
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)



**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2001

or



**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-13545

AMB Property Corporation

(Exact name of Registrant as specified in its charter)

Maryland

*(State or Other Jurisdiction of
Incorporation or Organization)*

94-3281941

(IRS Employer Identification No.)

Pier 1, Bay 1, San Francisco, California

(Address of Principal Executive Offices)

94111

(Zip Code)

(415) 394-9000

(Registrant's Telephone Number, Including Area Code)

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

Common Stock, \$.01 par value

8 1/2% Series A Cumulative

Redeemable Preferred Stock

(Title of Class)

New York Stock Exchange

(Name of Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act: None

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

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

The aggregate market value of common shares held by non-affiliates of the registrant (based upon the closing sale price on the New York Stock Exchange) on March 20, 2002, was \$2,312,576,459.

As of March 20, 2002, there were 84,063,121 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference the Registrant's Proxy Statement for its Annual Meeting of Stockholders which the Registrant anticipates will be filed no later than 120 days after the end of its fiscal year pursuant to Regulation 14A.

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First Amendment to Tenth Amended and Restated

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Amendment No. 1 to the Third Amended and Restated

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Exhibit 10.26

Subsidiaries of AMB Property Corporation

Consent of Arthur Andersen LLP

Letter, dated March 28, 2002.

PART I

Item 1. Business

General

AMB Property Corporation, a Maryland corporation, is one of the leading owners and operators of industrial real estate nationwide. Our investment strategy is to become a leading provider of High Throughput Distribution, or HTD, properties located near key passenger and cargo airports, highway systems and ports in major metropolitan areas, such as Atlanta, Chicago, Dallas/ Fort Worth, Northern New Jersey/ New York City, the San Francisco Bay Area, Southern California, Miami, and Seattle. Within each of our markets, we focus our investments in in-fill submarkets. In-fill sub-markets are characterized by supply constraints on the availability of land for competing projects as well as by having physical, political, or economic barriers to new development. High Throughput Distribution facilities are designed to serve the high-speed, high-value freight handling needs of today's supply chain, as opposed to functioning as long-term storage facilities. We believe that the growth of the airfreight and ocean-going container business and the outsourcing of supply chain management to third party logistics companies are indicative of the changes that are occurring in the supply chain and the manner in which goods are distributed. In addition, we believe that inventory levels as a percentage of final sales are falling and that goods are moving more rapidly through the supply chain. As a result, we intend to focus our investment activities primarily on industrial properties that we believe will benefit from these changes.

As of December 31, 2001, we owned and operated 905 industrial buildings and seven retail centers, totaling approximately 81.6 million rentable square feet, located in 26 markets nationwide. As of December 31, 2001, our industrial and retail properties were 94.5% and 89.3% leased, respectively. As of December 31, 2001, through our subsidiary, AMB Capital Partners, LLC, we also managed industrial buildings and retail centers, totaling approximately 2.7 million rentable square feet on behalf of various clients. In addition, we have invested in 40 industrial buildings, totaling approximately 4.9 million rentable square feet, through unconsolidated joint ventures.

As of December 31, 2001, we had seven retail centers and three industrial properties, which were held for divestiture. During 2001, we disposed of 26 industrial buildings and two retail buildings, aggregating approximately 3.2 million rentable square feet, for an aggregate price of \$193.4 million. Over the next few years, we intend to dispose of non-strategic assets and redeploy the resulting capital into industrial properties in supply constrained markets in the U.S. and internationally that better fit our current investment focus.

Through our subsidiary, AMB Property, L.P., a Delaware limited partnership, we are engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of primarily industrial properties in target markets nationwide. We refer to AMB Property, L.P. as the "operating partnership". As of December 31, 2001, we owned an approximate 94.4% general partnership interest in the operating partnership, excluding preferred units. As the sole general partner of the operating partnership, we have the full, exclusive, and complete responsibility and discretion in the day-to-day management and control of the operating partnership.

We are self-administered and self-managed and expect that we have qualified and will continue to qualify as a real estate investment trust for federal income tax purposes beginning with the year ending December 31, 1997. As a self-administered and self-managed real estate investment trust, our own employees perform our administrative and management functions, rather than our relying on an outside manager for these services. Our principal executive office is located at Pier 1, Bay 1, San Francisco, CA 94111, and our telephone number is (415) 394-9000. We also maintain a regional office in Boston, Massachusetts. As of December 31, 2001, we employed 179 individuals, 134 at our San Francisco headquarters and 45 in our Boston office.

Unless the context otherwise requires, the terms "we," "us," and "our" refer to AMB Property Corporation, the operating partnership and the other controlled subsidiaries, and the references to AMB Property Corporation include the operating partnership and the other controlled subsidiaries. The following marks are our registered trademarks: AMB®; Customer Alliance Partners®; Customer Alliance Program®;

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Development Alliance Partners®; Development Alliance Program®; eSpace®; Institutional Alliance Partners®; Institutional Alliance Program®; Management Alliance Partners®; Management Alliance Program®; UPREIT Alliance Partners®; and UPREIT Alliance Program®. The following marks are our unregistered trademarks: Broker Alliance Partners™, Broker Alliance Program™, HTD™, High Throughput Distribution™, iSpace™, Strategic Alliance Partners™, and Strategic Alliance Programs™.

Co-investment Joint Ventures

Through the operating partnership, we enter into co-investment joint ventures with institutional investors. These co-investment joint ventures provide us with an additional source of capital to fund certain acquisitions, development projects, and renovation projects. As of December 31, 2001, we had investments in five co-investment joint ventures with a gross book value of \$1.3 billion, which are consolidated for financial reporting purposes and which are discussed below. We believe that our co-investment program will also continue to serve as a source of capital for acquisitions and developments.

The operating partnership is the managing general partner of AMB Institutional Alliance Fund I, L.P. and, together with one of our other affiliates, owned, as of December 31, 2001, approximately 21% of the partnership interests in the Alliance Fund I. The Alliance Fund I is a co-investment partnership between us and AMB Institutional Alliance REIT I, Inc., a limited partner of the Alliance Fund I, which includes 15 institutional investors as stockholders. The Alliance Fund I is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of industrial buildings in target markets nationwide. As of December 31, 2001, the Alliance Fund I had received equity contributions from third party investors totaling \$169.0 million, which, when combined with anticipated debt financings and our investment, creates a total capitalization of \$378.0 million.

We formed AMB Partners II, L.P. with the City and County of San Francisco Employees' Retirement System to acquire, develop, and redevelop distribution facilities nationwide. On February 14, 2001, AMB Partners II received an equity contribution from CCSFERS of \$50.0 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of \$250.0 million. The operating partnership is the managing general partner of AMB Partners II and owned, as of December 31, 2001, 50% of AMB Partners II.

We formed AMB-SGP, L.P. with a subsidiary of GIC Real Estate Pte Ltd., the real estate investment subsidiary of the Government of Singapore Investment Corporation, to own and operate, through a private real estate investment trust, distribution facilities nationwide. On March 23, 2001, AMB-SGP received an equity contribution from GIC of \$75.0 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of \$335.0 million. The operating partnership is the managing general partner of AMB-SGP and owned, as of December 31, 2001, approximately 50.3% of AMB-SGP.

We formed AMB Institutional Alliance Fund II, L.P., in which AMB Alliance REIT II, Inc. became a partner on June 28, 2001. The operating partnership is the managing general partner and, together with one of our other affiliates, owned, as of December 31, 2001, approximately 20% of the partnership interests in the Alliance Fund II. The Alliance Fund II is a co-investment partnership between us and AMB Institutional Alliance REIT II, Inc., a limited partner of the Alliance Fund II, which includes 12 institutional investors as stockholders as of December 31, 2001. The Alliance Fund II is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of industrial buildings in target markets nationwide. As of December 31, 2001, the Alliance Fund II had received equity commitments from third party investors totaling \$195.4 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of \$488.0 million.

The operating partnership, together with one of our other affiliates, owns, as of December 31, 2001, approximately 50% of the partnership interests in AMB/ Erie, L.P. or "Erie". Erie is a co-investment partnership between the operating partnership and various entities related to Erie Indemnity Company, and is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of industrial buildings in target markets nationwide. As of December 31, 2001, Erie had received equity

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contributions from third party investors totaling \$14.0 million, which, when combined with debt financings and the Company's investment, created a total capitalization of \$129.0 million.

Acquisition and Development Activity

During 2001, we invested \$428.3 million in operating properties, consisting of 65 industrial buildings aggregating approximately 6.8 million square feet, including the investment of \$219.5 million in 36 industrial buildings, aggregating approximately 3.8 million square feet, for three of our co-investment joint ventures.

During 2001, we also contributed \$539.2 million in operating properties, consisting of 111 industrial buildings aggregating approximately 10.8 million square feet, to three of our co-investment joint ventures. During 2001, we recognized gains of \$17.8 million on the contributions, which represents the portion of the contributed properties acquired by our third-party co-investors.

As of December 31, 2001, we and our co-investment partners had in our development pipeline: (1) 12 industrial projects, which will total approximately 3.1 million square feet and have a total estimated investment of \$154.4 million upon completion; and (2) two development projects available for sale, which will total approximately 0.6 million square feet and have an aggregate estimated investment of \$50.0 million upon completion. As of December 31, 2001, we and our Development Alliance Partners have funded an aggregate of \$127.3 million and will need to fund an estimated additional \$77.1 million in order to complete projects currently under construction.

Operating Strategy

We are a full-service real estate company with in-house expertise in acquisitions, development and redevelopment, asset management and leasing, finance and accounting, and market research. We have long-standing relationships with many real estate management and development firms across the country, our Strategic Alliance Partners.

We believe that real estate is fundamentally a local business and that the most effective way for us to operate is by forging alliances with service providers in every market. We believe that these collaborations allow us to: (1) leverage our national presence with the local market expertise of brokers, developers, and property managers; (2) improve the operating efficiency and flexibility of our national portfolio; (3) strengthen customer satisfaction and retention; and (4) provide a continuous pipeline of growth.

We believe that our partners give us local market expertise and flexibility allowing us to focus on our core competencies: developing and refining our strategic approach to real estate investment and management and raising private capital to finance growth and enhance returns to stockholders.

Growth Strategies

Growth Through Operations

We seek to generate internal growth through rent increases on existing space and renewals on re-tenanted space. We do this by seeking to maintain a high occupancy rate at our properties and by seeking to control expenses by capitalizing on the economies of owning, operating, and growing a large national portfolio. As of December 31, 2001, our industrial properties and retail centers were 94.5% leased and 89.3% leased, respectively. During 2001, we increased average industrial base rental rates (on a cash basis) by 20.4% from the expiring rent for that space, on leases entered into or renewed during the period. This amount excludes expense reimbursements, rental abatements, and percentage rents. During 2001, we also increased same-store net operating income by 6.3% on our industrial properties.

Growth Through Acquisitions and Capital Redeployment

We believe that our significant acquisition experience, our alliance-based operating strategy, and our extensive network of property acquisition sources will continue to provide opportunities for external growth. We believe that our relationships with third party local property management firms through our Management

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Alliance Program also will create acquisition opportunities, as such managers market properties on behalf of sellers. Our operating structure also enables us to acquire properties through our UPREIT Alliance Program in exchange for limited partnership units in the operating partnership, thereby enhancing our attractiveness to owners and developers seeking to transfer properties on a tax-deferred basis. In addition to acquisitions, we seek to redeploy capital from non-strategic assets into properties that better fit our current investment focus.

We are generally in various stages of negotiations for a number of acquisitions and dispositions, which may include acquisitions and dispositions of individual properties, acquisitions of large multi-property portfolios, and acquisitions of other real estate companies. There can be no assurance that we will consummate any of these transactions. Such transactions, if we consummate them, may be material individually or in the aggregate. Sources of capital for acquisitions may include undistributed cash flow from operations, borrowings under our unsecured credit facility, other forms of secured or unsecured debt financing, issuances of debt or equity securities by us or the operating partnership (including issuances of units in the operating partnership or its subsidiaries), proceeds from divestitures of properties, and assumption of debt related to the acquired properties.

Growth Through Development

We believe that renovation and expansion of properties and development of well-located, high-quality industrial properties should continue to provide us with attractive opportunities for increased cash flow and a higher rate of return than we may obtain from the purchase of fully leased, renovated properties. Value-added properties are typically characterized as properties with available space or near-term leasing exposure, undeveloped land acquired in connection with another property that provides an opportunity for development, or properties that are well located but require redevelopment or renovation. Value-added properties require significant management attention or capital investment to maximize their return. We believe that we have developed the in-house expertise to create value through acquiring and managing value-added properties and believe that our national market presence and expertise will enable us to continue to generate and capitalize on these opportunities. Through our Development Alliance Program, we have established strategic alliances with national and regional developers to enhance our development capabilities.

The multidisciplinary backgrounds of our employees should provide us with the skills and experience to capitalize on strategic renovation, expansion, and development opportunities. Several of our officers have extensive experience in real estate development, both with us and with national development firms. We generally pursue development projects in joint ventures with local developers. This way, we leverage the development skill, access to opportunities, and capital of such developers, and we eliminate the need and expense of an in-house development staff. Under a typical joint venture agreement with a Development Alliance Partner, we would fund 95% of the construction costs and our partner would fund 5%. Upon completion, we generally would purchase our partner's interest in the joint venture.

Growth Through Co-Investments

We co-invest with third party partners (some of whom may be clients of AMB Capital Partners, LLC, to the extent such clients commit new investment capital), through partnerships, limited liability companies, or joint ventures. We currently use a co-investment formula with each third party whereby we will own at least a 20% interest in all ventures. In general, we control all significant operating and investment decisions of our co-investment entities. We believe that our co-investment program will continue to serve as a source of capital for acquisitions and developments; however, there can be no assurance that it will continue to do so.

Growth Through Developments for Sale

The operating partnership, through a wholly-owned subsidiary, Headlands Realty Corporation, conducts a variety of businesses that include incremental income programs, such as our development projects available for sale to third parties. Such development properties include value-added conversion projects and build-to-sell projects. During 2001, we completed and sold two value-added conversion projects for a net gain of \$13.2 million. As of December 31, 2001, we were developing two projects for sale to third parties.

AMB Capital Partners

AMB Capital Partners, LLC provides real estate investment management services on a fee basis to clients. On December 31, 2001, AMB Investment Management, Inc. was reorganized through a series of related transactions into AMB Capital Partners. On May 31, 2001, the operating partnership began consolidating its investment in AMB Investment Management by acquiring 100% of its common stock for \$0.3 million. Prior to May 31, 2001, the operating partnership owned 100% of AMB Investment Management's non-voting preferred stock (representing a 95% economic interest therein) and reflected its investment using the equity method.

BUSINESS RISKS

See: "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Business Risks" for a complete discussion of the various risks that could adversely affect us.

Item 2. Properties

We operate industrial and retail properties nationwide and manage our business both by property type and by market. Industrial properties consist primarily of warehouse distribution facilities suitable for single or multiple customers and are typically comprised of multiple buildings that are leased to customers engaged in various types of businesses. As of December 31, 2001, we operated industrial properties in eight hub and gateway markets in addition to 18 other markets nationwide. As of December 31, 2001, we operated retail properties in Miami, Atlanta, Chicago, the San Francisco Bay Area, Boston, and Baltimore. Retail properties are generally leased to one or more anchor customers, such as grocery and drug stores, and various retail businesses. See "Item 14. Note 17 of Notes to Consolidated Financial Statements" for segment information related to our operations.

INDUSTRIAL PROPERTIES

As of December 31, 2001, we owned 905 industrial buildings aggregating approximately 81.6 million rentable square feet, located in 26 markets nationwide. Our industrial properties accounted for \$494.9 million, or 96.8%, of our total annualized base rent as of December 31, 2001. Our industrial properties were 94.5% leased to over 2,900 customers, the largest of which accounted for no more than 1.3% of our annualized base rent from our industrial properties.

Property Characteristics. Our industrial properties, which consist primarily of warehouse distribution facilities suitable for single or multiple customers, are typically comprised of multiple buildings. The following table identifies type and characteristics of our industrial buildings:

| Building Type | Description | % of Portfolio |
|----------------------|------------------------------------------------------------------------------|-----------------------|
| Warehouse | 15,000-75,000 SF, single or multi-customer | 40.3% |
| Bulk Warehouse | Over 75,000 SF, single or multi-customer | 37.8% |
| Flex Industrial | May include assembly or R&D, single or multi-customer, higher parking ratios | 9.6% |
| Light Industrial | Smaller customers, 15,000 SF or less, higher office finish | 7.3% |
| Trans-Shipment | Unique configurations for truck terminals and specialized cross-docking | 1.8% |
| Air Cargo | On-tarmac or airport land for transfer of air cargo goods | 1.6% |
| Office | Single or multi-customer, used strictly for office | 1.5% |

Lease Terms. Our industrial properties are typically subject to lease on a "triple net basis," in which customers pay their proportionate share of real estate taxes, insurance, and operating costs, or are subject to leases on a "modified gross basis," in which customers pay expenses over certain threshold levels. Lease terms typically range from three to ten years, with an average of six years, excluding renewal options. The majority of the industrial leases do not include renewal options.

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Overview of Major Target Markets. Our industrial properties are located near key passenger and air cargo airports, key interstate highways, and sea ports in major metropolitan areas, such as Atlanta, Chicago, Dallas/ Fort Worth, Northern New Jersey, the San Francisco Bay Area, Southern California, Miami, and Seattle. We believe our industrial properties' strategic location, transportation network and infrastructure, and large consumer and manufacturing bases support strong demand for industrial space.

Within these metropolitan areas, our industrial properties are concentrated in locations with limited new construction opportunities within established, relatively large submarkets, which we believe should provide a higher rate of occupancy and rent growth than properties located elsewhere. These in-fill locations are typically near major passenger and air cargo facilities, seaports or convenient to major highways and rail lines, and are proximate to a diverse labor pool. There is typically broad demand for industrial space in these centrally located submarkets due to a diverse mix of industries and types of industrial uses, including warehouse distribution, light assembly and manufacturing. We generally avoid locations at the periphery of metropolitan areas where there are fewer supply constraints.

Industrial Market Operating Statistics

As of December 31, 2001, we operated in eight hub and gateway markets, in addition to 18 other markets nationwide. The following table represents properties in which we own a fee simple interest or a controlling interest (consolidated), and excludes properties in which we only own a non-controlling interest (unconsolidated) and properties under development.

| | Atlanta | Chicago(1) | Dallas/ Ft. Worth | No. New Jersey/ New York | San Francisco Bay Area | Southern California(2) | Miami | Seattle | Total Hub Markets | Total Other Markets | Total |
|----------------------------------------------------------|-----------|------------|----------------------|--------------------------------|------------------------------|---------------------------|-----------|-----------|-------------------------|---------------------------|------------|
| Square feet owned | 6,010,428 | 8,101,685 | 5,589,196 | 6,047,153 | 11,192,942 | 11,904,910 | 4,432,368 | 3,763,469 | 56,952,144 | 24,598,736 | 81,550,880 |
| Occupancy Percentage | 91.0% | 95.8% | 96.8% | 91.8% | 94.9% | 95.9% | 94.9% | 88.2% | 94.2% | 95.2% | 94.5% |
| Annualized base rent (000's) | \$ 24,372 | \$ 35,097 | \$ 25,942 | \$ 38,372 | \$ 99,624 | \$ 64,589 | \$ 31,958 | \$ 19,812 | \$ 339,766 | \$ 123,651 | \$ 463,417 |
| Annualized base rent per square foot | \$ 4.46 | \$ 4.52 | \$ 4.79 | \$ 6.91 | \$ 9.38 | \$ 5.66 | \$ 7.76 | \$ 5.97 | \$ 6.33 | \$ 5.28 | \$ 6.01 |
| Lease expirations as a percentage of ABR: (3) 2002 | 15.8% | 11.0% | 18.5% | 9.7% | 11.4% | 14.0% | 21.9% | 17.1% | 13.7% | 18.4% | 14.9% |
| 2003. | 14.5% | 26.9% | 17.2% | 21.7% | 13.6% | 17.8% | 12.0% | 29.0% | 17.5% | 12.9% | 16.3% |
| 2004. | 16.5% | 17.0% | 17.6% | 14.1% | 15.0% | 18.4% | 21.4% | 20.7% | 16.9% | 13.6% | 16.0% |
| Weighted average lease terms | | | | | | | | | | | |
| Original | 5.3 years | 6.7 years | 5.6 years | 6.4 years | 5.9 years | 6.6 years | 5.9 years | 5.3 years | 6.1 years | 6.8 years | 6.3 years |
| Remaining | 3.1 years | 2.9 years | 2.9 years | 3.5 years | 3.1 years | 3.4 years | 2.9 years | 2.5 years | 3.1 years | 3.6 years | 3.3 years |
| Tenant Retention (year- to-date) | 69.9% | 84.4% | 71.7% | 65.2% | 34.4% | 73.5% | 62.9% | 77.0% | 67.6% | 65.2% | 66.8% |
| Rent increases on renewals and rollovers | 0.5% | 8.3% | 7.6% | 12.9% | 56.2% | 20.6% | -4.3% | 9.1% | 21.3% | 19.1% | 20.4% |
| Square feet leased | 772,074 | 1,496,943 | 833,228 | 481,766 | 1,385,835 | 1,075,779 | 1,100,524 | 812,412 | 7,958,561 | 3,988,612 | 11,947,173 |
| Same store cash basis NOI growth | -4.9% | 1.1% | 9.7% | 3.1% | 23.7% | 4.3% | -0.5% | -0.4% | 8.1% | 2.6% | 6.3% |
| Square feet owned in same store pool(4) | 4,258,623 | 6,942,817 | 4,737,897 | 3,652,692 | 7,563,658 | 5,625,212 | 2,193,976 | 3,479,316 | 38,454,191 | 21,711,246 | 60,165,437 |

- (1) We also have an ownership interest in 36 industrial buildings totaling 4.0 million square feet in the Chicago market through our investment in an unconsolidated joint venture.
- (2) We also have an ownership interest in 4 industrial buildings totaling 0.9 million square feet in the Southern California market through an unconsolidated joint venture.
- (3) Calculated as monthly rent at expiration multiplied by 12.
- (4) Same store pool as of December 31, 2001, excludes properties purchased or developments stabilized after December 31, 1999.

Industrial Property Summary

As of December 31, 2001, our 905 industrial buildings were diversified across 26 markets nationwide. The average age of our industrial properties is 20 years (since the property was built or substantially renovated).

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The following table represents properties in which we own a fee simple interest or a controlling interest (consolidated), and excludes properties in which we only own a non-controlling interest (unconsolidated).

| Industrial Properties | Number of Buildings | Total Rentable Square Feet(3) | Percentage of Total Rentable Square Feet | Percentage Leased | Annualized Base Rent (000's) | Percentage of Total Annualized Base Rent | Number of Leases | Annualized Base Rent per Leased Square Foot |
|------------------------------------|---------------------|-------------------------------|------------------------------------------|-------------------|------------------------------|------------------------------------------|------------------|---------------------------------------------|
| Hub and Gateway Markets: | | | | | | | | |
| Atlanta | 55 | 6,010,428 | 7.4% | 91.0% | \$ 24,372 | 5.3% | 171 | \$ 4.46 |
| Chicago(1) | 91 | 8,101,685 | 9.9 | 95.8 | 35,097 | 7.6 | 190 | 4.52 |
| Dallas/ Ft. Worth | 65 | 5,589,196 | 6.9 | 96.8 | 25,942 | 5.6 | 211 | 4.79 |
| Northern New Jersey/ New York City | 67 | 6,047,153 | 7.4 | 91.8 | 38,372 | 8.3 | 228 | 6.91 |
| San Francisco Bay Area | 142 | 11,192,942 | 13.7 | 94.9 | 99,624 | 21.5 | 386 | 9.38 |
| Southern California(2) | 144 | 11,904,910 | 14.6 | 95.9 | 64,589 | 13.9 | 352 | 5.66 |
| Miami | 42 | 4,342,361 | 5.3 | 94.9 | 31,958 | 6.9 | 219 | 7.76 |
| Seattle | 42 | 3,763,469 | 4.6 | 88.2 | 19,812 | 4.3 | 163 | 5.97 |
| Subtotal/ Weighted Average | 648 | 56,952,144 | 69.8 | 94.2 | 339,766 | 73.4 | 1,920 | 6.33 |
| Other Markets: | | | | | | | | |
| Austin | 9 | 1,365,873 | 1.7 | 93.5 | 9,754 | 2.1 | 28 | 7.64 |
| Baltimore/ Washington D.C. | 60 | 3,790,944 | 4.6 | 96.3 | 28,704 | 6.2 | 279 | 7.86 |
| Boston | 39 | 4,632,528 | 5.7 | 99.6 | 22,866 | 4.9 | 56 | 4.96 |
| Charlotte | 10 | 729,836 | 0.9 | 55.4 | 1,665 | 0.4 | 24 | 4.12 |
| Cincinnati | 6 | 812,053 | 1.0 | 92.7 | 2,587 | 0.6 | 12 | 3.44 |
| Columbus | 2 | 465,433 | 0.6 | 100.0 | 1,415 | 0.3 | 2 | 3.04 |
| Houston | 28 | 2,788,474 | 3.4 | 92.8 | 9,907 | 2.1 | 136 | 3.83 |
| Memphis | 17 | 1,883,845 | 2.3 | 98.6 | 9,537 | 2.1 | 47 | 5.13 |
| Minneapolis | 42 | 4,441,909 | 5.5 | 96.9 | 17,836 | 3.8 | 204 | 4.14 |
| New Orleans | 5 | 411,689 | 0.5 | 99.7 | 2,004 | 0.4 | 47 | 4.88 |
| Newport News | 1 | 60,215 | 0.1 | 100.0 | 745 | 0.2 | 3 | 12.37 |
| Orlando | 19 | 1,845,494 | 2.3 | 96.0 | 7,476 | 1.6 | 85 | 4.22 |
| Portland | 5 | 676,104 | 0.8 | 98.4 | 2,816 | 0.6 | 10 | 4.23 |
| San Diego | 5 | 276,167 | 0.3 | 86.8 | 1,974 | 0.4 | 19 | 8.23 |
| Other On-Tarmac | 9 | 418,172 | 0.5 | 86.4 | 4,365 | 0.9 | 36 | 12.08 |
| Subtotal/ Weighted Average | 257 | 24,598,736 | 30.2 | 95.2 | 123,651 | 26.6 | 988 | 5.28 |
| Total/ Weighted Average | 905 | 81,550,880 | 100.0% | 94.5% | \$ 463,417 | 100.0% | 2,908 | \$ 6.01 |

- (1) We also have an ownership interest in 36 industrial buildings totaling 4.0 million square feet in the Chicago market through our investment in an unconsolidated joint venture.
- (2) We also have an ownership interest in 4 industrial buildings totaling 0.9 million square feet in the Southern California market through our investment in an unconsolidated joint venture.
- (3) In addition to owned square feet as of December 31, 2001, we manage, through our subsidiary, AMB Capital Partners, 2.0 million, 0.6 million, and 0.1 million additional square feet of industrial, retail, and other properties, respectively.

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Industrial Property Lease Expirations

The following table summarizes the lease expirations for our industrial properties for leases in place as of December 31, 2001, without giving effect to the exercise of renewal options or termination rights, if any, at or prior to the scheduled expirations.

| Year of Lease Expiration(1) | Rentable Square Feet | Annualized Base Rent (000s)(2) | Percentage of Annualized Base Rent |
|--------------------------------|----------------------|--------------------------------|------------------------------------|
| 2002(3) | 13,350,901 | \$ 73,908 | 14.9% |
| 2003 | 14,728,382 | 80,699 | 16.3 |
| 2004 | 12,906,827 | 79,341 | 16.0 |
| 2005 | 11,288,977 | 74,129 | 15.0 |
| 2006 | 8,784,213 | 57,282 | 11.6 |
| 2007 | 5,079,752 | 32,259 | 6.5 |
| 2008 | 3,435,363 | 17,830 | 3.6 |
| 2009 | 2,473,353 | 15,053 | 3.1 |
| 2010 | 1,878,760 | 27,908 | 5.6 |
| Thereafter | 3,116,389 | 36,448 | 7.4 |
| Total/ Weighted Average | 77,042,917 | \$494,857 | 100.0% |

(1) Schedule includes executed leases that commence after December 31, 2001. Schedule excludes leases expiring December 31, 2001.

(2) Calculated as monthly rent at expiration multiplied by 12.

(3) Includes month-to-month leases and hold-over customers.

Customer Information

Largest Property Customers. Our 25 largest industrial property customers by annualized base rent are set forth in the table below.

| Industrial Customer Name(1) | Number of Leases | Aggregate Rentable Square Feet | Percentage of Aggregate Leased Square Feet(2) | Annualized Base Rent | Percentage of Aggregate Annualized Base Rent(3) |
|----------------------------------|------------------|--------------------------------|-----------------------------------------------|----------------------|-------------------------------------------------|
| FedEx Corporation | 27 | 586,238 | 0.7% | \$ 6,251 | 1.3% |
| International Paper Company | 7 | 557,299 | 0.7 | 4,353 | 0.9 |
| Abgenix, Inc. | 2 | 97,887 | 0.1 | 3,489 | 0.7 |
| Harmonic Inc. | 2 | 198,480 | 0.3 | 3,481 | 0.7 |
| United Liquors, Ltd. | 2 | 755,000 | 1.0 | 3,286 | 0.7 |
| Hyseq, Inc. | 3 | 59,300 | 0.1 | 3,176 | 0.7 |
| Novera Optics, Inc. | 1 | 55,610 | 0.1 | 2,776 | 0.6 |
| Wells Fargo and Company | 5 | 215,052 | 0.3 | 2,663 | 0.6 |
| Integrated Airline Services(4) | 4 | 231,161 | 0.3 | 2,595 | 0.5 |
| County of Los Angeles(5) | 9 | 168,519 | 0.2 | 2,586 | 0.5 |
| CNF Inc. | 11 | 358,165 | 0.5 | 2,307 | 0.5 |
| Forward Air Corporation | 7 | 344,765 | 0.4 | 2,212 | 0.5 |
| Exel plc | 7 | 520,404 | 0.7 | 2,168 | 0.5 |
| Applied Materials, Inc. | 1 | 290,557 | 0.4 | 2,152 | 0.4 |
| Iron Mountain Records Management | 9 | 415,008 | 0.5 | 2,106 | 0.4 |
| Acer America Corporation | 4 | 261,932 | 0.3 | 2,067 | 0.4 |
| United States Government(4)(6) | 11 | 421,063 | 0.5 | 2,065 | 0.4 |
| Cirrus Logic | 1 | 48,384 | 0.1 | 2,032 | 0.4 |
| FMI International | 2 | 367,771 | 0.5 | 1,999 | 0.4 |
| Danzas AEI International | 6 | 288,476 | 0.4 | 1,965 | 0.4 |
| AM Cosmetics Inc. | 1 | 326,500 | 0.4 | 1,954 | 0.4 |
| Airborne Express(4) | 7 | 242,967 | 0.3 | 1,950 | 0.4 |
| NCS Pearson | 1 | 226,076 | 0.3 | 1,919 | 0.4 |
| Johnson & Johnson | 4 | 129,449 | 0.2 | 1,918 | 0.4 |
| Rite Aid Corporation | 3 | 550,116 | 0.7 | 1,883 | 0.4 |
| Total | | 7,716,179 | 9.9% | \$ 65,353 | 13.6% |

(1) Customer(s) may be a subsidiary of or an entity affiliated with the named customer.

(2) Computed as aggregate leased square feet divided by the aggregate leased square feet of the industrial and retail properties.

(3) Computed as aggregate annualized base rent divided by the aggregate annualized base rent of the industrial and retail and other properties.

(4) Apron rental amount (but not square footage) are included.

(5) County of Los Angeles includes Children's Services, the Fire Department, the District Attorney's Office, the Sheriff, and the Unified School District.

(6) United States Government includes the United States Postal Service (USPS), U.S. Customs, and the United States Department of Agriculture (USDA).

OPERATING AND LEASING STATISTICS

Total Industrial Portfolio Summary

The following table summarizes key operating and leasing statistics for all of our industrial properties as of and for the years ended December 31, 2001, 2000, and 1999.

Industrial Operating and Leasing Statistics (1)

| | 2001 | 2000 | 1999 |
|----------------------------------------------------------------------------|------------|------------|------------|
| Square feet owned at December 31(2) | 81,550,880 | 77,795,989 | 65,194,364 |
| Occupancy percentage at December 31 | 94.5% | 96.4% | 95.9% |
| Weighted average lease term: | | | |
| Original | 6.3 years | 6.4 years | 6.4 years |
| Remaining | 3.3 years | 3.5 years | 3.5 years |
| Tenant retention | 66.8% | 59.0% | 72.0% |
| Rent increases on renewals and rollovers | 20.4% | 25.6% | 12.9% |
| SF leased | 11,947,173 | 11,940,560 | 7,567,062 |
| Second generation tenant improvements and leasing commissions per sq. ft.: | | | |
| Renewals | \$ 0.99 | \$ 1.22 | \$ 1.22 |
| Re-tenanted(3) | 3.25 | 2.27 | 2.74 |
| Weighted average(3) | \$ 2.05 | \$ 1.86 | \$ 1.64 |
| Recurring capital expenditures: | | | |
| Tenant improvements | \$ 8,168 | \$ 10,237 | \$ 10,515 |
| Lease commissions and other lease costs | 19,822 | 17,679 | 10,430 |
| Building improvements | 19,852 | 11,031 | 5,521 |
| Sub-total | 47,842 | 38,947 | 26,466 |
| JV Partners' share of capital expenditures | (5,824) | (3,323) | (1,576) |
| Our share of recurring capital expenditures | \$ 42,018 | \$ 35,624 | \$ 24,890 |

(1) Includes all consolidated operating properties and excludes development and renovation projects.

(2) In addition to owned square feet as of December 31, 2001, we manage, through our subsidiary, AMB Capital Partners, 2.7 million additional square feet of industrial, retail, and other properties. We also have investments in 4.9 million square feet of industrial properties through our investments in unconsolidated joint ventures.

(3) Consists of all leases renewing or re-tenanting with lease terms greater than one year.

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Industrial Same Store Operating Statistics

The following table summarizes key operating and leasing statistics for our same store properties as of and for the years ended December 31, 2001, 2000, and 1999. For an explanation of our same store properties, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations.”

| | 2001 | 2000 | 1999 |
|---------------------------------------------------|------------|------------|------------|
| Square feet in same store pool | 60,165,437 | 52,145,350 | 35,128,748 |
| % of total industrial square feet | 73.8% | 68.8% | 53.8% |
| Occupancy percentage at period end | 94.6% | 96.8% | 96.2% |
| Tenant retention | 64.5% | 59.2% | 69.2% |
| Rent increases on renewals and rollovers | 23.5% | 27.0% | 12.8% |
| SF leased | 9,964,366 | 9,868,579 | 4,994,868 |
| Cash basis net operating income growth % increase | | | |
| Revenues | 6.4% | 7.3% | 4.3% |
| Expenses | 6.9% | 3.5% | (0.6)% |
| NOI | 6.3% | 8.5% | 5.9% |

RETAIL PROPERTIES

At December 31, 2001, we owned ten retail centers aggregating approximately 1.3 million rentable square feet. Our retail properties accounted for \$16.1 million, or 3.2%, of annualized base rent at December 31, 2001. Our retail properties were 89.3% leased to over 160 customers. Our retail properties have an average age of nine years since they were built, expanded, or renovated.

During 2001, we sold two retail properties totaling approximately 0.3 million rentable square feet. As of December 31, 2001, we had seven retail centers, aggregating approximately 1.3 million rentable square feet, held for divestiture.

Retail Property Summary

The following table sets forth the rentable square footage of our retail centers as of December 31, 2001, and represents properties in which we own a fee simple interest or a controlling interest (consolidated). Around Lenox, Howard & Western, Mazzeo Drive, Northridge Plaza, Palm Aire, Springsgate, and The Plaza at Delray are all properties held for divestiture as of December 31, 2001.

| Retail Properties | Total Rentable Square Feet | Percentage Leased | Annualized Base Rent (000's)(1) | Number of Leases | Annualized Base Rent per Leased Square Foot(2) |
|--------------------------------|----------------------------------|----------------------|---------------------------------------|---------------------|---------------------------------------------------------|
| Around Lenox(3)(4) | 121,517 | 71.9% | \$ 2,139 | 16 | \$ 24.47 |
| Beacon Center | 150,245 | 100.0 | 2,395 | 8 | 15.94 |
| Charles & Chase | 48,000 | 100.0 | 300 | 1 | 6.25 |
| Howard & Western(4) | 88,544 | 88.0 | 1,088 | 10 | 13.97 |
| Mazzeo Drive(4) | 88,420 | 100.0 | 717 | 1 | 8.11 |
| Northridge Plaza(3)(4) | 229,010 | 90.7 | 3,190 | 34 | 15.35 |
| Novato Fair Shopping Center(3) | 126,069 | 93.3 | 955 | 18 | 8.12 |
| Palm Aire(3)(4) | 130,865 | 100.0 | 1,709 | 29 | 13.06 |
| Springs Gate(3)(4) | n/a | n/a | n/a | n/a | n/a |
| The Plaza at Delray(3)(4) | 331,863 | 80.2 | 3,559 | 43 | 13.37 |
| Total/ Weighted Average | 1,314,533 | 89.3% | \$ 16,052 | 160 | \$ 13.67 |

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- (1) Annualized base rent means the monthly contractual amount under existing leases at December 31, 2001, multiplied by 12. This amount excludes expense reimbursements, rental abatements, and percentage rents.
- (2) Calculated as total Annualized Base Rent divided by total rentable square feet actually leased as of December 31, 2001.
- (3) We hold an interest in this property through a joint venture interest in a limited partnership.
- (4) This property is held for divestiture.

Development Pipeline

The following table sets forth the properties owned by us as of December 31, 2001, which were undergoing renovation, expansion, or new development. No assurance can be given that any of such projects will be completed on schedule or within budgeted amounts.

Industrial Development and Renovation Deliveries

| Project | Location | Development Alliance Partner™ | Estimated Stabilization Date | Estimated Square Feet at Completion | Estimated Total Investment(1) | Our Ownership Percentage | |
|--------------------------------------|---------------------------------|-------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------|------------|
| (Dollars in thousands) | | | | | | | |
| 2002 Deliveries | | | | | | | |
| 1. | Portland Air Cargo | Portland, OR | Trammell Crow Company | February | 159,000 | \$ 12,800 | 95% |
| 2. | Van Nuys (Buildings 3 - 6) | Van Nuys, CA | Trammell Crow Company | February | 315,000 | 23,000 | 95% |
| 3. | Monte Vista Spectrum | Chino, CA | Majestic Realty | June | 577,000 | 23,200 | 50% |
| 4. | Cabot Business Park (Lot 1 - 2) | Mansfield, MA | National Development of NE | June | 114,000 | 14,600 | 90% |
| 5. | Dulles Airport park (Phase I) | Dulles, VA | Seefried Properties | July | 168,000 | 12,000 | 21% |
| 6. | Suwanee Creek (Phase IV) | Atlanta, GA | Seefried Properties | August | 233,000 | 7,600 | 100% |
| 7. | Airport South Building 800 | College Park, GA | Seefried Properties | September | 60,000 | 3,200 | 50% |
| 8. | Airport South Building 900 | College Park, GA | Seefried Properties | September | 30,000 | 1,700 | 50% |
| 9. | Southfield Logistics Center(3) | Forest Park, GA | None | October | 799,000 | 17,600 | 21% |
| 10. | Airport South Building 400 | College Park, GA | Seefried Properties | December | 103,000 | 4,800 | 50% |
| Total 2002 Deliveries | | | | | 2,558,000 | 120,500 | 64% |
| % Pre-leased/funded-to-date(2) | | | | | 61% | \$ 91,900 | |
| 2003 Deliveries | | | | | | | |
| 11. | Carson Town Center, SE | Carson, CA | Mar Ventures | May | 349,000 | 23,100 | 95% |
| 12. | Houston Air Cargo | Houston, TX | Trammell Crow Company | October | 156,000 | 10,800 | 19% |
| Total 2003 Deliveries | | | | | 505,000 | 33,900 | 71% |
| % Pre-leased/funded-to-date(2) | | | | | 14% | \$ 9,300 | |
| Total Scheduled Deliveries(1) | | | | | 3,063,000 | \$ 154,400 | 66% |
| % Pre-leased/funded-to-date(2) | | | | | 54% | \$ 100,300 | |

- (1) Represents total estimated cost or renovation, expansion, or development, including initial acquisition costs, debt and equity carry, and partner earnouts. The estimates are based on our current estimates and forecasts and are subject to change. Excludes 268 acres of land and other acquisition-related costs totaling approximately \$44.3 million.
- (2) As of December 31, 2001, our share of such amounts funded to date was \$57.8 million and \$8.5 million, respectively, for a total of \$66.3 million funded to date.
- (3) Represents a renovation project.

HEADLANDS REALTY CORPORATION(1)

Development Projects Held for Sale

| Project(2) | Market | Development Alliance Partner TM | Estimated Stabilization Date | Estimated Square Feet at Completion | Estimated Total Investment(3) | Our Ownership Percentage |
|---------------------------------------------------------|---------------------|--------------------------------------------|------------------------------|-------------------------------------|-------------------------------|--------------------------|
| (Dollars in thousands) | | | | | | |
| Development Properties Value-Added Conversion(4) | | | | | | |
| None | | | | | | |
| Build-to-Sell(5) | | | | | | |
| 1. Novato Fair Shopping Center | SF Bay Area | AIG | August 2002 | 134,000 | \$ 15,700 | 50% |
| 2. Carson Town Center SW | Southern California | Mar Ventures | July 2003 | 431,000 | 34,300 | 100% |
| Total Build-to-Sell Properties | | | | 565,000 | 50,000 | 84% |
| % Pre-leased/funded-to-date(6) | | | | 32% | 27,000 | |
| Total Scheduled Deliveries | | | | 565,000 | \$ 50,000 | 84% |
| % Pre-leased/funded-to-date(6) | | | | 32% | 27,000 | |

- (1) Headlands Realty Corporation is a wholly-owned taxable REIT subsidiary.
- (2) Headlands Realty Corporation intends to sell these properties within two years of completion.
- (3) Represents total estimated cost of renovation, expansion, or development, including initial acquisition costs, debt and equity carry, and partner earnouts. The estimates are based on the Company's current estimates and forecasts and are subject to change.
- (4) Represents existing properties or land that Headlands Realty is leasing from the operating partnership and is upgrading for sale to a third party.
- (5) Represents build-to-suit and speculative development or redevelopment.
- (6) As of December 31, 2001, our share of amounts funded to date was \$20.5 million.

Properties Held Through Joint Ventures, Limited Liability Companies, and Partnerships

Consolidated:

As of December 31, 2001, we held interests in joint ventures, limited liability companies, and partnerships with third parties, which are consolidated in our consolidated financial statements. Such investments are consolidated because: (1) we own a majority interest; or (2) we exercise significant control over major operating decisions such as approval of budgets, selection of property managers, and changes in financing. Under the agreements governing the joint ventures, we and the other party to the joint venture may be required to make additional capital contributions, and subject to certain limitations, the joint ventures may incur additional debt. Such agreements also impose certain restrictions on the transfer of joint venture interests by us or the other party to the joint venture and provide certain rights to us or the other party to the joint venture to sell its interest to the joint venture or to the other joint venture partner on terms specified in the agreement. All of the joint ventures terminate in 2024 or later, but may end earlier if a joint venture ceases to hold any interest in or have any obligations relating to the property held by the joint venture. See "Item 14. Note 10 of the Notes to Consolidated Financial Statements."

Industrial Consolidated Joint Ventures

| Joint Ventures | Our Ownership Percentage | Number of Buildings | Square Feet(1) | Gross Book Value(2) | Debt | JV Partners' Share of Debt |
|-----------------------------------------------------|--------------------------|---------------------|-------------------|---------------------|------------------|----------------------------|
| (Dollars in thousands) | | | | | | |
| Operating Properties: | | | | | | |
| Co-investment joint ventures: | | | | | | |
| AMB-SGP(3) | 50% | 59 | 6,783,749 | \$ 304,902 | \$206,790 | \$ 103,395 |
| AMB Institutional Alliance Fund I(4) | 21% | 100 | 4,947,862 | 356,298 | 155,856 | 124,090 |
| AMB Erie(5) | 50% | 52 | 3,855,178 | 195,218 | 101,431 | 50,941 |
| AMB Partners II(6) | 50% | 47 | 3,637,122 | 184,426 | 113,485 | 58,492 |
| AMB Institutional Alliance Fund II(4) | 20% | 33 | 3,600,936 | 223,184 | 208,215 | 166,572 |
| Total co-investment joint ventures | 37% | 291 | 22,824,847 | 1,264,028 | 785,777 | 503,490 |
| Other Joint Ventures | 92% | 33 | 2,778,065 | 233,124 | 48,814 | 2,626 |
| Total Operating Properties | 45% | 324 | 25,602,912 | 1,497,152 | 835,591 | 506,116 |
| Development Alliance Joint Ventures: | | | | | | |
| AMB Institutional Alliance Fund I(4) | 21% | 5 | 1,123,000 | 29,564 | 8,453 | 6,678 |
| AMB Partners II(6) | 50% | 3 | 193,000 | 7,488 | — | — |
| Other Development Alliance Joint Ventures | 93% | 9 | 937,000 | 31,503 | — | — |
| Total Development Alliances | 57% | 17 | 2,253,000 | 68,555 | 8,453 | 6,678 |
| Total Industrial Consolidated Joint Ventures | 46% | 341 | 27,855,912 | \$1,565,707 | \$844,044 | \$ 512,794 |

(1) For development properties, this represents estimated square feet at completion of development for committed phases of development and renovation projects.

(2) Represents the book value of the property (before accumulated depreciation) owned by the joint venture entity and excludes net other assets.

(3) A co-investment partnership with GIC Real Estate Pte Ltd., the real estate investment subsidiary of the government of Singapore Investment Corporation.

(4) Represents a co-investment partnership with a private institutional REIT.

(5) Represents a co-investment partnership with the Erie Insurance Group.

(6) Represents a co-investment partnership with the City and County of San Francisco Employees' Retirement System.

Retail Consolidated Joint Ventures

| Properties | Market | Our Ownership Percentage | Square Feet(1) | Gross Book Value(2) | Debt | JV Partners' Share of Debt |
|-------------------------------------------|---------|--------------------------|----------------|---------------------|----------|----------------------------|
| (Dollars in thousands) | | | | | | |
| Development Alliance Joint Venture | | | | | | |
| 1. Springs Gate(3)(4) | Miami | 100% | — | \$ 10,214 | \$ — | \$ — |
| Subtotal | | 100% | — | 10,214 | — | — |
| Other Joint Ventures | | | | | | |
| 2. Around Lenox(3) | Atlanta | 90% | 121,517 | 20,925 | 9,730 | 973 |
| 3. Palm Aire(3) | Miami | 100% | 130,865 | 19,905 | 7,071 | 1,011 |
| 4. Northridge Plaza(3) | Miami | 100% | 229,010 | 36,341 | — | — |
| 5. Plaza Delray(3) | Miami | 98% | 331,863 | 39,165 | 22,029 | 4,428 |
| Subtotal | | | 813,255 | 116,336 | 38,830 | 6,412 |
| Total | | 98% | 813,255 | \$126,550 | \$38,830 | \$ 6,412 |

(1) For development properties, this represents estimated square feet at completion of development project.

(2) Represents the book value of the property (before accumulated depreciation) owned by the joint venture entity and excludes net other assets.

(3) Included as part of retail properties held for divestiture.

(4) Represents 39 acres of land for future development.

Unconsolidated and Mortgage Investments:

As of December 31, 2001, we held interests in three equity investment joint ventures that are unconsolidated in our financial statements. The management and control over significant aspects of these investments are with the third party joint venture partner. In addition, as of December 31, 2001, we held two mortgage investments from which we receive interest income.

Unconsolidated Joint Ventures

And Mortgage Investments

| Properties | Market | Total Square Feet(1) | Our Net Equity Investment | Our Ownership Percentage | Our Share of Debt |
|--------------------------------------------|---------------------|----------------------|---------------------------|--------------------------|-------------------|
| (Dollars in thousands) | | | | | |
| Operating Joint Ventures: | | | | | |
| 1. Elk Grove Du Page | Chicago | 4,046,721 | \$59,447 | 56% | \$15,300 |
| 2. Pico Rivera | Southern California | 855,600 | 9,430 | 50% | 17,084 |
| Total Operating Joint Ventures | | 4,902,321 | 68,918 | 55% | 32,084 |
| Development Alliance Joint Venture: | | | | | |
| 3. Monte Vista Spectrum | Southern California | 577,000 | 2,179 | 50% | 6,844 |
| Total Unconsolidated Joint Ventures | | 5,479,321 | \$71,097 | 55% | \$38,928 |

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| Properties | Market | Maturity | Mortgage Receivable | Rate |
|-----------------------------------------|---------------------|----------------|---------------------|--------|
| Mortgage Investment | | | | |
| 1. Pier 1 | SF Bay Area | May 2026 | \$13,214 | 13.00% |
| 2. Manhattan Village Shopping Center(2) | Southern California | September 2002 | 74,000 | 9.50% |
| Total Mortgage Investments | | | \$87,214 | |

(1) Square feet for development alliance joint ventures represents estimated square feet at completion of development project.

(2) We re-negotiated this mortgage and received a \$5.0 million pay-down on the principal balance and increased the interest rate to 9.5% from 8.75% in 2001.

Secured Debt

As of December 31, 2001, we had \$1.2 billion of indebtedness, net of unamortized premiums, secured by deeds of trust on 99 properties. As of December 31, 2001, the total gross investment value of those properties secured by debt was \$2.3 billion. Of the \$1.2 billion of secured indebtedness, \$759.4 million was joint venture debt. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” and “Item 14. Note 7 of Notes to Consolidated Financial Statements” included in this report. We believe that as of December 31, 2001, the value of the properties securing the respective obligations in each case exceeded the principal amount of the outstanding obligations.

Item 3. Legal Proceedings

As of December 31, 2001, there were no pending legal proceedings to which we are a party or of which any of our properties are the subject, the adverse determination of which we anticipate would have a material adverse effect on our financial position or results of operations.

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

None.

PART II**Item 5. Market For Registrant's Common Equity and Related Shareholder Matters**

Our common stock began trading on the New York Stock Exchange on November 21, 1997, under the symbol "AMB." As of March 15, 2002, there were approximately 382 holders of record of our common stock (excluding shares held through The Depository Trust Company, as nominee). Set forth below are the high and low sales prices per share of our common stock, as reported on the NYSE composite tape, and the distribution per share paid by us during the period from January 1, 1999, through December 31, 2001.

| Year | High | Low | Distribution |
|-------------|-------------|------------|---------------------|
| 2001 | | | |
| 1st Quarter | 25.56 | 23.71 | 0.395 |
| 2nd Quarter | 25.76 | 22.90 | 0.395 |
| 3rd Quarter | 26.64 | 23.35 | 0.395 |
| 4th Quarter | 26.21 | 23.30 | 0.395 |
| 2000 | | | |
| 1st Quarter | 21.50 | 19.25 | 0.37 |
| 2nd Quarter | 23.63 | 21.25 | 0.37 |
| 3rd Quarter | 24.94 | 23.00 | 0.37 |
| 4th Quarter | 26.06 | 23.25 | 0.37 |
| 1999 | | | |
| 1st Quarter | 22.94 | 20.50 | 0.35 |
| 2nd Quarter | 23.50 | 20.56 | 0.35 |
| 3rd Quarter | 23.00 | 20.00 | 0.35 |
| 4th Quarter | 21.13 | 18.13 | 0.35 |

Item 6. Selected Financial and Other Data

SELECTED COMPANY AND PREDECESSOR FINANCIAL AND OTHER DATA

The following table sets forth selected consolidated historical financial and other data for AMB Property Corporation and its predecessor on an historical basis as of and for the years ended December 31, 2001, 2000, 1999, 1998, and 1997. Prior to November 26, 1997 (our initial public offering date), AMB Property Corporation's predecessor provided real estate investment management services to institutional investors.

| | 2001 | 2000 | 1999 | 1998 | Pro Forma(1) 1997 | Historical(2) 1997 |
|--------------------------------------------------|-------------|-------------|-------------|-------------|----------------------|-----------------------|
| (Dollars in thousands, except per share amounts) | | | | | | |
| Operating Data | | | | | | |
| Total revenues | \$ 600,845 | \$ 480,207 | \$ 448,183 | \$ 358,887 | \$ 284,674 | \$ 56,062 |
| Income before minority interests | 165,672 | 165,599 | 159,321 | 123,750 | 103,903 | 18,885 |
| Net income available to common stockholders | 125,053 | 113,282 | 167,603 | 108,954 | 99,508 | 18,228 |
| Net income per common share: | | | | | | |
| Basic(3) | 1.49 | 1.35 | 1.94 | 1.27 | 1.16 | 1.39 |
| Diluted(3) | 1.47 | 1.35 | 1.94 | 1.26 | 1.15 | 1.38 |
| Dividends per common share | 1.58 | 1.48 | 1.40 | 1.37 | 1.37 | 0.13 |
| Other Data | | | | | | |
| EBITDA(4) | \$ 431,543 | \$ 349,353 | \$ 318,319 | \$ 252,353 | \$ 195,218 | |
| Operating earnings(5) | 93,631 | 112,138 | 116,810 | 108,954 | 99,508 | |
| Funds from operations(6) | 213,513 | 208,651 | 191,147 | 170,407 | 147,409 | |
| Cash flows provided by (used in): | | | | | | |
| Operating activities | 288,562 | 261,175 | 190,391 | 177,180 | 131,621 | |
| Investing activities | (363,152) | (726,499) | 63,732 | (793,366) | (607,768) | |
| Financing activities | 127,303 | 452,370 | (240,721) | 604,202 | 553,199 | |
| Balance Sheet Data | | | | | | |
| Investments in real estate at cost | \$4,530,711 | \$4,026,597 | \$3,249,452 | \$3,369,060 | | \$2,442,999 |
| Total assets | 4,760,893 | 4,425,626 | 3,621,550 | 3,562,885 | | 2,506,255 |
| Total consolidated debt(7) | 2,135,664 | 1,836,276 | 1,270,037 | 1,368,196 | | 685,652 |
| Our share of total debt | 1,655,386 | 1,681,161 | 1,168,218 | 1,348,107 | | 672,945 |
| Stockholders' equity | 1,752,342 | 1,767,930 | 1,829,259 | 1,765,360 | | 1,668,030 |

- (1) Pro forma 1997 financial and other data has been prepared as if our formation transactions, our initial public offering, and certain property acquisitions and divestitures in 1997 had occurred on January 1, 1997.
- (2) The historical 1997 results represent our predecessor's historical financial and other data for the period January 1, 1997 through November 25, 1997. The financial and other data of AMB Property Corporation and the properties acquired in our formation transactions have been included from November 26, 1997 to December 31, 1997.
- (3) Basic and diluted net income per share equals the net income available to common stockholders divided by 84,174,644 and 85,214,066 shares, respectively for 2001; 83,697,170 and 84,155,306 shares, respectively, for 2000; 86,271,862 and 86,347,487 shares, respectively, for 1999; 85,876,383 and 86,235,176 shares, respectively, for 1998; and pro forma net income divided by 85,874,513 and 86,156,556 shares, respectively, for 1997.
- (4) EBITDA is computed as income before divestiture of properties, net of minority interests and impairment charges, and minority interests plus interest expense, income taxes, and depreciation and amortization. We believe that in addition to cash flows and net income, EBITDA is a useful financial performance measure for assessing the operating performance of a real estate investment trust because, together with net income and cash flows, EBITDA provides investors with an additional basis to evaluate the ability of a real estate investment trust to incur and service debt and to fund acquisitions and other capital expenditures. Includes our pro rata share of EBITDA in an unconsolidated joint venture. EBITDA is not a measurement of operating performance calculated in accordance with accounting principles generally accepted in the United States and should not be considered as a substitute for operating income, net income, cash flows from operations, or other statement of operations or cash flow data prepared in accordance with accounting principles generally accepted in the United States. EBITDA may not be indicative of our historical operating results nor our potential future results. While EBITDA is frequently used as a measure of operations and the ability to meet debt service requirements, it is not necessarily comparable to other similarly titled captions of other real estate investment trusts.
- (5) Operating earnings represents income before gains from dispositions of real estate, net of minority interests and impairment reserves on properties held for divestiture and operating properties, less minority interests' share of net income and preferred stock dividends. It excludes the preferred unit redemption premium. We believe that in addition to cash flows and net income, operating earnings is a useful financial performance measure for assessing the operating performance of a real estate investment trust because, together with

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net income and cash flows, operating earnings provides investors with an additional basis to evaluate the ability of a real estate investment trust to incur and service debt and to fund acquisitions and other capital expenditures. Operating earnings is not a measurement of operating performance calculated in accordance with accounting principles generally accepted in the United States and should not be considered as a substitute for operating income, net income, cash flows from operations, or other statement of operations or cash flow data prepared in accordance with accounting principles generally accepted in the United States. Operating earnings may not be indicative of our historical operating results nor our potential future results. While operating earnings is frequently used as a measure of operations and the ability to meet debt service requirements, it is not necessarily comparable to other similarly titled captions of other real estate investment trusts.

- (6) Funds from Operations, or FFO, is defined as income from operations before minority interest, gains or losses from sale of real estate, and extraordinary losses plus real estate depreciation and adjustment to derive our pro rata share of the FFO of unconsolidated joint ventures, less minority interests' pro rata share of the FFO of consolidated joint ventures and preferred stock dividends. In accordance with the National Association of Real Estate Investment Trust White Paper on funds from operations, we include the effects of straight-line rents in funds from operations. We believe that funds from operations is an appropriate measure of performance for a real estate investment trust. While funds from operations is a relevant and widely used measure of operating performance of real estate investment trusts, it does not represent cash flow from operations or net income as defined by accounting principles generally accepted in the United States and it should not be considered as an alternative to these indicators in evaluating liquidity or operating performance. Further, funds from operations as disclosed by other real estate investment trusts may not be comparable.
- (7) Secured debt includes unamortized debt premiums of approximately \$6.8 million, \$9.9 million, \$10.1 million, \$15.2 million, and \$18.3 million as of December 31, 2001, 2000, 1999, 1998, and 1997, respectively. See Notes 2 and 7 of the notes to consolidated financial statements.

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

You should read the following discussion and analysis of our consolidated financial condition and results of operations in conjunction with the notes to consolidated financial statements. Statements contained in this discussion that are not historical facts may be forward-looking statements. Such statements relate to our future performance and plans, results of operations, capital expenditures, acquisitions, and operating improvements and costs. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates," or "anticipates" or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans, or intentions. Forward-looking statements involve numerous risks and uncertainties and you should not rely upon them as predictions of future events. There is no assurance that the events or circumstances reflected in forward-looking statements will occur or be achieved. Forward-looking statements are necessarily dependent on assumptions, data, or methods that may be incorrect or imprecise and we may not be able to realize them.

The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- defaults or non-renewal of leases by customers;*
- increased interest rates and operating costs;*
- our failure to obtain necessary outside financing;*
- difficulties in identifying properties to acquire and in effecting acquisitions;*
- our failure to successfully integrate acquired properties and operations;*
- our failure to divest of properties that we have contracted to sell or to timely reinvest proceeds from any such divestitures;*
- risks and uncertainties affecting property development and construction (including construction delays, cost overruns, our inability to obtain necessary permits, and public opposition to these activities);*
- our failure to qualify and maintain our status as a real estate investment trust under the Internal Revenue Code of 1986;*
- environmental uncertainties;*
- risks related to natural disasters;*

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- *financial market fluctuations;*
- *changes in real estate and zoning laws;*
- *increases in real property tax rates; and*
- *risks of doing business internationally.*

Our success also depends upon economic trends generally, including interest rates, income tax laws, governmental regulation, legislation, population changes, and those other risk factors discussed in the section entitled "Business Risks" in this report. We caution you not to place undue reliance on forward-looking statements, which reflect our analysis only and speak as of the date of this report or as of the dates indicated in the statements.

GENERAL

We commenced operations as a fully integrated real estate company in connection with the completion of our initial public offering on November 26, 1997, and elected to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code of 1986 with our initial tax return for the year ended December 31, 1997. AMB Property Corporation and the operating partnership were formed shortly before the consummation of our initial public offering.

We generate revenue primarily from rent received from customers at our properties, including reimbursements from customers for certain operating costs. In addition, our growth is, in part, dependent on our ability to increase occupancy rates or increase rental rates at our properties and our ability to continue the acquisition and development of additional properties. Our income would be adversely affected if a significant number of customers were unable to pay rent or if we were unable to rent our industrial space on favorable terms. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes, and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property. Moreover, as the general partner of the operating partnership, we generally will be liable for all of the operating partnership's unsatisfied obligations other than non-recourse obligations, including the operating partnership's obligations as the general partner of the co-investment joint ventures. Any such liabilities could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

REIT Compliance. We elected to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code commencing with our taxable year ended December 31, 1997. We currently intend to operate so as to qualify as a real estate investment trust under the Internal Revenue Code and believe that our current organization and method of operation comply with the rules and regulations promulgated under the Internal Revenue Code to enable us to continue to qualify as a real estate investment trust. However, it is possible that we have been organized or have operated in a manner that would not allow us to qualify as a real estate investment trust, or that our future operations could cause us to fail to qualify.

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Qualification as a real estate investment trust requires us to satisfy numerous requirements (some on an annual and others on a quarterly basis) established under highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. For example, in order to qualify as a real estate investment trust, we must derive at least 95% of our gross income in any year from qualifying sources. In addition, we must pay dividends to stockholders aggregating annually at least 90% of our real estate investment trust taxable income (determined without regard to the dividends paid deduction and by excluding capital gains) and must satisfy specified asset tests on a quarterly basis. These provisions and the applicable treasury regulations are more complicated in our case because we hold our assets through the operating partnership. Legislation, new regulations, administrative interpretations, or court decisions could significantly change the tax laws with respect to qualification as a real estate investment trust or the federal income tax consequences of such qualification. However, we are not aware of any pending tax legislation that would adversely affect our ability to operate as a real estate investment trust.

If we fail to qualify as a real estate investment trust in any taxable year, then we will be required to pay federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless we are entitled to relief under certain statutory provisions, we would be disqualified from treatment as a real estate investment trust for the four taxable years following the year during which we lost qualification. If we lose our real estate investment trust status, then our net earnings available for investment or distribution to stockholders would be significantly reduced for each of the years involved and we would no longer be required to make distributions to our stockholders. In addition, our annual fee on our unsecured credit facility may increase and certain rights that preferred limited partnership unitholders in our affiliates have to exchange their preferred units for shares of our preferred stock may be triggered.

Investments in Real Estate. Investments in real estate are stated at cost unless circumstances indicate that cost cannot be recovered, in which case, the carrying value of the property is reduced to estimated fair value. Carrying values for financial reporting purposes are reviewed for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of a property may not be recoverable. Impairment is recognized when estimated expected future cash flows (undiscounted and without interest charges) are less than the carrying amount of the property. The estimation of expected future net cash flows is inherently uncertain and relies on assumptions regarding current and future market conditions and the availability of capital. If impairment analysis assumptions change, then an adjustment to the carrying amount of our long-lived assets could occur in the future period in which the assumptions change. To the extent that a property is impaired, the excess of the carrying amount of the property over its estimated fair value is charged to income. We evaluated our properties held for divestiture and operating properties for impairment and reduced their carrying value by \$18.6 million and \$5.9 million in 2001 and 2000, respectively. We believe that there are no additional impairments of the carrying values of our investments in real estate at December 31, 2001.

Investment in Unconsolidated Joint Ventures. We have non-controlling limited partnership interests in three separate unconsolidated joint ventures. We account for the joint ventures using the equity method of accounting. We have a 56.1% interest in a joint venture, which owns an aggregate of 36 industrial buildings totaling approximately 4.0 million square feet. We also have a 50% interest in each of two other operating and development alliance joint ventures. Our net equity investment in these joint ventures is shown as Investment in unconsolidated joint ventures on our consolidated balance sheets.

Investments in Other Companies. Investments in other companies were accounted for on a cost basis and realized gains and losses were included in current earnings. For our investments in private companies, we periodically reviewed our investments to determine if the value of such investments had been permanently impaired. During 2001, we recognized a loss on our investments in other companies totaling \$20.8 million, including our investment in Webvan Group, Inc. We had previously recognized gains and losses on our investment in Webvan Group, Inc. as a component of other comprehensive income. As of December 31, 2001, we had realized a loss on 100% of our investments in other companies.

Rental Revenues. We record rental revenue from long-term operating leases on a straight-line basis over the term of the leases and maintain an allowance for estimated losses that may result from the inability of our customers to make required payments. If customers fail to make contractual lease payments that are greater than our bad-debt reserves, then we may have to recognize additional bad debt charges in future periods.

RESULTS OF OPERATIONS

The analysis below includes changes attributable to acquisitions, development activity and divestitures and the changes resulting from properties that we owned during both the current and prior year reporting periods, excluding development properties prior to being stabilized (generally defined as 90% leased or 12 months after we receive a certificate of occupancy for the building). We refer to these properties as the same store properties. For the comparison between the years ended December 31, 2001 and 2000, the same store industrial properties consisted of properties aggregating approximately 60.2 million square feet. The properties acquired in 2000 consisted of 145 buildings, aggregating approximately 10.5 million square feet, and the properties acquired during 2001 consisted of 65 buildings, aggregating 6.8 million square feet. In 2000, property divestitures consisted of one retail center and 25 industrial buildings, aggregating approximately 2.5 million square feet, and property divestitures during 2001 consisted of 24 industrial and two retail buildings, aggregating approximately 3.2 million square feet. Our future financial condition and results of operations, including rental revenues, may be impacted by the acquisition of additional properties and dispositions. Our future revenues and expenses may vary materially from historical rates.

For the Years Ended December 31, 2001 and 2000

| Rental Revenues | 2001 | 2000 | \$ Change | % Change |
|-----------------------|---------|---------|-----------|----------|
| (Dollars in millions) | | | | |
| Same store | \$400.2 | \$376.7 | \$ 23.5 | 6.2% |
| 2000 acquisitions | 97.1 | 25.6 | 71.5 | 279.3% |
| 2001 acquisitions | 22.8 | — | 22.8 | — |
| Developments | 27.0 | 14.6 | 12.4 | 84.9% |
| Divestitures | 10.9 | 37.1 | (26.2) | (70.6)% |
| Straight-line rents | 10.1 | 10.2 | (0.1) | (1.0)% |
| Total | \$568.1 | \$464.2 | \$103.9 | 22.4% |

The growth in rental revenues in same store properties resulted primarily from the incremental effect of cash rental rate increases on renewals and rollovers, fixed rent increases on existing leases, and reimbursement of expenses, partially offset by lower average occupancies. During 2001, the same store rent increases on industrial renewals and rollovers (cash basis) was 23.5% on 10.0 million square feet leased.

| Investment Management and Other Income | 2001 | 2000 | \$ Change | % Change |
|-----------------------------------------------------|--------|--------|-----------|----------|
| Equity in earnings of unconsolidated joint ventures | \$ 5.5 | \$ 5.2 | \$ 0.3 | 5.8% |
| Investment management income | 11.0 | 4.3 | 6.7 | 155.8% |
| Interest and other income | 16.3 | 6.5 | 9.8 | 150.8% |
| Total | \$32.8 | \$16.0 | \$ 16.8 | 105.0% |

The \$6.7 million increase in investment management income was due primarily to increased asset management and acquisition fees and priority distributions from our co-investment joint ventures. The \$9.8 million increase in interest and other income was primarily due to interest income from our mortgage note on the retail center that we sold in 2000 and from interest income resulting from higher average cash balances.

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| Property Operating Expenses and Real Estate Taxes | 2001 | 2000 | \$ Change | % Change |
|-----------------------------------------------------|---------|---------|-----------|----------|
| (Exclusive of depreciation and amortization) | | | | |
| Rental expenses | \$ 69.0 | \$ 50.6 | \$ 18.4 | 36.4% |
| Real estate taxes | 69.2 | 57.2 | 12.0 | 21.0% |
| Property operating expenses | \$138.2 | \$107.8 | \$ 30.4 | 28.2% |
| Same store | \$ 93.2 | \$ 87.2 | \$ 6.0 | 6.9% |
| 2000 acquisitions | 27.9 | 7.1 | 20.8 | 293.0% |
| 2001 acquisitions | 4.4 | — | 4.4 | — |
| Developments | 9.6 | 4.3 | 5.3 | 123.3% |
| Divestitures | 3.1 | 9.2 | (6.1) | (66.3)% |
| Total | \$138.2 | \$107.8 | \$ 30.4 | 28.2% |

The increase in same store properties' operating expenses primarily relates to increases in common area maintenance expenses of \$2.3 million, real estate taxes of \$2.5 million, and insurance expense of \$0.8 million.

| Other Expenses | 2001 | 2000 | \$ Change | % Change |
|----------------------------------|---------|---------|-----------|----------|
| Interest, including amortization | \$129.0 | \$ 90.3 | \$ 38.7 | 42.9% |
| Depreciation and amortization | 111.4 | 90.4 | 21.0 | 23.2% |
| General and administrative | 35.8 | 23.7 | 12.1 | 51.1% |
| Total | \$276.2 | \$204.4 | \$ 71.8 | 35.1% |

The increase in interest expense was primarily due to the issuance of additional unsecured senior debt securities and an increase in secured debt balances, partially offset by decreased borrowings on our unsecured credit facility. The secured debt issuances were primarily for our co-investment joint ventures' properties. The increase in depreciation expense was due to the increase in our net investment in real estate. The increase in general and administrative expenses was primarily due to increased personnel and occupancy costs. In addition, the consolidation of AMB Investment Management, Inc. (predecessor-in-interest to AMB Capital Partners, LLC) and Headlands Realty Corporation on May 31, 2001, resulted in an increase in general and administrative expenses of \$4.9 million.

During 2001, we recognized \$20.8 million of losses on investments in other companies, related to our investment in Webvan Group, Inc. and other technology-related companies. The loss reflects a 100% write-down of the book value of the investments.

During 2001, we retired \$55.2 million of secured debt prior to maturity primarily in connection with property divestitures and early prepayments. We recognized a net extraordinary loss of \$0.6 million related to the early retirement of debt, resulting from prepayment penalties, partially offset by the write-off of debt premiums.

For the Years Ended December 31, 2000 and 1999

| Rental Revenues | 2000 | 1999 | \$ Change | % Change |
|-----------------------|---------|---------|-----------|----------|
| (Dollars in millions) | | | | |
| Same store | \$314.4 | \$293.3 | \$ 21.1 | 7.2% |
| 1999 acquisitions | 85.1 | 41.0 | 44.1 | 107.6% |
| 2000 acquisitions | 28.0 | — | 28.0 | — |
| Developments | 7.0 | 4.2 | 2.8 | 66.7% |
| Divestitures | 19.5 | 90.4 | (70.9) | (78.4)% |
| Straight-line rents | 10.2 | 10.8 | (0.6) | (5.6)% |
| Total | \$464.2 | \$439.7 | \$ 24.5 | 5.6% |

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The growth in rental revenues in same store properties resulted primarily from the incremental effect of cash rental rate increases, fixed rent increases on existing leases, increases in occupancy and reimbursement of expenses, partially offset by a decrease in straight-line rents. During 2000, the same store base rents increase on renewals and rollovers (cash basis) was 28.0% on 9.8 million square feet leased.

| Investment Management and Other Income | 2000 | 1999 | \$ Change | % Change |
|--------------------------------------------------|--------|-------|-----------|----------|
| Equity earnings in unconsolidated joint ventures | \$ 5.2 | \$4.7 | \$ 0.5 | 10.6% |
| Investment management and other income | 10.8 | 3.8 | 7.0 | 184.2% |
| Total | \$16.0 | \$8.5 | \$ 7.5 | 88.2% |

The \$7.0 million increase in investment management and other income was due primarily to increased acquisition fees from AMB Institutional Alliance Fund I, L.P., interest income, and development fees.

| Property Operating Expenses | 2000 | 1999 | \$ Change | % Change |
|-----------------------------|---------|---------|-----------|----------|
| Rental expenses | \$ 50.6 | \$ 51.7 | \$ (1.1) | (2.1)% |
| Real estate taxes | 57.2 | 56.2 | 1.0 | 1.8% |
| Property operating expenses | \$107.8 | \$107.9 | \$ (0.1) | (0.1)% |
| Same store | \$ 72.1 | \$ 69.6 | \$ 2.5 | 3.6% |
| 1999 acquisitions | 20.4 | 12.2 | 8.2 | 67.2% |
| 2000 acquisitions | 7.7 | — | 7.7 | — |
| Developments | 2.5 | 1.8 | 0.7 | 38.9% |
| Divestitures | 5.1 | 24.3 | (19.2) | (79.0)% |
| Total | \$107.8 | \$107.9 | \$ (0.1) | (0.1)% |

The change in same store properties' operating expenses primarily relates to increases in real estate taxes of \$2.0 million for 2000, partially offset by decreases in insurance of \$0.6 million.

| Other Expenses | 2000 | 1999 | \$ Change | % Change |
|------------------------------------|---------|---------|-----------|----------|
| Interest expense | \$ 90.3 | \$ 88.7 | \$ 1.6 | 1.8% |
| Depreciation expense | 90.4 | 67.0 | 23.4 | 34.9% |
| General and administrative expense | 23.7 | 25.2 | (1.5) | (6.0)% |
| Total | \$204.4 | \$180.9 | \$ 23.5 | 13.0% |

The increase in interest expense was due primarily to the increase in the outstanding balance under our unsecured credit facility. The increase in depreciation expense was primarily due to lower than normal depreciation expense in 1999 and increases in our investments in real estate. Under the required accounting for assets held for sale, we discontinued depreciation of a substantial portion of our retail portfolio after we committed to dispose of a portion of the portfolio in March 1999. The decrease in general and administrative expenses was due to increased allocations to AMB Investment Management, Inc. (predecessor-in-interest to AMB Capital Partners, LLC), partially offset by increased personnel costs.

LIQUIDITY AND CAPITAL RESOURCES

We currently expect that our principal sources of working capital and funding for acquisitions, development, expansion, and renovation of properties will include: (1) cash flow from operations; (2) borrowings under our unsecured credit facility; (3) other forms of secured or unsecured financing; (4) proceeds from equity or debt offerings by us or the operating partnership (including issuances of limited partnership units in the operating partnership or its subsidiaries); and (5) net proceeds from divestitures of properties. Additionally, we believe that our private capital co-investment program will also continue to serve as a source of capital for acquisitions and developments. We believe that our sources of working capital, specifically our cash flow

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from operations and borrowings available under our unsecured credit facility, and our ability to access private and public debt and equity capital, are adequate for us to meet our liquidity requirements for the foreseeable future.

Capital Resources

Property Divestitures. In 2001, we divested ourselves of 24 industrial and two retail buildings for an aggregate price of \$193.4 million, with a resulting net gain of \$24.1 million, net of minority interest partners' share.

Properties Held for Divestiture. We have decided to divest ourselves of three industrial properties and seven retail centers, which are not in our core markets or which do not meet our strategic objectives. The divestitures of the properties are subject to negotiation of acceptable terms and other customary conditions. As of December 31, 2001, the net carrying value of the properties held for divestiture was \$157.2 million.

Co-investment Joint Ventures. We consolidate the financial position, results of operations, and cash flows of our five co-investment joint ventures. We consolidate these joint ventures for financial reporting purposes because we are the sole managing general partner and, as a result, control all of the major operating decisions. Third-party equity interests in the joint ventures are reflected as minority interests in the consolidated financial statements. As of December 31, 2001, we owned approximately 26.9 million square feet of our properties through these entities. We may make additional investments through these joint ventures or new joint ventures in the future and presently plan to do so. The inability to obtain new joint venture partners could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

During 2001, we contributed \$539.2 million in operating properties, consisting of 111 industrial buildings aggregating approximately 10.8 million square feet, to three of our co-investment joint ventures. We recognized a gain of \$17.8 million related to these contributions, representing the portion of the contributed properties acquired by the third party co-investors.

We formed AMB Institutional Alliance Fund II, L.P. to acquire, develop, and redevelop distribution facilities nationwide, in which AMB Institutional Alliance REIT II, Inc. became a partner on June 28, 2001. As of December 31, 2001, the Alliance Fund II had received total equity commitments from third party investors of \$195.4 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of \$488.6 million. We are the managing general partner of the Alliance Fund II and owned, as of December 31, 2001, approximately 20% of the co-investment joint venture.

We formed AMB-SGP, L.P. with a subsidiary of GIC Real Estate Pte Ltd., the real estate investment subsidiary of the Government of Singapore Investment Corporation, to own and operate, through a private real estate investment trust, distribution facilities nationwide. On March 23, 2001, AMB-SGP, L.P. received an equity contribution from GIC of \$75.0 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of \$335.0 million. We are the managing general partner of AMB-SGP, L.P. and owned, as of December 31, 2001, approximately 50.3% of the co-investment joint venture.

We formed AMB Partners II, L.P. with the City and County of San Francisco Employees' Retirement System to acquire, develop, and redevelop distribution facilities nationwide. On February 14, 2001, Partners II received an equity contribution from CCSFERS of \$50.0 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of \$250.0 million. We are the managing general partner of Partners II and owned, as of December 31, 2001, approximately 50% of the co-investment joint venture.

The operating partnership, together with one of our other affiliates, owns, as of December 31, 2001, approximately 21% of the partnership interests in AMB Institutional Alliance Fund I, L.P. The Alliance Fund I is a co-investment partnership between the operating partnership and AMB Institutional Alliance REIT I, Inc., which includes 15 institutional investors as stockholders, and is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of industrial buildings in target markets

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nationwide. As of December 31, 2001, the Alliance Fund I had received equity contributions from third party investors totaling \$169.0 million, which, when combined with debt financings and our investment, creates a total capitalization of \$378.0 million.

The operating partnership, together with one of our other affiliates, owns, as of December 31, 2001, approximately 50% of the partnership interests in AMB/ Erie. L.P. Erie is a co-investment partnership between the operating partnership and various entities related to Erie Indemnity Company, and is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of industrial buildings in target markets nationwide. As of December 31, 2001, Erie had received equity contributions from third party investors totaling \$13.7 million, which, when combined with debt financings and our investment, created a total capitalization of \$129.0 million.

Credit Facilities. In May 2000, the operating partnership entered into a \$500.0 million unsecured revolving credit agreement. We guarantee the operating partnership's obligations under the credit facility. The credit facility matures in May 2003, has a one-year extension option, and is subject to a 15 basis point annual facility fee, which is based on our credit rating. The operating partnership has the ability to increase available borrowings to \$700.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase its commitments. We use our unsecured credit facility principally for acquisitions and for general working capital requirements. Borrowings under our credit facility currently bear interest at LIBOR plus 75 basis points, which is based on our credit rating. Increases in interest rates on this indebtedness could increase our interest expense, which would adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. Accordingly, in the future, we may engage in transactions to limit our exposure to rising interest rates. As of December 31, 2001, there was an outstanding balance of \$12.0 million on our unsecured credit facility. Monthly debt service payments on our credit facility are interest only. The total amount available under our credit facility fluctuates based upon the borrowing base, as defined in the agreement governing the credit facility. At December 31, 2001, the remaining amount available under our unsecured credit facility was \$488.0 million (excluding the additional \$200.0 million of potential additional capacity).

In July 2001, the Alliance Fund II obtained a \$150.0 million credit facility from Bank of America N.A. Borrowings currently bear interest at LIBOR plus 87.5 basis points. As of December 31, 2001, the outstanding balance was \$123.5 million and the remaining amount available was \$26.5 million. The credit facility is secured by the unfunded capital commitments of the third party investors in the Alliance REIT II and the Alliance Fund II.

Equity. In December 2001, AMB Property II, L.P., one of our subsidiaries, repurchased all of its outstanding 2,200,000 8.75% Series C Cumulative Redeemable Preferred Limited Partnership Units from three institutional investors. The units were redeemed for an aggregate cost of \$115.7 million, including accrued and unpaid dividends totaling \$1.3 million and a premium of \$4.4 million. The Series C Preferred Units had a par value of \$110.0 million.

In September 2001, the operating partnership issued and sold 800,000 7.95% Series J Cumulative Redeemable Preferred Limited Partnership Units at a price of \$50.00 per unit in a private placement. Distributions are cumulative from the date of issuance and payable quarterly in arrears. The Series J Preferred Units are redeemable by the operating partnership on or after September 21, 2006, subject to certain conditions, for cash at a redemption price equal to \$50.00 per unit, plus accumulated and unpaid distributions thereon, if any, to the redemption date. The Series J Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of our Series J Preferred Stock. The operating partnership used the net proceeds of \$38.9 million for general corporate purposes, which may include the partial repayment of indebtedness or the acquisition or development of additional properties.

In March 2001, AMB Property II, L.P., one of our subsidiaries, issued and sold 510,000 8.00% Series I Cumulative Redeemable Preferred Limited Partnership Units at a price of \$50.00 per unit in a private placement. Distributions are cumulative from the date of issuance and payable quarterly in arrears at a rate per unit equal to \$4.00 per annum. The Series I Preferred Units are redeemable by AMB Property II, L.P. on or after March 21, 2006, subject to certain conditions, for cash at a redemption price equal to \$50.00 per unit,

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plus accumulated and unpaid distributions thereon, if any, to the redemption date. The Series I Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of our Series I Preferred Stock. AMB Property II, L.P. used the net proceeds of \$24.9 million to repay advances from the operating partnership and to make a loan to the operating partnership. The operating partnership used the funds to partially repay borrowings under its unsecured credit facility and for general corporate purposes. The loan bears interest at 8.0% per annum and is payable on demand.

During 2001, we redeemed 223,092 and 635,798 common limited partnership units of the operating partnership for cash and shares of our common stock, respectively.

Our board of directors approved a stock repurchase program in 1999 for the repurchase of up to \$100.0 million worth of our common stock. During 2001, we repurchased 1,392,600 shares of our common stock at an average purchase price of \$23.62 per share under the program. Under the program to date, we have repurchased 2,836,200 shares of our common stock at an average purchase price of \$21.22 per share. Our stock repurchase program expired in December 2001. Our board of directors approved a new stock repurchase program for the repurchase of up to \$100.0 million worth of our common stock. The new stock repurchase program expires in December 2003 and no repurchases were made under the new program in 2001.

Debt. As of December 31, 2001, the aggregate principal amount of our secured debt was \$1.2 billion, excluding unamortized debt premiums of \$6.8 million. The secured debt bears interest at rates varying from 4.0% to 10.6% per annum (with a weighted average rate of 7.3%) and final maturity dates ranging from February 2002 to June 2023. All of the secured debt bears interest at fixed rates, except for three loans with an aggregate principal amount of \$52.4 million as of December 31, 2001, which bear interest at variable rates (with a weighted average interest rate of 3.8% at December 31, 2001).

In August 2000, the operating partnership commenced a medium-term note program for the issuance of up to \$400.0 million in principal amount of medium-term notes, which will be guaranteed by us. As of December 31, 2001, the operating partnership had issued \$380.0 million of medium-term notes under this program, leaving \$20.0 million available for issuance. However, on January 14, 2002, the operating partnership issued and sold the remaining \$20.0 million of the notes under this program to Lehman Brothers, Inc., as principal. We have guaranteed the notes, which mature on January 17, 2007, and bear interest at 5.90% per annum. The operating partnership used the net proceeds of \$19.9 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties. In January 2001, the operating partnership issued and sold \$25.0 million of the notes under this program to A.G. Edwards & Sons, Inc., as principal. We have guaranteed the notes, which mature on January 30, 2006, and bear interest at 6.90% per annum. The operating partnership used the net proceeds of \$24.9 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties. In March 2001, the operating partnership issued and sold \$50.0 million of the notes under this program to First Union Securities, Inc., as principal. We have guaranteed the notes, which mature on March 7, 2011, and bear interest at 7.00% per annum. The operating partnership used the net proceeds of \$49.7 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties. In September 2001, the operating partnership issued and sold \$25.0 million of the notes under this program to Lehman Brothers, Inc., as principal. We have guaranteed the notes, which mature on September 6, 2011, and bear interest at 6.75% per annum. The operating partnership used the net proceeds of \$24.8 million for general corporate purposes and to acquire and develop additional properties.

We guarantee the operating partnership's obligations with respect to the senior debt securities. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions, then we expect that our cash flow will not be sufficient in all years to pay dividends to our stockholders and to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. This increased interest expense would adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. In addition, if we mortgage one or more of our properties to secure payment of indebtedness and we are unable to meet mortgage payments,

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then the property could be foreclosed upon or transferred to the mortgagee with a consequent loss of income and asset value. A foreclosure on one or more of our properties could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Mortgage Receivables. In September 2000, we sold our retail center located in Los Angeles, California. As of December 31, 2001, we carried a 9.50% mortgage note in the principal amount of \$74.0 million on the retail center. The maturity date of the mortgage note, which was originally scheduled to mature on October 1, 2001, has been extended to September 30, 2002. Through a wholly-owned subsidiary, we also hold a mortgage loan receivable on AMB Pier One, LLC, an unconsolidated joint venture. The note bears interest at 13.0% and matures in May 2026. As of December 31, 2001, the outstanding balance on the note was \$13.2 million.

In order to maintain financial flexibility and facilitate the deployment of capital through market cycles, we presently intend to operate with a debt-to-total market capitalization ratio of approximately 45% or less. At December 31, 2001, our debt-to-total market capitalization ratio was 44.7%. Additionally, we currently intend to manage our capitalization in order to maintain an investment grade rating on our senior unsecured debt. In spite of these policies, our organizational documents do not contain any limitation on the amount of indebtedness that we may incur. Accordingly, our board of directors could alter or eliminate these policies or circumstances could arise that could render us unable to comply with these policies.

The tables below summarize our debt maturities and capitalization as of December 31, 2001:

| Debt | | | | | |
|------------------------------------------------------------------|----------------------------|--------------------------|----------------------------------------|-------------------------|---------------|
| | REIT Secured Debt(1) | Joint Venture Debt | Unsecured Senior Debt Securities | Credit Facilities(1) | Total Debt |
| (Dollars in thousands) | | | | | |
| 2002 | \$ 28,193 | \$ 68,505 | \$ — | \$ — | \$ 96,698 |
| 2003 | 76,295 | 13,577 | — | 135,500 | 225,372 |
| 2004 | 65,284 | 47,607 | — | — | 112,891 |
| 2005 | 62,826 | 37,796 | 250,000 | — | 350,622 |
| 2006 | 94,965 | 74,115 | 25,000 | — | 194,080 |
| 2007 | 30,198 | 25,682 | 55,000 | — | 110,880 |
| 2008 | 33,619 | 147,552 | 175,000 | — | 356,171 |
| 2009 | 5,176 | 32,351 | — | — | 37,527 |
| 2010 | 52,780 | 71,966 | 75,000 | — | 199,746 |
| 2011 | 1,311 | 167,878 | 75,000 | — | 244,189 |
| Thereafter | 3,307 | 72,345 | 125,000 | — | 200,652 |
| Subtotal | 453,954 | 759,374 | 780,000 | 135,500 | 2,128,828 |
| Unamortized premiums | 5,090 | 1,746 | — | — | 6,836 |
| Total consolidated debt | 459,044 | 761,120 | 780,000 | 135,500 | 2,135,664 |
| Our share of unconsolidated joint venture debt(2) | — | 38,928 | — | — | 38,928 |
| Total debt | 459,044 | 800,048 | 780,000 | 135,500 | 2,174,592 |
| Joint venture partners' share of consolidated joint venture debt | — | (420,406) | — | (98,800) | (519,206) |
| Our share of total debt | \$459,044 | \$ 379,642 | \$780,000 | \$ 36,700 | \$1,655,386 |
| Weighted average interest rate | 8.1% | 7.1% | 7.3% | 2.8% | 7.1% |
| Weighted average maturity (in years) | 4.7 | 7.4 | 7.6 | 1.6 | 6.5 |

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- (1) The 2003 maturity includes a \$125.0 million credit facility obtained by the Alliance Fund II, which we expect to repay with capital contributions and secured debt proceeds and had an outstanding balance of \$123.5 million at December 31, 2001. The operating partnership also has a \$500.0 million credit facility that had an outstanding balance of \$12.0 million at December 31, 2001.
- (2) The weighted average interest and maturity for the unconsolidated joint venture debt were 6.3% and 7.0 years, respectively.

Market Equity

| | Shares/Units Outstanding | Market Price | Market Value |
|--------------------------------------------|-----------------------------|--------------|--------------|
| (Dollars in thousands, except share price) | | | |
| Common stock | 83,821,829 | \$ 26.00 | \$2,179,368 |
| Common limited partnership units | 4,969,027 | 26.00 | 129,195 |
| Total | 88,790,856 | | \$2,308,563 |

Preferred Stock and Units

| | Dividend Rate | Liquidation Preference | Redemption Provisions |
|--------------------------|------------------|---------------------------|--------------------------|
| (Dollars in thousands) | | | |
| Series A preferred stock | 8.50% | \$100,000 | July 2003 |
| Series B preferred units | 8.63% | 65,000 | November 2003 |
| Series D preferred units | 7.75% | 79,767 | May 2004 |
| Series E preferred units | 7.75% | 11,022 | August 2004 |
| Series F preferred units | 7.95% | 19,872 | March 2005 |
| Series G preferred units | 7.95% | 1,000 | August 2005 |
| Series H preferred units | 8.13% | 42,000 | September 2005 |
| Series I preferred units | 8.00% | 25,500 | March 2006 |
| Series J preferred units | 7.95% | 40,000 | September 2006 |
| Weighted average/total | 8.18% | \$384,161 | |

Capitalization Ratios

| | |
|-----------------------------------------------------------------------|-------|
| Total debt-to-total market capitalization | 44.7% |
| Our share of total debt-to-total market capitalization | 38.1% |
| Total debt plus preferred-to-total market capitalization | 52.6% |
| Our share of total debt plus preferred-to-total market capitalization | 46.9% |
| Our share of total debt-to-total book capitalization | 44.9% |

Liquidity

As of December 31, 2001, we had approximately \$81.7 million in cash, restricted cash, and cash equivalents, and \$488.0 million of additional available borrowings under our credit facility. We also had \$26.5 million of additional available borrowing under our Alliance Fund II credit facility. To fund acquisitions, development activities, and capital expenditures and to provide for general working capital requirements, we intend to use: (1) cash from operations; (2) borrowings under our credit facility; (3) other forms of secured and unsecured financing; (4) proceeds from any future debt or equity offerings by us or the operating partnership (including issuances of limited partnership units in the operating partnership or its subsidiaries); (5) proceeds from divestitures of properties; and (6) private capital. The unavailability of capital would adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

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Our board of directors declared a regular cash dividend for the quarter ending December 31, 2001, of \$0.395 per share of common stock and the operating partnership declared a regular cash distribution for the quarter ending December 31, 2001, of \$0.395 per common unit. The dividends and distributions were payable on December 24, 2001, to stockholders and unitholders of record on December 14, 2001. The Series A, B, E, F, G, and J preferred stock and unit dividends and distributions were also payable on January 15, 2002, to stockholders and unitholders of record on January 4, 2002. The Series D, H, and I preferred unit distributions were payable on December 25, 2001, to unitholders of record on December 10, 2001. The following table sets forth the dividend payments and distributions for 2001 and 2000:

| Security | Paying Entity | 2001 | 2000 |
|-----------------------------|--------------------------|--------|--------|
| Common stock | AMB Property Corporation | \$1.58 | \$1.48 |
| Operating partnership units | Operating Partnership | \$1.58 | \$1.48 |
| Series A preferred stock | AMB Property Corporation | \$2.13 | \$2.13 |
| Series A preferred units | Operating Partnership | \$2.13 | \$2.13 |
| Series B preferred units | Operating Partnership | \$4.31 | \$4.31 |
| Series C preferred units | AMB Property II, L.P | \$3.88 | \$4.38 |
| Series D preferred units | AMB Property II, L.P | \$3.88 | \$3.88 |
| Series E preferred units | AMB Property II, L.P | \$3.88 | \$3.88 |
| Series F preferred units | AMB Property II, L.P | \$3.98 | \$3.09 |
| Series G preferred units | AMB Property II, L.P | \$3.98 | \$1.35 |
| Series H preferred units | AMB Property II, L.P | \$4.06 | \$1.30 |
| Series I preferred units | AMB Property II, L.P | \$3.04 | n/a |
| Series J preferred units | Operating Partnership | \$1.24 | n/a |

The anticipated size of our distributions, using only cash from operations, will not allow us to retire all of our debt as it comes due. Therefore, we intend to also repay maturing debt with net proceeds from future debt or equity financings, as well as property divestitures. However, we may not be able to obtain future financings on favorable terms or at all. Our inability to obtain future financings on favorable terms or at all would adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Capital Commitments

Developments. In addition to recurring capital expenditures, which consist of building improvements and leasing costs incurred to renew or re-tenant space, as of December 31, 2001, we are developing 12 projects representing a total estimated investment of \$154.4 million upon completion and two development projects available for sale representing a total estimated investment of \$50.0 million upon completion. Of this total, \$127.3 million had been funded as of December 31, 2001, and an estimated \$77.1 million is required to complete current and planned projects. We expect to fund these expenditures with cash from operations, borrowings under our credit facility, debt or equity issuances, and net proceeds from property divestitures, which could have an adverse effect on our cash flow. We may not be able to obtain financing on favorable terms for development projects and we may not complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing such properties and generating cash flow. This could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. We have no other material capital commitments.

Acquisitions. During 2001, we invested \$428.3 million in 65 operating industrial buildings, aggregating approximately 6.8 million rentable square feet. We funded these acquisitions and initiated development and renovation projects through private capital contributions, borrowings under our credit facility, cash, debt and equity issuances, and net proceeds from property divestitures.

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Lease Commitments. We have entered into operating ground leases on certain land parcels with periods up to 40 years and a lease on a building in New York City. Future minimum rental payments required under non-cancelable operating leases in effect as of December 31, 2001, were as follows (dollars in thousands):

| | |
|------------|-----------|
| 2002 | \$ 6,823 |
| 2003 | 7,720 |
| 2004 | 7,921 |
| 2005 | 8,159 |
| 2006 | 8,480 |
| Thereafter | 146,335 |
| | <hr/> |
| | \$185,438 |
| | <hr/> |

These operating lease payments are being amortized ratably over the terms of the related leases.

Captive Insurance Company. We have responded to recent trends towards increasing costs and decreasing coverage availability in the insurance markets by obtaining higher-deductible property insurance from third party insurers and by forming a wholly-owned captive insurance company, Arcata National Insurance Ltd. in December 2001. Arcata will generally provide insurance coverage for losses below the increased deductible under the third party policies. Premiums paid to Arcata have a retrospective component, so that if expenses, including losses, are less than premiums collected, the excess will be returned to the property owners (and, in turn, as appropriate, to the customers) and conversely, if expenses, including losses, are greater than premiums collected, an additional premium, not in excess of the difference, will be charged. Through this structure, we believe that we have been able to obtain insurance for our portfolio with more comprehensive coverage at a projected overall lower cost than would otherwise be available in the market.

Potential Unknown Liabilities. Unknown liabilities may include the following: (1) liabilities for clean-up or remediation of undisclosed environmental conditions; (2) claims of customers, vendors, or other persons dealing with our predecessors prior to our formation transactions that had not been asserted prior to our formation transactions; (3) accrued but unpaid liabilities incurred in the ordinary course of business; (4) tax liabilities; and (5) claims for indemnification by the officers and directors of our predecessors and others indemnified by these entities.

Funds From Operations

We believe that funds from operations, or FFO, as defined by the National Association of Real Estate Investment Trusts, is an appropriate measure of performance for a real estate investment trust. While funds from operations is a relevant and widely used measure of operating performance of real estate investment trusts, it does not represent cash flow from operations or net income as defined by generally accepted accounting principles in the United States and it should not be considered as an alternative to those indicators in evaluating liquidity or operating performance. Further, funds from operations as disclosed by other real estate investment trusts may not be comparable.

FFO is defined as income from operations before minority interest, gains or losses from sale of real estate, and extraordinary items plus real estate depreciation and adjustment to derive our pro rata share of FFO of unconsolidated joint ventures, less minority interests' pro rata share of FFO of consolidated joint ventures and perpetual preferred stock dividends. In accordance with the NAREIT White Paper on funds from operations, we include the effects of straight-line rents in funds from operations. Further, we do not adjust FFO to eliminate the effects of non-recurring charges.

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The following table reflects the calculation of funds from operations for the years ended December 31, (dollars in thousands):

| | 2001 | 2000 | 1999 |
|----------------------------------------------------------------------------------|-----------|-----------|-----------|
| Income before minority interests | \$165,672 | \$165,599 | \$159,321 |
| Gains on developments held for sale | 13,169 | — | — |
| Real estate related depreciation and amortization: | | | |
| Total depreciation and amortization | 111,414 | 90,358 | 67,035 |
| Furniture, fixtures, and equipment depreciation and ground lease amortization(1) | (1,963) | (1,114) | (1,002) |
| FFO attributable to minority interests(2) | (40,144) | (15,055) | (8,182) |
| Adjustments to derive FFO in unconsolidated joint venture(3): | | | |
| Our share of net income | (5,467) | (5,212) | (4,701) |
| Our share of FFO | 8,014 | 7,188 | 6,677 |
| Series A preferred stock dividends | (8,500) | (8,500) | (8,500) |
| Preferred unit distributions | (28,682) | (24,613) | (19,501) |
| FFO | \$213,513 | \$208,651 | \$191,147 |

- (1) Ground lease amortization represents the amortization of our investments in ground lease properties, for which we do not have a purchase option.
- (2) Represents FFO attributable to minority interests in consolidated joint ventures whose interests are not exchangeable into common stock. The minority interests' share of net operating income for the years ended December 31, 2001, 2000, and 1999, was \$65.0 million, \$25.0 million, and \$12.5 million, respectively.
- (3) Our share of net operating income for years ended December 31, 2001, 2000, and 1999, was \$10.2 million, \$8.3 million, and \$8.0 million, respectively.

BUSINESS RISKS

Our operations involve various risks that could have adverse consequences to us. These risks include, among others:

General Real Estate Risks

There Are Factors Outside of Our Control that Affect the Performance and Value of Our Properties

Real property investments are subject to varying degrees of risk. The yields available from equity investments in real estate depend on the amount of income earned and capital appreciation generated by the related properties as well as the expenses incurred in connection with the properties. If our properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, then our ability to pay dividends to our stockholders could be adversely affected. Income from, and the value of, our properties may be adversely affected by the general economic climate, local conditions such as oversupply of industrial space, or a reduction in demand for industrial space, the attractiveness of our properties to potential customers, competition from other properties, our ability to provide adequate maintenance and insurance, and an increase in operating costs. Periods of economic slowdown or recession in the United States and in other countries, rising interest rates, or declining demand for real estate, or public perception that any of these events may occur would result in a general decrease in rents or an increased occurrence of defaults under existing leases, which would adversely affect our financial condition and results of operations.

Future terrorist attacks in the United States may result in declining economic activity, which could harm the demand for and the value of our properties. To the extent that our customers are impacted by future attacks, their businesses similarly could be adversely affected, including their ability to continue to honor their existing leases. Our properties are currently concentrated predominantly in the industrial real estate sector. Our concentration in a certain property type exposes us to the risk of economic downturns in this sector to a

greater extent than if our portfolio also included other property types. As a result of such concentration, economic downturns in the industrial real estate sector could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. In addition, revenues from properties and real estate values are also affected by factors such as the cost of compliance with regulations, the potential for liability under applicable laws (including changes in tax laws), interest rate levels, and the availability of financing. Our income would be adversely affected if a significant number of customers were unable to pay rent or if we were unable to rent our industrial space on favorable terms. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes, and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property.

We May Be Unable to Renew Leases or Relet Space as Leases Expire

We are subject to the risks that leases may not be renewed, space may not be relet, or the terms of renewal or reletting (including the cost of required renovations) may be less favorable than current lease terms. Leases on a total of 14.9% of our industrial properties (based on annualized base rent) as of December 31, 2001, will expire on or prior to December 31, 2002. In addition, numerous properties compete with our properties in attracting customers to lease space, particularly with respect to retail centers. The number of competitive commercial properties in a particular area could have a material adverse effect on our ability to lease space in our properties and on the rents that we are able to charge. Our financial condition, results of operations, cash flow, and our ability to pay dividends on, and the market price of, our stock could be adversely affected if we are unable to promptly relet or renew the leases for all or a substantial portion of expiring leases, if the rental rates upon renewal or reletting is significantly lower than expected, or if our reserves for these purposes prove inadequate.

Real Estate Investments are Illiquid

Because real estate investments are relatively illiquid, our ability to vary our portfolio promptly in response to economic or other conditions is limited. The limitations in the Internal Revenue Code and related regulations on a real estate investment trust holding property for sale may affect our ability to sell properties without adversely affecting dividends to our stockholders. The relative illiquidity of our holdings and Internal Revenue Code prohibitions and related regulations could impede our ability to respond to adverse changes in the performance of our investments and could adversely affect our financial condition, results of operations, cash flow, and our ability to pay dividends on, and the market price of, our stock.

A Significant Number of Our Properties Are Located in California

Our industrial properties located in California as of December 31, 2001, represented approximately 28.7% of the aggregate square footage of our industrial operating properties as of December 31, 2001, and 35.9% of our annualized base rent. Annualized base rent means the monthly contractual amount under existing leases as of December 31, 2001, multiplied by 12. This amount excludes expense reimbursements and rental abatements. Our revenue from, and the value of, our properties located in California may be affected by a number of factors, including local real estate conditions (such as oversupply of or reduced demand for industrial properties) and the local economic climate. Business layoffs, downsizing, industry slowdowns, changing demographics, and other factors may adversely impact the local economic climate. A downturn in either the California economy or in California real estate conditions could adversely affect our financial condition, results of operations, cash flow, and our ability to pay dividends on, and the market price of, our stock. Certain of our properties are also subject to possible loss from seismic activity.

Some Potential Losses Are not Covered by Insurance

We carry comprehensive liability, fire, extended coverage, and rental loss insurance covering all of our properties, with policy specifications and insured limits that we believe are adequate and appropriate under the circumstances given relative risk of loss, the cost of such coverage, and industry practice. There are, however, certain losses that are not generally insured because it is not economically feasible to insure against them,

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including losses due to acts of terrorism, riots or acts of war. Certain losses such as losses due to floods or seismic activity may be insured subject to certain limitations including large deductibles or co-payments and policy limits. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our properties, then we could lose the capital we invested in the properties, as well as the anticipated future revenue from the properties and, in the case of debt, which is with recourse to us, we would remain obligated for any mortgage debt or other financial obligations related to the properties. Moreover, as the general partner of the operating partnership, we generally will be liable for all of the operating partnership's unsatisfied obligations other than non-recourse obligations, including any obligations incurred by the operating partnership as the general partner of the co-investment joint ventures. Any such liabilities could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

A number of our properties are located in areas that are known to be subject to earthquake activity, including California where, as of December 31, 2001, 291 industrial buildings aggregating approximately 23.4 million square feet (representing 28.7% of our industrial operating properties based on aggregate square footage and 35.9% based on annualized base rent) are located. We carry replacement cost earthquake insurance on all of our properties located in areas historically subject to seismic activity, subject to coverage limitations and deductibles that we believe are commercially reasonable. This insurance coverage also applies to the properties managed by AMB Capital Partners, LLC, with a single aggregate policy limit and deductible applicable to those properties and our properties. Through an annual analysis prepared by outside consultants, we evaluate our earthquake insurance coverage in light of current industry practice and determine the appropriate amount of earthquake insurance to carry. We may incur material losses in excess of insurance proceeds and we may not be able to continue to obtain insurance at commercially reasonable rates.

We Are Subject to Risks and Liabilities In Connection With Properties Owned Through Joint Ventures, Limited Liability Companies, and Partnerships

As of December 31, 2001, we had ownership interests in several joint ventures, limited liability companies, or partnerships with third parties, as well as interests in three unconsolidated entities. As of December 31, 2001, we owned approximately 34.1 million square feet (excluding three unconsolidated joint ventures) of our properties through these entities. We may make additional investments through these ventures in the future and presently plan to do so. Such partners may share certain approval rights over major decisions. Partnership, limited liability company, or joint venture investments may involve risks such as the following: (1) our partners, co-members, or joint venturers might become bankrupt (in which event we and any other remaining general partners, members, or joint venturers would generally remain liable for the liabilities of the partnership, limited liability company, or joint venture); (2) our partners, co-members, or joint venturers might at any time have economic or other business interests or goals that are inconsistent with our business interests or goals; (3) our partners, co-members, or joint venturers may be in a position to take action contrary to our instructions, requests, policies, or objectives, including our current policy with respect to maintaining our qualification as a real estate investment trust; and (4) agreements governing joint ventures, limited liability companies, and partnerships often contain restrictions on the transfer of a joint venturer's, member's, or partner's interest or "buy-sell" or other provisions, which may result in a purchase or sale of the interest at a disadvantageous time or on disadvantageous terms.

We will, however, generally seek to maintain sufficient control of our partnerships, limited liability companies, and joint ventures to permit us to achieve our business objectives. Our organizational documents do not limit the amount of available funds that we may invest in partnerships, limited liability companies, or joint ventures. The occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

We May Be Unable to Consummate Acquisitions on Advantageous Terms

We intend to continue to acquire primarily industrial properties. Acquisitions of properties entail risks that investments will fail to perform in accordance with expectations. Estimates of the costs of improvements

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necessary for us to bring an acquired property up to market standards may prove inaccurate. In addition, there are general investment risks associated with any real estate investment. Further, we anticipate significant competition for attractive investment opportunities from other major real estate investors with significant capital including both publicly traded real estate investment trusts and private institutional investment funds. We expect that future acquisitions will be financed through a combination of borrowings under our unsecured credit facility, proceeds from equity or debt offerings by us or the operating partnership (including issuances of limited partnership units by the operating partnership or its subsidiaries), and proceeds from property divestitures, which could have an adverse effect on our cash flow. We may not be able to acquire additional properties. Our inability to finance any future acquisitions on favorable terms or the failure of acquisitions to conform with our expectations or investment criteria, or our failure to timely reinvest the proceeds from property divestitures could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

We May be Unable to Complete Renovation and Development on Advantageous Terms

The real estate development business, including the renovation and rehabilitation of existing properties, involves significant risks. These risks include the following: (1) we may not be able to obtain financing on favorable terms for development projects and we may not complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing such properties and generating cash flow; (2) we may not be able to obtain, or we may experience delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations; (3) new or renovated properties may perform below anticipated levels, producing cash flow below budgeted amounts; (4) substantial renovation as well as new development activities, regardless of whether or not they are ultimately successful, typically require a substantial portion of management's time and attention that could divert management's time from our day-to-day operations; and (5) activities that we finance through construction loans involve the risk that, upon completion of construction, we may not be able to obtain permanent financing or we may not be able to obtain permanent financing on advantageous terms. These risks could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

We May be Unable to Complete Divestitures on Advantageous Terms

We have decided to divest ourselves of four retail centers and one industrial property, which are not in our core markets or which do not meet our strategic objectives. The divestitures of the properties are subject to negotiation of acceptable terms and other customary conditions. Our ability to dispose of properties on advantageous terms is dependent upon factors beyond our control, including competition from other owners (including other real estate investment trusts) that are attempting to dispose of industrial and retail properties and the availability of financing on attractive terms for potential buyers of our properties. Our inability to dispose of properties on favorable terms or our inability to redeploy the proceeds of property divestitures in accordance with our investment strategy could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Debt Financing

We Could Incur More Debt

We operate with a policy of incurring debt, either directly or through our subsidiaries, only if upon such incurrence our debt-to-total market capitalization ratio would be approximately 45% or less. The aggregate amount of indebtedness that we may incur under our policy varies directly with the valuation of our capital stock and the number of shares of capital stock outstanding. Accordingly, we would be able to incur additional indebtedness under our policy as a result of increases in the market price per share of our common stock or other outstanding classes of capital stock, and future issuance of shares of our capital stock. However, our organizational documents do not contain any limitation on the amount of indebtedness that we may incur. Accordingly, our board of directors could alter or eliminate this policy. If we change this policy, then we could

become more highly leveraged, resulting in an increase in debt service that could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Scheduled Debt Payments Could Adversely Affect Our Financial Condition

We are subject to risks normally associated with debt financing, including the risks that cash flow will be insufficient to pay dividends to our stockholders, that we will be unable to refinance existing indebtedness on our properties (which in all cases will not have been fully amortized at maturity) and that the terms of refinancing will not be as favorable as the terms of existing indebtedness. As of December 31, 2001, we had total debt outstanding of approximately \$2.1 billion.

In addition, we guarantee the operating partnership's obligations with respect to the senior debt securities referenced in our financial statements. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions, then we expect that our cash flow will not be sufficient in all years to pay dividends to our stockholders and to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. This increased interest expense would adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. In addition, if we mortgage one or more of our properties to secure payment of indebtedness and we are unable to meet mortgage payments, then the property could be foreclosed upon or transferred to the mortgagee with a consequent loss of income and asset value. A foreclosure on one or more of our properties could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Rising Interest Rates Could Adversely Affect Our Cash Flow

As of December 31, 2001, we had \$123.5 million outstanding under our Alliance Fund II secured credit facility, \$12.0 million outstanding under our unsecured credit facility, and we had four secured loans with an aggregate principal amount of \$52.4 million, which bear interest at variable rates (with weighted average interest rate of 3.8% as of December 31, 2001). In addition, we may incur other variable rate indebtedness in the future. Increases in interest rates on this indebtedness could increase our interest expense, which would adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. Accordingly, in the future, we may engage in transactions to limit our exposure to rising interest rates.

We Are Dependent on External Sources of Capital

In order to qualify as a real estate investment trust under the Internal Revenue Code, we are required each year to distribute to our stockholders at least 90% of our real estate investment trust taxable income (determined without regard to the dividends-paid deduction and by excluding any net capital gain) and we are subject to tax on our income to the extent it is not distributed. Because of this distribution requirement, we may not be able to fund all future capital needs, including capital needs in connection with acquisitions, from cash retained from operations. As a result, to fund capital needs, we rely on third party sources of capital, which we may not be able to obtain on favorable terms or at all. Our access to third party sources of capital depends upon a number of factors, including: (1) general market conditions; (2) the market's perception of our growth potential; (3) our current and potential future earnings and cash distributions; and (4) the market price of our capital stock. Additional debt financing may substantially increase our debt-to-total capitalization ratio.

We Could Default on Cross-Collateralized and Cross-Defaulted Debt

As of December 31, 2001, we had 22 non-recourse secured loans, which are cross collateralized by 48 properties. As of December 31, 2001, we had \$551.9 million (not including unamortized debt premium) outstanding on these loans. If we default on any of these loans, then we could be required to repay the

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aggregate of all indebtedness, together with applicable prepayment charges, to avoid foreclosure on all the cross-collateralized properties within the applicable pool. Foreclosure on our properties, or our inability to refinance our loans on favorable terms, could adversely impact our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. In addition, our credit facilities and the senior debt securities of the operating partnership contain certain cross-default provisions, which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the credit facilities and the senior debt securities in addition to any mortgage or other debt that is in default, which could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Contingent or Unknown Liabilities Could Adversely Affect Our Financial Condition

Our predecessors have been in existence for varying lengths of time up to 18 years. At the time of our formation we acquired the assets of these entities subject to all of their potential existing liabilities. There may be current liabilities or future liabilities arising from prior activities that we are not aware of and therefore have not disclosed in this report. We assumed these liabilities as the surviving entity in the various merger and contribution transactions that occurred at the time of our formation. Existing liabilities for indebtedness generally were taken into account in connection with the allocation of the operating partnership's limited partnership units or shares of our common stock in the formation transactions, but no other liabilities were taken into account for these purposes. We do not have recourse against our predecessors or any of their respective stockholders or partners or against any individual account investors with respect to any unknown liabilities. Unknown liabilities might include the following: (1) liabilities for clean-up or remediation of undisclosed environmental conditions; (2) claims of customers, vendors, or other persons dealing with our predecessors prior to the formation transactions that had not been asserted prior to the formation transactions; (3) accrued but unpaid liabilities incurred in the ordinary course of business; (4) tax liabilities; and (5) claims for indemnification by the officers and directors of our predecessors and others indemnified by these entities.

Certain customers may claim that the formation transactions gave rise to a right to purchase the premises that they occupy. We do not believe any such claims would be material and, to date, no such claims have been filed. See “— Government Regulations — We Could Encounter Costly Environmental Problems” below regarding the possibility of undisclosed environmental conditions potentially affecting the value of our properties. Undisclosed material liabilities in connection with the acquisition of properties, entities and interests in properties, or entities could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Our Access to Timely Financial Reporting and to Capital Markets May be Impaired if Arthur Andersen LLP is Unable to Perform Required Audit-Related Services

On March 14, 2002, our independent public accountant, Arthur Andersen LLP, was indicted on federal obstruction of justice charges arising from the U.S. government's investigation of Enron Corporation. Arthur Andersen LLP has indicated that it intends to contest vigorously the indictment. The Securities and Exchange Commission has said that it will continue accepting financial statements audited by Arthur Andersen LLP, and interim financial statements reviewed by it, so long as Arthur Andersen LLP is able to make certain representations to its clients. Our access to the capital markets and our ability to make timely filings with the Securities and Exchange Commission could be impaired if the Securities and Exchange Commission ceases accepting financial statements audited by Arthur Andersen LLP, if Arthur Andersen LLP becomes unable to make the required representations to us or if for any other reason Arthur Andersen LLP is unable to perform required audit-related services for us. However, we believe that our sources of working capital, specifically our cash flow from operations and borrowings available under our unsecured credit facility, are adequate for us to meet our liquidity requirements for the foreseeable future.

Conflicts of Interest

Some of Our Directors and Executive Officers Are Involved in Other Real Estate Activities and Investments

Some of our executive officers own interests in real estate-related businesses and investments. These interests include minority ownership of Institutional Housing Partners, L.P., a residential housing finance company, and ownership of Aspire Development, Inc. and Aspire Development, L.P., developers that own property not suitable for ownership by us. Aspire Development, Inc. and Aspire Development, L.P. have agreed not to initiate any new development projects not contemplated at our initial public offering in November 1997. These entities have also agreed that they will not make any further investments in industrial properties other than those currently under development at the time of our initial public offering. The continued involvement in other real estate-related activities by some of our executive officers and directors could divert management's attention from our day-to-day operations. Most of our executive officers have entered into non-competition agreements with us pursuant to which they have agreed not to engage in any activities, directly or indirectly, in respect of commercial real estate, and not to make any investment in respect of industrial real estate, other than through ownership of not more than 5% of the outstanding shares of a public company engaged in such activities or through the existing investments referred to in this report. State law may limit our ability to enforce these agreements.

Certain of Our Executive Officers and Directors May Have Conflicts of Interest with Us in Connection with Other Properties that They Own or Control

As of December 31, 2001, Aspire Development, L.P. owns interests in three retail development projects in the U.S., one of which is a single freestanding Walgreens drugstore and two of which are Walgreens drugstores plus shop buildings, which are less than 10,000 feet. In addition, Messrs. Moghadam and Burke, each a founder and director, own less than 1% interests in two partnerships that own office buildings in various markets; these interests have negligible value. Luis A. Belmonte, an executive officer, owns less than a 10% interest, representing an estimated value of \$150,000, in a limited partnership, which owns an office building located in Oakland, California.

In addition, several of our executive officers individually own: (1) less than 1% interests in the stocks of certain publicly-traded real estate investment trusts; (2) certain interests in and rights to developed and undeveloped real property located outside the United States; and (3) certain other de minimus holdings in equity securities of real estate companies.

Thomas W. Tusher, a member of our board of directors, is a limited partner in a partnership in which Messrs. Moghadam and Burke are general partners and which owns a 75% interest in an office building. Mr. Tusher owns a 20% interest in the partnership, valued at approximately \$1.7 million. Messrs. Moghadam and Burke each have a 26.7% interest in the partnership, each valued at approximately \$2.2 million.

We believe that the properties and activities set forth above generally do not directly compete with any of our properties. However, it is possible that a property in which an executive officer or director, or an affiliate of an executive officer or director, has an interest may compete with us in the future if we were to invest in a property similar in type and in close proximity to that property. In addition, the continued involvement by our executive officers and directors in these properties could divert management's attention from our day-to-day operations. Our policy prohibits us from acquiring any properties from our executive officers or their affiliates without the approval of the disinterested members of our board of directors with respect to that transaction.

Our Role as General Partner of the Operating Partnership May Conflict with the Interests of Stockholders

As the general partner of the operating partnership, we have fiduciary obligations to the operating partnership's limited partners, the discharge of which may conflict with the interests of our stockholders. In addition, those persons holding limited partnership units will have the right to vote as a class on certain amendments to the partnership agreement of the operating partnership and individually to approve certain

amendments that would adversely affect their rights. The limited partners may exercise these voting rights in a manner that conflicts with the interests of our stockholders. In addition, under the terms of the operating partnership's partnership agreement, holders of limited partnership units will have certain approval rights with respect to certain transactions that affect all stockholders but which they may not exercise in a manner that reflects the interests of all stockholders.

Our Directors, Executive Officers, and Significant Stockholders Could Act in a Manner that is Not in the Best Interest of All Stockholders

As of March 20, 2002, we believe that our two largest stockholders, Cohen & Steers Capital Management, Inc. (with respect to various client accounts for which Cohen & Steers Capital Management, Inc. serves as investment advisor) and ABP Investments U.S. (with respect to various client accounts for which ABP Investments U.S. serves as investment advisor) beneficially owned 14.0% of our outstanding common stock. In addition, our executive officers and directors beneficially owned 4.3% of our outstanding common stock as of March 20, 2002, and will have influence on our management and operation and, as stockholders, will have influence on the outcome of any matters submitted to a vote of our stockholders. This influence might be exercised in a manner that is inconsistent with the interests of other stockholders. Although there is no understanding or arrangement for these directors, officers, and stockholders and their affiliates to act in concert, these parties would be in a position to exercise significant influence over our affairs if they choose to do so.

Government Regulations

Many laws and governmental regulations are applicable to our properties and changes in these laws and regulations, or their interpretation by agencies and the courts, occur frequently.

Costs of Compliance with Americans with Disabilities Act

Under the Americans with Disabilities Act, places of public accommodation must meet certain federal requirements related to access and use by disabled persons. Compliance with the Americans with Disabilities Act might require us to remove structural barriers to handicapped access in certain public areas where such removal is "readily achievable." If we fail to comply with the Americans with Disabilities Act, then we might be required to pay fines to the government or damages to private litigants. The impact of application of the Americans with Disabilities Act to our properties, including the extent and timing of required renovations, is uncertain. If we are required to make unanticipated expenditures to comply with the Americans with Disabilities Act, then our cash flow and the amounts available for dividends to our stockholders may be adversely affected.

We Could Encounter Environmental Problems

Federal, state, and local laws and regulations relating to the protection of the environment impose liability on a current or previous owner or operator of real estate for contamination resulting from the presence or discharge of hazardous or toxic substances or petroleum products at the property. A current or previous owner may be required to investigate and clean up contamination at or migrating from a site. These laws typically impose liability and clean-up responsibility without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, property damage, or other costs, including investigation and clean-up costs, resulting from environmental contamination present at or emanating from that site.

Environmental laws also govern the presence, maintenance, and removal of asbestos. These laws require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, that they adequately inform or train those who may come into contact with asbestos, and that they undertake special precautions, including removal or other abatement in the event that asbestos is disturbed during renovation or

demolition of a building. These laws may impose fines and penalties on building owners or operators for failing to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers. Some of our properties may contain asbestos-containing building materials.

Some of our properties are leased or have been leased, in part, to owners and operators of businesses that use, store, or otherwise handle petroleum products or other hazardous or toxic substances. These operations create a potential for the release of petroleum products or other hazardous or toxic substances. Some of our properties are adjacent to or near other properties that have contained or currently contain petroleum products or other hazardous or toxic substances. In addition, certain of our properties are on, are adjacent to, or are near other properties upon which others, including former owners or customers of the properties, have engaged or may in the future engage in activities that may release petroleum products or other hazardous or toxic substances. From time to time, we may acquire properties, or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and the acquisition will yield a superior risk-adjusted return. Environmental issues for each property are evaluated and quantified prior to acquisition. The costs of environmental investigation, clean-up, and monitoring are underwritten into the cost of the acquisition and appropriate environmental insurance is obtained for the property. In connection with certain divested properties, we have agreed to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

All of our properties were subject to a Phase I or similar environmental assessments by independent environmental consultants at the time of acquisition. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties and include an historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report. We may perform additional Phase II testing if recommended by the independent environmental consultant. Phase II testing may include the collection and laboratory analysis of soil and groundwater samples, completion of surveys for asbestos-containing building materials, and any other testing that the consultant considers prudent in order to test for the presence of hazardous materials.

None of the environmental assessments of our properties has revealed any environmental liability that we believe would have a material adverse effect on our financial condition or results of operations taken as a whole. Furthermore, we are not aware of any such material environmental liability. Nonetheless, it is possible that the assessments do not reveal all environmental liabilities and that there are material environmental liabilities of which we are unaware or that known environmental conditions may give rise to liabilities that are materially greater than anticipated. Moreover, the current environmental condition of our properties may be affected by customers, the condition of land, operations in the vicinity of the properties (such as releases from underground storage tanks), or by third parties unrelated to us. If the costs of compliance with existing or future environmental laws and regulations exceed our budgets for these items, then our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock could be adversely affected.

Our Financial Condition Could be Adversely Affected if We Fail to Comply with Other Regulations

Our properties are also subject to various federal, state, and local regulatory requirements such as state and local fire and life safety requirements. If we fail to comply with these requirements, then we might incur fines by governmental authorities or be required to pay awards of damages to private litigants. We believe that our properties are currently in substantial compliance with all such regulatory requirements. However, these requirements may change or new requirements may be imposed, which could require significant unanticipated expenditures by us. Any such unanticipated expenditure could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Federal Income Tax Risks

Our Failure to Qualify as a Real Estate Investment Trust Would Have Serious Adverse Consequences to Stockholders

We elected to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code commencing with our taxable year ended December 31, 1997. We currently intend to operate so as to qualify as a real estate investment trust under the Internal Revenue Code and believe that our current organization and method of operation comply with the rules and regulations promulgated under the Internal Revenue Code to enable us to continue to qualify as a real estate investment trust. However, it is possible that we have been organized or have operated in a manner that would not allow us to qualify as a real estate investment trust, or that our future operations could cause us to fail to qualify. Qualification as a real estate investment trust requires us to satisfy numerous requirements (some on an annual and others on a quarterly basis) established under highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. For example, in order to qualify as a real estate investment trust, we must derive at least 95% of our gross income in any year from qualifying sources. In addition, we must pay dividends to stockholders aggregating annually at least 90% of our real estate investment trust taxable income (determined without regard to the dividends paid deduction and by excluding capital gains) and must satisfy specified asset tests on a quarterly basis. These provisions and the applicable treasury regulations are more complicated in our case because we hold our assets through the operating partnership. Legislation, new regulations, administrative interpretations, or court decisions could significantly change the tax laws with respect to qualification as a real estate investment trust or the federal income tax consequences of such qualification. However, we are not aware of any pending tax legislation that would adversely affect our ability to operate as a real estate investment trust.

If we fail to qualify as a real estate investment trust in any taxable year, then we will be required to pay federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless we are entitled to relief under certain statutory provisions, we would be disqualified from treatment as a real estate investment trust for the four taxable years following the year during which we lost qualification. If we lose our real estate investment trust status, then our net earnings available for investment or distribution to stockholders would be significantly reduced for each of the years involved. In addition, we would no longer be required to make distributions to our stockholders.

We Pay Some Taxes

Even if we qualify as a real estate investment trust, we will be required to pay certain state and local taxes on our income and property. In addition, we will be required to pay federal and state income tax on the net taxable income, if any, from the activities conducted through AMB Capital Partners, LLC and Headlands Realty Corporation. AMB Capital Partners, LLC and Headlands Realty Corporation, as taxable REIT subsidiaries, are also subject to tax on their income, reducing their cash available for distribution to us.

Certain Property Transfers May Generate Prohibited Transaction Income

From time to time, we may transfer or otherwise dispose of some of our properties. Under the Internal Revenue Code, any gain resulting from transfers of properties that we hold as inventory or primarily for sale to customers in the ordinary course of business would be treated as income from a prohibited transaction. We would be required to pay a 100% penalty tax on that income. Since we acquire properties for investment purposes, we believe that any transfer or disposal of property by us would not be deemed by the Internal Revenue Service to be a prohibited transaction with any resulting gain allocable to us being subject to a 100% penalty tax. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are prohibited transactions. While we believe that the Internal Revenue Service would not prevail in any such dispute, if the IRS were to successfully argue that a transfer or disposition of property constituted a prohibited transaction, then we would be required to pay

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a 100% penalty tax on any gain allocable to us from the prohibited transaction. In addition, any income from a prohibited transaction may adversely affect our ability to satisfy the income tests for qualification as a real estate investment trust for federal income tax purposes.

We Are Dependent On Our Key Personnel

We depend on the efforts of our executive officers. While we believe that we could find suitable replacements for these key personnel, the loss of their services or the limitation of their availability could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. We do not have employment agreements with any of our executive officers.

We May Be Unable to Manage Our Growth

Our business has grown rapidly and continues to grow through property acquisitions and developments. If we fail to effectively manage our growth, then our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock could be adversely affected.

We May Be Unable to Effectively Manage Our International Growth

We may acquire properties in foreign countries. Local markets affect our operations and, therefore, we would be subject to economic fluctuations in foreign locations. Our international operations also would be subject to the usual risks of doing business abroad such as the revaluation of currencies, revisions in tax treaties or other laws governing the taxation of revenues, restrictions on the transfer of funds, and, in certain parts of the world, political instability. We cannot predict the likelihood that any such developments may occur. Further, we may enter into agreements with non-U.S. entities that are governed by the laws of, and are subject to dispute resolution in, the courts of another country or region. We cannot accurately predict whether such a forum would provide us with an effective and efficient means of resolving disputes that may arise. Even if we are able to obtain a satisfactory decision through arbitration or a court proceeding, we could have difficulty enforcing any award or judgment on a timely basis. Our business has grown rapidly and continues to grow through property acquisitions and developments. If we fail to effectively manage our international growth, then our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock could be adversely affected.

Ownership of Our Stock

Limitations in Our Charter and Bylaws Could Prevent a Change in Control

Certain provisions of our charter and bylaws may delay, defer, or prevent a change in control or other transaction that could provide the holders of our common stock with the opportunity to realize a premium over the then-prevailing market price for the common stock. To maintain our qualification as a real estate investment trust for federal income tax purposes, not more than 50% in value of our outstanding stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year after the first taxable year for which a real estate investment trust election is made. Furthermore, our common stock must be held by a minimum of 100 persons for at least 335 days of a 12-month taxable year (or a proportionate part of a short tax year). In addition, if we, or an owner of 10% or more of our stock, actually or constructively owns 10% or more of one of our customers (or a tenant of any partnership in which we are a partner), then the rent received by us (either directly or through any such partnership) from that tenant will not be qualifying income for purposes of the real estate investment trust gross income tests of the Internal Revenue Code. To facilitate maintenance of our qualification as a real estate investment trust for federal income tax purposes, we will prohibit the ownership, actually or by virtue of the constructive ownership provisions of the Internal Revenue Code, by any single person of more than 9.8% (by value or number of shares, whichever is more restrictive) of the issued and outstanding shares of our common stock and more than 9.8% (by value or number of shares, whichever is more restrictive) of the issued and outstanding shares of our Series A Preferred Stock, and we will also prohibit the ownership, actually or constructively, of any shares of our other preferred stock by any single

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person so that no such person, taking into account all of our stock so owned by such person, may own in excess of 9.8% of our issued and outstanding capital stock. We refer to this limitation as the “ownership limit.” Shares acquired or held in violation of the ownership limit will be transferred to a trust for the benefit of a designated charitable beneficiary. Any person who acquires shares in violation of the ownership limit will not be entitled to any dividends on the shares or be entitled to vote the shares or receive any proceeds from the subsequent sale of the shares in excess of the lesser of the price paid for the shares or the amount realized from the sale. A transfer of shares in violation of the above limits may be void under certain circumstances. The ownership limit may have the effect of delaying, deferring, or preventing a change in control and, therefore, could adversely affect our stockholders’ ability to realize a premium over the then-prevailing market price for the shares of our common stock in connection with such transaction.

Our charter authorizes us to issue additional shares of common and preferred stock and to establish the preferences, rights, and other terms of any series or class of preferred stock that we issue. Although our board of directors has no intention to do so at the present time, it could establish a series or class of preferred stock that could delay, defer, or prevent a transaction or a change in control that might involve a premium price for the common stock or otherwise be in the best interests of our stockholders.

Our charter and bylaws and Maryland law also contain other provisions that may delay, defer, or prevent a transaction, including a change in control, that might involve payment of a premium price for the common stock or otherwise be in the best interests of our stockholders. Those provisions include the following: (1) the provision in the charter that directors may be removed only for cause and only upon a two-thirds vote of stockholders, together with bylaw provisions authorizing the board of directors to fill vacant directorships; (2) the provision in the charter requiring a two-thirds vote of stockholders for any amendment of the charter; (3) the requirement in the bylaws that the request of the holders of 50% or more of our common stock is necessary for stockholders to call a special meeting; (4) the requirement of Maryland law that stockholders may only take action by written consent with the unanimous approval of all stockholders entitled to vote on the matter in question; and (5) the requirement in the bylaws of advance notice by stockholders for the nomination of directors or proposal of business to be considered at a meeting of stockholders.

These provisions may impede various actions by stockholders without approval of our board of directors, which in turn may delay, defer or prevent a transaction involving a change of control.

We Could Change Our Investment and Financing Policies without a Vote of Stockholders

Subject to our current investment policy to maintain our qualification as a real estate investment trust (unless a change is approved by our board of directors under certain circumstances), our board of directors will determine our investment and financing policies, our growth strategy and our debt, capitalization, distribution, and operating policies. Although the board of directors has no present intention to revise or amend these strategies and policies, the board of directors may do so at any time without a vote of stockholders. Accordingly, stockholders will have no control over changes in our strategies and policies (other than through the election of directors), and any such changes may not serve the interests of all stockholders and could adversely affect our financial condition or results of operations, including our ability to pay dividends to our stockholders.

If We Issue Additional Securities, then the Investment of Existing Stockholders Will Be Diluted

We have authority to issue shares of common stock or other equity or debt securities in exchange for property or otherwise. Similarly, we may cause the operating partnership to issue additional limited partnership units in exchange for property or otherwise. Existing stockholders will have no preemptive right to acquire any additional securities issued by us or the operating partnership and any issuance of additional equity securities could result in dilution of an existing stockholder’s investment.

The Large Number of Shares Available for Future Sale Could Adversely Affect the Market Price of Our Common Stock

We cannot predict the effect, if any, that future sales of shares of our common stock, or the availability of shares of our common stock for future sale, will have on its market price. Sales of a substantial number of shares of our common stock in the public market (or upon exchange of limited partnership units in the operating partnership) or the perception that such sales (or exchanges) might occur could adversely affect the market price of our common stock.

All shares of common stock issuable upon the redemption of limited partnership units in the operating partnership will be deemed to be “restricted securities” within the meaning of Rule 144 under the Securities Act and may not be transferred unless registered under the Securities Act or an exemption from registration is available, including any exemption from registration provided under Rule 144. In general, upon satisfaction of certain conditions, Rule 144 permits the holder to sell certain amounts of restricted securities one year following the date of acquisition of the restricted securities from us and, after two years, permits unlimited sales by persons unaffiliated with us. Commencing generally on the first anniversary of the date of acquisition of common limited partnership units (or such other date agreed to by the operating partnership and the holders of the units), the operating partnership may redeem common limited partnership units at the request of the holders for cash (based on the fair market value of an equivalent number of shares of common stock at the time of redemption) or, at the option of the operating partnership, exchange the common limited partnership units for an equal number of shares of our common stock, subject to certain antidilution adjustments. The operating partnership had issued and outstanding 4,969,027 common limited partnership units as of December 31, 2001. As of December 31, 2001, we had reserved 8,072,818 shares of common stock for issuance under our Stock Option and Incentive Plan (not including shares that we have already issued) and, as of December 31, 2001, we had granted to certain directors, officers, and employees options to purchase 7,437,219 shares of common stock (excluding forfeitures and 330,176 shares that we have issued pursuant to the exercise of options). As of December 31, 2001, we had granted 549,738 restricted shares of common stock, 2,732 of which have been forfeited. In addition, we may issue additional shares of common stock and the operating partnership may issue additional limited partnership units in connection with the acquisition of properties. In connection with the issuance of common limited partnership units to other transferees of properties, and in connection with the issuance of the performance units, we have agreed to file registration statements covering the issuance of shares of common stock upon the exchange of the common limited partnership units. We have also filed a registration statement with respect to the shares of common stock issuable under our Stock Option and Incentive Plan. These registration statements and registration rights generally allow shares of common stock covered thereby, including shares of common stock issuable upon exchange of limited partnership units, including performance units, or the exercise of options or restricted shares of common stock, to be transferred or resold without restriction under the Securities Act. We may also agree to provide registration rights to any other person who may become an owner of the operating partnership’s limited partnership units.

Future sales of the shares of common stock described above could adversely affect the market price of our common stock. The existence of the operating partnership’s limited partnership units, options, and shares of common stock reserved for issuance upon exchange of limited partnership units, and the exercise of options and registration rights referred to above, also may adversely affect the terms upon which we are able to obtain additional capital through the sale of equity securities.

Various Market Conditions Affect the Price of Our Stock

As with other publicly-traded equity securities, the market price of our stock will depend upon various market conditions, which may change from time to time. Among the market conditions that may affect the market price of our stock are the following: (1) the extent of investor interest in us; (2) the general reputation of real estate investment trusts and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies); (3) our financial performance; (4) general stock and bond market conditions, including changes in interest rates on fixed income securities, that may lead prospective purchasers of our stock to demand a higher annual yield from future dividends; and

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(5) terrorist activity may adversely affect the markets in which our securities trade, possibly increasing market volatility and causing the further erosion of business and consumer confidence and spending. Other factors such as governmental regulatory action and changes in tax laws could also have a significant impact on the future market price of our stock.

Earnings and Cash Dividends, Asset Value, and Market Interest Rates Affect the Price of Our Stock

The market value of the equity securities of a real estate investment trust generally is based primarily upon the market's perception of the real estate investment trust's growth potential and its current and potential future earnings and cash dividends. It is based secondarily upon the real estate market value of the underlying assets. For that reason, shares of our stock may trade at prices that are higher or lower than the net asset value per share. To the extent that we retain operating cash flow for investment purposes, working capital reserves, or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our stock. Our failure to meet the market's expectations with regard to future earnings and cash dividends likely would adversely affect the market price of our stock. Another factor that may influence the price of our stock will be the distribution yield on the stock (as a percentage of the price of the stock) relative to market interest rates. An increase in market interest rates might lead prospective purchasers of our stock to expect a higher distribution yield, which would adversely affect the market price of the stock. If the market price of our stock declines significantly, then we might breach certain covenants with respect to debt obligations, which might adversely affect our liquidity and ability to make future acquisitions and our ability to pay dividends to our stockholders.

Item 7a. *Qualitative Disclosures about Market Risk*

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our future earnings and cash flows are dependent upon prevalent market rates. Accordingly, we manage our market risk by matching projected cash inflows from operating, investing, and financing activities with projected cash outflows for debt service, acquisitions, capital expenditures, distributions to stockholders and unitholders, and other cash requirements. The majority of our outstanding debt has fixed interest rates, which minimizes the risk of fluctuating interest rates. Our exposure to market risk includes: (1) interest rate fluctuations in connection with our credit facilities and other variable rate borrowings; and (2) our ability to incur more debt without stockholder approval, thereby increasing our debt service obligations, which could adversely affect our cash flows. As of December 31, 2001, we had no interest rate caps or swaps. See "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Resources — Market Capitalization."

The table below summarizes the market risks associated with our fixed and variable rated debt outstanding before unamortized debt premiums of \$6.8 million as of December 31, 2001:

| | Expected Maturity Date | | | | | | Total Debt |
|-----------------------|------------------------|-----------|----------|-----------|-----------|-------------|-------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | Thereafter | |
| Fixed rate debt(1) | \$73,603 | \$ 89,319 | \$92,364 | \$350,029 | \$186,452 | \$1,149,166 | \$1,940,933 |
| Average interest rate | 8.3% | 7.8% | 8.0% | 7.3% | 7.3% | 7.5% | 7.5% |
| Variable rate debt(2) | \$23,093 | \$136,053 | \$20,526 | \$ 594 | \$ 7,629 | — | \$ 187,895 |
| Average interest rate | 3.5% | 2.8% | 4.1% | 3.5% | 3.5% | — | 3.0% |

(1) Represents 91.2% of all outstanding debt.

(2) Represents 8.9% of all outstanding debt.

If market rates of interest on our variable rate debt increased by 10% (or 30 basis points), then the increase in interest expense on the variable rate debt would be \$0.6 million annually.

Item 8. *Financial Statements and Supplementary Data*

See "Item 14. Exhibits, Financial Statement Schedules, and Reports of Form 8-K."

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

None.

PART III

Items 10, 11, 12 and 13.

Directors and Executive Officers of AMB Property Corporation, Executive Compensation, Security Ownership of Certain Beneficial Owners and Management, and Certain Relationships and Related Transactions

The information required by Item 10, Item 11, Item 12, and Item 13 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders which we anticipate will be filed no later than 120 days after the end of our fiscal year pursuant to Regulation 14A and accordingly these items have been omitted in accordance with General Instruction G(3) to Form 10-K.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) and (2) *Financial Statements and Schedules:*

The following consolidated financial information is included as a separate section of this report on Form 10-K.

| | Page |
|-------------------------------------------------------------------------------------------------------|------|
| Report of Independent Public Accountants | F- |
| Consolidated Balance Sheets as of December 31, 2001 and 2000 | F- |
| Consolidated Statements of Operations for the years ended December 31, 2001, 2000, and 1999 | F- |
| Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000, and 1999 | F- |
| Consolidated Statements of Stockholders' Equity for the years ended December 31, 2001, 2000, and 1999 | F- |
| Notes to Consolidated Financial Statements | F- |
| Schedule III — Real Estate and Accumulated Depreciation | S- |

All other schedules are omitted since the required information is not present in amounts sufficient to require submission of the schedule or because the information required is included in the financial statements and notes thereto.

(a)(3) *Exhibits:*

| Exhibit Number | Description |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1 | Articles of Incorporation of AMB Property Corporation (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Registrations Statement on Form S-11 (No. 333-35915)). |
| 3.2 | Certificate of Correction of AMB Property Corporation's Articles Supplementary establishing and fixing the rights and preferences of the 8 1/2% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.2 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 1998). |
| 3.3 | Articles Supplementary establishing and fixing the rights and preferences of the 8 5/8% Series B Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 7, 1999). |
| 3.4 | Articles Supplementary establishing and fixing the rights and preferences of the 8.75% Series C Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.2 of AMB Property Corporation's Current Report on Form 8-K filed on January 7, 1999). |
| 3.5 | Articles Supplementary establishing and fixing the rights and preferences of the 7.75% Series D Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999). |
| 3.6 | Articles Supplementary establishing and fixing the rights and preferences of the 7.75% Series E Cumulative Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on September 14, 1999). |
| 3.7 | Articles Supplementary establishing and fixing the rights and preferences of the 7.95% Series F Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on April 14, 2000). |
| 3.8 | Articles Supplementary establishing and fixing the rights and preferences of the 7.95% Series G Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on September 29, 2000). |
| 3.9 | Articles Supplementary establishing and fixing the rights and preferences of the 8.125% Series H Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.3 of AMB Property Corporation's Current Report on Form 8-K filed on September 29, 2000). |

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| Exhibit Number | Description |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.10 | Articles Supplementary establishing and fixing the rights and preferences of the 8.00% Series I Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on March 23, 2001). |
| 3.11 | Articles Supplementary establishing and fixing the rights and preferences of the 7.95% Series J Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on October 3, 2001). |
| 3.12 | Articles Supplementary redesignating and reclassifying all 2,200,000 Shares of the 8.75% Series C Cumulative Redeemable Preferred Stock as Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on December 7, 2001). |
| 3.13 | Second Amended and Restated Bylaws of AMB Property Corporation (incorporated by reference to Exhibit 3.11 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 2000). |
| 4.1 | Form of Certificate for Common Stock of AMB Property Corporation (incorporated by reference to Exhibit 3.3 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-35915)). |
| 4.2 | Form of Certificate for 8.5% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.5(2) of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998). |
| 4.3 | \$30,000,000 7.925% Fixed Rate Note No. 1 dated August 18, 2000, attaching the Parent Guarantee dated August 18, 2000 (incorporated by reference to Exhibit 4.5 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 2000). |
| 4.4 | \$25,000,000,000 7.925% Fixed Rate Note No. 2 dated September 12, 2000, attaching the Parent Guarantee dated September 12, 2000 (incorporated by reference to Exhibit 4.6 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 2000). |
| 4.5 | \$50,000,000 8.00% Fixed Rate Note No. 3 dated October 26, 2000, attaching the Parent Guarantee dated October 26, 2000 (incorporated by reference to Exhibit 4.7 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 2000). |
| 4.6 | \$25,000,000 8.000% Fixed Rate Note No. 4 dated October 26, 2000, attaching the Parent Guarantee dated October 26, 2000 (incorporated by reference to Exhibit 4.8 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 2000). |
| 4.7 | \$50,000,000 7.20% Fixed Rate Note No. 5 dated December 19, 2000, attaching the Parent Guarantee dated December 19, 2000 (incorporated herein by reference to Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 8, 2001). |
| 4.8 | \$50,000,000 7.20% Fixed Rate Note No. 6 dated December 19, 2000, attaching the Parent Guarantee dated December 19, 2000 (incorporated herein by reference to Exhibit 4.2 of AMB Property Corporation's Current Report on Form 8-K filed on January 8, 2001). |
| 4.9 | \$50,000,000 7.20% Fixed Rate Note No. 7 dated December 19, 2000, attaching the Parent Guarantee dated December 19, 2000 (incorporated herein by reference to Exhibit 4.3 of AMB Property Corporation's Current Report on Form 8-K filed on January 8, 2001). |
| 4.10 | Indenture dated as of June 30, 1998, by and among AMB Property, L.P., AMB Property Corporation and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.1 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.11 | First Supplemental Indenture dated as of June 30, 1998 by and among AMB Property, L.P., AMB Property Corporation and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.2 of AMB Property Corporation's Registration Statement Form S-11 (No. 333-49163)). |

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| Exhibit Number | Description |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.12 | Second Supplemental Indenture dated as of June 30, 1998, by and among AMB Property, L.P., AMB Property Corporation and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.3 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.13 | Third Supplemental Indenture dated as of June 30, 1998, by and among AMB Property, L.P., AMB Property Corporation and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.4 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.14 | Fourth Supplemental Indenture, by and among AMB Property, L.P., AMB Property Corporation and State Street Bank and Trust Company of California, N.A., as trustee (incorporated herein by reference as Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K/ A filed on November 9, 2000). |
| 4.15 | Specimen of 7.10% Notes due 2008 (included in the First Supplemental Indenture incorporated by reference as Exhibit 4.2 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.16 | Specimen of 7.50% Notes due 2018 (included in the Second Supplemental Indenture incorporated by reference as Exhibit 4.3 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.17 | Specimen of 6.90% Reset Put Securities due 2015 (included in the Third Supplemental Indenture incorporated by reference as Exhibit 4.4 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.18 | \$25,000,000 6.90% Fixed Rate Note No. 8 dated January 9, 2001, attaching the Parent Guarantee dated January 9, 2001 (incorporated herein by reference to Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 31, 2001). |
| 4.19 | \$50,000,000 7.00% Fixed Rate Note No. 9 dated March 7, 2001, attaching the Parent Guarantee dated March 7, 2001 (incorporated herein by reference to Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K filed on March 16, 2001). |
| 4.20 | \$25,000,000 6.75% Fixed Rate Note No. 10 dated September 6, 2001, attaching the Parent Guarantee dated September 6, 2001 (incorporated herein by reference to Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K filed on September 18, 2001). |
| 4.21 | \$20,000,000 5.90% Fixed Rate Note No. 11 dated January 17, 2002, attaching the Parent Guarantee dated January 17, 2002 (incorporated herein by reference to Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 23, 2002). |
| 10.1 | Distribution Agreement dated August 15, 2000 by and among AMB Property Corporation, AMB Property, L.P., Morgan Stanley & Co., Incorporated, Banc of America Securities LLC, Banc One Capital Markets, Inc., Chase Securities, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc., and Salomon Smith Barney Inc. (incorporated herein by reference to Exhibit 1.1 of Registrant's Current Report on Form 8-K/ A filed on November 9, 2000). |
| 10.2 | Terms Agreement dated as of December 14, 2000, by and between Morgan Stanley & Co., Incorporated and J.P. Morgan Securities Inc. and AMB Property, L.P. (incorporated herein by reference to Exhibit 1.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 8, 2001). |
| 10.3 | Terms Agreement dated as of January 4, 2001, by and between A.G. Edwards & Sons, Inc. and AMB Property, L.P. (incorporated herein by reference to Exhibit 1.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 31, 2001). |
| 10.4 | Terms Agreement dated as of March 2, 2001, by and among First Union Securities, Inc., AMB Property, L.P. and AMB Property Corporation (incorporated by reference to Exhibit 1.1 of Registrants' current report on Form 8-K filed on March 16, 2001). |

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| Exhibit Number | Description |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.5 | Fifth Amended and Restated Partnership Agreement of Limited Partnership of AMB Property, L.P. dated September 21, 2001 (incorporated herein by reference as Exhibit 10.1 to AMB Property Corporations Current Report on Form 8-K filed on October 3, 2001). |
| 10.6 | First Amendment to the Fifth Amended and Restated Agreement of Limited Partnership of AMB Property, L.P. dated January 1, 2002. |
| 10.7 | Form of Registration Rights Agreement among AMB Property Corporation and the persons named therein (incorporated by reference to Exhibit 10.2 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-35915)). |
| 10.8 | Form of Change in Control and Noncompetition Agreement between AMB Property Corporation and Executive Officers (incorporated by reference to AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 1998). |
| 10.9 | Agreement for Purchase and Exchange entered into as of March 9, 1999, by and among AMB Property, L.P., AMB Property II, L.P., Long Gate, L.L.C. and BPP Retail, LLC, regarding the transaction which closed on June 15, 1999 (incorporated by reference to Exhibit 10.1 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| 10.10 | Agreement for Purchase and Exchange entered into as of March 9, 1999, by and among AMB Property, L.P., AMB Property II, L.P., Long Gate, L.L.C. and BPP Retail, LLC, regarding the transaction which closed on August 4, 1999 (incorporated by reference to Exhibit 10.2 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| 10.11 | Agreement for Purchase and Exchange entered into as of March 9, 1999, by and among AMB Property, L.P., AMB Property II, L.P., Long Gate, L.L.C. and BPP Retail, LLC, regarding the transaction which closed on December 1, 1999 (incorporated by reference to Exhibit 10.3 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| 10.12 | Dividend Reinvestment and Direct Purchase Plan, dated July 9, 1999 (incorporated by reference to Exhibit 10.4 of AMB Property Corporation's Quarterly Report on Report Form 10-Q for the quarter ended June 30, 1999). |
| 10.13 | Second Amended and Restated 1997 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.5 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| 10.14 | Tenth Amended and Restated Agreement of Limited Partnership of AMB Property II, L.P., dated December 6, 2001 (incorporated by reference to Exhibit 10.1 of AMB Property Corporation's Current Report on Form 8-K filed on December 7, 2001). |
| 10.15 | First Amendment to Tenth Amended and Restated Agreement of Limited Partnership of AMB Property II, L.P., dated January 1, 2002. |
| 10.16 | Revolving Credit Agreement dated as of May 24, 2000, among AMB Property, L.P., the banks listed therein, Morgan Guaranty Trust Company of New York, as Administrative Agent, Bank of America, N.A., as Syndication Agent, the Chase Manhattan Bank, as Documentation Agent, J.P. Morgan Securities Inc. and Banc of America Securities LLC, as Joint Lead Arrangers and Joint Bookmanagers, Bank one, NA, Commerzbank Aktiengesellschaft, PNC Bank National Association and Wachovia Bank, N.A., as Managing Agents and Banks Trust Company and Dresdner Bank AG, New York and Grand Cayman Branches, as Co-Agents (incorporated by reference to Exhibit 10.1 of AMB Property Corporation's Current Report on Form 8-K filed on June 16, 2000). |
| 10.17 | Guaranty of Payment made as of May 24, 2000, between AMB Property Corporation and Morgan Guaranty Trust Company of New York, as administrative agent for the banks listed on the signature page of the Revolving Credit Agreement (incorporated herein by reference to Exhibit 10.2 of AMB Property Corporation's Current Report on Form 8-K filed on June 16, 2000). |

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| Exhibit Number | Description |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.18 | Credit Agreement dated as of September 27, 1999, among AMB Institutional Alliance Fund I, L.P., AMB Institutional Alliance REIT I, Inc., the Lenders and issuing parties thereto, BT Realty Resources, Inc. and Chase Manhattan Bank (incorporated by reference to Exhibit 10.3 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999). |
| 10.19 | Revolving Credit Agreement dated as of August 23, 2001, among AMB Institutional Alliance Fund II, L.P., AMB Institutional Alliance REIT II, Inc., the banks and financial institutions listed therein, Bank of America, N.A. as Administrative Agent, Dresdner Bank AG, as Syndication Agent, and Bank One, NA, as Documentation Agent (incorporated by reference to Exhibit 10.4 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001). |
| 10.20 | Terms Agreement dated as of August 30, 2001, by and among Lehman Brothers Inc., AMB Property, L.P., and AMB Property Corporation (incorporated by reference to Exhibit 1.1 of AMB Property Corporation's Current Report on Form 8-K filed on September 18, 2001). |
| 10.21 | Terms Agreement dated as of January 14, 2002, by and among Lehman Brothers Inc., AMB Property, L.P., and AMB Property Corporation (incorporated by reference to Exhibit 1.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 23, 2002). |
| 10.22 | Third Amended and Restated 1997 Stock Option and Incentive Plan. |
| 10.23 | Amendment No. 1 to the Third Amended and Restated 1997 Stock Option and Incentive Plan. |
| 10.24 | 2002 Stock Option and Incentive Plan. |
| 10.25 | Second Amendment to Tenth Amended and Restated Agreement of Limited Partnership of AMB Property II, L.P., dated February 25, 2002. |
| 10.26 | AMB Nonqualified Deferred Compensation Plan. |
| 21.1 | Subsidiaries of AMB Property Corporation. |
| 23.1 | Consent of Arthur Andersen LLP. |
| 24.1 | Powers of Attorney (included in Part IV of this Form 10-K). |
| 99.1 | Letter, dated March 28, 2002, from AMB Property Corporation to the Securities and Exchange Commission. |

(b) Reports on Form 8-K:

- AMB Property Corporation filed a Current Report on Form 8-K on October 3, 2001, in connection with the issuance and sale by AMB Property, L.P. of 800,000 7.95% Series J Cumulative Redeemable Preferred Limited Partnership Units and the filing by AMB Property Corporation Articles Supplementary establishing and fixing the rights and preferences of the 7.95% Series J Cumulative Redeemable Preferred Stock.
- AMB Property Corporation filed a Current Report on Form 8-K on October 16, 2001, in connection with its third quarter 2001 earnings release.
- AMB Property Corporation filed a Current Report on Form 8-K on December 7, 2001, in connection with the repurchase and redemption of all its outstanding 8.75% Series C Cumulative Redeemable Preferred Limited Partnership Units.
- AMB Property Corporation filed a Current Report on Form 8-K on January 23, 2002, in connection with its issuance of \$20.0 million of senior unsecured notes by AMB Property, L.P. under its medium-term note program.
- AMB Property Corporation filed a Current Report on Form 8-K on January 24, 2002, in connection with its fourth quarter 2001 earnings release.

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(c) *Exhibits:*

See Item 14(a)(3) above.

(d) *Financial Statement Schedules:*

See Item 14(a)(1) and (2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, AMB Property Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 28, 2002.

AMB PROPERTY CORPORATION

By: /s/ HAMID R. MOGHADAM

Hamid R. Moghadam
*Chairman of the Board and
Chief Executive Officer*

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of AMB Property Corporation, hereby severally constitute Hamid R. Moghadam, W. Blake Baird, David S. Fries, and Michael A. Coke, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Form 10-K filed herewith and any and all amendments to said Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable AMB Property Corporation to comply with the provisions of the Securities Exchange Act of 1934, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Form 10-K and any and all amendments thereto.

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

| <u>Name</u> | <u>Title</u> | <u>Date</u> |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------|----------------|
| <hr/> <u>/s/ HAMID R. MOGHADAM</u> Hamid R. Moghadam | Chairman of the Board and Chief Executive Officer (Principal Executive Officer) | March 28, 2002 |
| <hr/> <u>/s/ W. BLAKE BAIRD</u> W. Blake Baird | President and Director | March 28, 2002 |
| <hr/> <u>/s/ T. ROBERT BURKE</u> T. Robert Burke | Director | March 28, 2002 |
| <hr/> <u>/s/ DANIEL H. CASE III</u> Daniel H. Case III | Director | March 28, 2002 |
| <hr/> <u>/s/ DAVID A. COLE</u> David A. Cole | Director | March 28, 2002 |

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| <u>Name</u> | <u>Title</u> | <u>Date</u> |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <hr/> <i>/s/ LYNN M. SEDWAY</i> <hr/> Lynn M. Sedway | Director | March 28, 2002 |
| <hr/> <i>/s/ JEFFREY L. SKELTON, PH.D.</i> <hr/> Jeffrey L. Skelton, Ph.D. | Director | March 28, 2002 |
| <hr/> <i>/s/ THOMAS W. TUSHER</i> <hr/> Thomas W. Tusher | Director | March 28, 2002 |
| <hr/> <i>/s/ CARYL B. WELBORN, ESQ.</i> <hr/> Caryl B. Welborn, Esq. | Director | March 28, 2002 |
| <hr/> <i>/s/ MICHAEL A. COKE</i> <hr/> Michael A. Coke | Chief Financial Officer and Executive Vice President (Duly Authorized Officer and Principal Financial and Accounting Officer) | March 28, 2002 |

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders

of AMB Property Corporation:

We have audited the accompanying consolidated balance sheets of AMB Property Corporation (a Maryland corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 financial statements referred to above present fairly, in all material respects, the financial position of AMB Property Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule III, Real Estate and Accumulated Depreciation is presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

San Francisco, California

January 22, 2002

AMB PROPERTY CORPORATION
CONSOLIDATED BALANCE SHEETS
As of December 31, 2001 and 2000

| | 2001 | 2000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| ASSETS | | |
| (Dollars in thousands, except share amounts) | | |
| Investments in real estate: | | |
| Land | \$1,064,422 | \$ 833,325 |
| Buildings and improvements | 3,285,110 | 2,915,537 |
| Construction in progress | 181,179 | 277,735 |
| | 4,530,711 | 4,026,597 |
| Total investments in properties | | |
| Accumulated depreciation and amortization | (265,653) | (177,467) |
| | 4,265,058 | 3,849,130 |
| Net investments in properties | | |
| Investment in unconsolidated joint ventures | 71,097 | 80,432 |
| Properties held for divestiture, net | 157,174 | 197,146 |
| | 4,493,329 | 4,126,708 |
| Net investments in real estate | | |
| Cash and cash equivalents | 73,071 | 20,358 |
| Restricted cash | 8,661 | 22,364 |
| Mortgages receivable | 87,214 | 115,969 |
| Accounts receivable, net of allowance for doubtful accounts of \$9,354 and \$7,677, respectively | 70,794 | 69,874 |
| Investments in affiliated companies | - | 35,731 |
| Investments in other companies, net | - | 15,965 |
| Other assets | 27,824 | 18,657 |
| | \$4,760,893 | \$4,425,626 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Debt: | | |
| Secured debt | \$1,220,164 | \$ 940,276 |
| Unsecured senior debt securities | 780,000 | 680,000 |
| Alliance Fund II credit facility | 123,500 | - |
| Unsecured credit facility | 12,000 | 216,000 |
| | 2,135,664 | 1,836,276 |
| Total debt | | |
| Accounts payable | 73,310 | 56,577 |
| Other liabilities | 65,291 | 90,465 |
| | 2,274,265 | 1,983,318 |
| Total liabilities | | |
| Commitments and contingencies (Note 15) | | |
| Minority interests | 734,286 | 674,378 |
| Stockholders' equity: | | |
| Series A preferred stock, cumulative, redeemable, \$.01 par value, 100,000,000 shares authorized, 4,000,000 issued and outstanding, \$100,000 liquidation preference | 96,100 | 96,100 |
| Common stock \$.01 par value, 500,000,000 shares authorized, 83,821,829 and 84,138,751 issued and outstanding | 838 | 841 |
| Additional paid-in capital | 1,627,764 | 1,638,655 |
| Retained earnings | 27,640 | 36,066 |
| Accumulated other comprehensive loss | - | (3,732) |
| | 1,752,342 | 1,767,930 |
| Total stockholders' equity | | |
| Total liabilities and stockholders' equity | \$4,760,893 | \$4,425,626 |

The accompanying notes are an integral part of these consolidated financial statements.

AMB PROPERTY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2001, 2000, and 1999

| | 2001 | 2000 | 1999 |
|----------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|
| (Dollars in thousands, except share and per share amounts) | | | |
| REVENUES | | | |
| Rental revenues | \$ 568,066 | \$ 464,164 | \$ 439,658 |
| Equity in earnings of unconsolidated joint ventures | 5,467 | 5,212 | 4,701 |
| Investment management income | 10,972 | 4,282 | 1,511 |
| Interest and other income | 16,340 | 6,549 | 2,313 |
| Total revenues | 600,845 | 480,207 | 448,183 |
| EXPENSES | | | |
| Property operating expenses | 69,016 | 50,566 | 51,739 |
| Real estate taxes | 69,180 | 57,164 | 56,184 |
| Interest, including amortization | 128,985 | 90,270 | 88,681 |
| Depreciation and amortization | 111,414 | 90,358 | 67,035 |
| General and administrative | 35,820 | 23,750 | 25,223 |
| Loss on investments in other companies | 20,758 | 2,500 | — |
| Total expenses | 435,173 | 314,608 | 288,862 |
| Income before minority interests and net gains from disposition of real estate | 165,672 | 165,599 | 159,321 |
| Minority interests' share of income | (63,541) | (44,961) | (34,011) |
| Gains from dispositions of real estate, net of minority interests: | | | |
| Gains on developments held for sale | 13,169 | — | — |
| Net gains from disposition of real estate, net of impairment charges of \$18.6 million, \$5.9 million, and \$0.5 million, respectively | 23,259 | 1,144 | 53,283 |
| Total net gains from dispositions of real estate | 36,428 | 1,144 | 53,283 |
| Net income before extraordinary items | 138,559 | 121,782 | 178,593 |
| Extraordinary items (early debt extinguishments) | (606) | — | (2,490) |
| Net income | 137,953 | 121,782 | 176,103 |
| Series A preferred stock dividends | (8,500) | (8,500) | (8,500) |
| Preferred unit redemption premium | (4,400) | — | — |
| Net income available to common stockholders | \$ 125,053 | \$ 113,282 | \$ 167,603 |
| BASIC INCOME PER COMMON SHARE | | | |
| Before extraordinary items | \$ 1.49 | \$ 1.35 | \$ 1.94 |
| Extraordinary items | — | — | (0.03) |
| Net income available to common stockholders | \$ 1.49 | \$ 1.35 | \$ 1.94 |
| DILUTED INCOME PER COMMON SHARE | | | |
| Before extraordinary items | \$ 1.47 | \$ 1.35 | \$ 1.97 |
| Extraordinary items | — | — | (0.03) |
| Net income available to common stockholders | \$ 1.47 | \$ 1.35 | \$ 1.94 |
| WEIGHED AVERAGE COMMON SHARES OUTSTANDING | | | |
| Basic | 84,174,644 | 83,697,170 | 86,271,862 |
| Diluted | 85,214,066 | 84,155,306 | 86,347,487 |

The accompanying notes are an integral part of these consolidated financial statements.

AMB PROPERTY CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2001, 2000, and 1999

| | Series A Preferred Stock | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total |
|----------------------------------------------------------------------|--------------------------------|---------------------|--------|----------------------------------|----------------------|-------------------------------------------------|-------------|
| | | Number of Shares | Amount | | | | |
| (Dollars in thousands, except share amounts) | | | | | | | |
| AMB Property Corporation | | | | | | | |
| Balance as of December 31, 1998 | \$96,100 | 85,917,520 | \$ 859 | \$1,668,401 | \$ — | \$ — | \$1,765,360 |
| Comprehensive income: | | | | | | | |
| Net income | 8,500 | — | — | — | 167,603 | — | |
| Unrealized gains on securities | — | — | — | — | — | 28,993 | |
| Total comprehensive income | — | — | — | — | — | — | 205,096 |
| Issuance of restricted stock, net | — | 98,368 | 1 | 2,214 | — | — | 2,215 |
| Retirement of common stock | — | (1,443,600) | (14) | (27,286) | — | — | (27,300) |
| Exercise of stock options | — | 25,000 | — | 526 | — | — | 526 |
| Conversion of Operating Partnership units | — | 535,753 | 5 | 11,048 | — | — | 11,053 |
| Deferred compensation | — | — | — | (3,080) | — | — | (3,080) |
| Deferred compensation amortization | — | — | — | 952 | — | — | 952 |
| Reallocation of Limited Partners' Interest in Operating Partnership | — | — | — | 3,451 | — | — | 3,451 |
| Dividends | (8,500) | — | — | — | (120,514) | — | (129,014) |
| Balance as of December 31, 1999 | 96,100 | 85,133,041 | 851 | 1,656,226 | 47,089 | 28,993 | 1,829,259 |
| Comprehensive income: | | | | | | | |
| Net income | 8,500 | — | — | — | 113,282 | — | |
| Unrealized loss on securities | — | — | — | — | — | (32,725) | |
| Total comprehensive income | — | — | — | — | — | — | 89,057 |
| Issuance of restricted stock, net | — | 161,996 | 2 | 3,268 | — | — | 3,270 |
| Retirement of common stock | — | (1,465,926) | (15) | (29,303) | — | — | (29,318) |
| Exercise of stock options | — | 103,217 | 1 | 2,179 | — | — | 2,180 |
| Conversion of Operating Partnership units | — | 206,423 | 2 | 4,911 | — | — | 4,913 |
| Deferred compensation | — | — | — | (3,270) | — | — | (3,270) |
| Deferred compensation amortization | — | — | — | 1,022 | — | — | 1,022 |
| Reallocation of limited partners' interests in Operating Partnership | — | — | — | 3,622 | — | — | 3,622 |
| Dividends | (8,500) | — | — | — | (124,305) | — | (132,805) |
| Balance as of December 31, 2000 | 96,100 | 84,138,751 | 841 | 1,638,655 | 36,066 | (3,732) | 1,767,930 |
| Comprehensive income: | | | | | | | |
| Net income | 8,500 | — | — | — | 129,453 | — | |
| Preferred unit redemption premium | — | — | — | — | (4,400) | — | |
| Reversal of unrealized loss on securities | — | — | — | — | — | 3,732 | |
| Total comprehensive income | — | — | — | — | — | — | 137,285 |
| Issuance of restricted stock, net | — | 237,920 | 2 | 5,851 | — | — | 5,853 |
| Exercise of stock options | — | 201,960 | 2 | 4,272 | — | — | 4,274 |
| Conversion of Operating Partnership units | — | 635,798 | 7 | 15,248 | — | — | 15,255 |
| Retirement of common stock | — | (1,392,600) | (14) | (32,878) | — | — | (32,892) |
| Deferred compensation | — | — | — | (5,853) | — | — | (5,853) |
| Deferred compensation amortization | — | — | — | 2,725 | — | — | 2,725 |
| Reallocation of limited partners' interest in Operating Partnership | — | — | — | (256) | — | — | (256) |
| Dividends | (8,500) | — | — | — | (133,479) | — | (141,979) |

| | | | | | | | |
|--------------------------------------------|----------|------------|--------|-------------|-----------|------|-------------|
| Balance as of December 31, 2001 | \$96,100 | 83,821,829 | \$ 838 | \$1,627,764 | \$ 27,640 | \$ — | \$1,752,342 |
|--------------------------------------------|----------|------------|--------|-------------|-----------|------|-------------|

The accompanying notes are an integral part of these consolidated financial statements.

AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2001, 2000, and 1999

| | 2001 | 2000 | 1999 |
|------------------------------------------------------------------------------------|------------------------|------------|------------|
| | (Dollars in thousands) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net Income | \$ 137,953 | \$ 121,782 | \$ 176,103 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 111,414 | 90,358 | 67,035 |
| Loss on investments in other companies | 20,758 | 2,500 | — |
| Straight-line rents | (10,093) | (10,203) | (10,847) |
| Amortization of debt premiums and financing costs | (2,947) | (6,055) | (3,009) |
| Deferred compensation amortization | (2,725) | (1,022) | (952) |
| Minority interests | 63,541 | 44,961 | 34,011 |
| Gains from dispositions of real estate | (36,428) | (1,144) | (53,283) |
| Non-cash portion of extraordinary items | (615) | — | (6,058) |
| Equity in loss of AMB Investment Management | 43 | 3,159 | 875 |
| Equity in earnings of unconsolidated joint ventures | (5,467) | (5,212) | (4,701) |
| Changes in assets and liabilities: | | | |
| Other assets | 19,753 | (35,620) | 6,151 |
| Other liabilities | (6,625) | 57,671 | (14,934) |
| Net cash provided by operating activities | 288,562 | 261,175 | 190,391 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Change in restricted cash and cash equivalents | 13,703 | (4,002) | (98,480) |
| Cash paid for property acquisitions | (402,208) | (604,872) | (399,891) |
| Additions to buildings, development costs, and other first generation improvements | (174,651) | (153,534) | (152,643) |
| Additions to second generation building improvements and lease costs | (47,842) | (40,573) | (27,289) |
| Additions to interests in unconsolidated joint ventures | — | (13,158) | (7,789) |
| Distributions received from unconsolidated joint ventures | 5,341 | 4,295 | 3,787 |
| Net proceeds from divestiture of real estate | 242,505 | 85,345 | 746,037 |
| Net cash provided by (used in) investing activities | (363,152) | (726,499) | 63,732 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Issuance of common stock | 4,274 | 2,180 | 732 |
| Retirement of common stock | (32,892) | — | (27,300) |
| Borrowings on secured debt | 362,052 | 156,797 | 36,174 |
| Payments on secured debt | (88,866) | (71,822) | (117,463) |
| Borrowings on unsecured credit facility | 210,000 | 510,000 | 327,000 |
| Payments on unsecured credit facility | (414,000) | (377,000) | (478,000) |
| Borrowings on Alliance Fund I credit facility | — | — | 80,000 |
| Payments on Alliance Fund I credit facility | — | (80,000) | — |
| Borrowings on Alliance Fund II credit facility | 125,000 | — | — |
| Payments on Alliance Fund II credit facility | (1,500) | — | — |
| Payment of financing fees | (7,296) | (6,364) | (242) |
| Net proceeds from issuances of senior debt securities | 99,406 | 278,183 | — |
| Net proceeds from issuances of preferred units | 63,727 | 61,413 | 88,476 |
| Contributions from co-investment partners | 134,770 | 153,872 | 14,611 |
| Redemption of Series C preferred units | (114,400) | — | — |
| Dividends paid to common and preferred stockholders | (141,979) | (130,680) | (133,266) |
| Distributions to minority interests, including preferred units | (70,993) | (44,209) | (31,443) |
| Net cash provided by (used in) financing activities | 127,303 | 452,370 | (240,721) |
| Net increase (decrease) in cash and cash equivalents | 52,713 | (12,954) | 13,402 |
| Cash and cash equivalents at beginning of period | 20,358 | 33,312 | 19,910 |
| Cash and cash equivalents at end of period | \$ 73,071 | \$ 20,358 | \$ 33,312 |
| Supplemental Disclosures of Cash Flow Information | | | |
| Cash paid for interest | \$ 147,637 | \$ 90,138 | \$ 89,627 |
| Non-cash transactions: | | | |
| Acquisition of properties | \$ 428,254 | \$ 729,972 | \$ 471,905 |
| Assumption of debt | (9,724) | (125,100) | (57,480) |
| Acquisition capital | (16,322) | — | — |
| Minority interest's contribution, including units issued | — | — | (14,534) |
| Net cash paid | \$ 402,208 | \$ 604,872 | \$ 399,891 |

The accompanying notes are an integral part of these consolidated financial statements.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

1. Organization and Formation of the Company

AMB Property Corporation, a Maryland corporation (the "Company"), commenced operations as a fully integrated real estate company effective with the completion of its initial public offering on November 26, 1997. The Company elected to be taxed as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986 (the "Code"), commencing with its taxable year ended December 31, 1997, and believes its current organization and method of operation will enable it to maintain its status as a real estate investment trust. The Company, through its controlling interest in its subsidiary, AMB Property, L.P., a Delaware limited partnership (the "Operating Partnership"), is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of industrial buildings primarily in eight hub markets and gateway cities. Unless the context otherwise requires, the "Company" means AMB Property Corporation, the Operating Partnership, and its other controlled subsidiaries.

As of December 31, 2001, the Company owned an approximate 94.4% general partner interest in the Operating Partnership, excluding preferred units. The remaining 5.6% limited partner interest is owned by non-affiliated investors and certain current and former directors and officers of the Company. For local law purposes, certain properties are owned through limited partnerships and limited liability companies. The ownership of such properties through such entities does not materially affect the Company's overall ownership interests in the properties. As the sole general partner of the Operating Partnership, the Company has full, exclusive, and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership. Net operating results of the Operating Partnership are allocated after preferred unit distributions based on the respective partners' ownership interests.

Through the Operating Partnership, the Company enters into co-investment joint ventures with institutional investors. See note 10. These co-investment joint ventures provide the Company with an additional source of capital to fund certain acquisitions and development and renovation projects. As of December 31, 2001, the Company had investments in five co-investment joint ventures, which are consolidated for financial reporting purposes.

AMB Capital Partners, LLC, a Delaware limited liability company ("AMB Capital Partners"), the predecessor-in-interest to AMB Investment Management, Inc. ("AMB Investment Management"), provides real estate investment services to clients on a fee basis. Headlands Realty Corporation, a Maryland corporation, conducts a variety of businesses that include incremental income programs, such as the Company's CustomerAssist Program and development projects available for sale to third parties. On December 31, 2001, AMB Investment Management was reorganized through a series of related transactions into AMB Capital Partners. The Operating Partnership is the managing member of AMB Capital Partners. On May 31, 2001, the Operating Partnership acquired 100% of the common stock of AMB Investment Management and Headlands Realty Corporation from current and former executive officers of the Company, a former executive officer of AMB Investment Management, and a director of Headlands Realty Corporation, thereby acquiring 100% of both entities' capital stock. The Operating Partnership began consolidating its investments in AMB Investment Management and Headlands Realty Corporation on May 31, 2001. Prior to May 31, 2001, the Operating Partnership reflected its investment using the equity method. The impact of consolidating AMB Investment Management and Headlands Realty Corporation was not material.

As of December 31, 2001, the Company owned 905 industrial buildings and seven retail centers, located in 26 markets throughout the United States (unaudited). The Company's strategy is to become a leading provider of High Throughput Distribution, or HTD, properties in supply-constrained, in fill submarkets located near key international passenger and cargo airports, highway systems, and sea ports in major metropolitan areas, such as Atlanta, Chicago, Dallas/ Fort Worth, Northern New Jersey/ New York City, the San Francisco Bay Area, Southern California, Miami, and Seattle. As of December 31, 2001, the industrial buildings, principally warehouse distribution buildings, encompassed approximately 81.6 million rentable

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

square feet and were 94.5% leased to over 2,900 customers (unaudited). As of December 31, 2001, the retail centers, principally grocer-anchored community shopping centers, encompassed approximately 1.3 million rentable square feet and were 89.3% leased to more than 160 customers (unaudited).

As of December 31, 2001, through AMB Capital Partners, the Company also managed industrial buildings and retail centers, totaling approximately 2.7 million rentable square feet on behalf of various clients (unaudited). In addition, the Company has invested in industrial buildings, totaling approximately 4.9 million rentable square feet, through unconsolidated joint ventures (unaudited).

2. Summary of Significant Accounting Policies

Generally Accepted Accounting Principles. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation. The accompanying consolidated financial statements include the financial position, results of operations, and cash flows of the Company, its wholly-owned qualified REIT subsidiaries, the Operating Partnership, and joint ventures (the "Joint Ventures"), in which the Company has a controlling interest. Third-party equity interests in the Operating Partnership and the Joint Ventures are reflected as minority interests in the consolidated financial statements. The Company also has three non-controlling limited partnership interests in three separate unconsolidated real estate joint ventures, which are accounted for under the equity method. All significant intercompany amounts have been eliminated.

Investments in Real Estate. Investments in real estate are stated at cost unless circumstances indicate that cost cannot be recovered, in which case, the carrying value of the property is reduced to estimated fair value. Carrying values for financial reporting purposes are reviewed for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of a property may not be recoverable. Impairment is recognized when estimated expected future cash flows (undiscounted and without interest charges) are less than the carrying value of the property. The estimation of expected future net cash flows is inherently uncertain and relies on assumptions regarding current and future economics and market conditions and the availability of capital. If impairment analysis assumptions change, then an adjustment to the carrying value of the Company's long-lived assets could occur in the future period in which the assumptions change. To the extent that a property is impaired, the excess of the carrying amount of the property over its estimated fair value is charged to income and is included with gains from disposition of real estate, net on the consolidated statements of operations. The Company evaluated its properties held for divestiture and operating properties for impairment and reduced their carrying value by \$18.6 million and \$5.9 million in 2001 and 2000, respectively. The management of the Company believes that there are no additional impairments of the carrying values of its investments in real estate at December 31, 2001.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the real estate investments. The estimated lives and components of depreciation and amortization expense for the years ended December 31, are as follows:

| Depreciation and Amortization Expenses | Estimated Lives | 2001 | 2000 | 1999 |
|----------------------------------------|---------------------------|-----------|----------|----------|
| (Dollars in thousands) | | | | |
| Building costs | 40 | \$ 73,462 | \$62,097 | \$54,198 |
| Buildings and improvements: | | | | |
| Roof/ HVAC/parking lots | 10 | 3,836 | 2,404 | 1,106 |
| Plumbing/signage | 7 | 805 | 484 | 144 |
| Painting and other | 5 | 7,664 | 6,345 | 2,546 |
| Tenant improvements | Term of the related lease | 12,305 | 9,165 | 4,091 |
| Lease commissions | Term of the related lease | 11,311 | 8,641 | 3,902 |
| | | | | |
| Total real estate depreciation | | 109,383 | 89,136 | 65,987 |
| Other depreciation and amortization | Various | 2,031 | 1,222 | 1,048 |
| | | | | |
| Total depreciation and amortization | | \$111,414 | \$90,358 | \$67,035 |

The cost of buildings and improvements includes the purchase price of the property or interest in property, including legal fees and acquisition costs. Project costs directly associated with the development and construction of a real estate project, which include interest and property taxes, are capitalized as construction in progress. Capitalized interest related to construction projects for the years ended December 31, 2001, 2000, and 1999, was \$13.7 million, \$15.5 million, and \$10.9 million, respectively.

Expenditures for maintenance and repairs are charged to operations as incurred. Maintenance expenditures include planned major maintenance activities such as painting, paving, HVAC, and roofing repair costs. The Company expenses costs as incurred and does not accrue in advance of planned major maintenance activities. Significant renovations or betterments that extend the economic useful life of assets are capitalized.

Reverse Exchanges. Reverse exchanges represent loan agreements with third parties, whereby the Company loans substantially all funds to the third party to acquire a real estate investment that we intend to acquire in a Section 1031 exchange. The loan is secured by the real estate investment and title is held by the third party. Upon acquisition of the property by the third party, the Company records the asset as an investment in real estate and records the rental income and expenses associated with the property as the Company retains the risk of loss and the benefits of the asset. At December 31, 2001, the Company had one property in a reverse exchange valued at \$10.9 million.

Concentration of Credit Risk. Other real estate companies compete with the Company in its real estate markets. This results in competition for customers to occupy space. The existence of competing properties could have a material impact on the Company's ability to lease space and on the amount of rent received. As of December 31, 2001, the Company did not have any single tenant that accounted for greater than 1.3% of rental revenues.

Cash and Cash Equivalents. Cash and cash equivalents include cash held in financial institutions and other highly liquid short-term investments with original maturities of three months or less.

Restricted Cash. Restricted cash includes cash held in escrow in connection with property purchases, exchange funds, and capital improvements.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accounts Receivable. Accounts receivable includes all current accounts receivable, other accruals, and deferred rent receivable of \$37.9 million and \$28.0 million at December 31, 2001 and 2000, respectively.

Deferred Financing Costs. Costs incurred in connection with financings are capitalized and amortized to interest expense using the effective-interest method over the term of the related loan. As of December 31, 2001 and 2000, deferred financing costs were \$17.5 million and \$10.7 million, respectively, net of accumulated amortization of \$8.5 million and \$4.7 million, respectively. Such amounts are included in other assets on the accompanying consolidated balance sheets.

Investments in Other Companies. Investments in other companies were accounted for on a cost basis and realized gains and losses were included in current earnings. For its investments in private companies, the Company periodically reviewed its investments and management determined if the value of such investments had been permanently impaired. During 2001, the Company recognized losses on its investments in other companies totaling \$20.8 million, including its investment in Webvan Group, Inc. The Company had previously recognized gains and losses on its investment in Webvan Group, Inc. as a component of other comprehensive income. As of December 31, 2001, the Company had realized a loss on 100% of its investments in other companies.

Debt Premiums. Debt premiums represent the excess of the fair value of debt over the principal value of debt assumed in connection with the Company's initial public offering and subsequent acquisitions. The debt premiums are being amortized into interest expense over the term of the related debt instrument using the effective interest method. As of December 31, 2001 and 2000, the net unamortized debt premium was \$6.8 million and \$9.9 million, respectively, and are included as a component of secured debt on the accompanying consolidated balance sheets.

Rental Revenues. The Company, as a lessor, retains substantially all of the benefits and risks of ownership of the properties and accounts for its leases as operating leases. Rental income is recognized on a straight-line basis over the term of the leases. Reimbursements from customers for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable expenses are incurred. Differences between estimated and actual amounts are recognized in the subsequent year. In addition, the Company nets its bad debt expense against rental income for financial reporting purposes.

Investment Management Income. Investment management income consists primarily of asset management fees and acquisition and disposition fees earned by AMB Capital Partners from joint ventures and clients. Investment management income also includes priority distributions from the Operating Partnership's co-investment joint ventures of \$2.3 million in 2001.

Interest and Other Income. Interest and other income consists primarily of interest income from mortgages receivable and on cash and cash equivalents.

Comprehensive Income. Comprehensive income consists of net income and unrealized gains and losses on certain investments in equity securities and is presented in the consolidated statements of stockholders' equity.

Derivatives. The Company adopted FASB Statement No. 133 on derivatives on January 1, 2001. The adoption did not impact its financial position or results of operations as the Company does not utilize derivative instruments in its operations. FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statement No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement, as amended, requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Reclassifications. Certain items in the consolidated financial statements for prior periods have been reclassified to conform with current classifications with no effect on results of operations.

3. Transactions with Affiliates

Prior to January 1, 2002, the Company and AMB Capital Partners had an agreement that allowed for the sharing of certain costs and employees. Additionally, the Company provided AMB Capital Partners with certain acquisition-related services. For the years ended December 31, 2001, 2000, and 1999, the Company allocated \$3.2 million, \$2.8 million, and \$2.7 million, respectively, for shared costs to AMB Capital Partners.

The Company and AMB Capital Partners share common office space under lease obligations. Such lease obligations are charged to the Company and AMB Capital Partners at cost. For the years ended December 31, 2001, 2000, and 1999, the Company paid \$0.9 million, \$1.4 million, and \$1.3 million, respectively, for occupancy costs related to the lease obligations of the affiliate.

As of May 31, 2001, the Company held all of the outstanding capital stock of AMB Investment Management, Inc., the predecessor-in-interest to AMB Capital Partners, LLC. On December 31, 2001, AMB Investment Management was reorganized through a series of related transactions into AMB Capital Partners. On May 31, 2001, the Operating Partnership acquired 100% of the common stock of AMB Investment Management from current and former executive officers of the Company and a former executive officer of AMB Investment Management, thereby owning 100% of the entities' capital stock, for \$0.3 million. The Operating Partnership began consolidating its investment in AMB Investment Management on May 31, 2001. Prior to May 31, 2001, the Operating Partnership owned 100% of AMB Investment Management's non-voting preferred stock (representing a 95% economic interest therein) and reflected its investment using the equity method.

4. Real Estate Acquisition and Development Activity (square footage information is unaudited)

During 2001, the Company invested \$428.3 million in operating properties, consisting of 65 industrial buildings aggregating approximately 6.8 million square feet, which included the investment of \$219.5 million in 36 industrial buildings aggregating approximately 3.8 million square feet through three of the Company's co-investment joint ventures.

During 2001, the Company also contributed operating properties valued at \$539.2 million, consisting of 111 industrial buildings aggregating approximately 10.8 million square feet, to three of its co-investment joint ventures. The properties contributed to the co-investment joint ventures were reflected at the Company's historical cost because the Company controls these joint ventures and, therefore, they were under common control. The Company recognized a gain of \$17.8 million related to these contributions representing the portion of the contributed properties acquired by the third party co-investors.

During 2001, the Company completed industrial and retail developments valued at \$148.0 million and \$73.9 million, respectively, aggregating approximately 2.3 million and \$0.4 million square feet, respectively. The Company also initiated new industrial development projects valued at \$9.7 million aggregating approximately 0.2 million square feet.

As of December 31, 2001, the Company had in its development pipeline: (1) 12 industrial projects, which will total approximately 3.1 million square feet and have an aggregate estimated investment by the Company and, in certain instances, the Company's co-investors of \$154.4 million upon completion; and (2) two development projects available for sale, which will total approximately 0.6 million square feet and have an aggregate estimated investment of \$50.0 million upon completion. As of December 31, 2001, the Company and its Development Alliance Partners have funded an aggregate of \$127.3 million and will need to fund an estimated additional \$77.1 million in order to complete current and planned projects.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

During 2000, the Company invested \$730.0 million in operating properties, consisting of 145 industrial buildings aggregating approximately 10.5 million square feet. Of this, \$185.6 million was acquired by the Alliance Fund I, consisting of 44 industrial buildings, aggregating approximately 2.6 million square feet. The Company also initiated 17 new development projects, aggregating approximately 4.5 million square feet, with a total estimated cost of \$224.0 million upon completion. In 2000, the Company also completed 12 development projects, aggregating approximately 3.1 million square feet, at a total aggregate cost of \$144.3 million.

5. Property Divestitures and Properties Held for Divestiture

Property Divestitures. During 2001, the Company divested itself of 24 industrial and two retail buildings, aggregating approximately 3.2 million square feet (unaudited), for an aggregate price of \$193.4 million, with a resulting net gain of \$24.1 million, which is net of minority interests' share. The resulting net gain is before impairment charges of \$18.6 million and the gain on the Company's contributed properties of \$17.8 million.

During 2000, the Company divested itself of 25 industrial buildings and one retail center, aggregating approximately 2.5 million square feet (unaudited), for an aggregate price of \$175.7 million, with a resulting net gain of \$7.0 million. The resulting net gain is before impairment charges of \$5.9 million. The retail center was located in Los Angeles, California, aggregated approximately 0.4 million square feet, and sold for \$89.0 million. The Company carries a 9.5% mortgage note in the principal amount of \$74.0 million on the retail center sale. The mortgage note matures in September 2002.

Properties Held for Divestiture. The Company has decided to divest itself of seven retail centers and three industrial properties, which are not in its core markets or which do not meet its strategic objectives. The divestitures of the properties are subject to negotiation of acceptable terms and other customary conditions. Properties held for divestiture are stated at the lower of cost or estimated fair value less costs to sell.

The following summarizes the condensed results of operations of the properties held for divestiture for the years ended December 31:

| | 2001 | 2000 | 1999 |
|---------------------------------------------------|------------------------|----------|----------|
| | (Dollars in thousands) | | |
| Rental revenues | \$20,203 | \$16,990 | \$15,993 |
| Property operating expenses and real estate taxes | (8,067) | (6,289) | (5,691) |
| Net operating income | 12,136 | 10,701 | 10,302 |
| Depreciation expense | (1,864) | (2,206) | (2,161) |
| Interest expense | (3,546) | (4,216) | (3,870) |
| Net income | \$ 6,726 | \$ 4,279 | \$ 4,271 |

6. Mortgages Receivable

In September 2000, the Company sold a retail center located in Los Angeles, California. As of December 31, 2001, the Company carried a 9.5% mortgage note in the principal amount of \$74.0 million on the retail center. The maturity date of the mortgage note was extended to September 30, 2002. During 2001, the Company renegotiated this mortgage and received a \$5.0 million pay-down on the principal balance and increased the interest rate to 9.5% from 8.75%. The Company has a first lien against the retail center as collateral for the mortgage note and believes that the underlying value of the retail center is equal to or greater than the fair value of the mortgage note.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Through a wholly-owned subsidiary, the Company also holds a mortgage loan receivable on AMB Pier One, LLC, an unconsolidated joint venture. The note bears interest at 13.0% and matures in May 2026. As of December 31, 2001, the outstanding balance on the note was \$13.2 million.

7. Debt

Debt consisted of the following, as of December 31:

| | 2001 | 2000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------|
| | (Dollars in thousands) | |
| REIT Secured debt, varying interest rates from 4.0% to 10.4% due July 2002 to April 2014 (weighted average interest rate of 8.1% as of December 31, 2001) | \$ 453,954 | \$ 568,650 |
| Joint venture secured debt, varying interest rates from 5.9% to 10.6% due February 2002 to June 2023 (weighted average interest rate of 7.1% as of December 31, 2001) | 759,374 | 361,768 |
| Unsecured senior debt securities, weighted average interest rate of 7.3%, due June 2005 to June 2018 | 780,000 | 680,000 |
| Unsecured credit facility, variable interest at LIBOR plus 0.75% (interest rate of 2.8% as of December 31, 2001), due May 2003 | 12,000 | 216,000 |
| Alliance Fund II credit facility, variable interest at LIBOR plus 0.875% (weighted average interest rate of 2.8% as of December 31, 2001) | 123,500 | — |
| Subtotal | 2,128,828 | 1,826,418 |
| Unamortized premiums | 6,836 | 9,858 |
| Total consolidated debt | \$2,135,664 | \$1,836,276 |

Secured debt generally requires monthly principal and interest payments. The secured debt is secured by deeds of trust on certain properties. As of December 31, 2001 and 2000, the total gross investment book value of those properties securing the debt was \$2.3 billion and \$2.0 billion, respectively, including \$1.2 billion and \$0.7 billion, respectively, in joint ventures. All of the secured debt bears interest at fixed rates, except for three loans with an aggregate principal amount of \$52.4 million as of December 31, 2001, and two loans with an aggregate principal amount of \$29.8 million as of December 31, 2000, which bear interest at variable rates (weighted average interest rate of 3.8% as of December 31, 2001). The secured debt has various financial and non-financial covenants. Management believes that the Company and the Operating Partnership were in material compliance with these covenants as of December 31, 2001 and 2000. As of December 31, 2001, the Company had 22 non-recourse secured loans, which are cross collateralized by 48 properties. As of December 31, 2001, the Company had \$551.9 million (not including unamortized debt premiums) outstanding on these loans. As of December 31, 2001 and 2000, the estimated fair value of the REIT and joint venture secured debt was \$1.2 billion and \$1.0 billion, respectively.

Interest on the senior debt securities is payable semi-annually. The 2015 notes are putable and callable in June 2005. The senior debt securities are subject to various financial and non-financial covenants. Management believes that the Company was in material compliance with these covenants at December 31, 2001 and 2000. As of December 31, 2001 and 2000, the estimated fair value of the unsecured senior debt was \$802.4 million and \$689.4 million, respectively.

In August 2000, the Operating Partnership commenced a medium-term note program for the issuance of up to \$400.0 million in principal amount of medium-term notes, which will be guaranteed by the Company. As of December 31, 2001, the Operating Partnership had issued \$380.0 million of medium-term notes under

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

this program, leaving \$20.0 million available for issuance. However, on January 14, 2002, the Operating Partnership issued and sold the remaining \$20.0 million of the notes under this program to Lehman Brothers, Inc., as principal. The Company has guaranteed the notes, which mature on January 17, 2007, and bear interest at 5.90% per annum. The Operating Partnership used the net proceeds of \$19.9 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties. In September 2001, the Operating Partnership issued and sold \$25.0 million of the notes under this program to Lehman Brothers Inc., as principal. The Company guaranteed the notes, which mature on September 6, 2011, and bear interest at 6.75%. The Operating Partnership used the net proceeds of \$24.8 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties. In March 2001, the Operating Partnership issued and sold \$50.0 million of the notes under this program to First Union Securities, Inc., as principal. The Company guaranteed the notes, which mature on March 7, 2011, and bear interest at 7.00%. The Operating Partnership used the net proceeds of \$49.7 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties. The notes have various financial and non-financial covenants. In January 2001, the Operating Partnership issued and sold \$25.0 million of the notes under this program to A.G. Edwards & Sons, Inc., as principal. The Company guaranteed the notes, which mature on January 30, 2006, and bear interest at 6.90%. The Operating Partnership used the net proceeds of \$24.9 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties. Management believes that the Company and the Operating Partnership were in material compliance with these covenants at December 31, 2001.

In May 2000, the Operating Partnership entered into a \$500.0 million unsecured revolving credit agreement. The Company guarantees the Operating Partnership's obligations under the credit facility. The credit facility matures in May 2003, has a one-year extension option, and is subject to a 15 basis point annual facility fee based on the Company's credit rating. The credit facility has various financial and non-financial covenants. Management believes that the Company and the Operating Partnership were in material compliance with these covenants at December 31, 2001. The Operating Partnership has the ability to increase available borrowings to \$700.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase their commitments. Monthly debt service payments on the credit facility are interest only. The total amount available under the credit facility fluctuates based upon the borrowing base, as defined in the agreement governing the credit facility. As of December 31, 2001, the remaining amount available under the credit facility was \$488.0 million (excluding the additional \$200.0 million of potential additional capacity).

In July 2001, AMB Institutional Alliance Fund II, L.P. ("Alliance Fund II") obtained a \$150.0 million credit facility from Bank of America, N.A. Borrowings currently bear interest at LIBOR plus 87.5 basis points. The credit facility is secured by the unfunded capital commitments of the third party investors in AMB Institutional Alliance REIT II, Inc. ("Alliance REIT II") and the Alliance Fund II. As of December 31, 2001, the outstanding balance was \$123.5 million and the remaining amount available was \$26.5 million. The credit facility has various financial and non-financial covenants. Management believes that the Company and the Operating Partnership were in material compliance with these covenants at December 31, 2001.

During 2001, the Operating Partnership retired \$55.2 million of secured debt prior to maturity. The Operating Partnership recognized a net extraordinary loss of \$0.6 million related to the early debt retirement.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of December 31, 2001, the scheduled maturities of the Company's total debt, excluding unamortized debt premiums, were as follows:

| | Secured Debt | Joint Venture Secured Debt | Unsecured Senior Debt Securities | Credit Facilities | Total |
|------------------------|------------------|----------------------------|----------------------------------|-------------------|--------------------|
| (Dollars in thousands) | | | | | |
| 2002 | \$ 28,193 | \$ 68,505 | \$ — | \$ — | \$ 96,698 |
| 2003 | 76,295 | 13,577 | — | 135,500 | 225,372 |
| 2004 | 65,284 | 47,607 | — | — | 112,891 |
| 2005 | 62,826 | 37,796 | 250,000 | — | 350,622 |
| 2006 | 94,965 | 74,115 | 25,000 | — | 194,080 |
| 2007 | 30,198 | 25,682 | 55,000 | — | 110,880 |
| 2008 | 33,619 | 147,552 | 175,000 | — | 356,171 |
| 2009 | 5,176 | 32,351 | — | — | 37,527 |
| 2010 | 52,780 | 71,966 | 75,000 | — | 199,746 |
| 2011 | 1,311 | 167,878 | 75,000 | — | 244,189 |
| Thereafter | 3,307 | 72,345 | 125,000 | — | 200,652 |
| | <u>\$453,954</u> | <u>\$759,374</u> | <u>\$780,000</u> | <u>\$135,500</u> | <u>\$2,128,828</u> |

8. Leasing Activity

Future minimum rental income due under noncancelable leases with customers in effect as of December 31, 2001, is as follows

| | (Dollars in thousands) |
|------------|------------------------|
| 2002 | \$ 493,020 |
| 2003 | 436,519 |
| 2004 | 345,816 |
| 2005 | 251,224 |
| 2006 | 179,831 |
| Thereafter | 509,636 |
| Total | <u>\$ 2,216,046</u> |

The schedule does not reflect future rental revenues from the renewal or replacement of existing leases and excludes property operating expense reimbursements.

In addition to minimum rental payments, certain customers pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$116.7 million, \$77.9 million, and \$81.1 million for the years ended December 31, 2001, 2000, and 1999, respectively. These amounts are included as rental income and operating expenses in the accompanying consolidated statements of operations. Certain of the leases also provide for the payment of additional rent based on a percentage of the tenant's revenues. For the years ended December 31, 2001, 2000, and 1999, the Company recognized percentage rent revenues related to its retail properties of \$0.5 million, \$0.8 million, and \$2.0 million, respectively. Some leases contain options to renew.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. Income Taxes

The Company elected to be taxed as a REIT under the Code, commencing with its taxable year ended December 31, 1997. 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. It is management's current intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to corporate level federal income tax on net income it distributes currently to its stockholders. As such, no provision for federal income taxes has been included in the accompanying consolidated financial statements. If the Company fails to qualify as a REIT in any taxable year, then it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed taxable income.

The following reconciles net income available to common stockholders to taxable income available to common stockholders for the years ended December 31:

| | 2001 | 2000 | 1999 |
|-----------------------------------------------------------|------------------------|------------------|------------------|
| | (Dollars in thousands) | | |
| Net income available to common stockholders | \$ 125,053 | \$113,282 | \$167,603 |
| Add: Book depreciation and amortization | 111,414 | 90,358 | 67,035 |
| Less: Tax depreciation and amortization | (117,400) | (87,338) | (69,264) |
| Book/tax difference on gain on divestiture of real estate | (7,563) | 24,688 | (15,001) |
| Other book/tax differences, net(1) | 15,943 | (5,723) | (12,722) |
| Taxable income available to common stockholders | <u>\$ 127,447</u> | <u>\$135,267</u> | <u>\$137,651</u> |

(1) Primarily due to straight-line rent, prepaid rent, and debt premium amortization timing differences.

For income tax purposes, distributions paid to common stockholders consist of ordinary income, capital gains, or a combination thereof. For the years ended December 31, 2001, 2000, and 1999, the Company elected to distribute all of its taxable capital gain. Dividends paid per share for the years ended December 31, were taxable as follows:

| | 2001 | | 2000 | | 1999 | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Ordinary income | \$1.29 | 81.9% | \$1.21 | 82.0% | \$1.14 | 74.6% |
| Capital gains | 0.24 | 14.9% | 0.20 | 13.2% | 0.28 | 18.5% |
| Unrecaptured Section 1250 gain | 0.05 | 3.2% | 0.07 | 4.8% | 0.11 | 6.9% |
| Dividends paid or payable | <u>\$1.58</u> | <u>100.0%</u> | <u>\$1.48</u> | <u>100.0%</u> | <u>\$1.53</u> | <u>100.0%</u> |

10. Minority Interests

Minority interests in the Company represent the limited partnership interests in the Operating Partnership and interests held by certain third parties in several real estate joint ventures, aggregating approximately 28.7 million square feet (unaudited), which are consolidated for financial reporting purposes (unaudited). Such investments are consolidated because: (1) the Company owns a majority interest; or (2) the Company exercises significant control over major operating decisions such as approval of budgets, selection of property managers, and changes in financing.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Operating Partnership, together with one of the Company's other affiliates, owned, as of December 31, 2001, approximately 21% of the partnership interests in AMB Institutional Alliance Fund I, L.P. ("Alliance Fund I"). The Alliance Fund I is a co-investment partnership between the Operating Partnership and AMB Institutional Alliance REIT I, Inc. ("Alliance REIT I"), which includes 15 institutional investors as stockholders, and is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of primarily industrial buildings in target markets nationwide. As of December 31, 2001, the Alliance Fund I had received equity contributions from third party investors totaling \$169.0 million, which, when combined with debt financings and the Company's investment, creates a total capitalization of \$378.0 million. The Operating Partnership is the managing general partner of the Alliance Fund I.

The Company formed AMB Partners II, L.P. ("Partners II") with the City and County of San Francisco Employees' Retirement System ("CCSFERS") to acquire, manage, develop, and redevelop distribution facilities nationwide. On February 14, 2001, Partners II received an equity contribution from CCSFERS of \$50.0 million, which, when combined with anticipated debt financings and the Company's investment, creates a total planned capitalization of \$250.0 million. The Operating Partnership is the managing general partner of Partners II and owned, as of December 31, 2001, approximately 50% of Partners II.

The Company formed AMB-SGP, L.P. ("AMB-SGP") with a subsidiary of GIC Real Estate Pte Ltd., the real estate investment subsidiary of the Government of Singapore Investment Corporation ("GIC"), to own and operate, through a private real estate investment trust, distribution facilities nationwide. On March 23, 2001, AMB-SGP received an equity contribution from GIC of \$75.0 million, which, when combined with anticipated debt financings and the Company's investment in properties, creates a total planned capitalization of \$335.0 million. The Operating Partnership is the managing general partner of AMB-SGP and owned, as of December 31, 2001, approximately 50.3% of AMB-SGP.

The Company formed the Alliance Fund II, in which the Alliance REIT II became a partner on June 28, 2001. The Operating Partnership owns, as of December 31, 2001, approximately 20% of the partnership interests in the Alliance Fund II. The Alliance Fund II is a co-investment partnership between the Operating Partnership and the Alliance REIT II. The Alliance REIT II included 14 institutional investors as stockholders as of December 31, 2001. The Alliance Fund II is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of primarily industrial buildings in target markets nationwide. As of December 31, 2001, the Alliance Fund II had received equity commitments from third party investors of \$195.4 million, which, when combined with anticipated debt financings and the Company's investment, creates a total planned capitalization of \$488.6 million. The Operating Partnership is the managing general partner of the Alliance Fund II.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table distinguishes the minority interest liability and the minority interests' share of net income:

| | Minority Interest Liability As of December 31, | | Minority Interest Share of Net Income for the years ended December 31, | | |
|---------------------------------------------------------------|---------------------------------------------------|-----------|------------------------------------------------------------------------------|----------|----------|
| | 2001 | 2000 | 2001 | 2000 | 1999 |
| | (Dollars in thousands) | | | | |
| Joint venture partners | \$359,514 | \$240,671 | \$27,156 | \$12,306 | \$ 5,721 |
| Limited partners in the Operating Partnership | 98,785 | 115,654 | 7,703 | 8,042 | 8,789 |
| Series B Preferred Units (liquidation preference of \$65,000) | 62,319 | 62,319 | 5,608 | 5,608 | 5,608 |
| Series J Preferred Units (liquidation preference of \$40,000) | 38,906 | — | 873 | — | — |
| Held through AMB Property II, L.P.: | | | | | |
| Series C Preferred Units | — | 105,845 | 8,540 | 9,624 | 9,624 |
| Series D Preferred Units (liquidation preference of \$79,767) | 77,687 | 77,687 | 6,180 | 6,180 | 3,949 |
| Series E Preferred Units (liquidation preference of \$11,022) | 10,788 | 10,789 | 856 | 856 | 320 |
| Series F Preferred Units (liquidation preference of \$19,872) | 19,597 | 19,534 | 1,580 | 1,228 | — |
| Series G Preferred Units (liquidation preference of \$1,000) | 954 | 957 | 80 | 27 | — |
| Series H Preferred Units (liquidation preference of \$42,000) | 40,915 | 40,922 | 3,412 | 1,090 | — |
| Series I Preferred Units (liquidation preference of \$25,500) | 24,821 | — | 1,553 | — | — |
| | \$734,286 | \$674,378 | \$63,541 | \$44,961 | \$34,011 |

11. Investment in Unconsolidated Joint Ventures

The Company has non-controlling limited partnership interests in three separate unconsolidated joint ventures. The Company accounts for the joint ventures using the equity method of accounting. Under the agreements governing the joint ventures, the Company and the other party to the joint venture may be required to make additional capital contributions, and subject to certain limitations, the joint ventures may incur additional debt. The Company has a 56.1% interest in a joint venture, which owns an aggregate of 36 industrial buildings totaling approximately 4.0 million square feet. The Company also has a 50% interest in each of two other operating and development alliance joint ventures. The Company's net equity investment in these joint ventures is shown as Investment in unconsolidated joint ventures on the accompanying consolidated balance sheets. For the years ended December 31, 2001, 2000, and 1999, the Company's share of net operating income was \$10.2 million, \$8.3 million, and \$8.0 million, respectively.

12. Stockholders' Equity

On December 5, 2001, AMB Property II, L.P. ("AMB Property II"), one of the Company's subsidiaries, repurchased all of its 2,200,000 8.75% Series C Cumulative Redeemable Preferred Limited Partnership Units from three institutional investors. The Series C Preferred Units were redeemed for an aggregate cost of \$115.7 million, including accrued and unpaid dividends totaling \$1.3 million and a premium of \$4.4 million

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

that is reflected in the accompanying consolidated statements of operations. The Series C Preferred Units had a par value of \$110.0 million.

On September 21, 2001, the Operating Partnership issued and sold 800,000 7.95% Series J Cumulative Redeemable Preferred Limited Partnership Units at a price of \$50.00 per unit in a private placement. Distributions are cumulative from the date of issuance and payable quarterly in arrears. The Series J Preferred Units are redeemable by the Operating Partnership on or after September 21, 2006, subject to certain conditions, for cash at a redemption price equal to \$50.00 per unit, plus accumulated and unpaid distributions thereon, if any, to the redemption date. The Series J Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of the Company's Series J Preferred Stock. The Operating Partnership used the net proceeds of \$38.9 million for general corporate purposes, which may include the partial repayment of indebtedness or the acquisition or development of additional properties.

On March 21, 2001, AMB Property II issued and sold 510,000 8.00% Series I Cumulative Redeemable Preferred Limited Partnership Units at a price of \$50.00 per unit in a private placement. Distributions are cumulative from the date of issuance and payable quarterly in arrears at a rate per unit equal to \$4.00 per annum. The Series I Preferred Units are redeemable by AMB Property II on or after March 21, 2006, subject to certain conditions, for cash at a redemption price equal to \$50.00 per unit, plus accumulated and unpaid distributions thereon, if any, to the redemption date. The Series I Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of the Company's Series I Preferred Stock. AMB Property II used the net proceeds of \$24.9 million to repay advances from the Operating Partnership and to make a loan to the Operating Partnership. The Operating Partnership used the funds to partially repay borrowings under its unsecured credit facility and for general corporate purposes. The loan bears interest at 8.0% per annum and is payable on demand.

During 2001, the Company redeemed 223,092 and 635,798 common limited partnership units of the Operating Partnership for cash and shares of its common stock, respectively. Holders of common limited partnership units of the Operating Partnership have the right, commencing generally on or after the first anniversary of the holder becoming a limited partner of the Operating Partnership (or such other date agreed to by the Operating Partnership and the applicable unit holders), to require the Operating Partnership to redeem part or all of their common units for cash (based upon the fair market value of an equivalent number of shares of common stock at the time of redemption) or the Operating Partnership may, in its sole and absolute discretion (subject to the limits on ownership and transfer of common stock set forth in the Company's charter) elect to have the Company exchange those common units for shares of the Company's common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of certain rights, certain extraordinary distributions and similar events. The Company presently anticipates that the Operating Partnership will generally elect to have it issue shares of its common stock in exchange for common units in connection with a redemption request; however, the Operating Partnership has paid cash, and may in the future pay cash, for a redemption of common units. With each redemption or exchange, the Company's percentage ownership in the Operating Partnership will increase. Common limited partners may exercise this redemption right from time to time, in whole or in part, subject to the limitations that limited partners may not exercise the right set forth in the Company's charter if such exercise would result in any person actually or constructively owning shares of common stock in excess of the ownership limit or any other amount specified by the board of directors, assuming common stock was issued in the exchange.

The Company's board of directors approved a stock repurchase program in 1999 for the repurchase of up to \$100.0 million worth of common stock. During 2001, the Company repurchased 1,392,600 shares of its common stock at an average purchase price of \$23.62 per share under this program. Through December 31, 2001, the Company has repurchased 2,836,200 shares of its common stock at an average purchase price of \$21.22 per share. During 2000, the Company did not repurchase any shares of its common stock. The Company's stock repurchase program expired in December 2001. The Company's board of directors approved

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

a new stock repurchase program for the repurchase of up to \$100.0 million worth of common stock. The new stock repurchase program expires in December 2003 and no repurchases were made under the new program in 2001.

The following table sets forth the dividend payments per share or unit for the years ended December 31:

| Security | Paying Entity | 2001 | 2000 | 1999 |
|--------------------------|-----------------------|--------|--------|--------|
| Common Stock | Company | \$1.58 | \$1.48 | \$1.40 |
| OP Units | Operating Partnership | \$1.58 | \$1.48 | \$1.40 |
| Series A Preferred Stock | Company | \$2.13 | \$2.13 | \$2.13 |
| Series A Preferred Units | Operating Partnership | \$2.13 | \$2.13 | \$2.13 |
| Series B Preferred Units | Operating Partnership | \$4.31 | \$4.31 | \$4.31 |
| Series C Preferred Units | AMB Property II, L.P. | \$3.88 | \$4.38 | \$4.38 |
| Series D Preferred Units | AMB Property II, L.P. | \$3.88 | \$3.88 | \$2.48 |
| Series E Preferred Units | AMB Property II, L.P. | \$3.88 | \$3.88 | \$1.30 |
| Series F Preferred Units | AMB Property II, L.P. | \$3.98 | \$3.09 | n/a |
| Series G Preferred Units | AMB Property II, L.P. | \$3.98 | \$1.35 | n/a |
| Series H Preferred Units | AMB Property II, L.P. | \$4.06 | \$1.30 | n/a |
| Series I Preferred Units | AMB Property II, L.P. | \$3.04 | n/a | n/a |
| Series J Preferred Units | Operating Partnership | \$1.24 | n/a | n/a |

13. Stock Incentive Plan, 401(k) Plan, and Deferred Compensation Plan

Stock Incentive Plan. In November 1997, the Company established a Stock Option and Incentive Plan (the “Stock Incentive Plan”) for the purpose of attracting and retaining eligible officers, directors, and employees. The Company has reserved for issuance 8,950,000 shares of Common Stock under the Stock Incentive Plan. As of December 31, 2001, the Company had 7,437,219 non-qualified options outstanding granted to certain directors, officers, and employees. Each option is exchangeable for one share of the Company’s Common Stock. The options have a weighted average exercise price of \$22.16 and the exercise prices range from \$18.94 to \$26.53. Each option’s exercise price is equal to the Company’s market price on the date of grant. The options had an original ten-year term and generally vest pro rata in annual installments over a three- or four-year period from the date of grant.

The Company applies APB Opinion No. 25, “Accounting for Stock Issued to Employees” and related interpretations in accounting for its Stock Incentive Plan. Opinion 25 measures compensation cost using the intrinsic value based method of accounting. Under this method, compensation cost is the excess, if any, of the quoted market price of the stock at the date of grant over the amount an employee must pay to acquire the stock. Accordingly, no compensation cost has been recognized for the Company’s Stock Incentive Plan as of December 31, 2001.

As permitted by SFAS No. 123, “Accounting for Stock-based Compensation,” the Company has not changed the method of accounting for stock options but has provided the additional required disclosures. Had compensation cost for the Company’s stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company’s pro forma net income available to common stockholders would have been reduced by \$3.9 million, \$2.7 million, and \$3.2 million and pro forma basic and diluted earnings per share would have been reduced to \$1.44 and \$1.42, and \$1.32 and \$1.31, and \$1.92 and \$1.92, respectively, for the years ended December 31, 2001, 2000, and 1999.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in 2001, 2000, and 1999, respectively: dividend yields of 6.4%, 6.5%, and 7.2%; expected volatility of 14.9%, 13.3%, and 18.5%; risk-free interest rates of 5.2%, 6.1%, and 5.4%; and expected lives of 10 years for each year.

Following is a summary of the option activity for the years ended December 31:

| | Shares Under Option | Weighted Average Exercise Price | Options Exercisable at Year End |
|-----------------------------------------------|------------------------|---------------------------------------|------------------------------------------|
| | | (Options in thousands) | |
| Outstanding as of December 31, 1998 | 4,384 | \$ 21.40 | 622 |
| Granted | 451 | 22.24 | |
| Exercised | (25) | — | |
| Forfeited | (300) | — | |
| Outstanding as of December 31, 1999. | 4,510 | 21.44 | 1,832 |
| Granted | 1,565 | 20.86 | |
| Exercised | (103) | 21.11 | |
| Forfeited | (205) | 21.21 | |
| Outstanding as of December 31, 2000. | 5,767 | 20.83 | 3,326 |
| Granted | 1,924 | 24.61 | |
| Exercised | (202) | 21.15 | |
| Forfeited | (52) | 22.45 | |
| Outstanding as of December 31, 2001. | 7,437 | \$ 22.16 | 4,623 |
| Remaining average contractual life | 7.5 years | | |
| Fair value of options granted during the year | \$ 1.84 | | |

In 2001, 2000, and 1999, under the Stock Incentive Plan, the Company issued 238,790, 162,229, and 100,000 restricted shares, respectively, to certain officers of the Company as part of the performance pay program and in connection with employment with the Company. As of December 31, 2001, 2,732 shares of restricted stock have been forfeited. The 547,006 outstanding restricted shares are subject to repurchase rights, which generally lapse over a period from three to five years.

401(k) Plan. In November 1997, the Company established a Section 401(k) Savings/ Retirement Plan (the "401(k) Plan"), which is a continuation of the 401(k) Plan of the predecessor, to cover eligible employees of the Company and any designated affiliates. During 2001 and 2000, the 401(k) Plan permitted eligible employees of the Company to defer up to 20% of their annual compensation, subject to certain limitations imposed by the Code. The employees' elective deferrals are immediately vested and non-forfeitable upon contribution to the 401(k) Plan. During 2001 and 2000, the Company matched the employee contributions to the 401(k) Plan in an amount equal to 50% of the first 5.5% of annual compensation deferred by each employee. The Company may also make discretionary contributions to the 401(k) Plan. In 2001 and 2000, the Company paid \$0.3 million and \$0.3 million, respectively, for its 401(k) match.

Deferred Compensation Plan. Effective September 1, 1999, the Company established a non-qualified deferred compensation plan for officers of the Company and certain of its affiliates. As of January 1, 2002, the plan enables participants to defer income up to 100% of annual base pay and up to 100% of annual bonuses on

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

a pre-tax basis. The Company may make discretionary matching contributions to participant accounts at any time. The Company made no such discretionary matching contributions in 2001, 2000, or 1999. The participant's elective deferrals and any matching contributions are immediately 100% vested. As of December 31, 2001 and 2000, the total amount of compensation deferred was \$1.7 million and \$1.0 million, respectively.

14. Income Per Share

The Company's only dilutive securities outstanding for the years ended December 31, 2001, 2000, and 1999 were stock options and restricted stock granted under its stock incentive plan. The effect on income per share was to increase weighted average shares outstanding. Such dilution was computed using the treasury stock method.

| | 2001 | 2000 | 1999 |
|---------------------------------------|------------|------------|------------|
| WEIGHTED AVERAGE COMMON SHARES | | | |
| Basic | 84,174,644 | 83,697,170 | 86,271,862 |
| Stock options and restricted stock | 1,039,422 | 458,136 | 75,625 |
| Diluted | 85,214,066 | 84,155,306 | 86,347,487 |

15. Commitments and Contingencies

Commitments

Lease Commitments. The Company has entered into operating ground leases on certain land parcels with periods up to 40 years and a lease on a building in New York City. Future minimum rental payments required under non-cancelable operating leases in effect as of December 31, 2001, were as follows:

| | (Dollars in thousands) |
|-------------------------|------------------------|
| 2002 | \$ 6,823 |
| 2003 | 7,720 |
| 2004 | 7,921 |
| 2005 | 8,159 |
| 2006 | 8,480 |
| Thereafter | 146,335 |
| Total lease commitments | \$ 185,438 |

These operating lease payments are being amortized ratably over the terms of the related leases.

Contingencies

Litigation. In the normal course of business, from time to time, the Company may be involved in legal actions relating to the ownership and operations of its properties. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Company.

Environmental Matters. The Company monitors its properties for the presence of hazardous or toxic substances. The Company is not aware of any environmental liability with respect to the properties that would have a material adverse effect on the Company's business, assets, or results of operations. However, there can be no assurance that such a material environmental liability does not exist. The existence of any such material environmental liability would have an adverse effect on the Company's results of operations and cash flow.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

General Uninsured Losses. The Company carries property and rental loss, liability, flood, and environmental insurance. The Company believes that the policy terms and conditions, limits, and deductibles are adequate and appropriate under the circumstances, given the relative risk of loss, the cost of such coverage, and industry practice. In addition, certain of the Company's properties are located in areas that are subject to earthquake activity; therefore, the Company has obtained limited earthquake insurance on those properties. There are, however, certain types of extraordinary losses that may be either uninsurable or not economically insurable. Should an uninsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from, a property.

Captive Insurance Company. The Company has responded to recent trends towards increasing costs and decreasing coverage availability in the insurance markets by obtaining higher-deductible property insurance from third party insurers and by forming a wholly-owned captive insurance company, Arcata National Insurance Ltd. ("Arcata") in December 2001. Arcata will generally provide insurance coverage for losses below the increased deductible under the third party policies. Premiums paid to Arcata have a retrospective component, so that if expenses, including losses, are less than premiums collected, the excess will be returned to the property owners (and, in turn, as appropriate, to the customers) and conversely, if expenses, including losses, are greater than premiums collected, an additional premium, not in excess of the difference, will be charged. Through this structure, The Company believes that it will be able to obtain insurance for its portfolio with more comprehensive coverage at a projected overall lower cost than would otherwise be available in the market.

16. Quarterly Financial Data (Unaudited)

Selected quarterly financial data for 2001 and 2000 is as follows:

| 2001 | Quarter (Unaudited)(1) | | | | |
|------------------------------------------------------|------------------------|------------|--------------|-------------|------------|
| | March 31 | June 30 | September 30 | December 31 | Year |
| | (Dollars in thousands) | | | | |
| Total revenues | \$ 144,834 | \$ 146,026 | \$ 155,457 | \$ 154,528 | \$ 600,845 |
| Income before minority interests and gains (losses) | 40,670 | 29,553 | 49,355 | 46,094 | 165,672 |
| Minority interests' share of income | (12,997) | (16,974) | (17,979) | (15,591) | (63,541) |
| Total gains (losses) from disposition of real estate | 16,767 | 17,792 | 114 | 1,755 | 36,428 |
| Extraordinary items (early debt extinguishments) | — | (438) | 87 | (255) | (606) |
| Net income | 44,440 | 29,933 | 31,577 | 32,003 | 137,953 |
| Preferred stock dividends | (2,125) | (2,125) | (2,125) | (2,125) | (8,500) |
| Preferred unit redemption premium | — | — | — | (4,400) | (4,400) |
| Net income available to common stockholders | \$ 42,315 | \$ 27,808 | \$ 29,452 | \$ 25,478 | \$ 125,053 |
| NET INCOME PER COMMON SHARE(2) | | | | | |
| Basic | \$ 0.50 | \$ 0.33 | \$ 0.35 | \$ 0.31 | \$ 1.49 |
| Diluted | \$ 0.50 | \$ 0.33 | \$ 0.34 | \$ 0.30 | \$ 1.47 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | | | | |
| Basic | 83,895,993 | 84,461,544 | 84,395,107 | 83,264,975 | 84,174,644 |
| Diluted | 84,720,917 | 85,378,727 | 85,644,840 | 84,338,812 | 85,214,066 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

| 2000 | Quarter (Unaudited) | | | | |
|------------------------------------------------------|------------------------|------------|--------------|-------------|------------|
| | March 31 | June 30 | September 30 | December 31 | Year |
| | (Dollars in thousands) | | | | |
| Total revenues | \$ 110,323 | \$ 113,479 | \$ 121,371 | \$ 135,034 | \$ 480,207 |
| Income before minority interests and gains (losses) | 40,465 | 39,774 | 42,116 | 43,244 | 165,599 |
| Minority interests' share of income | (9,409) | (10,183) | (13,085) | (12,284) | (44,961) |
| Total gains (losses) from disposition of real estate | (11) | 416 | 5,815 | (5,076) | 1,144 |
| Net income | 31,045 | 30,007 | 34,846 | 25,884 | 121,782 |
| Preferred stock dividends | (2,125) | (2,125) | (2,125) | (2,125) | (8,500) |
| Net income available to common stockholders | \$ 28,920 | \$ 27,882 | \$ 32,721 | \$ 23,759 | \$ 113,282 |
| NET INCOME PER COMMON SHARE(2) | | | | | |
| Basic | \$ 0.34 | \$ 0.33 | \$ 0.39 | \$ 0.28 | \$ 1.35 |
| Diluted | \$ 0.34 | \$ 0.33 | \$ 0.39 | \$ 0.28 | \$ 1.35 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | | | | |
| Basic | 83,849,157 | 83,848,883 | 84,115,613 | 83,814,658 | 83,697,170 |
| Diluted | 83,863,198 | 84,125,277 | 84,725,109 | 84,528,547 | 84,155,306 |

(1) Certain reclassifications have been made to the quarterly data to conform with the annual presentation with no net effect to net income or per share amounts.

(2) The sum of quarterly financial data may vary from the annual data due to rounding.

17. Segment Information

The Company operates industrial and retail properties nationwide and manages its business both by property type and by market. Industrial properties consist primarily of warehouse distribution facilities suitable for single or multiple customers and are typically comprised of multiple buildings that are leased to customers engaged in various types of businesses. As of December 31, 2001, the Company operated industrial properties in eight hub and gateway markets in addition to 18 other markets nationwide. As of December 31, 2001, the Company operated retail properties in Miami, Atlanta, Chicago, the San Francisco Bay Area, Boston, and Baltimore. The Company does not separately report its retail operations by market. Retail properties are generally leased to one or more anchor customers, such as grocery and drug stores, and various retail businesses. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based upon property net operating income of the combined properties in each segment. The Company's geographic markets for industrial properties are managed separately because each market requires different operating, pricing, and leasing strategies.

During the first quarter of 2001, the Company split its industrial segment into geographic hub and gateway markets and other markets. Within the hub and gateway market categorization, the Company operates in eight major U.S. markets. The other industrial markets category captures all of the Company's

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

other smaller markets nationwide. The 2000 and 1999 rental revenue and net operating income disclosure below has been restated to reflect this change. Summary information for the reportable segments is as follows:

| Segments | Rental Revenues(1) | | | Property NOI(1)(2) | | |
|------------------------------------|--------------------|-----------|-----------|--------------------|-----------|-----------|
| | 2001 | 2000 | 1999 | 2001 | 2000 | 1999 |
| (Dollars in thousands) | | | | | | |
| Industrial hub & gateway markets: | | | | | | |
| Atlanta | \$ 28,268 | \$ 23,458 | \$ 17,085 | \$ 27,726 | \$ 19,368 | \$ 13,932 |
| Chicago | 41,195 | 38,228 | 35,155 | 28,389 | 26,447 | 24,887 |
| Dallas/ Fort Worth | 25,210 | 24,081 | 20,177 | 17,641 | 16,984 | 14,003 |
| Northern New Jersey/ New York City | 44,924 | 34,618 | 19,626 | 31,648 | 26,444 | 15,568 |
| San Francisco Bay Area | 106,229 | 79,155 | 59,741 | 88,925 | 64,972 | 47,673 |
| Southern California | 61,627 | 37,187 | 29,207 | 49,102 | 30,366 | 23,812 |
| Miami | 33,176 | 22,853 | 15,741 | 24,366 | 16,775 | 12,349 |
| Seattle | 23,229 | 22,081 | 12,587 | 18,634 | 18,048 | 10,392 |
| Total hub & gateway markets | 363,858 | 281,661 | 209,319 | 281,431 | 219,404 | 162,616 |
| Total other industrial markets | 169,684 | 145,516 | 134,778 | 122,124 | 107,568 | 98,011 |
| Total industrial markets | 533,542 | 427,177 | 344,097 | 403,555 | 326,972 | 260,627 |
| Total retail markets | 24,431 | 26,784 | 84,713 | 16,222 | 19,259 | 60,260 |
| Total properties | \$557,973 | \$453,961 | \$428,810 | \$419,777 | \$346,231 | \$320,887 |

(1) Excludes straight-line rents of \$10.1 million, \$10.2 million, and \$10.8 million for the years ended December 31, 2001, 2000, and 1999, respectively.

(2) Property net operating income (NOI) is defined as rental revenue, including reimbursements and excluding straight-line rents, less property level operating expenses, which excludes depreciation, amortization, general and administrative expenses, and interest expense.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

| | Total Gross Investment(1) As of December 31, | |
|----------------------------------------------|-------------------------------------------------|--------------------|
| | 2001 | 2000 |
| Industrial hub & gateway markets: | | |
| Atlanta | \$ 271,663 | \$ 225,555 |
| Chicago | 330,127 | 295,398 |
| Dallas/ Fort Worth | 171,263 | 189,265 |
| Northern New Jersey/ New York City | 406,077 | 313,739 |
| San Francisco Bay Area | 806,528 | 641,142 |
| Southern California | 694,602 | 554,671 |
| Miami | 288,046 | 281,710 |
| Seattle | 193,154 | 185,150 |
| Total hub & gateway markets | 3,161,460 | 2,686,630 |
| Total other industrial markets | 1,321,959 | 1,160,433 |
| Total industrial markets | 4,483,419 | 3,847,063 |
| Total retail markets | 47,292 | 179,534 |
| Total properties | \$4,530,711 | \$4,026,597 |

(1) Excludes net properties held for divestiture of \$157.2 million and \$197.1 million, respectively.

The Company uses property net operating income as an operating performance measure. The following table reconciles total reportable segment revenue and property net operating income to rental revenues and income before minority interests and net gains from disposition of real estate:

| | For the Years Ended December 31, | | |
|---------------------------------------------------------------------------------------|----------------------------------|------------------|------------------|
| | 2001 | 2000 | 1999 |
| (Dollars in thousands) | | | |
| Rental Revenues | | | |
| Total rental revenues for reportable segments | \$ 557,973 | \$453,961 | \$428,810 |
| Straight-line rents | 10,093 | 10,203 | 10,848 |
| Total rental revenues | \$ 568,066 | \$464,164 | \$439,658 |
| Income before minority interests and net gains from disposition of real estate | | | |
| Property net operating income for reportable segments | \$ 419,777 | \$346,231 | \$320,887 |
| Straight-line rents | 10,093 | 10,203 | 10,848 |
| Equity in earnings of unconsolidated joint ventures | 5,467 | 5,212 | 4,701 |
| Investment management income | 10,972 | 4,282 | 1,511 |
| Other income | 16,340 | 6,549 | 2,313 |
| Less: | | | |
| Interest, including amortization | (128,985) | (90,270) | (88,681) |
| Depreciation and amortization | (111,414) | (90,358) | (67,035) |
| General, administrative, and other | (35,820) | (23,750) | (25,223) |
| Loss on investments in other companies | (20,758) | (2,500) | — |
| Income before minority interests and gains | \$ 165,672 | \$165,599 | \$159,321 |

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

18. New Accounting Pronouncements

In June and August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Nos. 143, *Accounting for Asset Retirement Obligations*, and 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Under FASB Statement No. 143, the fair value of a liability for an asset retirement obligation must be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. FASB Statement No. 144 retains FASB Statement No. 121's, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, fundamental provisions for the: (1) recognition and measurement of impairment of long-lived assets to be held and used; and (2) measurement of long-lived assets to be disposed of by sale. The Company does not believe that either FASB Statement No. 143 or No. 144 will have a material impact on its financial position or results of operations. FASB Statement No. 143 is effective for fiscal years beginning after June 15, 2002, and FASB Statement No. 144 is effective for fiscal years beginning after December 15, 2001.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Nos. 141, *Business Combinations*, and 142, *Goodwill and Other Intangible Assets*. Under FASB Statement No. 141, business combinations initiated after June 30, 2001, must use the purchase method of accounting. The pooling of interest method of accounting is prohibited. Under FASB Statement No. 142, intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal right or are separable from the acquired entity and can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so. The Company does not believe that either FASB Statement No. 141 or No. 142 will have a material impact on its financial position or results of operations. FASB Statement No. 141 was effective for business combinations initiated after July 1, 2001, and FASB Statement No. 142 is effective for fiscal years beginning after December 15, 2001.

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SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION

As of December 31, 2001

| Property | No. of Bldgs./Ctrs. | Location | Type | Encumbrances | Initial Cost to Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at 12/31/01 | | | Accumulated Depreciation | Year of Construction/ Acquisition | Depreciable Life (Years) |
|----------------------------------------------------------|---------------------|----------|------|--------------|-------------------------|-------------------------|---------------------------------------------|----------------------------------|-------------------------|-------------------|--------------------------|-----------------------------------|--------------------------|
| | | | | | Land | Building & Improvements | | Land | Building & Improvements | Total Costs(1)(2) | | | |
| (In thousands, except number of buildings/centers) | | | | | | | | | | | | | |
| Acer Distribution Center | 1 | CA | IND | \$ 0 | \$ 3,146 | \$ 9,479 | \$ 1,295 | \$ 3,146 | \$ 10,773 | \$ 13,920 | \$ 850 | 1997 | 5-40 |
| Activity Distribution Center | 4 | CA | IND | 4,925 | 3,736 | 11,248 | 1,130 | 3,736 | 12,378 | 16,115 | 984 | 1997 | 5-40 |
| Addison Business Center | 1 | IL | IND | — | 1,060 | 3,228 | 83 | 1,060 | 3,311 | 4,371 | 267 | 2000 | 5-40 |
| Addison Technology Center | 1 | TX | IND | — | 899 | 2,696 | 494 | 899 | 3,191 | 4,090 | 250 | 1998 | 5-40 |
| Airport South Business Park | 4 | GA | IND | 17,629 | 7,718 | 14,658 | 214 | 7,718 | 14,872 | 22,589 | 1,380 | 2001 | 5-40 |
| Albrae Business Center | 1 | CA | IND | — | 6,299 | 6,227 | 38 | 6,299 | 6,266 | 12,564 | 767 | 2001 | 5-40 |
| Alsip Industrial | 1 | IL | IND | — | 1,200 | 3,744 | 233 | 1,200 | 3,977 | 5,177 | 316 | 1998 | 5-40 |
| Alvarado Business Center | 5 | CA | IND | 21,710 | 7,783 | 23,757 | 485 | 7,783 | 24,242 | 32,025 | 1,956 | 1997 | 5-40 |
| AMB Meadowlands Park | 9 | NJ | IND | — | 5,838 | 17,923 | 803 | 5,838 | 18,727 | 24,564 | 1,500 | 2000 | 5-40 |
| AMB O'Hare Rosemont | 14 | IL | IND | 8,000 | 3,131 | 8,995 | 742 | 3,131 | 9,737 | 12,868 | 786 | 1999 | 5-40 |
| AMB Port O'Hare | 2 | IL | IND | — | 4,913 | 5,761 | — | 4,913 | 5,761 | 10,675 | 652 | 2001 | 5-40 |
| Amwiler-Gwinnett Industrial Portfolio | 9 | GA | IND | 12,892 | 6,641 | 19,964 | 2,346 | 6,641 | 22,310 | 28,951 | 1,768 | 1997 | 5-40 |
| Anaheim Industrial | 1 | CA | IND | — | 1,457 | 4,341 | 333 | 1,457 | 4,674 | 6,130 | 374 | 1997 | 5-40 |
| Ardenwood Corporate Park | 4 | CA | IND | 9,502 | 7,321 | 22,002 | 1,924 | 7,321 | 23,926 | 31,246 | 1,908 | 1997 | 5-40 |
| Artesia Industrial Portfolio | 25 | CA | IND | 51,025 | 22,758 | 68,254 | 6,095 | 22,758 | 74,349 | 97,107 | 5,931 | 1997 | 5-40 |
| Arthur Distribution Center | 1 | IL | IND | 4,950 | 2,726 | 5,216 | 20 | 2,726 | 5,236 | 7,961 | 486 | 2001 | 5-40 |
| Atlanta South Business Park | 9 | GA | IND | — | 8,047 | 24,180 | 1,160 | 8,047 | 25,340 | 33,386 | 2,039 | 1997 | 5-40 |
| Atlantic Business Center (Formerly Peachtree North East) | 3 | GA | IND | — | 2,197 | 6,592 | 1,488 | 2,197 | 8,079 | 10,277 | 628 | 1998 | 5-40 |
| Atlantic Distribution Center | 1 | GA | IND | 3,945 | 1,519 | 4,679 | 106 | 1,519 | 4,786 | 6,305 | 385 | 2000 | 5-40 |
| Beacon Centre — OP | 18 | FL | IND | 70,552 | 31,704 | 96,681 | 7,675 | 31,705 | 104,355 | 136,060 | 8,310 | 2000 | 5-40 |
| Beacon Centre — AF I | 4 | FL | IND | 17,618 | 7,229 | 22,238 | 466 | 7,230 | 22,703 | 29,933 | 1,828 | 2000 | 5-40 |
| Beacon Centre — Headlands | 2 | FL | RET | — | 4,692 | 14,373 | 52 | 4,692 | 14,425 | 19,117 | 1,168 | 2000 | 5-40 |
| Beacon Industrial Park | 8 | FL | IND | 17,006 | 10,466 | 31,437 | 6,486 | 10,466 | 37,923 | 48,389 | 2,955 | 1997 | 5-40 |
| Bedford Warehouse | 1 | IL | IND | — | 1,354 | 3,225 | — | 1,354 | 3,225 | 4,579 | 280 | 2001 | 5-40 |
| Belden Avenue | 3 | IL | IND | 10,930 | 4,812 | 15,186 | 493 | 4,812 | 15,678 | 20,491 | 1,251 | 1997 | 5-40 |
| Bell Ranch Distribution | 5 | CA | IND | — | 6,904 | 12,915 | 22 | 6,904 | 12,937 | 19,840 | 1,212 | 2001 | 5-40 |
| Beltway Distribution | 1 | VA | IND | — | 4,800 | 15,159 | 5,253 | 4,800 | 20,412 | 25,212 | 1,540 | 1999 | 5-40 |
| Bennington Corporate Center | 2 | MD | IND | — | 2,671 | 8,181 | 962 | 2,671 | 9,144 | 11,815 | 722 | 2000 | 5-40 |
| Bensenville Industrial Park | 13 | IL | IND | 38,663 | 20,799 | 62,438 | 6,958 | 20,799 | 69,396 | 90,195 | 5,509 | 1997 | 5-40 |
| Black River | 1 | WA | IND | — | 1,845 | 3,559 | 62 | 1,845 | 3,622 | 5,466 | 334 | 2001 | 5-40 |
| Blue Lagoon Business Park | 2 | FL | IND | 11,001 | 4,945 | 14,875 | 797 | 4,945 | 15,672 | 20,617 | 1,259 | 1997 | 5-40 |

AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

As of December 31, 2001

| Property | No. of Bldgs./Ctrs. | Location | Type | Encumbrances | Initial Cost to Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at 12/31/01 | | | Accumulated Depreciation | Year of Construction/ Acquisition | Depreciable Life (Years) |
|-----------------------------------------------------------|---------------------|----------|------|--------------|-------------------------|-------------------------|---------------------------------------------|----------------------------------|-------------------------|-------------------|--------------------------|-----------------------------------|--------------------------|
| | | | | | Land | Building & Improvements | | Land | Building & Improvements | Total Costs(1)(2) | | | |
| (In thousands, except number of buildings/centers) | | | | | | | | | | | | | |
| Boston Industrial Portfolio | 20 | MA | IND | 19,056 | 19,320 | 56,900 | 16,155 | 19,320 | 73,055 | 92,375 | 5,642 | 1998 | 5-40 |
| Braemar Business Center | 2 | MA | IND | — | 1,422 | 4,613 | 685 | 1,422 | 5,297 | 6,720 | 410 | 1998 | 5-40 |
| Brennan Distribution | 1 | CA | IND | — | 3,683 | 3,022 | — | 3,683 | 3,022 | 6,705 | 410 | 2001 | 5-40 |
| Bridgeview Industrial (Formerly Lake Michigan Industrial) | 1 | IL | IND | — | 1,332 | 3,996 | 11 | 1,332 | 4,007 | 5,339 | 326 | 1997 | 5-40 |
| Burnsville Business Center | 1 | MN | IND | — | 932 | 2,796 | 1,028 | 932 | 3,824 | 4,757 | 291 | 1998 | 5-40 |
| BWI Air Cargo Centre | 1 | MD | IND | 3,035 | — | 6,367 | 86 | 0 | 6,453 | 6,453 | 394 | 2000 | 5-40 |
| Cabot Business Park | 16 | MA | IND | — | 17,231 | 51,726 | 20,082 | 21,118 | 67,921 | 89,039 | 5,438 | 1998 | 5-40 |
| Cabot Business Park (KYKJ) | 2 | MA | IND | — | 1,396 | 2,310 | 15,365 | 1,396 | 17,674 | 19,070 | 1,165 | 1998 | 5-40 |
| Carson Industrial | 12 | CA | IND | — | 4,231 | 10,418 | 3,561 | 4,231 | 13,980 | 18,211 | 1,112 | 1999 | 5-40 |
| Cascade Business Center | 4 | OR | IND | — | 2,825 | 7,860 | 1,966 | 2,825 | 9,826 | 12,651 | 773 | 1998 | 5-40 |
| Central Bay | 2 | CA | IND | 7,400 | 3,896 | 7,400 | 330 | 3,896 | 7,731 | 11,626 | 710 | 2001 | 5-40 |
| Chancellor | 1 | FL | IND | 2,707 | 1,587 | 4,802 | 213 | 1,587 | 5,016 | 6,603 | 403 | 1997 | 5-40 |
| Chancellor Square | 3 | FL | IND | 15,636 | 7,575 | 22,721 | 2,453 | 7,575 | 25,174 | 32,749 | 2,000 | 1998 | 5-40 |
| Charles and Chase | 1 | MD | RET | — | 751 | 2,287 | 10 | 751 | 2,297 | 3,047 | 186 | 1998 | 5-40 |
| Chartwell Distribution Center | 1 | CA | IND | — | 2,711 | 8,191 | 32 | 2,711 | 8,223 | 10,934 | 668 | 2000 | 5-40 |
| Chemway Industrial Portfolio | 5 | NC | IND | — | 2,875 | 8,625 | 860 | 2,875 | 9,485 | 12,360 | 755 | 1998 | 5-40 |
| Chicago Industrial Portfolio | 1 | IL | IND | 1,634 | 762 | 2,285 | 231 | 762 | 2,516 | 3,278 | 200 | 1997 | 5-40 |
| Chicago Ridge Freight Terminal | 1 | IL | IND | — | 3,705 | 3,576 | — | 3,705 | 3,576 | 7,282 | 445 | 2001 | 5-40 |
| Chicago/ O'Hare Industrial Portfolio | 5 | IL | IND | — | 4,816 | 9,603 | 75 | 4,816 | 9,678 | 14,495 | 885 | 2001 | 5-40 |
| Circle Freeway | 1 | OH | IND | — | 530 | 1,591 | 574 | 530 | 2,166 | 2,696 | 165 | 1998 | 5-40 |
| Columbia Business Center | 9 | MD | IND | 4,026 | 3,856 | 11,736 | 1,493 | 3,856 | 13,229 | 17,085 | 1,043 | 1999 | 5-40 |
| Component Drive Ind Port | 3 | CA | IND | — | 12,688 | 6,974 | 323 | 12,688 | 7,297 | 19,985 | 1,221 | 2001 | 5-40 |
| Concord Industrial Portfolio | 10 | CA | IND | 9,883 | 3,872 | 11,647 | 1,859 | 3,872 | 13,506 | 17,378 | 1,061 | 1999 | 5-40 |
| Corporate Park/ Hickory Hill | 7 | TN | IND | 16,137 | 6,789 | 20,366 | 853 | 6,789 | 21,219 | 28,008 | 1,711 | 1998 | 5-40 |
| Corporate Square Industrial | 6 | MN | IND | — | 4,024 | 12,113 | 1,376 | 4,024 | 13,489 | 17,513 | 1,070 | 1997 | 5-40 |
| Corridor Industrial | 1 | MD | IND | 2,433 | 996 | 3,019 | 133 | 996 | 3,152 | 4,147 | 253 | 1999 | 5-40 |
| Crysen Industrial | 1 | DC | IND | 2,823 | 1,425 | 4,275 | 668 | 1,425 | 4,943 | 6,368 | 389 | 1998 | 5-40 |
| D/FW Int'l Air Cargo — AF I | 1 | TX | IND | 4,700 | — | 19,683 | 1,830 | 0 | 21,513 | 21,513 | 1,314 | 1999 | 5-40 |
| D/FW Air Cargo 2 | 1 | TX | IND | — | — | 4,286 | 13,779 | 0 | 18,065 | 18,065 | 1,103 | 1999 | 5-40 |

AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

As of December 31, 2001

| Property | No. of Bldgs./Ctrs. | Location | Type | Encumbrances | Initial Cost to Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at 12/31/01 | | | Accumulated Depreciation | Year of Construction/Acquisition | Depreciable Life (Years) |
|---------------------------------------------------------|---------------------|----------|------|--------------|-------------------------|-------------------------|---------------------------------------------|----------------------------------|-------------------------|-------------------|--------------------------|----------------------------------|--------------------------|
| | | | | | Land | Building & Improvements | | Land | Building & Improvements | Total Costs(1)(2) | | | |
| (In thousands, except number of buildings/centers) | | | | | | | | | | | | | |
| Dado Distribution Center | 1 | CA | IND | — | 7,221 | 3,739 | 23 | 7,221 | 3,762 | 10,983 | 671 | 2001 | 5-40 |
| Dallas Industrial (Formerly Texas Industrial Portfolio) | 12 | TX | IND | — | 5,938 | 17,836 | 3,402 | 5,938 | 21,238 | 27,176 | 1,660 | 1997 | 5-40 |
| Dayton Air Cargo Centre | 5 | OH | IND | 6,810 | — | 7,163 | 324 | 0 | 7,487 | 7,487 | 457 | 2000 | 5-40 |
| Del Amo Industrial Center | 1 | CA | IND | — | 2,529 | 7,651 | 37 | 2,529 | 7,688 | 10,217 | 624 | 2000 | 5-40 |
| DFW Air Cargo Centre | 3 | TX | IND | 6,234 | — | 20,632 | 139 | 0 | 20,770 | 20,770 | 1,269 | 2000 | 5-40 |
| DFW Airfreight Portfolio | 6 | TX | IND | 6,800 | 950 | 8,492 | 400 | 950 | 8,892 | 9,842 | 601 | 2000 | 5-40 |
| Diablo Industrial Park | 14 | CA | IND | 9,539 | 3,653 | 10,045 | 1,598 | 3,653 | 11,644 | 15,297 | 934 | 1999 | 5-40 |
| Dixie Highway | 2 | KY | IND | — | 1,700 | 5,149 | 120 | 1,700 | 5,268 | 6,969 | 426 | 1997 | 5-40 |
| Dock's Corner | 1 | NJ | IND | 36,869 | 5,125 | 22,516 | 26,973 | 12,502 | 42,112 | 54,614 | 3,336 | 1997 | 5-40 |
| Dock's Corner II | 1 | NJ | IND | — | 2,272 | 6,917 | 349 | 2,272 | 7,267 | 9,539 | 583 | 1997 | 5-40 |
| Doolittle Distribution Center | 1 | CA | IND | — | 2,644 | 8,014 | 137 | 2,644 | 8,151 | 10,794 | 659 | 2000 | 5-40 |
| Dowe Industrial Center | 2 | CA | IND | — | 2,665 | 8,034 | 1,263 | 2,665 | 9,297 | 11,962 | 731 | 1997 | 5-40 |
| Dublin Industrial Portfolio | 1 | CA | IND | — | 2,980 | 9,042 | 117 | 2,980 | 9,158 | 12,138 | 741 | 2000 | 5-40 |
| Dulles Airport — Alliance | 1 | VA | IND | 8,453 | 767 | 3,669 | 885 | 767 | 4,554 | 5,321 | 325 | 2000 | 5-40 |
| East Bay Doolittle | 1 | CA | IND | — | 7,128 | 11,023 | 416 | 7,128 | 11,440 | 18,568 | 1,134 | 2001 | 5-40 |
| East Bay Whipple | 1 | CA | IND | 7,000 | 5,333 | 8,126 | 2 | 5,333 | 8,128 | 13,462 | 822 | 2001 | 5-40 |
| East Valley Warehouse | 1 | WA | IND | — | 6,813 | 20,511 | 1,294 | 6,813 | 21,805 | 28,618 | 1,748 | 1999 | 5-40 |
| Eaves Distribution Center | 3 | CA | IND | 8,327 | 11,893 | 12,708 | — | 11,893 | 12,708 | 24,601 | 1,503 | 2001 | 5-40 |
| Edenvale Business Center | 1 | MN | IND | — | 919 | 2,411 | 667 | 919 | 3,078 | 3,997 | 244 | 1998 | 5-40 |
| Edgewater Industrial Center | 1 | CA | IND | — | 4,038 | 15,113 | 2,551 | 4,038 | 17,664 | 21,701 | 1,325 | 2000 | 5-40 |
| Elk Grove Village Industrial | 10 | IL | IND | 18,381 | 6,874 | 21,143 | 1,083 | 6,874 | 22,226 | 29,100 | 1,777 | 1997 | 5-40 |
| Elmwood Business Park | 5 | LA | IND | — | 4,163 | 12,488 | 1,193 | 4,163 | 13,680 | 17,843 | 1,090 | 1998 | 5-40 |
| Empire Drive | 1 | KY | IND | — | 1,590 | 4,815 | 252 | 1,590 | 5,066 | 6,657 | 407 | 1997 | 5-40 |
| Executive Drive | 1 | IL | IND | — | 1,399 | 4,236 | 672 | 1,399 | 4,908 | 6,306 | 385 | 1997 | 5-40 |
| Fairway Drive Industrial | 4 | CA | IND | 10,829 | 4,233 | 9,677 | 3,383 | 4,233 | 13,061 | 17,294 | 1,056 | 1997 | 5-40 |
| Ford Distribution Cntr | 8 | CA | IND | — | 25,443 | 23,529 | — | 25,443 | 23,529 | 48,971 | 2,991 | 2001 | 5-40 |
| Fordyce Distribution Center | 1 | CA | IND | 7,600 | 4,340 | 8,335 | 255 | 4,340 | 8,590 | 12,930 | 790 | 2001 | 5-40 |
| Garland Industrial | 20 | TX | IND | 19,477 | 8,161 | 24,484 | 4,005 | 8,161 | 28,489 | 36,650 | 2,238 | 1998 | 5-40 |
| Gateway 58 Gateway Commerce Center | 3 | MD | IND | — | 3,256 | 9,940 | 9 | 3,256 | 9,949 | 13,205 | 807 | 2000 | 5-40 |
| Gateway Corporate Center | 5 | MD | IND | — | 4,083 | 12,336 | 1,200 | 4,083 | 13,536 | 17,620 | 1,076 | 1999 | 5-40 |
| Gateway North | 9 | WA | IND | 27,000 | 9,981 | 32,201 | 766 | 9,981 | 32,967 | 42,949 | 2,623 | 1999 | 5-40 |
| Gateway North | 6 | WA | IND | 14,000 | 5,932 | 18,365 | 263 | 5,932 | 18,629 | 24,560 | 1,500 | 1999 | 5-40 |

AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

As of December 31, 2001

| Property | No. of Bldgs./Ctrs. | Location | Type | Encumbrances | Initial Cost to Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at 12/31/01 | | | Accumulated Depreciation | Year of Construction/ Acquisition | Depreciable Life (Years) |
|----------------------------------------------------------|---------------------|----------|------|--------------|-------------------------|-------------------------|---------------------------------------------|----------------------------------|-------------------------|-------------------|--------------------------|-----------------------------------|--------------------------|
| | | | | | Land | Building & Improvements | | Land | Building & Improvements | Total Costs(1)(2) | | | |
| (In thousands, except number of buildings/centers) | | | | | | | | | | | | | |
| Greater Dallas Industrial Portfolio | 6 | TX | IND | — | 6,269 | 18,414 | 6,589 | 6,269 | 25,003 | 31,272 | 1,910 | 1997 | 5-40 |
| Greater Houston Industrial Portfolio | 14 | TX | IND | — | 6,197 | 18,592 | 4,715 | 6,197 | 23,307 | 29,504 | 1,802 | 1998 | 5-40 |
| Greenwood Industrial | 3 | MD | IND | — | 4,729 | 14,188 | 1,209 | 4,729 | 15,397 | 20,126 | 1,229 | 1998 | 5-40 |
| Hamilton Parkway (Formerly Lake Michigan Industrial) | 1 | IL | IND | — | 1,554 | 4,703 | 134 | 1,554 | 4,837 | 6,391 | 390 | 1997 | 5-40 |
| Harris Business Center — AF I | 10 | CA | IND | 27,657 | 19,194 | 26,368 | 881 | 19,194 | 27,248 | 46,442 | 2,837 | 2000 | 5-40 |
| Harris Business Center — AF II | 10 | CA | IND | 33,500 | 13,376 | 40,428 | 3,236 | 13,376 | 43,664 | 57,040 | 3,484 | 2000 | 5-40 |
| Harvest Business Park | 3 | WA | IND | — | 2,371 | 7,153 | 915 | 2,371 | 8,068 | 10,439 | 638 | 1997 | 5-40 |
| Hawthorne LAX Cargo Center | 1 | CA | IND | 6,550 | 2,775 | 8,377 | 209 | 2,775 | 8,586 | 11,361 | 694 | 2000 | 5-40 |
| Hayward Industrial — Hathaway | 2 | CA | IND | — | 4,473 | 13,546 | 48 | 4,473 | 13,593 | 18,066 | 1,103 | 2000 | 5-40 |
| Hayward Industrial — Wiegman | 1 | CA | IND | 6,525 | 2,773 | 8,393 | 373 | 2,773 | 8,766 | 11,539 | 705 | 2000 | 5-40 |
| Hempstead Highway Distribution Center | 2 | TX | IND | — | 1,255 | 9,087 | 726 | 1,255 | 9,812 | 11,067 | 676 | 2000 | 5-40 |
| Hintz Building | 1 | IL | IND | — | 420 | 1,259 | 269 | 420 | 1,527 | 1,947 | 119 | 1998 | 5-40 |
| Holton Drive | 1 | KY | IND | — | 2,633 | 7,899 | 368 | 2,633 | 8,267 | 10,900 | 666 | 1997 | 5-40 |
| Houston Industrial (Formerly Texas Industrial Portfolio) | 5 | TX | IND | — | 3,009 | 9,066 | 1,271 | 3,009 | 10,337 | 13,345 | 815 | 1997 | 5-40 |
| Houston Service Center | 3 | TX | IND | — | 3,800 | 11,401 | 2,590 | 3,800 | 13,991 | 17,791 | 1,087 | 1998 | 5-40 |
| Industrial Drive | 1 | OH | IND | — | 1,743 | 5,230 | 360 | 1,743 | 5,589 | 7,332 | 448 | 1997 | 5-40 |
| International Multifoods | 1 | CA | IND | — | 1,613 | 4,879 | 941 | 1,613 | 5,820 | 7,433 | 454 | 1997 | 5-40 |
| Itasca Industrial Portfolio | 6 | IL | IND | — | 6,416 | 19,289 | 2,047 | 6,416 | 21,336 | 27,753 | 1,695 | 1997 | 5-40 |
| Jacksonville Air Cargo Centre | 1 | FL | IND | 3,150 | — | 3,028 | — | 0 | 3,028 | 3,028 | 185 | 2000 | 5-40 |
| Jamesburg | 3 | NJ | IND | 22,987 | 11,700 | 35,101 | 1,099 | 11,700 | 36,200 | 47,901 | 2,926 | 1998 | 5-40 |
| Janitrol | 1 | OH | IND | — | 1,797 | 5,390 | 246 | 1,797 | 5,635 | 7,432 | 454 | 1997 | 5-40 |
| JFK Air Cargo — OP | 15 | NY | IND | — | 15,434 | 45,660 | 1,677 | 15,434 | 47,337 | 62,771 | 3,834 | 2000 | 5-40 |
| JFK Air Cargo — AF I | 15 | NY | IND | 19,410 | 10,260 | 30,128 | 1,912 | 10,260 | 32,040 | 42,300 | 2,584 | 2000 | 5-40 |
| JFK Airport Park Junction | 1 | NY | IND | — | 2,350 | 7,251 | 422 | 2,350 | 7,673 | 10,022 | 612 | 2000 | 5-40 |
| Industrial Park | 4 | CA | IND | — | 7,875 | 23,975 | 1,091 | 7,875 | 25,067 | 32,942 | 2,012 | 1999 | 5-40 |
| Kent Centre Corporate Park | 4 | WA | IND | — | 3,042 | 9,165 | 690 | 3,042 | 9,855 | 12,897 | 788 | 1997 | 5-40 |
| Kingsport Industrial Park | 7 | WA | IND | 16,534 | 7,919 | 23,798 | 2,216 | 7,919 | 26,014 | 33,934 | 2,073 | 1997 | 5-40 |

AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

As of December 31, 2001

| Property | No. of Bldgs./Ctrs. | Location | Type | Encumbrances | Initial Cost to Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at 12/31/01 | | | Accumulated Depreciation | Year of Construction/ Acquisition | Depreciable Life (Years) |
|----------------------------------------------------|---------------------|----------|------|--------------|-------------------------|-------------------------|---------------------------------------------|----------------------------------|-------------------------|-------------------|--------------------------|-----------------------------------|--------------------------|
| | | | | | Land | Building & Improvements | | Land | Building & Improvements | Total Costs(1)(2) | | | |
| (In thousands, except number of buildings/centers) | | | | | | | | | | | | | |
| L.A. County Industrial Portfolio | 6 | CA | IND | 28,076 | 9,233 | 28,247 | 674 | 9,233 | 28,921 | 38,154 | 2,330 | 1997 | 5-40 |
| LA Media Tech Center | 7 | CA | IND | 22,716 | 12,810 | 12,531 | 16,051 | 12,810 | 28,582 | 41,392 | 2,528 | 1998 | 5-40 |
| Laurelwood Drive | 2 | CA | IND | — | 2,750 | 8,538 | 115 | 2,750 | 8,653 | 11,403 | 696 | 1997 | 5-40 |
| Lawrence SSF | 1 | CA | IND | — | 2,870 | 5,521 | 1,093 | 2,870 | 6,614 | 9,484 | 579 | 2001 | 5-40 |
| LAX Air Cargo Centre | 3 | CA | IND | 7,825 | — | 13,445 | 95 | 0 | 13,540 | 13,540 | 827 | 2000 | 5-40 |
| Lincoln Industrial Center | 1 | TX | IND | — | 671 | 2,052 | 211 | 671 | 2,262 | 2,933 | 179 | 1997 | 5-40 |
| Linden Industrial | 1 | NJ | IND | — | 900 | 2,753 | 48 | 900 | 2,800 | 3,700 | 226 | 1999 | 5-40 |
| Locke Drive | 1 | MA | IND | — | 1,074 | 3,227 | 69 | 1,074 | 3,296 | 4,369 | 267 | 1998 | 5-40 |
| Lonestar | 7 | TX | IND | 16,817 | 7,129 | 21,428 | 1,951 | 7,129 | 23,379 | 30,508 | 1,863 | 1997 | 5-40 |
| Los Nietos | 4 | CA | IND | 8,236 | 2,517 | 7,624 | 118 | 2,517 | 7,742 | 10,259 | 627 | 1999 | 5-40 |
| MCI I Air Cargo Centre | 1 | MO | IND | 5,445 | — | 5,793 | 44 | 0 | 5,838 | 5,838 | 357 | 2000 | 5-40 |
| MCI II Air Cargo Centre | 1 | MO | IND | 9,535 | — | 8,134 | — | 0 | 8,134 | 8,134 | 497 | 2000 | 5-40 |
| Mahwah Corporate Center | 6 | NJ | IND | — | 9,762 | 29,285 | 1,140 | 9,762 | 30,425 | 40,187 | 2,454 | 1998 | 5-40 |
| Marietta Industrial | 3 | GA | IND | — | 1,830 | 5,489 | 800 | 1,830 | 6,289 | 8,119 | 496 | 1998 | 5-40 |
| Martin/ Scott Ind Port | 2 | CA | IND | — | 9,052 | 5,309 | 98 | 9,052 | 5,407 | 14,459 | 883 | 2001 | 5-40 |
| Meadow Lane 495 | 1 | NJ | IND | — | 838 | 2,594 | 156 | 838 | 2,750 | 3,588 | 219 | 1999 | 5-40 |
| Meadowlands AF II | 4 | NJ | IND | 12,400 | 6,755 | 13,093 | 938 | 6,755 | 14,030 | 20,785 | 1,269 | 2001 | 5-40 |
| Meadowlands Cross Dock | 1 | NJ | IND | — | 1,110 | 3,485 | 935 | 1,110 | 4,419 | 5,529 | 338 | 2000 | 5-40 |
| Meadowridge | 3 | MD | IND | — | 3,716 | 11,147 | 298 | 3,716 | 11,446 | 15,161 | 926 | 1998 | 5-40 |
| Melrose Park | 1 | IL | IND | — | 2,936 | 9,190 | 1,177 | 2,936 | 10,367 | 13,303 | 812 | 1997 | 5-40 |
| Mendota Heights | 1 | MN | IND | 668 | 1,367 | 4,565 | 1,946 | 1,367 | 6,511 | 7,878 | 481 | 1998 | 5-40 |
| Metric Center | 5 | TX | IND | — | 10,968 | 32,944 | 640 | 10,968 | 33,584 | 44,552 | 2,721 | 1997 | 5-40 |
| Miami Airport Business Center | 6 | FL | IND | — | 6,400 | 19,634 | 1,130 | 6,400 | 20,764 | 27,164 | 1,659 | 1999 | 5-40 |
| Milmont Page Business Center | 3 | CA | IND | 9,541 | 3,076 | 9,338 | 98 | 3,076 | 9,436 | 12,512 | 764 | 1997 | 5-40 |
| Minneapolis Distribution Portfolio | 4 | MN | IND | — | 6,227 | 18,692 | 1,893 | 6,227 | 20,585 | 26,811 | 1,638 | 1997 | 5-40 |
| Minneapolis Industrial Portfolio IV | 4 | MN | IND | 7,612 | 4,938 | 14,854 | 1,743 | 4,938 | 16,597 | 21,535 | 1,315 | 1997 | 5-40 |
| Minneapolis Industrial V | 7 | MN | IND | 5,476 | 4,426 | 13,317 | 1,511 | 4,426 | 14,828 | 19,254 | 1,176 | 1997 | 5-40 |
| Minnetonka | 10 | MN | IND | 11,648 | 6,690 | 20,380 | 2,707 | 6,690 | 23,088 | 29,778 | 1,819 | 1998 | 5-40 |
| Moffett Business Center (MBC Industrial) | 4 | CA | IND | 11,881 | 5,892 | 17,716 | 3,193 | 5,892 | 20,909 | 26,802 | 1,637 | 1997 | 5-40 |
| Moffett Distribution | 7 | CA | IND | — | 26,916 | 11,277 | — | 26,916 | 11,277 | 38,193 | 2,333 | 2001 | 5-40 |

AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

As of December 31, 2001

| Property | No. of Bldgs./Ctrs. | Location | Type | Encumbrances | Initial Cost to Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at 12/31/01 | | | Accumulated Depreciation | Year of Construction/ Acquisition | Depreciable Life (Years) |
|--------------------------------------------------------|---------------------|----------|------|--------------|-------------------------|-------------------------|---------------------------------------------|----------------------------------|-------------------------|-------------------|--------------------------|-----------------------------------|--------------------------|
| | | | | | Land | Building & Improvements | | Land | Building & Improvements | Total Costs(1)(2) | | | |
| (In thousands, except number of buildings/centers) | | | | | | | | | | | | | |
| Moffett Park R&D Portfolio | 14 | CA | IND | — | 14,807 | 44,462 | 7,850 | 14,805 | 52,315 | 67,120 | 4,099 | 1997 | 5-40 |
| Moonachie Industrial | 2 | NJ | IND | 4,825 | 2,731 | 5,228 | 100 | 2,731 | 5,328 | 8,058 | 492 | 2001 | 5-40 |
| Murray Hill Parkway | 2 | NJ | IND | — | 1,670 | 2,568 | 5,009 | 1,670 | 7,577 | 9,247 | 565 | 1999 | 5-40 |
| NDP — Chicago (Formerly Glen Ellyn Rd. & Mittel Drive) | 3 | IL | IND | — | 1,496 | 4,487 | 654 | 1,496 | 5,141 | 6,637 | 405 | 1998 | 5-40 |
| NDP — Los Angeles | 6 | CA | IND | 9,758 | 5,948 | 17,844 | 1,118 | 5,948 | 18,962 | 24,909 | 1,521 | 1998 | 5-40 |
| NDP — Seattle | 4 | WA | IND | — | 3,888 | 11,663 | 659 | 3,888 | 12,322 | 16,209 | 990 | 1998 | 5-40 |
| Newark Airport I & II | 2 | NJ | IND | 3,766 | 1,755 | 5,400 | 117 | 1,755 | 5,516 | 7,271 | 444 | 2000 | 5-40 |
| Nicholas Warehouse | 1 | IL | IND | — | 2,599 | 1,883 | 177 | 2,599 | 2,060 | 4,659 | 285 | 2001 | 5-40 |
| Norcross/Brookhollow Portfolio | 4 | GA | IND | — | 3,721 | 11,180 | 630 | 3,721 | 11,810 | 15,531 | 949 | 1997 | 5-40 |
| Normandie Industrial | 1 | CA | IND | — | 2,398 | 7,491 | 740 | 2,398 | 8,231 | 10,628 | 649 | 2000 | 5-40 |
| Northbrook Distribution Center | 1 | GA | IND | — | 1,170 | 3,823 | 495 | 1,170 | 4,318 | 5,488 | 335 | 2000 | 5-40 |
| Northpointe Commerce | 2 | CA | IND | — | 1,773 | 5,358 | 331 | 1,773 | 5,690 | 7,463 | 456 | 1997 | 5-40 |
| Northwest Crossing Distribution Center | 2 | TX | IND | — | 745 | 4,792 | 1,342 | 745 | 6,134 | 6,879 | 420 | 2000 | 5-40 |
| Northwest Distribution Center | 3 | WA | IND | — | 3,533 | 10,751 | 761 | 3,533 | 11,512 | 15,044 | 919 | 1997 | 5-40 |
| Novato Fair Shopping Center | 1 | CA | RET | — | 4,393 | 8,424 | 202 | 4,393 | 8,626 | 13,018 | 795 | 2001 | 5-40 |
| Oakland Ridge Industrial Center | 12 | MD | IND | 7,023 | 5,571 | 16,933 | 4,614 | 5,571 | 21,546 | 27,118 | 1,656 | 1999 | 5-40 |
| O'Hare Industrial Portfolio | 15 | IL | IND | — | 7,357 | 22,112 | 2,004 | 7,357 | 24,116 | 31,473 | 1,922 | 1997 | 5-40 |
| Orlando Central Park | 2 | FL | IND | — | 1,779 | 979 | 8,945 | 1,779 | 9,924 | 11,703 | 715 | 1998 | 5-40 |
| Pacific Business Center | 2 | CA | IND | 9,119 | 5,417 | 16,291 | 795 | 5,417 | 17,086 | 22,504 | 1,374 | 1997 | 5-40 |
| Pacific Service Center | 1 | GA | IND | — | 504 | 1,511 | 620 | 504 | 2,131 | 2,635 | 161 | 1998 | 5-40 |
| Pardee Drive Parkway Business Center | 1 | CA | IND | 1,583 | 619 | 1,850 | — | 619 | 1,850 | 2,468 | 151 | 1999 | 5-40 |
| Patuxent Range Road | 2 | MD | IND | — | 1,696 | 5,127 | 429 | 1,696 | 5,556 | 7,252 | 443 | 1997 | 5-40 |
| Patuxent Alliance 8280 | 1 | MD | IND | — | 887 | 1,706 | 10 | 887 | 1,716 | 2,603 | 159 | 2001 | 5-40 |
| Peninsula Business Center III | 1 | VA | IND | — | 992 | 2,976 | 65 | 992 | 3,041 | 4,033 | 246 | 1998 | 5-40 |
| Penn James Office Warehouse | 2 | MN | IND | — | 1,991 | 6,013 | 738 | 1,991 | 6,751 | 8,742 | 534 | 1997 | 5-40 |
| Pioneer Albutis Porete Avenue Warehouse | 5 | CA | IND | 7,150 | 2,433 | 7,166 | 285 | 2,433 | 7,451 | 9,884 | 604 | 1999 | 5-40 |
| Porete Avenue Warehouse | 1 | NJ | IND | 8,811 | 4,067 | 12,202 | 9,552 | 4,067 | 21,754 | 25,822 | 1,577 | 1998 | 5-40 |

AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

As of December 31, 2001

| Property | No. of Bldgs./Ctrs. | Location | Type | Encumbrances | Initial Cost to Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at 12/31/01 | | | Accumulated Depreciation | Year of Construction/ Acquisition | Depreciable Life (Years) |
|----------------------------------------------------|---------------------|----------|------|--------------|-------------------------|-------------------------|---------------------------------------------|----------------------------------|-------------------------|-------------------|--------------------------|-----------------------------------|--------------------------|
| | | | | | Land | Building & Improvements | | Land | Building & Improvements | Total Costs(1)(2) | | | |
| (In thousands, except number of buildings/centers) | | | | | | | | | | | | | |
| Port Northwest Phase I | 2 | TX | IND | 7,450 | 1,825 | 1,438 | 9,234 | 1,825 | 10,672 | 12,496 | 763 | 1999 | 5-40 |
| Presidents Drive | 6 | FL | IND | — | 3,687 | 11,307 | 1,657 | 3,687 | 12,964 | 16,651 | 1,017 | 1997 | 5-40 |
| Preston Court | 1 | MD | IND | — | 2,313 | 7,192 | 261 | 2,313 | 7,452 | 9,765 | 596 | 1997 | 5-40 |
| Production Drive | 1 | KY | IND | — | 425 | 1,286 | 338 | 425 | 1,624 | 2,049 | 125 | 1997 | 5-40 |
| Richardson Tech Center II | 1 | TX | IND | 1,929 | 530 | 1,577 | — | 530 | 1,577 | 2,107 | 129 | 1997 | 5-40 |
| Riverside Business Center (Formerly North GSW) | 2 | TX | IND | — | 1,000 | — | 10,654 | 1,000 | 10,654 | 11,654 | 712 | 1998 | 5-40 |
| Round Lake Business Center | 1 | MN | IND | — | 875 | 2,625 | 463 | 875 | 3,088 | 3,963 | 242 | 1998 | 5-40 |
| Sand Lake Service Center | 6 | FL | IND | — | — | — | 2,150 | 0 | 2,150 | 2,150 | 131 | 1998 | 5-40 |
| Santa Barbara Court | 1 | MD | IND | — | 1,617 | 5,029 | 881 | 1,617 | 5,910 | 7,527 | 460 | 1997 | 5-40 |
| Scripps Sorrento | 1 | CA | IND | — | 1,110 | 3,330 | 32 | 1,110 | 3,363 | 4,473 | 273 | 1998 | 5-40 |
| Sea Tac I Air Cargo Centre | 2 | WA | IND | 5,074 | — | 15,594 | 51 | 0 | 15,645 | 15,645 | 956 | 2000 | 5-40 |
| Sea Tac II Air Cargo Centre | 1 | WA | IND | — | — | 3,056 | 89 | 0 | 3,145 | 3,145 | 192 | 2000 | 5-40 |
| Seattle Airport Industrial | 1 | WA | IND | — | 619 | 1,923 | 119 | 619 | 2,043 | 2,661 | 163 | 2000 | 5-40 |
| Shawnee Industrial | 1 | GA | IND | — | 2,481 | 7,531 | 2,026 | 2,481 | 9,557 | 12,038 | 735 | 1999 | 5-40 |
| Silicon Valley R&D Portfolio* | 6 | CA | IND | — | 8,024 | 24,205 | 4,349 | 8,024 | 28,554 | 36,579 | 2,234 | 1997 | 5-40 |
| Slauson Distribution Center | 8 | CA | IND | 20,500 | 7,806 | 23,552 | 1,197 | 7,806 | 24,748 | 32,555 | 1,988 | 2000 | 5-40 |
| South Bay Industrial | 8 | CA | IND | 18,392 | 14,992 | 45,016 | 4,356 | 14,992 | 49,372 | 64,364 | 3,931 | 1997 | 5-40 |
| South Point Business Park | 5 | NC | IND | 8,623 | 3,130 | 10,452 | 825 | 3,130 | 11,277 | 14,407 | 880 | 1998 | 5-40 |
| South Ridge at Hartsfield | 1 | GA | IND | 4,195 | 2,096 | 4,008 | 28 | 2,096 | 4,036 | 6,132 | 374 | 2001 | 5-40 |
| Southfield Industrial Portfolio | 13 | GA | IND | 35,661 | 12,855 | 35,730 | 4,471 | 12,855 | 40,201 | 53,056 | 3,240 | 1997 | 5-40 |
| Southside Distribution Center | 1 | GA | IND | 1,388 | 766 | 2,480 | — | 766 | 2,480 | 3,246 | 198 | 2001 | 5-40 |
| Stadium Business Park | 9 | CA | IND | 4,477 | 3,768 | 11,345 | 620 | 3,768 | 11,965 | 15,733 | 961 | 1997 | 5-40 |
| Sunrise Industrial | 4 | FL | IND | 13,001 | 6,266 | 18,798 | 651 | 6,266 | 19,449 | 25,715 | 1,571 | 1998 | 5-40 |
| Suwannee Creek Distribution Center | 3 | GA | IND | 14,015 | 4,922 | — | 19,157 | 4,922 | 19,157 | 24,079 | 1,471 | 1998 | 5-40 |
| Sylvan | 1 | GA | IND | — | 1,946 | 5,905 | 150 | 1,946 | 6,055 | 8,001 | 489 | 1999 | 5-40 |
| Systematics | 1 | CA | IND | — | 911 | 2,773 | 40 | 911 | 2,813 | 3,724 | 227 | 1997 | 5-40 |
| Technology I | 2 | MD | IND | — | 1,657 | 5,049 | 103 | 1,657 | 5,153 | 6,809 | 416 | 1999 | 5-40 |
| Technology II | 9 | MD | IND | 1,942 | 10,206 | 3,761 | 27,416 | 10,206 | 31,178 | 41,384 | 2,528 | 1999 | 5-40 |
| TechRidge Phase IA | 3 | TX | IND | 15,304 | 7,132 | 19,044 | 2,607 | 7,132 | 21,651 | 28,783 | 1,758 | 2000 | 5-40 |
| TechRidge Phase II | 1 | TX | IND | 11,662 | 7,261 | 13,484 | 214 | 7,261 | 13,699 | 20,960 | 1,280 | 2001 | 5-40 |
| Teterboro Meadowlands 15 | 1 | NJ | IND | 9,900 | 4,961 | 9,618 | 1,226 | 4,961 | 10,844 | 15,805 | 965 | 2001 | 5-40 |

AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

As of December 31, 2001

| Property | No. of Bldgs./Ctrs. | Location | Type | Encumbrances | Initial Cost to Company | | Costs Capitalized Subsequent to Acquisition | Gross Amount Carried at 12/31/01 | | | Accumulated Depreciation | Year of Construction/ Acquisition | Depreciable Life (Years) |
|----------------------------------------------------|---------------------|----------|------|---------------------|-------------------------|-------------------------|---------------------------------------------|----------------------------------|-------------------------|--------------------|--------------------------|-----------------------------------|--------------------------|
| | | | | | Land | Building & Improvements | | Land | Building & Improvements | Total Costs(1)(2) | | | |
| (In thousands, except number of buildings/centers) | | | | | | | | | | | | | |
| The Rotunda | 2 | MD | IND | 12,852 | 4,400 | 17,736 | 2,229 | 4,400 | 19,965 | 24,366 | 1,488 | 1999 | 5-40 |
| Torrance Commerce Center | 6 | CA | IND | — | 2,045 | 6,136 | 542 | 2,045 | 6,678 | 8,724 | 533 | 1998 | 5-40 |
| Twin Cities | 2 | MN | IND | — | 4,873 | 14,638 | 3,286 | 4,873 | 17,923 | 22,796 | 1,392 | 1997 | 5-40 |
| Two South Middlesex | 1 | NJ | IND | — | 2,247 | 6,781 | 453 | 2,247 | 7,234 | 9,481 | 579 | 1997 | 5-40 |
| Valwood | 2 | TX | IND | 3,718 | 1,983 | 5,989 | 1,069 | 1,983 | 7,058 | 9,041 | 552 | 1997 | 5-40 |
| Van Nuys Airport Industrial | 3 | CA | IND | — | 2,481 | 7,508 | 5,020 | 2,481 | 12,528 | 15,010 | 917 | 2000 | 5-40 |
| Viscount | 1 | FL | IND | — | 984 | 3,016 | 325 | 984 | 3,341 | 4,325 | 264 | 1997 | 5-40 |
| Walnut Drive (Formerly East Walnut Drive) | 1 | CA | IND | — | 964 | 2,918 | 41 | 964 | 2,959 | 3,922 | 240 | 1997 | 5-40 |
| Watson Industrial Center | 1 | CA | IND | 4,600 | 2,417 | 4,617 | 159 | 2,417 | 4,775 | 7,192 | 439 | 2001 | 5-40 |
| Weigman Road | 1 | CA | IND | — | 1,563 | 4,688 | 219 | 1,563 | 4,907 | 6,470 | 395 | 1997 | 5-40 |
| West North Carrier | 1 | TX | IND | 3,010 | 1,375 | 4,165 | 187 | 1,375 | 4,352 | 5,727 | 350 | 1997 | 5-40 |
| West Pac Air Cargo Centre | 1 | PA | IND | — | — | 9,716 | 89 | 0 | 9,805 | 9,805 | 599 | 2000 | 5-40 |
| Williams & Bouroughs | 4 | CA | IND | 6,650 | 2,337 | 6,981 | 1,612 | 2,337 | 8,594 | 10,931 | 668 | 1999 | 5-40 |
| Willow Lake Industrial Park | 10 | TN | IND | 29,137 | 11,997 | 35,990 | 11,885 | 11,997 | 47,875 | 59,872 | 3,657 | 1998 | 5-40 |
| Willow Park Industrial Portfolio | 21 | CA | IND | 5,077 | 25,590 | 76,771 | 7,824 | 25,590 | 84,595 | 110,185 | 6,730 | 1998 | 5-40 |
| Wilmington Avenue Warehouse | 2 | CA | IND | — | 3,849 | 11,605 | 2,582 | 3,849 | 14,187 | 18,036 | 1,102 | 1999 | 5-40 |
| Wilsonville | 1 | OR | IND | — | 3,407 | 13,493 | 58 | 3,407 | 13,551 | 16,958 | 1,036 | 1998 | 5-40 |
| Windsor Court | 1 | IL | IND | — | 766 | 2,338 | 94 | 766 | 2,432 | 3,198 | 195 | 1997 | 5-40 |
| Wood Dale Industrial (Includes Bonnie Lane) | 5 | IL | IND | 9,029 | 2,967 | 8,456 | 750 | 2,967 | 9,206 | 12,173 | 743 | 1999 | 5-40 |
| Yosemite Drive | 1 | CA | IND | — | 2,350 | 7,051 | 334 | 2,350 | 7,385 | 9,736 | 595 | 1997 | 5-40 |
| Zanker/ Charcot Industrial | 5 | CA | IND | — | 5,282 | 15,887 | 1,073 | 5,282 | 16,961 | 22,243 | 1,359 | 1997 | 5-40 |
| Total | 906 | | | \$ 1,170,947 | \$1,053,157 | \$ 2,847,345 | \$ 449,030 | \$1,064,430 | \$ 3,285,110 | \$4,349,532 | \$ 265,653 | | |

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(1) Reconciliation of total cost to consolidated balance sheet caption as of December 31, 2001:

| | |
|---------------------------------|--------------------|
| Total per Schedule III(3) | \$4,349,532 |
| Construction in process(4) | 181,179 |
| Total investments in properties | <u>\$4,530,711</u> |

(2) As of December 31, 2001, the aggregate cost for federal income tax purposes of investments in real estate was \$4,092,163.

(3) A summary of activity for real estate and accumulated depreciation for the year ended December 31, 2001, is as follows:

| | |
|--------------------------------------------------------------------|--------------------|
| Investment in Real Estate: | |
| Balance at beginning of year | \$3,748,862 |
| Acquisition of properties | 411,932 |
| Improvements, including properties under development/redevelopment | 309,325 |
| Consolidation of Headlands Realty | 40,001 |
| Divestiture of properties | (194,427) |
| Adjustment for properties held for divestiture | 33,839 |
| Balance at end of year | <u>\$4,349,532</u> |
| Accumulated Depreciation: | |
| Balance at beginning of year | \$ 177,467 |
| Depreciation expense | 109,383 |
| Adjustment for properties divested | (12,737) |
| Adjustment for contributed properties | (20,992) |
| Adjustment for properties held for divestiture | 8,029 |
| Consolidation of Headlands Realty | 203 |
| Asset impairment | 4,300 |
| Balance at end of year | <u>\$ 265,653</u> |

(4) Includes \$127.3 million of fundings for development projects as of December 31, 2001.

EXHIBIT INDEX

| Exhibit Number | Description |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1 | Articles of Incorporation of AMB Property Corporation (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-35915)). |
| 3.2 | Certificate of Correction of AMB Property Corporation's Articles Supplementary establishing and fixing the rights and preferences of the 8 1/2% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.2 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 1998). |
| 3.3 | Articles Supplementary establishing and fixing the rights and preferences of the 8 5/8% Series B Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 7, 1999). |
| 3.4 | Articles Supplementary establishing and fixing the rights and preferences of the 8.75% Series C Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.2 of AMB Property Corporation's Current Report on Form 8-K filed on January 7, 1999). |
| 3.5 | Articles Supplementary establishing and fixing the rights and preferences of the 7.75% Series D Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999). |
| 3.6 | Articles Supplementary establishing and fixing the rights and preferences of the 7.75% Series E Cumulative Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on September 14, 1999). |
| 3.7 | Articles Supplementary establishing and fixing the rights and preferences of the 7.95% Series F Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on April 14, 2000). |
| 3.8 | Articles Supplementary establishing and fixing the rights and preferences of the 7.95% Series G Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on September 29, 2000). |
| 3.9 | Articles Supplementary establishing and fixing the rights and preferences of the 8.125% Series H Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.3 of AMB Property Corporation's Current Report on Form 8-K filed on September 29, 2000). |
| 3.10 | Articles Supplementary establishing and fixing the rights and preferences of the 8.00% Series I Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on March 23, 2001). |
| 3.11 | Articles Supplementary establishing and fixing the rights and preferences of the 7.95% Series J Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on October 3, 2001). |
| 3.12 | Articles Supplementary redesignating and reclassifying all 2,200,000 Shares of the 8.75% Series C Cumulative Redeemable Preferred Stock as Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation's Current Report on Form 8-K filed on December 7, 2001). |
| 3.13 | Second Amended and Restated Bylaws of AMB Property Corporation (incorporated by reference to Exhibit 3.11 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 2000). |
| 4.1 | Form of Certificate for Common Stock of AMB Property Corporation (incorporated by reference to Exhibit 3.3 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-35915)). |
| 4.2 | Form of Certificate for 8.5% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.5(2) of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998). |
| 4.3 | \$30,000,000 7.925% Fixed Rate Note No. 1 dated August 18, 2000, attaching the Parent Guarantee dated August 18, 2000 (incorporated by reference to Exhibit 4.5 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 2000). |

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| Exhibit Number | Description |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.4 | \$25,000,000,000 7.925% Fixed Rate Note No. 2 dated September 12, 2000, attaching the Parent Guarantee dated September 12, 2000 (incorporated by reference to Exhibit 4.6 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 2000). |
| 4.5 | \$50,000,000 8.00% Fixed Rate Note No. 3 dated October 26, 2000, attaching the Parent Guarantee dated October 26, 2000 (incorporated by reference to Exhibit 4.5 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 2000). |
| 4.6 | \$25,000,000 8.000% Fixed Rate Note No. 4 dated October 26, 2000, attaching the Parent Guarantee dated October 26, 2000 (incorporated by reference to Exhibit 4.8 of AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 2000). |
| 4.7 | \$50,000,000 7.20% Fixed Rate Note No. 5 dated December 19, 2000, attaching the Parent Guarantee dated December 19, 2000 (incorporated herein by reference to Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 8, 2001). |
| 4.8 | \$50,000,000 7.20% Fixed Rate Note No. 6 dated December 19, 2000, attaching the Parent Guarantee dated December 19, 2000 (incorporated herein by reference to Exhibit 4.2 of AMB Property Corporation's Current Report on Form 8-K filed on January 8, 2001). |
| 4.9 | \$50,000,000 7.20% Fixed Rate Note No. 7 dated December 19, 2000, attaching the Parent Guarantee dated December 19, 2000 (incorporated herein by reference to Exhibit 4.3 of AMB Property Corporation's Current Report on Form 8-K filed on January 8, 2001). |
| 4.10 | Indenture dated as of June 30, 1998, by and among AMB Property, L.P., AMB Property Corporation and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.1 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.11 | First Supplemental Indenture dated as of June 30, 1998 by and among AMB Property, L.P., AMB Property Corporation and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.2 of AMB Property Corporation's Registration Statement Form S-11 (No. 333-49163)). |
| 4.12 | Second Supplemental Indenture dated as of June 30, 1998, by and among AMB Property, L.P., AMB Property Corporation and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.3 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.13 | Third Supplemental Indenture dated as of June 30, 1998, by and among AMB Property, L.P., AMB Property Corporation and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.4 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.14 | Fourth Supplemental Indenture, by and among AMB Property, L.P., AMB Property Corporation and State Street Bank and Trust Company of California, N.A., as trustee (incorporated herein by reference as Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K/ A filed on November 9, 2000). |
| 4.15 | Specimen of 7.10% Notes due 2008 (included in the First Supplemental Indenture incorporated by reference as Exhibit 4.2 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.16 | Specimen of 7.50% Notes due 2018 (included in the Second Supplemental Indenture incorporated by reference as Exhibit 4.3 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.17 | Specimen of 6.90% Reset Put Securities due 2015 (included in the Third Supplemental Indenture incorporated by reference as Exhibit 4.4 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.18 | \$25,000,000 6.90% Fixed Rate Note No. 8 dated January 9, 2001, attaching the Parent Guarantee dated January 9, 2001 (incorporated herein by reference to Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 31, 2001). |

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| Exhibit Number | Description |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.19 | \$50,000,000 7.00% Fixed Rate Note No. 9 dated March 7, 2001, attaching the Parent Guarantee dated March 7, 2001 (incorporated herein by reference to Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K filed on March 16, 2001). |
| 4.20 | \$25,000,000 6.75% Fixed Rate Note No. 10 dated September 6, 2001, attaching the Parent Guarantee dated September 6, 2001 (incorporated herein by reference to Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K filed on September 18, 2001). |
| 4.21 | \$20,000,000 5.90% Fixed Rate Note No. 11 dated January 17, 2002, attaching the Parent Guarantee dated January 17, 2002 (incorporated herein by reference to Exhibit 4.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 23, 2002). |
| 10.1 | Distribution Agreement dated August 15, 2000 by and among AMB Property Corporation, AMB Property, L.P., Morgan Stanley & Co., Incorporated, Banc of America Securities LLC, Banc One Capital Markets, Inc., Chase Securities, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc., and Salomon Smith Barney Inc. (incorporated herein by reference to Exhibit 1.1 of Registrant's Current Report on Form 8-K/ A filed on November 9, 2000). |
| 10.2 | Terms Agreement dated as of December 14, 2000, by and between Morgan Stanley & Co., Incorporated and J.P. Morgan Securities Inc. and AMB Property, L.P. (incorporated herein by reference to Exhibit 1.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 8, 2001). |
| 10.3 | Terms Agreement dated as of January 4, 2001, by and between A.G. Edwards & Sons, Inc. and AMB Property, L.P. (incorporated herein by reference to Exhibit 1.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 31, 2001). |
| 10.4 | Terms Agreement dated as of March 2, 2001, by and among First Union Securities, Inc., AMB Property, L.P. and AMB Property Corporation (incorporated by reference to Exhibit 1.1 of Registrants' current report on Form 8-K filed on March 16, 2001). |
| 10.5 | Fifth Amended and Restated Partnership Agreement of Limited Partnership of AMB Property, L.P. dated September 21, 2001 (incorporated herein by reference as Exhibit 10.1 to AMB Property Corporations Current Report on Form 8-K filed on October 3, 2001). |
| 10.6 | First Amendment to the Fifth Amended and Restated Agreement of Limited Partnership of AMB Property, L.P. dated January 1, 2002. |
| 10.7 | Form of Registration Rights Agreement among AMB Property Corporation and the persons named therein (incorporated by reference to Exhibit 10.2 of AMB Property Corporation's Registration Statement on Form S-11 (No. 333-35915)). |
| 10.8 | Form of Change in Control and Noncompetition Agreement between AMB Property Corporation and Executive Officers (incorporated by reference to AMB Property Corporation's Annual Report on Form 10-K for the year ended December 31, 1998). |
| 10.9 | Agreement for Purchase and Exchange entered into as of March 9, 1999, by and among AMB Property, L.P., AMB Property II, L.P., Long Gate, L.L.C. and BPP Retail, LLC, regarding the transaction which closed on June 15, 1999 (incorporated by reference to Exhibit 10.1 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| 10.10 | Agreement for Purchase and Exchange entered into as of March 9, 1999, by and among AMB Property, L.P., AMB Property II, L.P., Long Gate, L.L.C. and BPP Retail, LLC, regarding the transaction which closed on August 4, 1999 (incorporated by reference to Exhibit 10.2 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| 10.11 | Agreement for Purchase and Exchange entered into as of March 9, 1999, by and among AMB Property, L.P., AMB Property II, L.P., Long Gate, L.L.C. and BPP Retail, LLC, regarding the transaction which closed on December 1, 1999 (incorporated by reference to Exhibit 10.3 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| 10.12 | Dividend Reinvestment and Direct Purchase Plan, dated July 9, 1999 (incorporated by reference to Exhibit 10.4 of AMB Property Corporation's Quarterly Report on Report Form 10-Q for the quarter ended June 30, 1999). |

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| Exhibit Number | Description |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.13 | Second Amended and Restated 1997 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.5 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999). |
| 10.14 | Tenth Amended and Restated Agreement of Limited Partnership of AMB Property II, L.P., dated December 6, 2001 (incorporated by reference to Exhibit 10.1 of AMB Property Corporation's Current Report on Form 8-K filed on December 7, 2001). |
| 10.15 | First Amendment to Tenth Amended and Restated Agreement of Limited Partnership of AMB Property II, L.P., dated January 1, 2002. |
| 10.16 | Revolving Credit Agreement dated as of May 24, 2000, among AMB Property, L.P., the banks listed therein, Morgan Guaranty Trust Company of New York, as Administrative Agent, Bank of America, N.A., as Syndication Agent, the Chase Manhattan Bank, as Documentation Agent, J.P. Morgan Securities Inc. and Banc of America Securities LLC, as Joint Lead Arrangers and Joint Bookmanagers, Bank one, NA, Commerzbank Aktiengesellschaft, PNC Bank National Association and Wachovia Bank, N.A., as Managing Agents and Banks Trust Company and Dresdner Bank AG, New York and Grand Cayman Branches, as Co-Agents (incorporated by reference to Exhibit 10.1 of AMB Property Corporation's Current Report on Form 8-K filed on June 16, 2000). |
| 10.17 | Guaranty of Payment made as of May 24, 2000, between AMB Property Corporation and Morgan Guaranty Trust Company of New York, as administrative agent for the banks listed on the signature page of the Revolving Credit Agreement (incorporated herein by reference to Exhibit 10.2 of AMB Property Corporation's Current Report on Form 8-K filed on June 16, 2000). |
| 10.18 | Credit Agreement dated as of September 27, 1999, among AMB Institutional Alliance Fund I, L.P., AMB Institutional Alliance REIT I, Inc., the Lenders and issuing parties thereto, BT Realty Resources, Inc. and Chase Manhattan Bank (incorporated by reference to Exhibit 10.3 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999). |
| 10.19 | Revolving Credit Agreement dated as of August 23, 2001, among AMB Institutional Alliance Fund II, L.P., AMB Institutional Alliance REIT II, Inc., the banks and financial institutions listed therein, Bank of America, N.A. as Administrative Agent, Dresdner Bank AG, as Syndication Agent, and Bank One, NA, as Documentation Agent (incorporated by reference to Exhibit 10.4 of AMB Property Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001). |
| 10.20 | Terms Agreement dated as of August 30, 2001, by and among Lehman Brothers Inc., AMB Property, L.P., and AMB Property Corporation (incorporated by reference to Exhibit 1.1 of AMB Property Corporation's Current Report on Form 8-K filed on September 18, 2001). |
| 10.21 | Terms Agreement dated as of January 14, 2002, by and among Lehman Brothers Inc., AMB Property, L.P., and AMB Property Corporation (incorporated by reference to Exhibit 1.1 of AMB Property Corporation's Current Report on Form 8-K filed on January 23, 2002). |
| 10.22 | Third Amended and Restated 1997 Stock Option and Incentive Plan. |
| 10.23 | Amendment No. 1 to the Third Amended and Restated 1997 Stock Option and Incentive Plan. |
| 10.24 | 2002 Stock Option and Incentive Plan. |
| 10.25 | Second Amendment to Tenth Amended and Restated Agreement of Limited Partnership of AMB Property II, L.P., dated February 25, 2002. |
| 10.26 | AMB Nonqualified Deferred Compensation Plan. |
| 21.1 | Subsidiaries of AMB Property Corporation. |
| 23.1 | Consent of Arthur Andersen LLP. |
| 24.1 | Powers of Attorney (included in Part IV of this Form 10-K). |
| 99.1 | Letter, dated March 28, 2002, from AMB Property Corporation to the Securities and Exchange Commission. |

AMB PROPERTY, L.P.
FIRST AMENDMENT TO
FIFTH AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP

This First Amendment (this "Amendment") is made as of January 1, 2002 by AMB PROPERTY CORPORATION, a Maryland corporation, as general partner (the "General Partner") of AMB PROPERTY, L.P., a Delaware limited partnership (the "Partnership"), and as attorney-in fact for each of the limited partners of the Partnership (collectively, the "Limited Partners") for the purpose of amending the Fifth Amended and Restated Agreement of Limited Partnership of the Partnership dated as of September 21, 2001 (as amended, the "Partnership Agreement"). All defined terms used herein but not defined herein have the meanings assigned to them in the Partnership Agreement.

WHEREAS, pursuant to Section 11.4.A of the Partnership Agreement, the General Partner shall have the right to consent to the admission of a permitted transferee of the interest of a Limited Partner, as a Substituted Limited Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion;

WHEREAS, pursuant to Section 11.4.C of the Partnership Agreement, upon the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A to reflect the name, address, number of Partnership Units and Percentage Interest of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and interest of the predecessor of such Substituted Limited Partner;

WHEREAS, pursuant to Section 7.3D(ii) of the Partnership Agreement, the General Partner may, without the consent of the other partners, amend the Partnership Agreement to reflect the admission or substitution of partners pursuant to Article 12 of the Partnership Agreement;

WHEREAS, pursuant to the authority granted under the Partnership Agreement, the General Partner desires to amend the Partnership Agreement to reflect transfer, effective as of January 1, 2002, by Goldman Sachs 1998 Exchange Place Fund, L.P. (f/k/a Greene Street 1998 Exchange Fund, L.P.) of 1,300,000 Series B Preferred Units to GSEP 1998 Realty Corp.

NOW THEREFORE, pursuant to Sections 2.4 and 7.3D of the Partnership Agreement, the General Partner, on its own behalf and as attorney-in-fact for the Limited Partners, hereby amends the Partnership Agreement as follows:

SECTION 1. Amendment of Exhibit A to the Partnership Agreement.

Exhibit A to the Partnership Agreement is deleted in its entirety and replaced with Exhibit A attached hereto.

1

SECTION 2. Miscellaneous.

2.1 Governing Law. This Amendment shall be construed under and governed by the internal laws of the State of Delaware without regard to its conflict of laws provisions.

SECTION 3. Partnership Agreement. The Partnership Agreement and this Amendment shall be read together and shall have the same effect as if the provisions of the Partnership Agreement and this Amendment were contained in one document. Any provisions of the Partnership Agreement not amended by this Amendment shall remain in full force and effect as provided in the Partnership Agreement immediately prior to the date hereof.

2

IN WITNESS WHEREOF the parties hereto have caused this Amendment to be executed as of the date set forth above by their duly authorized representatives.

GENERAL PARTNER:

AMB PROPERTY CORPORATION,
a Maryland corporation

By: /s/ Michael Coke

Michael Coke
Executive Vice President and Chief
Financial Officer

LIMITED PARTNERS:

By: AMB PROPERTY CORPORATION,
a Maryland corporation, as attorney-in-fact
for each of the Limited Partners

By: /s/ Michael Coke

Michael Coke
Executive Vice President and Chief
Financial Officer

S-1

EXHIBIT A

PARTNERS, CONTRIBUTIONS, AND PARTNERSHIP INTERESTS

I. COMMON UNITS

<TABLE>
<CAPTION>

| Partnership Name of Partner Interest | Percentage | Contri- bution Date | Cash Contri- butions | Agreed Value of Contributed Property | Total Contributions | Common Units |
|------------------------------------------------|------------|---------------------------|----------------------------|-----------------------------------------------|------------------------|-----------------|
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | | <C> | <C> | <C> | <C> | <C> |
| <C> | | | | | | |
| GENERAL PARTNER: | | | | | | |
| AMB Property Corporation (a) 95.26280% | | 11/26/97 | \$73,798,710 | \$1,693,339,826 | \$1,767,138,536 | 85,645,102 |
| AMB Property Corporation 43,008 0.04784% | | 12/15/98 | \$930,048 | \$0 | \$930,048 | |
| AMB Property Corporation 100,000 0.11123% | | 01/20/99 | \$1,000 | \$0 | \$1,000 | |
| AMB Property Corporation 1,250 0.00139% | | 01/25/99 | \$26,250 | \$0 | \$26,250 | |
| AMB Property Corporation 6,250 0.00695% | | 02/11/99 | \$131,250 | \$0 | \$131,250 | |
| AMB Property Corporation 1,250 0.00139% | | 03/05/99 | \$26,250 | \$0 | \$26,250 | |
| AMB Property Corporation 1,250 0.00139% | | 04/20/99 | \$26,250 | \$0 | \$26,250 | |
| AMB Property Corporation 3,600 0.00400% | | 04/23/99 | \$0 | \$88,290 | \$88,290 | |
| AMB Property Corporation (932) -0.00104% | | 05/07/99 | (\$20,155) | \$0 | (\$20,155) | |
| AMB Property Corporation 482,153 0.53630% | | 05/12/99 | \$0 | \$10,125,213 | \$10,125,213 | |
| AMB Property Corporation 3,750 0.00417% | | 05/13/99 | \$78,750 | \$0 | \$78,750 | |
| AMB Property Corporation 1,250 0.00139% | | 06/04/99 | \$26,250 | \$0 | \$26,250 | |
| AMB Property Corporation 625 0.00070% | | 06/11/99 | \$13,125 | \$0 | \$13,125 | |
| AMB Property Corporation 625 0.00070% | | 06/30/99 | \$13,125 | \$0 | \$13,125 | |
| AMB Property Corporation 2,500 0.00278% | | 07/02/99 | \$52,500 | \$0 | \$52,500 | |
| AMB Property Corporation 10,000 0.01112% | | 08/03/99 | \$0 | \$244,000 | \$244,000 | |
| AMB Property Corporation 6,250 0.00695% | | 08/06/99 | \$131,250 | \$0 | \$131,250 | |
| AMB Property Corporation 40,000 0.04449% | | 09/15/99 | \$0 | \$840,000 | \$840,000 | |
| AMB Property Corporation (701) -0.00078% | | 09/15/99 | (\$15,159) | \$0 | (\$15,159) | |
| AMB Property Corporation (10,000) -0.01112% | | 12/10/99 | (\$198,750) | \$0 | (\$198,750) | |

| | | | | |
|---------------------------------------------------|----------|----------------|-------------|----------------|
| AMB Property Corporation (10,000) -0.01112% | 12/10/99 | (\$197,500) | \$0 | (\$197,500) |
| AMB Property Corporation (85,000) -0.09455% | 12/10/99 | (\$1,657,500) | \$0 | (\$1,657,500) |
| AMB Property Corporation (100,000) -0.11123% | 12/13/99 | (\$1,950,000) | \$0 | (\$1,950,000) |
| AMB Property Corporation (500,000) -0.55615% | 12/14/99 | (\$9,500,000) | \$0 | (\$9,500,000) |
| AMB Property Corporation (50,000) -0.05561% | 12/16/99 | (\$950,000) | \$0 | (\$950,000) |
| AMB Property Corporation (96,100) -0.10689% | 12/16/99 | (\$1,813,888) | \$0 | (\$1,813,888) |
| AMB Property Corporation (50,000) -0.05561% | 12/17/99 | (\$937,500) | \$0 | (\$937,500) |
| AMB Property Corporation (471,900) -0.52489% | 12/17/99 | (\$8,730,150) | \$0 | (\$8,730,150) |
| AMB Property Corporation (50,000) -0.05561% | 12/20/99 | (\$918,750) | \$0 | (\$918,750) |
| AMB Property Corporation (20,600) -0.02291% | 12/20/99 | (\$375,950) | \$0 | (\$375,950) |
| AMB Property Corporation (1,465,926) -1.63055% | 01/07/00 | (\$28,777,960) | \$0 | (\$28,777,960) |
| AMB Property Corporation 155,675 0.17316% | 02/29/00 | \$0 | \$0 | \$0 |
| AMB Property Corporation 12,500 0.01390% | 03/31/00 | \$262,500 | \$0 | \$262,500 |
| AMB Property Corporation 5,000 0.00556% | 05/01/00 | \$105,000 | \$0 | \$105,000 |
| AMB Property Corporation 5,000 0.00556% | 05/02/00 | \$105,000 | \$0 | \$105,000 |
| AMB Property Corporation 1,250 0.00139% | 05/03/00 | \$26,250 | \$0 | \$26,250 |
| AMB Property Corporation 2,500 0.00278% | 05/05/00 | \$52,500 | \$0 | \$52,500 |
| AMB Property Corporation 1,000 0.00111% | 05/05/00 | \$0 | \$0 | \$0 |
| AMB Property Corporation 625 0.00070% | 05/10/00 | \$13,125 | \$0 | \$13,125 |
| AMB Property Corporation 1,250 0.00139% | 05/31/00 | \$26,250 | \$0 | \$26,250 |
| AMB Property Corporation 5,000 0.00556% | 06/09/00 | \$105,000 | \$0 | \$105,000 |
| AMB Property Corporation 11,790 0.01311% | 06/13/00 | \$254,334 | \$0 | \$254,334 |
| AMB Property Corporation 206,425 0.22961% | 07/06/00 | \$0 | \$4,774,010 | \$4,774,010 |
| AMB Property Corporation 6,072 0.00675% | 07/14/00 | \$128,747 | \$0 | \$128,747 |
| AMB Property Corporation 2,500 0.00278% | 07/19/00 | \$52,500 | \$0 | \$52,500 |
| AMB Property Corporation 5,000 0.00556% | 07/21/00 | \$105,000 | \$0 | \$105,000 |
| AMB Property Corporation 5,000 0.00556% | 07/26/00 | \$105,000 | \$0 | \$105,000 |
| AMB Property Corporation 1,250 0.00139% | 08/10/00 | \$26,250 | \$0 | \$26,250 |
| AMB Property Corporation 1,250 0.00139% | 08/11/00 | \$26,250 | \$0 | \$26,250 |
| AMB Property Corporation 7,500 0.00834% | 08/25/00 | \$157,500 | \$0 | \$157,500 |
| AMB Property Corporation 1,500 0.00167% | 09/06/00 | \$31,594 | \$0 | \$31,594 |
| AMB Property Corporation 4,500 0.00501% | 09/11/00 | \$94,500 | \$0 | \$94,500 |
| AMB Property Corporation 250 0.00028% | 09/12/00 | \$5,250 | \$0 | \$5,250 |
| AMB Property Corporation 2,500 0.00278% | 09/15/00 | \$52,500 | \$0 | \$52,500 |
| AMB Property Corporation (298) -0.00033% | 10/01/00 | (\$7,152) | \$0 | (\$7,152) |
| AMB Property Corporation 600 0.00067% | 11/27/00 | \$12,600 | \$0 | \$12,600 |
| AMB Property Corporation 5,000 0.00556% | 11/28/00 | \$5,000 | \$0 | \$5,000 |
| AMB Property Corporation 3,750 0.00417% | 11/29/00 | \$78,750 | \$0 | \$78,750 |
| AMB Property Corporation 622 0.00069% | 12/01/00 | \$0 | \$0 | \$0 |
| AMB Property Corporation 11,789 0.01311% | 12/05/00 | \$250,250 | \$0 | \$250,250 |
| AMB Property Corporation 3,750 0.00417% | 12/06/00 | \$78,750 | \$0 | \$78,750 |
| AMB Property Corporation 600 0.00067% | 12/13/00 | \$12,600 | \$0 | \$12,600 |
| AMB Property Corporation | 12/15/00 | \$10,500 | \$0 | \$10,500 |

| | | | | | |
|--------------------------|----------|----------|----------|-----|----------|
| 500 | 0.00056% | | | | |
| AMB Property Corporation | | 01/30/01 | \$12,446 | \$0 | \$12,446 |
| 584 | 0.00065% | | | | |

<TABLE>
<CAPTION>

| Partnership Name of Partner Interest | Percentage | Contribution Date | Cash Contributions | Agreed Value of Contributed Property | Total Contributions | Common Units |
|--------------------------------------|------------|-------------------|--------------------|--------------------------------------|---------------------|--------------|
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | | <C> | <C> | <C> | <C> | <C> |
| <C> | | | | | | |
| AMB Property Corporation | | 02/27/01 | \$46,193 | \$0 | \$46,193 | |
| 2,053 | 0.00228% | | | | | |
| AMB Property Corporation | | 02/27/01 | \$0 | \$0 | \$0 | |
| 196,517 | 0.21859% | | | | | |
| AMB Property Corporation | | 02/28/01 | \$107,952 | \$0 | \$107,952 | |
| 4,992 | 0.00555% | | | | | |
| AMB Property Corporation | | 02/28/01 | \$0 | \$36,750 | \$36,750 | |
| 1,554 | 0.00173% | | | | | |
| AMB Property Corporation | | 03/07/01 | \$0 | \$872,202 | \$872,202 | |
| 37,115 | 0.04128% | | | | | |
| AMB Property Corporation | | 03/07/01 | \$13,125 | \$0 | \$13,125 | |
| 625 | 0.00070% | | | | | |
| AMB Property Corporation | | 03/08/01 | \$774,736 | \$0 | \$774,736 | |
| 36,667 | 0.04078% | | | | | |
| AMB Property Corporation | | 03/23/01 | \$0 | \$11,752,188 | \$11,752,188 | |
| 559,268 | 0.62207% | | | | | |
| AMB Property Corporation | | 04/18/01 | (\$568,750) | \$0 | (\$568,750) | |
| (25,000) | -0.02781% | | | | | |
| AMB Property Corporation | | 05/17/01 | \$0 | \$0 | \$0 | |
| 1,000 | 0.00111% | | | | | |
| AMB Property Corporation | | 05/21/01 | \$16,800 | \$0 | \$16,800 | |
| 800 | 0.00089% | | | | | |
| AMB Property Corporation | | 05/22/01 | \$0 | \$0 | \$0 | |
| 41,204 | 0.04583% | | | | | |
| AMB Property Corporation | | 06/14/01 | \$95,586 | \$0 | \$95,586 | |
| 4,584 | 0.00510% | | | | | |
| AMB Property Corporation | | 07/01/01 | \$11,248 | \$0 | \$11,248 | |
| (461) | -0.00051% | | | | | |
| AMB Property Corporation | | 07/12/01 | \$23,520 | \$0 | \$23,520 | |
| 1,120 | 0.00125% | | | | | |
| AMB Property Corporation | | 07/13/01 | \$5,094 | \$0 | \$5,094 | |
| 250 | 0.00028% | | | | | |
| AMB Property Corporation | | 07/16/01 | \$286,424 | \$0 | \$286,424 | |
| 13,459 | 0.01497% | | | | | |
| AMB Property Corporation | | 07/26/01 | \$21,000 | \$0 | \$21,000 | |
| 1,000 | 0.00111% | | | | | |
| AMB Property Corporation | | 07/27/01 | \$14,700 | \$0 | \$14,700 | |
| 700 | 0.00078% | | | | | |
| AMB Property Corporation | | 08/02/01 | \$90,300 | \$0 | \$90,300 | |
| 4,300 | 0.00478% | | | | | |
| AMB Property Corporation | | 08/03/01 | \$11,500 | \$0 | \$11,500 | |
| 500 | 0.00056% | | | | | |
| AMB Property Corporation | | 08/08/01 | \$5,000 | \$0 | \$5,000 | |
| 250 | 0.00028% | | | | | |
| AMB Property Corporation | | 08/09/01 | \$5,775 | \$0 | \$5,775 | |
| 275 | 0.00031% | | | | | |
| AMB Property Corporation | | 08/10/01 | \$78,750 | \$0 | \$78,750 | |
| 3,750 | 0.00417% | | | | | |
| AMB Property Corporation | | 08/14/01 | \$11,406 | \$0 | \$11,406 | |
| 500 | 0.00056% | | | | | |
| AMB Property Corporation | | 08/15/01 | \$31,500 | \$0 | \$31,500 | |
| 1,500 | 0.00167% | | | | | |
| AMB Property Corporation | | 08/17/01 | \$14,063 | \$0 | \$14,063 | |
| 625 | 0.00070% | | | | | |
| AMB Property Corporation | | 08/22/01 | \$420,000 | \$0 | \$420,000 | |
| 20,000 | 0.02225% | | | | | |
| AMB Property Corporation | | 09/18/01 | \$0 | \$557,838 | \$557,838 | |
| 23,700 | 0.02636% | | | | | |
| AMB Property Corporation | | 09/20/01 | (\$597,500) | \$0 | (\$597,500) | |
| (25,000) | -0.02781% | | | | | |
| AMB Property Corporation | | 10/19/01 | \$11,406 | \$0 | \$11,406 | |
| 500 | 0.00056% | | | | | |
| AMB Property Corporation | | 11/02/01 | \$14,258 | \$0 | \$14,258 | |
| 625 | 0.00070% | | | | | |
| AMB Property Corporation | | 11/09/01 | \$0 | \$337,710 | \$337,710 | |
| 13,801 | 0.01535% | | | | | |

| | | | | |
|---------------------------------------------|----------|-------------|-----|-------------|
| AMB Property Corporation 500 0.00056% | 11/12/01 | \$10,500 | \$0 | \$10,500 |
| AMB Property Corporation 4,167 0.00463% | 11/16/01 | \$84,121 | \$0 | \$84,121 |
| AMB Property Corporation 5,000 0.00556% | 11/19/01 | \$105,000 | \$0 | \$105,000 |
| AMB Property Corporation 1,875 0.00209% | 11/20/01 | \$39,375 | \$0 | \$39,375 |
| AMB Property Corporation 250 0.00028% | 11/23/01 | \$5,344 | \$0 | \$5,344 |
| AMB Property Corporation 625 0.00070% | 11/26/01 | \$13,125 | \$0 | \$13,125 |
| AMB Property Corporation 5,000 0.00556% | 11/27/01 | \$105,000 | \$0 | \$105,000 |
| AMB Property Corporation 2,500 0.00278% | 11/28/01 | \$52,500 | \$0 | \$52,500 |
| AMB Property Corporation 5,000 0.00556% | 12/05/01 | \$105,000 | \$0 | \$105,000 |
| AMB Property Corporation 3,125 0.00348% | 12/07/01 | \$77,344 | \$0 | \$77,344 |
| AMB Property Corporation 10,000 0.01112% | 12/11/01 | \$210,000 | \$0 | \$210,000 |
| AMB Property Corporation 250 0.00028% | 12/17/01 | \$6,063 | \$0 | \$6,063 |
| AMB Property Corporation 64,009 0.07120% | 12/26/01 | \$1,346,486 | \$0 | \$1,346,486 |

TOTAL GENERAL PARTNER
84,935,012 94.47297%
24,504,234 1,722,968,027 1,747,472,261
</TABLE>

<TABLE>
<CAPTION>

| Partnership Name of Partner Interest | Percentage | Contri- bution Date | Cash Contri- butions | Agreed Value of Contributed Property | Total Contributions | Common Units |
|-------------------------------------------------------------|------------|---------------------------|----------------------------|-----------------------------------------------|------------------------|-----------------|
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | | <C> | <C> | <C> | <C> | <C> |
| <C> | | | | | | |
| LIMITED PARTNERS: | | | | | | |
| David Brown 54,779 0.06093% | | 11/26/97 | \$0 | \$1,150,359 | \$1,150,359 | |
| Daniel Sarhad 294 0.00033% | | 11/26/97 | \$0 | \$6,174 | \$6,174 | |
| Craig Duncan 10,307 0.01146% | | 11/26/97 | \$0 | \$216,447 | \$216,447 | |
| GP Met Phase I 84,484 0.09397% | | 11/26/97 | \$0 | \$1,774,164 | \$1,774,164 | |
| GP Met 4 & 12 70,772 0.07872% | | 11/26/97 | \$0 | \$1,486,212 | \$1,486,212 | |
| Holbrook W. Goodale 54 Trust 53,274 0.05926% | | 11/26/97 | \$0 | \$1,118,754 | \$1,118,754 | |
| Charles R. Wichman 54 Trust 53,274 0.05926% | | 11/26/97 | \$0 | \$1,118,754 | \$1,118,754 | |
| Frederick B. Wichman 54 Trust 53,274 0.05926% | | 11/26/97 | \$0 | \$1,118,754 | \$1,118,754 | |
| Holbrook W. Goodale 57 Trust 186,654 0.20761% | | 11/26/97 | \$0 | \$3,919,734 | \$3,919,734 | |
| Charles R. Wichman 57 Trust 186,654 0.20761% | | 11/26/97 | \$0 | \$3,919,734 | \$3,919,734 | |
| Frederick B. Wichman 57 Trust 186,654 0.20761% | | 11/26/97 | \$0 | \$3,919,734 | \$3,919,734 | |
| Holbrook W. Goodale 58 Trust 186,654 0.20761% | | 11/26/97 | \$0 | \$3,919,734 | \$3,919,734 | |
| Charles R. Wichman 58 Trust 186,654 0.20761% | | 11/26/97 | \$0 | \$3,919,734 | \$3,919,734 | |
| Frederick B. Wichman 58 Trust 186,654 0.20761% | | 11/26/97 | \$0 | \$3,919,734 | \$3,919,734 | |
| Allmerica 559,628 0.62247% | | 11/26/97 | \$0 | \$11,752,188 | \$11,752,188 | |
| Gamble 482,153 0.53630% | | 11/26/97 | \$0 | \$10,125,213 | \$10,125,213 | |
| Campanelli Investment Properties (b) 517,547 0.57567% | | 03/30/98 | \$0 | \$12,435,871 | \$12,435,871 | |
| Campanelli Enterprises (c) 438,110 0.48731% | | 03/30/98 | \$0 | \$10,334,678 | \$10,334,678 | |

| | | | | | |
|-------------------------------------------------------------------------------------------------------------|----------|-----|-------------|-------------|---------|
| Steve Liefschultz 81,174 0.09029% | 03/31/98 | \$0 | \$1,990,798 | \$1,990,798 | |
| Stephen M. Vincent 25,884 0.02879% | 03/31/98 | \$0 | \$634,825 | \$634,825 | |
| Alan Wilensky 10,849 0.01207% | 03/31/98 | \$0 | \$266,073 | \$266,073 | |
| Craig Gagnon 32,880 0.03657% | 03/31/98 | \$0 | \$806,404 | \$806,404 | |
| Seefried Properties, Inc. 2,590 0.00288% | 06/04/98 | \$0 | \$61,250 | \$61,250 | |
| Monique Brouillet Seefried 27,916 0.03105% | 06/04/98 | \$0 | \$660,275 | \$660,275 | |
| Robert S. Rakusin 13,518 0.01504% | 06/04/98 | \$0 | \$319,725 | \$319,725 | |
| Gerald L. Daws 6,215 0.00691% | 06/04/98 | \$0 | \$147,000 | \$147,000 | |
| Thomas Ellis 1,554 0.00173% | 06/04/98 | \$0 | \$36,750 | \$36,750 | |
| James E. Hayes as trustee of the James E. Hayes Living Trust under Agreement dated August 22, 1995 | 06/30/98 | \$0 | \$580,747 | \$580,747 | |
| 23,801 0.02647% | | | | | |
| Lawrence J. Hayes 23,801 0.02647% | 06/30/98 | \$0 | \$580,747 | \$580,747 | |
| Lincoln Property Company No. 238 Ltd. 0.39322% | 09/24/98 | \$0 | \$8,320,955 | \$8,320,955 | 353,520 |
| Lincoln Property Company No. 287, LTD 0.13047% | 09/24/98 | \$0 | \$2,760,957 | \$2,760,957 | 117,300 |
| Lincoln Property Company No. 355, LTD 31,422 0.03495% | 09/24/98 | \$0 | \$739,600 | \$739,600 | |
| Lincoln Property Company No. 440, LTD 32,614 0.03628% | 09/24/98 | \$0 | \$767,640 | \$767,640 | |
| Lincoln Property Company No. 1179 164,981 0.18351% | 09/24/98 | \$0 | \$3,883,230 | \$3,883,230 | |
| Alan Wilensky (1,800) -0.00200% | 12/31/98 | \$0 | (\$44,145) | (\$44,145) | |
| Julie H. Wilensky 900 0.00100% | 12/31/98 | \$0 | \$22,073 | \$22,073 | |
| Constance J. Wilensky 900 0.00100% | 12/31/98 | \$0 | \$22,073 | \$22,073 | |
| Alan Wilensky (1,800) -0.00200% | 01/31/99 | \$0 | (\$44,145) | (\$44,145) | |
| Julie H. Wilensky 900 0.00100% | 01/31/99 | \$0 | \$22,073 | \$22,073 | |
| Constance J. Wilensky 900 0.00100% | 01/31/99 | \$0 | \$22,073 | \$22,073 | |
| William H. Winstead III 99 0.00011% | 02/09/99 | \$0 | \$2,376 | \$2,376 | |
| Donald A. Manekin 169 0.00019% | 02/09/99 | \$0 | \$4,056 | \$4,056 | |
| Bernard Manekin 117 0.00013% | 02/09/99 | \$0 | \$2,808 | \$2,808 | |
| Harold Manekin 108 0.00012% | 02/09/99 | \$0 | \$2,592 | \$2,592 | |
| Vivian Manekin 6 0.00001% | 02/09/99 | \$0 | \$144 | \$144 | |
| Francine U. Manekin 6 0.00001% | 02/09/99 | \$0 | \$144 | \$144 | |
| RA & DM, Inc. 4 0.00000% | 02/09/99 | \$0 | \$96 | \$96 | |
| RA & FM, Inc. 37 0.00004% | 02/09/99 | \$0 | \$888 | \$888 | |
| Richard M. Alter 295 0.00033% | 02/09/99 | \$0 | \$7,080 | \$7,080 | |
| Robert Manekin 45 0.00005% | 02/09/99 | \$0 | \$1,080 | \$1,080 | |
| Richard P. Manekin 64 0.00007% | 02/09/99 | \$0 | \$1,536 | \$1,536 | |
| Charles H. Manekin 28 0.00003% | 02/09/99 | \$0 | \$672 | \$672 | |
| Louis C. LaPenna 18 0.00002% | 02/09/99 | \$0 | \$432 | \$432 | |
| Sandy Manekin Sirota 38 0.00004% | 02/09/99 | \$0 | \$912 | \$912 | |
| Julie H. Wilensky (1,800) -0.00200% | 04/23/99 | \$0 | (\$44,145) | (\$44,145) | |
| Constance J. Wilensky (1,800) -0.00200% | 04/23/99 | \$0 | (\$44,145) | (\$44,145) | |
| William H. Winstead III 37,016 0.04117% | 04/30/99 | \$0 | \$888,379 | \$888,379 | |
| Donald A. Manekin 61,654 0.06858% | 04/30/99 | \$0 | \$1,479,701 | \$1,479,701 | |
| Bernard Manekin 43,612 0.04851% | 04/30/99 | \$0 | \$1,046,686 | \$1,046,686 | |

| | | | | |
|---------------------------------------|----------|-----|-----------|-----------|
| Harold Manekin 40,275 0.04480% | 04/30/99 | \$0 | \$966,601 | \$966,601 |
| Vivian Manekin 2,328 0.00259% | 04/30/99 | \$0 | \$55,873 | \$55,873 |
| Francine U. Manekin 2,328 0.00259% | 04/30/99 | \$0 | \$55,873 | \$55,873 |
| RA & DM, Inc. 3,880 0.00432% | 04/30/99 | \$0 | \$93,122 | \$93,122 |

<TABLE>
<CAPTION>

| Partnership Name of Partner Interest ----- ----- | Contri- bution Date | Cash Contri- butions | Agreed Value of Contributed Property | Total Contributions | Common Units |
|--------------------------------------------------------------|---------------------------|----------------------------|-----------------------------------------------|------------------------|-----------------|
| | | | | | |
| <S> <C> | <C> | <C> | <C> | <C> | <C> |
| RA & FM, Inc. 5,072 0.00564% | 04/30/99 | \$0 | \$121,732 | \$121,732 | |
| Richard M. Alter 115,742 0.12874% | 04/30/99 | \$0 | \$2,777,815 | \$2,777,815 | |
| Robert Manekin 23,746 0.02641% | 04/30/99 | \$0 | \$569,904 | \$569,904 | |
| Richard P. Manekin 23,746 0.02641% | 04/30/99 | \$0 | \$569,904 | \$569,904 | |
| Charles H. Manekin 10,282 0.01144% | 04/30/99 | \$0 | \$246,772 | \$246,772 | |
| Louis C. LaPenna 6,635 0.00738% | 04/30/99 | \$0 | \$159,238 | \$159,238 | |
| Sandye Manekin Sirota 14,317 0.01592% | 04/30/99 | \$0 | \$343,618 | \$343,618 | |
| Gamble (482,153) -0.53630% | 05/12/99 | \$0 | (\$10,125,213) | (\$10,125,213) | |
| Campanelli Investment Properties, LLC 18,638 0.02073% | 05/21/99 | \$0 | \$450,811 | \$450,811 | |
| CBDV Investors, L.L.C. 212,766 0.23666% | 05/26/99 | \$0 | \$5,000,000 | \$5,000,000 | |
| Gerald L. Daws (6,215) -0.00691% | 06/04/99 | - | (\$147,000) | (\$147,000) | |
| CBDV Investors, L.L.C. (212,766) -0.23666% | 07/30/99 | - | (\$5,000,000) | (\$5,000,000) | |
| Tiger Lafayette, L.L.C. 138,536 0.15409% | 07/30/99 | \$0 | \$3,255,596 | \$3,255,596 | |
| Divco Western Commercial, L.L.C. 37,115 0.04128% | 07/30/99 | \$0 | \$872,202 | \$872,202 | |
| ICCL East, L.L.C. 37,115 0.04128% | 07/30/99 | \$0 | \$872,202 | \$872,202 | |
| Lawrence J. Hayes (10,000) -0.01112% | 08/03/99 | - | (\$244,000) | (\$244,000) | |
| GP Met 4 & 12 (40,000) -0.04449% | 09/15/99 | - | (\$840,000) | (\$840,000) | |
| Lincoln Property Company No. 238 Ltd. 12 0.00001% | 09/30/99 | \$0 | \$282 | \$282 | |
| Lincoln Property Company No. 287, Ltd 1,133 0.00126% | 09/30/99 | \$0 | \$26,668 | \$26,668 | |
| Lincoln Property Company No. 355, Ltd. 1,945 0.00216% | 09/30/99 | \$0 | \$45,780 | \$45,780 | |
| Lincoln Property Company No. 440, Ltd. 452 0.00050% | 09/30/99 | \$0 | \$10,639 | \$10,639 | |
| Lincoln Property Company No. 1179 100 0.00011% | 09/30/99 | \$0 | \$2,354 | \$2,354 | |
| Lincoln Property Company No. 238 Ltd. (353,532) -0.39323% | 09/30/99 | \$0 | (\$8,321,259) | (\$8,321,259) | |
| Lincoln Property Company No. 287, Ltd (106,590) -0.11856% | 09/30/99 | \$0 | (\$2,508,862) | (\$2,508,862) | |
| Lincoln Property Company No. 355, Ltd. (32,532) -0.03619% | 09/30/99 | \$0 | (\$765,722) | (\$765,722) | |
| Lincoln Property Company No. 440, Ltd. (32,405) -0.03604% | 09/30/99 | \$0 | (\$762,733) | (\$762,733) | |
| Lincoln Property Company No. 1179 (153,525) -0.17077% | 09/30/99 | \$0 | (\$3,613,595) | (\$3,613,595) | |
| Mack Pogue 4,199 0.00467% | 09/30/99 | \$0 | \$98,834 | \$98,834 | |
| Edgar M. Thrift, Jr. 85,261 0.09484% | 09/30/99 | \$0 | \$2,006,831 | \$2,006,831 | |
| Preston Butcher 277,830 0.30903% | 09/30/99 | \$0 | \$6,539,424 | \$6,539,424 | |
| Gary J. Rossi | 09/30/99 | \$0 | \$112,933 | \$112,933 | |

| <S> | <C> | <C> | <C> | <C> | <C> |
|--------------------------------------------------------------|----------|------------|----------------|----------------|------------|
| Andrew N. Singer 5,114 0.00569% | 01/07/00 | \$0 | \$0 | \$0 | |
| Gayle P. Starr 5,114 0.00569% | 01/07/00 | \$0 | \$0 | \$0 | |
| William Steinberg 6,818 0.00758% | 01/07/00 | \$0 | \$0 | \$0 | |
| K.C. Swartzel 6,818 0.00758% | 01/07/00 | \$0 | \$0 | \$0 | |
| Celia M. Tanaka 3,409 0.00379% | 01/07/00 | \$0 | \$0 | \$0 | |
| Janice G. Thacher 2,045 0.00227% | 01/07/00 | \$0 | \$0 | \$0 | |
| GP Met 4 +12 (30,772) -0.03423% | 07/06/00 | \$0 | (\$646,212) | (\$646,212) | |
| ICCL East, L.L.C. (37,115) -0.04128% | 07/06/00 | \$0 | (\$872,202) | (\$872,202) | |
| Tiger Lafayette, L.L.C. (138,536) -0.15409% | 07/06/00 | \$0 | (\$3,255,596) | (\$3,255,596) | |
| AFCO Cargo DFW Limited Partnership 44,523 0.04952% | 11/07/00 | \$0 | \$1,046,849 | \$1,046,849 | |
| WEST*PAC Limited Partnership 5,725 0.00637% | 11/07/00 | \$0 | \$134,609 | \$134,609 | |
| AFCO Cargo SEA Limited Partnership 44,523 0.04952% | 11/07/00 | \$0 | \$1,046,848 | \$1,046,848 | |
| Campanelli Investment Properties, LLC (34,046) -0.03787% | 11/09/00 | \$0 | (\$798,804) | (\$798,804) | |
| Thomas Ellis (1,554) -0.00173% | 02/28/01 | \$0 | (\$36,750) | (\$36,750) | |
| Divco Western Commercial, L.L.C. (37,115) -0.04128% | 03/07/01 | \$0 | (\$872,202) | (\$872,202) | |
| Allmerica (559,628) -0.62247% | 03/23/01 | \$0 | (\$11,752,188) | (\$11,752,188) | |
| Campanelli Investment Properties, LLC (68,092) -0.07574% | 08/17/01 | - | (\$1,597,608) | (\$1,597,608) | |
| Joseph Campanelli 34,046 0.03787% | 08/17/01 | \$0 | \$798,804 | \$798,804 | |
| Nicholas Campanelli 34,046 0.03787% | 08/17/01 | \$0 | \$798,804 | \$798,804 | |
| Joseph Campanelli (34,046) -0.03787% | 08/17/01 | - | (\$798,804) | (\$798,804) | |
| Nicholas Campanelli (34,046) -0.03787% | 08/17/01 | - | (\$798,804) | (\$798,804) | |
| Campanelli Investment Properties, LLC (362,046) -0.40270% | 09/07/01 | \$0 | (\$8,494,501) | (\$8,494,501) | |
| Joseph Campanelli 82,000 0.09121% | 09/07/01 | \$0 | \$1,923,924 | \$1,923,924 | |
| Nicholas Campanelli 82,000 0.09121% | 09/07/01 | \$0 | \$1,923,924 | \$1,923,924 | |
| Alfred Campanelli Revocable Holding Trust 0.12908% | 09/07/01 | \$0 | \$2,722,729 | \$2,722,729 | 116,046 |
| Trust B u/w Michael Campanelli 82,000 0.09121% | 09/07/01 | \$0 | \$1,923,924 | \$1,923,924 | |
| Joseph Campanelli (75,000) -0.08342% | 09/07/01 | \$0 | (\$1,818,750) | (\$1,818,750) | |
| Nicholas Campanelli (75,000) -0.08342% | 09/07/01 | \$0 | (\$1,818,750) | (\$1,818,750) | |
| Edward D. O'Brien (23,700) -0.02636% | 09/18/01 | \$0 | (\$557,838) | (\$557,838) | |
| Lawrence J. Hayes (13,801) -0.01535% | 11/09/01 | \$0 | (\$337,710) | (\$337,710) | |
| Trust B u/w Michael Campanelli (5,000) -0.00556% | 11/16/01 | \$0 | (\$121,900) | (\$121,900) | |
| --- | | | | | |
| TOTAL LIMITED PARTNERS 4,969,027 5.52703% | | \$0 | \$79,360,853 | \$79,360,853 | |
| --- | | | | | |
| TOTAL GENERAL PARTNER AND LIMITED PARTNERS 100.0% | | 24,504,234 | 1,802,328,880 | 1,826,833,114 | 89,904,039 |
| ===== | | | | | |

</TABLE>

- (a) Excludes 229,411 of Sub OP and Long Gate LLC shares/units and preferred partnership units.
- (b) Includes 934 units reserved.
- (c) Includes 8,268 units reserved.

RECONCILIATION:

| | |
|-------------------------------------------------------|------------|
| <TABLE> | |
| <S> | <C> |
| Total Units per above | |
| 89,904,039 | |
| Plus Sub OP & Long Gate LLC shares/units excluded (a) | 229,411 |
| Total Shares & Units as of 12/31/01 | 90,133,450 |
| </TABLE> | |

II. SERIES A PREFERRED UNITS

| | | | | | |
|--------------------------|--------------|---------------|-----------------------------------|---------------|-------------|
| <TABLE> | | | | | |
| <CAPTION> | | | | | |
| | Contribution | Cash | Agreed Value of Contributed | Total | Partnership |
| Percentage | | | | | |
| Name of Partner | Date | Contributions | Property | Contributions | Units |
| Interest | | | | | |
| ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> |
| <C> | | | | | |
| GENERAL PARTNER: | | | | | |
| AMB Property Corporation | 7/27/98 | \$96,100,000 | \$0 | \$96,100,000 | 4,000,000 |
| 100.00000% | | ----- | ----- | ----- | ----- |
| ----- | | | | | |
| TOTAL SERIES A | | | | | |
| PREFERRED UNITS | | \$96,100,000 | \$0 | \$96,100,000 | 4,000,000 |
| 100.00000% | | ===== | ===== | ===== | ===== |
| ===== | | | | | |
| </TABLE> | | | | | |

III. SERIES B PREFERRED UNITS

| | | | | | |
|-----------------------------|--------------|---------------|-----------------------------------|---------------|-------------|
| <TABLE> | | | | | |
| <CAPTION> | | | | | |
| | Contribution | Cash | Agreed Value of Contributed | Total | Partnership |
| Percentage | | | | | |
| Name of Partner | Date | Contributions | Property | Contributions | Units |
| Interest | | | | | |
| ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> |
| <C> | | | | | |
| LIMITED PARTNER: | | | | | |
| Greene Street 1998 | | | | | |
| Exchange Fund, L.P. | 11/12/98 | \$65,000,000 | \$0 | \$65,000,000 | 1,300,000 |
| 100.00000% | | | | | |
| Goldman Sachs 1998 Exchange | | | | | |
| Place Fund, L.P. (f/k/a | | | | | |
| Greene Street 1998 | 1/1/02 | -- | -- | -- | (1,300,000) |
| Exchange Fund, L.P.) | | | | | |
| (100.00000%) | | | | | |
| GSEP 1998 Realty Corp. | 1/1/02 | -- | -- | -- | 1,300,000 |
| 100.00000% | | ----- | ----- | ----- | ----- |
| ----- | | | | | |
| TOTAL SERIES B | | | | | |
| PREFERRED UNITS | | \$65,000,000 | \$0 | \$65,000,000 | 1,300,000 |
| 100.00000% | | ===== | ===== | ===== | ===== |
| ===== | | | | | |
| </TABLE> | | | | | |

IV. SERIES J PREFERRED UNITS

| | | | | | |
|-----------------|--------------|---------------|-----------------------------------|---------------|-------------|
| <TABLE> | | | | | |
| <CAPTION> | | | | | |
| | Contribution | Cash | Agreed Value of Contributed | Total | Partnership |
| Percentage | | | | | |
| Name of Partner | Date | Contributions | Property | Contributions | Units |

Interest

| <S> | <C> | <C> | <C> | <C> | <C> |
|-------------------------------------------------|---------|--------------|-------|--------------|---------|
| <C> | | | | | |
| LIMITED PARTNER: | | | | | |
| GSEP 2001 Realty Corp. 100.00000% | 8/21/01 | \$40,000,000 | \$0 | \$40,000,000 | 800,000 |
| | | ----- | ----- | ----- | ----- |
| TOTAL SERIES J PREFERRED UNITS 100.00000% | | \$40,000,000 | \$0 | \$40,000,000 | 800,000 |
| | | ===== | ===== | ===== | ===== |

</TABLE>

AMB PROPERTY II, L.P.
FIRST AMENDMENT TO
TENTH AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP

This First Amendment (this "Amendment") is made as of January 1, 2002, by AMB PROPERTY HOLDING CORPORATION, a Maryland corporation, as general partner (the "General Partner") of AMB PROPERTY II, L.P., a Delaware limited partnership (the "Partnership"), and as attorney-in fact for each of the limited partners of the Partnership (collectively, the "Limited Partners") for the purpose of amending the Tenth Amended and Restated Agreement of Limited Partnership of the Partnership dated as of December 6, 2001 (as amended, the "Partnership Agreement"). All defined terms used herein but not defined herein have the meanings assigned to them in the Partnership Agreement.

WHEREAS, pursuant to Section 11.4.A of the Partnership Agreement, the General Partner shall have the right to consent to the admission of a permitted transferee of the interest of a Limited Partner, as a Substituted Limited Partner, which consent may be given or withheld by the General Partner in its sole and absolute discretion;

WHEREAS, pursuant to Section 11.4.C of the Partnership Agreement, upon the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A to reflect the name, address, number of Partnership Units and Percentage Interest of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and interest of the predecessor of such Substituted Limited Partner;

WHEREAS, pursuant to Section 7.3D(ii) of the Partnership Agreement, the General Partner may, without the consent of the other partners, amend the Partnership Agreement to reflect the admission or substitution of partners pursuant to Article 12 of the Partnership Agreement;

WHEREAS, pursuant to the authority granted under the Partnership Agreement, the General Partner desires to amend the Partnership Agreement to reflect transfers effective as of the end of the day on December 31, 2001 (i) by J.P. Morgan Mosaic Fund, LLC of 1,595,337 Series D Preferred Units to JPM Mosaic I REIT, Inc., (ii) by J.P. Morgan Mosaic Fund IV, LLC of 840,000 Series H Preferred Units to JPM Mosaic IV REIT, Inc. and (iii) J.P. Morgan Chase Mosaic Fund V, LLC of 510,000 Series I Preferred Units to JPM Mosaic V REIT, Inc.

NOW THEREFORE, pursuant to Sections 2.4 and 7.3D of the Partnership Agreement, the General Partner, on its own behalf and as attorney-in-fact for the Limited Partners, hereby amends the Partnership Agreement as follows:

SECTION 1. Amendment of Exhibit A to the Partnership Agreement.

Exhibit A to the Partnership Agreement is deleted in its entirety and replaced with Exhibit A attached hereto.

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SECTION 2. Miscellaneous.

2.1 Governing Law. This Amendment shall be construed under and governed by the internal laws of the State of Delaware without regard to its conflict of laws provisions.

SECTION 3. Partnership Agreement. The Partnership Agreement and this Amendment shall be read together and shall have the same effect as if the provisions of the Partnership Agreement and this Amendment were contained in one document. Any provisions of the Partnership Agreement not amended by this Amendment shall remain in full force and effect as provided in the Partnership Agreement immediately prior to the date hereof.

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IN WITNESS WHEREOF the parties hereto have caused this Amendment to be executed as of the date set forth above by their duly authorized representatives.

GENERAL PARTNER:

AMB PROPERTY HOLDING CORPORATION,
a Maryland corporation

By: /s/ Michael Coke

 Michael Coke
 Executive Vice President and
 Chief Financial Officer

COMMON LIMITED PARTNER:
 AMB PROPERTY, L.P.,
 a Delaware limited partnership

By: AMB Property Corporation,
 its general partner

By: /s/ Michael Coke

 Michael Coke
 Executive Vice President and
 Chief Financial Officer

GENERAL PARTNER OF COMMON LIMITED PARTNER:
 AMB PROPERTY CORPORATION,
 a Maryland corporation

By: /s/ Michael Coke

 Michael Coke
 Executive Vice President and
 Chief Financial Officer

S-1

LIMITED PARTNERS:
 By: AMB PROPERTY HOLDING CORPORATION,
 a Maryland corporation,
 as attorney-in-fact for each of the
 Limited Partners

By: /s/ Michael Coke

 Michael Coke
 Executive Vice President and
 Chief Financial Officer

S-2

EXHIBIT A

PARTNERS, CONTRIBUTIONS, AND PARTNERSHIP INTERESTS

I. COMMON UNITS

<TABLE>
 <CAPTION>

| Percentage Name of Partner Interest | Contribution Date | Cash Contribution | Agreed Value of Contributed Property | Total Contributions | Partnership Units |
|-----------------------------------------------------------------|----------------------|----------------------|--------------------------------------------|------------------------|----------------------|
| ----- <S> | <C> | <C> | <C> | <C> | <C> |
| GENERAL PARTNER: AMB Property Holding Corporation .99725% | 11/26/97 | -- | \$ 3,626,023 | \$ 3,626,023 | 172,668 |
| LIMITED PARTNERS: AMB Property, L.P. 98.72782% | 11/26/97 | -- | \$358,976,301 | \$358,976,301 | 17,094,110 |
| .27493% | 06/30/98 | -- | \$ 1,161,489 | \$ 1,161,489 | 47,602 |
| | ----- | ----- | ----- | ----- | ----- |

| | | | | | |
|-----------|--------------------|----|---------------|---------------|------------|
| ----- | TOTAL COMMON UNITS | -- | \$363,763,813 | \$363,763,813 | 17,314,380 |
| 100.0000% | | | | | |
| ----- | | | | | |

</TABLE>

EXHIBIT A

PARTNERS, CONTRIBUTIONS, AND PARTNERSHIP INTERESTS

II. SERIES C PREFERRED UNITS

<TABLE>
<CAPTION>

| Percentage Name of Partner Interest | Contribution Date | Cash Contributions | Agreed Value of Contributed Property | Total Contributions | Series C Partnership Units |
|-----------------------------------------------------------------------------------------------|----------------------|-----------------------|--------------------------------------------|------------------------|----------------------------------|
| ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> |
| <C> | | | | | |
| LIMITED PARTNER: | | | | | |
| Belcrest Realty Corporation 21.81818% | 11/24/98 | \$ 24,000,000 | -- | \$ 24,000,000 | 480,000 |
| Belair Real Estate Corporation 78.18182% | 11/24/98 | \$ 86,000,000 | -- | \$ 86,000,000 | 1,720,000 |
| Belcrest Realty Corporation 17.31818% | 2/23/99 | -- | -- | -- | 381,000 |
| Belair Real Estate Corporation (17.31818%) | 2/23/99 | -- | -- | -- | (381,000) |
| Belcrest Realty Corporation 10.86364% | 4/29/99 | -- | -- | -- | 239,000 |
| Belair Real Estate Corporation (10.86364%) | 4/29/99 | -- | -- | -- | (239,000) |
| Argosy Realty Corporation 1.47755% | 7/9/99 | -- | -- | -- | 32,506 |
| Belmar Realty Corporation 1.47755% | 7/9/99 | -- | -- | -- | 32,506 |
| Belport Realty Corporation 1.47755% | 7/9/99 | -- | -- | -- | 32,506 |
| Believe Realty Corporation 1.47755% | 7/9/99 | -- | -- | -- | 32,506 |
| Belair Real Estate Corporation (5.91018%) | 7/9/99 | -- | -- | -- | (130,024) |
| Belcrest Realty Corporation 13.63636% | 7/28/99 | -- | -- | -- | 300,000 |
| Belair Real Estate Corporation (13.63636%) | 7/28/99 | -- | -- | -- | (300,000) |
| Belmar Realty Corporation (1.47755%) | 3/17/00 | -- | -- | -- | (32,506) |
| Belcrest Realty Corporation (11.36364%) | 3/17/00 | -- | -- | -- | (250,000) |
| Belair Real Estate Corporation 12.84118% | 3/17/00 | -- | -- | -- | 282,506 |
| Belair Real Estate Corporation 1.47755% | 12/19/00 | -- | -- | -- | 32,506 |
| ----- | | | | | |
| Altavera Realty Corporation, (1.47755%) formerly known as Believe Realty Corporation | 12/19/00 | -- | -- | -- | (32,506) |
| ===== | | | | | |
| Belport Realty Corporation (1.47755%) | 3/14/01 | -- | -- | -- | (32,506) |
| ===== | | | | | |
| Belair Real Estate Corporation 1.47755% | 3/14/01 | -- | -- | -- | 32,506 |
| ===== | | | | | |
| Argosy Realty Corporation (1.47755%) | 12/5/01 | -- | -- | -- | (32,506) |
| ===== | | | | | |
| Belair Real Estate Corporation (46.24972%) | 12/5/01 | -- | -- | -- | (1,017,494) |

| Percentage | Contribution | Cash | Agreed Value of Contributed Property | Total | Series D Partnership Units |
|------------------------------------------|--------------|---------------|--------------------------------------|---------------|----------------------------|
| Belcrest Realty Corporation (52.27272%) | 12/5/01 | -- | -- | -- | (1,150,000) |
| TOTAL SERIES C PREFERRED UNITS 000.0000% | | \$110,000,000 | -- | \$110,000,000 | 0 |

III. SERIES D PREFERRED UNITS

<TABLE>
<CAPTION>

| Percentage | Contribution | Cash | Agreed Value of Contributed Property | Total | Series D Partnership Units |
|------------------------------------------|--------------|---------------|--------------------------------------|---------------|----------------------------|
| J.P. Morgan Mosaic Fund, LLC 100.0000% | 5/5/99 | \$ 79,766,850 | -- | \$ 79,766,850 | 1,595,337 |
| J.P. Morgan Mosaic Fund, LLC (100.0000%) | 12/31/01 | -- | -- | -- | (1,595,337) |
| JPM Mosaic I REIT, Inc. 100.0000% | 12/31/01 | -- | -- | -- | 1,595,337 |
| TOTAL SERIES D PREFERRED UNITS 100.0000% | | \$ 79,766,850 | -- | \$ 79,766,850 | 1,595,337 |

</TABLE>

ii

IV. SERIES E PREFERRED UNITS

<TABLE>
<CAPTION>

| Percentage | Contribution | Cash | Agreed Value of Contributed Property | Total | Series E Partnership Units |
|------------------------------------------|--------------|--------------|--------------------------------------|--------------|----------------------------|
| Fifth Third Equity 100.0000% | 8/31/99 | \$11,022,000 | -- | \$11,022,000 | 220,440 |
| Exchange Fund 1999, LLC | | | | | |
| TOTAL SERIES E PREFERRED UNITS 100.0000% | | \$11,022,000 | -- | \$11,022,000 | 220,440 |

</TABLE>

V. SERIES F PREFERRED UNITS

<TABLE>
<CAPTION>

| Percentage | Contribution | Cash | Agreed Value of Contributed Property | Total | Series F Partnership Units |
|------------|--------------|------|--------------------------------------|-------|----------------------------|
| | | | | | |

LIMITED PARTNER:

| | | | | | |
|-----------------------------------------------------------------------|---------|--------------|----|--------------|---------|
| Bailard, Biehl & Kaiser Technology 100.0000% Exchange Fund, LLC | 3/22/00 | \$19,871,950 | -- | \$19,871,950 | 397,439 |
| ----- | | | | | |
| TOTAL SERIES F PREFERRED UNITS 100.0000% | | \$19,871,950 | -- | \$19,871,950 | 397,439 |
| ===== | | | | | |

</TABLE>

VI. SERIES G PREFERRED UNITS

<TABLE>
<CAPTION>

| Percentage Name of Partner Interest | Contribution Date | Cash Contributions | Agreed Value of Contributed Property | Total Contributions | Series G Partnership Units |
|-----------------------------------------------------------------------|----------------------|-----------------------|--------------------------------------------|------------------------|----------------------------------|
| ----- | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| ----- | | | | | |
| LIMITED PARTNER: | | | | | |
| Bailard, Biehl & Kaiser Technology 100.0000% Exchange Fund, LLC | 8/29/00 | \$1,000,000 | -- | \$1,000,000 | 20,000 |
| ----- | | | | | |
| TOTAL SERIES G PREFERRED UNITS 100.0000% | | \$1,000,000 | -- | \$1,000,000 | 20,000 |
| ===== | | | | | |

</TABLE>

VII. SERIES H PREFERRED UNITS

<TABLE>
<CAPTION>

| Percentage Name of Partner Interest | Contribution Date | Cash Contributions | Agreed Value of Contributed Property | Total Contributions | Series H Partnership Units |
|------------------------------------------------|----------------------|-----------------------|--------------------------------------------|------------------------|----------------------------------|
| ----- | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| ----- | | | | | |
| LIMITED PARTNER: | | | | | |
| J.P. Morgan Mosaic Fund IV, LLC 100.0000% | 9/1/00 | \$42,000,000 | -- | \$42,000,000 | 840,000 |
| J.P. Morgan Mosaic Fund IV, LLC (100.0000%) | 12/31/01 | -- | -- | -- | (840,000) |
| JPM Mosaic IV REIT, Inc. 100.0000% | 12/31/01 | -- | -- | -- | 840,000 |
| ----- | | | | | |
| TOTAL SERIES H PREFERRED UNITS 100.0000% | | \$42,000,000 | -- | \$42,000,000 | 840,000 |
| ===== | | | | | |

</TABLE>

VIII. SERIES I PREFERRED UNITS

<TABLE>
<CAPTION>

| Percentage Name of Partner Interest | Contribution Date | Cash Contributions | Agreed Value of Contributed Property | Total Contributions | Series I Partnership Units |
|-------------------------------------------|----------------------|-----------------------|--------------------------------------------|------------------------|----------------------------------|
|-------------------------------------------|----------------------|-----------------------|--------------------------------------------|------------------------|----------------------------------|

| <S> | <C> | <C> | <C> | <C> | <C> |
|-----------------------------------------------------|----------|---------------|-----|---------------|-----------|
| LIMITED PARTNER: | | | | | |
| J.P. Morgan Chase Mosaic Fund V, LLC 100.0000% | 3/21/01 | \$25,500,000 | -- | \$25,500,000 | 510,000 |
| J.P. Morgan Chase Mosaic Fund V, LLC (100.0000%) | 12/31/01 | -- | -- | -- | (510,000) |
| JPM Mosaic V REIT, Inc. 100.0000% | 12/31/01 | -- | -- | -- | 510,000 |
| TOTAL SERIES I PREFERRED UNITS 100.0000% | | \$25,500,000 | -- | \$25,500,000 | 510,000 |
| TOTAL ALL SERIES OF PREFERRED UNITS 100.0000% | | \$269,288,850 | -- | \$269,288,850 | 3,185,777 |

THE THIRD AMENDED AND RESTATED
1997 STOCK OPTION AND INCENTIVE PLAN
OF
AMB PROPERTY CORPORATION
AND AMB PROPERTY, L.P.

AMB Property Corporation, a Maryland corporation (the "Company") and AMB Property, L.P., a Delaware limited partnership (the "Partnership") adopted The 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries (as such term is defined below), effective November 26, 1997, for the benefit of their eligible employees, consultants and directors and those of their Subsidiaries. The 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries was amended and restated in its entirety in the form of the First Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries, effective March 5, 1999, as amended by the First Amendment to the First Amended and Restated 1997 Stock Option and Incentive Plan, effective March 5, 1999 (as amended, the "First Amended and Restated 1997 Stock Option and Incentive Plan"). The First Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries was amended and restated in its entirety in the form of the second Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries, effective May 7, 1999, as amended by the First Amendment to the Second Amended and Restated 1997 Stock Option and Incentive Plan, effective February 29, 2000 (as amended, the "Second Amended and Restated 1997 Stock Option and Incentive Plan"). The Second Amended and Restated 1997 Stock Option and Incentive Plan is hereby amended and restated in its entirety in the form of this Third Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Property, L.P. (as amended and restated, the "Plan"), effective as of January 1, 2002. The Plan consists of two plans, one for the benefit of employees, consultants and independent directors of the Company and its subsidiaries and one for the benefit of the employees and consultants of the Partnership and its subsidiaries.

The purposes of this Plan are as follows:

(1) To provide an additional incentive for directors, key Employees and consultants to further the growth, development and financial success of the Company by personally benefiting through the ownership of Company stock and/or rights which recognize such growth, development and financial success.

(2) To enable the Company and the Partnership, and their respective Subsidiaries, to obtain and retain the services of directors, key Employees and consultants considered essential to the long range success of the Company by offering them an opportunity to own stock in the Company and/or rights which will reflect the growth, development and financial success of the Company.

ARTICLE I.
DEFINITIONS

1.1. General. Wherever the following terms are used in this Plan they shall have the meanings specified below, unless the context clearly indicates otherwise.

1.2. Award Limit. "Award Limit" shall mean 1 million shares of Common Stock, as adjusted pursuant to Section 10.3.

1.3. Board. "Board" shall mean the Board of Directors of the Company.

1.4. Cause. "Cause," unless otherwise defined in an Employee's employment agreement, or a consultant's consulting agreement, with the Company, the Partnership or one of their Subsidiaries, shall mean (i) gross negligence or willful misconduct, (ii) an uncured breach of any of the employee's material duties under their employment agreement, (iii) fraud or other conduct against the material best interests of the Company and/or the Partnership or (iv) a conviction of a felony if such conviction has a material adverse effect on the Company and/or the Partnership.

1.5. Change in Control. "Change in Control" shall mean a change in ownership or control of the Company effected through either of the following transactions:

(a) any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders which the Board does not

recommend such stockholders to accept; or

(b) there is a change in the composition of the Board over a period of thirty-six (36) consecutive months (or less) such that a majority of the Board members (rounded up to the nearest whole number) ceases, by reason of one or more proxy contests for the election of Board members, to be comprised of individuals who either (i) have been Board members continuously since the beginning of such period or (ii) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

1.6. Code. "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.7. Committee. "Committee" shall mean, the Compensation Committee of the Board, or another committee or subcommittee of the Board, appointed as provided in Section 9.1; provided, however, that in the case of a person who is an "officer or director of the issuer" within the meaning of Rule 16-3(a) under the Securities Exchange Act of 1934, as

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amended, the grant of any award under this Plan to such person shall be made by the Compensation Committee of the Board.

1.8. Common Stock. "Common Stock" shall mean the common stock of the Company, par value \$.01 per share, and any equity security of the Company issued or authorized to be issued in the future, but excluding any preferred stock and any warrants, options or other rights to purchase Common Stock. Debt securities of the Company convertible into Common Stock shall be deemed equity securities of the Company.

1.9. Company. "Company" shall mean AMB Property Corporation, a Maryland corporation.

1.10. Company Employee. "Company Employee" shall mean any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or of any Company Subsidiary.

1.11. Consultant. "Consultant" shall mean any consultant or adviser if:

(a) the consultant or adviser renders bona fide services to the Company, the Partnership or their respective subsidiaries;

(b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the securities of the Company, the Partnership or their respective subsidiaries; and

(c) the consultant or adviser is a natural person who has contracted directly with the Company, the Partnership or their respective subsidiaries, as applicable, to render such services.

1.12. Corporate Transaction. "Corporate Transaction" shall mean any of the following stockholder-approved transactions to which the Company is a party:

(a) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the State in which the Company is incorporated, form a holding company or effect a similar reorganization as to form whereupon this Plan and all Options are assumed by the successor entity;

(b) the sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, in complete liquidation or dissolution of the Company in a transaction not covered by the exceptions to clause (a), above; or

(c) any reverse merger in which the Company is the surviving entity but in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred or issued to a person or persons different from those who held such securities immediately prior to such merger.

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1.13. Deferred Stock. "Deferred Stock" shall mean Common Stock awarded under Article VII of this Plan.

1.14. Director. "Director" shall mean an Independent Director or a Non-Employee Director.

1.15. Dividend Equivalent. "Dividend Equivalent" shall mean a right

to receive the equivalent value (in cash or Common Stock) of dividends or regular cash distributions paid on Common Stock, awarded under Article VII of this Plan.

1.16. Employee. "Employee" shall mean any Company Employee or any Partnership Employee.

1.17. Exchange Act. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

1.18. Fair Market Value. "Fair Market Value" of a share of Common Stock as of a given date shall be (i) the closing price of a share of Common Stock on the principal exchange on which shares of Common Stock are then trading, if any (or as reported on any composite index which includes such principal exchange), on the trading day previous to such date, or if shares were not traded on the trading day previous to such date, then on the next preceding date on which a trade occurred, or (ii) if Common Stock is not traded on an exchange but is quoted on Nasdaq or a successor quotation system, the mean between the closing representative bid and asked prices for the Common Stock on the trading day previous to such date as reported by Nasdaq or such successor quotation system; or (iii) if Common Stock is not publicly traded on an exchange and not quoted on Nasdaq or a successor quotation system, the Fair Market Value of a share of Common Stock as established by the Committee (or the Board, in the case of awards granted to Independent Directors) acting in good faith. Notwithstanding anything to the contrary herein, the Fair Market Value at the time of grant of a share of Common Stock underlying an option grant or other award made under this Plan and in connection with the initial public offering of the Company shall be the initial offering price per share.

1.19. General Partner Interest. "General Partner Interest" shall mean an ownership interest in the Partnership that is a general partner interest and includes any and all benefits to which the holder of such an interest may be entitled as provided in the Partnership Agreement, together with all obligations of such holder to comply with the terms and provisions of such agreement.

1.20. Grantee. "Grantee" shall mean an Employee or consultant granted a Performance Award, Dividend Equivalent, Stock Payment or Stock Appreciation Right, or an award of Deferred Stock, under this Plan.

1.21. Incentive Stock Option. "Incentive Stock Option" shall mean an option which conforms to the applicable provisions of Section 422 of the Code and which is designated as an Incentive Stock Option by the Committee.

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1.22. Initial Independent Director. "Initial Independent Director" shall have the meaning given to such term in Section 3.4(d) hereof.

1.23. Independent Director. "Independent Director" shall mean a member of the Board who is not an employee, officer or affiliate of the Company or a subsidiary or division thereof, or a relative of a principal executive officer, and who is not an individual member of an organization acting as an advisor, consultant or legal counsel receiving compensation on a continuing basis from the Company in addition to director's fees.

1.24. Non-Employee Director. "Non-Employee Director" shall mean a member of the Board who is not an Independent Director or an Employee.

1.25. Non-Qualified Stock Option. "Non-Qualified Stock Option" shall mean an Option which is not designated as an Incentive Stock Option by the Committee.

1.26. Option. "Option" shall mean a stock option granted under Article III of this Plan. An Option granted under this Plan shall, as determined by the Committee, be either a Non-Qualified Stock Option or an Incentive Stock Option; provided, however, that Options granted to anyone other than Company Employees shall be Non-Qualified Stock Options.

1.27. Optionee. "Optionee" shall mean an Employee, consultant or Director granted an Option under this Plan.

1.28. Partnership. "Partnership" shall mean AMB Property, L.P., a Delaware limited partnership.

1.29. Partnership Agreement. "Partnership Agreement" shall mean the Fifth Amended and Restated Agreement of Limited Partnership of the Partnership, as amended by Amendment No. 1 thereto, as the same may be amended, modified or restated from time to time.

1.30. Partnership Employee. "Partnership Employee" shall mean any officer, other employee (as defined in accordance with Section 3401(c) of the Code) of the Partnership, or any entity which is then a Partnership Subsidiary.

1.31. Partnership Purchase Price. "Partnership Purchase Price" shall have the meaning set forth in Section 5.4

1.32. Partnership Purchased Shares. "Partnership Purchased Shares" shall have the meaning set forth in Section 5.4.

1.33. Partnership Subsidiary. "Partnership Subsidiary" shall mean (i) a corporation, association or other business entity of which 50% or more of the total combined voting power of all classes of capital stock is owned, directly or indirectly, by the Partnership or by one or more Partnership Subsidiaries or by the Partnership and one or more Partnership Subsidiaries, (ii) any partnership or limited liability company of which 50% or more of the capital and profits interests is owned, directly or indirectly, by the Partnership or by one or more

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Partnership Subsidiaries or by the Partnership and one or more Partnership Subsidiaries, and (iii) any other entity not described in clauses (i) or (ii) above of which 50% or more of the ownership and the power, pursuant to a written contract or agreement, to direct the policies and management or the financial and the other affairs thereof, are owned or controlled by the Partnership or by one or more other Partnership Subsidiaries or by the Partnership and one or more Partnership Subsidiaries.

1.34. Performance Award. "Performance Award" shall mean a cash bonus, stock bonus or other performance or incentive award that is paid in cash, Common Stock or a combination of both, awarded under Article VII of this Plan.

1.35. Plan. "Plan" shall mean the Third Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Property, L.P.

1.36. Restricted Stock. "Restricted Stock" shall mean Common Stock awarded under Article VI of this Plan.

1.37. Restricted Stockholder. "Restricted Stockholder" shall mean an Employee or consultant granted an award of Restricted Stock under Article VI of this Plan.

1.38. Rule 16b-3. "Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

1.39. Section 162(m) Participant. "Section 162(m) Participant" shall mean any key Employee designated by the Committee as a key Employee whose compensation for the fiscal year in which the key Employee is so designated or a future fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code.

1.40. Stock Appreciation Right. "Stock Appreciation Right" shall mean a stock appreciation right granted under Article VIII of this Plan.

1.41. Stock Payment. "Stock Payment" shall mean (i) a payment in the form of shares of Common Stock, or (ii) an option or other right to purchase shares of Common Stock, as part of a deferred compensation arrangement, made in lieu of all or any portion of the compensation, including without limitation, salary, bonuses and commissions, that would otherwise become payable to a key Employee or consultant in cash, awarded under Article VII of this Plan.

1.42. Subsidiary. "Subsidiary" shall mean any Company Subsidiary or Partnership Subsidiary.

1.43. Termination of Consultancy. "Termination of Consultancy" shall mean the time when the engagement of an Optionee, Grantee or Restricted Stockholder as a consultant to the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary is terminated for any reason, with or without Cause, including, but not by way of limitation, by resignation, discharge, death or retirement; but excluding terminations where there is a simultaneous

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commencement of employment with the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary. The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a Termination of Consultancy resulted from a discharge for Cause, and all questions of whether a particular leave of absence constitutes a Termination of Consultancy. Notwithstanding any other provision of this Plan, the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary has an absolute and unrestricted right to terminate a consultant's service at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in writing.

1.44. Termination of Directorship. "Termination of Directorship" shall mean the time when an Optionee, Grantee or Restricted Stockholder who is an Independent Director ceases to be a Director for any reason, including, but

not by way of limitation, a termination by resignation, failure to be elected, death or retirement; but excluding, at the discretion of the Committee, terminations (i) where there is a simultaneous reemployment or continuing employment of an Optionee, Grantee or Restricted Stockholder by the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary and (ii) which are followed by the simultaneous establishment of a directorship with the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors in accordance with the Company's bylaws.

1.45. Termination of Employment. "Termination of Employment" shall mean the time when the employee-employer relationship between an Optionee, Grantee or Restricted Stockholder and the Company or the Partnership, or any of their respective Subsidiaries, is terminated for any reason, with or without Cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding (i) terminations where there is a simultaneous reemployment or continuing employment of an Optionee, Grantee or Restricted Stockholder by the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, (ii) at the discretion of the Committee, terminations which result in a temporary severance of the employee-employer relationship, and (iii) at the discretion of the Committee, terminations which are followed by the simultaneous establishment of a consulting relationship by the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary with the former employee. The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for Cause, and all questions of whether a particular leave of absence constitutes a Termination of Employment; provided, however, that, with respect to Incentive Stock Options unless otherwise determined by the Committee in its discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section. Notwithstanding any other provision of this Plan, the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary has an absolute and unrestricted

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right to terminate an Employee's employment at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in writing.

ARTICLE II. SHARES SUBJECT TO PLAN

2.1. Shares Subject to Plan.

(a) The shares of stock subject to Options, awards of Restricted Stock, Performance Awards, Dividend Equivalents, awards of Deferred Stock, Stock Payments or Stock Appreciation Rights shall be shares of Common Stock. The aggregate number of such shares which may be issued upon exercise of such Options or rights or upon any such awards under the Plan shall not exceed Eight Million Nine Hundred Fifty Thousand (8,950,000). The shares of Common Stock issuable upon exercise of such Options or rights or upon any such awards may be either previously authorized but unissued shares or treasury shares.

(b) The maximum number of shares which may be subject to Options, awards of Restricted Stock, Performance Awards, Dividend Equivalents, awards of Deferred Stock, Stock Payments or Stock Appreciation Rights granted under the Plan to any individual in any calendar year shall not exceed the Award Limit.

2.2. Add-back of Options and Other Rights. If any Option, or other right to acquire shares of Common Stock under any other award under this Plan, expires or is canceled without having been fully exercised, or is exercised in whole or in part for cash as permitted by this Plan, the number of shares subject to such Option or other right but as to which such Option or other right was not exercised prior to its expiration, cancellation or exercise may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. Furthermore, any shares subject to Options or other awards which are adjusted pursuant to Section 10.3 and become exercisable with respect to shares of stock of another corporation shall be considered canceled and may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. Shares of Common Stock which are delivered by the Optionee or Grantee or withheld by the Company upon the exercise of any Option or other award under this Plan, in payment of the exercise price thereof, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. If any share of Restricted Stock is forfeited by the Grantee or repurchased by the Company pursuant to Section 6.6 hereof, such share may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. Notwithstanding the provisions of this Section 2.2, no shares of Common Stock may again be optioned, granted or awarded if such action would cause an

Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

ARTICLE III.
GRANTING OF OPTIONS

3.1. Eligibility. Any Employee, consultant or Non-Employee Director selected by the Committee pursuant to Section 3.4(a) (i) shall be eligible to be granted an Option.

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Independent Directors of the Company shall be eligible to be granted Options at the times and in the manner set forth in Section 3.4(d).

3.2. Disqualification for Stock Ownership. No person may be granted an Incentive Stock Option under this Plan if such person, at the time the Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any then existing Subsidiary or parent corporation (within the meaning of Section 422 of the Code) unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code.

3.3. Qualification of Incentive Stock Options. No Incentive Stock Option shall be granted to any person who is not an Employee, or to any Employee of a Subsidiary which does not constitute a "subsidiary corporation" within Section 424(f) of the Code.

3.4. Granting of Options

(a) The Committee shall from time to time, in its absolute discretion, and subject to applicable limitations of this Plan:

(i) Determine which Employees are key Employees and select from among the key Employees, consultants and Non-Employee Directors (including Employees, consultants and Non-Employee Directors who have previously received Options or other awards under this Plan) such of them as in its opinion should be granted Options;

(ii) Subject to the Award Limit, determine the number of shares to be subject to such Options granted to the selected key Employees or consultants;

(iii) Subject to Section 3.3, determine whether such Options are to be Incentive Stock Options or Non-Qualified Stock Options and whether such Options are to qualify as performance-based compensation as described in Section 162(m) (4) (C) of the Code; and

(iv) Determine the terms and conditions of such Options, consistent with this Plan; provided, however, that the terms and conditions of Options intended to qualify as performance-based compensation as described in Section 162(m) (4) (C) of the Code shall include, but not be limited to, such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

(b) Upon the selection of a key Employee or consultant to be granted an Option, the Committee shall instruct the Secretary of the Company to issue the Option and may impose such conditions on the grant of the Option as it deems appropriate.

(c) Any Incentive Stock Option granted under this Plan may be modified by the Committee, with the consent of the Optionee, to disqualify such Option from treatment as an "incentive stock option" under Section 422 of the Code.

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(d) During the term of the Plan, each person who is named as an Independent Director in the Company's registration statement in connection with the Company's initial public offering of its Common Stock (an "Initial Independent Director") as of the date upon which such Independent Director's term as a director commences, automatically shall be granted (i) an Option to purchase twenty-six thousand two hundred fifty (26,250) shares of Common Stock (subject to adjustment as provided in Section 10.3) on the date of such initial public offering and (ii) an Option to purchase fifteen thousand (15,000) shares of Common Stock (subject to adjustment as provided in Section 10.3) on the date of each annual meeting of stockholders after such initial public offering at which the Independent Director is reelected to the Board commencing with the annual meeting to be held in 1999. During the term of the Plan, a person, other than an Initial Independent Director, who is initially elected to the Board after the consummation of the initial public offering of Common Stock and who is an Independent Director at the time of such initial election automatically shall be granted (i) an Option to purchase twenty thousand (20,000) shares of Common Stock (subject to adjustment as provided in Section 10.3) on the date of such initial election and (ii) at the Independent Director's option, (A) an Option to

purchase fifteen thousand (15,000) shares of Common Stock (subject to adjustment as provided in Section 10.3) or (B) an Option to purchase six thousand (6,000) shares of Common Stock and an award of one thousand (1,000) shares of Restricted Stock, on the date of each annual meeting of stockholders after such initial election at which the Independent Director is reelected to the Board. Members of the Board who are employees of the Company who subsequently retire from the Company and remain on the Board will not receive an initial Option grant pursuant to clause (i) of the preceding sentence, but to the extent that they are otherwise eligible, will receive, after retirement from employment with the Company, Options and/or Restricted Stock as described in clause (ii) of the preceding sentence. All the foregoing Option grants and Restricted Stock awards authorized by this Section 3.4(d) are subject to stockholder approval of the Plan.

ARTICLE IV.
TERMS OF OPTIONS

4.1. Option Agreement. Each Option shall be evidenced by a written Stock Option Agreement, which shall be executed by the Optionee and an authorized officer of the Company and which shall contain such terms and conditions as the Committee (or the Board, in the case of Options granted to Independent Directors) shall determine, consistent with this Plan. Stock Option Agreements evidencing Options intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code. Stock Option Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

4.2. Option Price. The price per share of the shares subject to each Option shall be set by the Committee; provided, however, that (i) in the case of Incentive Stock Options such price shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code); (ii) in the case of Incentive Stock Options granted to an

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individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code), such price shall not be less than 110% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code); (iii) in the case of Options granted to Independent Directors, such price shall equal 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted; provided, however, that the price of each share subject to each Option granted to Initial Independent Directors pursuant to Section 3.4(d) hereof shall equal the initial public offering price per share of Common Stock; and (iv) in the case of all other Options granted, such price shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted. Notwithstanding any other provision of this Plan to the contrary, the Committee shall not have the authority to amend the terms of any outstanding Option to reduce its exercise price.

4.3. Option Term. The term of an Option shall be set by the Committee in its discretion; provided, however, that, (i) no Option shall be granted with a term of more than ten (10) years from the date the Option is granted, (ii) in the case of Options granted to Independent Directors, the term shall be ten (10) years from the date the Option is granted, and (iii) in the case of Incentive Stock Options, the term shall not be more than five (5) years from the date the Incentive Stock Option is granted, if the Incentive Stock Option is granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code). Except as limited by requirements of Section 422 of the Code and regulations and rulings thereunder applicable to Incentive Stock Options, the Committee may extend the term of any outstanding Option in connection with any Termination of Employment, Termination of Consultancy or Termination of Directorship of the Optionee, or amend any other term or condition of such Option relating to such a termination.

4.4. Option Vesting

(a) The period during which the right to exercise an Option in whole or in part vests in the Optionee shall be set by the Committee and the Committee may determine that an Option may not be exercised in whole or in part for a specified period after it is granted; provided, however, that, unless the Committee otherwise provides in the terms of the Option or otherwise, no Option shall be exercisable by any Optionee who is then subject to Section 16 of the Exchange Act within the period ending six months and one day after the date the Option is granted; and provided, further, that, unless the Board otherwise provides in the terms of the Options or otherwise, Options granted to Independent Directors shall become fully exercisable on first anniversary of the

date of Option grant, except as provided in Section 10.3(b). At any time after grant of an Option, the Committee may, in its sole and absolute discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option (except an Option granted to an Independent Director) vests.

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(b) No portion of an Option which is unexercisable at Termination of Employment, Termination of Directorship or Termination of Consultancy, as applicable, shall thereafter become exercisable, except as may be otherwise provided by the Committee in the case of Options granted to Employees or consultants either in the Stock Option Agreement or by action of the Committee following the grant of the Option.

(c) To the extent that the aggregate Fair Market Value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by an Optionee during any calendar year (under the Plan and all other incentive stock option plans of the Company and any parent or subsidiary corporation (within the meaning of Section 422 of the Code) of the Company) exceeds \$100,000, such Options shall be treated as Non-Qualified Options to the extent required by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options into account in the order in which they were granted. For purposes of this Section 4.4(c), the Fair Market Value of stock shall be determined as of the time the Option with respect to such stock is granted.

4.5. Consideration. In consideration of the granting of an Option, the Optionee shall agree, in the written Stock Option Agreement, to remain in the employ of (or to consult for or to serve as an Independent Director of, as applicable) the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary for a period of at least one year (or such shorter period as may be fixed in the Stock Option Agreement or by action of the Committee following grant of the Option) after the Option is granted (or, in the case of an Independent Director, until the next annual meeting of stockholders of the Company). Nothing in this Plan or in any Stock Option Agreement hereunder shall (i) confer upon any Optionee any right to (a) continue in the employ of, or as a consultant for, the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, or as a Director, or (b) receive any severance pay from the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge any Optionee at any time for any reason whatsoever, with or without Cause.

ARTICLE V. EXERCISE OF OPTIONS

5.1. Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Committee (or the Board, in the case of Options granted to Independent Directors) may require that, by the terms of the Option, a partial exercise be with respect to a minimum number of shares.

5.2. Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company (or such other officer as identified in the applicable Stock Option Agreement):

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(a) A written notice complying with the applicable rules established by the Committee (or the Board, in the case of Options granted to Independent Directors) stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Optionee or other person then entitled to exercise the Option or such portion of the Option;

(b) Such representations and documents as the Committee (or the Board, in the case of Options granted to Independent Directors), in its absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act of 1933, as amended, and any other federal or state securities laws or regulations. The Committee or Board may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option shall be exercised pursuant to Section 10.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option; and

(d) Full cash payment to the Secretary of the Company for the shares with respect to which the Option, or portion thereof, is exercised. However, the Committee (or the Board, in the case of Options granted to Independent

Directors), may in its discretion (i) allow a delay in payment up to thirty (30) days from the date the Option, or portion thereof, is exercised; (ii) allow payment, in whole or in part, through the delivery of shares of Common Stock owned by the Optionee, duly endorsed for transfer to the Company with a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof; (iii) allow payment, in whole or in part, through the surrender of shares of Common Stock then issuable upon exercise of the Option having a Fair Market Value on the date of Option exercise equal to the aggregate exercise price of the Option or exercised portion thereof; (iv) allow payment, in whole or in part, through the delivery of a full recourse promissory note bearing interest (at no less than such rate as shall then preclude the imputation of interest under the Code) and payable upon such terms as may be prescribed by the Committee or the Board; or (v) allow payment through any combination of the consideration provided in the foregoing subparagraphs (ii), (iii) and (iv). In the case of a promissory note, the Committee (or the Board, in the case of Options granted to Independent Directors) may also prescribe the form of such note and the security to be given for such note. The Option may not be exercised, however, by delivery of a promissory note or by a loan from the Company when or where such loan or other extension of credit is prohibited by law.

5.3. Transfer of Shares to a Company Employee, Consultant or Independent Director. As soon as practicable after receipt by the Company, pursuant to Section 5.2(d), of payment for the shares with respect to which an Option (which in the case of a Company Employee, consultant or Independent Director was issued to and is held by such Optionee in such capacity), or portion thereof, is exercised by an Optionee who is a Company Employee, Independent Director or a consultant to the Company, with respect to each such exercise, the Company shall transfer to the Optionee the number of shares equal to

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(a) The amount of the payment made by the Optionee to the Company pursuant to Section 5.2(d), divided by

(b) The price per share of the shares subject to the Option as determined pursuant to Section 4.2.

5.4. Transfer of Shares to a Partnership Employee, Consultant or Independent Director. (a) At the time that an Optionee who is an Employee, Independent Director or consultant of the Partnership or a Partnership Subsidiary exercises all or any part of an Option pursuant to the terms of this Plan, such Optionee shall remit to the Partnership or the Partnership Subsidiary, as the case may be, an amount equal to the product of the exercise price per share of such Option and the number of shares with respect to such Option being exercised by such Optionee.

(b) As soon as practicable after receipt by the Operating Partnership of a notice of the exercise of shares with respect to which an Option (which was issued to and is held by a Partnership Employee, consultant or Independent Director in such capacity), or portion thereof, is exercised by an Optionee who is a Partnership Employee, Independent Director or consultant, with respect to each such exercise the Company shall sell to the Partnership, or the Partnership Subsidiary in the case of an Optionee who is an Employee, consultant or Independent Director of Partnership Subsidiary, the number of shares (the "Partnership Purchased Shares") equal to the number of shares subject to such exercise by such Optionee at a purchase price equal to the Fair Market Value of a share of Common Stock at the time of the exercise (the "Partnership Purchase Price");

(c) As soon as practicable after receipt of the Partnership Purchased Shares by the Partnership, or the Partnership Subsidiary in the case of an Optionee who is an Employee, Independent Director or consultant of a Partnership Subsidiary, the Partnership or the Partnership Subsidiary, as the case may be, shall transfer such shares to the Optionee at no additional cost.

5.5. Transfer of Payment to the Partnership. As soon as practicable after receipt by the Company of the amount described in Section 5.2(d), 5.4(b) and 5.5(b) the Company shall contribute to the Partnership an amount of cash equal to such payment and the Partnership shall issue an additional interest in the Partnership on the terms set forth in the Partnership Agreement.

5.6. Conditions to Issuance of Stock Certificates. The Company or the Partnership shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of any Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;

(b) The completion of any registration or other qualification of such shares under any state or federal law, or under the rulings or regulations of the Securities and Exchange

Commission or any other governmental regulatory body which the Committee or Board shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee (or Board, in the case of Options granted to Independent Directors) shall, in its absolute discretion, determine to be necessary or advisable;

(d) The lapse of such reasonable period of time following the exercise of the Option as the Committee (or Board, in the case of Options granted to Independent Directors) may establish from time to time for reasons of administrative convenience; and

(e) The receipt by the Company or the Partnership of full payment for such shares, including payment of any applicable withholding tax.

5.7. Rights as Stockholders. The holders of Options shall not be, nor have any of the rights or privileges of, stockholders of the Company in respect of any shares purchasable upon the exercise of any part of an Option unless and until certificates representing such shares have been issued by the Company to such holders.

5.8. Ownership and Transfer Restrictions. The Committee (or Board, in the case of Options granted to Independent Directors), in its absolute discretion, may impose such restrictions on the ownership and transferability of the shares purchasable upon the exercise of an Option as it deems appropriate. Any such restriction shall be set forth in the respective Stock Option Agreement and may be referred to on the certificates evidencing such shares. The Committee may require the Employee to give the Company prompt notice of any disposition of shares of Common Stock acquired by exercise of an Incentive Stock Option within (i) two years from the date of granting (including the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code) such Option to such Employee or (ii) one year after the transfer of such shares to such Employee. The Committee may direct that the certificates evidencing shares acquired by exercise of an Option refer to such requirement to give prompt notice of disposition.

5.9. Limitations on Exercise of Options Granted to an Optionee. The Committee (or the Board, in the case of Options granted to Independent Directors), in its absolute discretion, may impose such limitations and restrictions on the exercise of Options as it deems appropriate. Any such limitation shall be set forth in the respective Stock Option Agreement. Notwithstanding the foregoing, an Option is not exercisable if in the sole and absolute discretion of the Committee the exercise of such Option would likely result in any of the following:

(a) the Optionee's or any other person's ownership of capital stock being in violation of the Stock Ownership Limit (as defined in the Company's Articles of Incorporation); or

(b) income to the Company that could impair the Company's status as a real estate investment trust, within the meaning of Sections 856 through 860 of the Code.

ARTICLE VI.
AWARD OF RESTRICTED STOCK

6.1. Eligibility. Subject to the Award Limit, Restricted Stock may be awarded to any Employee who the Committee determines is a key Employee or any Director or consultant whom the Committee determines should receive such an award.

6.2. Award of Restricted Stock

(a) The Committee may from time to time, in its absolute discretion:

(i) Determine which Employees are key Employees and select from among the key Employees, Directors or consultants (including Employees, Directors or consultants who have previously received other awards under this Plan) such of them as in its opinion should be awarded Restricted Stock; and

(ii) Determine the purchase price, if any, and other terms and conditions (including, without limitation, in the case of awards to Employees, consultants or Independent Directors of the Partnership or any Partnership Subsidiary, the mechanism for the transfer of the Restricted Stock and payment therefor and, in the case of the repurchase of shares of Restricted Stock subject to restrictions in effect at the time of the Termination of Employment, Directorship or Consultancy of such Employee, Director or consultant, as the case may be) applicable to such Restricted Stock, consistent with this Plan.

(b) The Committee shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that such purchase price shall be no less than the par value of the Common Stock to be purchased, unless otherwise permitted by applicable state law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

(c) Upon the selection of a key Employee or consultant to be awarded Restricted Stock, the Committee shall instruct the Secretary of the Company to issue such Restricted Stock and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

6.3. Restricted Stock Agreement. Restricted Stock shall be issued only pursuant to a written Restricted Stock Agreement, which shall be executed by the selected key Employee or consultant and an authorized officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with this Plan.

6.4. Consideration. As consideration for the issuance of Restricted Stock, in addition to payment of any purchase price, the Restricted Stockholder shall agree, in the written Restricted Stock Agreement, to remain in the employ of, or to consult for, the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary for a period of at least one year after the Restricted Stock is issued (or such shorter period as may be fixed in the Restricted Stock Agreement or by action of the Committee following grant of the Restricted Stock) or, in the case

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of a Director, complete the remainder of such Director's elected term. Nothing in this Plan or in any Restricted Stock Agreement hereunder shall (i) confer on any Restricted Stockholder any right to (a) continue in the employ of, as a Director of or as a consultant for, the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary or (b) receive any severance pay from the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge the Employee or consultant at any time for any reason whatsoever, with or without Cause, or any Director pursuant to the Company's bylaws.

6.5. Rights as Stockholders. Subject to Section 6.6, upon delivery of the shares of Restricted Stock to the escrow holder pursuant to Section 6.8, the Restricted Stockholder shall have, unless otherwise provided by the Committee, all the rights of a stockholder with respect to said shares, subject to the restrictions in his Restricted Stock Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; provided, however, that in the discretion of the Committee, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 6.6.

6.6. Restriction. All shares of Restricted Stock issued under this Plan (including any shares received by holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Restricted Stock Agreement, be subject to such restrictions as the Committee shall provide, which restrictions may include, without limitation, restrictions concerning voting rights and transferability and restrictions based on duration of employment with the Company, Company performance and individual performance; provided, however, that, unless the Committee otherwise provides in the terms of the Restricted Stock Agreement or otherwise, no share of Restricted Stock granted to a person subject to Section 16 of the Exchange Act shall be sold, assigned or otherwise transferred until at least six months and one day have elapsed from the date on which the Restricted Stock was issued, and provided, further, that, except with respect to shares of Restricted Stock granted pursuant to Section 6.10, by action taken after the Restricted Stock is issued, the Committee may, on such terms and conditions as it may determine to be appropriate, remove any or all of the restrictions imposed by the terms of the Restricted Stock Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire. If no consideration was paid by the Restricted Stockholder upon issuance, a Restricted Stockholder's rights in unvested Restricted Stock shall lapse upon a Termination of Employment or, if applicable, upon a Termination of Directorship or a Termination of Consultancy; provided, however, that the Committee in its sole and absolute discretion may provide that such rights shall not lapse in the event of a Termination of Employment or Termination of Directorship following a "change of ownership control" (within the meaning of Treasury Regulation Section 1.62-27(e) (2) (v) or any successor regulation thereto) of the Company or because of the Restricted Stockholder's death or disability.

6.7. Repurchase of Restricted Stock. The Committee shall provide in the terms of each individual Restricted Stock Agreement that the Company shall have the right to repurchase from the Restricted Stockholder the Restricted Stock then subject to restrictions under

the Restricted Stock Agreement immediately upon a Termination of Employment or, if applicable, upon a Termination of Directorship or a Termination of Consultancy, at a cash price per share equal to the price paid by the Restricted Stockholder for such Restricted Stock; provided, however, that the Committee in its sole and absolute discretion may provide that no such right of repurchase shall exist in the event of a Termination of Employment, Termination of Directorship or Termination of Consultancy following a "change of ownership or control" (within the meaning of Treasury Regulation Section 1.162-27(e)(2)(v) or any successor regulation thereto) of the Company or because of the Restricted Stockholder's death or disability; provided, further, that, except with respect to shares of Restricted Stock granted pursuant to Section 6.10, the Committee in its sole and absolute discretion may provide that no such right of repurchase shall exist in the event of a Termination of Employment, Termination of Directorship or a Termination of Consultancy without Cause, following any change in control or ownership of the Company, because of the Restricted Stockholder's retirement, or otherwise.

6.8. Escrow. The Secretary of the Company or such other escrow holder as the Committee may appoint shall retain physical custody of each certificate representing Restricted Stock until all of the restrictions imposed under the Restricted Stock Agreement with respect to the shares evidenced by such certificate expire or shall have been removed.

6.9. Legend. In order to enforce the restrictions imposed upon shares of Restricted Stock hereunder, the Committee shall cause a legend or legends to be placed on certificates representing all shares of Restricted Stock that are still subject to restrictions under Restricted Stock Agreements, which legend or legends shall make appropriate reference to the conditions imposed thereby.

6.10. Provisions Applicable to Section 162(m) Participants.

(a) Notwithstanding anything in the Plan to the contrary, the Committee may grant Restricted Stock to a Section 162(m) Participant the restrictions with respect to which lapse upon the attainment of performance goals for the Company which are related to one or more of the following business criteria: (i) pre-tax income, (ii) operating income, (iii) cash flow, (iv) earnings per share, (v) return on equity, (vi) return on invested capital or assets, (vii) cost reductions or savings, (viii) funds from operations, (ix) appreciation in the fair market value of Common Stock and (x) earnings before any one or more of the following items: interest, taxes, depreciation or amortization.

(b) To the extent necessary to comply with the performance-based compensation requirements of Section 162(m)(4)(C) of the Code, with respect to Restricted Stock which may be granted to one or more Section 162(m) Participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (i) designate one or more Section 162(m) Participants, (ii) select the performance goal or goals applicable to the fiscal year or other designated fiscal period or period of service, (iii) establish the various targets and amounts of Restricted Stock which may be earned for such fiscal year or other designated fiscal period or

period of service and (iv) specify the relationship between performance goals and targets and the amounts of Restricted Stock to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period or period of service. Following the completion of each fiscal year or other designated fiscal period or period of service, the Committee shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period or period of service. In determining the amount earned by a Section 162(m) Participant, the Committee shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period or period of service.

ARTICLE VII.

PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, DEFERRED STOCK, STOCK PAYMENTS

7.1. Eligibility. Subject to the Award Limit, one or more Performance Awards, Dividend Equivalents, awards of Deferred Stock, and/or Stock Payments may be granted to any Employee whom the Committee determines is a key Employee or any consultant or Independent Director whom the Committee determines should receive such an award.

7.2. Performance Awards. Any key Employee, consultant or Independent

Director selected by the Committee may be granted one or more Performance Awards. The value of such Performance Awards may be linked to the market value, book value, net profits or other measure of the value of Common Stock or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee, or may be based upon the appreciation in the market value, book value, net profits or other measure of the value of a specified number of shares of Common Stock over a fixed period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular key Employee or consultant.

7.3. Dividend Equivalents. Any key Employee, consultant or Independent Director selected by the Committee may be granted Dividend Equivalents based on the dividends declared on Common Stock, to be credited as of dividend payment dates, during the period between the date an Option, Stock Appreciation Right, Deferred Stock or Performance Award is granted, and the date such Option, Stock Appreciation Right, Deferred Stock or Performance Award is exercised, vests or expires, as determined by the Committee. Such Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formula and at such time and subject to such limitations as may be determined by the Committee. With respect to Dividend Equivalents granted with respect to Options intended to be qualified performance-based compensation for purposes of Section 162(m) of the Code, such Dividend Equivalents shall be payable regardless of whether such Option is exercised.

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7.4. Stock Payments. Any key Employee, consultant or Independent Director selected by the Committee may receive Stock Payments in the manner determined from time to time by the Committee. The number of shares shall be determined by the Committee and may be based upon the Fair Market Value, book value, net profits or other measure of the value of Common Stock or other specific performance criteria determined appropriate by the Committee, determined on the date such Stock Payment is made or on any date thereafter.

7.5. Deferred Stock. Any key Employee, consultant or Independent Director selected by the Committee may be granted an award of Deferred Stock in the manner determined from time to time by the Committee. The number of shares of Deferred Stock shall be determined by the Committee and may be linked to the market value, book value, net profits or other measure of the value of Common Stock or other specific performance criteria determined to be appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. Common Stock underlying a Deferred Stock award will not be issued until the Deferred Stock award has vested, pursuant to a vesting schedule or performance criteria set by the Committee. Unless otherwise provided by the Committee, a Grantee of Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the award has vested and the Common Stock underlying the award has been issued.

7.6. Performance Award Agreement, Dividend Equivalent Agreement, Deferred Stock Agreement, Stock Payment Agreement. Each Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment shall be evidenced by a written agreement, which shall be executed by the Grantee and an authorized Officer of the Company and which shall contain such terms and conditions (including, without limitation, in the case of awards to Employees, consultants or Independent Directors of the Partnership or any Partnership Subsidiary, the mechanism for the transfer or rights under such awards) as the Committee shall determine, consistent with this Plan.

7.7. Term. The term of a Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment shall be set by the Committee in its discretion.

7.8. Exercise or Purchase Price. The Committee may establish the exercise or purchase price of a Performance Award, shares of Deferred Stock, or shares received as a Stock Payment; provided, however, that such price shall not be less than the par value for a share of Common Stock, unless otherwise permitted by applicable state law.

7.9. Exercise Upon Termination of Employment. A Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment is exercisable or payable only while the Grantee is an Employee or consultant; provided, however, that the Committee in its sole and absolute discretion may provide that the Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment may be exercised or paid subsequent to a Termination of Employment following a "change of control or ownership" (within the meaning of Section 1.162-27(e) (2) (v) or any successor regulation thereto) of the Company; provided, further, that except with respect to Performance Awards granted pursuant to Section 7.12, the

Committee in its sole and absolute discretion may provide that the Performance Awards may be exercised or paid following a Termination of Employment or a Termination of Consultancy without cause, or following a change in control of the Company, or because of the Grantee's retirement, death or disability, or otherwise.

7.10. Payment on Exercise. Payment of the amount determined under Section 7.1 or 7.2 above shall be in cash, in Common Stock or a combination of both, as determined by the Committee. To the extent any payment under this Article VII is effected in Common Stock, it shall be made subject to satisfaction of all provisions of Section 5.3.

7.11. Consideration. In consideration of the granting of a Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment, the Grantee shall agree, in a written agreement, to remain in the employ of, or to consult for, the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary for a period of at least one year after such Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment is granted (or such shorter period as may be fixed in such agreement or by action of the Committee following such grant). Nothing in this Plan or in any agreement hereunder shall (i) confer on any Grantee any right to (a) continue in the employ of, or as a consultant for, the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary or (b) receive any severance pay from the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge any Grantee at any time for any reason whatsoever, with or without Cause.

7.12. Provisions Applicable to Section 162(m) Participants.

(a) Notwithstanding anything in the Plan to the contrary, the Committee may grant any performance or incentive awards described in Article VII to a Section 162(m) Participant that vest or become exercisable or payable upon the attainment of performance goals for the Company which are related to one or more of the following business criteria: (i) pre-tax income, (ii) operating income, (iii) cash flow, (iv) earnings per share, (v) return on equity, (vi) return on invested capital or assets, (vii) cost reductions or savings, (viii) funds from operations, (ix) appreciation in the fair market value of Common Stock and (x) earnings before any one or more of the following items: interest, taxes, depreciation or amortization.

(b) To the extent necessary to comply with the performance-based compensation requirements of Section 162(m) (4) (C) of the Code, with respect to performance or incentive awards described in Article VII which may be granted to one or more Section 162(m) Participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (i) designate one or more Section 162(m) Participants, (ii) select the performance goal or goals applicable to the fiscal year or other designated fiscal period or period of service, (iii) establish the various targets and bonus amounts which may be earned for such fiscal year or other designated fiscal period or period of service and (iv) specify the relationship between

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performance goals and targets and the amounts to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period or period of service. Following the completion of each fiscal year or other designated fiscal period or period of service, the Committee shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period or period of service. In determining the amount earned by a Section 162(m) Participant, the Committee shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period or period of service.

ARTICLE VIII. STOCK APPRECIATION RIGHTS

8.1. Grant of Stock Appreciation Rights. A Stock Appreciation Right may be granted to any key Employee or consultant selected by the Committee. A Stock Appreciation Right may be granted (i) in connection and simultaneously with the grant of an Option, (ii) with respect to a previously granted Option, or (iii) independent of an Option. A Stock Appreciation Right shall be subject to such terms and conditions (including, without limitation, the mechanism for the transfer of rights under such awards) not inconsistent with this Plan as the Committee shall impose and shall be evidenced by a written Stock Appreciation Right Agreement, which shall be executed by the Grantee and an authorized officer of the Company. The Committee, in its discretion, may determine whether a Stock Appreciation Right is to qualify as performance-based compensation as described in Section 162(m) (4) (C) of the Code and Stock Appreciation Right

Agreements evidencing Stock Appreciation Rights intended to so qualify shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

8.2. Coupled Stock Appreciation Rights

(a) A Coupled Stock Appreciation Right ("CSAR") shall be related to a particular Option and shall be exercisable only when and to the extent the related Option is exercisable.

(b) A CSAR may be granted to the Grantee for no more than the number of shares subject to the simultaneously or previously granted Option to which it is coupled.

(c) A CSAR shall entitle the Grantee (or other person entitled to exercise the Option pursuant to this Plan) to surrender to the Company unexercised a portion of the Option to which the CSAR relates (to the extent then exercisable pursuant to its terms) and to receive from the Company in exchange therefor an amount determined by multiplying the difference obtained by subtracting the Option exercise price from the Fair Market Value of a share of Common Stock on the date of exercise of the CSAR by the number of shares of Common Stock with respect to which the CSAR shall have been exercised, subject to any limitations the Committee may impose.

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8.3. Independent Stock Appreciation Rights

(a) An Independent Stock Appreciation Right ("ISAR") shall be unrelated to any Option and shall have a term set by the Committee. An ISAR shall be exercisable in such installments as the Committee may determine. An ISAR shall cover such number of shares of Common Stock as the Committee may determine; provided, however, that unless the Committee otherwise provides in the terms of the ISAR or otherwise, no ISAR granted to a person subject to Section 16 of the Exchange Act shall be exercisable until at least six months have elapsed from (but excluding) the date on which the Option was granted. The exercise price per share of Common Stock subject to each ISAR shall be set by the Committee. An ISAR is exercisable only while the Grantee is an Employee or consultant; provided that the Committee may determine that the ISAR may be exercised subsequent to Termination of Employment, Termination of Directorship or Termination of Consultancy without cause, or following a change in control of the Company, or because of the Grantee's retirement, death or disability, or otherwise.

(b) An ISAR shall entitle the Grantee (or other person entitled to exercise the ISAR pursuant to this Plan) to exercise all or a specified portion of the ISAR (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying the difference obtained by subtracting the exercise price per share of the ISAR from the Fair Market Value of a share of Common Stock on the date of exercise of the ISAR by the number of shares of Common Stock with respect to which the ISAR shall have been exercised, subject to any limitations the Committee may impose.

8.4. Payment and Limitations on Exercise

(a) Payment of the amount determined under Section 8.2(c) and 8.3(b) above shall be in cash, in Common Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Committee. To the extent such payment is effected in Common Stock it shall be made subject to satisfaction of all provisions of Section 5.3 above pertaining to Options.

(b) Grantees of Stock Appreciation Rights may be required to comply with any timing or other restrictions with respect to the settlement or exercise of a Stock Appreciation Right, including a window-period limitation, as may be imposed in the discretion of the Board or Committee.

8.5. Consideration. In consideration of the granting of a Stock Appreciation Right, the Grantee shall agree, in the written Stock Appreciation Right Agreement, to remain in the employ of, or to consult for, the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary for a period of at least one year after the Stock Appreciation Right is granted (or such shorter period as may be fixed in the Stock Appreciation Right Agreement or by action of the Committee following grant of the Restricted Stock). Nothing in this Plan or in any Stock Appreciation Right Agreement hereunder shall (i) confer on any Grantee any right to (a) continue in the employ of, or as a consultant for, the Company, a Company Subsidiary, the

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Partnership or a Partnership Subsidiary or (b) receive any severance pay from the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge any Grantee at any time for any reason

whatsoever, with or without Cause.

ARTICLE IX.
ADMINISTRATION

9.1. Compensation Committee. Prior to the Company's initial registration of Common Stock under Section 12 of the Exchange Act, the Compensation Committee shall consist of the entire Board. Following such registration, the Compensation Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under this Plan) shall consist solely of two or more Independent Directors appointed by and holding office at the pleasure of the Board, each of whom is both a "non-employee director" as defined by Rule 16b-3 and an "outside director" for purposes of Section 162(m) of the Code. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may be filled by the Board.

9.2. Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of this Plan in accordance with its provisions. The Committee shall have the power to interpret this Plan and the agreements pursuant to which Options, awards of Restricted Stock or Deferred Stock, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments are granted or awarded, and to adopt such rules for the administration, interpretation, and application of this Plan as are consistent therewith and to interpret, amend or revoke any such rules. Notwithstanding the foregoing, the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Options granted to Independent Directors. Any such grant or award under this Plan need not be the same with respect to each Optionee, Grantee or Restricted Stockholder. Any such interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under this Plan except with respect to matters which under Rule 16b-3 or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

9.3. Majority Rule; Unanimous Written Consent. The Committee shall act by a majority of its members in attendance at a meeting at which a quorum is present or by a memorandum or other written instrument signed by all members of the Committee.

9.4. Compensation; Professional Assistance; Good Faith Actions. Members of the Committee shall receive such compensation, if any, for their services as members as may be determined by the Board. All expenses and liabilities which members of the Committee incur in connection with the administration of this Plan shall be borne by the Company. The Committee

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may, with the approval of the Board, employ attorneys, consultants, accountants, appraisers, brokers, or other persons. The Committee, the Company and the Company's officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee or the Board in good faith shall be final and binding upon all Optionees, Grantees, Restricted Stockholders, the Company and all other interested persons. No members of the Committee or Board shall be personally liable for any action, determination or interpretation made in good faith with respect to this Plan, Options, awards of Restricted Stock or Deferred Stock, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments, and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation.

9.5. Delegation of Authority to Grant Awards. The Committee may, but need not, delegate from time to time to a committee consisting of one or more members of the Committee or of one or more officers of the Company some or all of the Committee's authority to grant awards under this Plan to eligible recipients; provided, however, that each such recipient must be an individual other than an "officer," "director" or "beneficial owner of more than ten per centum of any class of any equity security" within the meaning of each such term as it is used under Section 16(b) of the Exchange Act. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation of authority and may be rescinded at any time by the Committee. At all times, any committee appointed under this Section 9.5 shall serve in such capacity at the pleasure of the Committee.

ARTICLE X.
MISCELLANEOUS PROVISIONS

10.1. Not Transferable. Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments under this Plan may not be sold, pledged, assigned, or transferred in any manner other than by will or the laws of descent

and distribution, unless and until such rights or awards have been exercised, or the shares underlying such rights or awards have been issued, and all restrictions applicable to such shares have lapsed. No Option, Restricted Stock award, Deferred Stock award, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment or interest or right therein shall be liable for the debts, contracts or engagements of the Optionee, Grantee or Restricted Stockholder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

During the lifetime of the Optionee or Grantee, only he may exercise an Option or other right or award (or any portion thereof) granted to him under the Plan. After the death of the Optionee or Grantee, any exercisable portion of an Option or other right or award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Stock Option

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Agreement or other agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Optionee's or Grantee's will or under the then applicable laws of descent and distribution.

10.2. Amendment, Suspension or Termination of this Plan. Except as otherwise provided in this Section 10.2, this Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board or the Committee. However, without approval of the Company's stockholders given within twelve months before or after the action by the Board or the Committee, no action of the Board or the Committee may, except as provided in Section 10.3, increase the limits imposed in Section 2.1 on the maximum number of shares which may be issued under this Plan or increase the Award Limit, and no action of the Board or the Committee may be taken that would otherwise require stockholder approval as a matter of applicable law, regulation or rule. No amendment, suspension or termination of this Plan shall, without the consent of the holder of Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments, alter or impair any rights or obligations under any Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments theretofore granted or awarded, unless the award itself otherwise expressly so provides. No Options, Restricted Stock, Deferred Stock, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments may be granted or awarded during any period of suspension or after termination of this Plan, and in no event may any Incentive Stock Option be granted under this Plan after the first to occur of the following events:

(a) The expiration of ten years from the date the 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries was adopted by the Board; or

(b) The expiration of ten years from the date the 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries was approved by the Company's stockholders under Section 10.4.

10.3. Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company and Other Corporate Events.

(a) Subject to Section 10.3(d), in the event that the Committee (or the Board, in the case of Options granted to Independent Directors) determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company (including, but not limited to, a Corporate Transaction), or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, in the Committee's sole discretion (or in the case of Options granted to Independent Directors, the

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Board's sole discretion), affects the Common Stock such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Option, Restricted Stock award, Performance Award, Stock Appreciation Right, Dividend Equivalent, Deferred Stock award or Stock Payment, then the Committee (or the Board, in the case of Options granted to Independent Directors) shall, in such manner as it may deem equitable, adjust any or all of

(i) the number and kind of shares of Common Stock (or other securities or property) with respect to which Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments may be granted under the Plan, or which may be granted as Restricted Stock or Deferred Stock (including, but not limited to, adjustments of the limitations in Section 2.1 on the maximum number and kind of shares which may be issued and adjustments of the Award Limit),

(ii) the number and kind of shares of Common Stock (or other securities or property) subject to outstanding Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents, or Stock Payments, and in the number and kind of shares of outstanding Restricted Stock or Deferred Stock, and

(iii) the grant or exercise price with respect to any Option, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment.

(b) Subject to Section 10.3(d), in the event of any Corporate Transaction or other transaction or event described in Section 10.3(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations, or accounting principles, the Committee (or the Board, in the case of Options granted to Independent Directors) in its discretion is hereby authorized to take any one or more of the following actions whenever the Committee (or the Board, in the case of Options granted to Independent Directors) determines that such action is appropriate or desirable:

(i) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee (or the Board, in the case of Options granted to Independent Directors) may provide, either by the terms of the agreement or by action taken prior to the occurrence of such transaction or event and either automatically or upon the optionee's request, for either the purchase of any such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or any Restricted Stock or Deferred Stock for an amount of cash equal to the amount that could have been attained upon the exercise of such option, right or award or realization of the optionee's rights had such option, right or award been currently exercisable or payable or fully vested or the replacement of such option, right or award with other rights or property selected by the Committee (or the Board, in the case of awards granted to Independent Directors) in its sole discretion;

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(ii) In its sole and absolute discretion, the Committee (or the Board, in the case of awards granted to Independent Directors) may provide, either by the terms of such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event that it cannot vest, be exercised or become payable after such event;

(iii) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee (or the Board, in the case of awards granted to Independent Directors) may provide, either by the terms of such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event, that for a specified period of time prior to such transaction or event, such option, right or award shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in (i) Section 4.4 or (ii) the provisions of such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock;

(iv) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee (or the Board, in the case of awards granted to Independent Directors) may provide, either by the terms of such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event, that upon such event, such option, right or award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(v) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee (or the Board, in the case of awards granted to Independent Directors) may make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding Options, Performance Awards, Stock

Appreciation Rights, Dividend Equivalents, or Stock Payments, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the terms and conditions of, and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future; and

(vi) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide either by the terms of a Restricted Stock award or Deferred Stock award or by action taken prior to the occurrence of such event that, for a specified period of time prior to such event, the restrictions imposed under a Restricted Stock Agreement or a Deferred Stock Agreement upon some or all shares of Restricted Stock or Deferred Stock may be terminated, and, in

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the case of Restricted Stock, some or all shares of such Restricted Stock may cease to be subject to repurchase under Section 6.6 or forfeiture under Section 6.5 after such event.

(c) Subject to Section 10.3(d) and 10.8, the Committee (or the Board, in the case of awards granted to Independent Directors) may, in its discretion, include such further provisions and limitations in any Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock agreement or certificate, as it may deem equitable and in the best interests of the Company.

(d) With respect to Options, Restricted Stock, Deferred Stock, Stock Appreciation Rights and performance or incentive awards described in Article VII which are granted to Section 162(m) Participants and are intended to qualify as performance-based compensation under Section 162(m) (4) (C), no adjustment or action described in this Section 10.3 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b) (1) of the Code or would cause such option or stock appreciation right to fail to so qualify under Section 162(m) (4) (C), as the case may be, or any successor provisions thereto. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 or violate the exemptive conditions of Rule 16b-3 unless the Committee (or the Board, in the case of awards granted to Independent Directors) determines that the option or other award is not to comply with such exemptive conditions. The number of shares of Common Stock subject to any option, right or award shall always be rounded to the next whole number.

10.4. Approval of Plan by Stockholders. This Plan will be submitted for the approval of the Company's stockholders within twelve months after the date of the Board's initial adoption of this Plan. Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments may be granted and Restricted Stock or Deferred Stock may be awarded prior to such stockholder approval, provided that such Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments shall not be exercisable and such Restricted Stock or Deferred Stock shall not vest prior to the time when this Plan is approved by the stockholders, and provided further that if such approval has not been obtained at the end of said twelve-month period, all Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments previously granted and all Restricted Stock or Deferred Stock previously awarded under this Plan shall thereupon be canceled and become null and void.

10.5. Tax Withholding. The Company shall be entitled to require payment in cash or deduction from other compensation payable to each Optionee, Grantee or Restricted Stockholder of any sums required by federal, state or local tax law to be withheld with respect to the issuance, vesting, exercise or payment of any Option, Restricted Stock, Deferred Stock, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment. The Committee (or the Board, in the case of awards granted to Independent Directors) may in its discretion and in satisfaction of the foregoing requirement allow such Optionee, Grantee or Restricted Stockholder to elect to have the Company withhold shares of Common Stock

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otherwise issuable under such Option or other award (or allow the return of shares of Common Stock) having a Fair Market Value equal to the sums required to be withheld.

10.6. Loans. The Committee may, in its discretion, extend one or more loans to key Employees in connection with the exercise or receipt of an Option, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment granted under this Plan, or the issuance of Restricted Stock or Deferred Stock awarded under this Plan. The terms and conditions of any such loan shall be set by the Committee.

10.7. Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to awards under the Plan, the

Committee (or the Board, in the case of awards granted to Independent Directors) shall have the right (to the extent consistent with the applicable exemptive conditions of Rule 16b-3) to provide, in the terms of Options or other awards made under the Plan, or to require the recipient to agree by separate written instrument, that (i) any proceeds, gains or other economic benefit actually or constructively received by the recipient upon any receipt or exercise of the award, or upon the receipt or resale of any Common Stock underlying such award, must be paid to the Company, and (ii) the award shall terminate and any unexercised portion of such award (whether or not vested) shall be forfeited, if (a) a Termination of Employment, Termination of Consultancy or Termination of Directorship occurs prior to a specified date, or within a specified time period following receipt or exercise of the award, or (b) the recipient at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Committee (or the Board, as applicable).

10.8. Limitations Applicable to Section 16 Persons and Performance-Based Compensation. Notwithstanding any other provision of this Plan, this Plan, and any Option, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment granted, or Restricted Stock or Deferred Stock awarded, to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan, Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents, Stock Payments, Restricted Stock and Deferred Stock granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule. Furthermore, notwithstanding any other provision of this Plan, any Option, Stock Appreciation Right or performance or incentive award described in Article VII which is granted to a Section 162(m) Participant and is intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as performance-based compensation as described in Section 162(m)(4)(C) of the Code, and this Plan shall be deemed amended to the extent necessary to conform to such requirements.

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10.9. Effect of Plan Upon Options and Compensation Plans. The adoption of this Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in this Plan shall be construed to limit the right of the Company (i) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of the Company or any Subsidiary or (ii) to grant or assume options or other rights or awards otherwise than under this Plan in connection with any proper corporate purpose including but not by way of limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

10.10. Section 83(b) Election Prohibited. No Grantee, Optionee or Restricted Stockholder may make an election under Section 83(b) of the Code with respect to any award or grant under this Plan.

10.11. Compliance with Laws. This Plan, the granting and vesting of Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments under this Plan and the issuance and delivery of shares of Common Stock and the payment of money under this Plan or under Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments granted or Restricted Stock or Deferred Stock awarded hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan, Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

10.12. Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Plan.

10.13. Governing Law. This Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of California without regard to conflicts of laws thereof.

10.14. Conflicts with Company's Articles of Incorporation.
Notwithstanding any other provision of this Plan, no Optionee, Grantee or Restricted Stockholder shall acquire or have any right to acquire any Common Stock, and shall not have other rights under this Plan, which are prohibited under the Company's Articles of Incorporation.

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IN WITNESS WHEREOF, the parties below have caused the foregoing Plan to be approved by their officers duly authorized on this 1st day of January, 2002.

AMB PROPERTY, L.P., a Delaware limited partnership

By: AMB Property Corporation,
its general partner

By: /s/ Tamra D. Browne

Tamra D. Browne
Vice President, General Counsel and
Secretary

AMB PROPERTY CORPORATION,
a Maryland corporation

By: /s/ Tamra D. Browne

Tamra D. Browne
Vice President, General Counsel
and Secretary

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I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of AMB Property Corporation on January 1, 2002.

Executed on this 1st day of January, 2002.

/s/ Tamra D. Browne

Tamra D. Browne
Vice President, General Counsel
and Secretary

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AMENDMENT NO. 1

TO THE

THIRD AMENDED AND RESTATED 1997 STOCK OPTION AND INCENTIVE PLAN

OF

AMB PROPERTY CORPORATION

AND ITS SUBSIDIARIES

AMB Property Corporation, a corporation organized under the laws of State of Maryland (the "Company"), hereby adopts this Amendment No. 1 (this "Amendment") to the Third Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and its Subsidiaries (the "Plan"). Capitalized terms used in this Amendment without definition shall have the meanings given to such terms in the Plan.

WHEREAS, Section 9.2 of the Plan currently provides that the full Board of Directors of the Company, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Options granted to Independent Directors;

WHEREAS, Section 10.1 of the Plan currently provides that awards under the Plan are not transferable in any manner other than by will or the laws of descent and distribution; and

WHEREAS, the Company's Board of Directors has determined that it is in the best interests of the Company to amend the Plan in certain respects to (i) permit the Committee to modify any outstanding Options granted to Independent Directors and (ii) permit the transferability of awards under the Plan, other than Incentive Stock Options, with the consent of the Committee or by gift to family members of the award holder and entities owned by such family members.

NOW, THEREFORE, the Plan is hereby amended as follows:

1. Section 9.2. Section 9.2 of the Plan is hereby deleted and replaced to read in its entirety as follows:

"9.2. Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of this Plan in accordance with its provisions. The Committee shall have the power to interpret this Plan and the agreements pursuant to which Options, awards of Restricted Stock or Deferred Stock, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments are granted or awarded, and to adopt such rules for the administration, interpretation, and application of this Plan as are consistent therewith and to interpret, amend or revoke any such rules; provided, however, that only the full Board, acting by a majority of its members in office, shall have the power to grant

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Options to Independent Directors. Any such grant or award under this Plan need not be the same with respect to each Optionee, Grantee or Restricted Stockholder. Any such interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under this Plan except with respect to matters which under Rule 16b-3 or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee."

2. Section 10.1. Section 10.1 of the Plan is hereby deleted and replaced to read in its entirety as follows:

"10.1. Not Transferable. Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments under this Plan may not be sold, pledged, assigned, or transferred in any manner other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder (a "QDRO"), unless and until such rights or awards have been exercised, or the shares underlying such rights or awards have been issued, and all restrictions applicable to such shares have lapsed; provided, however, that Non-Qualified Stock Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents and Stock Payments may be transferred with the consent of the Committee or by gift to a "Family Member" (as defined below), in which case the transferee shall receive and hold the Option or other award so transferred

subject to the provisions of this Plan and the agreement governing such Option or other award; provided, further, that a transfer of a Non-Qualified Stock Option, Restricted Stock award, Deferred Stock award, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment to an entity in which more than fifty percent (50%) of the voting interests are owned by Family Members (or the Optionee, Grantee or Restricted Stockholder) in exchange for an interest in that entity shall be considered a gift of such Option or other award. No Option, Restricted Stock award, Deferred Stock award, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment or interest or right therein shall be liable for the debts, contracts or engagements of the Optionee, Grantee or Restricted Stockholder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

For purposes of this Section 10.1, the term "Family Member" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Optionee's, Grantee's or Restricted Stockholder's household (other than a tenant or an employee), a trust in which these persons have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons

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(or the Optionee, Grantee or Restricted Stockholder) control the management of the assets, and any other entity in which these persons (or the Optionee, Grantee or Restricted Stockholder) own more than fifty percent (50%) of the voting interests.

During the lifetime of the Optionee or Grantee, only he may exercise an Option or other right or award (or any portion thereof) granted to him under the Plan unless it has been transferred with the consent of the Committee or pursuant to a QDRO or by gift to a Family Member, in which case the transferee may exercise such Option or other award. Unless previously transferred as permitted by this Section 10.1, after the death of the Optionee or Grantee, any exercisable portion of an Option or other right or award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Stock Option Agreement or other agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Optionee's or Grantee's will or under the then applicable laws of descent and distribution."

(SIGNATURE PAGE FOLLOWS)

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I hereby certify that the foregoing Amendment to the Plan was duly adopted by the Board of Directors of AMB Property Corporation effective as of February 15, 2002.

Executed on this 15th day of February, 2002.

/s/ Tamra D. Browne

Secretary

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THE 2002 STOCK OPTION AND INCENTIVE PLAN
OF
AMB PROPERTY CORPORATION
AND AMB PROPERTY, L.P.

AMB Property Corporation, a Maryland corporation (the "Company"), and AMB Property, L.P., a Delaware limited partnership (the "Partnership"), have adopted The 2002 Stock Option and Incentive Plan of AMB Property Corporation and AMB Property, L.P. (the "Plan"), effective as of February 26, 2002, for the benefit of their eligible Employees, Consultants and Directors and those of their Subsidiaries. The Plan consists of two plans, one for the benefit of Employees, Consultants and Independent Directors of the Company and its subsidiaries and one for the benefit of the Employees and Consultants of the Partnership and its subsidiaries.

The purposes of this Plan are as follows:

(1) To provide an additional incentive for Employees, Consultants and Independent Directors of the Company and any Company Subsidiary and Employees and Consultants of the Partnership and any Partnership Subsidiary to further the growth, development and financial success of the Company by personally benefiting through the ownership of Company stock and/or rights which recognize such growth, development and financial success.

(2) To enable the Company and the Partnership, and their respective Subsidiaries, to obtain and retain the services of Independent Directors, Employees and Consultants considered essential to the long range success of the Company by offering them an opportunity to own stock in the Company and/or rights which will reflect the growth, development and financial success of the Company.

ARTICLE I.

DEFINITIONS

1.1. General. Wherever the following terms are used in this Plan they shall have the meanings specified below, unless the context clearly indicates otherwise.

1.2. Award Limit. "Award Limit" shall mean one million (1,000,000) shares of Common Stock, as adjusted pursuant to Section 10.3.

1.3. Board. "Board" shall mean the Board of Directors of the Company.

1.4. Cause. "Cause," unless otherwise defined in an Employee's employment agreement, or a Consultant's consulting agreement, with the Company, the Partnership or one of their respective Subsidiaries, shall mean (i) gross negligence or willful misconduct, (ii) an uncured breach of any of the employee's material duties under their employment agreement, (iii) fraud or other conduct against the material best interests of the Company, the Partnership or one of their respective Subsidiaries, or (iv) a conviction of a felony if such conviction has a material adverse effect on the Company and/or the Partnership or one of their respective Subsidiaries.

1.5. Code. "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.6. Committee. "Committee" shall mean the Compensation Committee of the Board, or another committee or subcommittee of the Board, appointed as provided in Section 9.1; provided, however, that, in the case of a person who is an "officer or director of the issuer" within the meaning of Rule 16-3(a) under the Exchange Act, the grant of any award under this Plan to such person shall be made by the Compensation Committee of the Board.

1.7. Common Stock. "Common Stock" shall mean the common stock of the Company, par value \$.01 per share, and any equity security of the Company issued or authorized to be issued in the future, but excluding any preferred stock and any warrants, options or other rights to purchase Common Stock. Debt securities of the Company convertible into Common Stock shall be deemed equity securities of the Company.

1.8. Company. "Company" shall mean AMB Property Corporation, a Maryland corporation.

1.9. Company Employee. "Company Employee" shall mean any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or of any Company Subsidiary.

1.10. Consultant. "Consultant" shall mean any consultant or adviser if:

(a) the consultant or adviser renders bona fide services to the Company, the Partnership or any of their respective Subsidiaries;

(b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the securities of the Company, the Partnership or any of their respective Subsidiaries; and

(c) the consultant or adviser is a natural person who has contracted directly with the Company, the Partnership or any of their respective Subsidiaries, as applicable, to render such services.

1.11. Corporate Transaction. "Corporate Transaction" shall mean any of the following stockholder-approved transactions to which the Company is a party:

(a) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the State in which the Company is incorporated, form a holding company or effect a similar reorganization as to form whereupon this Plan and all Options are assumed by the successor entity;

(b) the sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, in complete liquidation or dissolution of the Company in a transaction not covered by the exceptions to clause (a), above; or

(c) any reverse merger in which the Company is the surviving entity but in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred or issued to a person or persons different from those who held such securities immediately prior to such merger.

1.12. Deferred Stock. "Deferred Stock" shall mean Common Stock awarded under Article VII of this Plan.

1.13. Director. "Director" shall mean a member of the Board.

1.14. Dividend Equivalent. "Dividend Equivalent" shall mean a right to receive the equivalent value (in cash or Common Stock) of dividends or regular cash distributions paid on Common Stock, awarded under Article VII of this Plan.

1.15. Employee. "Employee" shall mean any Company Employee or any Partnership Employee.

1.16. Exchange Act. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

1.17. Fair Market Value. "Fair Market Value" of a share of Common Stock as of a given date shall be (i) the closing price of a share of Common Stock on the principal exchange on which shares of Common Stock are then trading, if any (or as reported on any composite index which includes such principal exchange), on the date of grant, or if shares were not traded on the date of grant, then on the next succeeding date on which a trade occurred, or (ii) if Common Stock is not traded on an exchange but is quoted on Nasdaq or a successor quotation system, the mean between the closing representative bid and asked prices for the Common Stock on the date of grant as reported by Nasdaq or such successor quotation system; or (iii) if Common Stock is not publicly traded on an exchange and not quoted on Nasdaq or a successor quotation system, the Fair Market Value of a share of Common Stock as established by the Committee (or the Board, in the case of awards granted to Independent Directors) acting in good faith.

1.18. Family Member. "Family Member" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Optionee's, Grantee's or Restricted Stockholder's household (other than a tenant or an employee), a trust in which these persons have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons (or the Optionee, Grantee or Restricted Stockholder) control the management of assets, and any other entity in which these persons (or the Optionee, Grantee or Restricted Stockholder) own more than fifty percent (50%) of the voting interests.

1.19. Grantee. "Grantee" shall mean an Employee, Consultant or Director granted a Performance Award, Dividend Equivalent, Stock Payment or Stock Appreciation Right, or an award of Deferred Stock, under this Plan.

1.20. Incentive Stock Option. "Incentive Stock Option" shall mean an option which conforms to the applicable provisions of Section 422 of the Code and which is designated as an Incentive Stock Option by the Committee.

1.21. Independent Director. "Independent Director" shall mean a member of the Board who is not an employee, officer or affiliate of the Company, the Partnership or any of their respective Subsidiaries, or a relative of any principal executive officer of the Company, the Partnership or any of their respective Subsidiaries, and who is not an individual member of an organization acting as an advisor, Consultant or legal counsel receiving compensation on a continuing basis from the Company, the Partnership or any of their respective Subsidiaries in addition to director's fees.

1.22. Non-Qualified Stock Option. "Non-Qualified Stock Option" shall mean an Option which is not designated as an Incentive Stock Option by the Committee.

1.23. Option. "Option" shall mean a stock option granted under Article III of this Plan. An Option granted under this Plan shall, as determined by the Committee, be either a Non-Qualified Stock Option or an Incentive Stock Option; provided, however, that Options granted to anyone other than Company Employees shall be Non-Qualified Stock Options.

1.24. Optionee. "Optionee" shall mean an Employee, Consultant or Director granted an Option under this Plan.

1.25. Partnership. "Partnership" shall mean AMB Property, L.P., a Delaware limited partnership.

1.26. Partnership Agreement. "Partnership Agreement" shall mean the Fifth Amended and Restated Agreement of Limited Partnership of the Partnership, as amended by Amendment No. 1 thereto, as the same may be amended, modified or restated from time to time.

1.27. Partnership Employee. "Partnership Employee" shall mean any employee (as defined in accordance with Section 3401(c) of the Code) of the Partnership or any entity which is then a Partnership Subsidiary.

1.28. Partnership Purchase Price. "Partnership Purchase Price" shall have the meaning set forth in Section 5.4

1.29. Partnership Purchased Shares. "Partnership Purchased Shares" shall have the meaning set forth in Section 5.4.

1.30. Partnership Subsidiary. "Partnership Subsidiary" shall mean (i) a corporation, association or other business entity of which 50% or more of the total combined voting power of all classes of capital stock is owned, directly or indirectly, by the Partnership or by one or more Partnership Subsidiaries or by the Partnership and one or more Partnership Subsidiaries, (ii) any partnership or limited liability company of which 50% or more of the capital and profits interests is owned, directly or indirectly, by the Partnership or by one or more Partnership Subsidiaries or by the Partnership and one or more Partnership Subsidiaries, and (iii) any other entity not described in clauses (i) or (ii) above of which 50% or more of the ownership and the power, pursuant to a written contract or agreement, to direct the policies and management or the financial and the other affairs thereof, are owned or controlled by the Partnership or by one or more other Partnership Subsidiaries or by the Partnership and one or more Partnership Subsidiaries.

1.31. Performance Award. "Performance Award" shall mean a cash bonus, stock bonus or other performance or incentive award that is paid in cash, Common Stock or a combination of both, awarded under Article VII of this Plan.

1.32. Plan. "Plan" shall mean The 2002 Stock Option and Incentive Plan of AMB Property Corporation and AMB Property, L.P.

1.33. QDRO. "QDRO" shall mean a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

1.34. Restricted Stock. "Restricted Stock" shall mean Common Stock awarded under Article VI of this Plan.

1.35. Restricted Stockholder. "Restricted Stockholder" shall mean an Employee, Director or Consultant granted an award of Restricted Stock under Article VI of this Plan.

1.36. Rule 16b-3. "Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

1.37. Section 162(m) Participant. "Section 162(m) Participant" shall mean any key Employee designated by the Committee as a key Employee whose compensation for the fiscal year in which the key Employee is so designated or a future fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code.

1.38. Stock Appreciation Right. "Stock Appreciation Right" shall mean a stock appreciation right granted under Article VIII of this Plan.

1.39. Stock Payment. "Stock Payment" shall mean (i) a payment in the form of shares of Common Stock, or (ii) an option or other right to purchase shares of Common Stock, as part of a deferred compensation arrangement, made in lieu of all or any portion of the compensation, including without limitation, salary, bonuses and commissions, that would otherwise become payable to an Employee, Independent Director or Consultant in cash, awarded under Article VII of this Plan.

1.40. Subsidiary. "Subsidiary" shall mean any Company Subsidiary or any Partnership Subsidiary.

1.41. Termination of Consultancy. "Termination of Consultancy" shall mean the time when the engagement of an Optionee, Grantee or Restricted Stockholder as a Consultant to the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary is terminated for any reason, with or without Cause, including, but not by way of limitation, by resignation, discharge, disability death or retirement; but excluding terminations where there is a simultaneous commencement of employment with the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary. The Committee, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a Termination of Consultancy resulted from a discharge for Cause, and all questions of whether a particular leave of absence constitutes a Termination of Consultancy. Notwithstanding any other provision of this Plan, the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary has an absolute and unrestricted right to terminate a Consultant's service at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in writing.

1.42. Termination of Directorship. "Termination of Directorship" shall mean the time when an Optionee, Grantee or Restricted Stockholder who is an Independent Director ceases to be a Director for any reason, including, but not by way of limitation, a termination by resignation, failure to be re-elected, disability, death or retirement; but excluding, at the discretion of the Committee, terminations (i) where there is a simultaneous employment of an Independent Director by the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary or (ii) which are followed by the simultaneous establishment of a directorship with a Company Subsidiary or a Partnership Subsidiary. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors in accordance with the Company's bylaws.

1.43. Termination of Employment. "Termination of Employment" shall mean the time when the employee-employer relationship between an Optionee, Grantee or Restricted Stockholder and the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, is terminated for any reason, with or without Cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding (i) terminations where there is a simultaneous reemployment or continuing employment of an Optionee, Grantee or Restricted Stockholder by the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, (ii) at the discretion of the Committee, terminations which result in a temporary severance of the employee-employer relationship, or (iii) at the discretion of the Committee, terminations which are followed by the simultaneous establishment of a consulting relationship between the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary and the former employee. The Committee, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for Cause, and all questions of whether a particular leave of absence constitutes a Termination of Employment; provided, however, that, with respect to Incentive Stock Options, unless otherwise determined by the Committee in its sole and absolute discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section. Notwithstanding any other provision of this Plan, the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary has an absolute and unrestricted right to terminate an Employee's employment at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in writing.

ARTICLE II.

SHARES SUBJECT TO PLAN

2.1. Shares Subject to Plan.

(a) The shares of stock subject to Options, awards of Restricted Stock, Performance Awards, Dividend Equivalents, awards of Deferred Stock, Stock Payments or Stock Appreciation Rights shall be shares of Common Stock. The aggregate number of such shares which may be issued upon exercise of such Options or rights or upon any such awards under the Plan shall not exceed ten million (10,000,000). The shares of Common Stock issuable upon exercise of such Options or rights or upon any such awards may be previously authorized but unissued shares.

(b) The maximum number of shares which may be subject to Options, awards of Restricted Stock, Performance Awards, Dividend Equivalents, awards of Deferred Stock, Stock Payments or Stock Appreciation Rights granted under the Plan to any individual in any calendar year shall not exceed the Award Limit.

2.2. Add-back of Options and Other Rights. If any Option, or other right to acquire shares of Common Stock under any other award under this Plan, expires or is canceled without having been fully exercised, or is exercised in whole or in part for cash as permitted by this Plan, the number of shares subject to such Option or other right but as to which such Option or other right was not exercised prior to its expiration, cancellation or exercise may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. Furthermore, any shares subject to Options or other awards which are adjusted pursuant to Section 10.3 and become exercisable with respect to shares of stock of another corporation shall be considered canceled and may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. Shares of Common Stock which are delivered by the Optionee or Grantee or withheld by the Company upon the exercise of any Option or other award under this Plan, in payment of the exercise price thereof, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. If any share of Restricted Stock is forfeited by the Grantee or repurchased by the Company pursuant to Section 6.6 hereof, such share may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. Notwithstanding the provisions of this Section 2.2, no shares of Common Stock may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

ARTICLE III.

GRANTING OF OPTIONS

3.1. Eligibility. Any Employee, Consultant or Independent Director selected by the Committee pursuant to Section 3.4(a)(i) shall be eligible to be granted an Option. Independent Directors of the Company shall also be eligible to be granted Options at the times and in the manner set forth in Section 3.4(d).

3.2. Disqualification for Stock Ownership. No person may be granted an Incentive Stock Option under this Plan if such person, at the time the Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any then existing Subsidiary or parent corporation (within the meaning of Section 422 of the Code) unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code.

3.3. Qualification of Incentive Stock Options. No Incentive Stock Option shall be granted to any person who is not a Company Employee, or to any Employee of a Subsidiary which does not constitute a "subsidiary corporation" within Section 424(f) of the Code.

3.4. Granting of Options.

(a) The Committee (or the Board, in the case of Options granted to Independent Directors) shall from time to time, in its sole and absolute discretion, and subject to applicable limitations of this Plan:

(i) Select from among the Employees, Consultants and Independent Directors (including Employees, Consultants and Independent Directors who have previously received Options or other awards under this Plan) such of them as in its opinion should be granted Options;

(ii) Subject to the Award Limit, determine the number of shares to be subject to such Options granted to Employees, Consultants or Independent Directors;

(iii) Subject to Section 3.3, determine whether such Options are to be Incentive Stock Options or Non-Qualified Stock Options and whether such Options are to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code; and

(iv) Determine the terms and conditions of such Options, consistent with this Plan; provided, however, that the terms and conditions of Options intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall include, but not be limited to, such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

(b) Upon the selection of an Employee, Consultant or Independent Director to be granted an Option, the Committee (or the Board, in the case of Options granted to Independent Directors) shall instruct the Secretary of the Company to issue the Option and may impose such conditions on the grant of the Option as it deems appropriate.

(c) Any Incentive Stock Option granted under this Plan may be modified by the Committee, with the consent of the Optionee, to disqualify such Option from treatment as an "incentive stock option" under Section 422 of the Code.

(d) During the term of the Plan, a person who is initially elected to the Board and who is an Independent Director at the time of such initial election automatically shall be granted an Option to purchase twenty thousand (20,000) shares of Common Stock (subject to adjustment as provided in Section 10.3) on the date of such initial election. Members of the Board who are employees of the Company who subsequently retire from the Company and remain on the Board will not receive an initial Option grant pursuant to the first sentence of this Section 3.4(d). All the foregoing Option grants authorized by this Section 3.4(d) are subject to stockholder approval of the Plan.

ARTICLE IV.

TERMS OF OPTIONS

4.1. Option Agreement. Each Option shall be evidenced by a written agreement (each, a "Stock Option Agreement"), which shall be executed by the Optionee and an authorized officer of the Company and which shall contain such terms and conditions as the Committee (or the Board, in the case of Options granted to Independent Directors) shall determine, consistent with this Plan. Stock Option Agreements evidencing Options intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code. Stock Option Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

4.2. Option Price. The price per share of the shares subject to each Option shall be set by the Committee; provided, however, that (i) in the case of Incentive Stock Options such price shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code); (ii) in the case of Incentive Stock Options granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code), such price shall not be less than 110% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code); (iii) in the case of Options granted to Independent Directors,

such price shall equal 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted; and (iv) in the case of all other Options granted, such price shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted. Notwithstanding any other provision of this Plan to the contrary, the Committee shall not have the authority to amend the terms of any outstanding Option to reduce its exercise price.

4.3. Option Term. The term of an Option shall be set by the Committee (or the Board, in the case of Options granted to Independent Directors) in its sole and absolute discretion; provided, however, that, (i) no Option shall be granted with a term of more than ten (10) years from the date the Option is granted, (ii) in the case of Options granted to Independent Directors, unless the Board otherwise provides in the terms of the Option or otherwise, the term shall be ten (10) years from the date the Option is granted, and (iii) in the case of Incentive Stock Options, the term shall not be more than five (5) years from the date the Incentive Stock Option is granted, if the Incentive Stock Option is granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code). Except as limited by requirements of Section 422 of the Code and regulations and rulings thereunder applicable to Incentive Stock Options, the Committee may extend the term of any outstanding Option in connection with any Termination of Employment, Termination of Consultancy or Termination of Directorship of the Optionee, or amend any other term or condition of such Option relating to such a termination.

4.4. Option Vesting.

(a) The period during which the right to exercise an Option in whole or in part vests in the Optionee shall be set by the Committee (or the Board, in the case of Options granted to Independent Directors) and the Committee (or the Board, in the case of Options granted to Independent Directors) may determine that an Option may not be exercised in whole or in part for a specified period after it is granted; provided, however, that, unless the Committee (or the Board, in the case of Options granted to Independent Directors) otherwise provides in the terms of the Option or otherwise, no Option shall be exercisable by any Optionee who is then subject to Section 16 of the Exchange Act within the period ending six months and one day after the date the Option is granted; and provided, further, that, unless the Board otherwise provides in the terms of the Options or otherwise, Options granted to Independent Directors pursuant to Section 3.4(d) shall become fully exercisable on the first anniversary of the date of Option grant, except as provided in Section 10.3(b). At any time after grant of an Option, the Committee may, in its sole and absolute discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option vests.

(b) No portion of an Option which is unexercisable at Termination of Employment, Termination of Directorship or Termination of Consultancy, as applicable, shall thereafter become exercisable, except as may be otherwise provided by the Committee.

(c) To the extent that the aggregate Fair Market Value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by an Optionee during any calendar year (under the Plan and all other incentive stock option plans of the Company and any parent or subsidiary corporation (within the meaning of Section 422 of the Code) of the Company) exceeds \$100,000, such Options shall be treated as Non-Qualified Options to the extent required by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options into account in the order in which they were granted. For purposes of this Section 4.4(c), the Fair Market Value of stock shall be determined as of the time the Option with respect to such stock is granted.

4.6. Consideration. In consideration of the granting of an Option, the Optionee shall agree, in the written Stock Option Agreement, to remain in the employ of (or to consult for or to serve as an Independent Director of, as applicable) the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary for a period of at least one year (or such shorter period as may be fixed in the Stock Option Agreement or by action of the Committee following grant of the Option) after the Option is granted, or, in the case of an Independent Director, for the remainder of such Independent Director's elected term. Nothing in this Plan or in any Stock Option Agreement hereunder shall (i) confer upon any Optionee any right to (a) continue in the employ of (or to consult for or to serve as an Independent Director of, as applicable) the Company, a Company Subsidiary, the Partnership or a Partnership

Subsidiary, or (b) receive any severance pay from the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge the Employee or Consultant at any time for any reason whatsoever, with or without Cause, or any Independent Director pursuant to the Company's bylaws.

ARTICLE V.

EXERCISE OF OPTIONS

5.1. Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Committee may require that, by the terms of the Option, a partial exercise be with respect to a minimum number of shares.

5.2. Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company (or such other officer as identified in the applicable Stock Option Agreement):

(a) A written notice complying with the applicable rules established by the Committee stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Optionee or other person then entitled to exercise the Option or such portion of the Option;

(b) Such representations and documents as the Committee, in its sole and absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act of 1933, as amended, and any other federal or state securities laws or regulations. The Committee may, in its sole and absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance, including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option shall be exercised pursuant to Section 10.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option; and

(d) Full cash payment to the Secretary of the Company for the shares with respect to which the Option, or portion thereof, is exercised. However, the Committee may, in its sole and absolute discretion, (i) allow a delay in payment up to thirty (30) days from the date the Option, or portion thereof, is exercised; (ii) allow payment, in whole or in part, through the delivery of shares of Common Stock owned by the Optionee, duly endorsed for transfer to the Company with a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof; (iii) allow payment, in whole or in part, through the surrender of shares of Common Stock then issuable upon exercise of the Option having a Fair Market Value on the date of Option exercise equal to the aggregate exercise price of the Option or exercised portion thereof; (iv) allow payment, in whole or in part, through the delivery of a full recourse promissory note bearing interest (at no less than a market rate of interest) and payable upon such terms as may be prescribed by the Committee; or (v) allow payment through any combination of the consideration provided in the foregoing subparagraphs (ii), (iii) and (iv). In the case of a promissory note, the Committee may also prescribe the form of such note and the security to be given for such note. The Option may not be exercised, however, by delivery of a promissory note or by a loan from the Company, the Partnership or any Subsidiary when or where such loan or other extension of credit is prohibited by law.

5.3. Transfer of Shares to a Company Employee, Consultant or Independent Director. As soon as practicable after receipt by the Company, pursuant to Section 5.2(d), of payment for the shares with respect to which an Option (which in the case of a Company Employee, Consultant or Independent Director was issued to and is held by such Optionee in such capacity), or portion thereof, is exercised by an Optionee who is a Company Employee, Independent Director or a Consultant to the Company, with respect to each such exercise, the Company shall transfer to the Optionee the number of shares equal to

(a) The amount of the payment made by the Optionee to the Company pursuant to Section 5.2(d), divided by

(b) The price per share of the shares subject to the Option as determined pursuant to Section 4.2.

5.4. Transfer of Shares to a Partnership Employee or Consultant. As soon as practicable after receipt by the Company, pursuant to Section 5.2(d), of payment for the shares with respect to which an Option (which was issued to and is held by a Partnership Employee or Consultant in such capacity, or portion thereof, is exercised by an Optionee who is a Partnership Employee or a Consultant to the Partnership, with respect to each such exercise:

(a) the Company shall transfer to the Optionee the number of shares equal to (A) the amount of the payment made by the Optionee to the Company pursuant to Section 5.2(d) divided by (B) the Fair Market Value of a share of Common Stock at the time of exercise (the "Partnership Optionee Purchased Shares");

(b) the Company shall sell to the Partnership the number of shares (the "Partnership Purchased Shares") equal to the excess of (i) the amount obtained by dividing (A) the amount of the payment made by the Optionee to the Company pursuant to Section 5.2(d) by (B) the price per share of the shares subject to the Option as determined pursuant to Section 4.2., over (ii) the Partnership Optionee Purchased Shares. The price to be paid by the Partnership to the Company for the Partnership Purchased Shares (the "Partnership Purchase Price") shall be an amount equal to the product of (x) the number of Partnership Purchased Shares multiplied by (y) the Fair Market Value of a share of Common Stock at the time of the exercise; and

(c) as soon as practicable after receipt of the Partnership Purchased Shares by the Partnership, the Partnership shall transfer such shares to the Optionee at no additional cost, as additional compensation.

5.5. Transfer of Payment to the Partnership. As soon as practicable after receipt by the Company of the amounts described in Section 5.2(d) and 5.4(b), the Company shall contribute to the Partnership an amount of cash equal to such payments and the Partnership shall issue an additional interest in the Partnership on the terms set forth in the Partnership Agreement.

5.6. Conditions to Issuance of Stock Certificates. The Company or the Partnership shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of any Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;

(b) The completion of any registration or other qualification of such shares under any state or federal law, or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee shall, in its sole and absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee shall, in its sole and absolute discretion, determine to be necessary or advisable;

(d) The lapse of such reasonable period of time following the exercise of the Option as the Committee may establish from time to time for reasons of administrative convenience; and

(e) The receipt by the Company or the Partnership of full payment for such shares, including payment of any applicable withholding tax.

5.7. Rights as Stockholders. The holders of Options shall not be, nor have any of the rights or privileges of, stockholders of the Company in respect of any shares purchasable upon the exercise of any part of an Option unless and until certificates representing such shares have been issued by the Company to such holders.

5.8. Ownership and Transfer Restrictions. The Committee, in its sole and absolute discretion, may impose such restrictions on the ownership and transferability of the shares purchasable upon the exercise of an Option as it deems appropriate. Any such restriction shall be set forth in the respective Stock Option Agreement and may be referred to on the certificates evidencing such shares. The Committee may require the Employee to give the Company prompt notice of any disposition of shares of Common Stock acquired by exercise of an Incentive Stock Option within (i) two years from the date of granting (including the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code) such Option to such Employee or (ii) one year after the transfer of such shares to such Employee. The Committee may direct that the certificates evidencing shares acquired by exercise of an Option refer to such requirement to give prompt notice of disposition.

5.9. Limitations on Exercise of Options Granted to an Optionee. The Committee, in its sole and absolute discretion, may impose such limitations and restrictions on the exercise of Options as it deems appropriate. Any such limitation shall be set forth in the respective Stock Option Agreement. Notwithstanding the foregoing, an Option is not exercisable if in the sole and absolute discretion of the Committee the exercise of such Option would likely result in any of the following:

- (a) the Optionee's or any other person's ownership of capital stock being in violation of the Stock Ownership Limit (as defined in the Company's Articles of Incorporation); or
- (b) income to the Company that could impair the Company's status as a real estate investment trust, within the meaning of Sections 856 through 860 of the Code.

ARTICLE VI.

AWARD OF RESTRICTED STOCK

6.1. Eligibility. Subject to the Award Limit, Restricted Stock may be awarded to any Employee, Independent Director or Consultant whom the Committee (or the Board, in the case of Restricted Stock awarded to Independent Directors) determines should receive such an award.

6.2. Award of Restricted Stock.

(a) The Committee (or the Board, in the case of Restricted Stock awarded to Independent Directors) may from time to time, in its sole and absolute discretion:

(i) Select from among the Employees, Independent Directors or Consultants (including Employees, Independent Directors or Consultants who have previously received other awards under this Plan) such of them as in its opinion should be awarded Restricted Stock; and

(ii) Determine the purchase price, if any, and other terms and conditions (including, without limitation, in the case of awards to Employees or Consultants of the Partnership or any Partnership Subsidiary, the mechanism for the transfer of the Restricted Stock and payment therefor and, in the case of the repurchase of shares of Restricted Stock subject to restrictions in effect at the time of the Termination of Employment, Termination of Directorship or Termination of Consultancy of such Employee, Independent Director or Consultant, as the case may be) applicable to such Restricted Stock, consistent with this Plan; provided, however, that all restrictions, including the right of repurchase, on any Restricted Stock granted to Independent Directors shall lapse on the first anniversary of the date of Restricted Stock grant, except as provided in Section 10.3(b).

(b) Except as provided in Section 6.2(a)(ii), the Committee (or the Board, in the case of Restricted Stock awarded to Independent Directors) shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that such purchase price shall be no less than the par value of the Common Stock to be purchased, unless otherwise permitted by applicable state law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

(c) Upon the selection of an Employee, Independent Director or Consultant to be awarded Restricted Stock, the Committee (or the Board, in the case of Restricted Stock awarded to Independent Directors) shall instruct the Secretary of the Company to issue such Restricted Stock and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

6.3. Restricted Stock Agreement. Restricted Stock shall be issued only pursuant to a written agreement (each, a “Restricted Stock Agreement”), which shall be executed by the Employee, Independent Director or Consultant and an authorized officer of the Company and which shall contain such terms and conditions as the Committee (or the Board, in the case of Restricted Stock awarded to Independent Directors) shall determine, consistent with this Plan.

6.4. Consideration. As consideration for the issuance of Restricted Stock, in addition to payment of any purchase price, the Restricted Stockholder shall agree, in the written Restricted Stock Agreement, to remain in the employ of (or to consult for or to serve as an Independent Director of, as applicable) the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary for a period of at least one year (or such shorter period as may be fixed in the Restricted Stock Agreement or by action of the Committee following grant of the Restricted Stock) after the Restricted Stock is issued, or, in the case of an Independent Director, for the remainder of such Independent Director’s elected term. Nothing in this Plan or in any Restricted Stock Agreement hereunder shall (i) confer on any Restricted Stockholder any right to (a) continue in the employ of (or to consult for or to serve as an Independent Director of, as applicable) the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, or (b) receive any severance pay from the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge the Employee or Consultant at any time for any reason whatsoever, with or without Cause, or any Independent Director pursuant to the Company’s bylaws.

6.5. Rights as Stockholders. Subject to Section 6.6, upon delivery of the shares of Restricted Stock to the escrow holder pursuant to Section 6.8, the Restricted Stockholder shall have, unless otherwise provided by the Committee, all the rights of a stockholder with respect to said shares, subject to the restrictions in his Restricted Stock Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; provided, however, that in the sole and absolute discretion of the Committee, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 6.6.

6.6. Restriction. All shares of Restricted Stock issued under this Plan (including any shares received by holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Restricted Stock Agreement, be subject to such restrictions as the Committee (or the Board, in the case of Restricted Stock awarded to Independent Directors) shall provide, which restrictions may include, without limitation, restrictions concerning voting rights and transferability and restrictions based on duration of employment or service, corporate performance and individual performance; provided, however, that, unless the Committee otherwise provides in the terms of the Restricted Stock Agreement or otherwise, no share of Restricted Stock granted to a person subject to Section 16 of the Exchange Act shall be sold, assigned or otherwise transferred until at least six months and one day have elapsed from the date on which the Restricted Stock was issued; and provided, further, that, except with respect to shares of Restricted Stock granted pursuant to Section 6.10, by action taken after the Restricted Stock is issued, the Committee may, on such terms and conditions as it may determine to be appropriate, remove any or all of the restrictions imposed by the terms of the Restricted Stock Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire. If no cash consideration was paid by the Restricted Stockholder upon issuance, a Restricted Stockholder’s rights in unvested Restricted Stock shall lapse upon a Termination of Employment, Termination of Directorship or Termination of Consultancy; provided, however, that the Committee in its sole and absolute discretion may provide that such rights shall not lapse in the event of a Termination of Employment, Termination of Directorship or Termination of Consultancy without Cause, following a change in control of the Company, or because of the Grantee’s retirement, death or disability, or otherwise.

6.7. Repurchase of Restricted Stock. The Committee shall provide in the terms of each individual Restricted Stock Agreement that the Company shall have the right to repurchase from the Restricted Stockholder the Restricted Stock then subject to restrictions under the Restricted Stock Agreement immediately

upon a Termination of Employment, Termination of Directorship or Termination of Consultancy, at a cash price per share equal to the price paid by the Restricted Stockholder for such Restricted Stock; provided, however, that the Committee may, in its sole and absolute discretion, provide that no such right of repurchase shall exist in the event of a Termination of Employment, Termination of Directorship or Termination of Consultancy without Cause, following a change in control of the Company, or because of the Grantee's retirement, death or disability, or otherwise.

6.8. Escrow. The Secretary of the Company or such other escrow holder as the Committee may appoint shall retain physical custody of each certificate representing Restricted Stock until all of the restrictions imposed under the Restricted Stock Agreement with respect to the shares evidenced by such certificate expire or shall have been removed.

6.9. Legend. In order to enforce the restrictions imposed upon shares of Restricted Stock hereunder, the Committee shall cause a legend or legends to be placed on certificates representing all shares of Restricted Stock that are still subject to restrictions under Restricted Stock Agreements, which legend or legends shall make appropriate reference to the conditions imposed thereby.

6.10. Provisions Applicable to Section 162(m) Participants.

(a) Notwithstanding anything in the Plan to the contrary, the Committee may grant Restricted Stock to a Section 162(m) Participant the restrictions with respect to which lapse upon the attainment of performance goals for the Company which are related to one or more of the following business criteria: (i) pre-tax income, (ii) operating income, (iii) cash flow, (iv) earnings per share, (v) return on equity, (vi) return on invested capital or assets, (vii) cost reductions or savings, (viii) funds from operations, (ix) appreciation in the fair market value of Common Stock and (x) earnings before any one or more of the following items: interest, taxes, depreciation or amortization.

(b) To the extent necessary to comply with the performance-based compensation requirements of Section 162(m)(4)(C) of the Code, with respect to Restricted Stock which may be granted to one or more Section 162(m) Participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (i) designate one or more Section 162(m) Participants, (ii) select the performance goal or goals applicable to the fiscal year or other designated fiscal period or period of service, (iii) establish the various targets and amounts of Restricted Stock which may be earned for such fiscal year or other designated fiscal period or period of service and (iv) specify the relationship between performance goals and targets and the amounts of Restricted Stock to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period or period of service. Following the completion of each fiscal year or other designated fiscal period or period of service, the Committee shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period or period of service. In determining the amount earned by a Section 162(m) Participant, the Committee shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period or period of service.

ARTICLE VII.

PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, DEFERRED STOCK, STOCK PAYMENTS

7.1. Eligibility. Subject to the Award Limit, one or more Performance Awards, Dividend Equivalents, awards of Deferred Stock, and/or Stock Payments may be granted to any Employee, Consultant or Independent Director whom the Committee (or the Board, in the case of such awards to Independent Directors) determines should receive such an award.

7.2. Performance Awards. Any Employee, Consultant or Independent Director selected by the Committee (or the Board, in the case of Performance Awards granted to Independent Directors) may be granted

one or more Performance Awards. The value of such Performance Awards may be linked to the market value, book value, net profits or other measure of the value of Common Stock or other specific performance criteria determined appropriate by the Committee (or the Board, in the case of Performance Awards granted to Independent Directors), in each case on a specified date or dates or over any period or periods determined by the Committee (or the Board, in the case of Performance Awards granted to Independent Directors), or may be based upon the appreciation in the market value, book value, net profits or other measure of the value of a specified number of shares of Common Stock over a fixed period or periods determined by the Committee (or the Board, in the case of Performance Awards granted to Independent Directors). In making such determinations, the Committee (or the Board, in the case of Performance Awards granted to Independent Directors) shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the Employee, Independent Director or Consultant.

7.3. Dividend Equivalents. Any Employee, Consultant or Independent Director selected by the Committee (or the Board, in the case of Dividend Equivalents granted to Independent Directors) may be granted Dividend Equivalents based on the dividends declared on Common Stock, to be credited as of dividend payment dates, during the period between the date an Option, Stock Appreciation Right, Deferred Stock or Performance Award is granted, and the date such Option, Stock Appreciation Right, Deferred Stock or Performance Award is exercised, vests or expires, as determined by the Committee (or the Board, in the case of Dividend Equivalents granted to Independent Directors). Such Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formula and at such time and subject to such limitations as may be determined by the Committee (or the Board, in the case of Dividend Equivalents granted to Independent Directors). With respect to Dividend Equivalents granted with respect to Options intended to be qualified performance-based compensation for purposes of Section 162(m) of the Code, such Dividend Equivalents shall be payable regardless of whether such Option is exercised.

7.4. Stock Payments. Any Employee, Consultant or Independent Director selected by the Committee (or the Board, in the case of Stock Payments to Independent Directors) may receive Stock Payments in the manner determined from time to time by the Committee (or the Board, in the case of Stock Payments to Independent Directors). The number of shares shall be determined by the Committee (or the Board, in the case of Stock Payments to Independent Directors) and may be based upon the Fair Market Value, book value, net profits or other measure of the value of Common Stock or other specific performance criteria determined appropriate by the Committee (or the Board, in the case of Stock Payments to Independent Directors), determined on the date such Stock Payment is made or on any date thereafter.

7.5. Deferred Stock. Any Employee, Consultant or Independent Director selected by the Committee (or the Board, in the case of Deferred Stock granted to Independent Directors) may be granted an award of Deferred Stock in the manner determined from time to time by the Committee (or the Board, in the case of Deferred Stock granted to Independent Directors). The number of shares of Deferred Stock shall be determined by the Committee (or the Board, in the case of Deferred Stock granted to Independent Directors) and may be linked to the market value, book value, net profits or other measure of the value of Common Stock or other specific performance criteria determined to be appropriate by the Committee (or the Board, in the case of Deferred Stock granted to Independent Directors), in each case on a specified date or dates or over any period or periods determined by the Committee (or the Board, in the case of Deferred Stock granted to Independent Directors). Common Stock underlying a Deferred Stock award will not be issued until the Deferred Stock award has vested, pursuant to a vesting schedule or performance criteria set by the Committee (or the Board, in the case of Deferred Stock granted to Independent Directors). Unless otherwise provided by the Committee, a Grantee of Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the award has vested and the Common Stock underlying the award has been issued.

7.6. Performance Award Agreement, Dividend Equivalent Agreement, Deferred Stock Agreement, Stock Payment Agreement. Each Performance Award, Dividend Equivalent, award of Deferred Stock or Stock Payment shall be evidenced by a written agreement, which shall be executed by the Grantee and an authorized Officer of the Company and which shall contain such terms and conditions (including, without limitation, in the case of awards to Employees or Consultants of the Partnership or any Partnership Subsidiary, the mechanism for the transfer or rights under such awards) as the Committee (or the Board, in the case of such awards to Independent Directors) shall determine, consistent with this Plan.

7.7. Term. The term of a Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment shall be set by the Committee (or the Board, in the case of such awards to Independent Directors) in its sole and absolute discretion.

7.8. Exercise or Purchase Price. The Committee (or the Board, in the case of such awards to Independent Directors) may establish the exercise or purchase price of a Performance Award, shares of Deferred Stock, or shares received as a Stock Payment; provided, however, that such price shall not be less than the par value for a share of Common Stock, unless otherwise permitted by applicable state law.

7.9. Exercise Upon Termination of Employment. A Performance Award, Dividend Equivalent, award of Deferred Stock or Stock Payment is exercisable or payable only while the Grantee is an Employee, Independent Director or Consultant; provided, however, that the Committee in its sole and absolute discretion may provide that the Performance Award, Dividend Equivalent, award of Deferred Stock or Stock Payment may be exercised or paid subsequent to a Termination of Employment, Termination of Directorship or Termination of Consultancy without Cause, following a change in control of the Company, or because of the Grantee's retirement, death or disability, or otherwise.

7.10. Payment on Exercise. Payment of the amount determined under Section 7.1 or 7.2 above shall be in cash, in Common Stock or a combination of both, as determined by the Committee. To the extent any payment under this Article VII is effected in Common Stock, it shall be made subject to satisfaction of all provisions of Section 5.3.

7.11. Consideration. In consideration of the granting of a Performance Award, Dividend Equivalent, award of Deferred Stock or Stock Payment, the Grantee shall agree, in a written agreement, to remain in the employ of (or to consult for or to serve as an Independent Director of, as applicable) the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary for a period of at least one year (or such shorter period as may be fixed in such agreement or by action of the Committee after such Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment is granted, or, in the case of an Independent Director, for the remainder of such Independent Director's elected term. Nothing in this Plan or in any agreement hereunder shall (i) confer on any Grantee any right to (a) continue in the employ of (or to consult for or to serve as an Independent Director of, as applicable) the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, or (b) receive any severance pay from the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge the Employee or Consultant at any time for any reason whatsoever, with or without Cause, or any Independent Director pursuant to the Company's bylaws.

7.12. Provisions Applicable to Section 162(m) Participants.

(a) Notwithstanding anything in the Plan to the contrary, the Committee may grant any performance or incentive awards described in Article VII to a Section 162(m) Participant that vest or become exercisable or payable upon the attainment of performance goals for the Company which are related to one or more of the following business criteria: (i) pre-tax income, (ii) operating income, (iii) cash flow, (iv) earnings per share, (v) return on equity, (vi) return on invested capital or assets, (vii) cost reductions or savings, (viii) funds from operations, (ix) appreciation in the fair market value of Common Stock and (x) earnings before any one or more of the following items: interest, taxes, depreciation or amortization.

(b) To the extent necessary to comply with the performance-based compensation requirements of Section 162(m)(4)(C) of the Code, with respect to performance or incentive awards described in Article VII which may be granted to one or more Section 162(m) Participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (i) designate one or more Section 162(m) Participants, (ii) select the performance goal or goals applicable to the fiscal year or other designated fiscal period or period of service, (iii) establish the various targets and bonus amounts which may be earned for such fiscal year or other designated fiscal period or period of service and (iv) specify the relationship between performance goals and targets and the amounts to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period or period of service. Following the completion of

each fiscal year or other designated fiscal period or period of service, the Committee shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period or period of service. In determining the amount earned by a Section 162(m) Participant, the Committee shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period or period of service.

ARTICLE VIII.

STOCK APPRECIATION RIGHTS

8.1. Grant of Stock Appreciation Rights. A Stock Appreciation Right may be granted to any Employee, Independent Director or Consultant selected by the Committee (or the Board, in the case of Stock Appreciation Rights granted to Independent Directors). A Stock Appreciation Right may be granted (i) in connection and simultaneously with the grant of an Option, (ii) with respect to a previously granted Option, or (iii) independent of an Option. A Stock Appreciation Right shall be subject to such terms and conditions (including, without limitation, the mechanism for the transfer of rights under such awards) not inconsistent with this Plan as the Committee (or the Board, in the case of Stock Appreciation Rights granted to Independent Directors) shall impose and shall be evidenced by a written Stock Appreciation Right Agreement, which shall be executed by the Grantee and an authorized officer of the Company. The Committee, in its sole and absolute discretion, may determine whether a Stock Appreciation Right is to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code and Stock Appreciation Right Agreements evidencing Stock Appreciation Rights intended to so qualify shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

8.2. Coupled Stock Appreciation Rights.

(a) A Coupled Stock Appreciation Right ("CSAR") shall be related to a particular Option and shall be exercisable only when and to the extent the related Option is exercisable.

(b) A CSAR may be granted to the Grantee for no more than the number of shares subject to the simultaneously or previously granted Option to which it is coupled.

(c) A CSAR shall entitle the Grantee (or other person entitled to exercise the Option pursuant to this Plan) to surrender to the Company unexercised a portion of the Option to which the CSAR relates (to the extent then exercisable pursuant to its terms) and to receive from the Company in exchange therefor an amount determined by multiplying the difference obtained by subtracting the Option exercise price from the Fair Market Value of a share of Common Stock on the date of exercise of the CSAR by the number of shares of Common Stock with respect to which the CSAR shall have been exercised, subject to any limitations the Committee (or the Board, in the case of Stock Appreciation Rights granted to Independent Directors) may impose.

8.3. Independent Stock Appreciation Rights.

(a) An Independent Stock Appreciation Right ("ISAR") shall be unrelated to any Option and shall have a term set by the Committee (or the Board, in the case of Stock Appreciation Rights granted to Independent Directors). An ISAR shall be exercisable in such installments as the Committee (or the Board, in the case of Stock Appreciation Rights granted to Independent Directors) may determine. An ISAR shall cover such number of shares of Common Stock as the Committee (or the Board, in the case of Stock Appreciation Rights granted to Independent Directors) may determine; provided, however, that unless the Committee otherwise provides in the terms of the ISAR or otherwise, no ISAR granted to a person subject to Section 16 of the Exchange Act shall be exercisable until at least six months have elapsed from (but excluding) the date on which the Option was granted. The exercise price per share of Common Stock subject to each ISAR shall be set by the Committee (or the Board, in the case of Stock Appreciation Rights granted to Independent Directors). An ISAR is exercisable only while the Grantee is an Employee, Director or Consultant; provided that the Committee may determine that the ISAR may be exercised subsequent to a Termination of Employment, Termination of Directorship or Termination of Consultancy

without Cause, following a change in control of the Company, or because of the Grantee's retirement, death or disability, or otherwise.

(b) An ISAR shall entitle the Grantee (or other person entitled to exercise the ISAR pursuant to this Plan) to exercise all or a specified portion of the ISAR (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying the difference obtained by subtracting the exercise price per share of the ISAR from the Fair Market Value of a share of Common Stock on the date of exercise of the ISAR by the number of shares of Common Stock with respect to which the ISAR shall have been exercised, subject to any limitations the Committee may impose.

8.4. Payment and Limitations on Exercise.

(a) Payment of the amount determined under Section 8.2(c) and 8.3(b) above shall be in cash, in Common Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Committee. To the extent such payment is effected in Common Stock it shall be made subject to satisfaction of all provisions of Section 5.3 above pertaining to Options.

(b) Grantees of Stock Appreciation Rights may be required to comply with any timing or other restrictions with respect to the settlement or exercise of a Stock Appreciation Right, including a window-period limitation, as may be imposed in the discretion of the Committee.

8.5. Consideration. In consideration of the granting of a Stock Appreciation Right, the Grantee shall agree, in the written Stock Appreciation Right Agreement, to remain in the employ of (or to consult for or to serve as an Independent Director of, as applicable) the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary for a period of at least one year (or such shorter period as may be fixed in the Stock Appreciation Right Agreement or by action of the Committee after the Stock Appreciation Right is granted) following grant of the Stock Appreciation Right, or, in the case of an Independent Director, for the remainder of such Independent Director's elected term. Nothing in this Plan or in any Stock Appreciation Right Agreement hereunder shall (i) confer upon any Employee, Independent Director or Consultant any right to (a) continue in the employ of (or to consult for or to serve as an Independent Director of, as applicable) the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, or (b) receive any severance pay from the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge the Employee or Consultant at any time for any reason whatsoever, with or without Cause, or any Independent Director pursuant to the Company's bylaws.

ARTICLE IX.

ADMINISTRATION

9.1. Compensation Committee. The Compensation Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under this Plan) shall consist solely of two or more Independent Directors appointed by and holding office at the pleasure of the Board, each of whom is both a "non-employee director" as defined by Rule 16b-3 and an "outside director" for purposes of Section 162(m) of the Code. Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may be filled by the Board.

9.2. Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of this Plan in accordance with its provisions. The Committee shall have the power to interpret this Plan and the agreements pursuant to which Options, awards of Restricted Stock or Deferred Stock, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments are granted or awarded, and to adopt such rules for the administration, interpretation, and application of this Plan as are consistent therewith and to interpret, amend or revoke any such rules; provided, however, that only the full Board, acting by a majority of its members in office, shall have the power to grant awards under this Plan to Independent Directors. Any such grant or award under this Plan need not be the same with respect to each Optionee, Grantee or Restricted

Stockholder. Any such interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. In its sole and absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under this Plan except with respect to matters which under Rule 16b-3 or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

9.3. Majority Rule; Unanimous Written Consent. The Committee shall act by a majority of its members in attendance at a meeting at which a quorum is present or by a memorandum or other written instrument signed by all members of the Committee.

9.4. Compensation; Professional Assistance; Good Faith Actions. Members of the Committee shall receive such compensation, if any, for their services as members as may be determined by the Board. All expenses and liabilities which members of the Committee incur in connection with the administration of this Plan shall be borne by the Company. The Committee may, with the approval of the Board, employ attorneys, Consultants, accountants, appraisers, brokers, or other persons. The Committee, the Company and the Company's officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee or the Board in good faith shall be final and binding upon all Optionees, Grantees, Restricted Stockholders, the Company and all other interested persons. No members of the Committee or Board shall be personally liable for any action, determination or interpretation made in good faith with respect to this Plan, Options, awards of Restricted Stock or Deferred Stock, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments, and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation.

9.5. Delegation of Authority to Grant Awards. The Committee may, but need not, delegate from time to time to a committee consisting of one or more members of the Committee or of one or more officers of the Company some or all of the Committee's authority to grant awards under this Plan to eligible recipients; provided, however, that each such recipient must be an individual other than an "officer," "director" or "beneficial owner of more than ten per centum of any class of any equity security" within the meaning of each such term as it is used under Section 16(b) of the Exchange Act. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation of authority and may be rescinded at any time by the Committee. At all times, any committee appointed under this Section 9.5 shall serve in such capacity at the pleasure of the Committee.

ARTICLE X.

MISCELLANEOUS PROVISIONS

10.1. Not Transferable. Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments under this Plan may not be sold, pledged, assigned, or transferred in any manner other than by will or the laws of descent and distribution, or pursuant to a QDRO, unless and until such rights or awards have been exercised, or the shares underlying such rights or awards have been issued, and all restrictions applicable to such shares have lapsed; provided, however, that Non-Qualified Stock Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents and Stock Payments may be transferred with the consent of the Committee or by gift to a Family Member, in which case the transferee shall receive and hold the Option or other award so transferred subject to the provisions of this Plan and the agreement governing such Option or other award; provided, further, that a transfer of a Non-Qualified Stock Option, Restricted Stock award, Deferred Stock award, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment or interest or right therein to an entity in which more than fifty percent (50%) of the voting interests are owned by Family Members (or the Optionee, Grantee or Restricted Stockholder) in exchange for an interest in that entity shall be considered a gift of such Option or other award. No Option, Restricted Stock award, Deferred Stock award, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment or interest or right therein shall be liable for the debts, contracts or engagements of the Optionee, Grantee or Restricted Stockholder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means

whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

During the lifetime of the Optionee or Grantee, only he may exercise an Option or other right or award (or any portion thereof) granted to him under the Plan, unless it has been transferred with the consent of the Committee or pursuant to a QDRO or by gift to a Family Member, in which case the transferee may exercise such Option or other award. Unless previously transferred as permitted by this Section 10.1, after the death of the Optionee or Grantee, any exercisable portion of an Option or other right or award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Stock Option Agreement or other agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Optionee's or Grantee's will or under the then applicable laws of descent and distribution.

10.2. Amendment, Suspension or Termination of this Plan. Except as otherwise provided in this Section 10.2, this Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board or the Committee. However, without approval of the Company's stockholders given within twelve months before or after the action by the Board or the Committee, no action of the Board or the Committee may, except as provided in Section 10.3, increase the limits imposed in Section 2.1 on the maximum number of shares which may be issued under this Plan or increase the Award Limit, and no action of the Board or the Committee may be taken that would otherwise require stockholder approval as a matter of applicable law, regulation or rule. No amendment, suspension or termination of this Plan shall, without the consent of the holder of Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments, alter or impair any rights or obligations under any Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments theretofore granted or awarded, unless the award itself otherwise expressly so provides. No Options, Restricted Stock, Deferred Stock, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments may be granted or awarded during any period of suspension or after termination of this Plan, and in no event may any Incentive Stock Option be granted under this Plan after the first to occur of the following events:

- (a) The expiration of ten years from the date the Plan is adopted by the Board; or
- (b) The expiration of ten years from the date the Plan is approved by the Company's stockholders under Section 10.4.

10.3. Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company and Other Corporate Events.

(a) Subject to Section 10.3(d), in the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company (including, but not limited to, a Corporate Transaction), or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, in the Committee's sole and absolute discretion, affects the Common Stock such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Option, Restricted Stock award, Performance Award, Stock Appreciation Right, Dividend Equivalent, Deferred Stock award or Stock Payment, then the Committee shall, in such manner as it may deem equitable, adjust any or all of

- (i) the number and kind of shares of Common Stock (or other securities or property) with respect to which Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments may be granted under the Plan, or which may be granted as Restricted Stock or Deferred Stock

(including, but not limited to, adjustments of the limitations in Section 2.1 on the maximum number and kind of shares which may be issued and adjustments of the Award Limit);

(ii) the number and kind of shares of Common Stock (or other securities or property) subject to outstanding Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents, or Stock Payments, and in the number and kind of shares of outstanding Restricted Stock or Deferred Stock; and

(iii) the grant or exercise price with respect to any Option, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment.

(b) Subject to Section 10.3(e), in the event of any Corporate Transaction or other transaction or event described in Section 10.3(a) which results in shares of Common Stock being exchanged for or converted into cash, securities (including securities of another corporation) or other property, the Committee will have the right to terminate this Plan as of the date of the event or transaction, in which case all Options, rights and other awards granted under this Plan shall become the right to receive such cash, securities or other property, net of any applicable exercise price.

(c) Subject to Section 10.3(e), in the event of any Corporate Transaction or other transaction or event described in Section 10.3(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations, or accounting principles, the Committee in its sole and absolute discretion is hereby authorized to take any one or more of the following actions whenever the Committee determines that such action is appropriate or desirable:

(i) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of the agreement or by action taken prior to the occurrence of such transaction or event and either automatically or upon the optionee's request, for either the purchase of any such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or any Restricted Stock or Deferred Stock for an amount of cash equal to the amount that could have been attained upon the exercise of such option, right or award or realization of the holder's rights had such option, right or award been currently exercisable or payable or fully vested or the replacement of such option, right or award with other rights or property selected by the Committee in its sole and absolute discretion;

(ii) In its sole and absolute discretion, the Committee may provide, either by the terms of such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event that it cannot vest, be exercised or become payable after such event;

(iii) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event, that for a specified period of time prior to such transaction or event, such option, right or award shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in (i) Section 4.4 or (ii) the provisions of such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock;

(iv) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event, that upon such event, such option, right or award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor

corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(v) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents, or Stock Payments, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the terms and conditions of, and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future; and

(vi) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide either by the terms of a Restricted Stock award or Deferred Stock award or by action taken prior to the occurrence of such event that, for a specified period of time prior to such event, the restrictions imposed under a Restricted Stock Agreement or a Deferred Stock Agreement upon some or all shares of Restricted Stock or Deferred Stock may be terminated, and, in the case of Restricted Stock, some or all shares of such Restricted Stock may cease to be subject to repurchase under Section 6.6 or forfeiture under Section 6.5 after such event.

(d) Subject to Section 10.3(e) and 10.8, the Committee may, in its sole and absolute discretion, include such further provisions and limitations in any Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock agreement or certificate, as it may deem equitable and in the best interests of the Company.

(e) With respect to Options, Stock Appreciation Rights and performance or incentive awards described in Article VII which are granted to Section 162(m) Participants and are intended to qualify as performance-based compensation under Section 162(m)(4)(C), no adjustment or action described in this Section 10.3 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(1) of the Code or would cause such option or stock appreciation right to fail to so qualify under Section 162(m)(4)(C), as the case may be, or any successor provisions thereto. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 or violate the exemptive conditions of Rule 16b-3 unless the Committee determines that the option or other award is not to comply with such exemptive conditions. The number of shares of Common Stock subject to any option, right or award shall always be rounded to the next whole number.

10.4. Approval of Plan by Stockholders. This Plan will be submitted for the approval of the Company's stockholders within twelve months after the date of the Board's initial adoption of this Plan. Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments may be granted and Restricted Stock or Deferred Stock may be awarded prior to such stockholder approval, provided that such Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments shall not be exercisable and such Restricted Stock or Deferred Stock shall not vest prior to the time when this Plan is approved by the stockholders, and provided further that if such approval has not been obtained at the end of said twelve-month period, all Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments previously granted and all Restricted Stock or Deferred Stock previously awarded under this Plan shall thereupon be canceled and become null and void.

10.5. Tax Withholding. The Company shall be entitled to require payment in cash or deduction from other compensation payable to each Optionee, Grantee or Restricted Stockholder of any sums required by federal, state or local tax law to be withheld with respect to the issuance, vesting, exercise or payment of any Option, Restricted Stock, Deferred Stock, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment. The Committee may in its sole and absolute discretion and in satisfaction of the foregoing requirement allow such Optionee, Grantee or Restricted Stockholder to elect to have the Company withhold shares of Common Stock otherwise issuable or becoming vested under such Option or other award (or allow the return of shares of Common Stock) having a Fair Market Value equal to the statutory minimum sums required to be withheld.

10.6. Loans. The Committee may, in its discretion, extend one or more loans to Employees in connection with the exercise or receipt of an Option, Performance Award, Stock Appreciation Right, Dividend

Equivalent or Stock Payment granted under this Plan, or the issuance of Restricted Stock or Deferred Stock awarded under this Plan. The terms and conditions of any such loan shall be set by the Committee; provided, however, that any such loan that bears interest shall bear at least a market rate of interest.

10.7. Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to awards under the Plan, the Committee shall have the right (to the extent consistent with the applicable exemptive conditions of Rule 16b-3) to provide, in the terms of Options or other awards made under the Plan, or to require the recipient to agree by separate written instrument, that (i) any proceeds, gains or other economic benefit actually or constructively received by the recipient upon any receipt or exercise of the award, or upon the receipt or resale of any Common Stock underlying such award, must be paid to the Company, and (ii) the award shall terminate and any unexercised portion of such award (whether or not vested) shall be forfeited, if (a) a Termination of Employment, Termination of Consultancy or Termination of Directorship occurs prior to a specified date, or within a specified time period following receipt or exercise of the award, or (b) the recipient at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Committee (or the Board, as applicable).

10.8. Limitations Applicable to Section 16 Persons and Performance-Based Compensation. Notwithstanding any other provision of this Plan, this Plan, and any Option, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment granted, or Restricted Stock or Deferred Stock awarded, to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan, Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents, Stock Payments, Restricted Stock and Deferred Stock granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule. Furthermore, notwithstanding any other provision of this Plan, any Option, Stock Appreciation Right or performance or incentive award described in Article VII which is granted to a Section 162(m) Participant and is intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as performance-based compensation as described in Section 162(m)(4)(C) of the Code, and this Plan shall be deemed amended to the extent necessary to conform to such requirements.

10.9. Effect of Plan Upon Options and Compensation Plans. The adoption of this Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in this Plan shall be construed to limit the right of the Company (i) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of the Company, the Partnership or any Subsidiary or (ii) to grant or assume options or other rights or awards otherwise than under this Plan in connection with any proper corporate purpose including but not by way of limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

10.10. Section 83(b) Election Prohibited. No Grantee, Optionee or Restricted Stockholder may make an election under Section 83(b) of the Code with respect to any award or grant under this Plan.

10.11. Compliance with Laws. This Plan, the granting and vesting of Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments under this Plan and the issuance and delivery of shares of Common Stock and the payment of money under this Plan or under Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments granted or Restricted Stock or Deferred Stock awarded hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem

necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan, Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

10.12. Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Plan.

10.13. Governing Law. This Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of California without regard to conflicts of laws thereof.

10.14. Conflicts with Company's Articles of Incorporation. Notwithstanding any other provision of this Plan, no Optionee, Grantee or Restricted Stockholder shall acquire or have any right to acquire any Common Stock, and shall not have other rights under this Plan, which are prohibited under the Company's Articles of Incorporation.

AMB PROPERTY II, L.P.

SECOND AMENDMENT TO

TENTH AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

This Second Amendment (this "Amendment") is made as of February 25, 2002, by AMB PROPERTY HOLDING CORPORATION, a Maryland corporation, as general partner (the "General Partner") of AMB PROPERTY II, L.P., a Delaware limited partnership (the "Partnership"), and as attorney-in fact for each of the limited partners of the Partnership (collectively, the "Limited Partners") for the purpose of amending the Tenth Amended and Restated Agreement of Limited Partnership of the Partnership dated as of December 6, 2001, as amended by the First Amendment to Tenth Amended and Restated Agreement of Limited Partnership dated as of January 1, 2002 (as amended, the "Partnership Agreement"). All defined terms used herein but not defined herein have the meanings assigned to them in the Partnership Agreement.

WHEREAS, pursuant to Section 7.3D(iv) of the Partnership Agreement, the General Partner may, without the consent of the other partners, amend the Partnership Agreement to reflect a change that is of an inconsequential nature and does not adversely affect the Limited Partners in any material respect, or to cure any ambiguity in, correct or supplement any provision;

WHEREAS, pursuant to the authority granted under the Partnership Agreement, the General Partner desires to amend the Partnership Agreement to correct a typographical error with respect to the date after which the Series G Preferred Units may be redeemed.

NOW THEREFORE, pursuant to Section 7.3D of the Partnership Agreement, the General Partner, on its own behalf and as attorney-in-fact for the Limited Partners, hereby amends the Partnership Agreement as follows:

SECTION 1. Amendment to Section 20.5.A of the Partnership Agreement.

The first sentence of Section 20.5.A of the Partnership Agreement is deleted in its entirety and replaced with the following:

"The Series G Preferred Units may not be redeemed prior to August 29, 2005."

SECTION 2. Miscellaneous.

2.1 Governing Law. This Amendment shall be construed under and governed by the internal laws of the State of Delaware without regard to its conflict of laws provisions.

SECTION 3. Partnership Agreement. The Partnership Agreement and this Amendment shall be read together and shall have the same effect as if the provisions of the Partnership Agreement and this Amendment were contained in one document. Any provisions of the Partnership Agreement not amended by this Amendment shall remain in full force and effect as provided in the Partnership Agreement immediately prior to the date hereof.

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IN WITNESS WHEREOF the parties hereto have caused this Amendment to be executed as of the date set forth above by their duly authorized representatives.

GENERAL PARTNER:

AMB PROPERTY HOLDING CORPORATION,
a Maryland corporation

By: /s/ Michael A. Coke

Michael A. Coke
Executive Vice President and Chief
Financial Officer

COMMON LIMITED PARTNER:

AMB PROPERTY, L.P., a Delaware limited partnership

By: AMB Property Corporation,
its general partner

By: /s/ Michael A. Coke

Michael A. Coke
Executive Vice President and Chief
Financial Officer

GENERAL PARTNER OF COMMON LIMITED PARTNER:

AMB PROPERTY CORPORATION,
a Maryland corporation

By: /s/ Michael A. Coke

Michael A. Coke
Executive Vice President and Chief
Financial Officer

LIMITED PARTNERS:

By: AMB PROPERTY HOLDING CORPORATION,
a Maryland corporation, as
attorney-in-fact for each of the
Limited Partners

By: /s/ Michael A. Coke

Michael A. Coke
Executive Vice President and Chief
Financial Officer

AMB NONQUALIFIED DEFERRED COMPENSATION PLAN

AMB
NONQUALIFIED DEFERRED COMPENSATION PLAN

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AMB
NONQUALIFIED DEFERRED COMPENSATION PLAN

WHEREAS, AMB Property Corporation, a Maryland Corporation and AMB Investment Management, Inc., a Maryland Corporation, (collectively the "Company") wishes to establish a program that will enable it to attract and retain key Employees; and the Company wishes to provide supplemental retirement and tax benefits for a select group of management or highly compensated Employees:

NOW, THEREFORE, the Company hereby adopts the AMB Property Corporation Nonqualified Deferred Compensation Plan through its execution of the annexed Adoption Agreement.

ARTICLE I
DEFINITIONS

1.1 DEFINITIONS. The following terms have the meanings set forth herein, unless the context otherwise requires:

ACCOUNT. The bookkeeping account established for each Participant as provided in Section 6.1 hereof. The term includes Education Accounts, Fixed Date Accounts and Retirement Accounts to the extent permitted under the Adoption Agreement, unless the context otherwise requires.

ADMINISTRATOR. The person, persons, or entity designated in the Adoption Agreement to administer the Plan. If no such person or entity is selected, the Administrator shall be deemed to be the Company.

ADOPTION AGREEMENT. The Adoption Agreement for the nonqualified deferred compensation plan executed by the Company to establish the Plan, in the form annexed hereto.

BENCHMARK INVESTMENT FUND. The investment fund or funds selected by the Administrator from time to time.

BENCHMARK RETURN. The amount of any increase or decrease in the balance of a Participant's Account reflecting the gain or loss, net of any expenses, on the assets deemed invested in each Benchmark Investment Fund by the Participant from time to time.

CHANGE OF CONTROL. If the Company has designated a specific definition of "Change of Control" as annexed to its Adoption Agreement, such definition shall apply for purposes of the Plan.

CLAIMS NOTICE. Defined in Section 10.3 hereof.

CODE. The Internal Revenue Code of 1986, as amended.

COMPANY. AMB Property Corporation, a Maryland corporation and AMB Investment Management, Inc., a Maryland Corporation.

COMPANY ACCOUNT. The account established by the Company for the purpose of investing the Plan assets.

COMPANY CONTRIBUTION. A discretionary contribution that is credited to one or more of a Participant's Accounts in accordance with the terms of Section 4.3 hereof and the Adoption Agreement.

COMPENSATION. Compensation shall have the meaning specified in the Adoption Agreement.

COMPENSATION DEFERRALS. The portion of Compensation that a Participant elects to defer in accordance with Section 4.1 hereof.

EDUCATION ACCOUNT. An Account established for a Participant with distribution to be made when the Participant incurs expenses associated with college, post-graduate or professional education, with the timing of distribution from such Account based upon the age of a specifically designated person.

EFFECTIVE DATE. The date specified by the Company in the Adoption Agreement as the date the Plan becomes effective.

ELIGIBLE EMPLOYEE. An Employee of the Company who satisfies the eligibility requirements specified in the Adoption Agreement.

EMPLOYEE. Any person employed by the Company or any subsidiary.

ERISA. Employee Retirement Income Security Act of 1974, as amended.

FIXED DATE ACCOUNT. An Account established for a Participant with distributions to be made on a date certain determined in accordance with the Adoption.

Agreement.

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MATCHING CONTRIBUTION. A contribution that is credited to one or more of a Participant's Accounts in accordance with the terms of Section 4.2 hereof and the Adoption Agreement.

PARTICIPANT. An Eligible Employee who has submitted a Participation Election Form agreeing to participate in the Plan and whose Account has not been fully paid out.

PARTICIPATION ELECTION FORM. The Separate written agreement, submitted to the Administrator, by which an Eligible Employee agrees to participate in the Plan and indicates all necessary information to establish the Account(s) for such Eligible Employee as a Participant under the Plan, including, but not limited to, the amount of Compensation Deferral, and the designation of his or her Account(s) as Education, Retirement or Fixed Date.

PLAN. This AMB Nonqualified Deferred Compensation Plan.

PLAN YEAR. The twelve (12) consecutive month period designated by the Company in the Adoption Agreement.

RETIREMENT ACCOUNT. An Account established for a Participant from which distributions are to be made following retirement in accordance with the Adoption Agreement.

SUBSIDIARY. (I) a corporation, association or other business entity of which 50% or more of the total combined voting power of all classes of capital stock is owned, directly or indirectly, by either AMB Property Corporation or AMB Investment Management, Inc. or by one of more Subsidiaries or by either AMB Property Corporation or AMB Investment Management, Inc. and one or more Subsidiaries, (II) any partnership or limited liability company of which 50% or more of the capital and profits interests is owned, directly or indirectly, by either AMB Property Corporation or AMB Investment Management, Inc. or by one or more Subsidiaries or by either AMB Property Corporation or AMB Investment Management, Inc. and one or more Subsidiaries and (III) any other entity not described in clauses (I) or (II) above of which 50% or more of the ownership and the power, pursuant to a written contract or agreement, to direct the policies and management or the financial and the other affairs thereof, are owned or controlled by either AMB Property Corporation or AMB Investment Management, Inc. or by one or more other Subsidiaries or by either AMB Property Corporation or AMB Investment Management, Inc. and one or more subsidiaries.

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TOTAL AND PERMANENT DISABILITY. Any medically determinable physical or mental disorder that renders a Participant incapable of continuing employment with the Company and is expected to continue for the remainder of a Participant's life.

TRUST. The trust established pursuant to that certain Trust Agreement dated as of July 1, 1999, between the Company and the Trustee under which the assets of the Plan are held, administered and managed.

TRUSTEE. The Trustee designated in the Trust Agreement, including any and all successor trustees to the Trust.

UNFORSEEABLE EMERGENCY. Defined in Section 7.3 hereof, and subject to interpretation in accordance with regulations governing such definition promulgated under the Code.

YEARS OF PLAN SERVICE. Defined in Section 5.1(a)(3) hereof.

YEARS OF SERVICE. Defined in Section 5.1(a)(2) hereof.

1.2 TERMS. Capitalized terms shall have meanings as defined herein. Singular nouns shall be read as plural, and masculine pronouns shall be read as feminine, and vice versa, where appropriate.

ARTICLE II
PURPOSE

2.1 PURPOSE. The purpose of this Plan is to provide key Employees supplemental retirement and tax benefits through the deferral of compensation. The Plan is intended to be a "plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, and shall be interpreted and administered to the extent possible in a manner consistent with that intent.

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ARTICLE III
Participation

3.1 COMMENCEMENT OF PARTICIPATION. Each Eligible Employee shall become a Participant at the earlier of the date on which his or her Participation Election Form first becomes effective or the date on which a Company Contribution is first credited to his or her Account.

3.2 CONTINUATION OF PARTICIPATION. Each Eligible Employee shall remain a Participant hereunder until all amounts credited to his or her Account are distributed in full. No Compensation Deferrals are permitted in any Plan Year in which an Employee no longer satisfies the criteria for eligibility set forth in the Adoption Agreement.

ARTICLE IV
Contributions

4.1 COMPENSATION DEFERRALS.

(a) The Company shall credit to the Account of a Participant an amount equal to the amount designated in the Participant's Participation Election Form for that Plan Year. Such amounts shall not be made available to such Participant, except as provided in ARTICLE VII hereof, and, as Compensation Deferrals, shall reduce such Participant's Compensation from the Company in accordance with the provisions of the applicable Participation Election Form; provided, however, that all such amounts shall be subject to the rights of the general creditors of the Company as provided in ARTICLE IX hereof.

(b) Each Eligible Employee shall deliver a Participation Election Form to the Company before any Compensation Deferrals can become effective. Such Participation Election Form shall be void with respect to any Compensation Deferral unless submitted before the beginning of the calendar year during which the amount to be deferred will be earned; provided, however, that in the year in which the Plan is first adopted or an Employee is first eligible to participate, such Participation Election Form shall be filed within thirty (30) days of the date on which the Plan is adopted or the date on which an Employee is first eligible to participate, respectively, with respect to Compensation earned during the remainder of the calendar year.

(c) The Participation Election Form shall, subject to the limitations set forth in this Section 4.1, designate the amount of Compensation deferred by each Participant, the beneficiary or beneficiaries of the Participant and such other items as the

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Administrator may prescribe. Such designations shall remain effective unless amended as provided in subsection (d), below.

(d) A Participant may amend his or her Participation Election Form from time to time; provided, however, that any amendment to the amount of a Participant's Compensation Deferrals shall comply with the provisions of subsection (b), above.

4.2 MATCHING CONTRIBUTIONS. The Company shall also credit to the Account of each Participant who makes Compensation Deferrals a Matching Contribution in an amount equal to the amount specified in the Adoption Agreement. The Company

shall contribute to the Trust for the Participant's benefit the amount of such Matching Contributions in accordance with the Adoption Agreement and this Plan.

4.3 COMPANY CONTRIBUTION. The Company may from time to time make a discretionary contribution to the Account of a Participant. The Company shall contribute to the Trust for the Participant's benefit the amount of such Company Contributions in accordance with the Adoption Agreement and this Plan.

4.4 TIME AND FORM OF CONTRIBUTIONS.

(a) Compensation Deferrals and Matching Contributions shall be transferred to the Trust as soon as administratively feasible for the Company following the close of the period selected in the Adoption Agreement. The Company shall also provide at that time any necessary instructions regarding the allocation of such amounts among the Accounts of Participants.

(b) Company Contributions shall be transferred to the Trust at such time as the Company shall determine. The Company shall also transmit at that time any necessary instructions regarding the allocation of such amounts among the Accounts of Participants.

(c) All Compensation Deferrals, Matching Contributions and Company Contributions to the Trust shall be made in the form of cash, cash equivalents of U.S. currency or other property acceptable to the Trustee.

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ARTICLE V

VESTING

5.1 VESTING.

(a) (1) Except as otherwise provided herein, a Participant shall have a vested right to the portion of his or her Account attributable to Compensation Deferrals and any Benchmark Returns on such Compensation Deferrals. Except as otherwise provided herein, Matching Contributions and Company Contributions, and any amounts attributable to Benchmark Returns on such contributions, shall vest in accordance with the provisions set forth in the Adoption Agreement; provided, however, that all such amounts shall be subject to the rights of the general creditors of the Company as provided in ARTICLE IX hereof.

(2) For purposes of this ARTICLE, a Participant's "Years of Service" shall be determined by the twelve (12) month period (as defined in the Adoption Agreement) of his or her employment with the Company.

(3) For purposes of this ARTICLE, a Participant's "Years of Plan Service" shall include Plan Years specified in the Adoption Agreement during which the Participant continues his or her employment with the Company for the entire Plan Year.

(b) If elected by the Company in the Adoption Agreement, then, notwithstanding Section 5.1 hereof, a Participant who attains the age specified in the Adoption Agreement shall be fully vested in amounts credited to his or her Account, regardless of his or her Years of Service or Years of Plan Service.

(c) If elected by the Company in the Adoption Agreement, a Participant who has a termination of employment due to Total and Permanent Disability shall be fully vested in the amounts credited to his or her Account regardless of his or her Years of Service or Years of Plan Service.

(d) If elected by the Company in the Adoption Agreement, a Participant shall be fully vested in the amounts credited to his or her Account upon a Change of Control, regardless of his or her Years of Service or Years of Plan Service.

(e) If elected by the Company in the Adoption Agreement, a Participant shall be fully vested in the amounts credited to his or her Account upon such Participant's death, regardless of his or her Years of Service or Years of Plan Service.

(f) Any amounts credited to a Participant's Account that are not vested at

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the time of his or her termination of employment with the Company shall be forfeited as provided in Section 6.3 hereof.

ARTICLE VI

Accounts

6.1 Accounts

(a) The Administrator shall establish and maintain a bookkeeping Account in the name of each Participant. The Administrator may also establish any subaccounts that it feels may be appropriate, including designation of a portion of a Participant Account as of Fixed Date, Education or Retirement Account.

(b) Each Participant's Account shall be credited with Compensation Deferrals, any Matching Contributions allocable thereto, any Company Contributions and any amounts attributable to Benchmark Returns. Each Participant's Account shall be reduced by any gross amounts distributed from the Account pursuant to ARTICLE VII hereof and any other appropriate adjustments. Such adjustments shall be made as frequently as is administratively feasible.

6.2 Benchmark Investment Elections.

(a) The Administrator shall from time to time select types of Benchmark Investment Funds and specific Benchmark Investment Funds for deemed investment designation by Participants with respect to Accounts. The Administrator shall notify the Participants of the types of Benchmark Investment Funds and the specific Benchmark Investment Funds selected from time to time. On the Participation Election Form, the Participant shall designate the specific Benchmark Investment Funds in which the Account of the Participant will be deemed to be invested in for purposes of determining the Benchmark Return to be credited to the Account. In making the designation, the Participant may specify that all or any percentage of his/her Account be deemed to be invested in one or more of the available types of Benchmark Investment Funds. The minimum percentage allocation to any one Benchmark Investment Fund shall be 5%. Changes may be made to allocations at any time during the Plan Year, up to a maximum of six (6) changes per Participant per Plan Year.

(b) Trust assets shall be invested as provided in the Trust Agreement.

6.3 Forfeitures. Any forfeitures from a Participant's Account may

be used to reduce succeeding Matching Contributions, Company Contributions or, if applicable,

administrative expenses and trustee fees and expenses, until such forfeitures have been entirely so applied.

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ARTICLE VII
DISTRIBUTIONS

7.1 DISTRIBUTION ELECTION.

(a) Each Participant shall designate in his or her Participation Election Form the manner in which payments shall be made from the choices available under Section 7.2 hereof and the date on which payment shall begin as provided in Section 7.3 hereof. Such designation shall apply to all amounts distributed from such Participant's Account.

(b) A Participant may modify the election made under Section 7.1(a) by submitting to the Administrator a completed and executed form provided for such purpose, provided, however, that such change shall not be given any effect unless a full calendar year passes between the calendar year in which such election form is submitted and the calendar year in which the distribution date designated in such form occurs.

7.2 PAYMENT OPTIONS.

(a) Unless otherwise provided in Section 7.3, benefits shall be payable in accordance with the election made by the Participant in his or her Participation Election Form in one of the following forms:

- (i) in a lump-sum payment; or
- (ii) in annual installments over a period of four (4) years; payable in January of each year; or
- (iii) in annual installments over a period of five (5) years, payable in January of each year; or
- (iv) in annual installments over a period of ten (10) years, payable in January of each year.

(b) The Company from time to time will determine which

7.3 COMMENCEMENT OF PAYMENT.

(a) Except as otherwise provided herein, payments to a Participant shall commence in the January immediately after the calendar year in which the Participant has satisfied the criteria set forth in the Adoption Agreement for a distribution hereunder.

(b) If the Company has elected this option in the Adoption Agreement, the Administrator may permit an early distribution of part or all of any deferred amounts; provided, however, that such distribution shall be made only if the Administrator, in its sole discretion, determines that the Participant has experienced an "unforeseeable emergency" if early distribution were not permitted. "Unforeseeable emergency" shall mean any severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseen circumstances arising as a result of events beyond the control of the Participant. Any distribution pursuant to this provision is limited to the amount necessary to meet the emergency, and any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from such distribution. The distribution may not exceed the then vested portion of the Participant's Account. The circumstances that will constitute an unforeseeable emergency will depend upon the facts of each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved (i) through reimbursement or compensation by insurance or otherwise; (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship; or (iii) by cessation of deferrals under the Plan. Furthermore, examples of events that would not be considered unforeseeable emergencies include the need to send a Participant's child to college or the desire to purchase a home.

(c) Upon the death of a Participant, all vested amounts shall be paid in a lump sum, as soon as administratively feasible, to his or her beneficiary or beneficiaries, as determined in accordance with ARTICLE VIII hereof.

(d) Upon a Change of Control as defined in the Adoption Agreement, all vested amounts shall be paid in a lump sum, as soon as administratively feasible, to the Participant.

(e) Upon a determination of a Participant's Total and Permanent Disability, all vested amounts shall be paid in a lump sum, as soon as administratively feasible, to the Participant.

(f) Upon termination of employment for any reason other than attaining

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retirement (as defined in the Adoption Agreement), a Change of Control, Total and Permanent Disability or death, all vested amounts shall be paid in a lump sum, as soon as administratively feasible, to the Participant.

7.4 EFFECT OF EARLY DISTRIBUTION. If the Company has so indicated in the Adoption Agreement, if a Participant elects to receive a distribution of vested amounts in his or her Account on a date prior to that established under the Plan, including the Adoption Agreement and the Participant's Participation Election Form, the amount distributed shall equal that percentage (established by the Company in the Adoption Agreement) of the Participant's vested amounts and the balance shall be treated as forfeited by the Participant.

7.5 CHANGES AFFECTING AN EDUCATION ACCOUNT. In the event of the death of the individual whose age is used for purposes of the timing of a distribution from an Education Account, the Education Account associated with the deceased person shall be treated for all purposes as a Retirement Account of the Participant under the Plan.

ARTICLE VIII

BENEFICIARIES

8.1 BENEFICIARIES. Each Participant may from time to time designate one or more persons (who may be any one or more members of such person's family or other persons, administrators, trusts, foundations or other entities) as his or her beneficiary under the Plan. Such designation shall be made on a form prescribed by the Administrator. Each Participant may at any time and from time to time, change any previous beneficiary designation, without notice to or consent of any previously designated beneficiary, by amending his or her previous designation on a form prescribed by the Administrator. If the beneficiary does not survive the Participant (or is otherwise unavailable to

receive payment) or if no beneficiary is validly designated, then the amounts payable under this Plan shall be paid to the Participant's surviving spouse, if any, and if no, to his or her surviving issue per stirpes, if any, and, if none, to his or her estate and such person shall be deemed to be a beneficiary hereunder. (For purposes of this ARTICLE, a per stirpes distribution to surviving issue means a distribution to such issue as representatives of the branches of the descendants of such Employee; equal shares are allotted for each living child and for the descendants as a group of each deceased child of the deceased Employee). If more than one person is the beneficiary of a deceased account, each such person shall receive a pro rata share of any death benefit payable unless otherwise designated on the applicable form. If a beneficiary who is receiving benefits dies, all benefits that were payable to such beneficiary shall then be payable to the estate of that beneficiary.

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8.2 LOST BENEFICIARY

(a) All Participants and beneficiaries shall have the obligation to keep the Administrator informed of their current address until such time as all benefits due have been paid.

(b) If a Participant or beneficiary cannot be located by the Administrator exercising due diligence, then, in its sole discretion, the Administrator may presume that the Participant or beneficiary is deceased for purposes of the Plan and all unpaid amounts (net of due diligence expenses) owed to the Participant or beneficiary shall be paid accordingly or, if a beneficiary cannot be so located, then such amounts may be forfeited in accordance with Section 6.3 hereof. Any such presumption of death shall be final, conclusive and binding on all parties.

8.3 INDIVIDUALS DESIGNATED IN CONNECTION WITH EDUCATION ACCOUNTS. In establishing an Education Account, a Participant shall name a specific living person whose age shall trigger distribution of amounts in such Education Account. The distribution shall be made to the Participant, not the person so designated.

8.4 ENFORCEABILITY OF BENEFICIARY DESIGNATIONS. Any beneficiary designation form is only a generalized, suggested form. At the time of the Participant's death and under the laws of the jurisdiction applicable to the Participant at the time of death, the form may not be considered legally effective to transfer the amounts from the Participant's Account(s) to the beneficiary so designated.

ARTICLE IX FUNDING

9.1 PROHIBITION AGAINST FUNDING. Should any investment be acquired in connection with the liabilities assumed under this Plan, it is expressly understood and agreed that the Participants and beneficiaries shall not have any right with respect to, or claim against, such assets nor shall any such purchase be construed to create a trust of any kind or a fiduciary relationship between the Company and the Participants, their beneficiaries or any other person. Any such assets (including any amounts deferred by a Participant or contributed by the Company pursuant to ARTICLE IV hereof) shall be and remain a part of the general, unpledged, unrestricted assets of the Company, subject to the claims of its general creditors. Each Participant and beneficiary shall be required to look to the provisions of this Plan and to the Company itself for enforcement of any and all benefits due under this Plan, and to the extent any such person acquires a right to receive payment

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under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company. The Company (or the Trust, if any) shall be designated owner and beneficiary of investments acquired in connection with the Company's obligations under this Plan.

9.2 DEPOSITS IN TRUST. Subject to Section 9.1, and notwithstanding any other provision of this Plan to the contrary, the Company may deposit into the Trust any amounts it deems appropriate to pay the benefits under this Plan. The amounts so deposited may include all Compensation Deferrals made pursuant to a Participation Election Form by a Participant, any Company Contributions and any Matching Contributions. Notwithstanding deposit of assets into a Trust, the Company reserves the right at any time and from time to time to pay benefits to Plan Participants or their beneficiaries in whole or in part from sources other than the Trust.

9.3 WITHHOLDING OF EMPLOYEE CONTRIBUTIONS. The Administrator is authorized to make any and all necessary arrangements with the Company in order to withhold the Participant's Compensation Deferrals under Section 4.1 hereof from his or her pay. The Administrator shall determine the amount and timing of such withholding.

ARTICLE X ADMINISTRATION

10.1 PLAN ADMINISTRATION. The Administrator shall have complete control and authority to determine the rights and benefits and all claims arising under the Plan of any Participant, beneficiary, deceased Participant, or other person claiming to have any interest under the Plan. When making a determination or calculation, the Administrator shall be entitled to rely on information furnished by a Participant, a beneficiary, the Company or the Trustee, if applicable. The Administrator shall have the responsibility for complying with any applicable reporting and disclosure requirements of ERISA.

10.2 ADMINISTRATOR.

(a) The Administrator is expressly empowered to limit the amount of Compensation that may be deferred; to deposit amounts into trust in accordance with Section 9.2 hereof and the Adoption Agreement; to interpret the Plan, and to determine all questions arising in the administration, interpretation and application of the Plan; to employ actuaries, accountants, counsel, and other persons it deems necessary in connection with the administration of the Plan; and to take all other necessary and proper actions to fulfill its duties as Administrator.

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(b) The Administrator shall not be liable for any actions by it hereunder, unless due to its own gross negligence, willful misconduct or lack of good faith.

10.3 CLAIMS PROCEDURES.

(a) In the event a Participant requests payment hereunder and the Administrator has determined that the Participant is not entitled to all or some portion of such payment, the Administrator shall, within 60 days following receipt of such request from the Participant, provide to the Participant a written statement (a "Claims Notice"), stating the specific reason or reasons for such denial. The Claims Notice shall also refer to the Plan provision on which such denial is based, and, where appropriate, an explanation of what the Participant may do to perfect his or her claim. In addition, the Participant shall be furnished with an explanation of the Plan's claims review procedures.

(b) Any Participant who has been denied a benefit by a decision of the Administrator pursuant to Section 10.3(a) shall be entitled to request that the Administrator give further consideration to his or her claim by filing with the Administrator a request for a hearing, together with a written statement of the reasons why the Participant believes his claim should be paid and any documents pertinent to such consideration. Such materials shall be filed with the Administrator no later than 60 days after receipt by the Participant of the Claims Notice. The Administrator will notify the Participant of the hearing date, time and location, and give the Participant and his or her representative the opportunity to review all documents in the possession of the Administrator that are pertinent to the denial of the Participant's claim. The Participant shall be responsible for all expenses incurred in connection with this review process. A final decision shall be rendered in writing with respect to the claim no later than 60 days following the hearing and shall set forth the reasons for the disposition and specific references to Plan provisions on which the decision is based.

ARTICLE XI GENERAL PROVISIONS

11.1 NO ASSIGNMENT. Benefits or payments under this Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, garnishment or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall not be valid, nor shall any such benefit or payment be in any way liable for or subject to the debts, contracts, liabilities, engagement or torts of any Participant or beneficiary, or any other person entitled to such benefit or payment pursuant to the terms of this Plan, except to such

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extent as may be required by law. If any Participant or beneficiary or any other person entitled to a benefit or payment pursuant to the terms of this Plan becomes bankrupt or attempts to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit or payment under this Plan, in whole or in part, or if any attempt is made to subject any such benefit or payment, in whole or in part, to the debts, contracts, liabilities, engagements or torts of the Participant or beneficiary or any other person entitled to any such benefit or payment pursuant to the terms of this Plan, then such benefit or payment, in the discretion of the Administrator, shall cease and terminate with respect to such Participant or beneficiary, or any other such person.

11.2 NO EMPLOYMENT RIGHTS. Participation in this Plan shall not be construed to confer upon any Participant the legal right to be retained in the employ of the Company, or give a Participant or beneficiary, or any other

person, any right to any payment whatsoever, except to the extent of the benefits provided for hereunder. Each Participant shall remain subject to discharge to the same extent as if this Plan had never been adopted.

11.3 INCOMPETENCE. If the Administrator determines that any person to whom a benefit is payable under this Plan is incompetent by reason of physical or mental disability, the Administrator shall have the power to cause the payments becoming due to such person to be made to another for his or her benefit without responsibility of the Administrator or the Company to see to the application of such payments. Any payment made pursuant to such power shall, as to such payment, operate as a complete discharge of the liabilities of the Company, the Administrator and the Trustee.

11.4 IDENTITY. If, at any time, any doubt exists as to the identity of any person entitled to any payment hereunder or the amount or time of such payment, the Administrator shall be entitled to hold such sum until such identity or amount or time is determined or until an order of a court of competent jurisdiction is obtained. The Administrator shall also be entitled to pay such sum into court in accordance with the appropriate rules of law. Any expenses incurred by the Company, the Administrator, and the Trust incident to such proceeding or litigation will be deemed a distribution from the Account pursuant to ARTICLE VII hereof and will be deducted from the balance in the Account of the affected Participant.

11.5 OTHER BENEFITS. The benefits of each Participant or beneficiary hereunder shall be in addition to any benefits paid or payable to or on account of the Participant or beneficiary under any other pension, disability, annuity or retirement plan or policy whatsoever.

11.6 NO LIABILITY. No liability shall attach to or be incurred by the Company, the Trustee or any Administrator under or by reason of the terms, conditions and provisions

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contained in this Plan, or for the acts or decisions taken or made thereunder or in connection therewith; and as a condition precedent to the establishment of this Plan or the receipt of benefits thereunder, or both, such liability, if any, is expressly waived and released by each Participant and by any and all persons claiming under or through any Participant or any other person. Such waiver and release shall be conclusively evidenced by any act or participation in or the acceptance of benefits or the making of any election under this Plan.

11.7 EXPENSES. Except as otherwise provided herein or in the Adoption Agreement, all expenses incurred in the administration of the Plan, whether incurred by the Company or the Plan, shall be paid by the Company. Any investment-related expenses shall be charged directly to the Account for which such investments were made.

11.8 AMENDMENT AND TERMINATION.

(a) Except as otherwise provided in this section, the Company shall have the sole authority to modify, amend or terminate this Plan; provided, however, that any modification or termination of this Plan shall not reduce, alter or impair, without the consent of a Participant, a Participant's right to any amounts already credited to his or her Account on the day before the effective date of such modification or termination; provided further, however, that if the Company makes any modification or amendment that is not permitted under the terms of the Adoption Agreement, the Company will no longer be considered to have adopted this Plan. Following such termination, payment of such credited amounts may be made in a single-sum payment if the Company so designates. Any such decision to pay in a single lump sum shall apply to all Participants.

(b) The Company reserves the right to make any modification or amendment to the Plan or the Adoption Agreement that it deems necessary to comply with any requirements of law or to insure favorable tax treatment under the Plan.

11.9 COMPANY DETERMINATIONS. Any determinations, actions or decisions of the Company (including, but not limited to, Plan amendments and Plan termination) shall be made by the board of directors of the Company in accordance with its established procedures or by such other individuals, groups or organizations that have been properly delegated by the board of directors to make such determination or decision.

11.10 CONSTRUCTION. All questions of interpretation, construction or application arising under or concerning the terms of this Plan shall be decided by the Administrator, in its sole and final discretion, whose decision shall be final, binding and conclusive upon all persons.

11.11 GOVERNING LAW. This Plan shall be governed by, construed and

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administered in accordance with the applicable provisions of ERISA and any other applicable federal law, provided, however, that to the extent not preempted by federal law this Plan shall be governed by construed and administered under the laws of the State of California, other than its laws respecting choice of law.

11.12 SEVERABILITY. If any provision of this Plan is held invalid or unenforceable, its invalidity or unenforceability shall not affect any other provision of this Plan and this Plan shall be construed and enforced as if such provision had not been included therein. If the inclusion of any Employee (or Employees) as a Participant under this Plan would cause the Plan to fail to comply with the requirements of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, then the Plan shall be severed with respect to such Employee or Employees, who shall be considered to be participating in a separate arrangement.

11.13 HEADINGS. The ARTICLE headings contained herein are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge or describe the scope or intent of this Plan nor in any way shall they affect this Plan or the construction of any provision thereof.

11.14 APPROVAL OF IRS. If the Company seeks a private letter ruling from the Internal Revenue Service and the Internal Revenue Service does not issue a ruling acceptable to the Company regarding the Plan, then the Plan (and the Trust, if applicable), at the election of the Company, shall be void ab initio and all Compensation Deferrals shall be returned to the Employees who made such contributions and all Company Contributions and Matching Contributions shall be returned to the Company.

11.15 DISCLAIMER. NEITHER SMITH BARNEY INC. NOR ANY OF ITS SUBSIDIARIES, AFFILIATES OR EMPLOYEES CAN PROVIDE ANY ASSURANCES AS TO THE TAX CONSEQUENCES THAT MAY BE OBTAINED FOR THE COMPANY OR ANY PARTICULAR PARTICIPANT, NOR DOES IT ASSUME ANY LEGAL RESPONSIBILITY IN THIS REGARD. THE COMPANY ACKNOWLEDGES AND AGREES THAT IT HAS CONSULTED ITS OWN TAX ADVISER AND LEGAL COUNSEL REGARDING BOTH THE LEGAL AND TAX CONSEQUENCES OF ENTERING INTO THIS PLAN, AND IS THEREFORE RESPONSIBLE FOR MAKING ANY DECISIONS AS TO FILINGS UNDER THE CODE OR ERISA THAT MAY BE REQUIRED IN CONNECTION HEREWITH.

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Appendix
Definition of Change of Control

A "Change in Control" shall be deemed to occur if (i) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, or the Company disposes of more than fifty percent (50%) of its interest in AMB Property, L.P.; (ii) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities; (iii) during any period of two (2) consecutive years (not including any period prior to the date of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clauses (i), (ii) or (iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; or (iv) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation (or other entity), other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (B) where more than fifty percent (50%) of the directors of the Company or the surviving entity after such merger or consolidation were directors of the Company immediately before such merger or consolidation.

SUBSIDIARIES OF REGISTRANT

<TABLE>
<CAPTION>

| Name of Subsidiary ----- | Jurisdiction of Organization and Type of Entity ----- |
|-----------------------------|-------------------------------------------------------------|
| <S> | <C> |
| AMB Property, L.P. | Delaware limited partnership |
| AMB Property II, L.P. | Delaware limited partnership |
| Long Gate, L.L.C. | Delaware limited liability company |

</TABLE>

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into AMB Property Corporation's previously filed Registration Statement File Nos. 333-68291, 333-68283, 333-42015, 333-75953, 333-78779, 333-78699, 333-76823, 333-81475, 333-80815, 333-75951, 333-36894, and 333-73718.

ARTHUR ANDERSEN LLP

San Francisco, California
March 28, 2002

March 28, 2002

Securities and Exchange Commission
Washington, DC

Arthur Andersen LLP has represented AMB Property Corporation that its audit was subject to Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of Andersen personnel working on the audit, availability of national office consultation and availability of personnel at foreign affiliates of Andersen to conduct the relevant portions of the audit.

AMB PROPERTY CORPORATION