arranging new leases as a lessor qualify as "incremental costs".

We do not support the Interpretations Committee's tentative decision that internal salary costs do not qualify as incremental costs. In addition, we would assert that there is diversity in practice on this issue.

IAS 17 paragraph 38 states that "(I)nitial direct costs are often incurred by lessors and include amounts such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by a sales and marketing team." In Canada, we consider certain internal costs as incremental and variable costs, not fixed. These costs are directly related to specific activities performed by the lessor that would not have occurred but for that successfully executed lease. Those activities may include: evaluating a prospective lessee's financial condition, evaluating and recording security arrangements, negotiating lease terms, preparing and processing lease documents and closing the lease transaction. These activities are initiated upon the prospective lessee's desire to enter into a lease, on behalf of the lessor and they relate directly to entering into the successfully executed lease. Therefore, they are integral to leasing. Among other examples, these companies typically have systems in place to track the number of successful leases completed by each internal leasing staff or time spent on successful deals in order to allocate costs (and time) to a specific lease arrangement and capitalize certain internal costs that relate to successful leases. Furthermore, these companies typically make reference to market-based rates for specific leasing activities which would establish an upper limit of what could be capitalized. Companies who make the rational business decision to minimize cost through employment of internal leasing personnel, opposed to hiring external leasing brokers should not be impacted by the accounting treatment. To make the issue even worse, some companies use both internal and external leasing. This will result in inconsistent accounting within the same company, which would make evaluating the results very difficult.

By our interpretation of paragraph 38, these internal costs meet the requirements of being both incremental and directly attributable to negotiating and arranging a lease.

In the Staff Paper (Agenda ref 7) from the November 2013 IFRIC meeting, points 21 – 26, reference is made to IAS 39, whereby an incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument." While we agree that incremental costs should be interpreted as costs that would not have been incurred if the entity had not negotiated or initiated leases, we disagree with the conclusion in points 26 and 27 that salaried employees are "permanent" and that these salaries are "fixed" costs that are "unavoidable". Particularly where companies use time-tracking systems to allocate time and costs, our viewpoint is that these costs are variable, and do fluctuate with the volume of leases that are written. If the volume of leases written decreases, so do the number of employees employed for this work, and vice versa; therefore these costs are variable and are not "unavoidable".

Based on our discussions with our counterparts in the United States, it is our understanding that our accounting for similar costs is consistent with treatment under U.S. GAAP. ASC 840-20-25-18 states:

“The costs directly related to those activities shall include only that portion of the employees’ total compensation and payroll-related fringe benefits directly related to time spent performing those activities for that lease and other costs related to those activities that would not have been incurred but for that lease. Initial direct costs shall not include costs related to any of the following activities performed by the lessor:
a. Advertising
b. Soliciting potential lessees
c. Servicing existing leases
d. Other ancillary activities related to establishing and monitoring credit policies, supervision, and administration.”

As active observers in the joint IASB/FASB Leases project, it is our understanding that the definition of initial direct costs under IFRS in IAS 17 and U.S. GAAP in ASC 840 is not intended to differ from current practice or from one another.

In Agenda paper 11A of the March 22-23, 2011 meeting of the IASB/FASB, the staff recommendation is “that *initial direct costs* should be defined as: Costs that are directly attributable to negotiating and arranging a lease that would not have been incurred had the lease transaction not been made.” It was also noted that “(V)ery little feedback about the definition of initial direct costs was received. The staff thinks that the definition in the ED is appropriate and ***consistent with current lease guidance under Topic 840 and IAS 17. The staff notes that the proposed definition is not intended to change current practice for how initial direct costs are defined*** (emphasis added) (see Appendix A for current guidance).” Appendix A of that Agenda paper notes that:

“Under the guidance in Topic 840, initial directs costs include only those costs incurred by the lessor that are:
(a) Costs to originate a lease incurred in transactions with independent third parties that:
(i) Result directly from and are essential to acquire that lease.
(ii) Would not have been incurred had that leasing transaction not occurred.
(b) Directly related to only the following activities performed by the lessor for that lease:
(i) Evaluating the prospective lessee’s financial condition
(ii) Evaluating and recording guarantees, collateral, and other security arrangements
(iii) Negotiating lease terms
(iv) Preparing and processing lease documents
(v) Closing the transaction”

Exhibit III

REALpac
Real Property Association of Canada
Association des biens immobiliers du Canada

It is our understanding that the capitalization of initial direct costs related to certain salaried employees engaged in arranging and negotiating leases for commercial real estate transactions is consistent across Canada and the U.S. We therefore do not agree with the Interpretation Committee's conclusion that predominant practice is to expense employee salary costs.

Overall, we believe that IAS 17 is clear that certain internal costs do qualify as incremental costs and are directly attributable to negotiating and arranging a lease. We further believe that this accounting treatment is consistent with both IFRS under IAS 17 and U.S. GAAP under ASC 840.

We thank the IFRIC for considering our comments on the tentative decision regarding the meaning of incremental costs within the context of IAS 17 Leases. Please contact Nancy Anderson, REALpac's Vice President Financial Reporting & Chief Financial Officer at nanderson@realpac.ca or at 1-416-642-2700 ext. 226 if you would like to discuss our comments.

Respectfully submitted,

NAnderson

Nancy Anderson
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Building a better working world

INVESTOR IN PEOPLE

International Financial Reporting Standards
Interpretations Committee
30 Cannon Street
London
EC4M 6XH

20 January 2014

Dear IFRS Interpretations Committee members,

Tentative agenda decision – *IAS 17 Leases – Meaning of incremental costs*

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the above tentative agenda decision, as published in the November 2013 *IFRIC Update*.

The Interpretations Committee received a request for clarification of the meaning of 'incremental costs' within the context of IAS 17 *Leases*.

"The submitter asks whether the salary costs of permanent staff involved in negotiating and arranging new leases (and loans) qualify as 'incremental costs' within the context of IAS 17 and should therefore be included as initial direct costs in the initial measurement of a finance lease receivable."

We do not support the Interpretations Committee's tentative decision not to add this issue to its agenda, as we believe preparers would benefit from additional guidance related to capitalising certain internal costs as incremental costs. IAS 17.38 clearly indicates that some internal costs are incremental and directly attributable to negotiating and arranging a lease. Without additional clarification, preparers of financial statements may find it difficult to distinguish between certain internal costs that are incremental and internal costs that are not incremental.

The IASB and FASB staffs issued agenda paper 11A for the 21-23 March 2011 joint meeting addressing the definition of initial direct costs for the joint project on leasing. On page 4, paragraph 14 of this agenda paper, the staffs note that the definition proposed for the joint exposure draft *Leases* is not intended to change current practice for how initial direct costs are defined. ASC 840-20-25-18 permits "that portion of employees' total compensation and payroll-related fringe benefits directly related to time spent performing those activities for that lease…" to be included in initial direct costs of a lease. We believe the staffs' paper suggests there is no difference between IFRS and US GAAP currently, which is consistent with our observations in practice. Therefore, we believe the Interpretations Committee's tentative agenda decision as drafted would create an IFRS/US GAAP difference.

We believe the tentative agenda decision is inconsistent with the decision published in the September 2008 *IFRIC Update* on IAS 32 in which "… the IFRIC also noted that the terms 'incremental' and 'directly attributable' are used with similar but not identical meanings in many Standards and Interpretations. The IFRIC recommended that common definitions should be developed for both terms and added to the Glossary as part of the Board's annual improvements project." These definitions were not added to the Glossary and new standards are being developed that rely on these concepts, for example, the proposed new revenue and insurance standards. For standards developed jointly by the IASB and FASB, consistent definitions become more important. For example, the joint revenue standard, which is expected to be issued in Q1 2014, will not only create another standard that uses the term 'incremental costs', but also will provide a converged definition of incremental costs for the purpose of a single standard. A common definition of 'incremental costs' that would apply to all the standards that use the concept of 'incremental costs' would result in greater consistency in the application of its meaning among IFRS standards and among lessors reporting under IFRS and US GAAP.

Paragraph 38 of IAS 17 indicates that some internal costs are incremental and directly attributable to negotiating and arranging a lease: "Initial direct costs are often incurred by lessors and include amounts such as commissions, legal fees and *internal costs* (emphasis added) that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by a sales and marketing team." Some preparers consider certain internal costs as incremental or variable costs (not as fixed costs). These costs are directly related to specific activities performed by the lessor that would not have occurred but for that successfully executed lease. Those activities may include: evaluating a prospective lessee's financial condition, evaluating and recording security arrangements, negotiating lease terms, preparing and processing lease documents and closing the lease transaction. These activities are initiated upon the prospective lessee's desire to enter into a lease, on behalf of the lessor and they relate directly to entering into the successfully executed lease. Therefore, they are integral to leasing. These companies typically have a time-tracking system in place to allocate time (and costs) to a specific lease arrangement and capitalise certain internal costs that relate to successful leases.

In its tentative agenda decision, the Interpretations Committee noted that "… internal fixed costs do not qualify as 'incremental costs'. Only costs that would not have been incurred if the entity had not negotiated and arranged a lease should be included in the initial measurement of a finance lease receivable" and "… in the light of the existing IFRS requirements, neither an Interpretation nor an amendment to IFRSs was necessary." However, the Interpretations Committee does not indicate where in existing IFRS it is stated that internal fixed costs do not qualify as 'incremental costs' and, in turn, how this reconciles to the language in paragraph 38 of IAS 17, quoted above. Therefore, it is not clear why the Interpretations Committee concluded that the issue is clear in IFRS. It appears the Interpretations Committee may have reached such conclusion based, in part, on a perceived lack of diversity as indicating that it believes IFRS is clear on the issue when it noted that, "… there does not appear to be diversity in practice on this issue." However, we have observed diversity spanning multiple geographic areas (i.e., Australia, Europe and North America).

Without further explanation as to why certain internal fixed costs do not qualify as 'incremental costs', it would appear that the application of the agenda decision by these companies would be treated as a correction of an error in accordance with IAS 8.

In summary, we do not agree with the Interpretations Committee's tentative agenda decision. We do not believe IAS 17 is clear that certain internal fixed costs do not qualify as incremental costs as paragraph 38 clearly indicates that some internal costs are incremental and directly attributable to negotiating and arranging a lease. Clarification is needed to provide guidance on what costs the Board had in mind, as we believe a reasonable interpretation of paragraph 38 is that capitalising certain internal costs would be appropriate. In addition, the IASB has not acted upon the Interpretations Committee's September 2008 recommendation that common definitions of 'incremental' and 'directly attributable' be developed. Because the Interpretations Committee previously has been asked to clarify the definition of 'incremental', we recommend that the Interpretations Committee add the issue to its agenda. However, if the Interpretations Committee decides to uphold its November 2013 tentative agenda decision, we recommend that it clarify why it made its decision and how the application of that decision should be treated under IAS 8.

Should you wish to discuss the contents of this letter with us, please contact Leo van der Tas at the above address or on +44 (0)20 7951 3152.

Yours faithfully

Ernst & Young Global Limited