



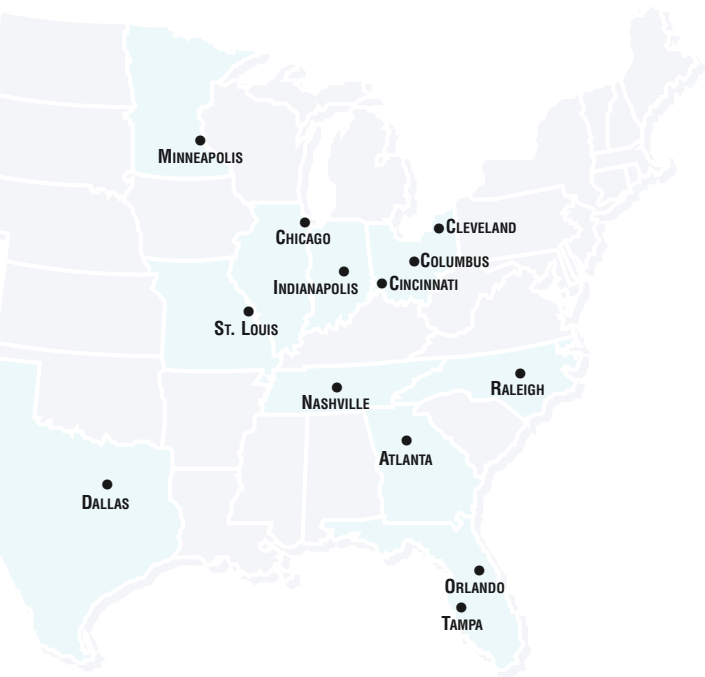
Duke

REALTY CORPORATION



2001 Annual Report

2001 Achievements



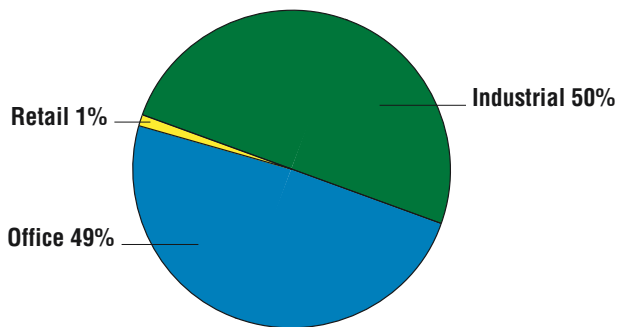
- Earnings per share (EPS) growth of 5.4%. Since our public offering in 1993, EPS has grown 194%
- Funds from operations (FFO) per share growth of 6.5%. Since our 1993 public offering, FFO per share has grown approximately 157%
- Dividend increase of 4.7%. Through nine increases, we have now doubled our dividend since the Company's 1993 public offering
- Debt-to-total market capitalization reduced to 29.5%
- \$541 million of capital recycled at a 9.9% capitalization rate
- Same-store growth of 4.4%

Mission Statement

It is the mission of Duke Realty Corporation to be the preeminent provider of real estate services. Through the development, construction, acquisition, asset & property management and leasing of industrial, office and retail properties, we will provide the highest standard of service and product execution in the industry, completely satisfying our customers. We will conduct our business in a manner that produces exceptional shareholder value and will challenge every member of our team to reach for the highest levels of integrity, creativity, drive and focus. Finally, we will make the communities where we do business, better places to live.

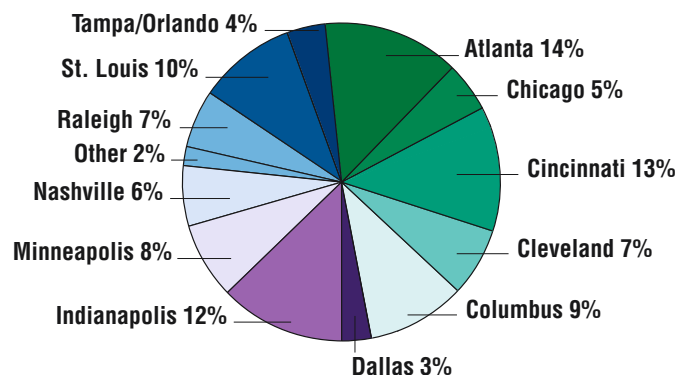
Net Effective Rent by Property Type

December 31, 2001



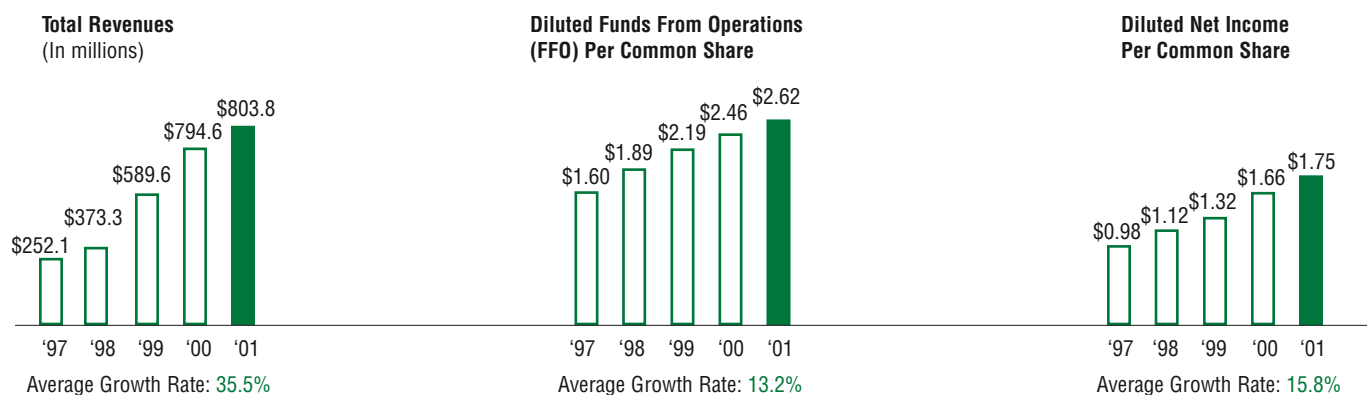
Net Effective Rent by Market

December 31, 2001



Duke Realty Corporation

Duke Realty Corporation is the largest publicly-traded office and industrial real estate company in the United States. Duke provides a full range of in-house services, backs them with nearly 30 years experience, and delivers valuable real estate solutions to completely satisfied customers across the Midwest and Southeast. At Duke, experienced people provide superior products and superior operating performance.



Selected Consolidated Financial Data

(In thousands, except per share amounts)

	2001	2000	1999	1998	1997
Total Revenues	\$ 803,808	\$ 794,625	\$ 589,594	\$ 373,341	\$ 252,080
Funds From Operations—Basic	346,747	317,360	234,273	154,074	107,256
Diluted FFO per Common Share	2.62	2.46	2.19	1.89	1.60
Dividends Paid per Common Share	1.76	1.64	1.46	1.28	1.10
Net Income Available for Common Shares	229,967	212,958	139,636	90,871	65,999
Diluted Net Income per Common Share	1.75	1.66	1.32	1.12	.98
Total Assets	5,330,033	5,460,036	5,486,238	2,853,653	2,176,214
Total Shareholders' Equity	\$ 2,785,009	\$2,712,890	\$2,668,596	\$1,570,112	\$1,234,681
FFO Payout Ratio	67.9%	68.3%	68.9%	69.8%	71.9%
Senior Unsecured Debt Ratings					
Standard & Poor's	BBB+	BBB+	BBB+	BBB+	BBB
Moody's	Baa1	Baa1	Baa1	Baa2	Baa2
Fitch	BBB+	BBB+	BBB+	BBB+	BBB+

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To Our Shareholders:

As we reflect on the recession that began in early 2001 and likely will continue through most of 2002, our shareholders can take comfort from the underpinnings of our business.

Duke is a company backed by hard assets leased for an average of approximately seven years to many of the top corporations in America. Our management team is one of the best and most experienced in the industry, and our “intellectual capital” is what ultimately makes Duke a high-quality operating business and not just a collection of assets. With a unique, vertically-integrated delivery system of services and one of the best balance sheets in the industry, we are very profitable when business and economic conditions are stable or improving. When conditions slow, we can still be profitable while building franchise value as our less established and less capitalized competitors suffer. Perhaps most important to our shareholders is a safe dividend that has an excellent record of growth.

As everyone knows, 2001 was a year in which the country abruptly transitioned from good economic times to bad. Fortunately, as early as mid-2000, we correctly anticipated the recession as we saw the telecom companies, which had been a primary source of office demand, stop leasing space. Our response to the deteriorating economy was to scale back new real estate development that was not pre-leased, to deleverage the balance sheet, and to reduce overhead expenses. Specifically, since the beginning of 2000, we decreased our held-for-rental development pipeline from \$571 million to \$183 million; we reduced our debt-to-total market capitalization ratio from 38.1 percent to 29.5 percent via more than \$1.3 billion of capital recycling; and, without cutting “muscle,” we eliminated more than \$15 million of corporate overhead while retaining an operational infrastructure that is poised for strong growth when the economy improves.

In 2001 we performed reasonably well against the critical measurements that we use to gauge our performance each year:

- **Earnings Growth**—After five consecutive years of solid double-digit growth, our funds from operations (FFO) growth dipped to 6.5 percent because of the poor economic environment combined with the otherwise positive effects of strengthening our balance sheet. Our earnings per share (EPS), which includes depreciation and \$52 million and \$41 million from gains on sale of depreciated property in 2000 and 2001, respectively, grew 5.4 percent for the year.
- **Return on Assets and Return on Equity** grew to 10.5 percent and 13.7 percent, respectively, for the year, up from 10.1 percent and 13.4 percent in 2000. We are making good progress toward our goal of attaining an 11.0 percent return on assets and a 15.0 percent return on equity.
- **Total Return to Duke shareholders** in 2001 was 6.3 percent compared to –11.9 percent for the S&P 500 Index and 13.9 percent for the real estate industry (NAREIT Equity Index). Since the Company’s 1993 public offering, our 16.6 percent total annualized return remains substantially above both the 9.0 percent return of the industry and the S&P 500 total return of 13.6 percent. In 2001, we increased your common stock dividend for the ninth time in eight years. The current annual dividend, at \$1.80 per share, is now double what it was at the time of our 1993 offering. We believe that the size, safety and growth record of our dividend has made Duke one of the best dividend growth stocks in America.

Total Return to Shareholders (December 31, 2001)

	1 Year	3 Year	5 Year	Since 10/93 Offering
Duke	6.25%	9.12%	11.87%	16.57%
NAREIT Equity Index	13.93%	11.15%	6.38%	8.96%
S&P 500 Index	-11.89%	-1.03%	10.70%	13.55%



As you would expect, a superior operating model resulted in our superior long-term total return. Since 1993 when we went public, our 12.5 percent compounded annual growth rate of per share FFO is among the best in the business. Moreover, it is important to understand that we deleveraged the balance sheet over these past few years while our peer group increased leverage. Going forward, this gives us more safety, flexibility, and growth potential. But what really bodes well for the Company's future is our unique business model that should continue to propel Duke to industry leading performance over the long-term:

- **We are vertically integrated**, which means that we provide exceptional value to our clients through a full range of real estate services while making more money for our shareholders.
- **We are large enough** to enjoy better access to the capital markets, economies of scale, and diversification, but small enough to maintain an entrepreneurial spirit that is not satisfied with average results. Our size also provides liquidity for our shareholders, which is particularly important to our institutional owners.
- With a strong balance sheet and a diverse portfolio based on long-term leases, **we have better and more efficient access to capital** than our competitors.
- **We have a number-one market position** in most of our Midwest and Southern markets with most of our competitors being smaller, privately-owned firms.
- **We recycle capital** because we know that selling mature assets where we have already created substantial value is almost always a lower long-term cost of equity than raising new capital.
- And most importantly, **we are value creators**. For example, based on our 11.6 percent average stabilized return and a 9.25 percent cap rate assumption, we estimate that our \$2.8 billion of developments completed since 1993 created more than \$725 million of value for our shareholders. We are convinced that adding value through real estate skills like development is a much better long-term strategy than relying on a market timing approach that allocates capital according to projections of which markets will be hot and vice versa.

OUTLOOK

With the effects of the slower economy now materializing in our financial results, 2002 will be a tough year with little growth in earnings expected. As mentioned earlier, we have made a number of strategic adjustments to prepare for this environment, and we are well positioned to handle either a quick recovery or a more extended downturn. We also enjoy the luxury of having several choices to enhance our growth: we can aggressively buy assets if the market to sell properties deteriorates to the point where acquisitions can be made at prices significantly less than replacement cost; we can accelerate new developments if the economy improves; and we can repurchase Duke shares if the market gives us an attractive entry point. But until we have a compelling reason to deploy our capital, we will continue to be patient. When we do begin to use our balance sheet strength, we estimate that we will have more than \$1 billion of debt capacity available. When deployed, we project that this could add more than \$0.26 per share to our operating cash flow.

For the time being, we like having multiple options for growth. As we manage through this recession, we look forward to a recovery and an opportunity to again post industry-leading growth. In the interim we will focus on satisfying our clients' needs, enhancing the value of the Duke brand and growing market share where appropriate.

To our many long-term shareholders and friends, thank you for your continued support. Additionally, on behalf of the Company and our Board of Directors, I want to extend our thanks and best wishes to Jay Strauss, who recently retired from our board after many years of dedicated service. Finally, I want to especially thank our more than 1,000 Associates who stood tall during a tough year and who clearly remain our most important asset.



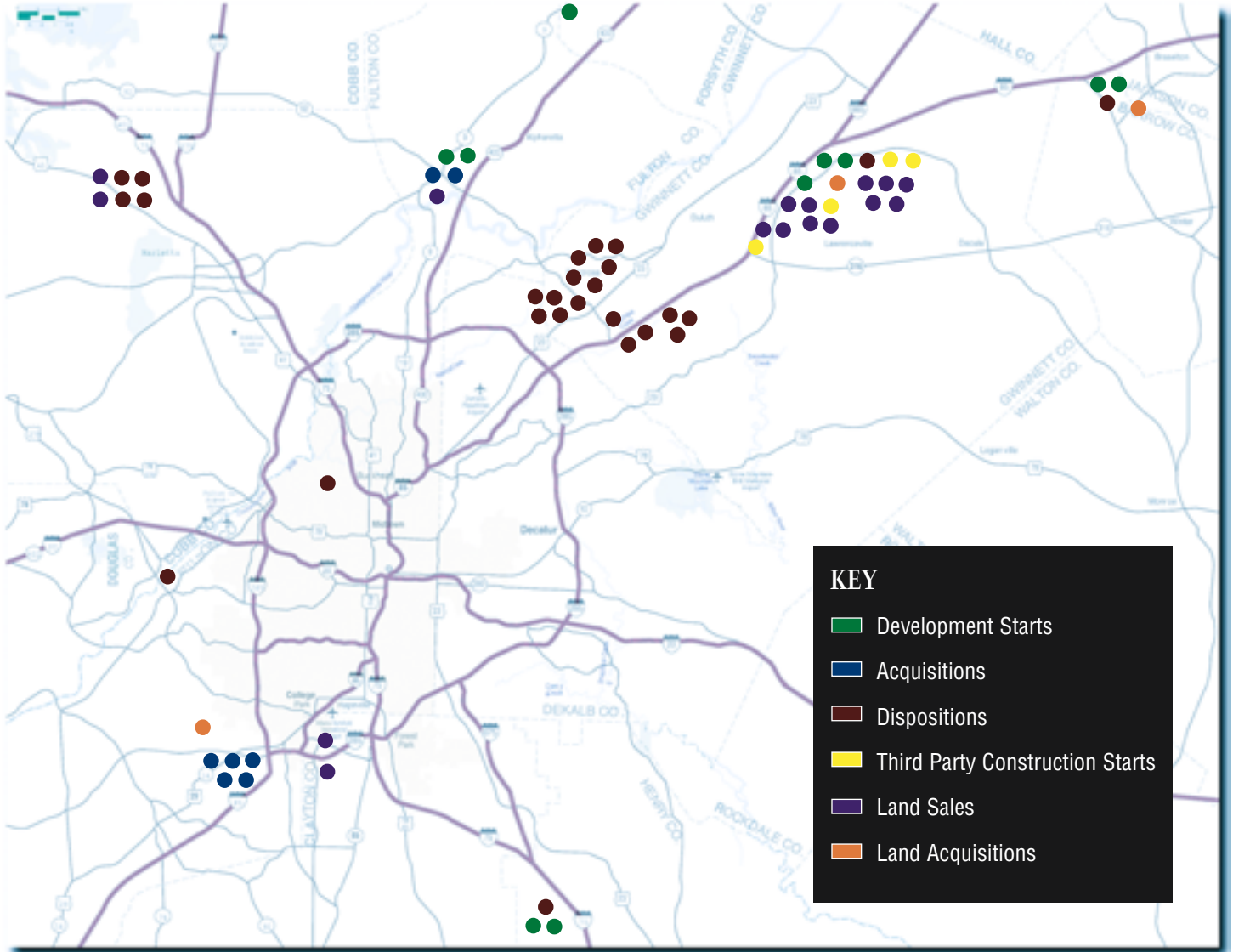
Thomas L. Hefner
Chairman & Chief Executive Officer



A Value Creation Example

Atlanta Industrial Business Unit

since Duke-Weeks merger July, 1999



In July of 1999, Duke Realty merged with Atlanta, Georgia based Weeks Corporation and acquired a well-regarded real estate operation with \$582 million of Atlanta industrial properties. Although the Company's new Atlanta platform had excellent assets, approximately 70 percent of the properties were heavily concentrated in the northeast corridor just outside of the I-285 beltway along I-85. While having a concentration of assets in a particular sub-market has its advantages, owning too many assets can drag down profitability if they do not lead to new opportunities for value creation.

With a focus on maximizing returns and creating economic value, Duke's Atlanta industrial strategy, led by Greg Thurman, has been to re-deploy both undeveloped land and buildings in the northeast and northwest sub-markets into new investments in Atlanta that afford greater opportunities for value creation. Specifically, the Company established a major position at Camp Creek Business Park in the

growing south/airport sub-market near the Atlanta-Hartsfield International Airport. This new position includes 300 acres of undeveloped land that can accommodate approximately \$150 million of future developments. Duke also staked out new positions further up I-85 and founded Braselton Business Park, which has already yielded more than one million square feet of new development opportunities including a 506,000 square foot build-to-suit for Sears Logistics Services.

After just 30 months in Atlanta, Duke has sold \$146 million of buildings and \$10 million of undeveloped land, and has reinvested the proceeds into \$26 million of new buildings, \$84 million of new developments, and \$10 million of new land positions that offer greater potential for long-term growth. In all of its markets, Duke is focused not just on owning the best buildings but also on maximizing its ability to create value for both its customers and its shareholders.



Selected Consolidated Financial Data

The following sets forth selected consolidated financial and operating information on a historical basis for the Company for each of the years in the five-year period ended December 31, 2001. The following information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and Financial Statements and Notes to Consolidated Financial Statements included in this Annual Report (in thousands, except per share amounts):

	2001	2000	1999	1998	1997
Results of Operations:					
Revenues:					
Rental Operations	\$ 723,349	\$ 711,826	\$ 535,563	\$ 348,625	\$ 229,702
Service Operations	80,459	82,799	54,031	24,716	22,378
Total Revenues	\$ 803,808	\$ 794,625	\$ 589,594	\$ 373,341	\$ 252,080
Net Income Available for Common Shares	\$ 229,967	\$ 212,958	\$ 139,636	\$ 90,871	\$ 65,999
Per Share Data:					
Net Income per Common Share:					
Basic	\$ 1.77	\$ 1.68	\$ 1.33	\$ 1.13	\$.99
Diluted	1.75	1.66	1.32	1.12	.98
Dividends paid per Common Share	1.76	1.64	1.46	1.28	1.10
Weighted Average Common Shares Outstanding	129,660	126,836	104,884	80,704	66,427
Weighted Average Common and Dilutive Potential Common Shares	151,710	147,441	120,511	92,468	74,993
Balance Sheet Data (at December 31):					
Total Assets	\$5,330,033	\$5,460,036	\$5,486,238	\$2,853,653	\$2,176,214
Total Debt	1,814,856	1,973,215	2,113,476	1,007,317	720,119
Total Preferred Equity	608,664	608,874	609,998	360,000	225,000
Total Shareholders' Equity	2,785,009	2,712,890	2,668,596	1,570,112	1,234,681
Total Common Shares Outstanding	131,416	127,932	125,823	86,053	76,065
Other Data:					
Funds From Operations(1)	\$ 346,747	\$ 317,360	\$ 234,273	\$ 154,074	\$ 107,256
Cash Flow Provided by (Used by):					
Operating activities	\$ 433,656	\$ 449,130	\$ 315,635	\$ 221,188	\$ 159,195
Investing activities	7,551	(97,752)	(740,269)	(703,814)	(597,324)
Financing activities	(470,915)	(330,952)	436,449	479,223	443,148

(1) Funds From Operations is defined by the National Association of Real Estate Investment Trusts as net income or loss, excluding gains or losses from debt restructuring and sales of depreciated property, plus operating property depreciation and amortization and adjustments for minority interest and unconsolidated companies on the same basis. Funds From Operations does not represent cash flow from operations as defined by generally accepted accounting principles, should not be considered as an alternative to net income as an indicator of the Company's operating performance, and is not indicative of cash available to fund all cash flow needs.

Pertinent Topics

There has been a significant amount of publicity and discussion recently related to certain issues in corporate governance and finance. In light of this publicity, we thought we would clarify for you how Duke is handling several of these issues.

Unconsolidated Joint Ventures

In the ordinary course of its business, the Company has formed joint ventures to acquire, develop or own real estate projects. If the Company does not have control (as defined by GAAP accounting standards) of those ventures, they are not consolidated in the Company's financial statements but rather are reported as investments in unconsolidated companies. The Company has 26 such joint ventures, primarily with institutional investors that made significant equity contributions to the ventures at the time they were formed and continue to have substantial equity interests. None of the venture partners are related parties. The debt to book value ratio of the Company's wholly-owned property portfolio is 39.5%. The combined unconsolidated joint ventures' ratio is 44.6%. The Company also discloses quarterly relevant information regarding its joint ventures in its Supplemental Information package which may be found on the Company's website at www.dukerealty.com.

Corporate Governance

As further evidence of the Company's commitment to its shareholders, a new Committee on Corporate Governance was established as a standing committee of the Board of Directors. Comprised solely of independent directors, this Committee is responsible for matters relating to the structure, practices and policies of the Board, including size, director qualifications, diversity, independence, conflicts of interest, the charter and membership of Board committees, and also CEO performance review. The Committee also reviews the qualifications of potential Board members, and recommends nominees for election as directors. In 2001, the Committee conducted its first annual assessment of Board performance through individual interviews of independent directors; adopted policies requiring rotation of directors among committees and of the chairs of Board committees; confirmed or adopted policies regarding directors' retirement age, change in professional

Management Philosophy

At Duke Realty, we know who we are. We are a real estate company with particular expertise in development and construction located in the Midwest and Southern United States. We are a company that has a strong balance sheet that gives us flexibility to take advantage of attractive investment opportunities while cushioning our performance in an economic downturn. We are also a company that pays a large and secure dividend.

The Management Committee of Duke contains over 40 members. Substantially all of the net worth of most of these individuals is tied to Duke shares. With so much at stake personally, we like that we are conservatively financed, and we love receiving dividends. While dividends were out of favor in the general market for a while they are now far more important to the general investing public. And they have always been popular with us. Likewise, it is exciting when our dividend grows as it has by more than doubling through nine increases in eight years.

While balance sheet strength, dividend growth, and dividend safety are things that we like as a management team, we know that we are not alone in this sentiment. Recently, our number of shareholders has risen by more than one-third to over 100,000. Almost certainly, the things that we like about owning Duke stock, our shareholders do too. We know that most people buy our shares for total return potential that includes a healthy dividend. Accordingly, we feel an obligation to all of our shareholders to manage the Company prudently. And that leads to an important point. Over the years, we have observed various companies across

affiliation or status, shareholdings and performance; and created minimum guidelines for officer and director shareholdings that were adopted by the Board in January 2002.

Auditors/Consultants

The auditor of the Company is KPMG LLP. We incurred \$600,000, \$580,000, and \$455,000, respectively for their audit related services in 1999, 2000 and 2001. During these same three years the Company paid KPMG \$258,000 for various consulting services. The largest of these expenditures was KPMG's proportionate share of a fee for services related to the sale of the Company's landscaping business paid to a firm with particular expertise in this area in which KPMG owns a 20 percent interest. Additionally, during this same period the Company also paid \$623,000 for information technology and other consulting services to Arthur Andersen and Olive/BKD.

Earnings Measurements

For the last several years the public real estate industry has been benchmarked by the analyst community based on a financial metric called funds from operations ("FFO"). Much debate has gone on in the industry over this measurement because the definition was determined by an industry organization rather than by the accounting rule makers or the Securities and Exchange Commission. Because of this, the calculation of FFO was not audited by independent accountants and was subject to varying interpretations by real estate companies reporting FFO. Beginning in 2002, analysts following our industry have agreed to discard FFO as the reported measure and adopted the concept of operating earnings per share ("OEPS"). The truth is that real estate is and always has been a cash flow business. Neither FFO nor OEPS reflect cash flow, and OEPS is particularly flawed because it includes depreciation on properties, which does not necessarily reflect the market value of those properties, and it excludes gains on sale of properties which ignores the material value creation delivered by companies with development capacity like Duke. Going forward we will report FFO, EPS, OEPS and cash flow so that our investors can evaluate us several different ways.

Company Stock in the 401(k) Plan

The total amount of Duke stock in the Company's 401(k) plan at December 31, 2001 was \$14.7 million or about 616,000 shares. There were restrictions on approximately \$11.0 million of that for the year 2001, but all restrictions were lifted effective March 1, 2002.

Corporate America venture into risky transactions and new lines of business in which they are not familiar, all in an effort to produce higher and higher growth that is usually not attainable. In the real estate business, we have seen this too as a number of companies lost millions investing in speculative technology ventures. Others strayed from their core expertise and invested in cold storage facilities and "telecom hotels". Almost all such investments have failed.

We have also seen gimmicks on the finance side with so-called equity forward contracts where companies entered into agreements to issue stock at a future price that they hoped would be higher. Often it was not.

At Duke, while there have been times that we have been told that we were not exciting enough, we have avoided the trap of venturing outside of our historic risk profile. Consequently, we avoided millions of dollars of losses.

With these comments, our intent is not to boast but rather to provide assurance that we know what we are and what we are not. As we have historically, we are a company that is capable of producing an above-average earnings growth rate while paying a large dividend along the way. As such, we hope that our growth rate and dividend together will continue to provide a better total return than the average of the real estate industry or the stock market in general. While always refining our core strengths, we will be very cautious when it comes to making large bets that are outside of our core expertise.

In summation, as a management team with substantial ownership, we like having a company that is run prudently, and we think that our shareholders do too. While we continually want to grow-up we never want to blow-up, and we want our shareholders to know that managing and understanding risk is a hallmark of our management philosophy.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," including those related to the Company's future operations, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: general economic and business conditions; continued qualification as a real estate investment trust; competition for tenants; 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. The words "believe," "estimate," "expect" and similar expressions or statements regarding future periods are intended to identify forward-looking statements. All forward-looking statements are inherently uncertain as they involve substantial risks and uncertainties beyond the Company's control. The Company undertakes no obligation to update or revise any forward-looking statements for events or circumstance after the date on which such statement is made. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Further, the Company cannot assess the impact of each such factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The Company's operating results depend primarily upon income from the Rental Operations of its industrial, office and retail properties located in its primary markets. This rental income is substantially influenced by the supply and demand for the Company's rental space in its primary markets. In addition, the Company's continued growth is dependent upon its ability to maintain occupancy rates and increase rental rates of its in-service portfolio. The Company's strategy for continued growth also includes developing and acquiring additional rental properties in its primary markets and expanding into other attractive markets.

For the year ended December 31, 2001, the Company's rental revenue grew by only 2%, substantially below historical trends. This slowdown in growth resulted from a combination of a slower economy reducing overall portfolio occupancy and the sale of over \$500 million of assets in 2001, which was used primarily to pay down debt. While these events have affected growth and related rental income, the Company has excellent liquidity and financial flexibility (See additional discussion under Liquidity and Capital Resources). With a debt to market capitalization ratio of 29.5% and only \$120 million drawn on its \$650 million unsecured lines of credit as of December 31, 2001, the Company is well positioned to make future opportunistic real estate investments. Additionally, the Company has experienced continued demand for third party construction services through its Service Operations and has significantly lowered its corporate general and administrative expenses to offset the reductions in rental income.

As noted above, the Company's operating results depend primarily upon income from the Rental Operations of its industrial, office and retail properties. The following highlights the areas of Rental Operations that the Company considers critical for future revenue growth (all square footage totals and occupancy percentages reflect 100% of both wholly-owned properties and properties in joint ventures that the Company has ownership interests):

Same Property Performance: The Company tracks same property performance, which compares those properties that were in-service for all of a two-year period. In 2001, net operating income from the same property portfolio increased 4.4% over 2000, compared to 4.2% growth in 2000 over 1999.

Occupancy Analysis: The following table sets forth information regarding the Company's in-service portfolio of rental properties as of December 31, 2001 (square feet in thousands):

Type	Total Square Feet		Percent of Total Square Feet		Percent Occupied	
	2001	2000	2001	2000	2001	2000
Industrial						
Service Centers	13,833	13,519	13.4%	13.4%	88.7%	92.3%
Bulk	64,786	63,454	63.0%	62.8%	89.4%	94.6%
Office	23,528	21,505	22.9%	21.3%	86.0%	91.3%
Retail	745	2,484	0.7%	2.5%	96.8%	97.8%
Total	102,892	100,962	100%	100.0%	88.6%	93.6%

Management's Discussion and Analysis of Financial Condition and Results of Operations

Lease Expiration: The following table reflects the Company's in-service lease expiration schedule as of December 31, 2001, by product type indicating square footage and annualized net effective rents under expiring leases (in thousands, except per square foot amounts):

Year of Expiration	Total Portfolio			Industrial		Office		Retail	
	Square Feet	Dollars	%	Square Feet	Dollars	Square Feet	Dollars	Square Feet	Dollars
2002	9,498	\$ 58,246	9%	7,938	\$ 39,695	1,550	\$ 18,402	10	\$ 149
2003	9,907	64,680	10%	7,865	38,590	2,042	26,090	—	—
2004	11,309	76,915	12%	8,719	41,831	2,567	34,677	23	407
2005	13,769	93,325	15%	10,918	51,884	2,813	40,939	38	502
2006	11,841	81,689	12%	9,324	45,670	2,510	35,910	7	109
2007	6,838	50,778	8%	5,173	27,561	1,633	22,775	32	442
2008	5,943	38,441	6%	4,725	21,687	1,199	16,464	19	290
2009	5,902	36,668	6%	4,755	20,122	1,128	16,177	19	369
2010	5,571	44,521	7%	3,908	18,511	1,644	25,696	19	314
2011	4,652	41,115	7%	3,360	20,590	1,276	20,280	16	245
2012 and Thereafter	5,941	47,985	8%	3,524	15,875	1,879	28,085	538	4,025
	91,171	\$634,363	100%	70,209	\$342,016	20,241	\$285,495	721	\$6,852
Total Portfolio Square Feet	102,892			78,619		23,528		745	
Percent Occupied	88.61%			89.30%		86.03%		96.78%	

Future Development: The Company also expects to realize growth in earnings from Rental Operations through the development and acquisition of additional rental properties in its primary markets. Specifically, the Company has 4.7 million square feet of properties under development at December 31, 2001. These properties under development should provide future earnings through Service Operations income upon sale or from Rental Operations growth as they are placed in service as follows (in thousands, except percent leased and stabilized returns):

Anticipated In-Service Date	Square Feet	Percent Leased	Project Costs	Anticipated Stabilized Return
Held for Rental:				
1st Quarter 2002	1,326	13%	\$ 83,637	10.5%
2nd Quarter 2002	2,011	22%	87,117	11.1%
3rd Quarter 2002	—	—	—	—
Thereafter	120	100%	12,352	11.7%
	3,457	21%	\$183,106	10.9%
Held for Sale:				
1st Quarter 2002	402	100%	\$ 33,439	10.9%
2nd Quarter 2002	241	84%	20,205	11.7%
3rd Quarter 2002	601	100%	8,230	10.1%
Thereafter	—	—	—	—
	1,244	97%	\$ 61,874	11.0%
Total	4,701	41%	\$244,980	10.9%

Lease Renewals: The Company renewed 70.1 percent of leases up for renewal in 2001, totaling 7.4 million square feet on which it attained an 11.6 percent growth in net effective rent. This compares to renewals of 76.8 percent in 2000, totaling 8.9 million square feet and 7.4 percent growth in net effective rent.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

A summary of the Company's operating results and property statistics for each of the years in the three-year period ended December 31, 2001, is as follows (in thousands, except number of properties and per share amounts):

	2001	2000	1999
Rental Operations revenues	\$723,349	\$711,826	\$535,563
Service Operations revenues	80,459	82,799	54,031
Earnings from Rental Operations	257,701	226,352	195,394
Earnings from Service Operations	35,115	32,760	17,872
Operating income	277,257	237,968	196,710
Net income available for common shares	229,967	212,958	139,636
Weighted average common shares outstanding	129,660	126,836	104,884
Weighted average common and dilutive potential common shares	151,710	147,441	120,511
Basic net income per common share	\$ 1.77	\$ 1.68	\$ 1.33
Diluted net income per common share	\$ 1.75	\$ 1.66	\$ 1.32
Number of in-service properties at end of year	888	913	865
In-service square footage at end of year	102,892	100,962	92,502
Under development square footage at end of year	4,701	8,056	9,876

Comparison of Year Ended December 31, 2001 to Year Ended December 31, 2000

Rental Operations – Rental Operations revenue increased to \$723.3 million from \$711.8 million for the year ended December 31, 2001, compared to the same period in 2000. Rental Operations revenue is driven by rental income from held for rental properties ("Rental Income") and equity in earnings from unconsolidated companies ("Equity in earnings"). Rental Income decreased from \$697.3 million in 2000 to \$692.0 million in 2001. This decrease is the result of an overall decrease in occupancy of in-service properties from 93.6 percent at December 31, 2000, to 88.6 percent at December 31, 2001. Also contributing to the decline in Rental Income is the effects of the Company's property dispositions. During 2000 and 2001, the Company sold approximately \$1 billion of held for investment rental properties from its in-service portfolio. A majority of these properties were over 90% leased and the new developments placed in-service over the same time period were leased at lower percentages and, therefore, the Company realized less rental income. The effects of the decreased occupancy and property sales were somewhat mitigated by the Company recognizing \$17.5 million of lease termination fees in 2001, compared to \$7.0 million in 2000.

Equity in earnings increased from \$14.6 million in 2000 to \$31.4 million for 2001. This increase is mainly the result of the Company selling a significant number of properties to two 50% owned joint ventures in the fourth quarter of 2000. The Company recognized \$14.8 million of additional equity in earnings in 2001 associated with these two ventures.

The following is a summary of the Company's in-service portfolio since January 1, 2000:

	Buildings	Square Feet (in thousands)
Properties owned as of:		
January 1, 2000	865	92,502
Acquisitions	2	169
Developments placed in service	75	11,546
Contributions from joint venture partners	24	3,331
Dispositions	(53)	(6,586)
December 31, 2000	913	100,962
Acquisitions	5	258
Developments placed in service	55	9,906
Dispositions	(85)	(8,234)
December 31, 2001	888	102,892

Rental and real estate tax expenses increased in 2001 over 2000 generally due to increasing operating costs of the Company's properties. These increases were mitigated by the timing of sales of properties throughout the year.

The \$20.1 million decrease in interest expense is primarily attributable to lower outstanding balances on the Company's lines of credit associated with the financing of the Company's investment and operating activities. The Company has maintained a significantly lower balance on its lines of credit throughout 2001 compared to 2000, as a result of its

Management's Discussion and Analysis of Financial Condition and Results of Operations

property dispositions proceeds used to fund future development, combined with a lower development level as a result of the slower economy. Additionally, the Company paid off \$128.5 million of secured mortgage loans throughout 2001, as well as an \$85 million unsecured term loan. These decreases were partially offset by an increase in interest expense on unsecured debt as a result of the Company issuing \$175.0 million of debt in February 2001, as well as a decrease in the amount of interest capitalized in 2001 versus 2000, due to the decrease in development activity by the Company.

As a result of the above-mentioned items, earnings from Rental Operations increased \$31.3 million from \$226.4 million for the year ended December 31, 2000, to \$257.7 million for the year ended December 31, 2001.

Service Operations – Service Operations revenues decreased from \$82.8 million for the year ended December 31, 2000, to \$80.5 million for the year ended December 31, 2001. The Company experienced a decrease of \$4.3 million in net general contractor revenues from third party jobs due to a decrease in the volume of construction in 2001, compared to 2000, as well as slightly lower profit margins. This decrease is the effect of businesses delaying or terminating plans to expand in the wake of the slowed economy as noted above in the Business Overview section.

Property management, maintenance and leasing fee revenues decreased approximately \$2.7 million due mainly to a decrease in landscaping maintenance revenue associated with the sale of the landscape business in the third quarter of 2001 (see discussion below).

Construction management and development activity income represent construction and development fees earned on projects where the Company acts as the construction manager, and profits from the Company's held for sale program whereby the Company develops a property in Duke Construction Limited Partnership ("DCLP"), and, upon completion, sells the property to a third party. The increase in revenues of \$2.2 million in 2001 is primarily due to an increase in profits on the sale of properties from the held for sale program.

Other income increased approximately \$2.4 million in 2001 over 2000, due to a \$1.8 million gain the Company recognized on the sale of its landscape business in the third quarter of 2001. The sale of the landscape business resulted in a total net profit of over \$9 million after deducting all related expenses. This gain will be recognized in varying amounts over the next seven years due to the Company's on-going contract to provide future services to the buyer.

Service Operations expenses decreased by \$4.7 million for the year ended December 31, 2001, compared to the same period in 2000, as the Company reduced total overhead costs throughout 2001 in an effort to minimize the effects of decreased construction and development activity. The primary savings were experienced in employee salary and related costs due to personnel reductions and reduced overhead costs from the sale of the landscaping business.

As a result, earnings from Service Operations increased from \$32.8 million for the year ended December 31, 2000, to \$35.1 million for the year ended December 31, 2001.

General and Administrative Expense – General and Administrative Expense decreased from \$21.1 million in 2000 to \$15.6 million for the year ended December 31, 2001, due to overhead cost reduction efforts. In late 2000 and continuing throughout 2001, the Company introduced several cost cutting measures to reduce the amount of overhead, including personnel reduction, centralization of responsibilities and streamlining of employee costs such as travel and entertainment.

Other Income and Expenses – Gain on sale of land and depreciable property dispositions, net of impairment allowance, is comprised of the following amounts in 2001 and 2000:

	2001	2000
Gain on sales of depreciable properties	\$45,428	\$52,067
Gain on land sales	5,080	9,165
Impairment allowance	(4,800)	(540)
Total	\$45,708	\$60,692

Gain on sales of depreciable properties represent sales of previously held for investment rental properties. Beginning in 2000 and continuing into 2001, the Company has pursued favorable opportunities to dispose of real estate assets that no longer meet long-term investment objectives. In conjunction with this disposition strategy, included in net real estate investments are 12 buildings with a net book value of \$122.8 million that were classified as held for sale by the Company at December 31, 2001. The Company expects to complete these and other dispositions and use the proceeds to fund future investments in real estate assets.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Gain on land sales represents sales of undeveloped land owned by the Company. The Company pursues opportunities to dispose of land in markets with a high concentration of undeveloped land and those markets where the land no longer meets strategic development plans of the Company.

The Company recorded a \$4.8 million asset impairment adjustment in 2001 on a single property that is expected to be sold in early 2002. The Company has analyzed each of its in-service properties and has determined that there are no additional valuation adjustments that need to be made as of December 31, 2001. The Company will evaluate its in-service portfolio on a continuing basis.

Other expense for the year ended December 31, 2001, includes a \$1.4 million expense related to an interest rate swap that does not qualify for hedge accounting under FASB SFAS 133.

Net Income Available for Common Shares – Net income available for common shares for the year ended December 31, 2001 was \$230.0 million compared to \$213.0 million for the year ended December 31, 2000. This increase results primarily from the operating result fluctuations in Rental and Service Operations and earnings from sales of real estate assets explained above.

Comparison of Year Ended December 31, 2000 to Year Ended December 31, 1999

Rental Operations – Rental Operations revenue increased to \$711.8 million from \$535.6 million for the year ended December 31, 2000, compared to the same period in 1999. This increase is primarily due to the increase in the number of in-service properties during the respective periods. As of December 31, 2000, the Company had 913 properties in service compared to 865 properties at December 31, 1999. The following is a summary of the Company's acquisition and development activity since January 1, 1999:

	Buildings	Square Feet (in thousands)
Properties owned as of:		
January 1, 1999	453	52,028
Weeks merger	335	28,569
Acquisitions	30	2,867
Developments placed in service	68	10,928
Dispositions	(21)	(1,890)
December 31, 1999	865	92,502
Acquisitions	2	169
Developments placed in service	75	11,546
Dispositions	(53)	(6,586)
Contributions from joint venture partners	24	3,331
December 31, 2000	913	100,962

Rental property, real estate tax and depreciation and amortization expenses increased for the year ended December 31, 2000, compared to the same period in 1999, due to the increase in the number of in-service properties during the respective periods.

The \$47.2 million increase in interest expense is primarily attributable to higher outstanding debt balances associated with the financing of the Company's investment activities. The increased balances include \$450 million of unsecured debt issued in 1999, the assumption of \$185 million of secured debt and \$287 million of unsecured debt in the merger with Weeks Corporation in July 1999, and increased borrowings on the Company's lines of credit. These higher borrowing costs were partially offset by the capitalization of interest on increased property development activities.

As a result of the above-mentioned items, earnings from Rental Operations increased \$31.0 million from \$195.4 million for the year ended December 31, 1999, to \$226.4 million for the year ended December 31, 2000.

Service Operations – Service Operations revenues increased by \$28.8 million from \$54.0 million for the year ended December 31, 1999, to \$82.8 million for the year ended December 31, 2000, primarily as a result of increases in construction and development income from increased third-party construction and revenues from the development and sale profits of build-to-suit properties.

Service Operations operating expenses increased from \$36.2 million in 1999 to \$50.0 million for the year ended December 31, 2000, due to the overall growth of the Company and the increased portfolio of buildings associated with this growth, and the significant increase in construction and development activity in 2000.

As a result, earnings from Service Operations increased from \$17.9 million for the year ended December 31, 1999, to \$32.8 million for the year ended December 31, 2000.

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General and Administrative Expense – General and Administrative Expense increased from \$16.6 million in 1999 to \$21.1 million for the year ended December 31, 2000, due to an increase in corporate expenses associated with overall growth of the Company and effects of a full year's operations resulting from the merger with Weeks Corporation in July 1999.

Other Income and Expenses – Interest income increased from \$2.7 million for the year ended December 31, 1999, to \$6.9 million for the same period in 2000 primarily through earnings on funds deposited in tax deferred exchange escrows of \$3.6 million.

The Company has a disposition strategy to pursue favorable opportunities to dispose of real estate assets that no longer meet long-term investment objectives of the Company, which resulted in net sales proceeds of \$413.8 million and a net gain of \$60.7 million for the year ended December 31, 2000. In conjunction with this disposition strategy, included in net real estate investments are 28 buildings with a net book value of \$112.0 million that were classified as held for sale by the Company at December 31, 2000.

Net Income Available for Common Shares – Net income available for common shares for the year ended December 31, 2000 was \$213.0 million compared to \$139.6 million for the year ended December 31, 1999. This increase results primarily from the operating result fluctuations in rental and service operations and earnings from sales of real estate assets explained above.

Summary of Critical Accounting Policies

Management of the Company considers the following accounting policies to be critical to the reported operations of the Company:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned or controlled subsidiaries. The equity interests in these majority-owned or controlled subsidiaries not owned by the Company are reflected as minority interests in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. Investments in entities that the Company does not control through majority voting interest or where the other owner has substantial participating rights are not consolidated and are reflected as investments in unconsolidated companies. Control is demonstrated by the ability of the general partner to manage day-to-day operations, refinance debt and sell the assets of the partnership without the consent of the limited partner and inability of the limited partner to replace the general partner.

Real Estate Investments

All direct and indirect costs, including interest and real estate taxes clearly associated with the development, construction, leasing or expansion of real estate investments are capitalized as a cost of the property. Included in indirect costs is an estimate of internal costs associated with development and rental of real estate investments. All external costs associated with the acquisition of real estate investments are capitalized as a cost of the property.

The Company evaluates its real estate investments to be held and used upon occurrence of significant changes in the operations, but not less than annually, to assess whether any impairment indications are present, including recurring operating losses and significant adverse changes in legal factors or business climate that affect the recovery of the recorded value. If any real estate investment is considered impaired, a loss is provided to reduce the carrying value of the property to its estimated fair value. Real estate investments to be disposed of are reported at the lower of their carrying amount or fair value less cost to sell. The evaluation of real estate investments involves many subjective assumptions dependent upon future economic events that affect the ultimate value of the property.

Service Operations Revenue

The Company recognizes income on long-term construction contracts on the percentage of completion method. Using this method, profits are recorded on the basis of the Company's estimates of the percentage of completion of individual contracts, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. That portion of the estimated earnings is accrued on the basis of the Company's estimates of the percentage of completion based on contract expenditures incurred and work performed.

Valuation of Receivables

The Company is subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, the Company performs credit review and analysis on all tenants and all significant leases before they are executed. The Company evaluates the collectibility of outstanding receivables and records allowances as appropriate.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Financial Flexibility – During 2000 and continuing into 2001, the real estate industry experienced a reduced supply of new common equity capital, which generally decreased the level of new investment activity by real estate companies. While the Company has been subject to these capital market conditions, management believes the Company's financial and liquidity position is strong. Over the years, the Company has carefully managed its balance sheet in an effort to avoid liquidity issues in any given quarter or year. In management's view, this should provide a competitive advantage in the current capital constrained market over many of its competitors. Following are three key indicators that demonstrate the overall strength of the Company's financial position.

First, the Company believes that its principal source of liquidity, cash flows from Rental Operations, provides a stable source of cash to fund necessary requirements. The Company believes that this cash based revenue stream is properly aligned with revenue recognition as cash receipts for rental properties are generally received in a short time following the actual revenue recognition. The Company is subject to risks of decreased occupancy due to market conditions as well as tenant defaults and bankruptcies. However, management believes that these risks are mitigated by the Company's strong market presence in most of its locations and the fact that the Company performs in-house credit review and analysis on all tenants and all significant leases before they are executed. This latter point is supported by the fact that in 2001, the Company's bad debt expense totaled only one-half of one percent of total rental revenues. Secondly, the Company has maintained a conservative balance sheet with a debt-to-total market capitalization of 29.5% at December 31, 2001. Thirdly, as of December 31, 2001, the Company has a total of \$530.0 million of undrawn capacity on its existing unsecured lines of credit to meet its short-term obligations. The de-leveraging of the balance sheet over the past two years has strengthened the Company's debt and other compliance ratios required to maintain its unsecured lines of credit, further allowing the Company the opportunity to obtain additional debt capacity should the need arise in the course of business opportunities. The Company also amended both its \$500 million and \$150 million unsecured lines of credit in 2001, which extended the maturity dates to 2004 and 2002, respectively.

Management believes that these key factors will provide the Company with substantial financial flexibility to capitalize on investment opportunities that may not be available to other real estate companies with more limited financial resources.

Operating Activities – Net cash flow provided by operating activities was \$433.7 million in 2001, compared to \$449.1 million and \$315.6 million in 2000 and 1999, respectively. Operating activity cash flows represent the primary source of liquidity to fund distributions to shareholders, unitholders and the other minority interests and to fund recurring costs associated with the renovation and re-letting of the Company's properties.

Investing Activities – Net cash provided by (used) by investing activities totaled \$7.6 million, \$(97.8) million and \$(740.3) million for the years ended December 31, 2001, 2000 and 1999, respectively. Investing activities represent the investment of funds by the Company to expand its portfolio of rental properties through the development and acquisition of additional rental properties, net of proceeds received from property sales. As noted in the comparison of 2001 to 2000, the Company has sold a significant amount of held for rental property in 2001 and 2000, which has generated proceeds of \$436.1 million and \$413.8 million in 2001 and 2000, respectively. In addition, the Company has received \$59.2 million and \$158.4 million of distributions from unconsolidated companies in 2001 and 2000, respectively, which represents a return of the Company's investment in unconsolidated companies generated by financing proceeds from leveraging activities by the unconsolidated companies. The effect of property sales and distributions from unconsolidated companies has significantly reduced the amount of cash used by investing activities in 2001 and 2000, compared to 1999.

The recurring capital needs of the Company are funded primarily through the undistributed net cash provided by operating activities. A summary of the Company's recurring capital expenditures is as follows (in thousands):

	2001	2000	1999
Tenant improvements	\$18,416	\$31,955	\$21,144
Leasing costs	13,845	17,530	12,326
Building improvements	10,873	6,804	3,751
Total	\$43,134	\$56,289	\$37,221

Financing Activities – Net cash (used for)/provided by financing activities totaling (\$470.9) million, (\$331.0) million and \$436.4 million for the years ended 2001, 2000 and 1999, respectively, is comprised of debt and equity issuances, net of distributions to shareholders and minority interests and repayments of outstanding indebtedness. In 2001, the Company received \$36.5 million of net proceeds from the issuance of common shares, \$72.2 million of net proceeds from the issuance of preferred shares, and \$175.0 million of proceeds from the issuance of unsecured debt. All proceeds were used

Management's Discussion and Analysis of Financial Condition and Results of Operations

to reduce amounts outstanding under the Company's lines of credit and to fund the development and acquisition of additional rental properties.

Also in 2001, the Company redeemed its Series A Preferred stock at a cost of \$75.0 million, and paid off \$128.5 million of secured mortgage debt and an \$85.0 million unsecured term loan.

The Company currently has on file a Form S-3 Registration Statement (the "Shelf Registration") with the Securities and Exchange Commission, which has remaining availability as of December 31, 2001, of \$542.8 million to issue additional common stock, preferred stock, and unsecured debt securities. The Company intends to issue additional securities under this Shelf Registration to fund the development and acquisition of additional rental properties. The Company also has a Shelf Registration on file for at-the-market offerings of 1.5 million shares of common stock.

The Company has the following lines of credit available (in thousands):

Description	Borrowing Capacity	Maturity Date	Interest Rate	Outstanding at December 31, 2001
Unsecured Line of Credit	\$500,000	February 2004	LIBOR + .65%	\$120,000
Unsecured Line of Credit	\$150,000	July 2002	LIBOR + .675%	\$ —
Secured Line of Credit	\$100,000	January 2003	LIBOR + 1.05%	\$ 27,590

The lines of credit are used to fund development and acquisition of additional rental properties and to provide working capital.

The \$500 million line of credit allows the Company an option to obtain borrowings from the financial institutions that participate in the line of credit at rates lower than the stated interest rate, subject to certain restrictions. Amounts outstanding on the line of credit at December 31, 2001 are at LIBOR + .65%.

The debt outstanding at December 31, 2001, totals \$1.8 billion with a weighted average interest rate of 6.81% maturing at various dates through 2028. The Company has \$1.5 billion of unsecured debt and \$318.5 million of secured debt outstanding at December 31, 2001. Scheduled principal amortization of such debt totaled \$10.0 million for the year ended December 31, 2001.

Following is a summary of the scheduled future amortization and maturities of the Company's indebtedness at December 31, 2001 (in thousands):

Year	Future Repayments			Weighted Average Interest Rate of Future Repayments
	Scheduled Amortization	Maturities	Total	
2002	\$11,362	\$ 56,486	\$ 67,848	7.25%
2003	10,212	305,719	315,931	7.22%
2004	8,497	296,186	304,683	5.36%
2005	7,057	219,642	226,699	7.17%
2006	5,908	146,179	152,087	7.08%
2007	4,015	116,554	120,569	7.08%
2008	3,605	100,000	103,605	6.74%
2009	3,863	275,000	278,863	7.31%
2010	4,190	—	4,190	6.37%
Thereafter	15,381	225,000	240,381	6.82%
	\$74,090	\$1,740,766	\$1,814,856	6.81%

Investments in Unconsolidated Companies

The Company has equity interests ranging from 10-50% in unconsolidated partnerships and joint ventures that own and operate rental properties and hold land for development. The equity method of accounting is used for these investments in which the Company has the ability to exercise significant influence, but not control, over operating and financial policies. The combined assets and debt of these unconsolidated companies at December 31, 2001, totaled \$1.3 billion and \$557 million, respectively. The Company has guaranteed \$90 million of secured mortgage debt and agreed to provide additional capital contributions to pay all sums due under and additional \$260 million of secured mortgage debt outstanding at December 31, 2001. This total \$350 million of debt is collateralized by rental properties of a joint venture with net carrying value substantially in excess of the outstanding debt. If required to make additional capital contributions, the Company will receive proportionately increased ownership in the respective collateralized properties. The Company does not anticipate that it will be required to satisfy the guarantee or additional capital contribution obligations.

Management's Discussion and Analysis of Financial Condition and Results of Operations

In October 2000, the Company expanded an existing joint venture with an institutional real estate investor. In connection with this transaction, the joint venture partners were given an option to put up to a \$50 million interest in the joint venture to the Company in exchange for common stock of the Company or cash, subject to timing and other restrictions. As a result of this put option, the Company deferred \$10.2 million of gain on sale of depreciated property to the joint venture and recorded a \$50 million liability.

Related Party Transactions

The Company provides property management, leasing, construction and other tenant related services to properties in which certain executives have ownership interests. The Company has an option to acquire these executive officers' interests in these properties (the "Option Properties"). The Company received fees totaling \$1.7 million, \$1.9 million and \$2.4 million in 2001, 2000 and 1999, respectively, for services provided to the Option Properties. The fees charged by the Company for such services are equivalent to those charged to third-party owners for similar services.

On June 27, 2001, A. Ray Weeks, Jr. resigned his position as a director and Vice Chairman of the Company. On August 17, 2001, the Company redeemed 620,156 limited partnership units beneficially owned by Mr. Weeks and certain members of his immediate and extended family (the "Weeks Affiliates"). The deemed value of the units redeemed was \$15.7 million, which was based on the average closing stock price of the Company for a certain period of days preceding the redemption date. As consideration for the redemption, the Weeks Affiliates received a distribution of seven industrial rental properties and one undeveloped tract of land located in the Atlanta, Georgia metropolitan area with a value of \$31.7 million. The Weeks Affiliates also assumed a loan in the amount of \$16 million from Wachovia Bank, N.A. to the Company. The value of the properties distributed to the Weeks Affiliates was based on negotiations between Mr. Weeks and members of the Company's executive committee, and was approved by the unaffiliated members of the Board of Directors.

The Company has other related party transactions that are insignificant and terms are considered to be at arm's-length and equal to those negotiated with independent parties.

Commitments and Contingencies

The Company has the following commitments and contingencies in addition to those previously disclosed:

In 1998 and 1999, members of management and the Board of Directors purchased \$69 million of common stock in connection with an Executive and Senior Officer Stock Purchase Plan. The purchases were financed by five-year personal loans at market interest rates from financial institutions. As of December 31, 2001, the outstanding balance on these loans is \$40.5 million as some participants have exited the program and repaid their principal balance. As a condition of the financing agreement with the financial institution, the Company has guaranteed repayment of principal, interest and other obligations for each participant, but is fully indemnified by the participants. In the opinion of management, it is not probable that the Company will be required to satisfy these guarantees.

The Company has entered into agreements, subject to the completion of due diligence requirements, resolution of certain contingencies and completion of customary closing conditions, for the future acquisition of land totaling \$10.1 million. The acquisitions are scheduled to close periodically through 2002 and will be paid for through a combination of cash or DRLP Limited Partner Unit issuance.

Merger With Weeks Corporation

In July 1999, Weeks Corporation ("Weeks"), a self-administered, self-managed geographically focused Real Estate Investment Trust ("REIT"), which operated primarily in the southeastern United States, was merged with and into Duke Realty Investments, Inc. ("Duke"). The total purchase price of Weeks aggregated approximately \$1.9 billion, which included the assumption of the outstanding debt and liabilities of Weeks of approximately \$775 million. The transaction was structured as a tax-free merger and was accounted for under the purchase method.

Funds From Operations

Management believes that Funds From Operations ("FFO"), which is defined by the National Association of Real Estate Investment Trusts as net income or loss, excluding gains or losses from debt restructuring and sales of depreciated property, plus operating property depreciation and amortization and adjustments for minority interest and unconsolidated companies on the same basis, is the industry standard for reporting the operations of real estate investment trusts.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following reflects the calculation of the Company's FFO for the years ended December 31 (in thousands):

	2001	2000	1999
Net income available for common shares	\$ 229,967	\$ 212,958	\$ 139,636
Add back (deduct):			
Depreciation and amortization	159,714	162,523	110,763
Share of adjustments for unconsolidated companies	14,177	9,104	5,268
Earnings from depreciated property sales	(40,628)	(51,527)	(8,235)
Minority interest share of add-backs	(16,483)	(15,698)	(13,159)
Funds From Operations	\$ 346,747	\$ 317,360	\$ 234,273
Cash flow provided by (used by):			
Operating activities	\$ 433,656	\$ 449,130	\$ 315,635
Investing activities	7,551	(97,752)	(740,269)
Financing activities	(470,915)	(330,952)	436,449

The increase in FFO during the three-year period results primarily from the increased in-service rental property portfolio as discussed above under "Results of Operations."

While management believes that FFO is the most relevant and widely used measure of the Company's operating performance, such amount does not represent cash flow from operations as defined by generally accepted accounting principles, should not be considered as an alternative to net income as an indicator of the Company's operating performance, and is not indicative of cash available to fund all cash flow needs.

Accounting Changes

In October 2001, FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which is effective January 1, 2002. SFAS 144 supersedes and provides additional clarification under the guidelines established by SFAS 121. The Company does not anticipate that the adoption of SFAS 144 will have a material impact on its financial statements.

Management's Statement on Responsibilities for Accounting, Auditing, and Financial Reporting

The information contained in the financial review section as well as other financial information contained in this annual report to shareholders has been prepared by management of the Company. Management has consulted with the Company's independent auditors, where appropriate, to secure their professional advice.

The financial statements have been prepared on the basis of the most appropriate generally accepted accounting principles in the circumstances. The primary objective of financial reporting is to provide users of financial statements with sufficient, relevant information.

The financial statements and other financial information are based on the accrual method of accounting, which requires a certain amount of estimating and informed judgment. Management has made these estimates and judgments based on extensive experience and substantive understanding of events and transactions regarding the Company's past and prospective operations.

In fulfilling its responsibility for the reliability and integrity of financial information, management has established and maintains accounting procedures and related control systems. Management believes that these systems and controls provide reasonable assurance that assets are safeguarded; transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of reliable financial statements in conformity with generally accepted accounting principles; and material errors or irregularities are prevented or detected within a timely period.

Independent Auditors' Report

The Shareholders and Directors of Duke Realty Corporation:

We have audited the consolidated financial statements of Duke Realty Corporation and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Realty Corporation and Subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP



Indianapolis, Indiana
January 30, 2002

Consolidated Balance Sheets

As of December 31 (in thousands, except per share amounts)

	2001	2000
ASSETS		
Real estate investments:		
Land and improvements	\$ 583,909	\$ 581,530
Buildings and tenant improvements	4,068,944	3,989,033
Construction in progress	154,086	216,938
Investments in unconsolidated companies	323,682	367,581
Land held for development	322,528	257,779
	5,453,149	5,412,861
Accumulated depreciation	(425,721)	(338,426)
Net real estate investments	5,027,428	5,074,435
Cash and cash equivalents	9,483	39,191
Accounts receivable, net of allowance of \$2,820 and \$1,540	23,142	19,454
Straight-line rent receivable, net of allowance of \$841 and \$1,460	42,751	34,512
Receivables on construction contracts	30,077	45,394
Deferred financing costs, net of accumulated amortization of \$17,459 and \$13,288	12,550	12,540
Deferred leasing and other costs, net of accumulated amortization of \$41,284 and \$31,522	97,117	102,413
Escrow deposits and other assets	87,485	132,097
	\$5,330,033	\$5,460,036
LIABILITIES AND SHAREHOLDERS' EQUITY		
Indebtedness:		
Secured debt	\$ 318,484	\$ 466,624
Unsecured notes	1,376,372	1,286,591
Unsecured lines of credit	120,000	220,000
	1,814,856	1,973,215
Construction payables and amounts due subcontractors	54,735	70,105
Accounts payable	2,274	4,312
Accrued expenses:		
Real estate taxes	51,462	51,328
Interest	24,313	28,780
Other	49,973	61,341
Other liabilities	117,577	88,540
Tenant security deposits and prepaid rents	34,644	34,208
Total liabilities	2,149,834	2,311,829
Minority interest	395,190	435,317
Shareholders' equity:		
Preferred shares (\$.01 par value); 5,000 shares authorized	608,664	608,874
Common shares (\$.01 par value); 250,000 shares authorized; 131,416 and 127,932 shares issued and outstanding	1,314	1,279
Additional paid-in capital	2,251,246	2,180,120
Accumulated other comprehensive income (loss)	(192)	—
Distributions in excess of net income	(76,023)	(77,383)
Total shareholders' equity	2,785,009	2,712,890
	\$5,330,033	\$5,460,036

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

For the Years Ended December 31 (in thousands, except per share amounts)

	2001	2000	1999
RENTAL OPERATIONS:			
Revenues:			
Rental income	\$ 691,958	\$ 697,270	\$ 523,950
Equity in earnings of unconsolidated companies	31,391	14,556	11,613
	723,349	711,826	535,563
Operating expenses:			
Rental expenses	121,439	118,040	88,403
Real estate taxes	70,665	70,963	54,246
Interest expense	113,830	133,948	86,757
Depreciation and amortization	159,714	162,523	110,763
	465,648	485,474	340,169
Earnings from rental operations	257,701	226,352	195,394
SERVICE OPERATIONS:			
Revenues:			
General contractor gross revenue	264,455	292,661	216,079
General contractor costs	(229,845)	(253,763)	(188,021)
Net general contractor revenue	34,610	38,898	28,058
Property management, maintenance and leasing fees	22,824	25,477	21,941
Construction management and development activity income	19,142	16,965	2,870
Other income	3,883	1,459	1,162
Total revenue	80,459	82,799	54,031
Operating expenses	45,344	50,039	36,159
Earnings from service operations	35,115	32,760	17,872
General and administrative expense	(15,559)	(21,144)	(16,556)
Operating income	277,257	237,968	196,710
OTHER INCOME (EXPENSE):			
Interest income	5,308	6,866	2,674
Gain on sale of land and depreciable property dispositions, net of impairment allowance	45,708	60,692	10,012
Other expense	(2,582)	(963)	(1,091)
Other minority interest in earnings of subsidiaries	(2,411)	(2,145)	(2,050)
Minority interest in earnings of common unitholders	(32,463)	(32,071)	(19,811)
Minority interest in earnings of preferred unitholders	(8,408)	(8,408)	(4,204)
Net income	282,409	261,939	182,240
Dividends on preferred shares	(52,442)	(48,981)	(42,604)
Net income available for common shares	\$ 229,967	\$ 212,958	\$ 139,636
Net income per common share:			
Basic	\$ 1.77	\$ 1.68	\$ 1.33
Diluted	\$ 1.75	\$ 1.66	\$ 1.32
Weighted average number of common shares outstanding	129,660	126,836	104,884
Weighted average number of common and dilutive potential common shares	151,710	147,441	120,511

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31 (in thousands)

	2001	2000	1999
Cash flows from operating activities:			
Net income	\$ 282,409	\$ 261,939	\$ 182,240
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of buildings and tenant improvements	138,723	143,800	99,350
Amortization of deferred leasing and other costs	20,991	18,723	11,413
Amortization of deferred financing costs	4,589	3,527	1,879
Minority interest in earnings	43,282	42,624	26,065
Straight-line rent adjustment	(12,593)	(14,519)	(10,676)
Earnings from land and depreciated property sales	(45,708)	(60,692)	(10,012)
Construction contracts, net	9,651	3,252	2,252
Other accrued revenues and expenses, net	(5,844)	52,987	13,312
Equity in earnings in excess of operating distributions received from unconsolidated companies	(1,844)	(2,511)	(188)
Net cash provided by operating activities	433,656	449,130	315,635
Cash flows from investing activities:			
Development of real estate investments	(335,393)	(392,127)	(479,642)
Acquisition of real estate investments	(13,927)	(5,932)	(159,917)
Acquisition of land held for development and infrastructure costs	(92,203)	(99,470)	(72,877)
Recurring tenant improvements	(18,416)	(31,955)	(21,144)
Recurring leasing costs	(13,845)	(17,530)	(12,326)
Recurring building improvements	(10,873)	(6,804)	(3,751)
Other deferred leasing costs	(10,621)	(39,018)	(31,360)
Other deferred costs and other assets	1,274	(12,042)	(8,359)
Tax deferred exchange escrow, net	27,260	(16,207)	(11,053)
Proceeds from land and depreciated property sales, net	436,113	413,752	76,401
Capital distributions from unconsolidated companies	59,249	158,351	16,802
Net investment in and advances to unconsolidated companies	(21,067)	(48,770)	(33,043)
Net cash provided (used) by investing activities	7,551	(97,752)	(740,269)
Cash flows from financing activities:			
Proceeds from issuance of common shares, net	36,483	31,090	214,778
Proceeds (payments) from issuance (repurchase) of preferred shares, net	72,210	(1,124)	96,519
Payments for redemption of preferred stock	(75,018)	—	—
Proceeds from indebtedness	175,000	—	450,000
Payments on indebtedness including principal amortization	(223,578)	(75,689)	(259,891)
Borrowings (payments) on lines of credit, net	(125,067)	14,658	167,000
Distributions to common shareholders	(228,039)	(207,909)	(154,069)
Distributions to preferred shareholders	(53,010)	(48,981)	(42,604)
Distributions to preferred unitholders	(8,408)	(8,408)	(4,204)
Distributions to minority interest	(36,221)	(33,229)	(23,457)
Deferred financing costs	(5,267)	(1,360)	(7,623)
Net cash provided by (used for) financing activities	(470,915)	(330,952)	436,449
Net increase (decrease) in cash and cash equivalents	(29,708)	20,426	11,815
Cash and cash equivalents at beginning of year	39,191	18,765	6,950
Cash and cash equivalents at end of year	\$ 9,483	\$ 39,191	\$ 18,765
Other non-cash items:			
Assumption of debt for real estate acquisitions	\$ 16,403	\$ —	\$ 26,186
Contributions of property to unconsolidated companies	\$ 4,501	\$ 245,502	\$ —
Conversion of Limited Partner Units to shares	\$ 36,351	\$ 8,347	\$ 49,472
Issuance of Limited Partner Units for real estate acquisitions	\$ 3,787	\$ 7,615	\$ 3,146
Transfer of debt in sale of depreciated property	\$ 16,000	\$ 72,650	\$ —
Redemption of Limited Partner Units for sale of depreciated property	\$ 13,445	\$ —	\$ —

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

(in thousands, except per share data)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Distributions in Excess of Net Income	Total
Balance at December 31, 1998	\$360,000	\$ 861	\$1,277,250	—	\$ (67,999)	\$1,570,112
Net income	—	—	—	—	182,240	182,240
Distributions to preferred shareholders	—	—	—	—	(42,604)	(42,604)
Issuance of common shares, net of underwriting discounts and related costs of \$100	—	102	215,573	—	—	215,675
Issuance of preferred shares, underwriting discounts and related costs	100,000	—	(3,481)	—	—	96,519
Acquisition of minority interest	—	21	49,451	—	—	49,472
Merger with Weeks Corporation	150,000	274	600,979	—	—	751,253
Repurchase of Series D Preferred shares	(2)	—	—	—	—	(2)
Distributions to common shareholders (\$1.46 per share)	—	—	—	—	(154,069)	(154,069)
Balance at December 31, 1999	609,998	1,258	2,139,772	—	(82,432)	2,668,596
Net income	—	—	—	—	261,939	261,939
Distributions to preferred shareholders	—	—	—	—	(48,981)	(48,981)
Issuance of common shares	—	17	32,005	—	—	32,022
Acquisition of minority interest	—	4	8,343	—	—	8,347
Repurchase of Series D Preferred shares	(1,124)	—	—	—	—	(1,124)
Distributions to common shareholders (\$1.64 per share)	—	—	—	—	(207,909)	(207,909)
Balance at December 31, 2000	608,874	1,279	2,180,120	—	(77,383)	2,712,890
Comprehensive Income:						
Net income	—	—	—	—	282,409	282,409
Distributions to preferred shareholders	—	—	—	—	(53,010)	(53,010)
Transition adjustment resulting from adoption of SFAS No. 133	—	—	—	398	—	398
Gains (losses) on derivative instruments	—	—	—	(1,138)	—	(1,138)
Settlement of derivative instrument	—	—	—	548	—	548
Comprehensive income available for common shareholders						229,207
Issuance of common shares	—	20	37,825	—	—	37,845
Issuance of preferred shares	75,000	—	(2,614)	—	—	72,386
Acquisition of minority interest	—	15	36,336	—	—	36,351
Repurchase of Series D Preferred shares	(176)	—	—	—	—	(176)
Redemption of Series A Preferred shares	(75,000)	—	(18)	—	—	(75,018)
Conversion of Series D Preferred shares to common stock	(34)	—	34	—	—	0
Retirement of common shares	—	—	(437)	—	—	(437)
Distributions to common shareholders (\$1.76 per share)	—	—	—	—	(228,039)	(228,039)
Balance at December 31, 2001	\$608,664	\$1,314	\$2,251,246	\$ (192)	\$ (76,023)	\$2,785,009

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. The Company

The Company's rental operations are conducted through Duke Realty Limited Partnership ("DRLP"), an entity in which the Company owns an 88.5% interest at December 31, 2001. The remaining interests in DRLP are redeemable for shares of the Company's common stock. The Company conducts service operations through Duke Realty Services Limited Partnership ("DRSLP"), in which the Company is the sole general partner. The Company also conducts Service Operations through Duke Construction Limited Partnership ("DCLP"), which is 100% owned by DRLP. The consolidated financial statements include the accounts of the Company and its majority-owned or controlled subsidiaries.

2. Summary of Significant Accounting Policies

Principles of Consolidation – The consolidated financial statements include the accounts of the Company and its majority-owned or controlled subsidiaries. The equity interests in these majority-owned or controlled subsidiaries not owned by the Company are reflected as minority interests in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. Investments in entities that the Company does not control through majority voting interest or where the other owner has substantial participating rights are not consolidated and are reflected as investments in unconsolidated companies.

Reclassifications – Certain 1999 and 2000 balances have been reclassified to conform to 2001 presentation.

Real Estate Investments – Real estate investments to be held for rental are stated at the lower of cost less accumulated depreciation or fair value if impairment is identified. Real estate investments to be disposed of are reported at the lower of their carrying amount or fair value less cost to sell. Buildings and land improvements are depreciated on the straight-line method over their estimated life not to exceed 40 and 15 years, respectively, and tenant improvement costs are depreciated on the straight-line method over the term of the related lease.

All direct and indirect costs, including interest and real estate taxes associated with the development, construction, leasing or expansion of real estate investments are capitalized as a cost of the property. Included in indirect costs is an estimate of internal costs associated with development and rental of real estate investments. All external costs associated with the acquisition of real estate investments are capitalized as a cost of the property.

The Company evaluates its real estate investments to be held and used upon occurrence of significant changes in the operations, but not less than annually, to assess whether any impairment indications are present, including recurring operating losses and significant adverse changes in legal factors or business climate that affect the recovery of the recorded value. If any real estate investment is considered impaired, a loss is provided to reduce the carrying value of the property to its estimated fair value.

The acquisitions of minority interests for the Company's common shares are recorded under the purchase method with assets acquired reflected at the fair market value of the Company's common stock on the date of acquisition, net of the retirement of any minority interest liabilities. The acquisition amounts are allocated to rental property based on their estimated fair values.

The Company has equity interests in unconsolidated partnerships and joint ventures which own and operate rental properties and hold land for development. The equity method of accounting is used for these investments in which the Company has the ability to exercise significant influence, but not control, over operating and financial policies. Any difference between the carrying amount of these investments and the underlying equity in net assets is amortized to equity in earnings of unconsolidated companies over the depreciable life of the property, generally 40 years.

Cash Equivalents – Highly liquid investments with a maturity of three months or less when purchased are classified as cash equivalents.

Deferred Costs – Costs incurred in connection with obtaining financing are amortized to interest expense on the straight-line method over the term of the related loan. All direct and indirect costs, including estimated internal costs, associated with the rental of real estate investments owned by the Company are capitalized and amortized over the term of the related lease. Unamortized costs are charged to expense upon the early termination of the lease or upon early payment of the financing.

Revenues

Rental Operations – Rental income from leases with scheduled rental increases during their terms is recognized on a straight-line basis.

Service Operations – Management fees are based on a percentage of rental receipts of properties managed and are recognized as the rental receipts are collected. Maintenance fees are based upon established hourly rates and are recognized as the services are performed. Construction management and development fees for third party contracts are recognized as earned based on the terms of the contract.

Notes to Consolidated Financial Statements

The Company recognizes income on long-term construction contracts where the Company serves as a general contractor on the percentage of completion method. Using this method, profits are recorded on the basis of the Company's estimates of the percentage of completion of individual contracts, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. That portion of the estimated earnings is accrued on the basis of the Company's estimates of the percentage of completion based on contract expenditures incurred and work performed.

Property Sales – Gains from sales of depreciated property are recognized in accordance with Statement of Financial Accounting Standards ("SFAS") No. 66, and are included in earnings from sales of land and depreciable property dispositions, net of impairment allowance, in the Statement of Operations.

Gains or losses from the sale of property which is considered held for sale in DCLP are recognized in accordance with SFAS 66 and are included in construction management and development activity income in the Statement of Operations.

Net Income Per Common Share – Basic net income per common share is computed by dividing net income available for common shares by the weighted average number of common shares outstanding for the period. Diluted net income per share is computed by dividing the sum of net income available for common shares and minority interest in earnings of unitholders, by the sum of the weighted average number of common shares and units outstanding and dilutive potential common shares for the period.

The following table reconciles the components of basic and diluted net income per share:

	2001	2000	1999
Basic net income available for common shares	\$229,967	\$212,958	\$139,636
Joint venture partner convertible ownership net income	3,423	—	—
Minority interest in earnings of common unitholders	32,463	32,071	19,811
Diluted net income available for common shares and dilutive potential common shares	\$265,853	\$245,029	\$159,447
Weighted average number of common shares outstanding	129,660	126,836	104,884
Weighted average partnership common units outstanding	18,301	19,070	14,583
Joint venture partner convertible ownership common share equivalents	2,092	—	—
Dilutive shares for long-term compensation plans	1,657	1,535	1,044
Weighted average number of common shares and dilutive potential common shares	151,710	147,441	120,511

The Series D Convertible Preferred stock and the Series G Convertible Preferred limited partner units were anti-dilutive for the years ended December 31, 2001, 2000 and 1999; therefore, no conversion to common shares is included in weighted dilutive potential common shares.

A joint venture partner in one of the Company's unconsolidated companies has the option to convert a portion of its ownership to Company common shares (see discussion in Investments in Unconsolidated Companies section). The effect of the option on earnings per share was dilutive for the year ended December 31, 2001; therefore, conversion to common shares is included in weighted dilutive potential common shares.

Federal Income Taxes – The Company has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its taxable income to its stockholders. Management intends to continue to adhere to these requirements and to maintain the Company's REIT status. As a REIT, the Company is entitled to a tax deduction for some or all of the dividends it pays to its shareholders. Accordingly, the Company generally will not be subject to federal income taxes as long as it distributes an amount equal to or in excess of its taxable income currently to its stockholders. A REIT generally is subject to federal income taxes on any taxable income that is not currently distributed to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes and may not be able to qualify as a REIT for four subsequent taxable years.

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

Notes to Consolidated Financial Statements

The following table reconciles the Company's net income to its taxable income before the dividends paid deduction for the years ended December 31, 2001, 2000 and 1999:

	2001	2000	1999
Net income	\$282,409	\$261,939	\$182,240
Less: net income of taxable subsidiaries included above	(11,930)	(9,549)	(3,168)
Net income from REIT operations	270,479	252,390	179,072
Depreciation and amortization	35,184	25,794	11,751
Property sales	(18,207)	(38,823)	(4,618)
Capitalized interest and operating expenses	(10,325)	(16,151)	(5,442)
Straight line rent adjustments	(12,283)	(12,472)	(10,139)
Dividends from taxable subsidiaries	8,738	4,331	0
Other book/tax differences, net	3,988	12,688	13,870
Taxable income before adjustments	277,574	227,757	184,494
Less: capital gains	(25,608)	(7,319)	(2,001)
Adjusted taxable income subject to 90% dividend requirement	\$251,966	\$220,438	\$182,493

The Company's dividends paid deduction is summarized below:

	2001	2000	1999
Cash dividends paid	\$281,453	\$257,373	\$197,421
Less: Capital gains distribution	(25,608)	(7,319)	(2,001)
Less: Return of capital	(0)	(21,649)	(5,933)
Total dividends paid deduction attributable to adjusted taxable income	\$255,845	\$228,405	\$189,487

A summary of the tax characterization of the dividends paid per common share for the years ended December 31, 2001, 2000, and 1999 follows:

	2001	2000	1999
Total dividends paid per year	\$1.76	\$1.64	\$1.46
Ordinary income	90.9%	85.6%	94.8%
Return of capital	0.0%	10.9%	3.8%
Capital gains	9.1%	3.5%	1.4%
	100.0%	100.0%	100.0%

The Company recorded federal income taxes of \$4.6 million, \$8.0 million and \$5.4 million for 2001, 2000 and 1999, respectively, which were attributable to the earnings of the Company's taxable subsidiaries. The taxable REIT subsidiaries had no significant deferred income tax items.

Fair Value Of Financial Instruments – The fair values of the Company's financial instruments are generally calculated as the present value of estimated future cash flows using a discount rate commensurate with the risks involved and approximate their carrying or contract values.

Derivative Financial Instruments – The Company adopted SAFS No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137 and No. 138 on January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company uses derivative financial instruments such as interest rate swaps to mitigate its interest rate risk on a related financial instrument. SFAS 133 requires that changes in fair value of derivatives that qualify as cash flow hedges be recognized in other comprehensive income while the ineffective portion of the derivative's change in fair value be recognized immediately in earnings.

Use Of Estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements

3. Merger With Weeks Corporation

In July 1999, Weeks Corporation (“Weeks”), a self-administered, self-managed geographically focused Real Estate Investment Trust (“REIT”) which operated primarily in the southeastern United States, was merged with and into Duke Realty Investments, Inc. (“Duke”). The total purchase price of Weeks aggregated approximately \$1.9 billion, which included the assumption of the outstanding debt and liabilities of Weeks of approximately \$775 million. The transaction was structured as a tax-free merger and was accounted for under the purchase method.

4. Related Party Transactions

The Company provides property management, leasing, construction and other tenant related services to properties in which certain executives have ownership interests. The Company has an option to acquire these executive officers’ interests in these properties (the “Option Properties”). The Company received fees totaling \$1.7 million, \$1.9 million and \$2.4 million in 2001, 2000 and 1999, respectively, for services provided to the Option Properties. The fees charged by the Company for such services are equivalent to those charged to third-party owners for similar services.

On June 27, 2001, A. Ray Weeks, Jr. resigned his position as a director and Vice Chairman of the Company. On August 17, 2001, the Company redeemed 620,156 limited partnership units beneficially owned by Mr. Weeks and certain members of his immediate and extended family (the “Weeks Affiliates”). The deemed value of the units redeemed was \$15.7 million, which was based on the average closing stock price of the Company for a certain period of days preceding the redemption date. As consideration for the redemption, the Weeks Affiliates received a distribution of seven industrial rental properties and one undeveloped tract of land located in the Atlanta, Georgia metropolitan area with a value of \$31.7 million. The Weeks Affiliates also assumed a loan in the amount of \$16 million from Wachovia Bank, N.A. to the Company. The value of the properties distributed to the Weeks Affiliates was based on negotiations between Mr. Weeks and members of the Company’s executive committee, and was approved by the unaffiliated members of the Board of Directors.

The Company has other related party transactions that are insignificant and terms are considered to be at arm’s-length and equal to those negotiated with independent parties.

5. Investments in Unconsolidated Companies

The Company has equity interests ranging from 10-50% in unconsolidated partnerships and joint ventures that own and operate rental properties and hold land for development. The equity method of accounting is used for these investments in which the Company has the ability to exercise significant influence, but not control, over operating and financial policies. Any difference between the carrying amount of these investments and the underlying equity in net assets is amortized to equity in earnings of unconsolidated companies over the depreciable life of the property, generally 40 years. The cost method of accounting is used for non-majority owned joint ventures over which the Company does not have the ability to exercise significant influence. The difference between the cost and equity methods for such ventures does not significantly affect the financial position or results of operations of the Company.

Combined summarized financial information of the companies which are accounted for by the equity method as of December 31, 2001 and 2000, and for the years ended December 31, 2001, 2000, and 1999, are as follows (in thousands):

	2001	2000	1999
Land, buildings and tenant improvements, net	\$1,214,709	\$1,159,198	
Land held for development	41,962	54,951	
Other assets	62,384	83,534	
	\$1,319,055	\$1,297,683	
Property indebtedness	\$ 556,817	\$ 436,914	
Other liabilities	60,101	65,554	
	616,918	502,468	
Owners’ equity	702,137	795,215	
	\$1,319,055	\$1,297,683	
Rental income	\$ 160,170	\$ 80,686	\$54,662
Net income	\$ 56,820	\$ 28,299	\$20,515

Notes to Consolidated Financial Statements

The following significant transactions involving unconsolidated companies in which the Company has an equity interest in have occurred over the past three years:

In 2001, the Company received approximately \$50 million in cash distributions resulting from secured debt financing within two joint ventures. The Company has a 50% interest in both ventures. The debt is entirely collateralized by rental properties within the ventures and the Company is not a guarantor on the debt.

Also in 2001, the Company recognized a gain of \$2.9 million from the sale of a building out of a joint venture in which the Company owned a 50% interest. The gain is recorded in equity in earnings in the Statement of Operations.

In October 2000, the Company sold or contributed industrial properties and undeveloped land with a fair value of \$487 million to a joint venture (Dugan Realty LLC) in which the Company has a 50% interest and recognized a net gain of \$35.2 million. This transaction expanded an existing joint venture with an institutional real estate investor. As a result of the total transactions, the Company received \$363.9 million of proceeds. The joint venture financed this transaction with \$350 million of secured mortgage debt of which the Company has guaranteed \$90 million and agreed to provide additional capital contributions to pay all sums due under the remaining \$260 million. At December 31, 2001, this \$350 million of debt is collateralized by rental properties with net carrying value substantially in excess of the outstanding debt. If required to make additional capital contributions, the Company will receive proportionately increased ownership in the respective collateralized properties. The Company does not anticipate that it will be required to satisfy the guarantee or additional capital contribution obligations. In connection with this transaction, the joint venture partners were given an option to put up to \$50 million interest in the joint venture to the Company in exchange for common stock of the Company or cash, subject to timing and other restrictions. As a result of this put option, the Company deferred \$10.2 million of gain on sale of depreciated property and recorded a \$50 million liability. At December 31, 2001, the joint venture owns 131 buildings totaling more than 23 million square feet with a value of approximately \$800 million. The Company provides real estate related services to the venture through its Service Operations.

In December 2000, the Company contributed 14 industrial properties, including five under development, totaling approximately three million square feet to a joint venture (Dugan Texas LLC) in which the Company has a 50% interest. The Company also contributed 145 acres of undeveloped land. The Company received \$33.1 million of proceeds and recorded a net gain of \$686,000 as a result of the transaction. At December 31, 2001, the joint venture owns 31 buildings totaling more than 5 million square feet with a value of over \$226 million. The Company provides real estate related services to the venture through its Service Operations.

6. Real Estate Held for Sale

At December 31, 2001, the Company had seven industrial, four office and one retail property comprising approximately 2.6 million square feet held for sale. Of these properties, three build-to-suit office, three build-to-suit industrial and one build-to-suit retail property were under development at December 31, 2001. Net operating income (defined as total property revenues, less property expenses, which include real estate taxes, repairs and maintenance, property management, utilities, insurance and other expenses) of the properties held for sale for the years ended December 31, 2001, 2000 and 1999 is approximately \$5.7 million, \$5.1 million, and \$4.5 million, respectively. Net book value of the properties held for sale at December 31, 2001 is approximately \$122.8 million. There can be no assurance that such properties held for sale will be sold.

The Company recorded a \$4.8 million asset impairment adjustment in 2001 on a single property that is expected to be sold in 2002. The Company has analyzed each of its in-service properties and has determined that there are no additional valuation adjustments that need to be made at December 31, 2001.

7. Indebtedness

Indebtedness at December 31 consists of the following (in thousands):

	2001	2000
Fixed rate secured debt, weighted average interest rate of 7.79% at December 31, 2001, and 8.02% at December 31, 2000, maturity dates ranging from 2003 to 2017	\$ 274,358	\$ 357,199
Variable rate secured debt, weighted average interest rate of 2.46% at December 31, 2001, and 7.36% at December 31, 2000, maturity dates ranging from 2003 to 2025	44,126	109,425
Fixed rate unsecured notes, weighted average interest rate of 7.13% at December 31, 2001, and 7.09% at December 31, 2000, maturity dates ranging from 2002 to 2028	1,376,372	1,286,591
Unsecured line of credit, interest rate of 2.58% at December 31, 2001, and 7.35% at December 31, 2000, maturity date of 2004	120,000	220,000
	\$1,814,856	\$1,973,215

Notes to Consolidated Financial Statements

As of December 31, 2001, the \$318.4 million of secured debt is collateralized by rental properties with a net carrying value of \$582.9 million.

The Company has the following lines of credit available (in thousands):

Description	Borrowing Capacity	Maturity Date	Interest Rate	Outstanding at December 31, 2001
Unsecured Line of Credit	\$500,000	February 2004	LIBOR + .65%	\$120,000
Unsecured Line of Credit	\$150,000	July 2002	LIBOR + .675%	\$ —
Secured Line of Credit	\$100,000	January 2003	LIBOR + 1.05%	\$ 27,590

The lines of credit are used to fund development and acquisition of additional rental properties and to provide working capital.

The \$500 million line of credit allows the Company an option to obtain borrowings from the financial institutions that participate in the line of credit at rates lower than the stated interest rate, subject to certain restrictions. Amounts outstanding on the line of credit at December 31, 2001 are at LIBOR +.65%.

At December 31, 2001, scheduled amortization and maturities of all indebtedness for the next five years and thereafter are as follows (in thousands):

Year	Amount
2002	\$ 67,848
2003	315,931
2004	304,683
2005	226,699
2006	152,087
Thereafter	747,608
	\$1,814,856

Cash paid for interest in 2001, 2000, and 1999 was \$140.5 million, \$156.5 million and \$100.3 million, respectively. Total interest capitalized in 2001, 2000 and 1999 was \$25.9 million, \$33.0 million and \$26.0 million, respectively.

8. Segment Reporting

The Company is engaged in four operating segments, the ownership and rental of office, industrial, and retail real estate investments ("Rental Operations") and the providing of various real estate services such as property management, maintenance, landscaping, leasing, and construction management to third-party property owners ("Service Operations). The Company's reportable segments offer different products or services and are managed separately because each requires different operating strategies and management expertise. There are no material intersegment sales or transfers.

Non-segment revenue to reconcile to total revenue consists mainly of equity in earnings of joint ventures. Non-segment assets to reconcile to total assets consists of corporate assets including cash, deferred financing costs and investments in unconsolidated subsidiaries.

The accounting policies of the segments are the same as those described in Note 2.

The Company assesses and measures segment operating results based on a performance measure referred to as Funds From Operations ("FFO"). The National Association of Real Estate Investment Trusts defines FFO as net income or loss, excluding gains or losses from debt restructurings and sales of depreciated property, plus operating property depreciation and amortization and adjustments for minority interest and unconsolidated companies on the same basis. FFO is not a measure of operating results or cash flows from operating activities as measured by generally accepted accounting principles, is not necessarily indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. Interest expense and other non-property specific revenues and expenses are not allocated to individual segments in determining the Company's performance measure.

Notes to Consolidated Financial Statements

The revenues and FFO for each of the reportable segments are summarized as follows for the years ended December 31, 2001, 2000, and 1999, and the assets of each reportable segment as of December 31, 2001 and 2000 (in thousands):

	2001	2000	1999
Revenues			
Rental Operations:			
Office	\$ 386,755	\$ 336,271	\$ 272,009
Industrial	286,704	328,302	220,295
Retail	18,723	28,935	26,467
Service Operations	80,459	82,799	54,031
Total Segment Revenues	772,641	776,307	572,802
Non-Segment Revenue	31,167	18,318	16,792
Consolidated Revenue	\$ 803,808	\$ 794,625	\$ 589,594
Funds From Operations			
Rental Operations:			
Office	\$ 262,191	\$ 229,427	\$ 187,541
Industrial	223,548	256,813	172,629
Retail	15,430	23,368	21,506
Services Operations	35,115	32,760	17,872
Total Segment FFO	536,284	542,368	399,548
Non-Segment FFO:			
Interest expense	(113,830)	(133,948)	(86,757)
Interest income	5,308	6,866	2,674
General and administrative expense	(15,559)	(21,144)	(16,556)
Gain on land sales	5,080	9,165	1,777
Other expenses	(3,899)	(2,826)	(1,540)
Minority interest in earnings of common unitholders	(32,463)	(32,071)	(19,811)
Minority interest in earnings of preferred unitholders	(8,408)	(8,408)	(4,204)
Other minority interest in earnings of subsidiaries	(2,411)	(2,145)	(2,050)
Minority interest share of FFO adjustments	(16,483)	(15,698)	(13,159)
Joint Venture FFO	45,570	24,182	16,955
Dividends on preferred shares	(52,442)	(48,981)	(42,604)
Consolidated FFO	346,747	317,360	234,273
Depreciation and amortization	(159,714)	(162,523)	(110,763)
Share of joint venture adjustments	(14,177)	(9,104)	(5,268)
Earnings from depreciated property sales	40,628	51,527	8,235
Minority interest share of adjustments	16,483	15,698	13,159
Net income available for common shareholders	\$ 229,967	\$ 212,958	\$ 139,636
Assets			
Rental Operations			
Office	\$2,616,015	\$2,473,191	\$2,252,795
Industrial	2,184,234	2,265,237	2,707,028
Retail	64,946	186,389	205,993
Service Operations	101,501	128,249	62,335
Total Segment Assets	4,966,696	5,053,066	5,228,151
Non-Segment Assets	363,337	406,970	258,087
Consolidated Assets	\$5,330,033	\$5,460,036	\$5,486,238

Notes to Consolidated Financial Statements

9. Leasing Activity

Future minimum rents due to the Company under non-cancelable operating leases at December 31, 2001 are as follows (in thousands):

Year	Amount
2002	\$ 530,635
2003	492,693
2004	432,611
2005	353,811
2006	279,036
Thereafter	888,757
	<u>\$2,977,543</u>

In addition to minimum rents, certain leases require reimbursements of specified operating expenses which amounted to \$115.7 million, \$114.2 million, and \$85.1 million for the years ended December 31, 2001, 2000 and 1999, respectively.

10. Employee Benefit Plans

The Company maintains a 401(k) plan for the benefit of its full-time employees. The Company matches the employees' contributions up to three percent of the employees' salary and may also make annual discretionary contributions. Total expense recognized by the Company was \$1.3 million, \$3.2 million and \$2.3 million for the years ended 2001, 2000 and 1999, respectively.

The Company makes contributions to a contributory health and welfare plan as necessary to fund claims not covered by employee contributions. Total expense recognized by the Company related to this plan was \$5.6 million, \$6.0 million and \$2.7 million for 2001, 2000 and 1999, respectively. Included in total expense is an estimate based on historical experience of the effect of claims incurred but not reported as of year-end.

11. Shareholders' Equity

The Company periodically accesses the public equity markets to fund the development and acquisition of additional rental properties. The proceeds of these offerings are contributed to DRLP in exchange for additional interest in the partnership.

The following series of preferred stock are outstanding as of December 31, 2001 (in thousands, except percentages):

Description	Shares Outstanding	Dividend Rate	Redemption Date	Liquidation Preference	Convertible
Series B Preferred	300	7.990%	September 30, 2007	\$150,000	No
Series D Preferred	535	7.375%	December 31, 2003	133,874	Yes
Series E Preferred	400	8.250%	January 20, 2004	100,000	No
Series F Preferred	600	8.000%	October 10, 2002	150,000	No
Series I Preferred	300	8.450%	February 1, 2006	75,000	No

All series of preferred shares require cumulative distributions, have no stated maturity date, and the redemption price of each series may only be paid from the proceeds of other capital shares of the Company, which may include other classes or series of preferred shares.

The Series I Preferred shares were issued in February 2001.

The Series D Preferred shares are convertible at a conversion rate of 9.3677 common shares for each preferred share outstanding.

The dividend rate on the Series B Preferred shares increases to 9.99% after September 12, 2012.

The Company redeemed its \$75.0 million Series A Preferred shares in August 2001.

Under a shareholder rights plan ("Rights Agreement"), each common shareholder has one right for each share of common stock prior to the occurrence of certain triggering events which would in effect execute the Rights Agreement. Upon the occurrence of such events, each right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series C Junior Preferred Stock which has substantially the same economic attributes and carries substantially the same voting rights as one share of common stock. As of December 31, 2001, no events have triggered execution of the Rights Agreement.

Notes to Consolidated Financial Statements

12. Stock Based Compensation

The Company has nine stock based compensation plans, including fixed stock option plans and performance based stock plans, which are described below. The Company is authorized to issue up to 13,804,738 shares of Company stock under these plans. The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans.

Accordingly, no compensation cost has been recognized for its fixed stock option plans as the exercise price of each option equals the market price of the Company's stock on the date of grant. The Company charges compensation costs against its income for its performance based stock plans. If compensation cost for the Company's fixed stock option plans had been determined consistent with SFAS Statement No. 123, the Company's net income and net income per share for the years ended December 31 would have been reduced to the pro forma amounts indicated below (in thousands, except earnings per share amounts):

		2001	2000	1999
Net income	As reported	\$229,967	\$212,958	\$139,636
	Pro forma	\$228,731	\$212,365	\$139,121
Basic net income per share	As reported	\$ 1.77	\$ 1.68	\$ 1.33
	Pro forma	\$ 1.76	\$ 1.67	\$ 1.33
Diluted net income per share	As reported	\$ 1.75	\$ 1.66	\$ 1.32
	Pro forma	\$ 1.74	\$ 1.65	\$ 1.32

Because the Statement does not apply to awards prior to 1995, and the options have up to a 5-year vesting period, the pro forma effect was not fully reflected until 2000.

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

	2001	2000	1999
Dividend yield	7.5%	7.0%	7.0%
Volatility	20.2%	20.2%	20.1%
Risk-free interest rate	5.0%	5.8%	4.9%
Expected life	6 years	6 years	6.5 years

Fixed Stock Option Plans – The Company had options outstanding under six fixed stock option plans as of December 31, 2001. Additional grants may be made under three of those plans.

A summary of the status of the Company's fixed stock option plans as of December 31, 2001, 2000 and 1999 and changes during the years ended on those dates follows:

	2001		2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	5,235,464	\$19.52	5,043,965	\$19.00	2,047,972	\$16.70
Granted	718,230	24.98	958,786	20.04	615,003	22.96
Weeks Corporation options	0	0	0	0	2,617,076	20.01
Exercised	(982,243)	15.21	(440,924)	13.66	(56,371)	14.11
Forfeited	(279,882)	21.84	(326,363)	20.95	(179,715)	22.79
Outstanding, end of year	4,691,659	\$21.12	5,235,464	\$19.52	5,043,965	\$19.00
Options exercisable, end of year	2,965,930		3,112,706		2,596,660	
Weighted-average fair value of options granted during the year	\$ 2.19		\$ 2.18		\$ 2.20	

The options outstanding at December 31, 2001, under the fixed stock option plans have a range of exercise prices from \$11.87 to \$24.98 with a weighted average exercise price of \$21.12 and a weighted average remaining contractual life of 6.58 years. The options exercisable at December 31, 2001 have a weighted average exercise price of \$20.21.

Each option's maximum term is ten years. With limited exceptions, options vest at 20% per year, or, if earlier, upon the death, retirement or disability of the optionee or a change in control of the Company.

Notes to Consolidated Financial Statements

Performance Based Stock Plans – The Company has three types of performance based equity compensation plans: Dividend Increase Unit Plans (“DIU Plans”), a Shareholder Value Plan and a Performance Share Plan. Under the Company’s DIU Plans, Dividend Increase Units (“DIUs”) are granted to key employees and directors. The value of DIUs exercised by participants is payable in Company stock. The maximum term of all DIUs granted is ten years.

The value of each DIU when exercised is equal to the increase in the Company’s annualized dividend per share from the date of grant to the date of exercise, divided by the “dividend yield.” Dividend yield is the annualized dividend per share divided by the market price per share of the Company’s common stock at the date of grant. DIUs are generally subject to a 20% per year vesting schedule.

Under the 1995 Shareholder Value Plan (the “SV Plan”), the Company may grant awards in specified dollar amounts to key employees. The award is payable to the employee on the third anniversary of the date of grant. One-half of the award is payable in common stock of the Company, and one-half is payable in cash. The initial dollar amount of each award granted under the SV Plan is adjusted upward or downward based on a comparison of the Company’s cumulative total shareholder return for the three year period as compared to the cumulative total return of the S&P 500 and the NAREIT Equity REIT Total Return indices. The award is not payable upon the employee’s termination of employment for any reason other than retirement, death, disability or a change in control of the Company.

Awards made under the 2000 Performance Share Plan vest 20% per year if the Company attains a certain predefined level of earnings growth for such vesting period. The payments are made in the form of “performance shares”, with each performance share economically equivalent to one share of Company common stock. Performance shares will ultimately be paid to the participants in the form of cash or Company common stock upon the retirement or termination of employment of the participant. At December 31, 2001, plan participants had the right to receive up to 82,074 performance shares, of which 29,436 were vested and 52,638 were contingent upon earnings achievement.

The Company believes that it is not possible to reasonably estimate the fair value of the awards to be paid under these performance compensation plans and, therefore, computes compensation cost for these plans based on the intrinsic value of the awards as if they were exercised at the end of each applicable reporting period. The compensation cost that has been charged against income for these plans was \$6.2 million, \$7.7 million and \$5.9 million for 2001, 2000 and 1999, respectively.

13. Derivative Instruments

One of the Company’s interest rate swap contracts did not meet the criteria of SFAS 133 to qualify for hedge accounting. SFAS 133 requires that unrealized gains and losses on derivatives not qualifying as hedge accounting be recognized currently in earnings. The cumulative effect of a change in accounting principle due to the adoption of SFAS 133 as of January 1, 2001, was \$398,000 and was recorded in accumulated other comprehensive income as a transition adjustment. As of December 31, 2001, the Company recorded a net loss of \$1.4 million in other expense due to the interest rate swap contract not qualifying for hedge accounting.

The Company had three interest rate swaps that qualified for hedge accounting under SFAS No. 133. All three were tied to an \$85 million unsecured term loan to fix the interest rate. Any change in fair values on these swaps was recognized in other comprehensive income. In July 2001, the Company paid off the term loan and terminated the three swaps. The cost to terminate the swaps was \$505,000, which was recorded as interest expense and reversed out of other comprehensive income.

14. Commitments and Contingencies

In 1998 and 1999, members of management and the Board of Directors purchased \$69 million of common stock in connection with an Executive and Senior Officer Stock Purchase Plan. The purchases were financed by five-year personal loans at market interest rates from financial institutions. As of December 31, 2001, the outstanding balance on these loans is \$40.5 million as some participants have exited the program and repaid their principal balance. As a condition of the financing agreement with the financial institution, the Company has guaranteed repayment of principal, interest and other obligations for each participant, but is fully indemnified by the participants. In the opinion of management, it is not probable that the Company will be required to satisfy these guarantees.

The Company has entered into agreements, subject to the completion of due diligence requirements, resolution of certain contingencies and completion of customary closing conditions, for the future acquisition of land totaling \$10.1 million. The acquisitions are scheduled to close periodically through 2002 and will be paid for through a combination of cash or DRLP Limited Partner Unit issuance.

Selected Quarterly Financial Information (Unaudited)

Selected quarterly information for the years ended December 31, 2001 and 2000 is as follows (in thousands, except per share amounts):

2001	Quarter Ended			
	December 31	September 30	June 30	March 31
Revenues from Rental Operations	\$ 179,414	\$ 178,199	\$ 181,768	\$ 183,968
Revenues from Service Operations	12,834	21,676	23,627	22,322
Net income available for common shares	44,420	77,102	49,675	58,770
Basic income per common share	\$ 0.34	\$ 0.59	\$ 0.39	\$ 0.46
Diluted income per common share	\$ 0.34	\$ 0.58	\$ 0.38	\$ 0.45
Weighted average common shares	130,970	130,104	129,131	128,399
Weighted average common and dilutive potential common shares	149,842	158,594	149,572	151,031
Funds From Operations (1)	\$ 84,520	\$ 88,881	\$ 88,754	\$ 84,592
Cash flow provided by (used by):				
Operating activities	\$ 66,084	\$ 147,958	\$ 126,273	\$ 93,341
Investing activities	(27,948)	55,145	23,803	(43,449)
Financing activities	(38,157)	(296,626)	(85,940)	(50,192)
2000				
Revenues from Rental Operations	\$ 172,924	\$ 185,760	\$ 178,408	\$ 174,734
Revenues from Service Operations	21,790	21,903	25,041	14,065
Net income available for common shares	73,425	45,149	45,525	48,859
Basic income per common share	\$ 0.58	\$ 0.36	\$ 0.36	\$ 0.39
Diluted income per common share	\$ 0.57	\$ 0.35	\$ 0.36	\$ 0.39
Weighted average common shares	127,654	127,010	126,597	126,070
Weighted average common and dilutive potential common shares	154,793	147,916	147,181	146,326
Funds From Operations (1)	\$ 81,873	\$ 81,667	\$ 78,790	\$ 75,030
Cash flow provided by (used by):				
Operating activities	\$ 148,075	\$ 126,913	\$ 96,607	\$ 77,535
Investing activities	145,809	14,421	(97,321)	(160,661)
Financing activities	(295,980)	(141,764)	4,518	102,274

(1) Funds From Operations is defined by the National Association of Real Estate Investment Trusts as net income or loss, excluding gains or losses from debt restructuring and sales of depreciated property, plus operating property depreciation and amortization and adjustments for minority interest and unconsolidated companies on the same basis. Funds From Operations does not represent cash flow from operations as defined by generally accepted accounting principles, should not be considered as an alternative to net income as an indicator of the Company's operating performance, and is not indicative of cash available to fund all cash flow needs.

Market Price and Dividends

The Company's common shares are listed for trading on the New York Stock Exchange, symbol DRE. The following table sets forth the high and low sales prices of the common stock for the periods indicated and the dividend paid per share during each such period. Comparable cash dividends are expected in the future.

Quarter Ended	2001			2000		
	High	Low	Dividend	High	Low	Dividend
December 31	\$24.80	\$22.00	\$.45	\$25.56	\$22.00	\$.43
September 30	26.17	21.60	.45	25.75	22.63	.43
June 30	24.99	22.00	.43	23.88	18.63	.39
March 31	25.44	21.85	.43	20.75	17.75	.39

On January 30, 2002, the Company declared a quarterly cash dividend of \$.45 per share, payable on February 28, 2002 to common shareholders of record on February 12, 2002.

Shareholder Information

Corporate Headquarters

600 East 96th Street, Suite 100
Indianapolis, IN 46240
317.808.6000

Transfer Agent

For Dividend Payments, Address Changes, and/or
Registration Changes:

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
800.937.5449 or 212.936.5100

Common Stock Information

Symbol: DRE
Exchange: NYSE

Shareholder Contact

For Shareholder Mailings and Company Information:

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When used in this Annual Report, 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’s Form 8-K Report as filed with the Securities and Exchange Commission on December 6, 2001 for additional information concerning these risks.

Shareholder Services

Direct Stock Purchase and Dividend Reinvestment Plan

The Duke Direct Stock Purchase Plan offers participants a convenient and economical method to purchase the Company’s common stock, and to reinvest their dividends. Specific features of the Plan include:

- Automatic dividend reinvestment
- Optional cash investment availability twice per month
- Automatic purchase program
- Available to first-time investors
- Certificate safekeeping
- No commissions or fees on purchases

Shares sold through this Plan are offered through a prospectus which can be obtained by writing to Investor Relations at the Corporate Headquarters address or by calling American Stock Transfer & Trust Company at 1.800.278.4353 or 1.800.937.5449, or by visiting the Investor Information section of the Company’s website at www.dukerealty.com.

Shares may also be purchased on-line by visiting the Investor Information section of the Company’s website or by visiting www.investpower.com.

Direct Deposit of Dividends

Shareholders who hold their Duke shares in registered or certificate form can have their common stock dividends automatically deposited into their bank accounts. Information about this direct deposit program can be obtained by contacting the Company’s Investor Relations department or American Stock Transfer & Trust Company.

Interim Reports/Financial Information

Other information such as press releases, 10Q, 10K and other SEC filings, may be accessed via the Company’s website at www.dukerealty.com. Those interested in being placed on a mailing list for such information should either contact Shona Bedwell, Manager – Investor Relations at 317.808.6005, submit a written request to Investor Relations at the Corporate Headquarters address, or e-mail IR@dukerealty.com.

Management Committee

Thomas Hefner
Chairman and
Chief Executive Officer

Richard Horn
President

Gary Burk
Executive Vice President,
Construction

Robert Chapman
Executive Vice President,
Southern Region

Howard Feinsand
Executive Vice President,
Acquisitions/Dispositions
and General Counsel

William Linville
Executive Vice President,
Midwest Region

Dennis Oklak
Executive Vice President
and Chief Administrative
Officer

Gene Zink
Executive Vice President
and Chief Financial Officer

Jay Archer
Senior Vice President,
Indiana Industrial

Kerry Armstrong
Senior Vice President,
Atlanta Office

Jennifer Burk
Senior Vice President,
Tenant Services

Philip Cobb
Senior Vice President,
Construction

Matthew Cohoat
Senior Vice President
and Corporate Controller

James Connor
Senior Vice President,
Chicago Industrial

William DeBoer
Senior Vice President,
Construction

J. Kurt Dehner
Senior Vice President,
Indiana Operations

Robert Fessler
Senior Vice President,
Cincinnati Operations

John Gaskin
Senior Vice President,
Deputy General Counsel
and Secretary

James Gray
Senior Vice President,
Minneapolis Operations

Darryle Henry
Senior Vice President,
Minneapolis Office

Steven Holmberg
Senior Vice President,
Chicago Office

Donald Hunter
Senior Vice President,
Columbus Operations

Andrew Kelton
Senior Vice President,
Raleigh Operations

Steven Kennedy
Senior Vice President,
Construction

Wayne Lingafelter
Senior Vice President,
Cleveland Operations

Ramsey Maune
Senior Vice President,
St. Louis Operations

M. Larry Myrvold
Senior Vice President,
Retail

John Nelley
Managing Director,
Nashville Operations

John Nemecek
Senior Vice President,
Property & Asset
Management

Paul Quinn
Senior Vice President and
Chief Information Officer

Thomas Peck
Senior Vice President,
Investor Relations

Spencer Pisczak
Senior Vice President,
Cleveland Industrial

Kevin Rogus
Senior Vice President,
Construction

Kenneth Schuermann
Senior Vice President,
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Christopher Seger
Senior Vice President,
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Gregory Thurman
Senior Vice President,
Atlanta Industrial

Jeffrey Turner
Senior Vice President,
Dallas Operations

James Windmiller
Senior Vice President,
Corporate Taxation

Denise Dank
Vice President,
Human Resources

Douglas Greer
Vice President,
Deputy General Counsel
and Assistant Secretary

Donna Hovey
Vice President,
Marketing

Jeffrey Behm
Assistant Vice President,
Financial Analysis



2001 Board of Directors

Unaffiliated Directors



Barrington Branch
President
The Branch-Shelton
Company



Geoffrey Button
Independent Real Estate
and Financing Consultant



William Cavanaugh III
Chairman, President and
Chief Executive Officer
Progress Energy



Ngaire Cuneo
Consultant
Corporate Opportunities
and Developments



Charles Eitel
Chairman and Chief
Executive Officer
Simmons Company



L. Ben Lytle
Chairman
Anthem, Inc.



William McCoy
Partner
Franklin Street Trust



James Rogers
Chairman, President and
Chief Executive Officer
CINergy Corporation

Affiliated Directors

Thomas Hefner
Chairman and Chief Executive Officer

Howard Feinsand
Executive Vice President,
Acquisitions/Dispositions and
General Counsel

John Nelley
Managing Director, Nashville Operations

Gene Zink
Executive Vice President and
Chief Financial Officer

Others

Philip Nicely
Counsel to the Board

John Wynne
Chairman Emeritus

Board Committees

Asset Committee
Barrington Branch
Ngaire Cuneo
Charles Eitel (Acting Chair)
Gene Zink

Audit Committee
Barrington Branch
William Cavanaugh III
Ngaire Cuneo (Chair)
L. Ben Lytle
William McCoy

Corporate Governance Committee
William Cavanaugh III (Chair)
L. Ben Lytle
William McCoy
James Rogers
Howard Feinsand

Executive Compensation Committee
Geoffrey Button (Chair)
William Cavanaugh III
L. Ben Lytle
William McCoy
James Rogers

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