

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, 1998

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)

<TABLE>

<S>	MARYLAND	<C>	94-3281941
	(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)		(IRS EMPLOYER IDENTIFICATION NO.)
	505 MONTGOMERY ST., SAN FRANCISCO, CALIFORNIA		94111
	(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)		(ZIP CODE)

</TABLE>

(415) 394-9000  
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<TABLE>

<S>	COMMON STOCK, \$.01 PAR VALUE	<C>	NEW YORK STOCK EXCHANGE
	8 1/2% SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK		(NAME OF EXCHANGE ON WHICH REGISTERED)
	(TITLE OF CLASS)		

</TABLE>

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 12, 1999 was approximately \$1,735,825,938.

As of March 12, 1999, there were 86,026,271 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.

PART I

ITEM 1. BUSINESS

GENERAL

AMB Property Corporation, a Maryland corporation ("AMB" or the "Company"), as of December 31, 1998, owned and operated industrial buildings and retail

centers totaling 63.6 million square feet located in 30 markets nationwide, including: Chicago, San Francisco Bay Area, Dallas/Ft. Worth, Los Angeles, Minneapolis, Atlanta, Seattle, Miami, Boston, and Northern New Jersey. As of December 31, 1998, the Company owned 582 industrial buildings, aggregating 56.6 million rentable square feet (the "Industrial Properties"), principally warehouse distribution buildings, which were 96.0% leased, and 38 retail centers, aggregating 7.0 million rentable square feet (the "Retail Properties"), principally grocer-anchored community shopping centers, which were 94.6% leased. The Industrial Properties and the Retail Properties collectively are referred to as the "Properties."

On March 9, 1999, we signed a series of definitive agreements with BPP Retail, LLC ("BPP Retail"), a co-investment entity between Burnham Pacific Properties ("BPP") and the California Public Employees' Retirement System ("CalPERS"), pursuant to which BPP Retail will acquire 28 of our retail shopping centers, totaling 5.1 million square feet, for an aggregate price of \$663.4 million. BPP Retail will acquire the centers in separate transactions, which we currently expect to close on or about April 30, 1999, July 31, 1999 and December 1, 1999. In addition, we have entered into a definitive agreement, subject to a financing confirmation, with BPP, pursuant to which BPP will acquire six additional retail centers, totaling 1.5 million square feet, for \$284.4 million. Assuming the receipt of the financing confirmation, we currently expect this transaction to close by December 31, 1999. In connection with these transactions, we have also granted CalPERS an option to purchase up to 2,000,000 original issue shares of AMB's Common Stock for an exercise price of \$25 per share that CalPERS may exercise on or before March 31, 2000. There can be no assurance, however, that the transactions will close as scheduled or close at all, and it is possible that the transactions may close with respect to just a portion of the properties currently subject to the agreements. We currently expect that the substantial majority of our acquisition activities going forward will be in industrial properties. See "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations -- Business Risks -- Failure to Consummate the Transactions with BPP Retail and BPP."

INDUSTRIAL AND RETAIL PROPERTIES BY REGION  
AT DECEMBER 31, 1998

<TABLE>  
<CAPTION>

		INDUSTRIAL PROPERTIES			RETAIL PROPERTIES			TOTAL	
		NUMBER	RENTABLE	% OF	NUMBER	RENTABLE	% OF	NUMBER	RENTABLE
		OF	SQUARE		OF	SQUARE		OF	SQUARE
% OF	REGION	BUILDINGS	FEET	TOTAL	CENTERS	FEET	TOTAL	BUILDINGS	FEET
TOTAL	-----	-----	-----	-----	-----	-----	-----	-----	-----
---	-----	-----	-----	-----	---	-----	-----	---	-----
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>									
Eastern.....		100	12,181,830	21.5%	4	1,272,968	18.2%	104	
13,454,798	21.2%								
Midwestern.....		108	12,136,083	21.4%	4	710,833	10.2%	112	
12,846,916	20.2%								
Southern.....		192	17,264,646	30.5%	13	2,093,257	30.0%	205	
19,357,903	30.4%								
Western.....		182	15,028,308	26.6%	17	2,907,986	41.6%	199	
17,936,294	28.2%								
---	-----	---	-----	-----	---	-----	-----	---	-----
Total.....		582	56,610,867	100.0%	38	6,985,044	100.0%	620	
63,595,911	100.0%	===	=====	=====	==	=====	=====	===	
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

</TABLE>

As of December 31, 1998, we employed 138 individuals; 106 in our San Francisco headquarters and 32 in our Boston office. We actively manage our Properties through our experienced staff of regional managers. See "Business and Operating Strategies."

We are self-administered and self-managed and expect that we have qualified and will continue to qualify as a real estate investment trust ("REIT") for federal income tax purposes beginning with the year ending December 31, 1997. As a self-administered and self-managed REIT, our own employees perform our administrative and management functions, rather than our relying on an outside manager for these services. The principal executive office of the Company and AMB Property, L.P., a Delaware limited partnership (the

"Operating Partnership"), is located at 505 Montgomery Street, San Francisco, California 94111, and our telephone number is (415) 394-9000. We also maintain a regional office in Boston, Massachusetts. Unless the context otherwise requires,

the terms "we," "us," "our," "AMB" and the "Company" refer to AMB Property Corporation, the Operating Partnership and the other controlled subsidiaries.

#### FORMATION OF THE COMPANY

The Company commenced operations as a fully integrated real estate company in connection with the completion of its initial public offering (the "IPO") on November 26, 1997, and elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), with its initial tax return for the year ended December 31, 1997. The Company, through its controlling sole general partnership interest in the Operating Partnership and through certain other direct and indirect subsidiaries, is engaged in the ownership, operation, management, acquisition, renovation, expansion, and development of industrial buildings and community shopping centers in target markets nationwide. As of December 31, 1998, the Company owned a 95.1% general partnership interest in the Operating Partnership, excluding preferred units.

The Company and the Operating Partnership were formed shortly before consummation of the IPO. AMB Institutional Realty Advisors, Inc., a California corporation and registered investment advisor (the "Predecessor"), formed AMB Property Corporation and merged with and into the Company (the "Merger") in exchange for 4,746,616 shares of the Company's Common Stock. In addition, the Company and the Operating Partnership acquired through a series of mergers and other transactions 31.8 million rentable square feet of industrial property and 6.3 million rentable square feet of retail property in exchange for 65,022,185 shares of the Company's Common Stock, 2,542,163 limited partnership units in the Operating Partnership, the assumption of debt, and to a limited extent, cash.

On November 26, 1997, the Company completed the IPO of 16,100,000 shares of Common Stock for \$21.00 per share, resulting in gross offering proceeds of approximately \$338.1 million. Net of underwriters' commission and offering costs aggregating \$38.1 million, the Company received approximately \$300.0 million in proceeds from the IPO. The Company contributed net proceeds of the IPO to the Operating Partnership in exchange for general partnership units. The Operating Partnership used these proceeds to repay indebtedness, to purchase interests from certain investors who elected not to receive common stock or limited partnership units, to fund property acquisitions, and to meet general corporate working capital requirements.

For local law purposes, we own properties in certain states through limited partnerships and limited liability companies owned 99% by the Operating Partnership and 1% by a wholly-owned subsidiary of the Company. The ownership of such Properties through such entities does not materially affect our overall ownership of the interests in the Properties. As the sole general partner of the Operating Partnership, the Company has the full, exclusive and complete responsibility and discretion in the management and control of the Operating Partnership. The purchase method of accounting was applied to the acquisition of the properties. Collectively, the Merger and the other formation transactions described above are referred to as the "Formation Transactions."

In connection with the Formation Transactions, the Operating Partnership acquired all of the non-voting preferred stock of AMB Investment Management Inc., a Maryland corporation ("AMB Investment Management") representing a 95% economic interest therein. AMB Investment Management conducts its operations through AMB Investment Management Limited Partnership, a Maryland limited partnership ("AMB Investment Management Partnership"), of which it is the sole general partner and owns the entire capital interest. AMB Investment Management was formed to succeed to the Predecessor's investment management business of providing real estate investment management services on a fee basis to clients and intends to grow its business through the Company's co-investment program. All of the common stock of AMB Investment Management, representing a 5% economic interest therein, is owned by the Company's current or former executive officers.

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#### BUSINESS AND OPERATING STRATEGIES

We focus on serving the needs of the supply chain through our ownership of industrial and retail properties. As of December 31, 1998, our portfolio consisted of 76% Industrial Properties and 24% Retail Properties, based on annualized base rent for the properties. We believe that the rapid growth in the air freight business, in the outsourcing of supply chain management to logistics companies and of e-commerce are indicators of changes that are occurring in the supply chain and the manner in which goods are distributed. We focus our investment activities on properties which we believe will benefit by these changes, such as high throughput distribution properties located in major hub distribution markets and near major air cargo facilities, seaports or major highway systems throughout the U.S. 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 firms across the country, which provide local property management and leasing services to us on a fee basis. We believe that real estate is fundamentally a local business and that the most effective way for a national company such as us to operate is by

forging alliances with the best available service providers in our markets.

#### STRATEGIC ALLIANCE PROGRAMS(TM)

We believe that our strategy of forming strategic alliances with local and regional real estate experts improves our operating efficiency and flexibility, strengthens customer satisfaction and retention and, most importantly, provides us with growth opportunities. Additionally, our strategic alliances with institutional investors enhance our access to private capital and our ability to finance transactions.

Our six Strategic Alliance Programs(TM) can be grouped into two categories:

- Operating Alliances(TM), which allow us to form relationships with local or regional real estate experts, thereby becoming their ally rather than their competitor; and
- Investment Alliances(TM), which allow us to establish relationships with a variety of capital sources.

#### OPERATING ALLIANCES(TM)

MANAGEMENT ALLIANCE PROGRAM(TM): Our strategy for the Management Alliance Program(TM) is to develop close relationships with and outsource property management to local property managers that we believe to be among the best in their respective markets. Our alliances with local property managers increase our flexibility, reduce our overhead expenses and improve our customer service. In addition, these alliances provide us with local market information related to tenant activity and acquisition opportunities.

CUSTOMER ALLIANCE PROGRAM(TM): Through our Customer Alliance Program(TM), we seek to build long-term working relationships with major tenants. We are committed to working with our tenants, particularly our larger tenants with multi-site requirements, to make their property searches as efficient as possible.

BROKER ALLIANCE PROGRAM(TM): Through our Broker Alliance Program(TM), we work closely with top local leasing companies in each of our markets, which brokers provide us with access to high quality tenants and local market knowledge.

#### INVESTMENT ALLIANCES(TM)

DEVELOPMENT ALLIANCE PROGRAM(TM): Our strategy for the Development Alliance Program(TM) is to enhance our development capability while reducing our overhead expenses, by forming alliances with development firms with a strong local presence and expertise, who have proven they have the insight to recognize potential in an undervalued asset and the skill to realize that value.

UPREIT ALLIANCE PROGRAM(TM): Through our UPREIT Alliance Program(TM), we issue limited partnership units in the Operating Partnership in exchange for properties, thus providing additional growth for the portfolio.

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INSTITUTIONAL ALLIANCE PROGRAM(TM): Our strategy for the Institutional Alliance Program(TM) is to form alliances with institutional investors through the co-investment program of AMB Investment Management. Our alliances with institutional investors provide us with access to private capital, including during those times when the public markets are less attractive, as well as providing us with a source of incremental fee income and investment returns.

#### NATIONAL PROPERTY COMPANY

We own properties in 30 markets throughout the U.S. We believe that our national strategy enables us to:

- increase or decrease investments in certain regions to take advantage of the relative strengths in different real estate markets,
- retain and accommodate tenants as they consolidate or expand and
- build brand awareness as well as customer loyalty through the delivery of consistent service and quality product.

#### RESEARCH-DRIVEN, SELECT MARKET FOCUS

We focus on acquiring, redeveloping and operating Industrial Properties in "in-fill locations," which are characterized by limited new construction opportunities, near major air cargo facilities, seaports or major highway systems. As the strength of these markets continues to grow and the demand for well-located properties increases, we believe that we will benefit from an upward pressure on rents resulting from the increased demand combined with the relative lack of new available space. Our decisions regarding the deployment of capital are experience- and research-driven, and are based on thorough

qualitative and quantitative research and analysis of local markets. We employ a dedicated research department using proprietary analyses, databases and systems.

We intend to continue to focus our industrial property investment activities in six hub markets which dominate national warehouse distribution activities -- Atlanta, Chicago, Dallas/Fort Worth, Los Angeles, Northern New Jersey and San Francisco Bay Area -- as well as properties located near major air cargo facilities, seaports or convenient to major highway systems. We also invest in selected regional distribution markets including Boston, Denver, Houston, Miami, Minneapolis, San Diego, Seattle and Baltimore/ Washington, D.C. We focus on these established industrial markets because we believe they offer large and broadly diversified tenant bases which provide greater demand for properties over market cycles than secondary markets. In-fill locations within these markets also typically have significant barriers to new construction, including geographic or regulatory supply constraints, and these markets typically benefit from an access to large labor supplies and well-developed transportation networks.

#### DISCIPLINED INVESTMENT PROCESS

Over our 15-year history prior to the consummation of the IPO, we have established a disciplined approach to the investment process through operating divisions that are subject to the overall policy direction of our management's investment committee (the "Investment Committee"). The stages in the investment process are highly integrated, with Investment Committee review at critical points in the process.

Approval of each investment is the responsibility of the Investment Committee with sponsorship from both an acquisitions officer and the regional manager who will be responsible for managing the property. The initial investment recommendation is thoroughly evaluated, with approval required in order to proceed to contract and full due diligence. The terms of the acquisition and its structure are determined as part of the initial approval and are the responsibility of the acquisitions officer. The regional manager is involved in providing and verifying underwriting assumptions and developing the operating strategy. After the due diligence review and before removing conditions to the contract, a final Investment Committee recommendation is prepared by the acquisition and asset management team. The Investment Committee conducts a complete review of the information developed during the due diligence process and either rejects or gives final approval.

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We have also established proprietary systems and procedures to manage and track a high volume of acquisition proposals, transactions and important market data. This includes an on-line open issues database that provides us with current information on the status of each transaction, highlighting the issues that must be addressed prior to closing, and a database that includes and compiles data on all transaction proposals and markets reviewed by us.

#### PROPERTY DEVELOPMENT

The multidisciplinary backgrounds of our employees 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. In this way, we leverage the development skill, access to opportunities and capital of such developers, transferring a significant amount of the development risk to them and eliminating the need and expense of an in-house development staff.

#### FINANCING STRATEGY

In order to maintain financial flexibility and facilitate the rapid deployment of capital over market cycles, we intend to operate with a debt-to-total market capitalization ratio of approximately 45% or less, although our organizational documents do not limit the amount of indebtedness that we may incur. Additionally, we intend to continue to structure our balance sheet in order to maintain investment-grade ratings. We also intend to keep the majority of our assets unencumbered to facilitate such ratings. As of December 31, 1998, our debt-to-total market capitalization ratio was approximately 38%. We calculate our debt-to-total market capitalization ratio by adding our consolidated debt to our share of unconsolidated joint venture debt and dividing by the total market capitalization, including preferred stock and preferred units.

We have a \$500 million unsecured revolving credit agreement (the "Credit Facility") with Morgan Guaranty Trust Company of New York as agent, and a syndicate of twelve other banks. The Credit Facility bears interest at a rate equal to LIBOR plus 90 to 120 basis points, depending upon our then current debt rating (currently LIBOR plus 90 basis points). We presently plan to use available borrowings under the Credit Facility for property acquisitions and for general corporate purposes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" and Note 5 to the Company's consolidated financial statements included in this

report.

We currently expect that our principal sources of working capital and funding for acquisitions, development, expansion and renovation of the Properties will include cash flow from operations, borrowings under the Credit Facility, other forms of secured or unsecured financing, proceeds from equity or debt offerings by the Company or the Operating Partnership (including issuances of units in the Operating Partnership or its subsidiaries), and proceeds from divestitures of Properties. Additionally, our co-investment program will also serve as a source of capital, particularly when more traditional sources of capital may not be available on attractive terms.

#### THE PREFERRED STOCK SUBSIDIARIES

AMB Investment Management provides real estate investment management services on a fee basis to certain of its clients which did not participate in the Formation Transactions. We presently intend to co-invest with clients of AMB Investment Management, to the extent such clients newly commit investment capital, through partnerships, limited liability companies or joint ventures. We use a co-investment formula with each client whereby we will own at least a 20% interest in all ventures. As of December 31, 1998, we had consummated five co-investments through one partnership. Headlands Realty Corporation invests in properties and interests in entities that engage in the management, leasing and development of properties and similar activities. The Operating Partnership owns 100% of the non-voting preferred stock of AMB Investment Management and Headlands Realty Corporation (representing approximately 95% of the economic interest in each entity) and certain of our current and former executive officers and an officer of AMB Investment Management and certain of our current and former executive officers and an officer of Headlands Realty

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Corporation own all of the outstanding voting common stock of AMB Investment Management and Headlands Realty Corporation, respectively (representing approximately 5% of the economic interest in each entity).

#### STRATEGIES FOR GROWTH

We intend to achieve our objectives of long-term sustainable growth in Funds from Operations ("FFO") and maximization of long-term stockholder value principally by growth through:

- operations, resulting from improved operating margins within the portfolio while maintaining above-average occupancy,
- continued property acquisitions, including through our Strategic Alliance Programs(TM), and
- renovation, expansion and development of selected properties, including through our Development Alliance Program(TM).

#### GROWTH THROUGH OPERATIONS

We seek to improve operating margins by maintaining the high occupancy rate of our Properties and by capitalizing on the economies of owning, operating and growing a large national portfolio. As of December 31, 1998, our Industrial Properties and Retail Properties owned as of that date were 96.0% leased and 94.6% leased, respectively. During the 12 months ended December 31, 1998, we increased average base rental rates (on a cash basis) by 14.3% from the expiring rent for that space, on leases entered into or renewed during such period, representing 7.7 million rentable square feet. Annualized base rent represents the monthly contractual amount under existing leases at the end of the year, multiplied by 12. This amount excludes expense reimbursements, rental abatements and percentage rents.

During the 12 months ending December 31, 1999, leases encompassing an aggregate of 16.3 million rentable square feet (representing 25.6% of our aggregate rentable square footage as of December 31, 1998) are subject to contractual rent increases resulting in an average increase in the annualized base rent on such leases of approximately 6.3%. Based on recent experience and current market trends, we believe we will have an opportunity to increase the average base rental rate on Property leases expiring during the 12 months ending December 31, 1999 covering an aggregate of 9.3 million rentable square feet. We seek to reduce the potential volatility of our portfolio's FFO by managing lease expirations so that they occur within individual properties and across the entire portfolio in a staggered fashion, and by monitoring the credit and mix of tenants, particularly those in the Retail Properties.

#### GROWTH THROUGH ACQUISITIONS

We believe 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 have relationships through our Institutional Alliance Program(TM) with a number of the nation's leading pension funds and other institutional investors, many of

whom have large portfolios of industrial properties. We believe that our relationship with third party local property managers through our Management Alliance Program(TM) 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(TM) 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.

Between January 1, 1998 and December 31, 1998, we invested approximately \$837.5 million (including our share of co-investments) in:

- 228 industrial buildings aggregating 18.8 million square feet,
- two retail centers aggregating 0.4 million square feet and

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- an unconsolidated limited partnership interest in an existing real estate joint venture which owns 36 industrial buildings aggregating 4.0 million square feet.

Of the total investment during such period, we invested approximately \$215.8 million through our UPREIT Alliance Program(TM), approximately \$139.5 million through our Institutional Alliance Program(TM), and \$137.9 million through our Management Alliance Program(TM).

We are generally in various stages of negotiations for a number of acquisitions, which may include acquisitions of individual properties, large multi-property portfolios and other real estate companies. There can be no assurance that we will consummate any of these acquisitions. Such acquisitions, 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 the Credit Facility, other forms of secured or unsecured financing, issuances of debt or equity securities by the Company or the Operating Partnership (including issuances of units in the Operating Partnership or its subsidiaries), proceeds from divestitures of certain assets, and assumption of debt related to the acquired assets.

#### GROWTH THROUGH PROPERTY DEVELOPMENT

We believe that renovation and expansion of value-added properties and development of well-located, high-quality industrial properties and community shopping centers 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, properties that are well-located but require redevelopment or renovation, and occasionally undeveloped land acquired in connection with another property that provides an opportunity for development. Such properties require significant management attention and/or capital investment to maximize their return. We have developed the in-house expertise to create value through acquiring and managing value-added properties and believe our national market presence and expertise will enable us to continue to generate and capitalize on such opportunities. Through our Development Alliance Program(TM), we have established certain strategic alliances with national and regional developers to enhance our development capabilities.

As of December 31, 1998, we had committed to invest approximately \$349.9 million to develop approximately 5.8 million rentable square feet. Approximately \$301.5 million of this investment is through our Development Alliance Program(TM). See "Development Projects in Progress."

#### 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 which could adversely affect us.

#### ITEM 2. PROPERTIES

The Properties that we owned as of December 31, 1998, are divided into two operating divisions. We have broken down these two operating divisions into thirty identifiable markets. We have provided this breakdown for external reporting purposes only. It reflects the key markets of interest to our stockholders and does not reflect how we are operationally managed. Segment information related to our operations can be found in Note 13 of Notes to Consolidated Financial Statements.

As of December 31, 1998, we owned 582 industrial buildings, representing an aggregate of 56.6 million rentable square feet, principally warehouse distribution properties, which were 96.0% leased, and the 38 retail centers, representing an aggregate of 7.0 million rentable square feet, principally grocer-anchored community shopping centers, which were 94.6% leased. During the year ended December 31, 1998, no individual industrial or retail tenant

accounted for greater than 2% of rental revenues or total square feet. As of December 31, 1998, the largest industrial tenant accounted for only 1.0% and 0.7% of industrial base rent and total base rent, respectively. As of December 31, 1998, the largest retail tenant accounted for only 4.2% and 1.0% of retail base rent and total base rent, respectively.

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#### INDUSTRIAL PROPERTIES

At December 31, 1998, we owned 582 industrial buildings aggregating approximately 56.6 million rentable square feet, located in 26 markets nationwide. The Industrial Properties accounted for \$247.2 million, or 75.7%, of our annualized base rent derived from the Properties as of December 31, 1998. The Industrial Properties were 96.0% leased to over 1600 tenants as of the same date, the largest of which accounted for no more than 1.0% of our annualized base rent from the Industrial Properties.

Property Characteristics. The Industrial Properties, which consist primarily of warehouse distribution facilities suitable for single or multiple tenants, are typically comprised of multiple buildings (an average of five) and generally range between 300,000 and 600,000 rentable square feet, averaging 475,000 rentable square feet per Property. The following table identifies characteristics of our typical industrial buildings:

<TABLE>  
<CAPTION>

	TYPICAL BUILDING	RANGE		
	<C>	<C>	<C>	<C>
<S>				
Rentable square feet.....	100,000	70,000	-	150,000
Clear height.....	24 ft.	18	-	32 ft.
Building depth.....	200 ft.	150	-	300 ft.
Truck court depth.....	110 ft.	90	-	130 ft.
Loading dock & grade.....	Dock or Dock & Grade			
Parking spaces per 1,000 square feet.....	1.0	0.5	-	2.0
Square footage per tenant.....	35,000	5,000	-	100,000
Office finish.....	8%	3%	-	15%
Site coverage.....	40%	35%	-	55%

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

Overview of Major Target Markets. The Industrial Properties are concentrated in national hub distribution markets, such as Atlanta, Chicago, Dallas/Fort Worth, Los Angeles, Northern New Jersey, and the San Francisco Bay Area, because we believe their strategic location, transportation network and infrastructure, and large consumer and manufacturing bases support strong demand for industrial space. According to statistics published by CB Commercial/Torto Wheaton Research, the six national hub markets listed above are the nation's largest warehouse markets and, as of December 31, 1998, comprised 38.8% of the warehouse inventory of the 53 industrial markets tracked by them. According to statistics published by CB Commercial/Torto Wheaton Research, as of December 31, 1998, the combined population of these markets was approximately 40.3 million, and the amount of per capita warehouse space was 19.2% above the average for those 53 industrial markets.

Within these metropolitan areas, the Industrial Properties are concentrated in in-fill locations (which are characterized by limited new construction opportunities due to high population densities and low levels of available land that could be developed into competitive industrial or retail properties) within established, relatively large submarkets (markets within a metropolitan area in which the competitive environment for one or more property types is largely dependent upon the supply of such property type in such market rather than the supply of such property type in other portions of such metropolitan area) 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 air cargo facilities, seaports and convenient to major highways and rail lines, are proximate to a diverse labor pool, and have limited land available for new construction. 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. Small metropolitan areas or cities without a heavy concentration of warehouse activity typically have few, if any, supply-constrained locations (those areas typified by significant population densities, a limited number of



existing industrial tenants and a low availability of land which could be developed into competitive space for additional industrial tenants).

INDUSTRIAL PROPERTY SUMMARY

As of December 31, 1998, the 582 industrial buildings were diversified across 26 markets nationwide. The average age of the Industrial Properties is 12 years (since the Property was built or substantially renovated), which we believe should result in lower operating costs over the long term. 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).

<TABLE>

<CAPTION>

INDUSTRIAL PROPERTIES NUMBER (MARKET/SUBMARKET) LEASES	NUMBER OF BUILDINGS	TOTAL RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL RENTABLE SQUARE FEET	PERCENTAGE LEASED	ANNUALIZED BASE RENT (000'S) (1)	PERCENTAGE OF TOTAL ANNUALIZED BASE RENT	OF
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<b>EASTERN</b>							
Baltimore/Washington, D.C.....	14	1,997,682	3.5%	87.0%	\$ 7,732	3.1%	
34 Boston.....	38	4,508,244	7.9%	97.3%	18,651	7.5%	
59 Charlotte.....	12	831,974	1.5%	97.7%	3,609	1.5%	
31 Cincinnati.....	6	812,134	1.4%	93.7%	2,566	1.0%	
11 No. New Jersey.....	14	2,986,061	5.3%	98.8%	15,114	6.1%	
22 Philadelphia.....	13	779,594	1.4%	98.0%	2,918	1.2%	
26 Wilmington.....	3	266,141	0.5%	100.0%	1,057	0.4%	
5							
----							
Total/Weighted Average....	100	12,181,830	21.5%	95.9%	51,647	20.9%	
188							
<b>MIDWESTERN</b>							
Chicago.....	63	7,116,168	12.6%	93.5%	25,937	10.5%	
111 Columbus.....	2	468,433	0.8%	100.0%	1,363	0.6%	
2 Minneapolis.....	43	4,551,482	8.0%	95.5%	16,756	6.8%	
211							
----							
Total/Weighted Average....	108	12,136,083	21.4%	94.5%	44,056	17.8%	
324							
<b>SOUTHERN</b>							
Atlanta.....	39	3,184,953	5.6%	93.3%	\$ 13,392	5.4%	
138 Austin.....	6	735,240	1.3%	100.0%	4,964	2.0%	
22 Dallas/Ft. Worth.....	58	4,869,424	8.6%	97.7%	16,508	6.7%	
172 Houston.....	22	1,951,787	3.5%	95.0%	6,552	2.7%	
109 Memphis.....	19	2,259,162	4.0%	94.7%	9,107	3.7%	
50 Miami.....	25	2,173,481	3.8%	98.1%	12,746	5.2%	
80 New Orleans.....	5	411,689	0.7%	99.3%	1,810	0.7%	
49 Orlando.....	18	1,678,910	3.0%	87.4%	5,709	2.3%	
69							
----							
Total/Weighted Average....	192	17,264,646	30.5%	95.4%	70,788	28.6%	
689							
<b>WESTERN</b>							
Denver.....	2	63,080	0.1%	89.9%	279	0.1%	
15 Los Angeles.....	50	4,983,228	8.8%	97.4%	20,431	8.3%	
97 Orange County.....	12	563,437	1.0%	99.5%	3,476	1.4%	
33 Portland.....	5	676,104	1.2%	97.5%	2,657	1.1%	
9 Sacramento.....	1	182,437	0.3%	100.0%	630	0.3%	

1	San Diego.....	5	276,167	0.5%	100.0%	1,918	0.8%
16	San Francisco Bay Area.....	86	6,157,976	10.9%	98.0%	43,453	17.6%
226	Seattle.....	21	2,125,879	3.8%	98.8%	7,894	3.2%
57		---	-----	-----	-----	-----	-----
----	Total/Weighted Average....	182	15,028,308	26.6%	98.0%	80,738	32.7%
454	TOTAL/WEIGHTED AVERAGE.....	582	56,610,867	100.0%	96.0%	\$247,229	100.0%
1,655		===	=====	=====	=====	=====	=====
=====							

<CAPTION>

	ANNUALIZED BASE RENT PER LEASED SQUARE FOOT
INDUSTRIAL PROPERTIES (MARKET/SUBMARKET)	
-----	-----
<S>	<C>
EASTERN	
Baltimore/Washington, D.C.....	\$4.45
Boston.....	4.25
Charlotte.....	4.44
Cincinnati.....	3.37
No. New Jersey.....	5.12
Philadelphia.....	3.82
Wilmington.....	3.97
	-----
Total/Weighted Average....	4.42
MIDWESTERN	
Chicago.....	3.90
Columbus.....	2.91
Minneapolis.....	3.85
	-----
Total/Weighted Average....	3.84
SOUTHERN	
Atlanta.....	\$4.51
Austin.....	6.75
Dallas/Ft. Worth.....	3.47
Houston.....	3.53
Memphis.....	4.26
Miami.....	5.98
New Orleans.....	4.43
Orlando.....	3.89
	-----
Total/Weighted Average....	4.30
WESTERN	
Denver.....	4.92
Los Angeles.....	4.21
Orange County.....	6.20
Portland.....	4.03
Sacramento.....	3.45
San Diego.....	6.95
San Francisco Bay Area.....	7.20
Seattle.....	3.76
	-----
Total/Weighted Average....	5.48
TOTAL/WEIGHTED AVERAGE.....	\$4.55
	=====

</TABLE>

(1) Annualized base rent represents the monthly contractual amount under existing leases at December 31, 1998, multiplied by 12. This amount excludes expense reimbursements and rental abatements.

9

#### INDUSTRIAL PROPERTY TENANT INFORMATION

Largest Industrial Property Tenants. Our 25 largest Industrial Property tenants by annualized base rent are set forth in the table below.

<TABLE>

<CAPTION>

PERCENTAGE OF	PERCENTAGE OF
	AGGREGATE
	AGGREGATE

AGGREGATE ANNUALIZED RENT (3)	INDUSTRIAL TENANT NAME (1)	NUMBER OF PROPERTIES	RENTABLE SQUARE FEET	LEASED SQUARE FEET (2)	ANNUALIZED BASE RENT	BASE
<S>		<C>	<C>	<C>	<C>	<C>
Wakefern Food Corporation.....		1	419,900	0.8%	\$ 2,356	
1.0%						
Air Express International.....		2	284,635	0.5%	2,033	
0.8%						
Exel Logistics.....		3	581,246	1.1%	2,029	
0.8%						
Dell USA, L.P.....		1	290,400	0.5%	1,724	
0.7%						
Federal Express Corporation.....		3	189,168	0.3%	1,676	
0.7%						
Sequus Pharmaceuticals.....		1	140,609	0.3%	1,667	
0.7%						
Sage Enterprises.....		3	245,289	0.5%	1,641	
0.7%						
Sanmina Corporation.....		2	134,989	0.2%	1,639	
0.7%						
Home Depot USA, Inc.....		3	449,813	0.8%	1,584	
0.6%						
Acer America.....		2	271,487	0.5%	1,574	
0.6%						
Office Depot.....		3	402,298	0.7%	1,567	
0.6%						
Rite Aid.....		1	516,693	1.0%	1,550	
0.6%						
AM Cosmetics.....		1	326,500	0.6%	1,469	
0.6%						
Bradlees Stores, Inc.....		1	600,000	1.1%	1,453	
0.6%						
Boise Cascade Corporation.....		2	400,655	0.7%	1,436	
0.6%						
United States Postal Service.....		2	433,359	0.8%	1,334	
0.5%						
General Electric Company.....		4	318,055	0.6%	1,311	
0.5%						
Cosmair, Inc.....		1	303,843	0.6%	1,291	
0.5%						
Fujitsu.....		2	179,628	0.3%	1,271	
0.5%						
Schmalbach-Lubeca.....		2	339,104	0.6%	1,265	
0.5%						
Avery Denison.....		1	410,428	0.8%	1,231	
0.5%						
United Liquors, Ltd.....		1	315,000	0.6%	1,229	
0.5%						
Disney.....		1	336,143	0.6%	1,216	
0.5%						
Mylex.....		1	133,182	0.2%	1,205	
0.5%						
Rolf C. Hagen (USA) Corp.....		1	204,151	0.4%	1,133	
0.5%						
----			-----	-----	-----	-
15.3%	TOTAL/WEIGHTED AVERAGE.....		8,226,575	15.1%	\$37,884	
=====			=====	=====	=====	

</TABLE>

- (1) Tenant(s) may be a subsidiary of or an entity affiliated with the named tenant.
- (2) Computed as aggregate rentable square feet divided by the aggregate leased square feet of the Industrial Properties.
- (3) Computed as annualized base rent divided by the aggregate annualized base rent of the Industrial Properties.

INDUSTRIAL PROPERTY LEASE EXPIRATIONS

The following table summarizes the lease expirations for the Industrial Properties for leases in place as of December 31, 1998, without giving effect to the exercise of renewal options or termination rights, if any, at or prior to the scheduled expirations.

<TABLE>  
<CAPTION>

ANNUALIZED RENT OF EXPIRING LEASES LEASE EXPIRATION FOOT (3)	NUMBER OF LEASES EXPIRING (1)	FOOTAGE OF EXPIRING LEASES (1)	PERCENTAGE OF TOTAL RENTABLE SQUARE FOOTAGE (5)	ANNUALIZED BASE RENT OF EXPIRING LEASES (\$000S) (1) (2)	PERCENTAGE OF ANNUALIZED BASE RENT OF EXPIRING LEASES	PERCENTAGE OF ANNUALIZED BASE RENT PER SQUARE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999 (4) .....	375	8,921,425	16.4%	\$ 40,370	15.2%	\$4.53
2000 .....	381	10,253,191	18.9%	44,626	16.9%	4.35
2001 .....	344	8,766,856	16.1%	44,525	16.8%	5.08
2002 .....	225	8,165,045	15.0%	39,341	14.9%	4.82
2003 .....	181	6,701,162	12.3%	34,909	13.2%	5.21
2004 .....	45	3,009,447	5.5%	15,942	6.0%	5.30
2005 .....	39	2,978,049	5.5%	14,031	5.3%	4.71
2006 .....	19	1,214,803	2.2%	7,934	3.0%	6.53
2007 .....	13	1,495,177	2.7%	7,755	2.9%	5.19
2008 .....	21	1,355,779	2.5%	7,565	2.9%	5.58
2009 and beyond.....	11	1,514,097	2.8%	7,806	2.9%	5.16
----	----	-----	-----	-----	-----	----
----	----	-----	-----	-----	-----	----
TOTAL/WEIGHTED AVERAGE.....	1,654	54,375,031	100.0%	\$264,804	100.0%	\$4.87
=====	=====	=====	=====	=====	=====	=====

</TABLE>

- (1) Schedule includes executed leases that commence after December 31, 1998. Schedule excludes leases expiring prior to January 1, 1999.
- (2) Calculated as monthly rent at expiration multiplied by 12.
- (3) Rent per square foot is calculated by dividing the annualized base rent of expiring leases by the square footage expiring in any given year.
- (4) Includes leases encompassing 606,275 square feet which are on a month-to-month basis.
- (5) Represents percentage of total square footage of expiring leases.

#### RETAIL PROPERTIES

At December 31, 1998, we owned 38 retail centers aggregating approximately 7.0 million rentable square feet, 34 of which are grocer-anchored. The Retail Properties accounted for \$79.2 million, or 24.3%, of annualized base rent derived from the Properties as of December 31, 1998. The Retail Properties were 94.6% leased to over 900 tenants, the largest of which accounted for 4.2% of annualized base rent from the Retail Properties as of such date. The Retail Properties have an average age of six years since built, expanded or renovated.

On March 9, 1999, we signed a series of definitive agreements with BPP Retail, a co-investment entity between BPP and CalPERS, pursuant to which BPP Retail will acquire 28 of our retail shopping centers, totaling 5.1 million square feet, for an aggregate price of \$663.4 million. BPP Retail will acquire the centers in separate transactions, which we currently expect to close on or about April 30, 1999, July 31, 1999 and December 1, 1999. In addition, we have entered into a definitive agreement, subject to a financing confirmation, with BPP, pursuant to which BPP will acquire six additional retail centers, totaling 1.5 million square feet, for \$284.4 million. Assuming the receipt of the financing confirmation, we currently expect this transaction to close by December 31, 1999. In connection with these transactions, we have also granted CalPERS an option to purchase up to 2,000,000 original issue shares of AMB's Common Stock for an exercise price of \$25 per share that CalPERS may exercise on or before March 31, 2000. There can be no

assurance, however, that the transactions will close as scheduled or close at all. We currently expect that the substantial majority of our acquisition activities going forward will be in industrial properties. See "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations -- Business Risks -- Failure to Consummate the Transactions with BPP Retail and BPP."

The Retail Properties generally are located in supply-constrained trade areas (those trade areas typified by significant population densities, a limited number of existing retailers, such as grocers, and a low availability of land

which could be developed into competitive space for additional competitive retailers) of 16 major metropolitan areas. Our national operating strategy for the community shopping center business is based on detailed research regarding target trade areas which typically have high population densities and above-average income levels. We believe that the characteristics of our trade areas tend to result in Retail Properties with above-average retail sales.

Property Characteristics. The Retail Properties generally contain between 80,000 and 400,000 rentable square feet. On average, 67% of the rentable square feet for each of the Retail Properties is leased to one or more anchor tenants (such as all grocery stores, drugstores and any other retail tenant occupying more than 10,000 rentable square feet). The following table identifies characteristics of our typical Retail Property.

<TABLE>  
<CAPTION>

	TYPICAL BUILDING	RANGE
	-----	-----
<S>	<C>	<C>
Rentable square feet.....	190,000	80,000 - 400,000
Percentage of square feet leased by anchor tenants.....	67%	60% - 85%
Number of tenants.....	25	10 - 50
Parking spaces per 1,000 square feet.....	5.0	4.0 - 6.0
Square footage per anchor tenant.....	25,000	10,000 - 100,000
Average square footage per non-anchor tenant.....	1,500	750 - 5,000

Lease Terms. The Retail Properties are typically leased on a triple net basis, defined as leases in which tenants pay their proportionate share of real estate taxes, insurance and operating costs. In addition, some leases, including some anchor tenant leases, require tenants to pay percentage rents based on gross retail sales above predetermined thresholds. Typical anchor tenant leases also provide for payment of a percentage administrative fee in lieu of a management fee (calculated as a percentage of common area maintenance) which ranges between 5% and 15%. Lease terms typical for anchor tenants range from 10 to 20 years, with a weighted average of 19 years, with renewal options for an additional 10 to 20 years at fixed rents. Tenant improvement allowances are standard and the amounts vary by submarket. Typical non-anchor tenants have lease terms ranging from three to ten years with a weighted average of seven years and they typically receive options for an additional five-year term at market rents.

RETAIL PROPERTY SUMMARY

Rentable square footage occupied by anchor tenants accounted for 67.3% of the aggregate square footage of the Retail Properties as of December 31, 1998. Annualized base rent as of such date for our 25 largest tenants was approximately \$31.9 million, representing approximately 40.3% of annualized base rent for all of our Retail Properties. Annualized base rent for the remaining retail tenants was approximately \$47.3 million as of the same date, representing approximately 59.7% of the annualized base rent for all of our Retail Properties.

The following table sets forth, on a market basis, the rentable square footage leased to anchor tenants and non-anchor tenants as of December 31, 1998, and 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).

<TABLE>  
<CAPTION>

AVERAGE			ANCHOR	TOTAL	ANNUALIZED		
BASE RENT	RETAIL PROPERTIES	NUMBER	RENTABLE	RENTABLE	PERCENTAGE	BASE RENT	
PER SQUARE	(MARKET/SUBMARKET)	OF CENTERS	SQUARE FEET	SQUARE FEET	LEASED	(000'S) (1)	
FEET LEASED (2)		OF LEASES					
-----	-----	-----	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
<C>							
EASTERN							
\$10.45	Albany.....	1	29	513,985	602,477	98.1%	\$ 6,179
11.46	Baltimore/Washington, DC.....	1	12	390,288	404,755	100.0%	4,639
7.80	Boston.....	1	1	88,420	88,420	100.0%	690
17.98	Hartford.....	1	24	116,960	177,316	99.9%	3,185
	--	---	-----	-----	-----	-----	-----

-----	Total/Weighted Average.....	4	66	1,109,653	1,272,968	99.1%	14,693
11.65	MIDWESTERN						
	Chicago.....	3	47	413,883	504,916	96.3%	4,695
9.66	Minneapolis.....	1	30	151,757	205,917	100.0%	2,216
10.76							
-----							
	Total/Weighted Average.....	4	77	565,640	710,833	97.4%	6,911
9.99	SOUTHERN						
	Atlanta.....	2	31	142,754	218,790	93.6%	2,856
13.95	Houston.....	5	91	563,677	824,744	91.9%	8,053
10.62	Miami.....	6	145	678,251	1,049,723	86.9%	10,515
11.53							
-----							
	Total/Weighted Average.....	13	267	1,384,682	2,093,257	89.6%	21,424
11.43	WESTERN						
	Denver.....	2	64	351,193	512,460	98.6%	4,697
9.30	Los Angeles.....	3	151	408,904	751,132	97.0%	10,528
14.45	Reno.....	1	15	47,140	76,757	97.7%	762
10.16	San Diego.....	2	78	107,015	276,404	95.9%	4,402
16.61	San Francisco Bay Area.....	5	110	408,217	673,031	96.5%	8,949
13.78	Santa Barbara.....	1	25	97,189	144,484	100.0%	2,435
16.85	Seattle.....	3	70	287,411	473,718	87.3%	4,393
10.62							
-----							
	Total/Weighted Average.....	17	513	1,707,069	2,907,986	95.7%	36,166
13.00	TOTAL/WEIGHTED AVERAGE....	38	923	4,767,044	6,985,044	94.6%	\$79,194
\$11.98							
=====							

</TABLE>

(1) Annualized base rent represents the monthly contractual amount under existing leases at December 31, 1998, 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, 1998.

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#### RETAIL PROPERTY TENANT INFORMATION

Largest Retail Property Tenants. Our 25 largest Retail Property tenants by annualized base rent are set forth in the table below.

OF	NUMBER OF	AGGREGATE RENTABLE	AGGREGATE LEASED	ANNUALIZED BASE RENT	PERCENTAGE OF	PERCENTAGE
ANNUALIZED	OF	SQUARE FEET	SQUARE FEET (3)	(000S)	AGGREGATE	AGGREGATE
RENT (4)	RETAIL TENANT NAME (1)	CENTERS	SQUARE FEET	(000S)	BASE	BASE
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	Safeway Stores, Inc. (2).....	7	362,563	5.5%	\$ 3,290	4.2%
	Wal-Mart Stores, Inc. and Sam's Club.....	2	388,866	5.9%	2,891	3.7%
	Randall's Food & Drugs, Inc. (2).....	5	298,549	4.5%	2,369	3.0%
	Dayton Hudson.....	3	320,670	4.9%	1,784	2.3%
	Leonard Green & Partners.....	5	138,998	2.1%	1,608	2.0%
	Home Place.....	2	109,323	1.7%	1,450	1.8%
	Kroger (2).....	4	177,825	2.7%	1,414	1.8%
	Viacom.....	10	58,785	0.9%	1,264	1.6%
	Toys 'R Us, Inc.....	3	135,332	2.0%	1,247	1.6%
	Publix (2).....	5	199,764	3.0%	1,180	1.5%

J.C. Penney.....	4	74,612	1.1%	1,161	1.5%
Comp USA, Inc.....	4	95,213	1.4%	1,143	1.4%
Gap, Inc.....	4	57,591	0.9%	1,016	1.3%
Home Depot.....	1	116,095	1.8%	1,015	1.3%
Barnes & Noble Super Stores, Inc.....	3	50,600	0.8%	1,004	1.3%
Great Atlantic.....	1	86,889	1.3%	949	1.2%
Hallmark.....	13	51,643	0.8%	889	1.1%
Hannaford Bros. Co.(2).....	1	63,664	1.0%	875	1.1%
PETSMART, Inc.....	4	102,100	1.5%	875	1.1%
Ross Stores, Inc.....	2	61,120	0.9%	861	1.1%
Albertson's, Inc.(2).....	5	145,648	2.2%	854	1.1%
TJX, Inc.....	4	117,200	1.8%	769	1.0%
Randolph Bob's, Inc.....	1	88,420	1.3%	690	0.9%
Fry's Electronics.....	1	46,200	0.7%	677	0.9%
Rite Aid.....	6	124,110	1.9%	644	0.8%
TOTAL/WEIGHTED AVERAGE.....		3,471,780	52.5%	\$31,919	40.3%

</TABLE>

-----

- (1) Tenant(s) may be a subsidiary of or an entity affiliated with the named tenant.
- (2) Of the top 25 Retail Property tenants, six are grocers. Of the 38 Retail Properties, 34 are grocer-anchored.
- (3) Computed as aggregate rentable square feet divided by the aggregate leased square feet of the Retail Properties.
- (4) Computed as annualized base rent divided by the aggregate annualized base rent of the Retail Properties.

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#### RETAIL PROPERTY LEASE EXPIRATIONS

The following table sets forth a summary schedule of the Retail Property lease expirations for leases in place as of December 31, 1998 without giving effect to the exercise of renewal options or termination rights, if any, at or prior to the scheduled expirations.

<TABLE>  
<CAPTION>

ANNUALIZED LEASES YEAR OF LEASE EXPIRATION FOOT (3)	NUMBER OF LEASES EXPIRING (1)	FOOTAGE OF LEASES EXPIRING (1)	RENTABLE SQUARE FOOTAGE (5)	PERCENTAGE OF TOTAL RENTABLE SQUARE FOOTAGE (5)	ANNUALIZED BASE RENT OF EXPIRING LEASES (\$000S) (1) (2)	PERCENTAGE OF ANNUALIZED BASE RENT OF EXPIRING LEASES	RENT OF EXPIRING PER SQUARE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1999(4).....	151	357,631	5.4%	\$ 5,410	6.3%		
\$15.13							
2000.....	126	509,888	7.7%	6,363	7.4%		
12.48							
2001.....	128	560,719	8.5%	7,223	8.3%		
12.88							
2002.....	128	473,806	7.1%	8,041	9.3%		
16.97							
2003.....	109	609,345	9.2%	7,637	8.8%		
12.53							
2004.....	55	253,971	3.8%	4,271	4.9%		
16.82							
2005.....	37	135,828	2.0%	3,193	3.7%		
23.51							
2006.....	46	280,453	4.2%	5,594	6.5%		
19.95							
2007.....	36	442,848	6.7%	4,683	5.4%		
10.57							
2008.....	22	303,350	4.6%	3,244	3.7%		
10.69							
2009 and beyond.....	90	2,707,184	40.8%	30,896	35.7%		
11.41							
---	---	-----	-----	-----	-----	---	
TOTAL/WEIGHTED AVERAGE.....	928	6,635,023	100.0%	\$86,555	100%		
\$13.05	===	=====	=====	=====	=====		

=====

</TABLE>

- 
- (1) Schedule includes executed leases that commence after December 31, 1998.  
Schedule excludes leases expiring prior to January 1, 1999.
  - (2) Calculated as monthly rent at expiration multiplied by 12.
  - (3) Rent per square foot is calculated by dividing the annualized base rent of expiring leases by the square footage expiring in any given year.
  - (4) Includes leases encompassing 70,346 square feet which are on a month-to-month basis.
  - (5) Represents percentage of total rentable square footage of expiring leases.

15

OPERATING AND LEASING STATISTICS SUMMARY

The following summarizes key operating and leasing statistics for the Industrial and Retail Properties.

<TABLE>  
<CAPTION>

TOTAL	INDUSTRIAL	RETAIL	
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Square feet owned at December 31, 1998(1).....	56,610,867	6,985,044	
63,595,911			
Occupancy percentage at December 31, 1998.....	96.0%	94.6%	
95.8%			
Lease expirations as percentage of total sq. ft. (next 12 months).....	15.8%	5.1%	
14.6%			
Weighted average lease term.....	7 years	15 years	8
years			
Tenant retention:			
75.4%	-- Year.....	74.8%	84.1%
	-- Trailing average (1/01/95 to		
	12/31/98).....	73.4%	83.4%
73.9%			
Rent increases on renewals and			
rollovers:	-- Year.....	14.6%	13.3%
14.3%			
Same store cash basis NOI growth(2):)	-- Year.....	7.4%	6.5%
7.1%			
Second generation tenant improvements			
and leasing commissions per sq. ft.:	-- Year:		
\$0.95	Renewals.....	\$0.92	\$1.34
	Re-tenanted.....	2.08	9.99
2.47			
-----			
	Weighted average.....	\$1.10	\$2.64
\$1.18			
=====			
	-- Trailing average (1/01/95 to		
	12/31/98).....	\$1.22	\$4.75
\$1.42			
=====			

</TABLE>

- 
- (1) In addition to owned square feet, we manage, through its subsidiary, AMB Investment Management, 3.5 million, 0.6 million, and 0.4 million additional square feet of industrial, retail, and other properties, respectively. We also have an investment in 4.0 million square feet of Industrial Properties through our investment in an unconsolidated joint venture.
  - (2) Consists of industrial buildings and retail centers aggregating 25.6 million and 4.8 million square feet, respectively, that have been owned by us since January 1, 1997, and excludes development properties prior to stabilization. See "Item 14: Note 13 of Notes to Consolidated Financial Statements" for total property net operating income by segment.

HISTORICAL TENANT RETENTION RATES AND RENT INCREASES

The following table sets forth information relating to tenant retention rates and average rent increases (cash basis) on renewal and re-tenanted space for the Industrial Properties and the Retail Properties for the periods presented.



<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,			WEIGHTED AVERAGE
	1996	1997	1998	
<S>	<C>	<C>	<C>	<C>
INDUSTRIAL PROPERTIES:				
Retention rate.....	79.2%	69.5%	74.8%	74.1%
Rental increases.....	4.7%	13.0%	14.6%	
RETAIL PROPERTIES:				
Retention rate.....	88.4%	87.8%	84.1%	86.0%
Rental increases.....	5.4%	10.1%	13.3%	
TOTAL PROPERTIES:				
Retention Rate.....	79.8%	70.3%	75.4%	74.7%
Rental increases.....	5.0%	11.0%	14.3%	

</TABLE>

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RECURRING TENANT IMPROVEMENTS AND LEASING COMMISSIONS PER SQUARE FOOT LEASED

The table below summarizes for the Industrial Properties and the Retail Properties, separately, the recurring tenant improvements and leasing commissions per square feet leased for the periods presented. The recurring tenant improvements and leasing commissions represent costs incurred to lease space after the initial lease term of the initial tenant, excluding costs incurred to relocate tenants as part of a re-tenanting strategy. The tenant improvements and leasing commissions set forth below are not necessarily indicative of future tenant improvements and leasing commissions.

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,			WEIGHTED AVERAGE
	1996	1997	1998	
<S>	<C>	<C>	<C>	<C>
INDUSTRIAL PROPERTIES:				
Expenditures per renewed square foot leased.....	\$0.93	\$1.05	\$0.92	\$0.95
Expenditures per re-tenanted square foot leased.....	\$1.97	\$1.62	\$2.08	\$1.84
Weighted average.....	\$1.29	\$1.30	\$1.10	\$1.20
RETAIL PROPERTIES:				
Expenditures per renewed square foot leased.....	\$4.72	\$4.25	\$1.34	\$2.63
Expenditures per re-tenanted square foot leased.....	\$6.53	\$7.92	\$9.99	\$7.93
Weighted average.....	\$5.61	\$6.41	\$2.64	\$4.66

</TABLE>

OCCUPANCY AND AVERAGE BASE RENT

The table below sets forth weighted average occupancy rates and average base rent based on square feet leased of the Industrial Properties and the Retail Properties as of and for the periods presented.

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
<S>	<C>	<C>	<C>
INDUSTRIAL PROPERTIES:			
Occupancy rate at period end.....	97.2%	95.7%	96.0%
Average base rent per square foot(1).....	\$ 3.81	\$ 4.26	\$ 4.55
RETAIL PROPERTIES:			
Occupancy rate at period end.....	92.4%	96.1%	94.6%
Average base rent per square foot(1).....	\$11.32	\$11.98	\$11.98

</TABLE>

(1) Average base rent per square foot represents the total annualized contractual base rental revenue for the period divided by the average occupied square feet leased for the period.

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DEVELOPMENT PIPELINE

The following table sets forth the Properties owned by us as of December 31, 1998 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.

<TABLE>  
<CAPTION>

PROPERTIES -----	LOCATION -----	TYPE ----	DEVELOPMENT		ESTIMATED
			ALLIANCE	PARTNER (TM)	STABILIZATION
			-----		DATE (1)
			-----		-----
<S>	<C>	<C>	<C>		<C>
INDUSTRIAL(3)					
1. Fairway Drive Phase III.....	San Leandro, CA	Development		n/a	April 1999
2. South Dallas Industrial.....	Dallas, TX	Expansion		n/a	May 1999
3. Dock's Corner (Phase II).....	South Brunswick, NJ	Expansion		n/a	July 1999
4. North Great SW Industrial Park.....	Dallas, TX	Development			July 1999
			Trammell Crow Company		
5. Pennsy Drive.....	Landover, MD	Renovation		n/a	August 1999
6. Hempstead Highway Distribution Center.....	Houston, TX	Development			August 1999
			Cypress Realty		
7. Richardson Tech Center.....	Richardson, TX	Development		n/a	March 2000
8. Northwest Crossing Distribution Center.....	Houston, TX	Development			May 2000
			Trammell Crow Company		
9. Orlando Central Park Development.....	Orlando, FL	Development			July 2000
			Trammell Crow Company		
10. LA Media Tech Center.....	Los Angeles, CA	Development		Legacy Partners	February 2001
11. Suwanee Creek Distribution....	Atlanta, GA	Development		Seefried Properties	February 2001
12. South River Park Development.....	Cranbury, NJ	Development			March 2001
			Trammell Crow Company		
13. Cabot Business Park Land.....	Mansfield, MA	Development	National Development of NE		August 2001
14. Wilsonville.....	Wilsonville, OR	Development	Trammell Crow Company		January 2002
Subtotal.....					
RETAIL(3)					
15. Around Lenox.....	Atlanta, GA	Renovation	Alpine Partners		September 1999
16. Palm Aire.....	Miami, FL	Renovation	Lefmark		December 1999
17. Springs Gate.....	Coral Springs, FL	Development	Lefmark		December 2000
18. Northridge.....	Fort Lauderdale, FL	Renovation	Lefmark		April 2001
Subtotal.....					
Total.....					

<CAPTION>

PROPERTIES -----	ESTIMATED	ESTIMATED
	SQUARE FEET AT COMPLETION -----	TOTAL INVESTMENT (2) -----
<S>	<C>	<C>
INDUSTRIAL(3)		
1. Fairway Drive Phase III.....	116,000	\$ 5,400
2. South Dallas Industrial.....	95,000	2,400
3. Dock's Corner (Phase II).....	659,000	23,900
4. North Great SW Industrial Park.....	215,000	10,500
5. Pennsy Drive.....	359,000	14,800
6. Hempstead Highway Distribution Center.....	292,000	11,500
7. Richardson Tech Center.....	26,000	1,900
8. Northwest Crossing Distribution Center.....	178,000	6,900
9. Orlando Central Park Development.....	443,000	17,700
10. LA Media Tech Center.....	386,000	39,200
11. Suwanee Creek Distribution....	1,095,000	34,600
12. South River Park Development.....	626,000	27,900
13. Cabot Business Park Land.....	415,000	29,400
14. Wilsonville.....	155,000	7,300
Subtotal.....	5,060,000 (4)	233,400 (5)
RETAIL(3)		
15. Around Lenox.....	120,000	23,300
16. Palm Aire.....	143,000	17,700
17. Springs Gate.....	236,000	38,000
18. Northridge.....	259,000	37,500
Subtotal.....	758,000 (4)	116,500 (5)
Total.....	5,818,000	\$349,900

</TABLE>

(1) Estimated stabilization date means our estimate of when capital improvements for repositioning, development and redevelopment programs will have been completed and in effect for a period of time sufficient to achieve market occupancy. The estimates are based on our current estimates and forecasts and are therefore subject to change.

- (2) 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 our current estimates and forecasts and are therefore subject to change.
- (3) Excludes approximately 129 acres of land available for expansion of existing industrial buildings or development of new industrial buildings and approximately six acres of land available for expansion of existing retail centers.
- (4) Construction has begun on approximately 2.7 million square feet of industrial space and 0.5 million of retail space which was 37% and 75% leased, respectively, as of December 31, 1998.
- (5) As of December 31, 1998, we have spent approximately \$94.5 million and \$61.5 million for the renovation, expansion or development of Industrial and Retail Properties, respectively.

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PROPERTIES HELD THROUGH JOINT VENTURES, LIMITED LIABILITY COMPANIES AND PARTNERSHIPS

As of December 31, 1998, we held interests in 21 joint ventures, limited liability companies and partnerships with certain unaffiliated third parties (the "Joint Venture Participants") that are consolidated in our consolidated financial statements. Pursuant to the existing agreements with respect to each joint venture, we hold a greater than 50% interest in 16 of the joint ventures and a 50% interest in the remaining joint ventures, but in certain cases such agreements provide that we are a limited partner or that the Joint Venture Participant is principally responsible for day-to-day management of the Property (though in all such cases, we have approval rights with respect to significant decisions involving the underlying properties). Under the agreements governing the joint ventures, we and the Joint Venture Participant 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 Joint Venture Participant, and provide certain rights to us and/or the Joint Venture Participant to sell its interest to the joint venture or to the other venturer 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 such joint venture.

The following table sets forth certain information regarding the Properties owned through consolidated joint ventures as of December 31, 1998 (dollars in thousands):

<TABLE>  
<CAPTION>

PARTNERS' SHARE	PROPERTIES	BOOK VALUE OF		PARTNERS' INVESTMENT	BOOK VALUE OF		JV OF
		GROSS BOOK VALUE (1)	MORTGAGE DEBT		PARTNERS' INVESTMENT	COMPANY'S INVESTMENT	
FFO	-----	-----	-----	-----	-----	-----	-----
<S>		<C>	<C>	<C>	<C>	<C>	<C>
INDUSTRIAL							
1. Chancellor.....		\$ 6,451	\$ (2,925)	\$ (569)	\$ 2,957		10%
2. Nippon Express(2).....		6,358	--	(491)	5,867		
27%							
3. Metric Center.....		44,357	--	(5,392)	38,965		
13%							
4. Jamesburg(3).....		47,293	(23,500)	(11,737)	12,056		50%
5. Corporate Park/Hickory Hill(3).....		27,390	(16,400)	(5,461)	5,529		50%
6. Garland Industrial(3).....		33,347	--	(16,976)	16,371		
50%							
7. Minnetonka Industrial(3).....		28,047	(13,025)	(7,430)	7,592		50%
8. South Point Business Park(3).....		21,634	--	(10,776)	10,858		
50%							
9. Orlando Central Park Development(4).....		7,026	--	(345)	6,681		
5%							
10. South River Park Development(4).....		9,366	--	(343)	9,023		
5%							
11. Cabot Business Park Land(4).....		3,991	--	(382)	3,609		
10%							
12. North Great SW Industrial Park(4).....		2,333	--	(113)	2,220		
5%							
13. Northwest Crossing Distribution Center(4).....		1,520	--	(76)	1,444		
5%							
14. LA Media Tech Center(4).....		25,341	--	(507)	24,834		
2%		-----	-----	-----	-----		

Subtotal.....	264,454	(55,850)	(60,598)	148,006	
RETAIL					
15. Kendall Mall(4).....	36,078	(24,757)	187	11,508	29%
16. Manhattan Village.....	83,484	--	(7,759)	75,725	
10%					
17. Palm Aire(4).....	15,708	(5,755)	(1,107)	8,846	0%
18. Plaza at Delray(4).....	35,579	(23,142)	18	12,455	2%
19. Springs Gate(4).....	12,978	--	--	12,978	
0%					
20. Northridge(4).....	15,718	--	--	15,718	
0%					
21. Around Lenox(4).....	18,085	(11,114)	(683)	6,288	
0%					
Subtotal.....	217,630	(64,768)	(9,344)	143,518	
Total.....	\$482,084	\$ (120,618)	\$ (69,942)	\$291,524	

</TABLE>

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- 
- (1) Represents the book value of the property (before accumulated depreciation) owned by the joint venture entity and excludes net other assets.
  - (2) Represents a building which is part of the Lake Michigan Industrial Portfolio.
  - (3) These properties are owned by a joint venture with an Institutional Alliance Partner which is a client of AMB Investment Management.
  - (4) Represents a development, renovation or expansion project with a Development Alliance Partner (TM).

We account for all of the above investments on a consolidated basis for financial reporting purposes because of our ability to exercise control over significant aspects of the investment as well as our significant economic interest in such investments. See "Item 14, Note 2 of the Notes to Consolidated Financial Statements." We also have a noncontrolling limited partnership interest in one unconsolidated real estate joint venture with a net investment value of \$57.7 million as of December 31, 1998.

#### SECURED DEBT

As of December 31, 1998, the Operating Partnership had \$719.0 million of indebtedness secured by deeds of trust on certain properties. As of December 31, 1998, the total gross investment value of those properties secured by debt was \$1,458,652. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and Note 5 of Notes to Consolidated Financial Statements included in this report. We believe that as of December 31, 1998, the value of the Properties securing the respective obligations in each case exceeded the principal amount of the outstanding obligations.

#### ITEM 3. LEGAL PROCEEDINGS

Neither we nor any of the Properties is subject to any material litigation. To our knowledge, there is no material litigation threatened against any of them, other than routine litigation arising in the ordinary course of business, which we generally expect to be covered by liability insurance, or to have an immaterial effect on our financial results.

#### 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

The Company's Common Stock began trading on the New York Stock Exchange ("NYSE") on November 21, 1997, under the symbol "AMB." As of March 12, 1999, there were 160 holders of record of the Company's Common Stock (excluding shares held through The Deposit Trust Company, as nominee). Set forth below are the high and low sales prices per share of the Company's Common Stock, as reported on the NYSE composite tape, and the distribution per share paid by the Company during the period from November 26, 1997 through December 31, 1998.

<TABLE>

<CAPTION>

YEAR	HIGH	LOW	DISTRIBUTION
----	----	----	-----
<S>	<C>	<C>	<C>

1997	4th Quarter (from 11/21/97).....	\$25 1/8	\$22 1/4	\$0.134
1998	1st Quarter.....	24 15/16	23 3/8	0.3425
	2nd Quarter.....	25	22 3/8	0.3425
	3rd Quarter.....	25 13/16	22 11/16	0.3425
	4th Quarter.....	25	20 15/16	0.3425

</TABLE>

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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 the Company and its Predecessor on an historical basis for the years ended December 31, 1994, 1995, 1996, 1997, and 1998. Prior to November 26, 1997 (the IPO date), the Company's Predecessor provided real estate investment management services to institutional investors.

<TABLE>  
<CAPTION>

AS OF AND FOR THE YEARS ENDED DECEMBER 31,						
	PREDECESSOR(1)			COMPANY		
	1994	1995	1996	HISTORICAL(2) 1997	PRO FORMA(3) 1997	
(IN THOUSANDS EXCEPT SHARE DATA, PERCENTAGES AND NUMBER OF						
PROPERTIES)						
<S>						
<C>						
OPERATING DATA:						
Total revenues.....	\$12,865	\$16,865	\$23,991	\$ 56,062	\$284,674	\$
358,887						
Income from operations before minority interests.....	2,925	3,296	7,140	18,885	103,903	
123,750						
Net income available to common stockholders.....	2,925	3,262	7,003	18,228	99,508	
108,954						
Net income common per share:						
Basic(4).....	0.59	0.64	1.38	1.39	1.16	
1.27						
Diluted(4).....	0.59	0.64	1.38	1.38	1.15	
1.26						
Dividends per common share.....					1.37	
1.37						
Dividends per preferred share(5).....					--	
0.99						
OTHER DATA:						
EBITDA(6).....					\$195,218	\$
252,353						
Funds from Operations(7).....					147,409	
170,407						
Cash flows provided by (used in):						
Operating activities.....					131,621	
177,180						
Investing activities.....					(607,768)	
(796,213)						
Financing activities.....					553,199	
604,202						
BALANCE SHEET DATA:						
Investments in real estate at cost.....	\$ --	\$ --	\$ --	\$2,442,999		
\$3,369,060						
Total assets.....	4,092	4,948	7,085	2,506,255		
3,562,885						
Total consolidated debt(8).....	--	--	--	685,652		
1,368,196						
Stockholders' equity.....	3,848	4,241	6,300	1,668,030		
1,765,360						

(1) Represents the Predecessor's historical financial and other data for the years ended December 31, 1994, 1995 and 1996. The Predecessor operated as an investment manager prior to November 26, 1997.

(2) The historical 1997 results represent the Predecessor's historical financial and other data for the period January 1, 1997 through November 25, 1997. The

financial and other data of the Company, and the Properties acquired in the Formation Transactions, have been included subsequent to November 26, 1997 to December 31, 1997.

- (3) Pro forma 1997 financial and other data has been prepared as if the Formation Transactions, the IPO (as described in "Item 14. Note 1 of Notes to Consolidated Financial Statements") and certain property acquisitions and divestitures in 1997 had occurred on January 1, 1997.
- (4) Basic and diluted net income per share equals the pro forma net income divided by 85,874,513 and 86,156,556 shares, respectively, for 1997, and net income available to common stockholders divided by 85,876,383 and 86,235,176 shares, respectively, for 1998.
- (5) Dividends for the period commencing on July 27, 1998, the date of Series A Preferred Stock issuance.
- (6) EBITDA is computed as income from operations before divestiture of Properties and minority interests plus interest expense, income taxes, 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 an equity REIT because, together with net income and cash flows, EBITDA provides investors with an additional basis to evaluate the ability of a REIT to incur and service debt and to fund

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acquisitions and other capital expenditures. Includes an adjustment to reflect the Company's pro rata share of EBITDA in an unconsolidated joint venture. EBITDA is not a measurement of operating performance calculated in accordance with U.S. generally accepted accounting principles 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 U.S. generally accepted accounting principles. EBITDA may not be indicative of our historical operating results, nor be predictive of 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 REITs.

- (7) 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 the Company's pro rata share of the FFO of unconsolidated joint ventures, less minority interests' pro rata share of the FFO of consolidated joint ventures and perpetual preferred stock dividends. In accordance with the National Association of Real Estate Investment Trust ("NAREIT") White Paper on FFO, the Company includes the effects of straight-line rents in FFO. We believe that FFO is an appropriate measure of performance for an equity REIT. While FFO is a relevant and widely used measure of operating performance of REITs, it does not represent cash flow from operations or net income as defined by U.S. generally accepted accounting principles, and it should not be considered as an alternative to these indicators in evaluating liquidity or operating performance. Further, FFO as disclosed by other REITs may not be comparable.
- (8) Secured debt includes unamortized debt premiums of approximately \$18,286, and \$15,217 as of December 31, 1997 and 1998, respectively. See "Item 14. Notes 2 and 5 of the Notes to Consolidated Financial Statements."

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SELECTED PROPERTY FINANCIAL AND OTHER DATA

For comparative purposes, the table that follows provides selected historical financial and other data of the Properties. The historical results of the Properties for 1997 include the results achieved by the Company for the period from November 26, 1997 to December 31, 1997 and the results achieved by the prior owners of the Properties for the period from January 1, 1997 to November 25, 1997. The historical results of operations of the Properties for periods prior to November 26, 1997 include Properties that were managed by the Predecessor and exclude the results of four Properties that were contributed to the Company in the Formation Transactions that were not previously managed by the Predecessor. In addition, the historical results of operations include the results of Properties acquired after November 26, 1997, from the date of acquisition of such Properties to December 31, 1997.

<TABLE>  
<CAPTION>

AS OF AND FOR THE YEARS ENDED DECEMBER 31,

	COMPANY		
	PROPERTIES COMBINED(1)	HISTORICAL (2)	PRO FORMA (3)
-----			
-----			

	1994	1995	1996	1997	1997
1998					
(IN THOUSANDS EXCEPT PERCENTAGES AND NUMBER OF PROPERTIES)					
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA:					
Rental revenues.....	\$ 50,893	\$ 106,180	\$ 166,415	\$ 233,856	\$282,665
\$ 354,658					
BALANCE SHEET DATA:					
Investment in real estate at cost.....	666,672	1,018,681	1,616,091	2,442,999	
3,369,060					
Secured debt(4).....	201,959	254,067	522,634	535,652	
734,196					
PROPERTY DATA:					
INDUSTRIAL PROPERTIES					
Property net operating income(5).....					137,955
181,832					
Total rentable square footage at end of period.....	13,364	21,598	29,609	37,329	
56,611					
Occupancy rate at end of period.....	96.9%	97.3%	97.2%	95.7%	
96.0%					
RETAIL PROPERTIES					
Property net operating income(5).....					64,716
76,752					
Total rentable square footage at end of period.....	2,422	3,299	5,282	6,216	
6,985					
Occupancy rate at end of period.....	93.7%	92.4%	92.4%	96.1%	
94.6%					

- (1) Represents the Properties' combined historical financial and other data for the years ended December 31, 1994, 1995 and 1996. The historical results of operations of the Properties for periods prior to November 26, 1997 include Properties that were managed by the Predecessor and exclude the results of four properties that were contributed to the Company in the Formation Transactions that were not previously managed by the Predecessor.
- (2) The historical results of the Properties for 1997 include the results of the Company for the period from November 26, 1997 (acquisition date) to December 31, 1997 and the results achieved by the prior owners of the Properties for the period from January 1, 1997 to November 25, 1997.
- (3) The pro forma financial and other data has been prepared as if the Formation Transactions, the IPO (See "Item 14. Note 1 of Notes to Consolidated Financial Statements"), and certain 1997 property acquisitions and divestitures had occurred on January 1, 1997.
- (4) Secured debt as of December 31, 1997 and 1998 includes unamortized debt premiums of approximately \$18,286 and \$15,217, respectively. See "Item 14. Notes 2 and 5 of Notes to Consolidated Financial Statements."
- (5) Property net operating income (NOI) is defined as rental revenue, including reimbursements and straight-line rents, less operating expenses. See "Item 14, Note 13 of 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 the consolidated financial condition and results of operations in conjunction with the Notes to Consolidated Financial Statements. Statements contained in this discussion which are not historical facts may be forward looking statements. 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 be achieved or occur. 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 tenants, 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, 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, as amended, environmental uncertainties, risks related to natural disasters, financial market fluctuations, changes in real estate and zoning laws and increases in real property tax rates. Our success also depends upon economic trends generally, including interest rates, income tax laws, governmental regulation, legislation, population changes and certain other risk factors discussed in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Business Risk" in this report. We caution you not to place undue reliance on forward-looking statements, which reflect our analysis only and speak only as of the date of this report or the dates indicated in the statements.

#### GENERAL

Because of the significant impact of the Formation Transactions and the IPO on our results of operations, the discussion below is presented as follows:

- results of the Company and its Predecessor for the years ended December 31, 1998, 1997 and 1996; and
- results of the Properties for the years ended December 31, 1998, 1997 and 1996.

See "Item 1: Business -- General -- Formation of the Company" and Note 1 of Notes to Consolidated Financial Statements for discussion of the Formation Transactions.

#### COMPANY AND PREDECESSOR RESULTS OF OPERATIONS

The year ended December 31, 1998 was the Company's first full year operating as a real estate operating company. The historical results of the Company for 1997 include its results, including property operations, for the period from November 26, 1997 (the commencement of operations as a fully integrated real estate company) to December 31, 1997 and the results of the Company's Predecessor, an investment manager, for the period from January 1, 1997 to November 25, 1997, and the years ended December 31, 1997 and 1996. As an investment manager, the Predecessor's revenues consisted primarily of fees earned in connection with real estate management services. Management's discussion and analysis of the Company and Predecessor for the years ended December 31, 1997 and 1996 is limited to investment management and other income and general and administrative expenses, and excludes a discussion of rental revenues, operating expenses, interest expense and depreciation and amortization because such analysis is not comparable or meaningful given the differences in lines of business between the Company and the Predecessor.

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#### COMPANY AND PREDECESSOR -- YEARS ENDED DECEMBER 31, 1998 AND 1997

Total revenues. Total revenues, including straight-line rents, tenant reimbursements and other income, totaled \$358.9 million for the year ended December 31, 1998. The Predecessor's revenues consisted primarily of fees earned in connection with real estate management services. As such, no such rental revenues existed for the Predecessor for the years ended December 31, 1997

Property operating expenses and real estate taxes. Property operating expenses, including asset management costs and real estate taxes, totaled \$96.1 million for the year ended December 31, 1998. The Predecessor's expenses consisted primarily of salaries and other general administrative costs. As such, no such property operating expenses existed for the year ended December 31, 1997.

General and administrative expenses. Our general and administrative expenses were \$11.9 million for the year ended December 31, 1998, as compared to the Predecessor's investment management expenses of \$19.4 million for the period from January 1, 1997 to November 25, 1997. Investment management expenses of the Predecessor consisted primarily of salaries and other general and administrative expenses. The 46.1% decrease on an annualized basis in general and administrative expenses is attributable to the change in our operations from an investment manager to a fully integrated real estate company, and the formation of AMB Investment Management. In connection with the Formation Transactions, AMB Investment Management assumed employment and other related costs of certain employees who transferred from the Predecessor to AMB Investment Management for the purpose of carrying on the investment management business.

#### COMPANY AND PREDECESSOR -- YEARS ENDED DECEMBER 31, 1997 AND 1996

Investment management and other income. Investment management and other income for the period from January 1, 1997 to November 25, 1997 was \$29.0 million, which on an annualized basis represents a 34.1% increase over the year



ended December 31, 1996. The increase reflects the growth in the portfolio under management. Investment management and other income for the period from November 26, 1997 to December 31, 1997 was \$0.6 million.

General and administrative expenses. General and administrative expenses for the period from January 1, 1997 to November 25, 1997 were \$19.4 million, which represents a 27.7% increase on an annualized basis over the year ended December 31, 1996. The increase was attributable to an increase in staffing that resulted from the growth in the portfolio under management.

#### PROPERTIES RESULTS OF OPERATIONS

The historical results of operations of the Properties for periods prior to November 26, 1997 include Properties that were managed by the Predecessor and exclude the results of four properties that were contributed to the Company in the Formation Transactions that the Predecessor did not previously manage. The discussion below for the years ended December 31, 1997 and 1996 is limited to a discussion of rental revenues, property operating expense and real estate taxes and excludes an analysis of other income, interest expense and depreciation and amortization because such analysis is not comparable or meaningful given the differences in capital structures between the Company and the prior owners of the Properties and the impact of the Formation Transactions and the IPO on the Properties.

The historical property financial data presented in this report show significant increases in revenues and expenses principally attributable to the substantial portfolio growth. As a result, we do not believe the year-to-year financial data are comparable. Therefore, the analysis below shows changes resulting from Properties that the Predecessor owned as of January 1, 1997, excluding development projects (the "Same Store Properties"), and changes attributable to acquisition and development activity during 1997 and 1998. For the comparison between the years ended December 31, 1998 and 1997, the Same Store Properties consist of properties aggregating 31.1 million square feet. For the comparison between the years ended December 31, 1997 and 1996, the Same Store Properties consist of the 59 Properties acquired prior to January 1, 1996. Our future financial condition and results of operations, including rental revenues, may be impacted by the acquisition and divestiture of properties. Our future revenues and expenses may vary materially from their historical rates.

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#### PROPERTIES -- YEARS ENDED DECEMBER 31, 1998 AND 1997

Rental revenues. Rental revenues, including straight-line rents, tenant reimbursements and other property related income, increased by \$72.0 million, or 25.5%, for the year ended December 31, 1998, to \$354.7 million, as compared with the same period in 1997. Approximately \$9.6 million, or 13.3%, of this increase was attributable to Same Store Properties, with the remaining \$62.4 million attributable to Properties acquired in 1998. The growth in rental revenues in Same Store Properties resulted primarily from the incremental effect of rental rate increases and changes in occupancy and reimbursement of expenses. During the year ended December 31, 1998, the increase in average base rents (cash basis) was 14.3% on 7.7 million square feet leased.

Property operating expenses and real estate taxes. Property operating expenses, including asset management costs, increased by \$14.6 million, or 17.9%, for the year ended December 31, 1998, to \$96.1 million, as compared with the same period in 1997. Same Store Properties operating expenses decreased by approximately \$0.7 million for the year ended December 31, 1998, while operating expenses attributable to Properties acquired in 1998 amounted to \$15.3 million. The change in Same Store Properties operating expenses and real estate taxes relates to increases in Same Store Properties real estate taxes of approximately \$1.0 million, offset by decreases in Same Store Properties other property operating expenses, including insurance expenses and property management fees of approximately \$1.7 million. The remaining decrease in property operating expenses is primarily attributable to lower asset management costs in 1998 as compared to 1997 resulting from the change in ownership structure.

#### PROPERTIES -- YEARS ENDED DECEMBER 31, 1997 AND 1996

Rental revenues. Rental income, including tenant reimbursements and other property related income, increased by \$67.5 million, or 40.6%, for the year ended December 31, 1997, to \$233.9 million as compared to \$166.4 million for the year ended December 31, 1996. Approximately \$8.8 million, or 13.0% of this increase was attributable to the Same Store Properties, with the remaining \$58.7 million attributable to Properties acquired in 1997 and 1996. The 6.3% growth in rental income in the Same Store Properties resulted primarily from the incremental effect of rental rate increases and reimbursement of expenses. In 1997, we increased average contractual or base rental rates on the Properties by 12% on 393 new and renewing leases totaling 7.5 million rentable square feet (representing 17.2% of the Properties' aggregate rentable square footage).

Property operating expenses and real estate taxes. Property operating expenses and real estate taxes increased by \$25.6 million, or 46.3%, for the year ended December 31, 1997, to \$80.9 million as compared to \$55.3 million for

the year ended December 31, 1996. Approximately \$3.4 million of this increase was attributable to the Same Store Properties, with the remaining \$22.2 million attributable to Properties acquired in 1997 and 1996. Same Store Properties real estate taxes and insurance expense increased by approximately \$1.4 million from 1996 to 1997. Same Store Properties other property operating expenses (excluding real estate taxes and insurance) increased by \$2.0 million from 1996 to 1997. The increases in expenses are primarily due to increases in property tax assessment values and incentive management fees expense.

#### LIQUIDITY AND CAPITAL RESOURCES

We currently expect that our principal sources of working capital and funding for acquisitions, development, expansion and renovation of the Properties will include cash flow from operations, borrowings under the Credit Facility, other forms of secured and unsecured financing, proceeds from equity or debt offerings by the Company or the Operating Partnership (including issuances of units in the Operating Partnership or its subsidiaries) and net proceeds from divestiture of properties. We presently believe that our sources of working capital and our ability to access private and public debt and equity capital are adequate for us to continue to meet liquidity requirements for the foreseeable future.

#### CAPITAL RESOURCES

Property divestitures. On March 9, 1999, we signed a series of definitive agreements with BPP Retail, a co-investment entity between BPP and CalPERS, pursuant to which BPP Retail will acquire 28 of our retail

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shopping centers, totaling 5.1 million square feet, for an aggregate price of \$663.4 million. BPP Retail will acquire the centers in separate transactions, which we currently expect to close on or about April 30, 1999, July 31, 1999 and December 1, 1999. In addition, we have entered into a definitive agreement, subject to a financing confirmation, with BPP, pursuant to which BPP will acquire six additional retail centers, totaling 1.5 million square feet, for \$284.4 million. Assuming satisfaction or waiver of this condition, we currently expect this transaction to close by December 31, 1999. Assuming that the transactions with BPP Retail close as scheduled, the Company currently expects to reinvest approximately \$520 million in industrial properties and to reduce our secured indebtedness by approximately \$100 million. There can be no assurance, however, that the transactions will close as scheduled or close at all, and it is possible that the transactions may not close with respect to just one or more properties. In the event that one or more transactions fail to close, or a closing is significantly delayed, net proceeds from divestitures of properties will not be available to the same extent to fund our acquisitions and developments. Any such failure or delay in any of the closings may also make us unable to repay certain of our indebtedness with the net proceeds as we currently intend, and could require us to borrow additional funds or seek other forms of financing.

Credit facility. We have a \$500 million unsecured revolving credit agreement with Morgan Guaranty Trust Company of New York, as agent, and a syndicate of twelve other banks. The Credit Facility has a term of three years and is subject to a fee that accrues on the daily average undrawn funds, which varies between 15 and 25 basis points (currently 15 basis points) of the undrawn funds based on our credit rating. We use the Credit Facility principally for acquisitions and for general working capital requirements. Borrowings under the Credit Facility bear interest at LIBOR plus 90 to 120 basis points (currently LIBOR plus 90 basis points), depending on our debt rating at the time of the borrowings. As of December 31, 1998, the outstanding balance on the Credit Facility was \$234 million and bore interest at 6.10%. Monthly debt service payments on the Credit Facility are interest only. The Credit Facility matures in November 2000. The total amount available under the Credit Facility fluctuates based upon the borrowing base, as defined in the agreement governing the Credit Facility. At December 31, 1998, the remaining amount available under the Credit Facility was approximately \$266 million. We currently expect that the property divestitures will not materially affect the terms and conditions of the Credit Facility.

Debt and equity financing. In June 1998, the Operating Partnership issued \$400,000 aggregate principal amount of unsecured notes ("Senior Debt Securities") in an underwritten public offering, the net proceeds of which the Operating Partnership used to repay amounts outstanding under the Credit Facility. The Senior Debt Securities mature in June 2008, June 2015 and June 2018 and bear interest at a weighted average rate of 7.18%, which is payable in June and December of each year, commencing in December 1998. The 2015 notes are puttable and callable in June 2005. We received credit ratings for the Senior Debt Securities of Baal from Moody's Investors Service, BBB from Standard & Poor's Corporation and BBB+ from Duff & Phelps Credit Rating Co. As a result of the receipt of these investment-grade credit ratings, the interest rate on the Credit Facility was reduced by 20 basis points to the current rate of LIBOR plus 90 basis points.

In July 1998, the Company sold 4,000,000 shares of 8 1/2% Series A

Cumulative Redeemable Preferred Stock at a price of \$25.00 per share in an underwritten public offering. These shares are redeemable solely at the option of the Company on or after July 27, 2003, subject to certain conditions. The Company contributed the net proceeds of \$96.1 million to the Operating Partnership in exchange for 4,000,000 Series A Preferred Units with terms identical to the Series A Preferred Stock. The Operating Partnership used the proceeds to repay borrowings under the Credit Facility incurred in connection with property acquisitions and for general purposes.

In November 1998, the Operating Partnership issued and sold 1,300,000 8.625% Series B Cumulative Redeemable Preferred Units at a price of \$50.00 per unit in a private placement. Distributions are cumulative from the date of original issuance and are payable quarterly in arrears at a rate per unit equal to \$4.3125 per annum. The Series B Preferred Units are redeemable by the Operating Partnership on or after November 12, 2003, 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 B Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of the

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Company's Series B Preferred Stock. The Operating Partnership used the proceeds to repay borrowings under the Credit Facility, for property acquisitions and for general purposes.

In November 1998, a subsidiary of the Operating Partnership issued and sold 2,200,000 units of 8.75% Series C Cumulative Redeemable Preferred Units at a price of \$50.00 per unit in a private placement. Distributions are cumulative from the date of original issuance and are payable quarterly in arrears at a rate per unit equal to \$4.375 per annum. The Series C Preferred Units are redeemable by the subsidiary of the Operating Partnership on or after November 24, 2003, 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 C 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 C Preferred Stock. The subsidiary of the Operating Partnership used the proceeds to make a loan to the Operating Partnership, which used the funds to repay borrowings under the Credit Facility.

Market capitalization. In connection with the Formation Transactions and property acquisitions consummated after the Formation Transactions, we have assumed various mortgages and other secured debt. As of December 31, 1998, the aggregate principal amount of this secured debt was \$719 million, excluding unamortized debt premiums of \$15.2 million. The secured debt bears interest at rates varying from 4.0% to 10.4% per annum (with a weighted average of 7.9%) and final maturity dates ranging from April 1999 to April 2014. We believe that the carrying value of the debt approximates its fair value on December 31, 1998.

In order to maintain financial flexibility and facilitate the rapid deployment of capital through market cycles, we presently intend to operate with a debt-to-total market capitalization ratio of approximately 45% or less. Additionally, we presently intend to continue to structure our balance sheet in order to maintain an investment grade rating on our senior unsecured debt.

The tables below summarizes our debt maturities and capitalization as of December 31, 1998.

<TABLE>  
<CAPTION>

YEAR	DEBT			TOTAL DEBT
	SECURED DEBT	UNSECURED SENIOR DEBT SECURITIES	UNSECURED CREDIT FACILITY	
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
1999.....	\$ 14,061	\$ --	\$ --	\$ 14,061
2000.....	19,833	--	234,000	253,833
2001.....	42,560	--	--	42,560
2002.....	68,849	--	--	68,849
2003.....	136,798	--	--	136,798
2004.....	67,396	--	--	67,396
2005.....	67,446	100,000	--	167,446
2006.....	131,759	--	--	131,759
2007.....	35,320	--	--	35,320
2008.....	114,425	175,000	--	289,425
Thereafter.....	20,532	125,000	--	145,532
Sub-total.....	718,979	400,000	234,000	1,352,979
Unamortized premiums.....	15,217	--	--	15,217
Total consolidated debt.....	\$734,196	\$400,000	\$234,000	1,368,196

Our share of unconsolidated JV debt.....	20,186
Total debt.....	1,388,382
JV Partner's share of consolidated JV debt.....	(40,275)
Our share of total debt.....	\$1,348,107

</TABLE>

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<TABLE>  
<CAPTION>

SECURITY	MARKET EQUITY AT 12/31/98		
	OUTSTANDING	MARKET PRICE	MARKET VALUE
	(IN THOUSANDS, EXCEPT SHARE AMOUNTS)		
<S>	<C>	<C>	<C>
Common Stock.....	85,917,520	\$22.00	\$1,890,185
LP Units.....	4,447,839	22.00	97,853
Total.....	90,365,359		\$1,988,038

</TABLE>

<TABLE>  
<CAPTION>

SECURITY	PREFERRED STOCK AND UNITS		
	DIVIDEND RATE	LIQUIDATION PREFERENCE	REDEMPTION PROVISIONS
	(IN THOUSANDS, EXCEPT PERCENTAGES)		
<S>	<C>	<C>	<C>
Series A Preferred Stock.....	8.50%	\$100,000	July 2003
Series B Preferred Units.....	8.63%	65,000	November 2003
Series C Preferred Units.....	8.75%	110,000	November 2003
Total/Weighted Average.....	8.66%	\$275,000	

</TABLE>

<TABLE>  
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CAPITALIZATION RATIOS	
<S>	<C>
Consolidated debt plus our share of unconsolidated JV debt-to-total market capitalization.....	38.0%
Consolidated debt plus our share of unconsolidated debt less JV partners' share of consolidated debt-to-total market capitalization.....	36.9%
Consolidated debt plus our share of unconsolidated JV debt plus preferred-to-total market capitalization.....	45.6%

</TABLE>

#### LIQUIDITY

As of December 31, 1998, we had approximately \$25.1 million in cash and cash equivalents and \$266 million of additional available borrowings under the Credit Facility. We intend to use cash flow from operations, borrowings under the Credit Facility, other forms of secured and unsecured financing, proceeds from equity or debt offerings by the Company or the Operating Partnership (including issuances of Units in the Operating Partnership or its subsidiaries), and proceeds from divestiture of properties to fund acquisitions, development activities and capital expenditures and to provide for general working capital requirements.

On December 4, 1998, the Company and the Operating Partnership declared a quarterly cash distribution of \$0.3425 per common share and operating partnership unit, payable January 15, 1999 to stockholders and unitholders of record on December 31, 1998. The annual distribution per common share and unit for 1998 was \$1.37. On December 4, 1998, the Company declared a cash dividend of \$0.53125 per share on its Series A Preferred Stock, and the Operating Partnership declared a cash distribution of \$0.53125 per unit on its Series A Preferred Units, for the three month period ended January 14, 1999, payable on January 15, 1999 to stockholders and unitholders of record as of December 31, 1998. The 1998 dividend for Series A Preferred Stock and Units was \$0.9917, for the partial year commencing on July 27, 1998, which was the issuance date.

On March 5, 1999, the Company and the Operating Partnership declared a quarterly cash distribution of \$0.35 per common share and operating partnership unit, for the quarter ending March 31, 1999, payable April 15, 1999 to

stockholders and unitholders of record as of March 31, 1999. This dividend (with an annualized rate of \$1.40 per share) represents a 2.2% increase from the dividend for the fourth quarter and is consistent with our philosophy of retaining as much cash flow as allowed under the REIT tax rules while providing stockholders with dividend growth. On March 5, 1999, the Company declared a cash dividend of \$0.53125 per share on its Series A Preferred Stock, and the Operating Partnership declared a cash distribution of \$0.53125 per unit on its Series A Preferred Units, for the three month period ending April 14, 1999, payable on April 15, 1999 to stockholders and unitholders of record as of March 31, 1999.

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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 and/or equity financings. However, we may not be able to obtain future financings on favorable terms or at all.

#### CAPITAL COMMITMENTS

In addition to recurring capital expenditures and costs to renew or re-tenant space, as of December 31, 1998, our development pipeline included 18 projects representing a total estimated investment of \$349.9 million upon completion. Of this total, approximately \$156.0 million had been funded as of December 31, 1998, approximately \$66.2 million is estimated to be required to complete projects under construction as of December 31, 1998, and the remainder represents estimated investments in either projects where construction has not yet begun or future phases of projects under construction. We presently expect to fund these expenditures with cash flow from operations, borrowings under the Credit Facility, debt or equity issuances, and net proceeds from property divestiture. Other than these capital items, we have no material capital commitments.

During the period from January 1, 1998 to December 31, 1998, we invested:

- \$738.6 million in 228 industrial buildings, aggregating 18.8 million rentable square feet,
- \$31.8 million in 2 retail centers, aggregating 0.4 million rentable square feet,
- \$67.1 million in an unconsolidated limited partnership interest in an existing joint venture that owns 36 industrial buildings aggregating 4.0 million square feet.

We funded these acquisitions through borrowings under the Credit Facility, cash, debt assumption and the issuance of units in the Operating Partnership.

#### YEAR 2000 COMPLIANCE

Our state of readiness. We utilize a number of computer software programs and operating systems across our entire organization, including applications used in financial business systems and various administrative functions. To the extent that our software applications contain source code that is unable to appropriately interpret the upcoming calendar year "2000" and beyond, some level of modification or replacement of such applications will be necessary.

We are currently conducting a company-wide test of our financial and non-financial systems to ensure that our systems will adequately handle the year 2000 issue. Our current financial system generally provides for a four-digit year; however, the current system is not fully year 2000 compliant. We expect that our financial system will be fully year 2000 compliant once we complete a software upgrade in 1999. We are also currently surveying our property managers to determine if our non-financial systems (HVAC, security, lighting, and other building systems) at our Properties are year 2000 compliant and to determine the state of readiness of our tenants regarding their year 2000 compliance.

Costs of addressing our year 2000 issues. Given the information known at this time about our systems, coupled with our ongoing, normal course-of-business efforts to upgrade or replace critical systems, as necessary, we do not expect year 2000 compliance costs to have any material adverse impact on our liquidity or ongoing results of operations. The costs of such assessment and remediation will be included in our general and administrative expenses. Although we can make no assurance, we currently do not expect that the year 2000 issue will materially affect our operations due to problems encountered by our suppliers, customers and lenders.

Risks of our year 2000 issues. In light of our assessment and remediation efforts to date, we believe that any residual year 2000 risk is limited to non-critical business applications and support hardware. No assurance can be given, however, that all of our systems will be year 2000 compliant or that compliance will not have a material adverse effect on our future liquidity, results of operations or ability to service debt.

Our contingency plans. We are currently developing our contingency plan for all operations to address the most reasonably likely worst case scenarios regarding year 2000 compliance. We expect such contingency plan to be completed by the end of the year.

#### FUNDS FROM OPERATIONS

We believe that Funds from Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), is an appropriate measure of performance for an equity REIT. While FFO is a relevant and widely used measure of operating performance of REITs, it does not represent cash flow from operations or net income as defined by GAAP, and it should not be considered as an alternative to those indicators in evaluating liquidity or operating performance. Further, FFO as disclosed by other REITs may not be comparable.

The following table reflects the calculation of our FFO for the fiscal years ended December 31, 1997 and 1998. The 1997 FFO was prepared on a pro forma basis (giving effect to the completion of the Formation Transactions, the IPO and certain 1997 property acquisitions and divestitures) as if they had occurred on January 1, 1997.

<TABLE>  
<CAPTION>

	1997	1998
	-----	-----
	(IN THOUSANDS, EXCEPT SHARES)	
	<C>	<C>
Income from operations before minority interests.....	\$ 103,903	\$ 123,750
Real estate depreciation and amortization:		
Total depreciation and amortization.....	45,886	57,464
Furniture, fixtures and equipment depreciation.....	(173)	(463)
FFO attributable to minority interests(1)(2).....	(2,207)	(5,899)
Adjustments to derive FFO in unconsolidated joint venture(3):		
Company's share of net income.....	--	(1,750)
Company's share of FFO.....	--	2,739
Series A preferred stock dividends.....	--	(3,639)
Series B & C preferred unit distributions.....	--	(1,795)
	-----	-----
FFO(1).....	\$ 147,409	\$ 170,407
	=====	=====
Weighted average shares and units outstanding (diluted)....	88,698,719	89,852,187

</TABLE>

- 
- (1) Funds from Operations ("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 perpetual preferred stock dividends. In accordance with NAREIT White Paper on FFO, we include the effects of straight-line rents in FFO.
- (2) Represents FFO attributable to minority interests in consolidated joint ventures for the periods presented, which has been computed as minority interests' share of net income before disposal of properties plus minority interests' share of real estate-related depreciation and amortization of the consolidated joint ventures for such periods. Such minority interests are not exchangeable into shares of Common Stock.
- (3) Represents our pro rata share of FFO in unconsolidated joint ventures for the periods presented, which has been computed as our share of net income plus our share of real estate-related depreciation and amortization of the unconsolidated joint venture for such periods.

#### BUSINESS RISKS

Our operations involve various risks which could have adverse consequences to the Company. Such 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, our ability to pay distributions to holders of our common stock 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 or retail space or a reduction in demand for industrial or retail space, the attractiveness of our properties to potential tenants, competition from other properties, our ability to provide adequate maintenance and insurance and an increase in operating costs. 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 tenants were unable to pay rent or if we were unable to rent our industrial or retail 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 approximately 32.9% of the leased square footage of our properties as of December 31, 1998 will expire on or prior to December 31, 2000, with leases on 13.0% of the leased square footage of our properties as of December 31, 1998 expiring during the 12 months ending December 31, 1999. In addition, numerous properties compete with our properties in attracting tenants 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 ability to pay distributions on, and the market price of, our common 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 Code and related regulations on a REIT holding property for sale may affect our ability to sell properties without adversely affecting distributions to our stockholders. The relative illiquidity of our holdings, 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 ability to pay distributions on, and the market price of, our common stock.

#### A SIGNIFICANT NUMBER OF OUR PROPERTIES ARE LOCATED IN CALIFORNIA

Our properties located in California as of December 31, 1998 represented approximately 22.0% of the aggregate square footage of our properties as of December 31, 1998 and approximately 29.5% of our Annualized Base Rent. Annualized Base Rent means the monthly contractual amount under existing leases at December 31, 1998, 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 commercial 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 ability to pay distributions on, and the market price of, our common stock. Certain of our properties are also subject to possible loss from seismic activity. In the event that the transactions with BPP Retail and BPP are consummated, we will dispose of all our retail centers located in California.

#### OUR PROPERTIES ARE CURRENTLY CONCENTRATED IN THE INDUSTRIAL AND RETAIL SECTORS

Our properties currently are concentrated predominantly in the industrial and retail commercial real estate sectors. However, in the event that the transactions with BPP Retail and BPP are consummated as planned, our properties will be concentrated predominately in the industrial real estate sector. Our concentration in certain property types may expose us to the risk of economic downturns in these sectors to a greater extent than if our portfolio also included other property types. In the event that the transactions with BPP Retail and BPP are consummated, our exposure to the risk of economic downturns in the industrial real estate sector will be greater. As a result of such concentration, economic downturns in these sectors could have an adverse effect

on our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common stock.

#### 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 which 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, including losses due to 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, 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 will generally be liable for all of the Operating Partnership's unsatisfied obligations other than non-recourse obligations. Any such liability could adversely affect our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common 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, 1998, 154 industrial buildings aggregating 12.2 million rentable square feet (representing 19.1% of our properties based on aggregate square footage) and 11 retail centers aggregating 1.8 million rentable square feet (representing 2.9% of our properties based on aggregate square footage) are located. In the event that the transactions with BPP Retail and BPP are consummated, we will dispose of all our retail centers located in California. 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 which we believe are commercially reasonable. This insurance coverage also applies to the properties managed by AMB Investment Management, with a single aggregate policy limit and deductible applicable to those properties and our properties. The Operating Partnership owns 100% of the non-voting preferred stock of AMB Investment Management. See "Business -- Business and Operating Strategies -- The Preferred Stock Subsidiaries." 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, 1998, we have ownership interests in 21 joint ventures, limited liability companies or partnerships with third parties, as well as an interest in one unconsolidated entity. Assuming that the transactions currently contemplated with BPP Retail and BPP are consummated, we will have ownership interests in 16 joint ventures, limited liability companies or partnerships with third parties. We may make additional investments through these ventures in the future and presently plan to do so with clients of AMB Investment Management and certain Development Alliance Partners, who share certain approval rights over

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major decisions. Partnership, limited liability company or joint venture investments may involve risks such as the following:

- 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);
- our partners, co-members or joint venturers might at any time have economic or other business interests or goals which are inconsistent with our business interests or goals;
- 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 policy with respect to maintaining our qualification as a REIT; and
- 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 have an adverse effect on our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common stock.

#### WE MAY BE UNABLE TO CONSUMMATE ACQUISITIONS ON ADVANTAGEOUS TERMS

We intend to continue to acquire industrial and, to a lesser extent, certain value-added retail properties. Acquisitions of industrial and retail properties entail risks that investments will fail to perform in accordance with expectations. Estimates of the costs of improvements 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 new 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 REITs and private institutional investment funds. We expect that future acquisitions will be financed through a combination of borrowings under the Credit Facility, proceeds from equity or debt offerings by us or the Operating Partnership (including issuances of limited partnership units) and proceeds from the transactions pending with BPP Retail and BPP, 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, the failure of acquisitions to conform with our expectations or investment criteria, or our failure to timely reinvest the proceeds from the transactions with BPP Retail and BPP could adversely affect our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common 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:

- 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;
- 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;
- new or renovated properties may perform below anticipated levels, producing cash flow below budgeted amounts;

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- 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 which could divert management's time from our day-to-day operations; and
- 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 have an adverse effect on our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common 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 capital stock. In spite of the foregoing policy, 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 and would do so, for example, if it were necessary for us to continue to qualify as a REIT. If we change this policy, 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 distributions on, and the market price of, our common stock.

#### SCHEDULED DEBT PAYMENTS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION

We are subject to risks normally associated with debt financing, including the risks that our cash flow will be insufficient to make distributions 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, 1998, we had total debt outstanding of approximately \$1.4 billion including:

- approximately \$734.2 million of secured indebtedness (including unamortized debt premiums of approximately \$15.2 million) with an average maturity of seven years and a weighted average interest rate of 7.9%;
- approximately \$234.0 million outstanding under our unsecured \$500.0 million credit facility (the "Credit Facility") with a maturity date of November 2000 and a weighted average interest rate of 6.53%; and
- \$400 million aggregate principal amount of unsecured senior debt securities with maturities in June 2008, 2015 and 2018 and a weighted average interest rate of 7.18%.

In the event that the transactions with BPP Retail and BPP are consummated, we currently anticipate the repayment of approximately \$240.0 million of debt, including \$178.7 million of secured indebtedness (including premiums of \$5.9 million).

We are a guarantor of the Operating Partnership's obligations with respect to the senior debt securities referenced above. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions, we expect that our cash flow will not be sufficient in all years to pay distributions 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, the interest expense relating to that refinanced

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indebtedness would increase. This increased interest expense would adversely affect our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common 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, 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 distributions on, and the market price of, our common stock.

#### RISING INTEREST RATES COULD ADVERSELY AFFECT OUR CASH FLOW

As of December 31, 1998, we had \$234.0 million outstanding under the Credit Facility. 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 distributions on, and the market price of, our common stock. Accordingly, we may in the future 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 REIT under the Code, we are required each year to distribute to our stockholders at least 95% of our REIT taxable income (determined without regard to the dividends-paid deduction and by excluding any net capital gain). 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 general market conditions and the market's perception of our growth potential and our current and potential future earnings and cash distributions and the market price of the shares of our capital stock. Additional debt financing may substantially increase our leverage.

#### WE COULD DEFAULT ON CROSS-COLLATERALIZED AND CROSS-DEFAULTED DEBT

As of December 31, 1998, we had 19 non-recourse secured loans which are cross-collateralized by 22 properties. As of December 31, 1998, we had \$249.8 million outstanding on these loans. In the event that all the transactions with BPP Retail and BPP are consummated, we currently anticipate the repayment of 10 loans aggregating \$178.7 million, which are secured by 13 properties. If we

default on any of these loans, we will be required to repay the 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 distributions on, and the market price of, our common 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 which is in default, which could adversely affect our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common stock.

#### CONTINGENT OR UNKNOWN LIABILITIES COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION

Our predecessors have been in existence for varying lengths of time up to 15 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 are not disclosed in this prospectus. 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 (directly or indirectly) in connection with the allocation of the Units and/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

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partners or against any individual account investors, with respect to any unknown liabilities. Unknown liabilities might include the following:

- liabilities for clean-up or remediation of undisclosed environmental conditions;
- claims of tenants, vendors or other persons dealing with our predecessors prior to the formation transactions that had not been asserted prior to the formation transactions;
- accrued but unpaid liabilities incurred in the ordinary course of business;
- tax liabilities; and
- claims for indemnification by the officers and directors of our predecessors and others indemnified by these entities.

Certain tenants 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. 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 which are not covered by the indemnity escrow agreement that we entered into with our predecessors in connection with the formation transactions or 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 distributions on, and the market price of, our common stock.

#### FAILURE TO CONSUMMATE THE TRANSACTIONS WITH BPP RETAIL AND BPP

On March 9, 1999, we signed a series of definitive agreements with BPP Retail, a co-investment entity between BPP and CalPERS, pursuant to which BPP Retail will acquire 28 of our retail shopping centers, totaling 5.1 million square feet, for an aggregate price of \$663.4 million. BPP Retail will acquire the centers in separate transactions, which we currently expect to close on or about April 30, 1999, July 31, 1999 and December 1, 1999. In addition, we have entered into a definitive agreement, subject to a financing condition, with BPP, pursuant to which BPP will acquire six additional retail centers, totaling 1.5 million square feet, for \$284.4 million. Assuming satisfaction or waiver of this condition we currently expect this transaction to close by December 31, 1999. Although none of the transactions has a discretionary due diligence period (other than the transaction with BPP to the extent of the financing condition), all of the transactions are subject to certain customary closing conditions, which are generally applied on a property-by-property basis. Additionally, while BPP Retail has posted certain initial deposits aggregating \$25 million on the transactions, BPP Retail's liability in the event of its default under a definitive agreement is limited to its deposit. Accordingly, there can be no assurance that the transactions will close as scheduled or close at all, and it is possible that the transactions may close with respect to just a portion of the properties currently subject to the agreements. In the event that one or more of the transactions fail to close, or a closing is significantly delayed, net proceeds from divestitures of properties will not be available to the same

extent to fund our acquisitions and developments. Any such failure or delay in any of the closings may also make us unable to repay certain of our indebtedness with the net proceeds as we currently intend and could require us to borrow additional funds or seek other forms of financing.

#### CONFLICTS OF INTEREST

##### SOME OF OUR 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, a residential housing finance company, and ownership of AMB Development, Inc. and AMB Development, L.P., developers which own property that we believe is not suitable for ownership by us. AMB Development, Inc. and AMB Development, L.P. have agreed not to initiate any new development projects following our initial public offering in November, 1997.

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These entities have also agreed that they will not make any further investments in industrial or retail properties other than those currently under development at the time of our initial public offering. AMB Institutional Housing Partners, AMB Development, Inc. and AMB Development, L.P. continue to use the name "AMB" pursuant to royalty-free license arrangements with us. 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 or retail 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 prospectus. State law may limit our ability to enforce these agreements.

We could also, in the future, subject to the unanimous approval of the disinterested members of the Board of Directors with respect to such transaction, acquire property from executive officers, enter into leases with executive officers, and/or engage in other related activities in which the interests pursued by the executive officers may not be in the best interests of our stockholders.

##### CERTAIN OF OUR EXECUTIVE OFFICERS AND DIRECTORS MAY HAVE CONFLICTS OF INTEREST WITH US IN CONNECTION WITH OTHER PROPERTIES THAT THEY OWN OR CONTROL

AMB Development, L.P. owns interests in 11 retail development projects in the U.S., each of which consists of a single free-standing Walgreens drugstore. In addition, Messrs. Abbey, Moghadam and Burke, each a founder and director, own less than 1% interests in two partnerships which 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 \$75,000, in a limited partnership which owns an office building located in Oakland, California.

In addition, several of our executive officers individually own:

- less than 1% interests in the stocks of certain publicly-traded REITs;
- certain interests in and rights to developed and undeveloped real property located outside the United States;
- certain passive interests, that we do not believe are material, in real estate businesses in which such persons were previously employed; and
- certain other de minimis 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. Abbey, 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 as of December 31, 1998 at approximately \$1.2 million. Messrs. Abbey, Moghadam and Burke each have an approximately 26.7% interest in the partnership, each valued as of December 31, 1998 at approximately \$1.6 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 such person, 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 such 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 the Board of Directors with respect to that transaction.

OUR ROLE AS GENERAL PARTNER OF THE OPERATING PARTNERSHIP MAY CONFLICT WITH THE INTERESTS OF OUR 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

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addition, those persons holding limited partnership Units will have the right to vote as a class on certain amendments to the Third Amended and Restated Agreement of Limited Partnership of the Operating Partnership (as amended, the "Partnership Agreement") 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 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 which 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 12, 1999, our three largest stockholders, Ameritech Pension Trust, the City and County of San Francisco Employees' Retirement System and Southern Company Services, Inc., beneficially owned approximately 31.1% of our outstanding common stock. In addition, our executive officers and directors beneficially owned 5.6% of our outstanding common stock as of the same date, 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 the 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.

WE COULD SUFFER LOSSES IF WE FAIL TO ENFORCE THE TERMS OF CERTAIN AGREEMENTS

As holders of shares of our common stock and, potentially, Performance Units, certain of our directors and officers could have a conflict of interest with respect to their obligations as directors and officers to vigorously enforce the terms of certain of the agreements relating to our formation transactions. The potential failure to enforce the material terms of those agreements could result in a monetary loss to us, which loss could have a material adverse effect on our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common stock.

OWNERSHIP OF COMMON 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 our common stock. To maintain our qualification as a REIT 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 Code to include certain entities) during the last half of a taxable year after the first taxable year for which a REIT election is made. Furthermore, after the first taxable year for which a REIT election is made, 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 tenants (or a tenant of any partnership in which we are a partner), the rent received by us (either directly or through any such partnership) from that tenant will not be qualifying income for purposes of the REIT gross income tests of the Code. To facilitate maintenance of our qualification as a REIT for federal income tax purposes, we will prohibit the ownership, actually or by virtue of the constructive ownership provisions of the 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 Series B Preferred Stock and any shares of our Series C Preferred Stock by any single 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

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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 distributions 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. The Board of Directors has waived the ownership limit applicable to our common stock with respect to Ameritech Pension Trust, allowing it to own up to 14.9% of our common stock and, under some circumstances, allowing it to own up to 19.6%. However, we conditioned this waiver upon the receipt of undertakings and representations from Ameritech Pension Trust which we believed were reasonably necessary in order for us to conclude that the waiver would not cause us to fail to qualify as a REIT.

Our Charter authorizes us to issue additional shares of common stock and Series A Preferred Stock and to issue Series B Preferred Stock, Series C Preferred Stock and one or more other series of preferred stock and to establish the preferences, rights and other terms of any series 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 of preferred stock that could delay, defer or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Our Charter, our 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 our common stock or otherwise be in the best interests of our stockholders. Those provisions include the following:

- 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;
- the provision in the Charter requiring a two-thirds vote of stockholders for any amendment of the Charter;
- 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;
- 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
- 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 fundamental investment policy to maintain our qualification as a REIT (unless a change is approved by the Board of Directors under certain circumstances), the 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 distribute cash to stockholders.

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#### VARIOUS MARKET CONDITIONS AFFECT THE PRICE OF OUR COMMON STOCK

As with other publicly-traded equity securities, the market price of our common 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 common stock are the following:

- the extent of investor interest in us;
- the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies);
- our financial performance; and

- general stock and bond market conditions, including changes in interest rates on fixed income securities which may lead prospective purchasers of our common stock to demand a higher annual yield from future distributions. Such an increase in the required yield from distributions may adversely affect the market price of our common stock.

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 common stock.

#### EARNINGS AND CASH DISTRIBUTIONS, ASSET VALUE AND MARKET INTEREST RATES AFFECT THE PRICE OF OUR COMMON STOCK

The market value of the equity securities of a REIT generally is based primarily upon the market's perception of the REIT's growth potential and its current and potential future earnings and cash distributions, and is based secondarily upon the real estate market value of the underlying assets. For that reason, shares of our common stock may trade at prices that are higher or lower than the net asset value per share. To the extent 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 common stock. Our failure to meet the market's expectation with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock. Another factor that may influence the price of our common stock will be the distribution yield on our common stock (as a percentage of the price of our common stock) relative to market interest rates. An increase in market interest rates might lead prospective purchasers of our common stock to expect a higher distribution yield, which would adversely affect the market price of our common stock. If the market price of our common stock declines significantly, we might breach certain covenants with respect to debt obligations, which might adversely affect our liquidity and our ability to make future acquisitions and pay distributions to our stockholders.

#### WE COULD INVEST IN REAL ESTATE MORTGAGES

We may invest in mortgages, and may do so as a strategy for ultimately acquiring the underlying property. In general, investments in mortgages include the risks that borrowers may not be able to make debt service payments or pay principal when due, that the value of the mortgaged property may be less than the principal amount of the mortgage note secured by the property and that interest rates payable on the mortgages may be lower than our cost of funds to acquire these mortgages. In any of these events, our funds from operations and our ability to make distributions on, and the market price of, our common stock could be adversely affected. "Funds from operations" means income (loss) from operations before disposal of real estate properties, minority interests and extraordinary items plus depreciation and amortization, excluding depreciation of furniture, fixtures and equipment less funds from operations attributable to minority interests in consolidated joint ventures which are not convertible into shares of common stock.

#### 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 of 1990 (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, 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, our cash flow and the amounts available for distributions to our stockholders may be adversely affected.

#### WE COULD ENCOUNTER COSTLY 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 and/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 failure 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 dry cleaners that operate on-site dry cleaning plants, to owners and operators of gas stations or to owners or operators of other businesses that use, store or otherwise handle petroleum products or other hazardous or toxic substances. Some of these properties contain, or may have contained, underground storage tanks for the storage of petroleum products and 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 underground storage tanks used to store petroleum products or other hazardous or toxic substances. In addition, certain of our properties are on, or are adjacent to or near other properties upon which others, including former owners or tenants 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 therein, 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. In connection with certain of the properties to be acquired by BPP Retail and BPP, we have agreed to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on such properties following the applicable closing dates.

All of our properties were subject to a Phase I or similar environmental assessments by independent environmental consultants at the time of acquisition or shortly after acquisition. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. Phase I assessments generally include an historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a

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written report, but do not include soil sampling or subsurface investigations and typically do not include an asbestos survey. 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. Some of the environmental assessments of our properties do not contain a comprehensive review of the past uses of the properties and/or the surrounding properties.

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, and 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, future laws, ordinances or regulations may impose material environmental liability and the current environmental condition of our properties may be affected by tenants, by the condition of land, by 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 environmental laws and regulations now existing or adopted in the future exceed our budgets for these items, our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common 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, 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 expenditures could have an adverse effect on our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common stock.

#### FEDERAL INCOME TAX RISKS

##### OUR FAILURE TO QUALIFY AS A REIT WOULD HAVE SERIOUS ADVERSE CONSEQUENCES TO OUR STOCKHOLDERS

We intend to operate so as to qualify as a REIT under the Code. We believe that we have been organized and have operated in a manner which would allow us to qualify as a REIT under the Code beginning with our taxable year ended December 31, 1997. However, it is possible that we have been organized or have operated in a manner which would not allow us to qualify as a REIT, or that our future operations could cause us to fail to qualify. Qualification as a REIT requires us to satisfy numerous requirements (some on an annual and quarterly basis) established under highly technical and complex 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 REIT, at least 95% of our gross income in any year must be derived from qualifying sources, and we must pay dividends to stockholders aggregating annually at least 95% of our REIT taxable income (determined without regard to the dividends paid deduction and by excluding capital gains). These provisions and the applicable treasury regulations are more complicated in our case because we hold our assets in partnership form. Legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a REIT 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 REIT.

If we fail to qualify as a REIT in any taxable year, we will be subject to 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 REIT for the four

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taxable years following the year during which we lost qualification. If we lose our REIT status, 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 stockholders.

#### WE PAY SOME TAXES

Even if we qualify as a REIT, we will be subject to certain federal, state and local taxes on our income and property. In addition, the net taxable income, if any, from the activities conducted through the Preferred Stock Subsidiaries will be subject to federal and state income tax.

#### 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 Code, any gain resulting from transfers of properties that are held as inventory or primarily for sale to customers in the ordinary course of business is treated as income from a prohibited transaction that is subject to a 100% penalty tax. 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 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 and the Internal Revenue Service may contend that certain transfers or disposals of properties by us (including, possibly, some or all of the properties that are subject to the agreements with BPP Retail and BPP) are prohibited transactions. While we believe that the Internal Revenue Service would not prevail in any such dispute, any adverse finding by the Internal Revenue Service that a transfer or disposition of property constituted a prohibited transaction would subject us to a 100% penalty tax on any gain from such prohibited transaction. In addition, any income from a prohibited transaction may adversely affect our ability to satisfy the income tests for qualification as a REIT for federal income tax purposes.

#### WE ARE DEPENDENT ON OUR KEY PERSONNEL

We depend on the efforts of our executive officers, particularly Messrs. Abbey, Moghadam and Burke, the Chairman of our Investment Committee, our Chief Executive Officer and the Chairman of our Board of Directors, respectively. 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 distributions on, and the market price of, our common 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. If we fail to effectively manage our growth, our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common stock could be adversely affected.

#### THE PREFERRED STOCK SUBSIDIARIES

##### WE DO NOT CONTROL THE ACTIVITIES OF THE PREFERRED STOCK SUBSIDIARIES

The Operating Partnership owns 100% of the non-voting preferred stock of AMB Investment Management and Headlands Realty Corporation (representing approximately 95% of the economic interest in each entity). We refer to these entities as the "Preferred Stock Subsidiaries." Certain of our current and former executive officers and an officer of AMB Investment Management own all of the outstanding voting common stock of AMB Investment Management (representing approximately 5% of the economic interest in AMB Investment Management). Certain of our current and former executive officers and an officer of Headlands Realty Corporation own all of the outstanding voting common stock of Headlands Realty Corporation (representing approximately 5% of the economic interest in Headlands Realty Corporation). The ownership structure of the Preferred Stock Subsidiaries permits us to share in the income of the Preferred Stock Subsidiaries while maintaining our status as a REIT. We receive substantially all of the economic benefit of

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the businesses carried on by the Preferred Stock Subsidiaries through our right to receive dividends through the Operating Partnership. However, we are not able to elect the Preferred Stock Subsidiaries' directors or officers and, as a result, we do not have the ability to influence the operation of the Preferred Stock Subsidiaries or to require that the Preferred Stock Subsidiaries' boards of directors declare and pay cash dividends on the non-voting stock of the Preferred Stock Subsidiaries held by the Operating Partnership. The boards of directors and management of the Preferred Stock Subsidiaries might implement business policies or decisions that would not have been implemented by persons controlled by us and that may be adverse to the interests of our stockholders or that may adversely impact our financial condition, results of operations, cash flow and ability to pay distributions on, and the market price of, our common stock. In addition, the Preferred Stock Subsidiaries are subject to tax on their income, reducing their cash available for distribution to the Operating Partnership.

##### AMB INVESTMENT MANAGEMENT MAY NOT BE ABLE TO GENERATE SUFFICIENT FEES

Fees earned by AMB Investment Management depend on various factors affecting the ability to attract and retain investment management clients and the overall returns achieved on managed assets. These factors are beyond our control. AMB Investment Management's failure to attract investment management clients or achieve sufficient overall returns on managed assets could reduce its ability to make distributions on the stock owned by the Operating Partnership and could also limit co-investment opportunities to the Operating Partnership. This would limit the Operating Partnership's ability to generate rental revenues from such co-investments and use the co-investment program as a source to finance property acquisitions and leverage acquisition opportunities.

#### ITEM 7A. QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk includes the rising interest rates in connection with the Company's unsecured credit facility and other variable rate borrowings and the ability of the Company to incur more debt without stockholder approval, thereby increasing our debt service obligations, which could adversely affect the Company's cash flows. See "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Capital Resources -- Market Capitalization."

#### 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 THE REGISTRANT, 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.

<TABLE>  
<CAPTION>

	PAGE
	----
<S>	<C>
Report of Independent Public Accountants.....	F-1
Consolidated Balance Sheets as of December 31, 1997 and 1998.....	F-2
Consolidated Statements of Operations for the years ended December 31, 1996, 1997 and 1998.....	F-3
Consolidated Statements of Cash Flows for the years ended December 31, 1996, 1997 and 1998.....	F-4
Consolidated Statements of Stockholders' Equity for the years ended December 31, 1996, 1997 and 1998.....	F-5
Notes to Consolidated Financial Statements.....	F-6
Schedule III -- Real Estate and Accumulated Depreciation....	S-1

</TABLE>

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.

(3) EXHIBITS:

<TABLE>  
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
-----	-----
<C>	<S>
3.1	Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Statement on Form S-11 (No. 333-35915)).
3.2	Certificate of Correction of the Registrant's Articles Supplementary establishing and fixing the rights and preferences of the 8 1/2% Series A Cumulative Redeemable Preferred Stock.
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 the Registrant's Current Report on Form 8-K filed on January 7, 1999).
3.4	Articles of 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 the Registrant's Current Report on Form 8-K filed on January 7, 1999).
3.5	First Amended and Restated Bylaws of the Registrant.
4.1	Form of Certificate for Common Stock of the Registrant (incorporated by reference to Exhibit 3.3 of the Registrant's Registration Statement on Form S-11 (No. 333-35915)).
4.2	Form of Certificate for the Registrant's 8 1/2% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.4 of the Registrant's Registration Statement on Form S-11 (No. 333-58107)).
4.3	Indenture dated as of June 30, 1998 by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-11 (No. 333-49163)).
4.4	First Supplemental Indenture dated as of June 30, 1998 by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the

- 4.5 Company's Registration Statement Form S-11 (No. 333-49163)).  
 Second Supplemental Indenture dated as of June 30, 1998 by  
 and among the Operating Partnership, the Company and State  
 Street Bank and Trust Company of California, N.A., as  
 trustee (incorporated by reference to Exhibit 4.3 to the  
 Company's Registration Statement on Form S-11 (No.  
 333-49163)).

</TABLE>

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<TABLE>  
 <CAPTION>  
 EXHIBIT  
 NUMBER

DESCRIPTION

<C>	<S>
4.6	Third Supplemental Indenture dated as of June 30, 1998 by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
4.7	Specimen of 7.10% Notes due 2008 (included in the First Supplemental Indenture incorporated by reference as Exhibit 4.2 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
4.8	Specimen of 7.50% Notes due 2018 (included in the Second Supplemental Indenture incorporated by reference as Exhibit 4.3 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
4.9	Specimen of 6.90% Reset Put Securities due 2015 (included in the Third Supplemental Indenture incorporated by reference as Exhibit 4.4 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
10.1	Third Amended and Restated Agreement of Limited Partnership of AMB Property, L.P. (incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement of Form S-3 (No. 333-68291)).
10.2	Form of Registration Rights Agreement among the Registrant and the persons named therein (incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-11 (No. 333-35915)).
10.3	Second Amended and Restated Credit Agreement, dated November 26, 1997.
10.4	Amendment to Second Amended and Restated Revolving Credit Agreement made as of May 29, 1998.
10.5	Second Amendment to Second Amended and Restated Revolving Credit Agreement made as of September 30, 1998.
10.6	Form of Change in Control and Noncompetition Agreement between the Registrant and Executive Officers.
10.7	The First Amended and Restated 1997 Stock Option and Incentive Plan of the Registrant.
10.8	The First Amendment to the First Amended Restated Stock Option and Incentive Plan of the Registrant.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Arthur Andersen LLP.
24.1	Powers of Attorney (included in Part IV of this Form 10-K).
27.1	Financial Data Schedule -- AMB Property Corporation.

</TABLE>

(b) REPORTS ON FORM 8-K:

On December 2, 1998 the Registrant filed a Form 8-K, dated December 2, 1998, filing financial statements with respect to property acquisitions.

On January 7, 1999 the Registrant filed a Form 8-K, dated November 12, 1998, reporting the private placement of the Series B Units and the Series C Units.

(c) EXHIBITS:

See Item 14(a)(3) above.

(d) FINANCIAL STATEMENT SCHEDULES:

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

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 23, 1999.

AMB PROPERTY CORPORATION

By: /s/ HAMID R. MOGHADAM

-----  
 Hamid R. Moghadam  
 President 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, David S. Fries, John T. Roberts, Jr., 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 the registrant and in the capacities and on the dates indicated.

<TABLE>  
 <CAPTION>

<S>	NAME -----	TITLE -----	DATE -----
<S>	/s/ HAMID R. MOGHADAM ----- Hamid R. Moghadam	President and Chief Executive Officer, Director (Principal Executive Officer)	March 23, 1999
<S>	/s/ T. ROBERT BURKE ----- T. Robert Burke	Chairman of the Board	March 23, 1999
<S>	/s/ DOUGLAS D. ABBEY ----- Douglas D. Abbey	Chairman of the Investment Committee, Director	March 23, 1999
<S>	Daniel H. Case, III	Director	
<S>	/s/ ROBERT H. EDELSTEIN, PH.D ----- Robert H. Edelstein, Ph.D	Director	March 23, 1999
<S>	/s/ LYNN M. SEDWAY ----- Lynn M. Sedway	Director	March 23, 1999
<S>	/s/ JEFFREY L. SKELTON, PH.D ----- Jeffrey L. Skelton, Ph.D	Director	March 23, 1999
<S>	Thomas W. Tusher	Director	
<S>	/s/ CARYL B. WELBORN, ESQ. ----- Caryl B. Welborn, Esq.	Director	March 23, 1999
<S>	/s/ MICHAEL A. COKE ----- Michael A. Coke	Chief Financial Officer and Senior Vice President (Principal Financial Officer and Principal Accounting Officer)	March 23, 1999

</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of  
 AMB Property Corporation:

We have audited the accompanying consolidated balance sheets of AMB

Property Corporation and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These 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 financial statements and the schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index to the financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This 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  
February 2, 1999

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AMB PROPERTY CORPORATION  
CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 1997 AND 1998  
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

ASSETS

<TABLE>  
<CAPTION>

	1997	1998
	-----	-----
<S>	<C>	<C>
Investments in real estate:		
Land and improvements.....	\$ 550,635	\$ 740,680
Buildings and improvements.....	1,822,516	2,445,104
Construction in progress.....	69,848	183,276
	-----	-----
Total investments in properties.....	2,442,999	3,369,060
Accumulated depreciation and amortization.....	(4,153)	(58,404)
	-----	-----
Net investments in properties.....	2,438,846	3,310,656
Investment in unconsolidated joint venture.....	--	57,655
Properties held for divestiture, net.....	--	115,050
	-----	-----
Net investments in real estate.....	2,438,846	3,483,361
Cash and cash equivalents.....	39,968	25,137
Other assets.....	27,441	54,387
	-----	-----
Total assets.....	\$2,506,255	\$3,562,885
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Debt:		
Secured debt.....	\$ 535,652	\$ 734,196
Unsecured senior debt securities.....	--	400,000
Unsecured credit facility.....	150,000	234,000
	-----	-----
Total debt.....	685,652	1,368,196
Other liabilities.....	49,350	104,305
Payable to affiliates.....	38,071	--
	-----	-----
Total liabilities.....	773,073	1,472,501
Commitments and contingencies (note 11).....	--	--
Minority interests.....	65,152	325,024
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
Common stock \$.01 par value, 500,000,000 shares authorized, 85,917,520 issued and outstanding.....	859	859
Additional paid-in capital.....	1,667,171	1,668,401
Retained earnings.....	--	--
	-----	-----
Total stockholders' equity.....	1,668,030	1,765,360
	-----	-----
Total liabilities and stockholders' equity.....	\$2,506,255	\$3,562,885
	=====	=====

</TABLE>

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

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AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998  
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>  
<CAPTION>

	1996	1997	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
REVENUES			
Rental revenues.....	\$ --	\$ 26,465	\$ 354,658
Investment management and other income.....	23,991	29,597	4,229
	-----	-----	-----
Total revenues.....	23,991	56,062	358,887
OPERATING EXPENSES			
Property operating expenses.....	--	5,312	47,856
Real estate taxes.....	--	3,587	48,218
General and administrative.....	--	1,197	11,929
Interest, including amortization.....	--	3,528	69,670
Depreciation and amortization.....	--	4,195	57,464
Investment management expenses.....	16,851	19,358	--
	-----	-----	-----
Total operating expenses.....	16,851	37,177	235,137
	-----	-----	-----
Income from operations before minority interests....	7,140	18,885	123,750
Minority interests' share of net income.....	(137)	(657)	(11,157)
	-----	-----	-----
Net income.....	\$ 7,003	\$ 18,228	\$ 112,593
Series A preferred stock dividends.....	--	--	(3,639)
	-----	-----	-----
Net income available to common stockholders.....	\$ 7,003	\$ 18,228	\$ 108,954
	=====	=====	=====
INCOME PER SHARE OF COMMON STOCK			
Basic.....	\$ 1.38	\$ 1.39	\$ 1.27
	=====	=====	=====
Diluted.....	\$ 1.38	\$ 1.38	\$ 1.26
	=====	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic.....	5,079,855	13,140,218	85,876,383
	=====	=====	=====
Diluted.....	5,079,855	13,168,036	86,235,176
	=====	=====	=====

</TABLE>

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

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AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1996	1997	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income.....	\$7,003	\$ 18,228	\$112,593
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	--	4,195	57,464





-----							
Balance at December 31, 1996....	--	5,181,450	1,349	1,298	4,522	(869)	
6,300							
AMB PROPERTY CORPORATION							
Net Income.....	--	--	--	--	18,228	--	
18,228							
Dividends declared and paid to Predecessor stockholders....	--	--	(990)	(1,298)	(14,116)	--	
(16,404)							
Principal payment of notes Receivable from stockholders.....	--	--	--	--	--	869	
869							
Exchange of Predecessor Shares for shares of AMB Property Corporation, net.....	--	(434,834)	(312)	312	--	--	
--							
Issuance of common stock for Properties.....	--	65,022,185	651	1,369,740	--	--	
1,370,391							
Issuance of common stock, net of Offering costs of \$38,068.....	--	16,100,000	161	299,871	--	--	
300,032							
Issuance of restricted stock.....	--	5,712	--	120	--	--	
120							
Distributions paid to AMB Property Corporation stockholders.....	--	--	--	(2,872)	(8,634)	--	
(11,506)							
-----		-----	-----	-----	-----	-----	---
Balance at December 31, 1997....	--	85,874,513	859	1,667,171	--	--	
1,668,030							
Net Income.....	3,639	--	--	--	108,954	--	
112,593							
Issuance of preferred stock, net of offering costs.....	96,100	--	--	--	--	--	
96,100							
Issuance of restricted stock.....	--	43,007	--	930	--	--	
930							
Reallocation of Limited Partners' interests in Operating Partnership.....	--	--	--	7,215	--	--	
7,215							
Dividends declared.....	(3,639)	--	--	(6,915)	(108,954)	--	
(119,508)							
-----		-----	-----	-----	-----	-----	---
Balance at December 31, 1998....	\$96,100	85,917,520	\$ 859	\$1,668,401	\$ --	\$ --	
\$1,765,360							
=====		=====	=====	=====	=====	=====	

</TABLE>

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

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AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(IN THOUSANDS, EXCEPT SHARE AND SQUARE FEET DATA)

1. ORGANIZATION AND FORMATION OF 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 (the "IPO") 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 REIT. 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 and community shopping centers in target markets nationwide. Unless the context otherwise requires, the "Company" means AMB Property Corporation, the Operating Partnership and its other controlled subsidiaries.

The Company and the Operating Partnership were formed shortly before

consummation of the IPO. AMB Institutional Realty Advisors, Inc., a California corporation and registered investment advisor (the "Predecessor") formed AMB Property Corporation, a wholly owned subsidiary, and merged with and into the Company (the "Merger") in exchange for 4,746,616 shares of the Company's Common Stock. In addition, the Company and the Operating Partnership acquired, through a series of mergers and other transactions, 31.8 million rentable square feet of industrial property and 6.3 million rentable square feet of retail property in exchange for 65,022,185 shares of the Company's Common Stock, 2,542,163 limited partner interests ("LP Units") in the Operating Partnership, the assumption of debt and, to a limited extent, cash. The net assets of the Predecessor and the properties acquired with Common Stock were contributed to the Operating Partnership in exchange for 69,768,801 LP Units. The purchase method of accounting was applied to the acquisition of the properties. Collectively, the Merger and the other formation transactions described above are referred to as the "Formation Transactions."

On November 26, 1997, the Company completed its IPO of 16,100,000 shares of Common Stock, \$0.01 par value per share (the "Common Stock"), for \$21.00 per share, resulting in gross offering proceeds of approximately \$338,100. The net proceeds of approximately \$300,032 were used to repay indebtedness, to purchase interests from certain investors who elected not to receive shares or units in connection with the Formation Transactions, to fund property acquisitions, and for general corporate working capital requirements.

As of December 31, 1998, the Company owned an approximate 95.1% general partner interest in the Operating Partnership. The remaining 4.9% limited partner interest is owned by nonaffiliated investors. For local law purposes, properties in certain states are owned through limited partnerships and limited liability companies owned 99% by the Operating Partnership and 1% by a wholly owned subsidiary of the Company. The ownership of such properties through such entities does not materially affect the Company's overall ownership of the interests in the properties. As the sole general partner of the Operating Partnership, the Company has the full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership.

In connection with the Formation Transactions, the Operating Partnership formed AMB Investment Management, Inc., a Maryland corporation ("AMB Investment Management"). The Operating Partnership purchased 100% of AMB Investment Management's non-voting preferred stock (representing a 95% economic interest therein). Certain current and former executive officers of the Company and an officer of AMB Investment Management collectively purchased 100% of the Investment Management Subsidiary's voting common stock (representing a 5% economic interest therein). The Operating Partnership accounts for its investment in AMB Investment Management using the equity method of accounting. AMB Investment Management was formed to succeed to the Predecessor's investment management business of providing real estate investment management services on a fee basis to clients. The Operating Partnership also owns 100% of the non-voting preferred stock of Headlands Realty Corporation, a Maryland corporation (representing a 95%

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economic interest therein). Certain current and former executive officers of the company and an officer of Headlands Realty Corporation collectively own 100% of the voting common stock of Headlands Realty Corporation (representing a 5% economic interest therein). Headlands Realty Corporation invests in properties and interests in entities that engage in the management, leasing and development of properties and similar activities.

As of December 31, 1998, the Company owned 582 industrial buildings (the "Industrial Properties") and 38 retail centers (the "Retail Properties") located in 30 markets throughout the United States. The Industrial Properties, principally warehouse distribution buildings, encompass approximately 56.6 million rentable square feet and, as of December 31, 1998, were 96.0% leased to over 1,600 tenants. The Retail Properties, principally grocer-anchored community shopping centers, encompass approximately 7.0 million rentable square feet and, as of the same date, were 94.6% leased to over 900 tenants. The Industrial Properties and the Retail Properties collectively are referred to as the "Properties."

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Generally Accepted Accounting Principles

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles using the accrual method of accounting. The preparation of financial statements in conformity with generally accepted accounting principles 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 twenty-one joint ventures (the "Joint Ventures") in which the Company has a controlling interest. The Company also has a 56.1% non-controlling limited partnership interest in one unconsolidated real estate joint venture which is accounted for under the equity method. Third-party equity interests in the Operating Partnership and the Joint Ventures are reflected as minority interests in the consolidated financial statements. All significant intercompany amounts have been eliminated.

#### Basis of Presentation

The consolidated financial statements of the Company for 1997 include the results of operations of the Company, including property operations for the period from November 26, 1997 (the commencement of operations as a fully integrated real estate company) to December 31, 1997 and the results of the Company's Predecessor, an investment manager, for the period from January 1, 1997 to November 25, 1997. The consolidated financial statements for 1998 represent the results of operations of the Company for the year ended December 31, 1998.

#### Investments in Real Estate

Investments in real estate are stated at the lower of depreciated cost or net realizable value. Net realizable value for financial reporting purposes is reviewed for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying amount 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. To the extent an impairment has occurred, the excess of the carrying amount of the property over its estimated fair value will be charged to income. As of December 31, 1998, we believe that there were no impairments of the carrying values of the Properties.

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Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the investments. The estimated lives are as follows:

<TABLE>	<S>	<C>
Land improvements.....		5 to 40 years
Buildings and improvements.....		5 to 40 years
Tenant improvements and leasing costs.....		Term of the related lease

The cost of buildings and improvements includes the purchase price of the property or interest in property, legal fees and acquisition costs, and interest, property taxes, and other costs incurred during the period of construction.

Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations or betterments that extend the economic useful life of assets are capitalized.

Project costs directly associated with the development and construction of a real estate project are capitalized as construction in progress. In addition, interest, real estate taxes and other costs are capitalized during the construction period.

#### 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. Cash and cash equivalents as of December 31, 1997 and 1998 include restricted cash of \$8,074 and \$5,227, respectively, which represents amounts held in escrow in connection with property purchases and capital improvements.

#### Deferred Financing

Costs incurred in connection with financing are capitalized and amortized to interest expense on a straight-line basis (which approximates the effective interest method) over the term of the related loan. As of December 31, 1997 and 1998, deferred financing fees were \$871 and \$7,318, respectively, net of accumulated amortization of \$29 and \$772, respectively. Such amounts are included in Other Assets on the consolidated balance sheet.

#### Fair Value of Financial Instruments

The Company's financial instruments include short-term investments, accounts receivable, accounts payable, accrued expenses, construction loans payable, mortgage debt, secured debt, senior debt securities, unsecured notes

payable, and an unsecured credit facility. The fair value of these instruments approximates its carrying or contract values.

#### Debt Premiums

In connection with the Formation Transactions, the Company assumed certain secured debt with an aggregate principal value of \$517,031 and a fair value of \$535,613. The difference between the principal value and the fair value was recorded as a debt premium. The debt premium is being amortized into interest expense over the term of the related debt instrument using the effective interest method. As of December 31, 1997 and 1998, the unamortized debt premium was \$18,286 and \$15,217, respectively.

#### Minority Interests

Minority interests in the Company represent the limited partnership interests in the Operating Partnership and interests held by certain third parties in twenty-one real estate joint ventures that are consolidated for financial reporting purposes. Such investments are consolidated because 1) the Company owns a majority interest, or 2) the Company holds significant control over the entity through a 50% or greater ownership interest combined with the ability to control major operating decisions, such as approval of budgets, selection of property managers and change in financing.

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The following table distinguishes the minority interest ownership held by certain Joint Venture Partners, Institutional Alliance Partners(TM), the limited partners in the Operating Partnership, the Series B Preferred Unit holders' interest in the Operating Partnership, and the Series C Preferred Unit holders' interest in a subsidiary of the Operating Partnership, as of and for the year ended December 31, 1998.

<TABLE>  
<CAPTION>

	MINORITY INTEREST LIABILITY	MINORITY INTEREST SHARE OF NET INCOME
	-----	-----
<S>	<C>	<C>
Minority Interest -- Joint Venture Partners.....	\$ 18,012	\$ 1,491
Minority Interest -- Institutional Alliance Partners(TM)....	52,381	2,987
Minority Interest -- Limited Partners in the Operating Partnership.....	86,638	4,884
Minority Interest -- Series B Preferred Units (liquidation preference of \$65,000).....	62,259	779
Minority Interest -- Series C Preferred Units (liquidation preference of \$110,000).....	105,734	1,016
	-----	-----
	\$325,024	\$11,157
	=====	=====

</TABLE>

#### 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 tenants for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable expenses are incurred.

#### Investment Management and Other Income

Investment management income consists primarily of professional fees generated from the Predecessors' real estate investment management services for periods prior to the Formation Transactions and the Company's equity in the earnings of AMB Investment Management for periods subsequent to the Formation Transactions. Other income consists primarily of interest income on cash and cash equivalents.

#### Investment Management Expenses

Investment management expenses represent the operating expenses of the Predecessor for periods prior to November 26, 1997 and consist of salaries and benefits and other management related expenses.

#### 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

As discussed in Note 1, the Operating Partnership formed AMB Investment Management for the purpose of carrying on the operations of the Predecessor. The Company and AMB Investment Management have an agreement that allows for the sharing of certain costs and employees. Additionally, the Company provides AMB Investment Management with certain acquisition-related services.

As part of the Formation Transactions, the Operating Partnership was required to pay an amount equal to the net working capital balances at November 25, 1997 of the Predecessor and the acquired Properties to the owners of said entities. As of December 31, 1997, the Company owed approximately \$37,808 to owners related to these working capital distributions. Such amount was repaid in full in early 1998.

The Company and AMB Investment Management share common office space under lease obligations of an affiliate of the Predecessor. Such lease obligations are charged to the Company and AMB Investment

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Management at cost. For the years ended December 31, 1997 and 1998, the Company paid approximately \$700 and \$1,160, respectively, for occupancy costs related to the lease obligations of the affiliate.

4. PROPERTY HELD FOR DIVESTITURE

The Company has determined to focus exclusively on properties that meet its strategic objectives. Therefore, as of December 31, 1998, the Company had decided to divest itself of four industrial buildings and four retail centers. As of December 31, 1998, the divestiture of the properties is subject to negotiation of acceptable terms and other customary conditions.

The following summarizes the condensed results of operations of the properties held for divestiture for the period from November 26, 1997 to December 31, 1997 and for the year ended December 31, 1998:

<TABLE>  
<CAPTION>

	1997	1998
	-----	-----
<S>	<C>	<C>
Income.....	\$1,406	\$14,851
Property Operating Expenses.....	370	3,626
	-----	-----
Net Operating Income.....	\$1,036	\$11,225
	=====	=====

</TABLE>

As of December 31, 1998, the net carrying value of the properties held for divestiture was \$115,050, and two of the retail centers were encumbered by secured debt of \$42,615. The net proceeds will be used to acquire additional properties and pay down certain debts.

5. DEBT

As of December 31, 1997 and 1998, debt, excluding unamortized debt premiums, consists of the following:

<TABLE>  
<CAPTION>

	1997	1998
	-----	-----
<S>	<C>	<C>
Secured debt, varying coupon interest rates from 4.00% to 10.38%, due April 1999 to April 2014.....	\$517,366	\$ 718,979
Unsecured senior debt securities, weighted average interest rate of 7.18%, due June 2008, 2015, and 2018.....	--	400,000
Unsecured credit facility, variable interest at LIBOR plus 90 to 120 basis points (6.10% at December 31, 1998), due November 2000.....	150,000	234,000
	-----	-----
Total Debt.....	\$667,366	\$1,352,979
	=====	=====

</TABLE>

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, 1998, the total gross investment value of those Properties secured by debt was \$1,458,652. All of the secured debt bear interest at fixed rates, except for two loans with an aggregate principal amount of \$9,155, which bear interest at a variable rate. The secured debt has various financial and non-financial covenants. Additionally, certain of the secured debt is cross-collateralized.

Interest on the senior debt securities is payable semiannually in each June and December commencing December 1998. The 2015 notes are putable and callable in June 2005. The senior debt securities are subject to various financial and non-financial covenants.

The Company has a \$500,000 unsecured revolving credit agreement (the "Credit Facility") with Morgan Guaranty Trust Company of New York, as agent, and a syndicate of twelve other banks. The Credit Facility has an original term of three years and is subject to a fee that accrues on the daily average undrawn funds, which varies between 15 and 25 basis points of the undrawn funds based on the Company's credit rating. The Credit Facility has various financial and non-financial covenants.

Capitalized interest related to construction projects for the period from November 26, 1997 to December 31, 1997, was \$448 and for the year ended December 31, 1998 was \$7,192. There was no capitalized interest for periods prior to the Formation Transactions.

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The scheduled maturities of the Company's total debt, excluding unamortized debt premiums, as of December 31, 1998 are as follows:

<TABLE>  
<CAPTION>

	SECURED DEBT	UNSECURED SENIOR DEBT SECURITIES	UNSECURED CREDIT FACILITY	TOTAL
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
1999.....	\$ 14,061	\$ --	\$ --	\$ 14,061
2000.....	19,833	--	234,000	253,833
2001.....	42,560	--	--	42,560
2002.....	68,849	--	--	68,849
2003.....	136,798	--	--	136,798
Thereafter.....	436,878	400,000	--	836,878
	-----	-----	-----	-----
	\$718,979	\$400,000	\$234,000	\$1,352,979
	=====	=====	=====	=====

</TABLE>

#### 6. LEASING ACTIVITY

Future minimum rental income due under noncancelable leases with tenants in effect at December 31, 1998, is as follows:

<S>	<C>
1999.....	\$ 329,322
2000.....	287,771
2001.....	239,178
2002.....	189,259
2003.....	142,411
Thereafter.....	536,573
	-----
	\$1,724,514
	=====

</TABLE>

In addition to minimum rental payments, certain tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$5,267 and \$68,071 for the period from November 26, 1997 to December 31, 1997 and for the year ended December 31, 1998, 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 period from November 26, 1997 to December 31, 1997 and for the year ended December 31, 1998, the Company recognized percentage rent revenues of \$185 and \$1,870, respectively. Some leases contain options to renew. No individual tenant accounts for greater than 2% of rental revenues.

#### 7. 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 95% of its taxable income to its stockholders. It is management's 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, 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. For the years ended December 31, 1997 and 1998, 0% of the dividends paid to common stockholders represented a return of capital for income tax purposes.

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Prior to the Merger, the Predecessor conducted its business as an S corporation, and was not subject to federal income taxes under Subchapter S of the Internal Revenue Code. Under this election federal income taxes were paid by the stockholders of the Predecessor.

#### 8. STOCKHOLDERS' EQUITY

On July 27, 1998, the Company sold 4,000,000 shares of 8.5% Series A Cumulative Redeemable Preferred Stock at \$25.00 per share for \$100,000 in an underwritten public offering. These shares are redeemable solely at the option of the Company on or after July 27, 2003. The net proceeds of \$96,100 (after deducting underwriters' discounts and commissions and offering costs) from the offering were contributed to the Operating Partnership in exchange for 4,000,000 Series A preferred units with terms identical to the Series A Preferred Stock. The Operating Partnership used these proceeds to repay borrowings under the Credit Facility.

On December 4, 1998, the Company and the Operating Partnership declared a quarterly cash distribution of \$0.3425 per common share and operating partnership unit, payable on January 15, 1999 to stockholders of record on December 31, 1998. On December 4, 1998, the Company declared a cash dividend of \$0.53125 per share on its Series A Preferred Stock, and the Operating Partnership declared a cash distribution of \$0.53125 per unit of its Series A Preferred Units, payable on January 15, 1999 to stockholders and unit holders of record as of December 31, 1998.

#### 9. STOCK INCENTIVE PLAN AND 401(k) 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 5,750,000 shares of Common Stock under the Stock Incentive Plan. As of December 31, 1998, the Company had granted 4,384,037 non-qualified options, to certain directors, officers and employees. Each option is exchangeable for one share of the Company's Common Stock and has a weighted average exercise price equal to \$21.22. Each option's exercise price is equal to the Company's market price at the date of grant. The options had an original ten-year term and 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, 1998.

As permitted by SFAS 123, "Accounting Stock-based Compensation," the Company has not changed our 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 \$1,767 and pro forma basic and diluted earnings per share would have been reduced to \$1.25 and \$1.24, respectively, for the year ended December 31, 1998.

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 1997 and 1998, respectively: dividend yield of 6.52% and 6.31%, expected volatility of 18.75% and 23.10%, risk-free interest rate of 5.86% and 4.94%, and expected lives of 10 years for both years.

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Following is a summary of the option activity for the years ended December 31, 1997 and 1998:

<TABLE>  
<CAPTION>

SHARES UNDER	WEIGHTED AVERAGE	REMAINING CONTRACTUAL
--------------	---------------------	--------------------------

	OPTION (000)	EXERCISE PRICE	LIFE
	-----	-----	-----
<S>	<C>	<C>	<C>
Outstanding, 11/25/97.....	--	--	--
Granted.....	3,154	\$21.00	10 years
Exercised.....	--	--	--
Forfeited.....	(10)	--	--
	-----	-----	-----
Outstanding, 12/31/97.....	3,144	21.00	10 years
Granted.....	1,508	21.69	10 years
Exercised.....	--	--	--
Forfeited.....	(268)	--	--
	-----	-----	-----
Outstanding, 12/31/98.....	4,384	21.40	9.4 years
	=====	=====	=====
Options exercisable at year-end.....	622	\$21.00	
	=====	=====	
Fair value of options granted during the year.....	\$ 2.43		
	=====		

</TABLE>

In 1997, under the Stock Incentive Plan, the Company sold 5,712 restricted shares of its Common Stock to certain independent directors for \$0.01 per share in cash. In 1998, under the Stock Incentive Plan the Company issued 43,007 restricted shares to certain officers of the Company as part of the Performance Pay Program. The restricted shares are subject to a repurchase right held by the Company, which lapses one-third of such shares annually. The repurchase right lapses fully on January 1, 2002.

#### 401(k) Plan

In November 1997, the Company established a Section 401(k) Savings/Retirement Plan (the "Section 401(k) Plan"), which is a continuation of the Section 401(k) plan of the Predecessor, to cover eligible employees of the Company and any designated affiliate. The Section 401(k) Plan permits eligible employees of the Company to defer up to 10% 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 Section 401(k) Plan. The Company matches the employee contributions to the Section 401(k) Plan in an amount equal to 50% of the first 3.5% of annual compensation deferred by each employee and may also make discretionary contributions to the plan. As of December 31, 1997 and 1998, the Company's accrual for 401(k) match was \$140 and \$153, respectively. Such amounts were included in Other liabilities on the consolidated balance sheets.

Except for the Section 401(k) Plan, the Company offers no other post-retirement or post-employment benefits to its employees.

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#### 10. SUPPLEMENTAL INFORMATION TO STATEMENT OF CASH FLOWS

<TABLE>  
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1996	1997	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash paid for interest.....	\$ --	\$ 2,509	\$ 68,209
Non-cash transactions:			
Acquisitions of properties.....	\$ --	\$ 2,438,634	\$ 901,284
Assumption of debt.....	--	(717,613)	(221,017)
Cash acquired.....	--	(43,978)	--
Other assumed assets and liabilities.....	--	(13,862)	--
Minority interest's contribution, including units issued.....	--	(64,358)	(115,963)
Shares issued.....	--	(1,370,391)	--
	-----	-----	-----
Net cash paid, net of cash acquired.....	\$ --	\$ 228,432	\$ 564,304
	=====	=====	=====

</TABLE>

#### 11. COMMITMENTS AND CONTINGENCIES

##### Litigation

In the normal course of business, from time to time, the Company is 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 materially adverse effect on the consolidated financial position, results of operations, or cash flows of the Company.

##### Environmental Matters



The Company follows the policy of monitoring 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. 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.

#### General Uninsured Losses

The Company carries comprehensive liability, fire, flood, environmental, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of extraordinary losses that may be either uninsurable, or not economically insurable. Certain of the Properties are located in areas that are subject to earthquake activity; the Company

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has therefore obtained limited earthquake insurance. Should an uninsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows, from a property.

#### 12. QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly financial data for 1998 is as follows:

<TABLE>  
<CAPTION>

	QUARTER				YEAR
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31	
<S>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$ 75,785	\$ 85,014	\$ 94,061	\$ 104,027	\$ 358,887
Income from operations before minority interest.....	29,188	30,382	31,802	32,378	123,750
Minority interests' share of net income.....	(1,282)	(2,404)	(2,930)	(4,541)	(11,157)
Net income.....	\$ 27,906	\$ 27,978	\$ 28,872	\$ 27,837	\$ 112,593
Preferred stock dividends.....	--	--	(1,514)	(2,125)	(3,639)
Net income available to common stockholders.....	\$ 27,906	\$ 27,978	\$ 27,358	\$ 25,712	\$ 108,954
Net income per common share:					
Basic(1).....	\$ 0.33	\$ 0.33	\$ 0.32	\$ 0.30	\$ 1.27
Diluted.....	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.30	\$ 1.26
Weighted average common shares outstanding:					
Basic.....	85,874,513	85,874,513	85,874,513	85,881,992	85,876,383
Diluted.....	86,284,736	86,222,175	86,251,857	86,181,937	86,235,176

</TABLE>

(1) The sum of quarterly financial data varies from the annual data due to rounding.

#### 13. SEGMENT INFORMATION

The Company has two reportable segments: Industrial Properties and Retail Properties. The Company believes that the most relevant information about the way that its business is managed is through disclosure of certain data at the operating division level. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Significant information used by the Company for the reportable segments is as follows:

<TABLE>  
<CAPTION>

	INDUSTRIAL PROPERTIES	RETAIL PROPERTIES	TOTAL PROPERTIES
<S>	<C>	<C>	<C>
Rental revenues:			
1996.....	\$ --	\$ --	\$ --
1997.....	16,898	9,567	26,465
1998.....	248,134	106,524	354,658

Property net operating income and contribution to FFO(1):			
1996.....	--	--	--
1997.....	11,056	6,510	17,566
1998.....	181,832	76,752	258,584
Investment in properties:			
1996.....	--	--	--
1997.....	1,639,321	803,678	2,442,999
1998(2).....	2,574,940	794,120	3,369,060

</TABLE>

- -----

(1) Property net operating income (NOI) is defined as rental revenue, including reimbursements and straight-line rents, less property level operating expenses.

(2) Excludes net properties held for divestiture of \$115,050. See Note 4.

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The Company uses property net operating income and FFO as operating performance measures. The following are reconciliations between total reportable segment revenue, property net operating income and funds from operations ("FFO") contribution to consolidated revenues, net income and FFO:

<TABLE>

<CAPTION>

	1996	1997	1998
	-----	-----	-----
<S>	<C>	<C>	<C>
REVENUES			
Total rental revenues for reportable segments.....	\$ --	\$26,465	\$354,658
Investment management and other income.....	23,991	29,597	4,229
Total consolidated revenues.....	\$23,991	\$56,062	\$358,887
	=====	=====	=====
NET INCOME			
Property net operating income for reportable segments.....	\$ --	\$17,566	\$258,584
Investment management and other income.....	23,991	29,597	4,229
Less:			
General and administrative.....	--	1,197	11,929
Interest expense.....	--	3,528	69,670
Depreciation and amortization.....	--	4,195	57,464
Investment management expenses.....	16,851	19,358	--
Minority interests.....	137	657	11,157
Net income.....	\$ 7,003	\$18,228	\$112,593
	=====	=====	=====
FFO(1)			
Net income.....	\$ 7,003	\$18,228	\$112,593
Minority interests' share of net income.....	137	657	11,157
Real estate depreciation and amortization:			
Total depreciation and amortization.....	--	4,195	57,464
Furniture, fixtures and equipment depreciation.....	--	(37)	(463)
FFO attributable to minority interests(2):			
Institutional Alliance Partners.....	--	--	(3,828)
Other joint venture partners.....	--	(218)	(2,071)
Adjustments to derive FFO in unconsolidated joint venture(3):			
Company's share of net income.....	--	--	(1,750)
Company's share of FFO.....	--	--	2,739
Preferred stock dividends.....	--	--	(3,639)
Series B & C preferred unit distributions.....	--	--	(1,795)
FFO.....	\$ 7,140	\$22,825	\$170,407
	=====	=====	=====

</TABLE>

- -----

(1) Funds from Operations ("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 perpetual preferred stock dividends. In accordance with NAREIT White Paper on FFO, we include the effects of straight-line rents in FFO.

(2) Represents FFO attributable to minority interests in consolidated joint ventures for the periods presented, which has been computed as minority interests' share of net income before disposal of properties plus minority interests' share of real estate-related depreciation and amortization of the consolidated joint ventures for such periods. Such minority interests are not exchangeable into shares of Common Stock.

(3) Represents our pro rata shares of FFO in unconsolidated joint ventures for

the periods presented, which has been computed as our share of net income plus our share of real estate-related depreciation and amortization of the unconsolidated joint venture for such periods.

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14. SUBSEQUENT EVENTS (UNAUDITED)

On March 5, 1999, the Company and the Operating Partnership declared a quarterly cash distribution of \$0.35 per common share and operating partnership unit, for the quarter ending March 31, 1999, payable April 15, 1999 to stockholders and unitholders of record as of March 31, 1999. On March 5, 1999, the Company declared a cash dividend of \$0.53125 per share on its Series A Preferred Stock, and the Operating Partnership declared a cash distribution of \$0.53125 per unit on its Series A Preferred Units, for the three month period ending April 14, 1999, payable on April 15, 1999 to stockholders and unitholders of record as of March 31, 1999.

On March 9, 1999, the Company signed a series of definitive agreements with BPP Retail, LLC ("BPP Retail"), a co-investment entity between Burnham Pacific Properties ("BPP") and the California Public Employees' Retirement System ("CalPERS"), pursuant to which BPP Retail will acquire 28 retail shopping centers of the Company, totaling 5.1 million square feet, for an aggregate price of \$663.4 million. BPP Retail will acquire the centers in separate transactions, which are currently expected to close on or about April 30, 1999, July 31, 1999 and December 1, 1999. In addition, the Company has entered into a definitive agreement, subject to a financing confirmation, with BPP, pursuant to which BPP will acquire six additional retail centers, totaling 1.5 million square feet, for \$284.4 million. Assuming satisfaction or waiver of this condition, this transaction is currently expected to close by December 31, 1999. In connection with these transactions, the Company has also granted CalPERS an option to purchase up to 2,000,000 original issue shares of AMB's Common Stock for an exercise price of \$25 per share that may be exercised on or before March 31, 2000.

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AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION  
AS OF DECEMBER 31, 1998  
(IN THOUSANDS, EXCEPT NUMBER OF BUILDINGS/CENTERS)

<TABLE>  
<CAPTION>

COSTS	NO. OF	INITIAL COST TO COMPANY						
		BLDGS./CTRS.	ENCUMBRANCES	LAND		BUILDING & IMPROVEMENTS		
SUBSEQUENT TO ACQUISITION	(1)	LOCATION	TYPE	(2)	LAND	IMPROVEMENTS		
Acer Distribution Center..... 384	<C> 1	<C> CA	<C> IND	<C> \$ --	<C> \$ 3,146	<C> \$ 9,479	<C> \$	
Activity Distribution Center.... 85	4	CA	IND	5,247	3,736	11,248		
Addison Technology Center..... 158	1	TX	IND	--	899	2,696		
Alsip Industrial..... 236	1	IL	IND	--	1,200	3,600		
Alvarado Business Center..... 358	10	CA	IND	--	7,906	23,757		
Amwiler-Gwinnett Industrial Portfolio..... 349	9	GA	IND	13,939	6,641	19,964		
Anaheim Industrial..... 59	1	CA	IND	--	1,457	4,341		
Ardenwood Corporate Park..... 262	4	CA	IND	9,870	7,321	22,002		
Artesia Industrial Portfolio.... 1,429	27	CA	IND	54,100	23,860	71,620		
Atlanta South..... 313	9	GA	IND	--	8,047	24,231		
Beacon Industrial Park..... 4,784	8	FL	IND	--	10,466	31,437		
Belden Avenue..... 106	3	IL	IND	--	5,019	15,186		
Bensenville..... 1,102	13	IL	IND	41,031	20,799	62,438		
Blue Lagoon.....	2	FL	IND	11,661	4,945	14,875		



<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Circle Freeway..... 22	1	OH	IND	--	530	1,591	
Corporate Park/Hickory Hill..... 13,747	7	TN	IND	16,400	6,789	6,787	
Corporate Square..... 172	6	MN	IND	--	4,024	12,113	
Crysen Industrial..... 197	1	DC	IND	3,400	1,425	4,275	
Dallas Industrial Portfolio..... 658	18	TX	IND	--	7,797	23,433	
Deerfield Commerce Center..... --	3	FL	IND	--	711	2,160	
Dixie Highway..... 2	2	KY	IND	--	1,700	5,149	
Dock's Corner..... 2,326	1	NJ	IND	--	2,050	6,190	
Dock's Corner II..... 324	1	NJ	IND	--	2,272	6,917	
Dowe Industrial Center..... 50	2	CA	IND	--	2,665	8,034	
East Walnut Drive..... --	1	CA	IND	--	964	2,918	
Edenvale Business Center..... 197	1	MN	IND	1,510	919	2,411	
Elk Grove Village Industrial.... 272	11	IL	IND	--	7,713	23,179	
Elmwood Business Park..... 13	5	LA	IND	--	4,163	12,635	
Empire Drive..... --	1	KY	IND	--	1,590	4,815	
Executive Drive..... 319	1	IL	IND	--	1,399	4,236	
Fairway Drive Industrial..... 5,551	3	CA	IND	--	1,954	5,479	
Fontana Industrial (Commerce)... 1,959	2	CA	IND	--	5,354	16,215	
Garland Industrial..... 16,984	20	TX	IND	--	8,161	8,162	
Glen Ellyn Road..... --	1	IL	IND	--	850	2,588	
Greater Dallas Industrial Portfolio..... (177)	8	TX	IND	--	9,934	30,120	
Greater Houston Industrial Portfolio..... (195)	14	TX	IND	--	6,197	19,261	
Greenwood Industrial..... 363	3	MD	IND	--	4,729	14,188	
Harvest Business Park..... 153	3	WA	IND	3,584	2,371	7,153	
Hewlett Packard Distribution.... 39	1	CA	IND	3,339	1,668	5,043	
Hintz Road..... 22	1	IL	IND	--	420	1,259	
Holton Drive..... 73	1	KY	IND	--	2,633	7,899	
Houston Industrial Portfolio.... 351	5	TX	IND	--	3,009	9,066	
Houston Service Center..... 217	3	TX	IND	--	3,800	11,401	
Industrial Drive..... 181	1	OH	IND	--	1,743	5,230	
Interchange City Portfolio..... (2,079)	2	TN	IND	--	3,523	12,683	
International Multifoods..... 122	1	CA	IND	--	1,613	4,879	
Itasca Industrial Portfolio..... 1,145	6	IL	IND	--	6,416	19,289	
Jamesburg Road Corporate Park... 23,765	3	NJ	IND	23,500	11,700	11,701	
Janitrol..... 186	1	OH	IND	--	1,797	5,390	

<CAPTION>

DEPRECIABLE	GROSS AMOUNT CARRIED AT 12/31/98				YEAR OF		
	PROPERTY	LAND	BUILDING & IMPROVEMENTS	TOTAL COSTS (3) (4)	ACCUMULATED DEPRECIATION	CONSTRUCTION/ACQUISITION	LIFE (YEARS)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Circle Freeway.....	530	1,614	2,144	18	1998	5-40	

Corporate Park/Hickory Hill.....	6,789	20,534	27,323	392	1998	5-40
Corporate Square.....	4,024	12,285	16,309	340	1997	5-40
Crysen Industrial.....	1,425	4,472	5,897	64	1998	5-40
Dallas Industrial Portfolio.....	7,797	24,091	31,888	676	1997	5-40
Deerfield Commerce Center.....	711	2,160	2,871	10	1998	5-40
Dixie Highway.....	1,700	5,151	6,851	132	1997	5-40
Dock's Corner.....	2,050	8,516	10,566	280	1997	5-40
Dock's Corner II.....	2,272	7,241	9,513	194	1997	5-40
Dowe Industrial Center.....	2,665	8,084	10,748	222	1997	5-40
East Walnut Drive.....	964	2,918	3,882	75	1997	5-40
Edenvale Business Center.....	919	2,608	3,527	56	1998	5-40
Elk Grove Village Industrial....	7,713	23,452	31,165	649	1997	5-40
Elmwood Business Park.....	4,163	12,648	16,810	60	1998	5-40
Empire Drive.....	1,590	4,815	6,405	123	1997	5-40
Executive Drive.....	1,399	4,555	5,954	129	1997	5-40
Fairway Drive Industrial.....	1,954	11,030	12,983	191	1997	5-40
Fontana Industrial (Commerce)...	5,354	18,174	23,528	509	1997	5-40
Garland Industrial.....	8,161	25,146	33,308	340	1998	5-40
Glen Ellyn Road.....	850	2,588	3,438	13	1998	5-40
Greater Dallas Industrial Portfolio.....	9,406	30,472	39,877	789	1997	5-40
Greater Houston Industrial Portfolio.....	6,197	19,066	25,263	218	1998	5-40
Greenwood Industrial.....	4,729	14,551	19,280	257	1998	5-40
Harvest Business Park.....	2,371	7,307	9,678	203	1997	5-40
Hewlett Packard Distribution....	1,668	5,082	6,750	140	1997	5-40
Hintz Road.....	420	1,280	1,700	14	1998	5-40
Holton Drive.....	2,633	7,972	10,605	204	1997	5-40
Houston Industrial Portfolio....	3,009	9,417	12,426	263	1997	5-40
Houston Service Center.....	3,800	11,618	15,418	201	1998	5-40
Industrial Drive.....	1,743	5,410	7,153	145	1997	5-40
Interchange City Portfolio.....	3,523	10,604	14,127	90	1998	5-40
International Multifoods.....	1,613	5,001	6,614	139	1997	5-40
Itasca Industrial Portfolio.....	6,416	20,434	26,851	584	1997	5-40
Jamesburg Road Corporate Park...	11,700	35,466	47,166	679	1998	5-40
Janitrol.....	1,797	5,576	7,372	149	1997	5-40

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AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

CAPITALIZED SUBSEQUENT TO ACQUISITION		NO. OF BLDGS./CTRS. (1)	LOCATION	TYPE	INITIAL COST TO COMPANY			
					ENCUMBRANCES (2)	LAND	BUILDING & IMPROVEMENTS	
PROPERTY								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Kent Centre..... 294	4	WA	IND	--	3,042	9,165		
Kingsport Industrial Park..... 359	7	WA	IND	17,310	7,919	23,798		
L.A. County Industrial Portfolio.....	6	CA	IND	--	9,671	29,082		
Lake Michigan Industrial Portfolio.....	2	IL	IND	--	2,886	8,699		
Laurelwood Drive..... 110	2	CA	IND	--	2,750	8,538		
Lincoln Industrial Center..... 48	1	TX	IND	--	671	2,052		
Linder Skokie..... 394	1	IL	IND	--	2,938	8,854		
Lisle Industrial..... 39	1	IL	IND	--	2,290	6,911		
Locke Drive..... (326)	1	MA	IND	--	1,074	3,614		
Lonestar Portfolio..... 220	7	TX	IND	17,000	7,129	21,428		
Mahwah Corporate Center..... 10	7	NJ	IND	--	10,421	31,909		
Marietta Industrial..... 33	3	GA	IND	--	1,830	5,489		
MBC Industrial.....	4	CA	IND	12,600	5,892	17,716		

62 Meadowridge Industrial.....	3	MD	IND	--	3,716	11,147
20 Melrose Park.....	1	IL	IND	--	2,936	9,190
39 Mendota Heights.....	1	IL	IND	668	1,367	4,565
1,621 Metric Center.....	6	TX	IND	--	10,968	31,362
2,013 Mid-Atlantic Corporate Center...	13	NJ	IND	--	6,581	19,783
1,180 Milmont Page Business Center....	3	CA	IND	--	3,201	9,642
162 Minneapolis Distribution Portfolio.....	5	MN	IND	--	7,018	21,093
751 Minneapolis Industrial Portfolio IV.....	4	MN	IND	8,109	4,938	14,854
556 Minneapolis Industrial Portfolio V.....	7	MN	IND	6,965	4,426	13,317
240 Minnetonka Industrial.....	10	MN	IND	12,635	6,794	6,586
14,629 Mittel Drive.....	2	IL	IND	--	646	1,970
(2) Moffett Park R&D Portfolio.....	14	CA	IND	--	14,807	44,462
1,181 NDP -- Los Angeles.....	6	CA	IND	10,902	5,875	19,139
(1,070) NDP -- Seattle.....	4	WA	IND	--	3,888	11,893
-- Norcross/Brookhollow Portfolio.....	4	GA	IND	--	3,721	11,180
329 Northpointe Commerce.....	2	CA	IND	--	1,773	5,358
83 Northwest Distribution Center...	3	WA	IND	--	3,533	10,751
555 O'Hare Industrial Portfolio.....	15	IL	IND	--	7,357	22,112
306 Pacific Business Center.....	2	CA	IND	9,697	5,417	16,291
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<CAPTION>

DEPRECIABLE PROPERTY -----	GROSS AMOUNT CARRIED AT 12/31/98 -----			YEAR OF -----		
	LAND	BUILDING & IMPROVEMENTS	TOTAL COSTS (3) (4)	ACCUMULATED DEPRECIATION	CONSTRUCTION/ ACQUISITION	LIFE (YEARS)
-----	-----	-----	-----	-----	-----	-----
-- <S>	<C>	<C>	<C>	<C>	<C>	<C>
Kent Centre.....	3,042	9,459	12,501	265	1997	5-40
Kingsport Industrial Park.....	7,919	24,158	32,077	670	1997	5-40
L.A. County Industrial Portfolio.....	9,671	29,435	39,106	815	1997	5-40
Lake Michigan Industrial Portfolio.....	2,886	8,799	11,686	243	1997	5-40
Laurelwood Drive.....	2,750	8,648	11,398	234	1997	5-40
Lincoln Industrial Center.....	671	2,099	2,770	58	1997	5-40
Linder Skokie.....	2,938	9,248	12,186	261	1997	5-40
Lisle Industrial.....	2,290	6,950	9,240	191	1997	5-40
Locke Drive.....	1,074	3,288	4,361	65	1998	5-40
Lonestar Portfolio.....	7,129	21,648	28,777	598	1997	5-40
Mahwah Corporate Center.....	10,421	31,919	42,340	231	1998	5-40
Marietta Industrial.....	1,830	5,522	7,352	93	1998	5-40
MBC Industrial.....	5,892	17,778	23,670	489	1997	5-40
Meadowridge Industrial.....	3,716	11,168	14,884	187	1998	5-40
Melrose Park.....	2,936	9,229	12,165	253	1997	5-40
Mendota Heights.....	1,367	6,186	7,553	186	1998	5-40
Metric Center.....	10,968	33,375	44,343	919	1997	5-40
Mid-Atlantic Corporate Center...	6,581	20,963	27,544	603	1997	5-40
Milmont Page Business Center....	3,201	9,804	13,005	272	1997	5-40
Minneapolis Distribution Portfolio.....	7,018	21,845	28,863	615	1997	5-40
Minneapolis Industrial Portfolio IV.....	4,938	15,409	20,347	434	1997	5-40
Minneapolis Industrial Portfolio V.....	4,426	13,557	17,982	376	1997	5-40
Minnetonka Industrial.....	6,794	21,216	28,009	297	1998	5-40
Mittel Drive.....	646	1,968	2,614	10	1998	5-40
Moffett Park R&D Portfolio.....	14,805	45,646	60,450	1,345	1997	5-40
NDP -- Los Angeles.....	5,948	17,996	23,944	79	1998	5-40
NDP -- Seattle.....	3,888	11,893	15,780	61	1998	5-40

Norcross/Brookhollow Portfolio.....	3,721	11,509	15,230	322	1997	5-40
Northpointe Commerce.....	1,773	5,442	7,215	150	1997	5-40
Northwest Distribution Center...	3,533	11,306	14,838	317	1997	5-40
O'Hare Industrial Portfolio.....	7,357	22,418	29,776	620	1997	5-40
Pacific Business Center.....	5,417	16,457	21,874	454	1997	5-40

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AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

COSTS		INITIAL COST TO COMPANY						
		NO. OF BLDGS./CTRS.	ENCUMBRANCES	BUILDING & IMPROVEMENTS				
SUBSEQUENT TO ACQUISITION	PROPERTY	(1)	LOCATION	TYPE	(2)	LAND	IMPROVEMENTS	
-----	-----	-----	-----	----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Pacific Service Center..... 13		1	GA	IND	--	504	1,511	
Parkway Business Center..... 86		1	MN	IND	--	475	1,425	
Patuxent Range Road..... 77		2	MD	IND	--	1,696	5,127	
Peachtree NE Business Center.... 146		3	GA	IND	--	2,197	6,592	
Peninsula Business Center III... 41		1	VA	IND	--	992	2,976	
Penn James Office/Warehouse..... 403		2	MN	IND	--	1,991	6,013	
Pennsy Drive..... 1,793		1	MD	IND	--	657	2,011	
Porete Avenue Warehouse..... --		1	NJ	IND	9,928	4,067	12,509	
Presidents Drive Distribution Center..... 271		6	FL	IND	--	3,687	11,314	
Preston Court..... 7		1	MD	IND	--	2,313	7,192	
Production Drive..... 135		1	KY	IND	--	425	1,286	
Round Lake Business Center..... 72		1	MN	IND	--	875	2,860	
Sabal III..... 67		1	FL	IND	--	1,211	3,634	
Sand Lake Service Center..... 248		6	FL	IND	--	--	--	
Santa Barbara Court..... 118		1	MD	IND	--	1,617	5,029	
Scripps Sorrento..... 30		1	CA	IND	--	1,110	3,330	
Silicon Valley R&D Portfolio.... 219		5	CA	IND	--	8,024	24,205	
South Bay Industrial..... 929		8	CA	IND	19,226	14,992	45,016	
South Point Business Park..... 10,817		7	NC	IND	--	5,371	5,446	
Southfield/KDRC Industrial Portfolio..... 620		10	GA	IND	--	9,629	28,928	
Stadium Business Park..... 255		9	CA	IND	4,770	3,768	11,345	
Stapleton Square..... 98		2	CO	IND	--	526	1,577	
Sunrise Industrial..... 1,136		4	FL	IND	17,514	5,982	18,174	
Systematics..... 39		1	CA	IND	--	911	2,773	
Torrance Commerce Center..... 91		6	CA	IND	--	2,046	6,136	
Twin Cities..... 82		2	MN	IND	--	4,873	14,638	
Two South Middlesex..... 39		1	NJ	IND	--	2,247	6,781	
Valwood Industrial.....		2	TX	IND	3,954	1,983	5,989	



258	Viscount.....	1	FL	IND	--	984	3,016
7	Weigman Road.....	1	CA	IND	--	1,563	4,688
164	West North Carrier Parkway.....	1	TX	IND	3,201	1,375	4,165
124	Willow Lake Industrial Park.....	10	TN	IND	37,928	11,997	32,286
3,875	Willow Park Industrial Portfolio.....	21	CA	IND	33,271	25,623	74,800
3,488							

<CAPTION>

DEPRECIABLE PROPERTY -----	GROSS AMOUNT CARRIED AT 12/31/98				YEAR OF	
	LAND	BUILDING & IMPROVEMENTS	TOTAL COSTS (3) (4)	ACCUMULATED DEPRECIATION	CONSTRUCTION/ACQUISITION	LIFE (YEARS)
--	<C>	<C>	<C>	<C>	<C>	<C>
Pacific Service Center.....	504	1,525	2,028	17	1998	5-40
Parkway Business Center.....	475	1,511	1,986	31	1998	5-40
Patuxent Range Road.....	1,696	5,204	6,900	144	1997	5-40
Peachtree NE Business Center....	2,197	6,737	8,935	77	1998	5-40
Peninsula Business Center III...	992	3,017	4,009	33	1998	5-40
Penn James Office/Warehouse.....	1,991	6,416	8,407	184	1997	5-40
Pennsy Drive.....	657	3,804	4,461	141	1997	5-40
Porete Avenue Warehouse.....	4,067	12,509	16,576	93	1998	5-40
Presidents Drive Distribution Center.....	3,687	11,585	15,272	310	1997	5-40
Preston Court.....	2,313	7,199	9,512	193	1997	5-40
Production Drive.....	425	1,421	1,846	39	1997	5-40
Round Lake Business Center.....	875	2,932	3,807	67	1998	5-40
Sabal III.....	1,211	3,701	4,913	42	1998	5-40
Sand Lake Service Center.....	--	248	248	16	1998	5-40
Santa Barbara Court.....	1,617	5,147	6,764	141	1997	5-40
Scripps Sorrento.....	1,110	3,360	4,471	36	1998	5-40
Silicon Valley R&D Portfolio....	8,024	24,424	32,448	679	1997	5-40
South Bay Industrial.....	14,992	45,945	60,937	1,347	1997	5-40
South Point Business Park.....	5,371	16,263	21,634	37	1998	5-40
Southfield/KDRC Industrial Portfolio.....	9,629	29,548	39,177	730	1997	5-40
Stadium Business Park.....	3,768	11,600	15,368	323	1997	5-40
Stapleton Square.....	526	1,675	2,201	21	1998	5-40
Sunrise Industrial.....	6,266	19,026	25,292	90	1998	5-40
Systematics.....	911	2,812	3,723	77	1997	5-40
Torrance Commerce Center.....	2,046	6,228	8,273	69	1998	5-40
Twin Cities.....	4,873	14,720	19,592	405	1997	5-40
Two South Middlesex.....	2,247	6,821	9,068	187	1997	5-40
Valwood Industrial.....	1,983	6,247	8,230	176	1997	5-40
Viscount.....	984	3,023	4,007	79	1997	5-40
Weigman Road.....	1,563	4,852	6,415	130	1997	5-40
West North Carrier Parkway.....	1,375	4,289	5,664	120	1997	5-40
Willow Lake Industrial Park.....	11,997	36,161	48,158	311	1998	5-40
Willow Park Industrial Portfolio.....	25,623	78,288	103,911	531	1998	5-40

</TABLE>

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AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	NO. OF BLDGS./CTRS. (1)	LOCATION	TYPE	INITIAL COST TO COMPANY		
				ENCUMBRANCES (2)	LAND	BUILDING & IMPROVEMENTS
PROPERTY -----	(1)	LOCATION	TYPE	(2)	LAND	BUILDING & IMPROVEMENTS
--	<C>	<C>	<C>	<C>	<C>	<C>
Wilsonville..... (1,043)	1	OR	IND	--	3,407	14,584
Windsor Court..... 39	1	IL	IND	--	766	2,338
Yosemite Drive.....	1	CA	IND	--	2,350	7,051

246 Zanker/Charcot Industrial..... 405	5	CA	IND	--	5,282	15,887
Applewood Village Shopping Center..... 326	1	CO	RET	--	6,716	26,903
Arapahoe Village Shopping Center..... 318	1	CO	RET	10,635	3,795	15,220
Around Lenox..... 775	1	GA	RET	10,514	3,462	13,848
Aurora Marketplace..... 44	1	WA	RET	--	3,243	13,013
Bayhill Shopping Center..... 1,482	1	CA	RET	--	2,844	11,417
Brentwood Commons..... 109	1	IL	RET	5,036	1,810	7,280
Civic Center Plaza..... (393)	1	IL	RET	13,377	5,113	20,492
Corbins Corner Shopping Center..... 537	1	CT	RET	--	6,438	25,791
Eastgate Plaza..... 256	1	WA	RET	--	2,122	8,529
Five Points Shopping Center..... 228	1	CA	RET	--	5,412	21,687
Granada Village..... 396	1	CA	RET	14,460	6,533	26,172
Kendall Mall..... 692	1	FL	RET	24,423	7,069	28,316
La Jolla Village Shopping Center..... 127	1	CA	RET	17,750	6,936	27,785
Lakeshore Plaza Shopping Center..... 163	1	CA	RET	--	6,706	26,865
Long Gate Shopping Center..... 39	1	MD	RET	--	9,662	38,677
Manhattan Village Shopping Center..... 667	1	CA	RET	--	16,484	66,578
Mazzeo Drive..... 105	1	MA	RET	4,007	1,477	4,358
Pleasant Hill Shopping Center... 309	1	CA	RET	--	5,403	21,654
Randall's Dairy Ashford..... 56	1	TX	RET	--	2,542	10,179
Randall's First Colony..... 42	1	TX	RET	--	2,139	8,563
Randall's Memorial Commons..... 45	1	TX	RET	--	2,053	8,221
Randall's Woodway..... 845	1	TX	RET	--	3,075	12,313
Riverview Plaza Shopping Center..... 228	1	IL	RET	--	2,656	10,663
Rockford Road Plaza..... 112	1	MN	RET	--	4,333	17,371
Silverado Plaza Shopping Center..... 165	1	CA	RET	4,786	1,928	7,753
The Plaza at Delray..... 121	1	FL	RET	22,747	6,968	27,914

<CAPTION>

DEPRECIABLE PROPERTY	GROSS AMOUNT CARRIED AT 12/31/98				YEAR OF	
	LAND	BUILDING & IMPROVEMENTS	TOTAL COSTS (3) (4)	ACCUMULATED DEPRECIATION	CONSTRUCTION/ ACQUISITION	LIFE (YEARS)
--						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Wilsonville.....	3,407	13,541	16,948	313	1998	5-40
Windsor Court.....	766	2,377	3,143	65	1997	5-40
Yosemite Drive.....	2,350	7,297	9,647	195	1997	5-40
Zanker/Charcot Industrial.....	5,282	16,292	21,575	455	1997	5-40
Applewood Village Shopping Center.....	6,716	27,228	33,944	752	1997	5-40
Arapahoe Village Shopping Center.....	3,795	15,538	19,333	432	1997	5-40
Around Lenox.....	3,462	14,623	18,085	98	1998	5-40
Aurora Marketplace.....	3,243	13,057	16,300	359	1997	5-40
Bayhill Shopping Center.....	2,844	12,898	15,743	384	1997	5-40
Brentwood Commons.....	1,810	7,390	9,200	204	1997	5-40

Civic Center Plaza.....	4,550	20,662	25,212	570	1997	5-40
Corbins Corner Shopping Center.....	6,438	26,328	32,765	733	1997	5-40
Eastgate Plaza.....	2,122	8,785	10,907	246	1997	5-40
Five Points Shopping Center.....	5,412	21,915	27,327	606	1997	5-40
Granada Village.....	6,533	26,568	33,101	737	1997	5-40
Kendall Mall.....	7,069	29,009	36,078	810	1997	5-40
La Jolla Village Shopping Center.....	6,936	27,912	34,848	768	1997	5-40
Lakeshore Plaza Shopping Center.....	6,706	27,028	33,734	745	1997	5-40
Long Gate Shopping Center.....	9,662	38,716	48,378	1,117	1997	5-40
Manhattan Village Shopping Center.....	16,484	67,245	83,729	1,975	1997	5-40
Mazzeo Drive.....	1,477	4,463	5,941	85	1998	5-40
Pleasant Hill Shopping Center...	5,403	21,963	27,366	609	1997	5-40
Randall's Dairy Ashford.....	2,542	10,235	12,777	281	1997	5-40
Randall's First Colony.....	2,139	8,605	10,743	236	1997	5-40
Randall's Memorial Commons.....	2,053	8,267	10,320	227	1997	5-40
Randall's Woodway.....	3,075	13,158	16,233	378	1997	5-40
Riverview Plaza Shopping Center.....	2,656	10,892	13,547	303	1997	5-40
Rockford Road Plaza.....	4,333	17,482	21,815	482	1997	5-40
Silverado Plaza Shopping Center.....	1,928	7,918	9,846	220	1997	5-40
The Plaza at Delray.....	6,968	28,035	35,004	773	1997	5-40

S-5

AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

COSTS	NO. OF	INITIAL COST TO COMPANY						
		BLDGS./CTRS.	LOCATION	TYPE	ENCUMBRANCES		BUILDING &	
					(2)	LAND	IMPROVEMENTS	
SUBSEQUENT TO PROPERTY ACQUISITION -----	(1)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Totem Lake Malls..... 327	1	WA	RET	--	5,200	20,800		
Twin Oaks Shopping Center..... 320	1	CA	RET	--	2,399	9,637		
Weslayan Plaza..... 879	1	TX	RET	--	7,842	31,409		
Woodlawn Point Shopping Center..... 89	1	GA	RET	4,557	2,318	9,312		
Ygnacio Plaza..... 628	1	CA	RET	7,715	3,017	12,108		
----	---			-----	-----	-----		----
\$143,268	609			\$597,637	\$747,764	\$2,294,752		
=====	===			=====	=====	=====		

<CAPTION>

DEPRECIABLE	GROSS AMOUNT CARRIED AT 12/31/98				YEAR OF		
	PROPERTY	LAND	BUILDING & IMPROVEMENTS	TOTAL COSTS (3) (4)	ACCUMULATED DEPRECIATION	CONSTRUCTION/ACQUISITION	LIFE (YEARS)
--							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Totem Lake Malls.....	5,200	21,127	26,327	454	1998	5-40	
Twin Oaks Shopping Center.....	2,399	9,957	12,356	279	1997	5-40	
Weslayan Plaza.....	7,842	32,288	40,131	903	1997	5-40	
Woodlawn Point Shopping Center.....	2,318	9,401	11,719	259	1997	5-40	
Ygnacio Plaza.....	3,017	12,737	15,754	362	1997	5-40	
	-----	-----	-----	-----			
	\$740,680	\$2,445,104	\$3,185,784	\$58,404			
	=====	=====	=====	=====			

</TABLE>

## AMB PROPERTY CORPORATION

## SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)  
(IN THOUSANDS, EXCEPT NUMBER OF BUILDINGS/CENTERS)

- (1) Reconciliation of total number of industrial buildings and retail centers to Selected Property Financial and Other Data as of December 31, 1998:

<TABLE>	
<S>	<C>
Total per Schedule III(5)	609
Bldgs./ctrs. under development(6)	3
Bldgs./ctrs. held for divestiture	8
	---
Total number of bldgs./ctrs. at end of period	620
	===

&lt;/TABLE&gt;

- (2) As of December 31, 1998, Properties with a net book value of \$188,442, served as collateral for outstanding indebtedness under a secured debt facility of \$73,000.
- (3) Reconciliation of total cost to Consolidated Balance Sheet caption at December 31, 1998:

<TABLE>	
<S>	<C>
Total per Schedule III(7)	\$3,185,784
Construction in process(8)	183,276
	-----
Total investments in properties	3,369,060
	=====

&lt;/TABLE&gt;

- (4) As of December 31, 1998, the aggregate cost for federal income tax purposes of investments in real estate was approximately \$2,953,704.
- (5) Includes three industrial buildings and one retail center that are currently in operation, but are undergoing redevelopment, expansion, and/or renovations.
- (6) Includes three retail centers currently under development that have not reached stabilization and excludes land parcels under development or land held for future development.
- (7) A summary of activity for real estate and accumulated depreciation for the year ended December 31, 1998, is as follows:

<TABLE>	
<S>	<C>
Investment in Real Estate:	
Balance at beginning of year	\$2,373,151
Acquisition of properties(9)	770,444
Improvements	143,268
Acquisition of properties under redevelopment	15,673
Adjustment for properties held for divestiture	(116,753)
	-----
Balance at end of year	3,185,783
	=====
Accumulated Depreciation:	
Balance at beginning of year	\$ 4,153
Depreciation expense	54,463
Adjustment for properties held for divestiture	(212)
	-----
Balance at end of year	58,404
	=====

&lt;/TABLE&gt;

- (8) Includes \$154.0 million of fundings for projects under development and \$29.3 million of leasing and other costs related to leases starting subsequent to December 31, 1998.
- (9) Excludes \$67.1 million investment in unconsolidated joint venture.

<TABLE>  
<CAPTION>  
EXHIBIT  
NUMBER  
-----

DESCRIPTION  
-----

<C>

<S>

- |      |  |
|------|--|
| 3.1  | Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Statement on Form S-11 (No. 333-35915)).   |
| 3.2  | Certificate of Correction of the Registrant's Articles Supplementary establishing and fixing the rights and preferences of the 8 1/2% Series A Cumulative Redeemable Preferred Stock.  |
| 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 the Registrant's Current Report on Form 8-K filed on January 7, 1999).   |
| 3.4  | Articles of 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 the Registrant's Current Report on Form 8-K filed on January 7, 1999).   |
| 3.5  | First Amended and Restated Bylaws of the Registrant.   |
| 4.1  | Form of Certificate for Common Stock of the Registrant (incorporated by reference to Exhibit 3.3 of the Registrant's Registration Statement on Form S-11 (No. 333-35915)).   |
| 4.2  | Form of Certificate for the Registrant's 8 1/2% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.4 of the Registrant's Registration Statement on Form S-11 (No. 333-58107)).   |
| 4.3  | Indenture dated as of June 30, 1998 by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-11 (No. 333-49163)).                  |
| 4.4  | First Supplemental Indenture dated as of June 30, 1998 by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement Form S-11 (No. 333-49163)).     |
| 4.5  | Second Supplemental Indenture dated as of June 30, 1998 by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-11 (No. 333-49163)). |
| 4.6  | Third Supplemental Indenture dated as of June 30, 1998 by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-11 (No. 333-49163)).  |
| 4.7  | Specimen of 7.10% Notes due 2008 (included in the First Supplemental Indenture incorporated by reference as Exhibit 4.2 to the Company's Registration Statement on Form S-11 (No. 333-49163)).   |
| 4.8  | Specimen of 7.50% Notes due 2018 (included in the Second Supplemental Indenture incorporated by reference as Exhibit 4.3 to the Company's Registration Statement on Form S-11 (No. 333-49163)).  |
| 4.9  | Specimen of 6.90% Reset Put Securities due 2015 (included in the Third Supplemental Indenture incorporated by reference as Exhibit 4.4 to the Company's Registration Statement on Form S-11 (No. 333-49163)).  |
| 10.1 | Third Amended and Restated Agreement of Limited Partnership of AMB Property, L.P. (incorporated by reference to Exhibit 99.1 of the Registrant's Registration Statement of Form S-3 (No. 333-68291)).  |
| 10.2 | Form of Registration Rights Agreement among the Registrant and the persons named therein (incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-11 (No. 333-35915)).  |
| 10.3 | Second Amended and Restated Credit Agreement, dated November 26, 1997.   |
| 10.4 | Amendment to Second Amended and Restated Revolving Credit Agreement made as of May 29, 1998.   |

</TABLE>

<TABLE>  
<CAPTION>  
EXHIBIT  
NUMBER

DESCRIPTION

-- -----  
<C> <S>  
10.5 Second Amendment to Second Amended and Restated Revolving  
Credit Agreement made as of September 30, 1998.  
10.6 Form of Change in Control and Noncompetition Agreement  
between the Registrant and Executive Officers.  
10.7 The First Amended and Restated 1997 Stock Option and  
Incentive Plan of the Registrant.  
10.8 The First Amendment to the First Amended Restated Stock  
Option and Incentive Plan of the Registrant.  
21.1 Subsidiaries of the Registrant.  
23.1 Consent of Arthur Andersen LLP.  
24.1 Powers of Attorney (included in Part IV of this Form 10-K).  
27.1 Financial Data Schedule -- AMB Property Corporation.  
</TABLE>

AMB PROPERTY CORPORATION  
CERTIFICATE OF CORRECTION

AMB PROPERTY CORPORATION, a Maryland corporation, having its principal office within the State of Maryland at 300 East Lombard Street, Suite 1900, Baltimore, Maryland 21202 (hereinafter referred to as the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland (the "Department") that:

FIRST: This Certificate of Correction corrects the Articles Supplementary of the Corporation, establishing and fixing the rights and preferences of the 8 1/2% Series A Cumulative Redeemable Preferred Stock of the Corporation (the "Series A Articles Supplementary").

SECOND: The name of the sole party to the Series A Articles Supplementary is the Corporation.

THIRD: The Series A Articles Supplementary were filed for record with the Department on July 23, 1998.

FOURTH: As previously filed, Article THIRD, Section 7(b)(iii) of the Series A Articles Supplementary stated:

(iii) Notwithstanding any other provisions contained herein, prior to the Restriction Termination Date, any Transfer of Series A Preferred Stock that, if effective, would result in the capital stock of the Corporation being beneficially owned by less than 100 Persons (determined without reference to any rules of attribution) shall be void ab initio, and the intended transferee shall acquire no rights in such Series A Preferred Stock.

FIFTH: Article THIRD, Section 7(b)(iii) of the Series A Articles Supplementary is hereby corrected to state:

(iii) Subject to Section 7(1) of these Articles Supplementary and notwithstanding any other provisions contained herein, prior to the Restriction Termination Date, any Transfer of Series A Preferred Stock that, if effective, would result in the capital stock of the Corporation being beneficially owned by less than 100 Persons (determined without reference to any rules of attribution) shall be void ab initio, and the intended transferee shall acquire no rights in such Series A Preferred Stock.

IN WITNESS WHEREOF, AMB Property Corporation has caused this Certificate of Correction to be signed and acknowledged in its name and on its behalf by its Senior Vice President, and its corporate seal affixed and attested to by its Secretary, on this 17th day of March, 1999. The Senior Vice President acknowledges this Certificate of Correction to be the act of the Corporation and states to the best of his knowledge, information and belief, the matters and facts set forth herein are true in all material respects, subject to the penalties for perjury.

ATTEST: AMB PROPERTY CORPORATION

/s/ David S. Fries  
-----  
David S. Fries, Secretary

By: /s/ Michael A. Coke  
-----  
Name: Michael A. Coke  
Title: Senior Vice President

FIRST AMENDED AND RESTATED

BYLAWS

OF

AMB PROPERTY CORPORATION

ARTICLE I

OFFICES

Section 1. The principal executive office of AMB Property Corporation, a Maryland corporation (the "Corporation"), shall be located at such place or places as the board of directors may designate.

Section 2. The Corporation may also have offices at such other places as the board of directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders shall be held in the City of San Francisco, State of California, at such place as may be fixed from time to time by the board of directors, or at such other place as shall be designated from time to time by the board of directors and stated in the notice of the meeting.

Section 2. An annual meeting of stockholders shall be held during the month of May in each year, on the date and at the time during such month as may be determined from time to time by resolution adopted by the board of directors, at which the stockholders shall elect by a plurality vote a board of directors, and transact such other business as may properly be brought before the meeting in accordance with these bylaws. To be properly brought before the annual meeting, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the board of directors, (ii) otherwise brought before the annual meeting by or at the direction of the board of directors, or (iii) otherwise brought before the annual meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than fifty (50) days nor more than seventy-five (75) days prior to the meeting; provided, however, that in the event that less than sixty-five (65) days' notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by a stockholder to be timely must be so received not

later than the close of business on the fifteenth (15th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. A stockholder's notice to the secretary shall set forth (a) as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business, and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder and (ii) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article II, Section 2. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine that business was not properly brought before the annual meeting in accordance with the provisions of this Article II, Section 2, and if he should so determine, he shall so declare to the annual meeting and any such business not properly brought before the meeting shall not be transacted.

Section 3. A majority of the stock issued and outstanding and entitled to vote at any meeting of stockholders, the holders of which are present in person or represented by proxy, shall constitute a quorum for the transaction of business except as otherwise provided by law, by the Corporation's charter or by



these bylaws. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum and the votes present may continue to transact business until adjournment. If, however, such quorum shall not be present or represented at any meeting of the stockholders, a majority of the voting stock represented in person or by proxy may adjourn the meeting from time to time until a date not more than 120 days after the original record date, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than 120 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote thereat.

Section 4. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the Maryland General Corporation Law ("MGCL") or the rules of any securities exchange on which the Corporation's capital stock is listed or the Corporation's charter or these bylaws a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 5. At each meeting of the stockholders, each stockholder having the right to vote may vote in person or may authorize another person or persons to act for him by proxy in any matter permitted by applicable law.

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All proxies must be filed with the secretary of the Corporation at the beginning of each meeting in order to be counted in any vote at the meeting. Subject to the provisions of the charter of the Corporation, each stockholder shall have one vote for each share of stock having voting power registered in his name on the books of the Corporation on the record date set by the board of directors as provided in Article V, Section 6 hereof. All elections shall be by a plurality vote.

Section 6. Special meetings of the stockholders, for any purpose or purposes, unless otherwise proscribed by the charter, may be called at any time by the president, the chairman of the board, or by a majority of the directors, or by a committee of the board of directors which has been duly designated by the board of directors and whose powers and authority, as provided in a resolution of the board of directors or these bylaws, include the power to call such meetings. In addition, a special meeting of the stockholders of the Corporation shall be called by the secretary of the Corporation on the written request of stockholders entitled to cast at least fifty percent (50%) of all votes entitled to be cast at the meeting, except that, in the case of a special meeting called to consider any matter which is substantially the same as a matter voted on at any special meeting for the stockholders held during the preceding twelve (12) months, the secretary of the Corporation shall not be required to call any such special meeting unless requested by stockholders entitled to cast a majority of all of the votes entitled to be cast at the meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. Where the Corporation's notice of meeting specifies that directors are to be elected at such special meeting, nominations of persons for election to the board of directors may be made (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the board of directors or (iii) by any committee of persons appointed by the board of directors with authority therefor or by a stockholder as provided in Section 2 of Article III hereof.

Section 8. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which notice shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. The written notice of any meeting shall be given to each stockholder entitled to vote at such meeting not less than 10 nor more than 90 days before the date of the meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation.

Section 9. Notwithstanding any other provision of the charter of the Corporation or these bylaws, Subtitle 7 of Title 3 of the MGCL (as the same may hereafter be amended from time to time) shall not apply to the voting rights of any shares of stock of the Corporation now or hereafter held by any existing or future stockholder of the Corporation (regardless of the identity of such stockholder).

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## ARTICLE III

### DIRECTORS

Section 1. The board of directors shall consist of a minimum of five (5) and a maximum of thirteen (13) directors. The number of directors shall be fixed or changed from time to time, within the minimum and maximum, by the then elected directors, provided that at least a majority of the directors shall be Independent Directors (as defined in the next sentence). An Independent Director is a director who is not an employee, officer or affiliate of the Corporation 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 Corporation in addition to director's fees. Until increased or decreased by the directors pursuant to these bylaws, the exact number of directors shall be nine (9). The directors need not be stockholders. Except as provided in Section 2 of this Article III with respect to vacancies, the directors shall be elected as provided in the charter at each annual meeting of the stockholders, and each director elected shall hold office until his successor is elected and qualified or until his death, retirement, resignation or removal.

Section 2. (a) Nominations of persons for election to the board of directors of the Corporation at the annual meeting of stockholders may be made (i) pursuant to the Corporation's notice of meeting; (ii) by or at the direction of the board of directors or (iii) by any committee of persons appointed by the board of directors with authority therefor or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Article III, Section 2(a). Such nominations by any stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 50 days nor more than 75 days prior to the meeting; provided, however, that in the event that less than 65 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business of the fifteenth (15th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the person, and (d) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended; and (ii) as to the stockholder giving the notice (a) the name and record address of the stockholder and (b) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. Except as may otherwise be

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provided in these bylaws or any other agreement relating to the right to designate nominees for election to the board of directors, no person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

(b) Except as may otherwise be provided pursuant to Article IV of the Corporation's charter with respect to any rights of holders of preferred stock to elect additional directors and any other requirement in these bylaws or other agreement relating to the right to designate nominees for election to the board of directors, should a vacancy in the board of directors occur or be created (whether arising through death, retirement or resignation), such vacancy shall be filled by the affirmative vote of a majority of the remaining directors, even though less than a quorum of the board of directors or, in the case of a vacancy resulting from an increase in the number of directors, by a majority of the entire board of directors. In the case of a vacancy created by the removal of a director, the vacancy shall be filled by the stockholders of the Corporation entitled to elect the director who was removed at the next annual meeting of stockholders or at a special meeting of stockholders called for such purpose, provided, however, that such vacancy may be filled by the affirmative vote of a majority of the remaining directors, subject to approval by the stockholders entitled to elect the director who was removed at the next annual meeting of

stockholders or at a special meeting of stockholders called for such purpose. A director so elected to fill a vacancy shall serve for the remainder of the term.

Section 3. The property and business of the Corporation shall be managed by or under the direction of its board of directors. In addition to the powers and authorities by these bylaws expressly conferred upon it, the board may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Corporation's charter or by these bylaws directed or required to be exercised or done by the stockholders.

#### MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The directors may hold their meetings and have one or more offices, and keep the books of the Corporation, outside the State of Maryland.

Section 5. Regular meetings of the board of directors may be held at such time and place as shall from time to time be determined by resolution of the board, and no additional notice shall be required.

Section 6. Special meetings of the board of directors may be called by the President or the Chairman of the board of directors on forty-eight hours' notice to each director, either personally or by mail or by telegram; special meetings shall be called by the President or the Secretary in like manner and on like notice on the written request of two directors unless the board consists of only one director, in which case special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of the sole director.

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Section 7. Unless otherwise restricted by the Corporation's charter or these bylaws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 8. Unless otherwise restricted by the Corporation's charter or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 9. By virtue of resolutions adopted by the Board of Directors prior to or at the time of adoption of these Bylaws and designated irrevocable, any business combination (as defined in Section 3-601(e) of the MGCL) between the Corporation and any of its present or future stockholders, or any affiliates or associates of the Corporation or any present or future stockholder of the Corporation, or any other person or entity or group of persons or entities, is exempt from the provisions of Subtitle 6 of Title 3 of the MGCL entitled "Special Voting Requirements," including, but not limited to, the provisions of Section 3-602 of such Subtitle. The Board of Directors may not revoke, alter or amend such resolution, or otherwise elect to have any business combination of the Corporation be subject to the provisions of Subtitle 6 of Title 3 of the MGCL without the approval of the holders of the issued and outstanding shares of Common Stock of the Corporation by the affirmative vote of a majority of all votes entitled to be cast in respect of such shares of Common Stock.

Section 10. Notwithstanding any other provision of these bylaws, all actions which the board of directors may take to approve a transaction between (i) the Corporation, AMB Property, L.P., a Delaware limited partnership (the "Operating Partnership"), or any subsidiary of the Corporation or the Operating Partnership, on the one hand, and (ii) (a) any executive officer or director of the Corporation, the Operating Partnership or any subsidiary of the Corporation or the Operating Partnership, or (b) any limited partner of the Operating Partnership or (c) any affiliate of the foregoing executive officer, director or limited partner (not including the Corporation, the Operating Partnership or any subsidiary of the Corporation or the Operating Partnership), on the other hand, shall require, for valid approval, the approval of a majority of the Independent Directors; provided, however, that this approval requirement shall not apply to arrangements between the Corporation or the Operating Partnership and any executive officer or director acting in the executive officer's or director's position as such, including but not limited to employment agreements and compensation matters.

#### RESIGNATION FROM THE BOARD OF DIRECTORS

Section 11. A director may resign at any time upon written notice to the Corporation's board of directors, chairman of the board, president or secretary. Any such resignation shall take effect at the time specified therein or, if the time is not specified, upon

receipt thereof, and the acceptance of such resignation, unless required by the terms thereof, shall not be necessary to make such resignation effective.

#### COMMITTEES OF DIRECTORS

Section 12. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each such committee to consist of not less than the minimum number of directors required for committees of the board of directors under the MGCL. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the board of directors, and to the maximum extent permitted under the MGCL, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the charter, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution or any other matter requiring the approval of the stockholders of the Corporation, or amending the bylaws of the Corporation; and no such committee shall have the power or authority to authorize or declare a dividend, to authorize the issuance of stock (except that, if the board of directors has given general authorization for the issuance of stock providing for or establishing a method or procedure for determining the maximum number of shares to be issued, a committee of the board of directors may, in accordance with that general authorization or any stock option or other plan or program adopted by the board of directors: authorize or fix the terms of stock subject to classification or reclassification, including the designations and any of the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of such shares; within the limits established by the board of directors, fix the number of any such class or series of stock or authorize the increase or decrease in the number of shares of any series or class; and otherwise establish the terms on which any stock may be issued, including the price and consideration for such stock), or to approve any merger or share exchange, regardless of whether the merger or share exchange requires stockholder approval.

Section 13. The Corporation shall from and after the incorporation have the following committees, the specific authority and members of which shall be as designated herein or by resolution of the board of directors:

(i) An Executive Committee, which shall have such authority as granted by the board of directors, including the power to acquire, dispose and finance investments for the Corporation (including the issuance by the Operating Partnership, in the Corporation's capacity as the Operating Partnership's general partner, of additional units or other equity interests) and approve the execution of contracts and agreements, including those related to the borrowing of money by the Corporation, and generally exercise all other powers of the board except as prohibited by law; provided, however,

that the issuance of additional units or other equity interests of the Operating Partnership, to the extent that such interests are exchangeable into shares of the Corporation's capital stock, may be issued only if the Corporation has reserved for issuance such shares of capital stock issuable upon the exchange of such units or other equity interests.

(ii) An Audit Committee, which shall consist solely of Independent Directors and which shall make recommendations concerning the engagement of independent public accountants, review with the independent public accountants the plans and results of the audit engagement, approve professional services provided by the independent public accountants, review the independence of the independent public accountants, consider the range of audit and non-audit fees and review the adequacy of the Corporation's internal accounting controls.

(iii) A Compensation Committee, which shall consist solely of Independent Directors and which shall determine compensation for the Corporation's executive officers, and will review and make recommendations concerning proposals by management with respect to compensation, bonus, employment agreements and other benefits and policies respecting such matters for the executive officers of the

Corporation.

Section 14. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required. The presence of a majority of the total membership of any committee shall constitute a quorum for the transaction of business at any meeting of such committee and the act of a majority of those present shall be necessary and sufficient for the taking of any action thereat.

#### COMPENSATION OF DIRECTORS

Section 15. Unless otherwise restricted by the charter of the Corporation or these bylaws, the board of directors shall have the authority to fix the compensation of non-employee directors. The non-employee directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. Officers of the Corporation who are also members of the board of directors shall not be paid any director's fees.

#### INDEMNIFICATION

Section 16. The Corporation shall indemnify, in the manner and to the maximum extent permitted by law, any person (or the estate of any person) who is or was a party to, or is threatened to be made a party to, any threatened, pending or completed action, suit or proceeding, whether or not by or in the right of the Corporation, and whether civil, criminal, administrative, investigative, or otherwise, by reason of the fact that such person is or was a director or officer of the Corporation or that such person while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, trustee, partner, member, agent or employee of another corporation, partnership, limited liability company, association, joint venture, trust or other enterprise. To the maximum extent permitted by law, the indemnification provided herein shall include expenses (including attorneys' fees), judgments, fines and amounts

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paid in settlement, and any such expenses may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding.

Neither the amendment nor repeal of this Section 14 of this Article III, nor the adoption or amendment of any other provision of the charter or bylaws of the Corporation inconsistent with this Section, shall apply to or affect in any respect the applicability of the preceding paragraph with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

The indemnification and reimbursement of expenses provided herein shall not be deemed to limit the right of the Corporation to indemnify any other person against any liability and expenses to the fullest extent permitted by law, nor shall it be deemed exclusive of any other rights to which any person seeking indemnification from the Corporation may be entitled under any agreement, the charter or bylaws of the Corporation, a vote of stockholders or Independent Directors, or otherwise, both as to action in such person's official capacity as an officer or director and as to action in another capacity, at the request of the Corporation, while acting as an officer or director of the Corporation.

#### ARTICLE IV

##### OFFICERS

Section 1. The officers of this Corporation shall be chosen by the board of directors and shall include a president, a vice president, a secretary and a treasurer. The Corporation may also have at the discretion of the board of directors such other officers as are desired, including a chairman of the board, additional vice presidents, a chief executive officer, a chief financial officer, a chief operating officer, one or more managing directors, one or more assistant secretaries and one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article IV. In the event there are two or more vice presidents, then one or more may be designated as executive vice president, senior vice president, vice president/acquisitions or other similar or dissimilar title. At the time of the election of officers, the directors may by resolution determine the order of their rank. Any number of offices may be held by the same person, unless the charter or these bylaws otherwise provide, except that one individual may not simultaneously hold the office of president and vice president.

Section 2. The board of directors, at its first meeting after each annual meeting of stockholders, shall choose the officers of the Corporation.

Section 3. The board of directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms

and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 4. The salaries of all officers and agents of the Corporation shall be fixed by the board of directors, provided, however, that the compensation of the Corporation's executive officers shall be determined by the Compensation Committee.

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Section 5. The officers of the Corporation shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the board of directors may be removed at any time, with or without cause, by the affirmative vote of a majority of the board of directors. If the office of any officer or officers becomes vacant for any reason, the vacancy shall be filled by the board of directors.

Section 6. Any officer may resign at any time upon written notice to the Corporation's board of directors, chairman of the board, president or secretary. Any such resignation shall take effect at the time specified therein or, if the time is not specified, upon receipt thereof, and the acceptance of such resignation, unless required by the terms thereof, shall not be necessary to make such resignation effective. Any such resignation will not prejudice the rights, if any, of the Corporation under any contract to which the officer is a party.

#### CHAIRMAN OF THE BOARD

Section 7. The chairman of the board, if such an officer be elected, shall, if present, preside at all meetings of the board of directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the board of directors or prescribed by the bylaws. If there is no president, the chairman of the board shall in addition be the chief executive officer of the Corporation and shall have the powers and duties prescribed in Section 8 of this Article IV. If there is a president, then in the absence or disability of the president, the chairman of the board shall perform all the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president.

#### CHIEF EXECUTIVE OFFICER

Section 8. Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, if there be such an officer, the chief executive officer shall, subject to the control of the board of directors, have general supervision, direction and control of the business and officers of the Corporation. He shall have the general powers and duties of management usually vested in the office of chief executive officer of corporations, and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

#### PRESIDENT

Section 9. Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, if there be such an officer, the president shall, subject to the control of the board of directors, have general supervision, direction and control of the business and officers of the Corporation. He shall preside at all meetings of the stockholders and, in the absence of the chairman of the board, or if there be none, at all meetings of the board of directors. He shall have the general powers and duties of management usually vested in the office of president of corporations, and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

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#### CHIEF OPERATING OFFICER

Section 10. Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, chief executive officer or the president, if there be such an officer, the chief operating officer shall, subject to the control of the board of directors, have the supervision, direction and control of the day to day operations of the Corporation. He shall have the general powers and duties of management usually vested in the office of chief operating officer of corporations, and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

#### MANAGING DIRECTORS

Section 11. Subject to such supervisory powers, if any, as may be given by the board of directors to the chairman of the board, chief executive officer or the president, if there be such an officer, the managing director shall,

subject to the control of the board of directors, have the supervision, direction and such duties as from time to time may be prescribed by the board of directors or these bylaws.

#### VICE PRESIDENTS

Section 12. In the absence or disability of the president, and in the absence or disability of the chairman of the board, the vice presidents, in order of their rank as fixed by the board of directors, or if not ranked, the vice president designated by the board of directors, shall perform all the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice presidents shall have such other duties as from time to time may be prescribed by the board of directors or these bylaws.

#### SECRETARY AND ASSISTANT SECRETARY

Section 13. The secretary shall attend all sessions of the board of directors and all meetings of the stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose; and shall perform like duties for the standing committees when required by the board of directors. He shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or the bylaws. He shall keep in safe custody the seal of the Corporation, and when authorized by the board, affix the same to any instrument requiring it, and when so affixed it shall be attested by his signature or by the signature of an assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

Section 14. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors, or if there be no such determination, the assistant secretary designated by the board of directors, shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

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#### CHIEF FINANCIAL OFFICER, TREASURER AND ASSISTANT TREASURERS

Section 15. The chief financial officer of the Corporation shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys, and other valuable effects in the name and to the credit of the Corporation, in such depositories as may be designated by the board of directors. He shall disburse the funds of the Corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the board of directors, at its regular meetings, or when the board of directors so requires, an account of all his transactions as chief financial officer and of the financial condition of the Corporation. If required by the board of directors, he shall give the Corporation a bond, in such sum and with such surety or sureties as shall be satisfactory to the board of directors, for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation. If no other person then be appointed to the position of treasurer of the Corporation, the person holding the office of chief financial officer shall also be the treasurer of the Corporation.

Section 16. The treasurer or assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors, or if there be no such determination, the treasurer or assistant treasurer designated by the board of directors, shall, in the absence or disability of the chief financial officer, perform the duties and exercise the powers of the chief financial officer and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

#### ARTICLE V

##### CERTIFICATES OF STOCK

Section 1. Every holder of stock of the Corporation shall be entitled to have a certificate signed by, or in the name of the Corporation by, the chairman of the board of directors, or the president or a vice president, and countersigned by the secretary or an assistant secretary, or the treasurer or an assistant treasurer of the Corporation, certifying the number of shares of capital stock represented by the certificate owned by such stockholder in the Corporation.

Section 2. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. Such certificates need not be sealed with the corporate seal of the Corporation.

Section 3. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative,

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participating, optional or other special rights of each class of capital stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. In addition, in the event that any stock issued by the Corporation is subject to a restriction on its transferability, the stock certificate shall on its face or back contain a full statement of the restriction or state that the Corporation will furnish information about the restriction to the stockholder on request and without charge.

#### LOST, STOLEN OR DESTROYED CERTIFICATES

Section 4. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

#### TRANSFERS OF STOCK

Section 5. Upon surrender to the Corporation, or the transfer agent of the Corporation, of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books, subject, however, to the Ownership Limit (as defined in the charter of the Corporation) and other restrictions on transferability applicable thereto from time to time.

#### FIXING RECORD DATE

Section 6. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders, or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix a record date which shall not be more than 90 nor less than 10 days before the date of such meeting, nor more than 90 days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of

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stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting. A meeting of stockholders convened on the date for which it was called may be adjourned from time to time without further notice to a date not more than 120 days after the original record date.

#### REGISTERED STOCKHOLDERS

Section 7. The Corporation shall be entitled to treat the holder of



record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Maryland.

## ARTICLE VI

### GENERAL PROVISIONS

#### DIVIDENDS

Section 1. Dividends upon the capital stock of the Corporation, subject to the provisions of the Corporation's charter, if any, may be authorized and declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Corporation's charter and the MGCL.

Section 2. Before payment of any dividend there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interests of the Corporation, and the directors may abolish any such reserve.

#### CHECKS

Section 3. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers as the board of directors may from time to time designate.

#### FISCAL YEAR

Section 4. The fiscal year of the Corporation shall be fixed by resolution of the board of directors.

#### SEAL

Section 5. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Maryland." Said seal

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may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

#### NOTICES

Section 6. Whenever, under the provisions of the MGCL or of the charter of the Corporation or of these bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram, telecopy or cable.

Section 7. Whenever any notice is required to be given under the provisions of the MGCL or of the charter of the Corporation or of these bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

#### ANNUAL STATEMENT

Section 8. The board of directors may present at each annual meeting of stockholders, and when called for by vote of the stockholders shall present to any annual or special meeting of the stockholders, a full and clear statement of the business and condition of the Corporation.

## ARTICLE VII

### AMENDMENTS

Section 1. These bylaws may be altered, amended or repealed or new bylaws may be adopted by the vote of a majority of the board of directors or by the affirmative vote of a majority of all votes entitled to be cast by the holders of the issued and outstanding shares of Common Stock of the Corporation. Notwithstanding anything to the contrary herein, this Section 1 of Article VII, Section 9 of Article III and Section 10 of Article II hereof may not be altered, amended or repealed except by the affirmative vote of a majority of all votes

entitled to be cast by the holders of the issued and outstanding shares of Common Stock of the Corporation.

Section 2. Notwithstanding anything to the contrary herein, this Section 2 of Article VII, Section 10 of Article III and Section 9 of Article II hereof may not be altered, amended or repealed except by the affirmative vote of a majority of all votes entitled to be cast by the holders of the issued and outstanding shares of Common Stock of the Corporation.

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The undersigned, Secretary of AMB Property Corporation, a Maryland corporation (the "Corporation"), hereby certifies that the foregoing is a full, true and correct copy of the First Amended and Restated Bylaws of the Corporation with all amendments to the date of this Certificate.

WITNESS the signature of the undersigned and the seal of the Corporation this 5th day of March, 1999.

/s/ David S. Fries

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David S. Fries  
Secretary

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SECOND AMENDED AND RESTATED  
REVOLVING CREDIT AGREEMENT

dated as of November 26, 1997

among

AMB PROPERTY, L.P.

The Banks Listed Herein

and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

as Agent

and

COMMERZBANK AKTIENGESELLSCHAFT, LOS ANGELES BRANCH  
FLEET NATIONAL BANK  
NATIONSBANK OF TEXAS, N.A. and  
PNC BANK, NATIONAL ASSOCIATION

as Co-Agents

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SECOND AMENDED AND RESTATED  
REVOLVING CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT dated as of November 26, 1997 by and among AMB PROPERTY, L.P., a Delaware limited partnership (the "Borrower"), the BANKS listed on the signature pages hereof and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent and COMMERZBANK AKTIENGESELLSCHAFT, LOS ANGELES BRANCH, FLEET NATIONAL BANK, NATIONS BANK OF TEXAS, N.A. and PNC BANK, NATIONAL ASSOCIATION, as Co-Agents.

R E C I T A L S

WHEREAS, certain of the Banks previously agreed to make available to AMB Current Income Fund, Inc. a revolving credit facility upon the terms and conditions set forth in that certain Revolving Credit Agreement, dated as of October 25, 1996, as amended by that certain First Amendment to Revolving Credit Agreement, dated as of January 17, 1997 and as amended and restated in its entirety pursuant to that certain Amended and Restated Revolving Credit Agreement, dated as of August 8, 1997 (as so amended and amended and restated, the "Existing Credit Agreement");

WHEREAS, the Borrower assumed the rights, duties and obligations of AMB Current Income Fund, Inc. under the Existing Credit Agreement pursuant to that certain Assumption Agreement dated as of November 26, 1997; and

WHEREAS, the Borrower and the Banks wish to amend and restate the provisions of the Existing Credit Agreement in their entirety, as hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual agreements,

provisions and covenants contained herein, the parties hereby amend and restate the Existing Credit Agreement and agree as follows:

#### A G R E E M E N T

I. The Existing Credit Agreement is hereby amended, restated, replaced and modified so that all of the terms and conditions of the aforesaid Existing Credit Agreement shall be restated and replaced in their entirety as set forth herein, and the Borrower agrees to comply with and be subject to all of the terms, covenants and conditions of this Agreement.

II. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, and shall be deemed to be effective as of the date hereof.

III. Any reference to the Existing Credit Agreement in any other instrument or document executed in connection with the Existing Credit Agreement shall be deemed to refer to this Agreement.

#### ARTICLE I

##### DEFINITIONS

SECTION 1.1. Definitions. The following terms, as used herein, have the following meanings:

"Acquisition Price" means (i) the purchase price of a Real Property Asset as set forth in the applicable purchase and sale agreement, (ii) increases or reductions to such purchase price as provided in such purchase and sale agreement or the final closing statement, and (iii) reasonable closing costs to the extent incurred by Borrower or any Consolidated Subsidiary of Borrower in connection with such acquisition, including but not limited to, brokerage fees, attorneys fees and expenses, due diligence expenses, appraisal fees, engineering and environmental fees, title insurance premiums, survey preparation costs, and recording fees.

"Adjusted EBITDA" means EBITDA minus (i) an adjustment to exclude the effects of straight-lining of rents, and minus (ii) an amount equal to appropriate reserves for replacements of not less than \$.50 per square foot per annum for each Real Property Asset that is primarily a retail use property and not less than \$.35 per square foot per annum for each Real Property Asset that is primarily an industrial use property.

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"Adjusted London Interbank Offered Rate" has the meaning set forth in Section 2.6(b).

"Adjustment Date" shall mean the earlier to occur of (i) the date that the General Partner and/or the Borrower receives a public credit rating for its unsecured senior long term indebtedness from either S&P or Moody's and (ii) the date which is nine months following the Closing Date.

"Administrative Questionnaire" means, with respect to each Bank, an administrative questionnaire in the form prepared by the Agent and submitted to the Agent (with a copy to the Borrower) duly completed by such Bank.

"Agent" means Morgan Guaranty Trust Company of New York in its capacity as agent for the Banks hereunder, and its successors in such capacity.

"Agreement" means this Second Amended and Restated Revolving Credit Agreement, as the same may from time to time hereafter be modified, supplemented or amended, as permitted herein.

"Applicable Interest Rate" means (i) with respect to any Fixed Rate Indebtedness, the fixed interest rate applicable to such Fixed Rate Indebtedness at the time in question, and (ii) with respect to any Floating Rate Indebtedness, the lesser of (x) the rate at which the interest rate applicable to such Floating Rate Indebtedness could be fixed, at the time of calculation, by Borrower entering into an unsecured interest rate swap agreement (or, if such rate is incapable of being fixed by entering into an unsecured interest rate swap agreement at the time of calculation, a reasonably determined fixed rate equivalent), or (y) the rate at which the interest rate applicable to such Floating Rate Indebtedness is actually capped, at the time of calculation, if Borrower has entered into an interest rate cap agreement with respect thereto.

"Applicable Lending Office" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

"Applicable Margin" means, prior to the Adjustment Date, 1.10% with respect to each Euro-Dollar Loan and 0.125% with respect to each Base Rate Loan. From and after the Adjustment Date, the Applicable Margin with respect to each Euro-Dollar Loan and each Base Rate Loan shall mean the respective percentages per annum determined, at any time, based on the range into which the Borrower's Credit Rating (if any) then falls, in accordance with the table set forth below. Any change in the Borrower's Credit Rating shall be effective immediately as of the date on which any of the Rating Agencies announces a change in the Borrower's Credit Rating or the date on which the Borrower (or, as applicable, the General Partner) has no Credit Rating, whichever is applicable. In the event that the Borrower (or, as applicable, the General Partner) receives two (2) Credit Ratings that are not equivalent, the Applicable Margin shall be determined by the lower of such two (2) Credit Ratings. In the event that Borrower (or, as applicable, the General Partner) receives more than two (2) Credit Ratings and such Credit Ratings are not equivalent, the Applicable Margin shall be determined by the lower of the two (2) highest ratings, provided that each of said two (2) highest ratings shall be Investment Grade Ratings and at least one of which shall be an Investment Grade Rating from S&P or Moody's. In the event that only one of the Rating Agencies shall have set Borrower's Credit Rating, then the Applicable Margin shall be based on such rating only.

Range of Borrower's Credit Rating (S&P/Moody's Ratings)	Applicable Margin for Base Rate Loans (% per annum)	Applicable Margin for Euro Dollar Loans (% per annum)
BBB+/Baa1	0.000	0.90
BBB/Baa2	0.000	1.00
BBB-/Baa3	0.125	1.15
Non-Investment Grade or no rating	0.250	1.20

"Approved Bank" shall mean a bank which has (i) (a) a minimum net worth of \$500,000,000 and/or (b) total assets of \$10,000,000,000, and (ii) a minimum long term debt rating

of (a) BBB+ or higher by S&P, and (b) Baa1 or higher by Moody's.

"Approved Uses" has the meaning set forth in Section 2.14.

"Assignee" has the meaning set forth in Section 9.6(c).

"Bank" means each bank listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 9.6(c), and their respective successors.

"Bankruptcy Code" means Title 11 of the United States Code, entitled "Bankruptcy", as amended from time to time, and any successor statute or statutes.

"Base Rate" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day or (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day.

"Base Rate Loan" means a Loan to be made by a Bank as a Base Rate Loan in accordance with the applicable Notice of Borrowing or pursuant to Article VIII.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"Borrower" means AMB Property, L.P., a Delaware limited partnership.

"Borrower's Credit Rating" means the rating assigned by the Rating Agencies to the General Partner's or the Borrower's senior unsecured long term indebtedness.

"Borrowing" means a borrowing hereunder consisting of Loans made to the Borrower at the same time by the Banks pursuant to Article II. A Borrowing is (i) a "Domestic Borrowing" if such Loans are Domestic Loans or (ii) a "Euro-Dollar Borrowing" if such Loans are Euro-Dollar Loans.

"Borrowing Base Net Operating Cash Flow" means as of any date

of determination with respect to the Borrowing

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Base Properties, Property Income for the previous four consecutive quarters including the quarter then ended, but less (x) Property Expenses with respect to the Borrowing Base Properties for the previous four consecutive quarters including the quarter then ended, and (y) appropriate reserves for replacements of not less than \$.50 per square foot per annum for each Borrowing Base Property that is primarily a retail use property and not less than \$.35 per square foot per annum for each Borrowing Base Property that is primarily an industrial use property. For purposes of Section 5.1(m) hereof, the calculation of Borrowing Base Net Operating Cash Flow shall be made separately as to each Borrowing Base Property.

"Borrowing Base Properties" has the meaning set forth in Section 3.3.

"Borrowing Base Properties Value" means the aggregate of the Gross Asset Values of the Borrowing Base Properties.

"Capital Expenditures" means, for any period, the sum of all expenditures (whether paid in cash or accrued as a liability) which are capitalized on the balance sheet of the Borrower in accordance with GAAP, but exclusive, however, with respect to any Real Property Asset acquired by the Borrower or a Consolidated Subsidiary within the previous twelve months, of those expenditures which the Borrower makes, or reasonably projects (as of the date of determination) to make, within twelve months after the date of such acquisition and excluding all expenditures made with respect to the acquisition of such Real Property Asset by the Borrower or such Consolidated Subsidiary.

"Cash and Cash Equivalents" means (i) cash, (ii) direct obligations of the United States Government, including, without limitation, treasury bills, notes and bonds, (iii) interest bearing or discounted obligations of Federal agencies and Government sponsored entities or pools of such instruments offered by Approved Banks and dealers, including, without limitation, Federal Home Loan Mortgage Corporation participation sale certificates, Government National Mortgage Association modified pass-through certificates, Federal National Mortgage Association bonds and notes, Federal Farm Credit System securities, (iv) time deposits, domestic and Eurodollar certificates of deposit, bankers acceptances, commercial paper rated at least A-1 by S&P and

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P-1 by Moody's Investors Service, Inc., and/or guaranteed by an Aa rating by Moody's Investors Service, Inc., an AA rating by S&P, or better rated credit, floating rate notes, other money market instruments and letters of credit each issued by Approved Banks, (v) obligations of domestic corporations, including, without limitation, commercial paper, bonds, debentures, and loan participations, each of which is rated at least AA by S&P, and/or Aa2 by Moody's Investors Service, Inc., and/or unconditionally guaranteed by an AA rating by S&P, an Aa2 rating by Moody's, or better rated credit, (vi) obligations issued by states and local governments or their agencies, rated at least MIG-1 by Moody's Investors Service, Inc. and/or SP-1 by S&P and/or guaranteed by an irrevocable letter of credit of an Approved Bank, (vii) repurchase agreements with major banks and primary government securities dealers fully secured by U.S. Government or agency collateral equal to or exceeding the principal amount on a daily basis and held in safekeeping, and (viii) real estate loan pool participations, guaranteed by a Person with an AA rating given by S&P or an Aa2 rating given by Moody's Investors Service, Inc., or better rated credit.

"Closing Date" means November 26, 1997.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Combined Gross Asset Value" shall be the aggregate Gross Asset Value of all Real Property Assets owned, directly or indirectly, by the Borrower, the General Partner and the Consolidated Subsidiaries; with respect to Real Property Assets held in Minority Holdings or Joint Ventures or Subsidiaries which are not Consolidated, only the portion of such Real Property Asset that is allocable, in accordance with GAAP, to Borrower's interest shall be included in Combined Gross Asset Value.

"Commitment" means, with respect to each Bank, the amount set forth opposite the name of such Bank on the signature pages hereof (and for each Bank which is an Assignee, the amount set forth in the Assumption Agreement entered into pursuant to Section 9.6(c) as the Assignee's Commitment), as such amount may be reduced from time to time pursuant to Section 2.10(c) or in connection with an assignment to an Assignee.

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"Commitment Fee" has the meaning set forth in Section 2.7(a).



"Commitment Fee Percentage" means, prior to the Adjustment Date, 0.20%. From and after the Adjustment Date, the Commitment Fee Percentage shall be the applicable percentage per annum determined, at any time, based on the range into which Borrower's Credit Rating (if any) then falls, in accordance with the following table. Any change in the Commitment Fee Percentage shall be effective immediately as of the date on which any of the Rating Agencies announces a change in the Borrower's Credit Rating or the date on which the Borrower (or, as applicable, the General Partner) has no Credit Rating, whichever is applicable. In the event that Borrower (or, as applicable, the General Partner) receives two (2) Credit Ratings that are not equivalent, the Commitment Fee Percentage shall be determined by the lower of such two (2) Credit Ratings. In the event that Borrower (or, as applicable, the General Partner) receives more than two (2) Credit Ratings, and such Credit Ratings are not equivalent, the Commitment Fee Percentage shall be determined by the lower of the two (2) highest ratings, provided that each of said two (2) highest ratings shall be Investment Grade Ratings and at least one of which shall be an Investment Grade Rating from S&P or Moody's. In the event that only one of the Rating Agencies shall have set Borrower's Credit Rating, then the Commitment Fee Percentage shall be based on such rating only.

Range of Borrower's Credit Rating (S&P/Moody's Ratings)	Commitment Fee Percentage (% per annum)
<S>	<C>
BBB+/Baa1	0.15
BBB/Baa2	0.20
BBB-/Baa3	0.25
Non-Investment Grade or no rating	0.25

"Confirmation of Guaranty" means that certain Confirmation of Guaranty, dated as of the date hereof, by the General Partner, AMB Property II, L.P. and Long Gate LLC.

"Consolidated" means "consolidated" in accordance with GAAP.

"Consolidated Subsidiary" means at any date any Subsidiary of the Borrower that is Consolidated on the financial statements of the Borrower and the General Partner.

"Consolidated Tangible Net Worth" means at any date the consolidated stockholders' or partners' equity of

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the Borrower, the General Partner, and the Consolidated Subsidiaries less their Consolidated Intangible Assets, all determined as of such date. For purposes of this definition "Intangible Assets" means with respect to any such intangible assets, the amount (to the extent reflected in determining such consolidated stockholders' equity) of (i) all write-ups in the book value of any asset owned by the Borrower or a Consolidated Subsidiary and (ii) all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, anticipated future benefit of tax loss carry-forwards, copy rights, organization or developmental expenses and other intangible assets.

"Construction Asset Cost" shall mean, with respect to Development Projects in which construction has begun (as evidenced by obtaining a permit to commence such construction by the applicable governmental authority) but has not yet been substantially completed (substantial completion shall be deemed to mean not less than 90% completion, as such completion shall be evidenced by a certificate of occupancy or its equivalent and the commencement of the payment of rent by tenants of such Development Project), the aggregate, good faith estimated cost of construction of such improvements (including land acquisition costs).

"Contingent Obligation" as to any Person means, without duplication, (i) any contingent obligation of such Person required to be shown on such Person's balance sheet in accordance with GAAP, and (ii) any obligation required to be disclosed in the footnotes to such Person's financial statements in accordance with GAAP, guaranteeing partially or in whole any non-recourse Debt, lease, dividend or other obligation, exclusive of contractual indemnities (including, without limitation, any indemnity or price-adjustment provision relating to the purchase or sale of securities or other assets) and guarantees of non-monetary obligations (other than guarantees of completion) which have not yet been called on or quantified, of such Person or of any other Person. The amount of any Contingent Obligation described in clause (ii) shall be deemed to

be (a) with respect to a guaranty of interest or interest and principal, or operating income guaranty, the sum of all payments required to be made thereunder (which in the case of an operating income guaranty shall be deemed to be equal to the debt service for the note secured thereby), calculated at the Applicable Interest Rate, through (i) in the case of an interest or interest and principal guaranty, the stated date of maturity of the obligation (and commencing on the date interest could first be payable thereunder), or (ii) in the case of an operating income guaranty, the date through which such guaranty will remain in effect, and (b) with respect to all guarantees not covered by the preceding clause (a), an amount equal to the stated or determinable amount of the primary obligation in respect of which such guaranty is made or, if not stated or determinable, the maximum reasonably anticipated liability

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in respect thereof (assuming such Person is required to perform thereunder) as recorded on the balance sheet and on the footnotes to the most recent financial statements of Borrower required to be delivered pursuant to Section 4.4 hereof. Notwithstanding anything contained herein to the contrary, guarantees of completion shall not be deemed to be Contingent Obligations unless and until a claim for payment or performance has been made thereunder by the person entitled to performance or payment thereunder, at which time any such guaranty of completion shall be deemed to be a Contingent Obligation in an amount equal to any such claim. Subject to the preceding sentence, (i) in the case of a joint and several guaranty given by such Person and another Person (but only to the extent such guaranty is directly or indirectly recourse to such Person), the amount of the guaranty, to the extent it is directly or indirectly recourse to such Person, shall be deemed to be 100% thereof unless and only to the extent that such other Person has delivered Cash or Cash Equivalents to secure all or any part of such Person's guaranteed obligations, (ii) in the case of joint and several guarantees given by a Person in whom Borrower owns an interest (which guarantees are non-recourse to Borrower), to the extent the guarantees, in the aggregate, exceed 15% of Combined Gross Asset Value, the amount which is the lesser of (x) the amount in excess of 15% or (y) the amount of Borrower's interest therein shall be deemed to be a Contingent Obligation of Borrower, and (iii) in the case of any other guaranty, (whether or not joint and several) of an obligation otherwise constituting Debt of such Person, the amount of such guaranty shall be deemed to be only that amount in excess of the amount of the obligation constituting Indebtedness of such Person. Notwithstanding any thing contained herein to the contrary, "Contingent Obligations" shall not be deemed to include guarantees of Unused Commitments or of construction loans to the extent the same have not been drawn.

"Debt" of any Person means, without duplication, (A) as shown on such Person's balance sheet (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property and, (ii) all indebtedness of such Person evidenced by a note, bond, debenture or similar instrument (whether or not disbursed in full in the case of a construction loan), (B) the face amount of all letters of credit issued for the account of such Person and, without duplication, all unreimbursed amounts drawn thereunder, (C) all Contingent Obligations of such Person, (D) all payment obligations of such Person under any interest rate protection agreement (including, without limitation, any interest rate swaps, caps, floors, collars and similar agreements) and currency swaps and similar agreements which were not entered into specifically in connection with Debt set forth in clauses (A), (B) or (C) hereof. For purposes of this Agreement, Debt (other than Contingent Obligations) of the Borrower shall be deemed to include only Debt of the Borrower, the General Partner, and their Consolidated

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Subsidiaries plus the Borrower's and/or the General Partner's respective pro rata share (without duplication) (such pro rata share being based upon the Borrower's or the General Partner's percentage ownership interest as shown on their annual financial statements) of the Debt of any Person in which the Borrower or the General Partner, directly or indirectly, owns an interest, provided that such Debt is nonrecourse, both directly and indirectly, to the Borrower, the General Partner or any Consolidated Subsidiary.

"Debt Service" shall mean, measured as of the last day of each calendar quarter, an amount equal to the sum of (i) interest (whether accrued, paid or capitalized) actually payable by the Borrower, the General Partner, and their Consolidated Subsidiaries, together with the Borrower's and the General Partner's respective pro rata shares of such interest actually payable by Minority Holdings and Joint Ventures, on their Debt for the previous four consecutive quarters including the quarter then ended, plus (ii) scheduled payments of principal on Debt of the Borrower, the General Partner, and their Consolidated Subsidiaries (and the Borrower's and the General Partner's respective pro rata share of such payments on Debt of Minority Holdings and Joint Ventures), whether or not actually paid (excluding balloon payments) for the previous four consecutive quarters including the quarter then ended.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Development Projects" shall have the meaning set forth in Section 5.1(1) hereof.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City and/or San Francisco, California are authorized by law to close.

"Domestic Lending Office" means, as to each Bank, its office located at its address set forth on the signature pages hereto or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Agent.

"Domestic Loans" means Base Rate Loans.

"EBITDA" means income from operations of the Borrower, the General Partner and the Consolidated, Subsidiaries before disposal of properties and minority interests, plus interest expense, income taxes, depreciation and amortization.

"Effective Date" means the date this Agreement becomes effective in accordance with Section 9.10.

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"Environmental Affiliate" means any partnership, or joint venture, trust or corporation in which an equity interest is owned by the Borrower or the General Partner, either directly or indirectly.

"Environmental Approvals" means any permit, license, approval, ruling, variance, exemption or other authorization required under applicable Environmental Laws by a court or governmental agency having jurisdiction.

"Environmental Claim" means, with respect to any Person, any written notice, claim, demand or similar communication by any other Person having jurisdiction alleging potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damage, property damages, personal injuries, fines or penalties arising out of, based on or resulting from (i) the presence, or release into the environment, of any Hazardous Substances at any location, whether or not owned by such Person or (ii) circumstances forming the basis of any violation, of any applicable Environmental Law, in each case as to which there is a reasonable possibility of an adverse determination with respect thereto and which, if adversely determined, would have a Material Adverse Effect on the Borrower or the General Partner.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean-up or other remediation thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Borrower, the General Partner, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, the General Partner or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"Euro-Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

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"Euro-Dollar Lending Office" means, as to each Bank, its office, branch or affiliate located at its address set forth on the signature pages hereto, or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Agent.

"Euro-Dollar Loan" means a Loan to be made by a Bank as a Euro-Dollar Loan in accordance with the applicable Notice of Borrowing.

"Event of Default" has the meaning set forth in Section 6.1.

"Existing Credit Agreement" has the meaning set forth in the

recitals of this Agreement.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, provided that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Morgan Guaranty Trust Company of New York on such day on such transactions as determined by the Agent.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System as constituted from time to time.

"Fixed Charges" means with respect to any fiscal period, the sum of (a) interest expense according to GAAP (including capitalized interest) payable during such period, plus (b) the aggregate of all scheduled principal payments on Debt according to GAAP payable during that fiscal period and for Debt guaranteed under a Contingent Obligation (but excluding balloon payments of principal due upon the stated maturity of a Debt), plus (c) the aggregate of all dividends payable on the Borrower's, the General Partner's or any Consolidated Subsidiary's preferred partnership interests or preferred stock (as applicable), to the extent such charges are paid or incurred, as applicable, by Borrower, the General Partner, and their Consolidated Subsidiaries or, with respect to Minority Holdings and Joint Ventures, in each case to the extent of Borrower's, the General Partner's or the applicable Consolidated Subsidiary's allocable share of such payments. For the purposes of this definition, (i) interest on Fixed Rate Indebtedness shall be the actual

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interest payable on such Debt and (ii) interest on Floating Rate Indebtedness shall be assumed to be the greater of (A) the actual interest payable on such Debt or (B) an assumed interest rate per annum to be approved by the Agent for tax-exempt Debt and an assumed interest rate of nine percent (9%) per annum for non-tax-exempt Debt, except that, if any of the foregoing in (A) or (B) above is subject to an interest rate cap agreement purchased by the Borrower, the General Partner or a Consolidated Subsidiary, the interest rate shall be assumed to be the lower of the actual interest payable on such Debt or the capped rate of such interest rate cap agreement. In no event shall any dividends payable on the General Partner's or any Consolidated Subsidiary's common stock be included in Fixed Charges.

"Fixed Rate Indebtedness" means all Debt which accrues interest at a fixed rate.

"Floating Rate Indebtedness" means all Debt which is not Fixed Rate Indebtedness and which is not a Contingent Obligation or an Unused Commitment.

"Funds From Operations" means net income (computed in accordance with GAAP) before extraordinary items, excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis.

"GAAP" means generally accepted accounting principles recognized as such in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"General Partner" means AMB Property Corporation, a Maryland corporation qualified as a real estate investment trust and the sole general partner of the Borrower.

"General Partner Guaranty" means the Unconditional Guaranty Agreement of the General Partner dated as of November 26, 1997 delivered to the Agent in connection with assumption of the Existing Credit Agreement by the Borrower.

"Gross Asset Value" shall mean (i) with respect to a Real Property Asset that was acquired, directly or indirectly, within the twelve (12) months prior to the date of determination, (A) prior to the first full quarter following such acquisition, the Acquisition Price of such Real Property Asset plus any Capital Expenditures actually incurred by the Borrower or its Subsidiary in connection with such Real

Property Asset (which, for the purpose of this definition shall include any expenditures that would have been considered Capital Expenditures except that they were made with respect to the acquisition by the Borrower or its Consolidated Subsidiaries of any interest in a Real Property Asset within twelve months after the date such interest in asset was acquired) and (B) from and after the first full quarter following such acquisition, the lesser of (x) the amount in clause (i) (A) above and (y) the Net Operating Cash Flow applicable to such Real Property Asset (provided that such Net Operating Cash Flow shall be calculated on an annualized basis based upon the actual amount of Net Operating Cash Flow for the period of Borrower's ownership of such Real Property Asset), in each case capitalized at an annual interest rate of 9.5% if such Real Property Asset is primarily a retail use property and 9.25% if such Real Property Asset is primarily an industrial use property; and (ii) with respect to a Real Property Asset that was acquired, directly or indirectly by the Borrower more than twelve (12) months prior to the date of determination, the Net Operating Cash Flow applicable to such Real Property Asset capitalized at an annual interest rate of 9.5% if such Real Property Asset is primarily a retail use property and 9.25% if such Real Property Asset is primarily an industrial use property.

"Guaranty" shall mean each of the General Partner Guaranty and any Subsidiary Guaranty.

"Hazardous Substances" means any toxic, radioactive, caustic or otherwise hazardous substance, identified as such as a matter of Environmental Law, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"Improved Asset" means a Real Property Asset upon which material construction of material improvements has commenced or upon which material improvements have been constructed.

"Indemnitee" has the meaning set forth in Section 9.3(b).

"Interest Period" means: (1) with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable Notice of Borrowing; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) if any Interest Period includes a date on which a payment of principal of the Loans is required to be made under Section 2.9 but does not end on such date, then (i) the principal amount (if any) of each Euro-Dollar Loan required to be repaid on such date shall have an Interest Period ending on such date and (ii) the remainder (if any) of each such Euro-Dollar Loan shall have an Interest Period determined as set forth above.

(2) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending 30 days thereafter; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (b) below) which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) if any Interest Period includes a date on which a payment of principal of the Loans is required to be made under Section 2.9 but does not end on such date, then (i) the principal amount (if any) of each Base Rate Loan required to be repaid on such date shall have an Interest Period ending on such date and (ii) the remainder (if any) of each such Base Rate Loan shall have an Interest Period determined as set forth above.

"Investment Grade Rating" means a rating for a Person's senior long-term unsecured debt of BBB- or better from S&P, and a rating of Baa3 or better from Moody's, if ratings from both Rating Agencies are obtained.

"Joint Ventures" means partnerships, corporations or other entities held or owned jointly by the Borrower or a Consolidated Subsidiary of

Borrower and one or more Persons which Persons are not Consolidated with Borrower.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under

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any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a Domestic Loan or a Euro-Dollar Loan and "Loans" means Domestic Loans or Euro-Dollar Loans or any combination of the foregoing.

"Loan Amount" shall mean the amount of Five Hundred Million Dollars (\$500,000,000).

"Loan Documents" means this Agreement, the Notes, the General Partner Guaranty and the Subsidiary Guaranties.

"London Interbank Offered Rate" has the meaning set forth in Section 2.6(b).

"Mandatory Prepayment Event" has the meaning set forth in Section 2.9(c).

"Margin Stock" shall have the meaning provided such term in Regulation U and Regulation G of the Federal Reserve Board.

"Material Adverse Effect" means a material adverse effect upon (i) the business, operations, properties or assets of the Borrower, the General Partner, and their Consolidated Subsidiaries or (ii) the ability of the Borrower to pay debt service on the Loans, as such debt service becomes due from time to time.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of \$5,000,000.

"Maturity Date" shall have the meaning set forth in Section 2.8.

"Maximum Loan Amount" means the Loan Amount, as the Loan Amount may be reduced pursuant to Section 2.10(c).

"Minority Holdings" means partnerships and corporations held or owned by the Borrower which are not Consolidated with Borrower on Borrower's financial statements.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Morgan" means Morgan Guaranty Trust Company of New York, in its individual capacity.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which

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ceased to be a member of the ERISA Group during such five year period.

"Net Operating Cash Flow" means, as of any date of determination, with respect to all Real Property Assets, Minority Holdings and Joint Ventures of Borrower, the General Partner, and their Consolidated Subsidiaries (with respect to Minority Holdings and Joint Ventures, the Borrower's, the General Partner's or the applicable Consolidated Subsidiary's allocable share only), Property Income for the previous four consecutive quarters including the quarter then ended, but less (x) Property Expenses with respect to all such Real Property Assets, Minority Holdings and Joint Ventures (with respect to Minority Holdings and Joint Ventures, the Borrower's, the General Partner's or the applicable Consolidated Subsidiary's allocable share only) for the previous four consecutive quarters including the quarter then ended and (y) appropriate reserves for replacements of not less than \$.50 per square foot per annum for each Real Property Asset that is primarily a retail use property and not less than \$.35 per square foot per annum for each Real Property Asset that is primarily an industrial use property.

"New Acquisitions" has the meaning set forth in Section 2.14.

"Non-Recourse Debt" means Debt of a Person for which the right of recovery of the obligee thereof is limited to recourse against the Real Property Assets securing such Debt (subject to such limited exceptions as fraud, misappropriation, misapplication and environmental indemnities as are usual and customary in similar transactions at the time such Debt is incurred).

"Notes" means promissory notes of the Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of the Borrower to repay the Loans, as the same may be amended, supplemented, modified or restated from time to time, and "Note" means any one of such promissory notes issued hereunder.

"Notice of Borrowing" has the meaning set forth in Section 2.2.

"Obligations" means all obligations, liabilities and indebtedness of every nature of the Borrower, from time to time owing to any Bank under or in connection with this Agreement or any other Loan Document.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

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"Parent" means, with respect to any Bank, any Person controlling such Bank.

"Participant" has the meaning set forth in Section 9.6(b).

"Permitted Liens" means (a) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds, completion bonds, government contracts or other obligations of a like nature, including Liens in connection with workers' compensation, unemployment insurance and other types of statutory obligations or to secure the performance of tenders, bids, leases, contracts (other than for the repayment of Debt) and other similar obligations incurred in the ordinary course of business; (b) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; provided, that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor; (c) Liens on property of either Borrower or any Subsidiary thereof in favor of the Federal or any state government to secure certain payments pursuant to any contract, statute or regulation; (d) easements (including, without limitation, reciprocal easement agreements and utility agreements), rights of way, covenants, consents, reservations, encroachments, variations and zoning and other restrictions, charges or encumbrances (whether or not recorded), which do not interfere materially with the ordinary conduct of the business of the Borrower or any Subsidiary thereof and which do not materially detract from the value of the property to which they attach or materially impair the use thereof by the Borrower or Subsidiary; (e) statutory Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen or other Liens imposed by law and arising in the ordinary course of business, for sums not then due and payable (or which, if due and payable are being contested in good faith and with respect to which adequate reserves are being maintained to the extent required by GAAP); (f) Liens not otherwise permitted by this definition and incurred in the ordinary course of business of the Borrower or any Subsidiary with respect to obligations which do not exceed \$100,000 in principal amount with respect to any Separate Parcel and do not exceed \$1,000,000 in principal amount in the aggregate, in each case at any one time outstanding; and (g) the interests of lessees and lessors under leases of real or personal property made in the ordinary course of business which would not have a material adverse effect on the Borrower, the General Partner, and their Consolidated Subsidiaries taken as a whole.

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"Person" means an individual, a corporation, a partnership, an association, a trust, limited liability company or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Plan Asset Regulations" means the Department of Labor Regulation Section 2510.3-101, 29 C.F.R. Section 2510.3-101.

"Prime Rate" means the rate of interest publicly announced by Morgan Guaranty Trust Company of New York in New York City from time to time as its Prime Rate.

"Pro-Forma Debt Service" means as of any date of determination, an amount equal to the greater of (x) the product of: (A) the average Unsecured Debt outstanding at the end of each of the previous four quarters, including the quarter then ended, as set forth on the Borrower's balance sheet, and (B) the Treasury Rate plus 1.75%, plus an amount equal to the principal that would be required to be repaid by applying a 25 year mortgage style amortization schedule thereto; and (y) Debt Service for Unsecured Debt for the previous four quarters including the quarter then ended.

"Property Expenses" means, when used with respect to any Real Property Asset, the costs of maintaining such Real Property Asset, including, without limitation, taxes, insurance, repairs and maintenance, but excluding depreciation, amortization and interest costs and Capital Expenditures.

"Property Income" means, when used with respect to any Real Property Asset, revenues therefrom (including, without limitation, lease termination fees appropriately amortized), less deferred rents receivable, calculated, in each case, in accordance with GAAP.

"Rated Unsecured Debt" means, Investment Grade Debt which is Unsecured Debt and which has an Investment Grade Rating.

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"Rating Agencies" means, collectively, S&P and Moody's, Duff & Phelps Credit Rating Co., and Fitch Investor Services, or any successor to the foregoing.

"Real Property Assets" means the real property assets or interests therein (including interests in participating mortgages in which the Borrower's interest therein is characterized as equity according to GAAP) currently owned, directly or indirectly by the Borrower or its Consolidated Subsidiaries (including the form the real property asset is held, such as a partnership, limited liability company or corporation) and listed on Schedule 4.17(a) annexed hereto, as such may be modified from time to time to reflect sales, transfers, assignments, conveyances, acquisitions and purchases of real property assets.

"Recourse Debt" means Debt of a Person that is not Non-Recourse Debt.

"Reference Bank" means the principal London offices of Morgan Guaranty Trust Company of New York.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Required Banks" means at any time Banks having at least 66-2/3% of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding Notes evidencing at least 66-2/3% of the aggregate unpaid principal amount of the Loans.

"Required Occupancy Level" means, with respect to any Borrowing Base Property, that during any twelve (12) month period, no less than an average of 85% of the rentable square feet of such Borrowing Base Property is occupied by tenants pursuant to written leases for which no default has occurred beyond applicable notice and cure periods.

"Secured Debt" means Debt of a Person that is secured by a Lien.

"Separate Parcel" means a Real Estate Asset that is a single, legally subdivided, separately zoned parcel that can be legally transferred or conveyed separate and distinct from any other Real Estate Asset without benefit of any other Real Estate Asset.

"Solvent" as to any Person shall mean that such Person is not "insolvent" within the meaning of Section 101(32) of the Bankruptcy Code or Section 271 of the Debtor and Creditor Law of the State of New York.

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"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Borrower or the General Partner.

"Subsidiary Guaranty" shall mean a guaranty, in substantially the form of Exhibit E attached hereto, executed by each Subsidiary Guarantor.



"Subsidiary Guarantor" means AMB Property II, L.P., Long Gate LLC, and any other Wholly-Owned Subsidiary of the Borrower that owns a Borrowing Base Property and provides a Subsidiary Guaranty as required pursuant to Section 3.3 hereof.

"S&P" means Standard & Poors Ratings Group and its successors.

"Term" has the meaning set forth in Section 2.8.

"Termination Event" shall mean (i) a "reportable event", as such term is described in Section 4043 of ERISA (other than a "reportable event" not subject to the provision for 30-day notice to the PBGC), or an event described in Section 4062(e) of ERISA, (ii) the withdrawal by any member of the ERISA Group from a Multiemployer Plan during a plan year in which it is a "substantial employer" (as defined in Section 4001(a)(2) of ERISA), or the inurrence of liability by any member of the ERISA Group under Section 4064 of ERISA upon the termination of a Multiemployer Plan, (iii) the filing of a notice of intent to terminate any Plan under Section 4041 of ERISA, other than in a standard termination within the meaning of Section 4041 of ERISA, or the treatment of a Plan amendment as a distress termination under Section 4041 of ERISA, (iv) the institution by the PBGC of proceedings to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or cause a trustee to be appointed to administer, any Plan or (v) any other event or condition that might reasonably constitute grounds for the termination of, or the appointment of a trustee to administer, any Plan or the imposition of any liability or encumbrance or Lien on the Real Property Assets or any member of the ERISA Group under ERISA.

"Title Company" means, with respect to each Borrowing Base Property, a title insurance company of recognized national standing.

"Title Commitment" means, for each Borrowing Base Property, an ALTA fee or leasehold title commitment or title

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policy issued by the Title Company at the time of acquisition by the Borrower or, if applicable, a Wholly-Owned Subsidiary.

"Total Liabilities" means, without duplication, all liabilities (determined in accordance with GAAP) and all other Debt (to the extent such Debt is not a "liability" as determined in accordance with GAAP) of the Borrower, the General Partner, and their Consolidated Subsidiaries and Borrower's pro rata share of liabilities (including the pro rata share of Debt) of Minority Holdings and Joint Ventures, based on Borrower's percentage ownership of such Minority Holdings and Joint Ventures.

"Treasury Rate" means, as of any date, a rate equal to the annual yield to maturity on the U.S. Treasury Constant Maturity Series with a ten year maturity, as such yield is reported in Federal Reserve Statistical Release H.15 -- Selected Interest Rates, published most recently prior to the date the applicable Treasury Rate is being determined. Such yield shall be determined by straight line linear interpolation between the yields reported in Release H.15, if necessary. In the event Release H.15 is no longer published, the Agent shall select, in its reasonable discretion, an alternate basis for the determination of Treasury yield for U.S. Treasury Constant Maturity Series with ten year maturities.

"UCC Searches" has the meaning set forth in Section 3.1(m).

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"Unimproved Assets" means Real Property Assets (i) upon which no material construction of material improvements has been commenced and (ii) which are either not contiguous to an Improved Asset or, if contiguous to an Improved Asset, were not acquired at the same time as the Improved Asset, or if contiguous to an Improved Asset and acquired at the same time as an Improved Asset, the net operating income (capitalized in accordance with industry standard) of the Improved Asset was, at time of acquisition, insufficient to

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support the acquisition price of such Improved Asset plus an 8% rate of return on the investment; all Unimproved Assets will continue to be deemed Unimproved Assets until such time as the chief financial officer or chief accounting officer of Borrower shall certify to the Agent that material construction of material improvements has commenced thereon.

"Unimproved Land Value" means the aggregate Gross Asset Value of Unimproved Assets.

"United States" means the United States of America, including the states and the District of Columbia, but excluding its territories and possessions.

"Unsecured Assets" means assets of a Person which are not subject to a Lien (other than Permitted Liens).

"Unsecured Debt" means Debt of a Person which is not secured by a Lien.

"Unsecured Senior Debt" means the Obligations and other Unsecured Debt of the Borrower, the General Partner and their Consolidated Subsidiaries.

"Unused Commitments" means an amount equal to all unadvanced funds (other than unadvanced funds in connection with any construction loan) which any third party is obligated to advance to the Borrower or otherwise, pursuant to any loan document, written instrument or otherwise.

"Unused Facility" shall mean the amount, calculated daily, by which the Commitments exceed the sum of the outstanding principal amount of the Loans.

"Wholly-Owned Subsidiary" shall mean a Consolidated Subsidiary that is 100% owned, directly or indirectly, by the Borrower; provided that a Consolidated Subsidiary shall also be deemed to be a "Wholly-Owned Subsidiary" hereunder if the General Partner also wholly owns, directly or indirectly, a minority position in such Consolidated Subsidiary (in addition to the General Partner's indirect interest in such Consolidated Subsidiary as a result of the General Partner's ownership interest in the Borrower) and the Borrower owns all the remaining interests in such Consolidated Subsidiary.

SECTION 1.2. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the

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Borrower's independent public accountants) with the most recent audited Consolidated financial statements of the Borrower, the General Partner, and their Consolidated Subsidiaries delivered to the Banks; provided that, if the Borrower notifies the Agent that the Borrower wishes to amend any covenant in Article V to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Agent notifies the Borrower that the Required Banks wish to amend Article V for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Banks.

SECTION 1.3. Types of Borrowings. The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article II on a single date and for a single Interest Period. Borrowings are classified for purposes of this Agreement by reference to the pricing of Loans comprising such Borrowing (e.g., a "Euro-Dollar Borrowing" is a Borrowing comprised of Euro-Dollar Loans).

## ARTICLE II

### THE CREDITS

SECTION 2.1. Commitments to Lend. During the Term, each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section from time to time in amounts such that the aggregate principal amount of Loans by such Bank at any one time outstanding shall not exceed the amount of its Commitment. The aggregate amount of Loans to be made hereunder shall not exceed the Maximum Loan Amount. At no time shall there be more than ten (10) Euro-Dollar Loans outstanding. Each Borrowing under this subsection (a) shall be in an aggregate principal amount of not less than \$5,000,000, or an integral multiple of \$1,000,000 in excess thereof (except that any such Borrowing may be in the aggregate amount available in accordance with Section 3.2(c)) and shall be made from the several Banks ratably in proportion to their respective Commitments. Upon the expiration of the Term, the Banks shall have no further obligation to make loans to Borrower. Within the foregoing limits, the Borrower may borrow under this Section, repay, or to the extent required by Section 2.9 or permitted by Section 2.10, prepay Loans and reborrow at any time during the Term.

SECTION 2.2. Notice of Borrowing. The Borrower shall give the Agent notice (a "Notice of Borrowing") not

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later than 1:00 p.m. (New York City time) (y) one (1) Domestic Business Day before each Base Rate Borrowing, or (z) three (3) Euro-Dollar Business Days before each Euro-Dollar Borrowing, as applicable, specifying:

(a) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(b) the aggregate amount of such Borrowing,

(c) whether the Loans comprising such Borrowing are to be Base Rate Loans or Euro-Dollar Loans, and

(d) in the case of a Euro-Dollar Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, except that no Interest Period shall extend beyond the Maturity Date, as such may be extended pursuant to Section 2.8 hereof.

SECTION 2.3. Notice to Banks; Funding of Loans.

(a) Upon receipt of a Notice of Borrowing, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's share (if any) of such Borrowing and such Notice of Borrowing shall thereafter only be revocable by the Borrower no later than (y) with respect to a Base Rate Borrowing, 5:00 p.m. (New York City time) one Domestic Business Day before each Base Rate Borrowing or (z) with respect to a Euro-Dollar Borrowing, 3:00 p.m. (New York City time) three (3) Euro-Dollar Business Days before each Euro-Dollar Borrowing. Upon the expiration of such applicable time periods, the Notice of Borrowing shall not thereafter be revocable by Borrower.

(b) Not later than 2:00 p.m. (New York City time) on the date of each Borrowing as indicated in the Notice of Borrowing, each Bank participating therein shall (except as provided in subsection (c) of this Section) make available its share of such Borrowing, in Federal or other funds immediately available in New York City, to the Agent at its address referred to in Section 9.1. Unless the Agent determines that any applicable condition specified in Article III has not been satisfied, the Agent will make the funds so received from the Banks available to the Borrower at the Agent's aforesaid address.

(c) Unless the Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Agent such Bank's share of such Borrowing, the Agent may assume that such Bank has

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made such share available to the Agent on the date of such Borrowing in accordance with subsection (b) of this Section 2.3 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith within ten (10) days after demand therefore such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.6 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement. The failure of any Bank to make any Loan on a date of Borrowing hereunder shall not relieve any other Bank of any obligation hereunder to make a Loan on such date. Notwithstanding the foregoing and any other provision to the contrary contained herein, if any Bank shall have failed to fund its share of a previously requested Loan on the applicable date of Borrowing and Borrower provides a new Notice of Borrowing as a result of such failure to fund, then, if necessary to make such Borrowing, Borrower shall be permitted a single additional Loan (beyond that permitted by Section 2.1, if a Euro-Dollar Loan) and the \$5,000,000 minimum Borrowing limit elsewhere referred to in the Credit Agreement shall not apply to such new Borrowing.

SECTION 2.4. Notes.

(a) The Loans of each Bank shall be evidenced by a single Note payable to the order of such Bank for the account of its Applicable Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Loans.

(b) Each Bank may, by notice to the Borrower and the Agent, request that its Loans of a particular type be evidenced by a separate Note in an amount equal to the aggregate unpaid principal amount of such Bank's Loans. Each such Note shall be in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences solely Loans of the relevant type for such Bank. Each reference in this Agreement to the "Note" of such Bank shall be deemed to refer to and include any or all of such Notes, as the context may require.

(c) Upon receipt of each Bank's Note pursuant to Section 3.1(a), the Agent shall forward such Note to such

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Bank. Each Bank shall record the date, amount, type and maturity of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of its Note, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; provided that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required which continuation shall be deemed correct absent manifest error.

SECTION 2.5. Maturity of Loans. Each Loan included in any Borrowing shall mature, and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

#### SECTION 2.6. Interest Rates.

(a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof for each day from the date such Loan is made until the date it is repaid at a rate per annum equal to the Base Rate plus the Applicable Margin for Base Rate Loans for such day. Such interest shall be payable for each Interest Period on the last day thereof.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during the Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Margin for Euro-Dollar Loans for such day plus the Adjusted London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

The "Adjusted London Interbank Offered Rate" applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (i) the applicable London Interbank Offered Rate by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

The "London Interbank Offered Rate" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in dollars are offered to

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the Reference Bank in the London interbank market at approximately 11:00 a.m. (London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of the Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

(c) In the event that, and for so long as, any Event of Default shall have occurred and be continuing, the outstanding principal amount of the Loans, and, to the extent permitted by applicable law, overdue interest in respect of all Loans, shall bear interest at the annual rate of the sum of the Prime Rate and four percent (4%).

(d) The Agent shall determine each interest rate applicable to the Loans hereunder. The Agent shall give prompt notice to the Borrower and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(e) The Reference Bank agrees to use its best efforts to furnish quotations to the Agent as contemplated by this Section. If the Reference Bank does not furnish a timely quotation, the provisions of Section 8.1 shall apply.

#### SECTION 2.7. Fees.

(a) Commitment Fee. During the Term, the Borrower shall pay Agent for the account of the Banks ratably in proportion to their respective Commitments a commitment fee (the "Commitment Fee") accruing at a per annum rate equal to the then applicable Commitment Fee Percentage on the daily average undrawn Commitments. The Commitment Fee

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shall be payable quarterly in arrears on each October 31, January 31, April 30, and July 31 during the Term.

(b) Fees Non-Refundable. All fees set forth in this Section 2.7 shall be deemed to have been earned as such fees accrue in accordance with the provisions of this Agreement and shall be non-refundable when paid. The obligation of the Borrower to pay such fees in accordance with the provisions of this Agreement shall be binding upon the Borrower and shall inure to the benefit of the Agent and the Banks regardless of whether any Loans are actually made.

SECTION 2.8. Mandatory Expiration. The term (the "Term") of the Commitments shall terminate and expire on the date which is the third anniversary of the Closing Date (or, if such date is not a Domestic Business Day, then the next succeeding Domestic Business Day) (the "Maturity Date"). Upon the date of the termination of the Term, any Loans then outstanding (together with accrued interest thereon) shall be due and payable.

#### SECTION 2.9. Mandatory Prepayment.

(a) In the event that a Borrowing Base Property (or any Separate Parcel that originally formed a part of a Borrowing Base Property) is sold, transferred or released from the restrictions of Section 5.11 hereof, in accordance with this Agreement, the Borrower shall simultaneously with such sale, transfer or release, prepay an amount equal to in the event of a sale or transfer, 100% of the net proceeds of such sale or transfer or in the event of a release, such amount as shall be required for the Borrower to remain in compliance with this Agreement. Notwithstanding the foregoing, a simultaneous like-kind exchange under Section 1031 of the Internal Revenue Code will not be subject to the provisions of this Section 2.9(a) provided that the exchanged property has qualified as a New Acquisition and any "boot" associated therewith shall be applied to prepayment of the Loans. Sale of a property in violation of this Section 2.9 shall constitute an Event of Default.

(b) Any prepayment pursuant to this Section 2.9 shall be applied first to any Base Rate Loans then outstanding, then to any Euro-Dollar Loans with the shortest remaining Interest Periods. In connection with the prepayment of a Euro-Dollar Loan prior to the maturity thereof, the Borrower shall also pay any applicable expenses pursuant to Section 2.12. Each such prepayment shall be applied to prepay ratably the Loans of the Banks. Notwithstanding the foregoing, in the event any Mandatory Prepayment Event would result in the Borrower incurring expenses pursuant to Section 2.12, at Borrower's written request to be delivered on the date of any prepayment pursuant to this Section 2.9 (if

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Borrower fails to deliver such a request, then such expenses pursuant to Section 2.12, if any, shall be immediately due and payable), the Agent shall create an interest-bearing escrow account with Agent or Agent's designee to receive funds that would have been applied to pre-pay Euro-Dollar Loans prior to the end of the applicable Interest Periods, which funds will be held by Agent or Agent's designee until the earlier of (x) an Event of Default hereunder (in which event such funds shall be immediately applied without notice to the outstanding Euro-Dollar Loans) or (y) such time as an Interest Period shall end whereupon the Agent shall apply such funds to pay the Euro-Dollar Loan relating to such expiring Interest Period or (z) Agent has received a Notice of Borrowing with respect to such escrowed funds together with a certificate of the Borrower's chief financial officer or chief accounting officer certifying that upon the distribution of such funds to Borrower as new Loans, the Borrower will be in compliance with the requirements of Section 5.9 and containing information required by Section 5.1(c) (i) and (ii) hereof to establish such compliance.

(c) Any event referred to in Section 2.9(a) that results in a required prepayment of the Loans pursuant to this Section 2.9 shall be referred to as a "Mandatory Prepayment Event".

SECTION 2.10. Optional Prepayments.

(a) The Borrower may, upon at least five (5) Domestic Business Days' notice to the Agent, prepay any Base Rate Borrowing in whole at any time, or from time to time in part in amounts aggregating not less than One Million Dollars (\$1,000,000) or any larger multiple of One Million Dollars (\$1,000,000), by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Borrowing.

(b) Except as provided in Section 8.2, the Borrower may not prepay all or any portion of the principal amount of any Euro-Dollar Loan prior to the maturity thereof unless the Borrower shall also pay any applicable expenses pursuant to Section 2.12. Notice of such prepayment shall be delivered to Agent by Borrower, upon at least five (5) Domestic Business Days notice. Each such optional prepayment shall be in the amounts set forth in Section 2.10(a) above and shall be applied to prepay ratably the Loans of the Banks included.

(c) The Borrower may cancel all or any portion of the Commitments by the delivery to Agent of a notice of cancellation within the applicable time periods and minimum

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amounts set forth in Sections 2.10(a) and (b) above if there are Loans then outstanding or, if there are no Loans outstanding at such time, upon at least five (5) Domestic Business Days notice to Agent, whereupon, in either event, such Commitments so designated by Borrower shall terminate on the date set forth in such notice of cancellation, and, if there are any Loans then outstanding in excess of the Commitments after giving effect to such termination, Borrower shall prepay such Loans outstanding on such date in accordance with the requirements of Section 2.10(a) and (b).

(d) Upon receipt of a notice of prepayment or cancellation from Borrower pursuant to this Section, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment or cancellation and such notice shall thereafter be revocable by the Borrower no later than 10:00 a.m. (New York City time) three (3) Domestic Business Days before the date originally set forth by Borrower in the applicable notice of prepayment or cancellation as the prepayment or cancellation date. Upon the expiration of such time period, the notice of prepayment or cancellation shall be irrevocable.

(e) Any amounts prepaid pursuant to Sections 2.10(a) or (b) may be reborrowed. Any amounts cancelled pursuant to Section 2.10(c) may not be reborrowed.

SECTION 2.11. General Provisions as to Payments.

(a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees required hereunder, not later than 1:00 p.m. (New York City time) on the date when due, in Federal or other funds immediately available in New York City, to the Agent at its address referred to in Section 9.1. The Agent will promptly distribute to each Bank its ratable share of each such payment received by the Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Base Rate Loans or of fees required hereunder shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

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(b) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.12. Funding Losses. If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan (pursuant to Article II, VI or VIII or otherwise) on any day other than the last day of the Interest

Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.6(b), or if the Borrower fails to borrow any Euro-Dollar Loans, after notice has been given to any Bank in accordance with Section 2.3(a) and not revoked as permitted in this Agreement, then and only then shall Borrower reimburse each Bank within 15 days after demand therefor for any resulting loss or expense reasonably incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow, provided that such Bank shall have delivered to the Borrower a certificate signed by an authorized officer of such Bank as to the amount of such loss or expense reasonably incurred, which certificate shall be conclusive in the absence of manifest error.

SECTION 2.13. Computation of Interest and Fees. Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.14. Use of Proceeds. The Borrower shall use the proceeds of the Loans solely for (i) the acquisition by Borrower (either directly or indirectly through Subsidiaries) of real estate properties (or interests therein) which are primarily industrial (including warehouse/distribution, light industrial and light assembly)

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or retail (including neighborhood or community shopping centers and similar sub-regional properties) with land adjacent or incidental thereto (the "New Acquisitions"), (ii) such other costs and expenses attendant with such acquisitions and improvements, including, without limitation, closing costs, attorneys' fees and expenses and other professional fees, architectural fees, due diligence expenses, title insurance premiums, survey preparation costs, recording fees, appraisal fees, engineering and environmental fees, licensing and regulatory filing fees, brokerage commissions, leasing commissions, reasonable tenant improvement costs, (iii) construction, renovation, rehabilitation and alteration of Real Property Assets or other Capital Expenditures, and (iv) general working capital needs of Borrower or Consolidated Subsidiaries of Borrower not to exceed a maximum amount of \$50,000,000 with respect to such working capital needs (collectively, "Approved Uses").

### ARTICLE III

#### CONDITIONS

SECTION 3.1. Closing. The closing hereunder shall occur on the date (the "Closing Date") when each of the following conditions is satisfied (or waived by the Agent), each document to be dated the Closing Date unless otherwise indicated:

(a) the Borrower shall have executed and delivered to the Agent a Note for the account of each Bank dated on or before the Closing Date complying with the provisions of Section 2.4;

(b) the Borrower and Agent shall have executed and delivered to the Agent a duly executed original of this Agreement;

(c) the General Partner, AMB Property II, L.P. and Long Gate LLC shall each have executed and delivered the Confirmation of Guaranty;

(d) Agent shall have received an enforceability opinion of Latham & Watkins, New York and California counsel for the Borrower, and opinions as to the due authority, execution and delivery of the Loan Documents (other than any Subsidiary Guaranty) by Latham & Watkins and Ballard Spahr Andrews & Ingersoll, in each case reasonably acceptable to the Agent, the Banks and their counsel;

(e) Agent shall have received all documents Agent may reasonably request relating to the existence of the Borrower, the General Partner and any Subsidiary Guarantor, the

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authority for and the validity of this Agreement and the other Loan Documents, and any other matters relevant hereto, all in form and substance reasonably satisfactory to the Agent. Such documentation shall include, without limitation, the partnership agreement and certificate of limited partnership of Borrower, the articles of incorporation and by-laws of the General Partner and the organizational and formation documents of any Subsidiary Guarantor, each as amended, modified or supplemented to the Closing Date, certified to be true, correct and complete by a senior officer of the Borrower as of a date not more than twenty (20) days prior to the Closing Date, together with a good standing

certificate from the Secretary of State (or the equivalent thereof) of the State or States in which Borrower, the General Partner and any Subsidiary Guarantor are incorporated and from the Secretary of State (or the equivalent thereof) of each other State in which a Borrowing Base Property is located and in which any of the Borrower, the General Partner or a Subsidiary Guarantor is required to be qualified to transact business, each to be dated not more than twenty (20) days prior to the Closing Date;

(f) Agent shall have received all certificates, agreements and other documents referred to in this Section 3.1 and Section 3.2, unless otherwise specified, in sufficient counterparts, satisfactory in form and substance to the Agent in its sole discretion;

(g) Borrower, the General Partner and each Subsidiary Guarantor shall have taken all actions required to authorize the execution and delivery of this Agreement and the other Loan Documents to which it is a party and the performance thereof by the Borrower, the General Partner and such Subsidiary Guarantors, as applicable;

(h) Agent shall be satisfied that the Borrower is not subject to any present or contingent Environmental Claim which could have a Material Adverse Effect;

(i) Agent shall have received a pro forma Consolidated balance sheet of the Borrower, the General Partner, and their Consolidated Subsidiaries for the period ended September 30, 1997;

(j) if applicable, Agent shall have received wire transfer instructions in connection with any Loans to be made on the Closing Date;

(k) Agent shall have received, for its and any other Bank's account, (i) all fees due and payable pursuant to Section 2.7 hereof on or before the Closing Date, and (ii) the reasonable fees and expenses accrued through the Closing Date of Skadden, Arps, Slate, Meagher & Flom LLP;

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(l) Agent shall have received copies of all consents, licenses and approvals, if any, required in connection with the execution, delivery and performance by the Borrower, the General Partner and any Subsidiary Guarantor, and the validity and enforceability, of the Loan Documents, or in connection with any of the transactions contemplated thereby, and such consents, licenses and approvals shall be in full force and effect in all material respects;

(m) Agent shall have received satisfactory reports of UCC (collectively, the "UCC Searches"), tax lien, and judgment searches conducted by a search firm reasonably acceptable to Agent with respect to the Borrowing Base Properties, the Borrower, the General Partner and any Subsidiary Guarantor, such searches to be conducted by Borrower's counsel in each of the locations specified by the Agent;

(n) the Agent shall have received with respect to each Borrowing Base Property that was not a Borrowing Base Property under the Existing Credit Agreement, a copy of the engineer's inspection report obtained in connection with the acquisition of such Borrowing Base Property;

(o) the Agent shall have received with respect to each Borrowing Base Property that was not a Borrowing Base Property under the Existing Credit Agreement, (i) a description of the Borrowing Base Property, (ii) two years of historical cash flow operating statements with respect to such Borrowing Base Property, if available, (iii) five years of cash flow projections (including capital expenditures), (iv) a map and site plan, (v) an investment memorandum prepared by the Borrower (or a predecessor of the Borrower) in connection with the acquisition of the Borrowing Base Property (which memorandum shall include, but not be limited to, an analysis prepared by the Borrower or such predecessor of the credit quality and viability of each existing tenant of such Borrowing Base Property which occupies more than 15% of such Borrowing Base Property or accounts for more than 15% of the base rentals of such Borrowing Base Property), and (vi) to the extent obtained by the Borrower or, as applicable, a predecessor, in connection with such acquisition, evidence of zoning compliance (which evidence can include a "lawyer's letter" from a local counsel engaged by Borrower at the time of acquisition);

(p) the Agent shall have received certificates of insurance with respect to each Borrowing Base Property demonstrating the coverage required under this Agreement;

(q) the Agent shall have received with respect to each Borrowing Base Property that was not a Borrowing Base Property under the Existing Credit Agreement, a copy of the Title Commitment obtained by the Borrower or, as applicable,

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the Wholly-Owned Subsidiary that owns or leases each such Borrowing Base



Property in connection with the acquisition of each such Borrowing Base Property;

(r) the Agent shall have received a compliance certificate from Borrower's chief financial officer or chief accounting officer certifying compliance with Section 5.9 hereof containing such information as is required by Section 5.1(c)(i) and (ii);

(s) the Agent shall have received with respect to each Borrowing Base Property that was not a Borrowing Base Property under the Existing Credit Agreement, a copy of the environmental report obtained by the Borrower or the Wholly-Owned Subsidiary that owns or leases each such Borrowing Base Property in connection with the acquisition of each such Borrowing Base Property;

(t) the Agent shall have received with respect to each Borrowing Base Property such additional information with respect to each Borrowing Base Property, the tenants of such Borrowing Base Property, and, if applicable, the Wholly-Owned Subsidiary that owns such Borrowing Base Property, as the Agent or any Bank shall reasonably request; and

(u) the Agent shall have received a certificate of the chief financial officer or the chief accounting officer of the Borrower certifying that the "Formation Transactions," as defined in the Form S-11 filed with the Securities and Exchange Commission in connection with the initial public offering of the common stock of the General Partner, shall have been consummated.

Agent shall promptly notify Borrower and the Banks of the Closing Date.

SECTION 3.2. Borrowings. The obligation of any Bank to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) the Closing Date shall have occurred on or prior to November 26, 1997;

(b) receipt by Agent of a Notice of Borrowing as required by Section 2.2;

(c) immediately after such Borrowing, the aggregate outstanding principal amount of the Loans will not exceed the Maximum Loan Amount;

(d) immediately after such Borrowing, the aggregate outstanding principal amount of the Loans will not exceed the aggregate amount of the Commitments (as reduced pursuant

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to Section 2.10(c)) and with respect to each Bank, such Bank's pro rata portion of the Loans will not exceed such Bank's Commitment (as reduced pursuant to Section 2.10(c)).

(e) immediately before and after such Borrowing, no Default or Event of Default shall have occurred and be continuing both before and after giving effect to the making of such Loans;

(f) the representations and warranties of the Borrower contained in this Agreement shall be true and correct in all material respects on and as of the date of such Borrowing both before and after giving effect to the making of such Loans;

(g) no law or regulation shall have been adopted, no order, judgment or decree of any governmental authority shall have been issued, and no litigation shall be pending or threatened, which does or, with respect to any threatened litigation, seeks to enjoin, prohibit or restrain, the making or repayment of the Loans or the consummation of the transactions contemplated by this Agreement;

(h) no event, act or condition shall have occurred after the Closing Date which, in the reasonable judgment of the Agent or the Banks, as the case may be, has had or is likely to have a Material Adverse Effect;

(i) the Agent shall have theretofore received duly and validly executed Subsidiary Guaranties from each Wholly-Owned Subsidiary that owns a Borrowing Base Property;

(j) receipt by the Agent of a certificate of the chief financial officer or the chief accounting officer of the Borrower certifying that as of the date of such Borrowing, the Borrower is in compliance Section 5.9 and containing such information as is required by Section 5.1(c)(i) and (ii); and

(k) receipt by the Agent of a certificate of the chief financial officer or the chief accounting officer of the Borrower certifying that Borrower shall receive the proceeds of the Loan and will use the proceeds of such Loan for Approved Uses and briefly describing such Approved Uses.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses (c), (d), (e), (f), (g) and (i) of this Section.

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### SECTION 3.3. Borrowing Base Properties.

(a) For purposes of this Agreement, the term "Borrowing Base Properties" shall mean (i) the Real Property Assets listed in Exhibit B attached hereto and made a part hereof, each of which shall be 100% owned in fee (or leasehold in the case of assets listed as such on Exhibit B) by the Borrower or any Wholly-Owned Subsidiary of the Borrower and each of which is not subject to any Lien (other than Permitted Liens), subject to adjustment as set forth herein, together with (ii) each New Acquisition or Real Property Asset submitted by Borrower for inclusion as a "Borrowing Base Property" hereunder and made a "Borrowing Base Property" pursuant to the terms hereof and of Section 3.4. Each Borrowing Base Property (1) shall be 100% owned in fee or leasehold by the Borrower or a Wholly-Owned Subsidiary of the Borrower, (2) shall not be subject to a Lien (other than Permitted Liens), and (3) shall not be an interest in a participating mortgage, all as certified by Borrower pursuant to a certificate in substantially the form of Exhibit D attached hereto delivered to Agent at the time that Borrower submits a New Acquisition or Real Property Asset for inclusion as a Borrowing Base Property. In addition, with respect to any proposed Borrowing Base Property which is owned by a Wholly-Owned Subsidiary of Borrower, Borrower shall cause such Wholly-Owned Subsidiary to deliver to the Agent a Subsidiary Guaranty at the time that such New Acquisition or Real Property Asset is submitted for inclusion as a Borrowing Base Property.

(b) Except as set forth in clause (c) below, Real Property Assets (i) which have been released from this Agreement and the other Loan Documents as of such date in accordance with Sections 5.11 or Section 5.12 or any other provision of this Agreement, or (ii) which have failed to maintain the Required Occupancy Level for any twelve month period, shall be excluded as "Borrowing Base Properties" for purposes of this Agreement.

(c) Notwithstanding the foregoing clause (b), Separate Parcels which, for a period of no longer than twelve months, do not maintain the Required Occupancy Level but which otherwise satisfy the requirements set forth in Section 3.3(a) or Section 3.4 for inclusion as Borrowing Base Properties may be included as Borrowing Base Properties provided that the aggregate Gross Asset Value for such Separate Parcels shall not constitute more than ten percent (10%) of the aggregate Gross Asset Value of the remaining Borrowing Base Properties, as of any date of determination. In the event that the aggregate Gross Asset Value of such Separate Parcels would, as of any date, constitute more than ten percent of the Gross Asset Value of the remaining Borrowing Base Properties, only those Separate Parcels for

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which the aggregate Gross Asset Value would constitute 10% or less shall be deemed to be included as Borrowing Base Properties hereunder.

### SECTION 3.4. Conditions Precedent to New Acquisitions and Additional Real Property Assets.

(a) Until such time as Borrower or the General Partner shall receive at least one (1) Investment Grade Rating from either S&P or Moody's, any New Acquisition or Real Property Asset desired by Borrower to be included as a Borrowing Base Property will require the approval of the Required Banks. The approval right set forth in this clause (a) shall be of no force or effect for so long as Borrower's Credit Rating is an Investment Grade Rating. Notwithstanding the foregoing, if Borrower or the General Partner receives a rating that is not an Investment Grade Rating from either S&P or Moody's, until such time as Borrower or the General Partner has received an Investment Grade Rating from each of S&P and Moody's, any New Acquisition or Real Property Asset desired by Borrower to be included as a Borrowing Base Property will require the approval of the Required Banks.

(b) For so long as the approval of the Required Banks is required pursuant to clause (a) above, the Borrower shall submit to the Agent the materials set forth below (the "Due Diligence Package") relating to each New Acquisition or Real Property Asset that the Borrower desires to be added to the Borrowing Base Properties. The Due Diligence Package shall include (i) a description of the Real Property Asset or New Acquisition, (ii) two years of historical cash flow operating statements, if available, (iii) five years of cash flow projections (including capital expenditures), (iv) a map and site plan, (v) if such New Acquisition or Real Property Asset was acquired by the Borrower (or a predecessor of the Borrower) within the prior twelve month period, an investment memorandum prepared by the Borrower or such predecessor in connection with the acquisition of the Borrowing Base Property by Borrower or such predecessor (which memorandum shall include, but not be limited to, an analysis prepared by the Borrower or such predecessor of the credit quality and viability of each existing tenant of such Borrowing Base Property which occupies more than 15% of such Borrowing Base Property or accounts for more than 15% of

the base rentals of such Borrowing Base Property), (vi) to the extent obtained by the Borrower or, as applicable, a Wholly-Owned Subsidiary in connection with any New Acquisition, evidence of zoning compliance (which evidence can include a "lawyer's letter" from a local counsel engaged by Borrower at the time of acquisition), (vii) a copy of the engineer's inspection report obtained by the Borrower or, if applicable, a Wholly-Owned Subsidiary in connection with the acquisition of such New Acquisition or Real Property Asset,

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(viii) a copy of the Title Commitment obtained by the Borrower or, if applicable, a Wholly-Owned Subsidiary that owns or leases (or will own or lease) each such New Acquisition or Real Property Asset, (ix) a copy of the environmental report obtained by the Borrower or, if applicable, a Wholly-Owned Subsidiary, in connection with the acquisition of each such Borrowing Base Property and (x) such additional information with respect to each New Acquisition or Real Property Asset, the tenants of such New Acquisition or Real Property Asset, and if applicable, the Wholly-Owned Subsidiary that owns or leases such New Acquisition or Real Property Asset, as the Agent or any Bank shall reasonably request. The Borrower shall permit the Agent at all reasonable times and upon reasonable prior notice to make an inspection of such New Acquisition or Real Property Asset.

(c) Notwithstanding the foregoing clause (b), the Due Diligence Package with respect to any Real Property Asset to be added as a Borrowing Base Property within thirty (30) days after the Closing Date shall include only (i) a description of the Real Property Asset, (ii) two years of historical cash flow operating statements, if available, (iii) five years of cash flow projections (including capital expenditures), (iv) a map and site plan, and (v) if such Real Property Asset was acquired by the Borrower (or a predecessor of the Borrower) within the prior twelve month period, an investment memorandum prepared by the Borrower (or such predecessor) in connection with the acquisition of the Borrowing Base Property by Borrower or such predecessor (which memorandum shall include, but not be limited to, an analysis prepared by the Borrower or such predecessor of the credit quality and viability of each existing tenant of such Borrowing Base Property which occupies more than 15% of such Borrowing Base Property or accounts for more than 15% of the base rentals of such Borrowing Base Property) and (vi) such additional information with respect to such Real Property Asset, the tenants of such Real Property Asset, and, if applicable, the Wholly-Owned Subsidiary that owns or leases such New Acquisition or Real Property Asset, as the Agent or any Bank shall reasonably request. The Borrower shall permit the Agent at all reasonable times and upon reasonable prior notice to make an inspection of such Real Property Asset.

(d) The Borrower shall distribute a copy of each item constituting the Due Diligence Package by overnight mail to each of the Banks for their review and approval. Failure to respond to the Agent in writing by any Bank within ten (10) Domestic Business Days after receipt of the Due Diligence Package, shall be deemed to be an approval by such Bank of such New Acquisition or Real Property Asset for inclusion as a Borrowing Base Property.

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#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

In order to induce the Agent and each of the other Banks which may become a party to this Agreement to make the Loans, the Borrower makes the following representations and warranties as of the Closing Date. Such representations and warranties, shall survive the effectiveness of this Agreement, the execution and delivery of the other Loan Documents and the making of the Loans.

SECTION 4.1. Existence and Power. The General Partner is a real estate investment trust, duly formed, validly existing and in good standing as a corporation under the laws of Maryland. The Borrower is a limited partnership duly formed, validly existing and in good standing under the laws of Delaware. Each of the Borrower, the General Partner and each Subsidiary Guarantor has all powers and all material governmental licenses, authorizations, consents and approvals required to own its property and assets and carry on its business as now conducted or as it presently proposes to conduct and has been duly qualified and is in good standing in every jurisdiction in which the failure to be so qualified and/or in good standing is likely to have a Material Adverse Effect.

SECTION 4.2. Power and Authority. Each of the Borrower, the General Partner and each Subsidiary Guarantor has the partnership or corporate (as applicable) power and authority to execute, deliver and carry out the terms and provisions of each of the Loan Documents to which it is a party and has taken all necessary corporate action to authorize the execution and delivery on behalf of, as applicable, the Borrower, the General Partner and such Subsidiary Guarantor and the performance by the Borrower, the General Partner and such Subsidiary Guarantor of such Loan Documents to which it is a party. Each of the Borrower, the General Partner and each Subsidiary Guarantor has duly executed and delivered each Loan Document to which it is a party, and each such Loan

Document constitutes the legal, valid and binding obligation of such party, enforceable in accordance with its terms, except as enforceability may be limited by applicable insolvency, bankruptcy or other laws affecting creditors rights generally, or general principles of equity, whether such enforceability is considered in a proceeding in equity or at law.

SECTION 4.3. No Violation. Neither the execution, delivery or performance by or on behalf of the Borrower, the General Partner or any Subsidiary Guarantor of the Loan Documents to which it is a party, nor compliance by the Borrower, the General Partner or any Subsidiary Guarantor with

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the terms and provisions thereof nor the consummation of the transactions contemplated by the Loan Documents, (i) will contravene any applicable provision of any material law, statute, rule, regulation, order, writ, injunction or decree of any court or governmental instrumentality or (ii) will conflict, in any material respect, with or result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a material default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of the Borrower, the General Partner or any of their Consolidated Subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, subscription agreement or other agreement or other instrument to which the Borrower, the General Partner, any Subsidiary Guarantor (or of any partnership of which any such party is a partner) or any of their Consolidated Subsidiaries is a party or by which it or any of its property or assets is bound or to which it is subject, or (iii) will cause a default by the Borrower, the General Partner or any Subsidiary Guarantor under any subscription agreement or any other organizational document of any Person in which the Borrower, the General Partner or any Consolidated Subsidiary has an interest, or cause a default under the partnership agreement, articles of incorporation or by laws (as applicable) of the Borrower, the General Partner or any Consolidated Subsidiary.

SECTION 4.4. Financial Information.

(a) The Consolidated balance sheet of the Borrower, the General Partner, and their Consolidated Subsidiaries dated December 31, 1996 and the related Consolidated statements of the Borrower's financial position for the fiscal year then ended, audited by Arthur Andersen & Co., L.L.P., a copy of which has been delivered to the Agent fairly present, in conformity with GAAP, the Consolidated financial position of the Borrower, the General Partner, and their Consolidated Subsidiaries of such date and their results of operations and cash flows for such fiscal year.

(b) The Consolidated balance sheet of the Borrower, the General Partner, and their Consolidated Subsidiaries for the period ending September 30, 1997, a copy of which has been delivered to the Agent, fairly present, in conformity with GAAP, the Consolidated financial position of the Borrower, the General Partner, and their Consolidated Subsidiaries as of such date and their Consolidated results of operations and cash flows for such period.

(c) Since September 30, 1997, (i) there has been no material adverse change in the business, financial position or results of operations of the Borrower, the General Partner, and their Consolidated Subsidiaries and (ii) except

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as previously disclosed to the Agent, none of the Borrower, the General Partner or any of their Consolidated Subsidiaries has incurred any material indebtedness or guaranty.

SECTION 4.5. Litigation. There is no material action, suit or proceeding pending against, or to the actual knowledge of the Borrower, after due inquiry, threatened against or adversely affecting, (i) the Borrower, the General Partner or any of their Subsidiaries, (ii) the Loan Documents or any of the transactions contemplated by the Loan Documents or (iii) any of its assets, before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could, individually, or in the aggregate materially adversely affect the business, Consolidated financial position or Consolidated results of operations of the Borrower, the General Partner or their Consolidated Subsidiaries or which in any manner draws into question the validity of this Agreement or the other Loan Documents.

SECTION 4.6. Compliance with ERISA.

(a) The transactions contemplated by the Loan Documents will not constitute a nonexempt prohibited transaction (as such term is defined in Section 4975 of the Code or Section 406 of ERISA) that could subject the Agent or the Banks to any tax or penalty or prohibited transactions imposed under Section 4975 of the Code or Section 502(i) of ERISA.

(b) Each member of the ERISA Group has fulfilled its obligations under

the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

SECTION 4.7. Environmental Matters. In the ordinary course of its business, the Borrower conducts a periodic review of the effect of Environmental Laws on the business, operations and properties of the Borrower and its Subsidiaries, including, without limitation, the Real Property

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Assets, in the course of which it seeks to identify and evaluate applicable liabilities and costs (including, without limitation, any capital or operating expenditures required as a matter of Environmental Law for clean-up or closure of properties presently or previously owned, any capital or operating expenditures required as a matter of Environmental Law to achieve or maintain compliance with Environmental Law or as a condition of any license, permit or contract to which Borrower is a party or a beneficiary, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat, any costs or liabilities in connection with off-site disposal of wastes or Hazardous Substances, and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of this review, the Borrower has reasonably concluded that such associated potential liabilities and costs, including the costs of compliance with Environmental Laws, are unlikely to have a Material Adverse Effect.

SECTION 4.8. Taxes. The Borrower, the General Partner and their Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due and payable pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary. The charges, accruals and reserves on the books of the Borrower, the General Partner and their Subsidiaries in respect of taxes or other governmental charges are, in the reasonable judgment of the Borrower, adequate.

SECTION 4.9. Full Disclosure. All information heretofore furnished by or on behalf of the Borrower, the General Partner and their Subsidiaries to the Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrower or the General Partner or any Subsidiary Guarantor to the Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated. The Borrower and the General Partner have disclosed to the Banks in writing any and all facts which, in Borrower's and the General Partner's reasonable judgment, materially and adversely affect or may affect (to the extent the Borrower and the General Partner can now reasonably foresee), the business, operations or financial condition of the Borrower, the General Partner, and their Consolidated Subsidiaries, taken as a whole, or the ability of the Borrower or the General Partner or any Subsidiary Guarantor to perform its obligations under this Agreement or the other Loan Documents in any material respect.

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SECTION 4.10. Solvency. On the Closing Date and after giving effect to the transactions contemplated by the Loan Documents occurring on the Closing Date, each of Borrower, the General Partner and any Subsidiary Guarantor will be Solvent.

SECTION 4.11. Use of Proceeds; Margin Regulations. All proceeds of the Loans will be used by the Borrower only in accordance with the provisions of this Agreement. No part of the proceeds of any Loan will be used by the Borrower to purchase or carry any Margin Stock or to extend credit to others for the expressed purpose of purchasing or carrying any Margin Stock. Neither the making of any Loan nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulations G, T, U or X of the Federal Reserve Board.

SECTION 4.12. Governmental Approvals. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with the execution, delivery and performance of any Loan Document or the consummation of any of the transactions contemplated thereby other than those that have already been duly made or obtained and remain in full force and effect.

SECTION 4.13. Investment Company Act; Public Utility Holding Company

Act. The Borrower is not (x) an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended, (y) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (z) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

SECTION 4.14. Closing Date Transactions. On the Closing Date and immediately prior to the making of the Loans, the transactions (other than the making of the Loans) intended to be consummated on the Closing Date will have been consummated in accordance with all applicable laws. All material consents and approvals of, and all material filings and registrations with, and all other material actions by, any Person required in order to make or consummate such transactions have been obtained, given, filed or taken and are in full force and effect.

SECTION 4.15. Representations and Warranties in Loan Documents. All representations and warranties made by the Borrower in the Loan Documents are true and correct in all

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material respects as of the date of this Agreement and as of any date that Borrower is expressly obligated to confirm the same under this Agreement.

SECTION 4.16. Patents, Trademarks, Etc. The Borrower, the General Partner, and their Consolidated Subsidiaries have obtained and hold in full force and effect all patents, trademarks, service marks, trade names, copyrights and other such rights, free from burdensome restrictions, which are necessary for the operation of their business as presently conducted, the impairment of which is likely to have a Material Adverse Effect. To the Borrower's knowledge, no material product, process, method, substance, part or other material presently sold by or employed by the Borrower or its Consolidated Subsidiaries in connection with such business infringes any patent, trademark, service mark, trade name, copyright, license or other such right owned by any other Person. There is not pending or, to the Borrower's or the General Partner's knowledge, threatened any claim or litigation against or affecting the Borrower, the General Partner or their Consolidated Subsidiaries contesting any of their respective rights to sell or use any such product, process, method, substance, part or other material.

SECTION 4.17. Ownership of Property. Schedule 4.17(a) attached hereto and made a part hereof sets forth all the real property owned or leased by the Borrower and Persons in which the Borrower, directly or indirectly, owns an interest as of the Closing Date. As of the Closing Date, the Borrower and such Persons have good and insurable fee simple title (or leasehold title if so designated on Schedule 4.17(a) to all of such real property, subject to customary encumbrances and liens as of the date of this Agreement. As of the date of this Agreement, there are no mortgages, deeds of trust, indentures, debt instruments or other agreements creating a Lien against any of the Real Property Assets except as disclosed on Schedule 4.17(b).

SECTION 4.18. No Default. No Default or Event of Default exists under or with respect to any Loan Document. The Borrower (nor the General Partner nor any Consolidated Subsidiary) is not in default in any material respect beyond any applicable grace period under or with respect to any other material agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound in any respect, the existence of which default is likely to result in a Material Adverse Effect.

SECTION 4.19. Licenses, Etc. Each of the Borrower, the General Partner and each of their Consolidated Subsidiaries) has obtained and holds in full force and effect, all material franchises, licenses, permits, certificates, authorizations, qualifications, accreditations, ease-

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ments, rights of way and other consents and approvals which are necessary for the operation of its business as presently conducted, the absence of which is likely to have a Material Adverse Effect.

SECTION 4.20. Compliance With Law. The Borrower, the General Partner and each of their Consolidated Subsidiaries and each of the Real Property Assets is in compliance with all material laws, rules, regulations, orders, judgments, writs and decrees, including, without limitation, all building and zoning ordinances and codes, the failure to comply with which is likely to have a Material Adverse Effect.

SECTION 4.21. No Burdensome Restrictions. The Borrower, the General Partner and each of their Consolidated Subsidiaries is not a party to any agreement or instrument or subject to any other obligation or any charter or corporate or partnership restriction, as the case may be, which, individually or in the aggregate, is likely to have a Material Adverse Effect except in the event of a default there under.

SECTION 4.22. Brokers' Fees. Neither the Borrower nor the General Partner has dealt with any broker or finder with respect to the transactions contemplated by the Loan Documents or otherwise in connection with this Agreement.

SECTION 4.23. Labor Matters. There are no collective bargaining agreements or Multiemployer Plans covering any employees of the Borrower, the General Partner, or any of their Consolidated Subsidiaries.

SECTION 4.24. Insurance. The Borrower, the General Partner and each of its Consolidated Subsidiaries currently maintains all insurance which is required to be maintained by Section 5.3 hereof.

SECTION 4.25. Organizational Documents. The documents delivered pursuant to Section 3.1(e) constitute, as of the Closing Date, all of the organizational documents (together with all amendments and modifications thereof) of the Borrower. The Borrower represents that it has delivered to the Agent true, correct and complete copies of each of the documents set forth in Section 3.1(e).

SECTION 4.26. Principal Offices. The principal office, chief executive office and principal place of business of each of the Borrower, the General Partner and each Subsidiary Guarantor is 505 Montgomery Street, San Francisco, California.

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#### ARTICLE V

##### AFFIRMATIVE AND NEGATIVE COVENANTS

The Borrower covenants and agrees that, so long as any Bank has any Commitment hereunder or any Obligations remain unpaid:

SECTION 5.1. Information. The Borrower will deliver to each of the Banks:

(a) as soon as reasonably available and in any event within 95 days after the end of each fiscal year of the Borrower, a Consolidated balance sheet of the Borrower, the General Partner, and their Consolidated Subsidiaries as of the end of such fiscal year and the related Consolidated statements of operations for such fiscal year prepared by Arthur Andersen & Co., L.L.P. or other independent public accountants of nationally recognized standing;

(b) as soon as available and in any event within 50 days after the end of each of the first three quarters of each fiscal year of the Borrower, (i) a Consolidated balance sheet of the Borrower, the General Partner, and their Consolidated Subsidiaries as of the end of such quarter and the related Consolidated statements of operations for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter, all certified (subject to normal year-end adjustments) as to fairness of presentation, GAAP and consistency by the chief financial officer or the chief accounting officer of the Borrower; (ii) an acquisition status report, with respect to each Real Property Asset acquired during such quarter, in form reasonably satisfactory to the Agent, setting forth all acquisition activity during such quarterly period, including a description of such Real Property Asset and the Acquisition Price thereof and (iii) such other information reasonably requested by the Agent or any Bank;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the chief financial officer or the chief accounting officer of the Borrower (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Section 5.9 on the date of such financial statements; (ii) stating whether any Default, Event of Default or Mandatory Prepayment Event exists on the date of such certificate and with respect to a Mandatory Prepayment Event, whether it existed at any time during the period covered by such financial statements, and, if any Default, Event of Default or Mandatory Prepayment Event then exists, setting forth the details thereof and the action which the Borrower is taking

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or proposes to take with respect thereto; and (iii) certifying (x) that such financial statements fairly present the financial condition and the results of operations of the Borrower on the dates and for the periods indicated, on the basis of GAAP, with respect to the Borrower subject, in the case of interim financial statements, to normally recurring year-end adjustments, and (y) that such officer has reviewed the terms of the Loan Documents and has made, or caused to be made under his or her supervision, a review in reasonable detail of the business and condition of the Borrower during the period beginning on the date through which the last such review was made pursuant to this Section 5.1(c) (or, in the case of the first certification pursuant to this Section 5.1(c), the Closing Date) and ending on a date not more than ten (10) Domestic Business Days

prior to the date of such delivery and that (1) on the basis of such financial statements and such review of the Loan Documents, no Event of Default existed under Section 6.1(b) with respect to Section 5.9 at or as of the date of said financial statements, and (2) on the basis of such review of the Loan Documents and the business and condition of the Borrower, to the actual knowledge of such officer, no Default or Event of Default under any other provision of Section 6.1 occurred or, if any such Default or Event of Default has occurred and is then continuing, specifying the nature and extent thereof and, if continuing, the action the Borrower proposes to take in respect thereof and (3) on the basis of such review of the Loan Documents and the business and condition of the Borrower, no Mandatory Prepayment Event then exists or has existed during the period since the last review pursuant to this Section 5.1(c). Such certificate shall set forth the calculations required to establish the matters described in clause (i) above;

(d) (i) within seven (7) days after the chief financial officer or chief accounting officer of the Borrower, the General Partner, or any Consolidated Subsidiary of any of the foregoing obtains knowledge of any Default or a Mandatory Prepayment Event, if such Default or Mandatory Prepayment Event is then continuing, a certificate of such officer setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto; (ii) promptly and in any event within ten (10) days after the chief financial officer or chief accounting officer of the Borrower, the General Partner or any Consolidated Subsidiary of any of the foregoing obtains knowledge thereof, notice of (x) any litigation or governmental proceeding pending or actions threatened against the Borrower, the General Partner, any Consolidated Subsidiary or the Real Property Assets as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, is likely to individually or in the aggregate, result in a Material Adverse Effect, and (y) any

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other event, act or condition which is likely to result in a Material Adverse Effect;

(e) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statement so mailed;

(f) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the General Partner shall have filed with the Securities and Exchange Commission;

(g) promptly and in any event within ten (10) Domestic Business Days after the Borrower obtains actual knowledge of any of the following events, a certificate of the Borrower, executed by an officer of the Borrower, specifying the nature of such condition and the Borrower's or, if the Borrower has actual knowledge thereof, the Environmental Affiliate's proposed initial response thereto: (i) the receipt by the Borrower, or, if the Borrower has actual knowledge thereof, any of the Environmental Affiliates of any written communication, whether from a governmental authority, citizens group, employee or otherwise, that alleges that the Borrower, or, if the Borrower has actual knowledge thereof, any of the Environmental Affiliates, is not in compliance with applicable Environmental Laws, and such noncompliance is likely to have a Material Adverse Effect, (ii) the Borrower shall obtain actual knowledge that there exists any Environmental Claim pending or threatened against the Borrower or any Environmental Affiliate or (iii) the Borrower obtains actual knowledge of any release, emission, discharge or disposal of any Hazardous Substances that is likely to form the basis of any Environmental Claim against the Borrower or any Environmental Affiliate;

(h) within ten (10) Domestic Business Days after receipt of any material notices or correspondence from any company or agent for any company providing insurance coverage to the Borrower relating to any material loss of the Borrower, copies of such notices and correspondence;

(i) no less than ten (10) Domestic Business Days prior to a sale, transfer or conveyance of any Borrowing Base Property, Borrower shall deliver a certificate of the chief financial officer or the chief accounting officer of the Borrower certifying that such officer has reviewed the terms of the Loan Documents and has made, or caused to be made under his or her supervision, a review in reasonable detail of the business and condition of the Borrower during the period beginning on the date through which the last such review was made pursuant to Section 5.1(c) hereof and ending

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on a date not more than twenty (20) Domestic Business Days prior to the date of such delivery and that (1) on the basis of such review of the Loan Documents and assuming such sale, transfer or conveyance is actually consummated, no Mandatory Prepayment Event exists and no Event of Default exists under Section 6.1(b) with respect to Section 5.9 at or as of the date of said sale, transfer or conveyance



and (2) on the basis of such review of the Loan Documents and the business and condition of the Borrower and assuming the Transfer is actually consummated, to the actual knowledge of such officer, no Default or Event of Default under any other provision of Section 6.1 occurred or, if any such Default or Event of Default has occurred and is then continuing, specifying the nature and extent thereof and, if continuing, the action the Borrower proposes to take in respect thereof;

(j) within 50 days after the end of each quarter of each fiscal year of Borrower, an updated Schedule 4.17(a) and 4.17(b), certified by the chief financial officer or chief accounting officer of the Borrower as true, correct and complete as of the date such updated schedules are delivered;

(k) within 50 days after June 30 and December 31, a statement containing a listing of all new construction projects and Real Property Assets then undergoing significant rehabilitation (collectively, "Development Projects");

(l) within 30 days after filing of the annual income tax return with the Internal Revenue Service, a certificate of the chief financial officer or chief accounting officer of the Borrower certifying that General Partner is properly classified and continues to qualify as a real estate investment trust under the Internal Revenue Code and has taken all actions consistent with maintaining such status;

(m) simultaneously with delivery of the information required by Sections 5.1(a) and (b), a statement of Borrowing Base Net Operating Cash Flow with respect to each Borrowing Base Property and a list of all Borrowing Base Properties;

(n) promptly upon receipt thereof, any notice or communication from any Rating Agency regarding any change in Borrower's Credit Rating;

(o) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as the Agent, at the request of any Bank, may reasonably request in writing; and

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(p) within 50 days after the end of each quarter of each fiscal year of Borrower, a certificate of the chief financial officer or chief accounting officer of Borrower certifying whether or not each Borrowing Base Property has maintained the Required Occupancy Level for the previous twelve month period (as of the end of such quarter).

SECTION 5.2. Payment of Obligations. The Borrower, the General Partner and each of their Consolidated Subsidiaries will pay and discharge, at or before maturity, all its respective material obligations and liabilities, including, without limitation, any obligation pursuant to any agreement by which it or any of its properties is bound and any tax liabilities, except where such tax liabilities may be contested in good faith by appropriate proceedings, and will maintain in accordance with GAAP, appropriate reserves for the accrual of any of the same.

#### SECTION 5.3. Maintenance of Property; Insurance.

(a) The Borrower will keep (or cause to be kept through its leases at the respective Real Property Assets), and will cause each Subsidiary to keep, all property useful and necessary in its business, including without limitation the Real Property Assets, in good repair, working order and condition, ordinary wear and tear excepted.

(b) The Borrower currently maintains, or causes its tenants to maintain, insurance at 100% replacement cost insurance coverage (subject to customary deductibles) in respect of each of the Real Property Assets, as well as commercial general liability insurance (including "builders' risk") against claims for personal, and bodily injury and/or death, to one or more persons, or property damage, as well as workers' compensation insurance, in each case with respect to the Real Property Assets with insurers having an A.M. Best policyholders' rating of not less than A-IX in amounts that prudent owner of assets such as the Real Property Assets would maintain.

SECTION 5.4. Conduct of Business and Maintenance of Existence. The Borrower and the General Partner will continue to engage in, and will cause each Subsidiary Guarantor to continue to engage in, business of the same general type as now conducted by the Borrower, the General Partner or such Subsidiary Guarantor, as applicable, and will preserve, renew and keep in full force and effect, its corporate existence and its respective rights, privileges and franchises necessary or desirable in the normal conduct of business.

SECTION 5.5. Compliance with Laws. The Borrower and the General Partner will comply (and will cause each of

their Subsidiaries to comply) in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws, and all zoning and building codes with respect to the Real Property Assets, all laws, rules and regulations with respect to the General Partner's status as a real estate investment trust under the Code and ERISA and the rules and regulations thereunder) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings.

SECTION 5.6. Inspection of Property, Books and Records. The Borrower and the General Partner will keep (and will cause each of their Subsidiaries to keep) proper books of record and account in which full, true and correct entries shall be made of all material financial matters and transactions in relation to its business and activities; and will permit representatives of any Bank at such Bank's expense to visit and inspect any of its properties (subject to the terms of the applicable leases), including without limitation the Real Property Assets, to examine and make abstracts from any of its books and records and to discuss its affairs, finances and accounts with its officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

SECTION 5.7. Existence. The Borrower and the General Partner and each Subsidiary Guarantor shall do or cause to be done, all things reasonably necessary to preserve and keep in full force and effect its existence and its tradenames, licenses, permits, certificates, authorizations, qualifications, accreditations, easements, rights of way and other rights, consents and approvals the nonexistence of which is likely to have a Material Adverse Effect.

SECTION 5.8. Certain Requirements for the Borrowing Base Properties. At all times (based upon the average occupancy level for the prior twelve month period) (i) no single tenant shall account for more than 5% of the aggregate base rents from the Borrowing Base Properties and (ii) no single Separate Parcel shall account for more than 15% of the aggregate base rents from the Borrowing Base Properties, taken as a whole. Notwithstanding the foregoing, (a) the government of the United States of America and its agencies (including, without limitation, the General Services Administration) shall be excluded from the restriction set forth in the first sentence of this Section 5.8 and (b) single tenants that hold Investment Grade Ratings and are approved by the Agent, in its sole discretion, may account for up to 10% of the aggregate base rents from the Borrowing Base Properties.

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SECTION 5.9. Financial Covenants.

(a) Total Liabilities. Total Liabilities will at no time exceed fifty percent (50%) of the Combined Gross Asset Value, plus the sum of Cash and Cash Equivalents held by the Borrower, the General Partner or any Consolidated Subsidiary plus accounts receivable of the Borrower, the General Partner or any Consolidated Subsidiary, less Intangible Assets (as defined in the definition of Consolidated Tangible Net Worth) and deferred rents.

(b) Dividends. Neither the Borrower, the General Partner nor any Consolidated Subsidiary will declare any dividends in excess of 95% of its Funds From Operations, except that the General Partner may declare dividends in excess thereof (i) to maintain its status as a real estate investment trust under the Code or (ii) to distribute 100% of its taxable income (computed in accordance with the Code).

(c) Limits on Negative Pledge. None of the Borrower, the General Partner or any Subsidiary will agree to limits on Liens on Unsecured Assets of the Borrower, the General Partner or such Subsidiary, except as may otherwise be required pursuant to the terms of this Agreement.

(d) Fixed Rate Indebtedness. All Non-Recourse Debt of the Borrower, the General Partner and any Subsidiaries shall be Fixed Rate Indebtedness.

(e) Debt Maturity Dates. The stated maturity or termination dates of any Debt of the Borrower, the General Partner or any Subsidiary shall not be prior to the Maturity Date; except that Borrower, the General Partner and their Subsidiaries may incur Debt with earlier maturity or termination dates provided that the aggregate outstanding amount of such Debt at any one time shall not exceed five percent (5%) of Combined Gross Asset Value.

(f) Limitation on Secured Debt. Secured Debt of the Borrower, the General Partner and the Consolidated Subsidiaries shall at no time exceed thirty-five percent (35%) of Combined Gross Asset Value.

(g) Limitation on Unimproved Land Investment. Unimproved Land Value of the Borrower, the General Partner, and the Consolidated Subsidiaries, together with the Borrower's and the General Partner's pro rata shares with respect to Minority Holdings and Joint Ventures, shall at no time exceed five percent (5%) of Combined Gross Asset Value.

(h) Minimum Consolidated Tangible Net Worth. Consolidated Tangible Net

Partner, and the Consolidated Subsidiaries shall at no time be less than 75% of the Consolidated Tangible Net Worth of the Borrower, the General Partner, and the Consolidated Subsidiaries as of the Closing Date, which amount shall be increased by an amount equal to ninety percent (90%) of the net proceeds of any public or private sale by the Borrower of common or preferred stock subsequent to the Closing Date.

(i) Limitation on Construction Asset Costs. Construction Asset Costs of the Borrower, the General Partner and their Subsidiaries shall at no time exceed five percent (5%) of Combined Gross Asset Value.

(j) Limitation on Joint Ventures. The aggregate Gross Asset Value of Real Property Assets held in Joint Ventures shall at no time exceed thirty-five percent (35%) of Combined Gross Asset Value.

(k) Fixed Charge Coverage. The ratio of Adjusted EBITDA to Fixed Charges (for any period of four consecutive fiscal quarters), as of the last day of any quarter, shall be equal to or greater than 2:1.

(l) Borrowing Base Properties Minimum Debt Service Coverage. As of the last day of each calendar quarter, the ratio of Borrowing Base Net Operating Cash Flow to Pro-Forma Debt Service shall be equal to or greater than 2:1.

(m) Borrowing Base Properties Value Unsecured Debt Ratio. The ratio of Borrowing Base Properties Value to Unsecured Senior Debt shall at no time be less than 2:1.

SECTION 5.10. Restriction on Fundamental Changes. (a) The Borrower shall not enter into any merger or consolidation, unless the Borrower is the surviving entity, or liquidate, wind-up or dissolve (or suffer any liquidation or dissolution), discontinue its business or convey, lease, sell, transfer or otherwise dispose of, in one transaction or series of transactions, all or any substantial part of its business or property, whether now or hereafter acquired. Subject to other provisions of this Agreement, nothing in this Section 5.10 shall be deemed to prohibit (i) the leasing of portions of the Real Property Assets or an entire Real Property Asset in the ordinary course of business for occupancy by the tenants thereunder or (ii) the sale of such Real Property Assets in the ordinary course of Borrower's business or (iii) the sale of additional equity interests in the General Partner pursuant to a public or privately placed equity offering of common or preferred stock or (iv) the issuance of additional limited partnership interests in the Borrower, subject to Section 6.1 hereof.

(b) The Borrower shall not amend its partnership agreement or certificate of limited partnership and the General Partner shall not amend its articles of incorporation, by-laws, or other organizational documents without the Agent's consent, which shall not be unreasonably withheld or delayed.

SECTION 5.11. Liens; Release of Liens. None of the Borrower, the General Partner or any of their Subsidiaries (including any Subsidiary Guarantor) shall at any time during the Term directly or indirectly create, incur, assume or permit to exist any Lien for borrowed monies or any other Lien (except for Permitted Liens) unless the same is being contested in good faith or the same is discharged, bonded off or paid within thirty (30) days of filing of such Lien, on or with respect to any Borrowing Base Property. Notwithstanding the foregoing, the Borrower may obtain a release from the terms of this Agreement of any Borrowing Base Property provided that such Borrower has complied with Section 2.9(a) and prior to or simultaneously with such release (i) such Borrower shall pay to the Agent any amounts due pursuant to Section 2.9(a), and (ii) Borrower delivers to the Agent a certificate from its chief financial officer or chief accounting officer certifying that at the time of the release all of the covenants contained in Sections 5.8 through 5.12, 5.16 through 5.17 are and after giving effect to the transaction shall continue to be true and accurate in all respects. In the event that Borrower notifies the Agent that a Separate Parcel that originally formed a part of a Borrowing Base Property be released from the terms of this Agreement and Borrower otherwise complies with the provisions hereof with respect thereto, the value of such Separate Parcel (and the remaining portion of the Borrowing Base Property) will be determined by Agent at the time of the release in its sole discretion.

SECTION 5.12. Sale of Borrowing Base Properties. Prior to the sale or transfer of any Borrowing Base Property, the Borrower shall (i) deliver prior written notice to the Agent, (ii) deliver to the Agent a certificate from its chief financial officer or chief accounting officer certifying that at the time of such sale or other disposal (based on pro-forma calculations for the previous period assuming that such Borrowing Base Property was not a Borrowing Base Property for the relevant period) all of the covenants contained in Sections 5.8 through 5.12, 5.16 through 5.17 are and after giving effect to the transaction shall continue to be true and accurate in all respects, and (iii) pay to the

Agent an amount equal to that required pursuant to Section 2.9(a). In the event that Borrower notifies the Agent that a Separate Parcel that originally formed a part of a Borrowing Base Property is to be sold or transferred, the value of the remaining portion of the Borrowing Base Property will be

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determined by Agent at the time of sale or transfer in its sole discretion.

SECTION 5.13. Changes in Business. None of the Borrower, the General Partner or any Subsidiary Guarantor shall enter into any business which is substantially different from that conducted by such entity on the Closing Date, after giving effect to the transactions contemplated by the Loan Documents.

SECTION 5.14. Fiscal Year; Fiscal Quarter. Neither the Borrower nor the General Partner shall change its fiscal year or any of its fiscal quarters, without Agent's prior written consent, which consent shall not be unreasonably withheld or delayed.

SECTION 5.15. Margin Stock. None of the proceeds of the Loan will be used by Borrower or the General Partner, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock.

SECTION 5.16. Restrictions on Recourse Debt. Until such time as Borrower (or the General Partner, as applicable) shall receive at least one (1) Investment Grade Rating, from either S&P or Moody's, none of the Borrower, the General Partner, or any Consolidated Subsidiary shall create, incur or guaranty any Recourse Debt unless such Recourse Debt is Unsecured Debt which has an Investment Grade Rating. Notwithstanding the foregoing, if Borrower (or the General Partner, as applicable) receives a rating that is not Investment Grade from either S&P or Moody's, until such time as Borrower (or the General Partner, as applicable) has received an Investment Grade Rating from each of S&P and Moody's, none of the Borrower, the General Partner, or any Consolidated Subsidiary shall create, incur or guaranty any Recourse Debt unless such Recourse Debt is Unsecured Debt which has an Investment Grade Rating.

SECTION 5.17. Covenant Restrictions. No Debt of Borrower, the General Partner, or any Consolidated Subsidiary incurred after the date hereof shall contain any covenant or restriction which is more restrictive than any covenant or restriction contained in this Agreement or any other Loan Documents.

## ARTICLE VI

### DEFAULTS

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SECTION 6.1. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) the Borrower shall fail to (i) pay when due any principal on any Loan, or (ii) pay when due any interest on any Loan or any fees or any other amount payable hereunder and such failure shall continue for three (3) Domestic Business Days;

(b) the Borrower shall fail to observe or perform any covenant contained in Section 5.3, or Sections 5.8 to 5.17 inclusive;

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b) above) for 30 days after written notice thereof has been given to the Borrower by the Agent at the request of any Bank;

(d) any representation, warranty, certification or statement made by the Borrower in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) The Borrower, the General Partner or any Consolidated Subsidiary shall default in the payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) of any amount owing in respect of any Debt (other than the Obligations) and such default shall continue beyond the giving of any required notice and the expiration of any applicable grace period; or the Borrower shall default in the performance or observance of any material obligation or material conditions with respect to any such Debt or any other event shall occur or condition exist beyond the giving of any required notice and the expiration of any applicable grace period, if the effect of such default, event or condition is to accelerate the maturity of any such indebtedness or to permit (without any further requirement of notice or lapse of time) the holder or holders thereof, or any trustee or agent for such holders, to accelerate the maturity of any such indebtedness, or any such indebtedness shall become or be declared to be due and payable prior to its stated maturity

other than as a result of a regularly scheduled payment.

(f) the Borrower or the General Partner or any Subsidiary Guarantor shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee,

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receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due;

(g) an involuntary case or other proceeding shall be commenced against the Borrower, the General Partner or any Subsidiary Guarantor seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws as now or hereafter in effect;

(h) one or more judgments or decrees in an aggregate amount of Five Million Dollars (\$5,000,000) or more shall be entered by a court or courts of competent jurisdiction against the Borrower, the General Partner or any Consolidated Subsidiaries (other than any judgment as to which, and only to the extent, a reputable insurance company has acknowledged coverage of such claim in writing or has acknowledged in writing its willingness to defend any such claim under a reservation of rights) and (i) any such judgments or decrees shall not be stayed, discharged, paid, bonded or vacated within twenty (20) days or (ii) enforcement proceedings shall be commenced by any creditor on any such judgments or decrees;

(i) (i) a judgment or decree with respect to any Environmental Claim shall have been entered against the Borrower or any Environmental Affiliate or any Real Property Asset by a court of competent jurisdiction, (ii) any release, emission, discharge or disposal of any Hazardous Substances shall have occurred, and such event is reasonably likely to form the basis of an Environmental Claim by a government agency with jurisdiction against the Borrower or any Environmental Affiliate or any Real Property Asset thereof, or (iii) the Borrower or the Environmental Affiliates shall have failed to obtain any Environmental Approval necessary for the ownership, or operation of its business, property or assets or any such Environmental Approval shall be revoked, terminated, or otherwise cease to be in full force and effect, in each case, if the existence of such condition has had or is reasonably likely to have a Material Adverse Effect;

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(j) the General Partner shall cease to qualify as a real estate investment trust under the Code;

(k) the Borrower shall cease to be managed by the General Partner or a Subsidiary of the General Partner;

(l) there shall be a change in the majority of the Board of Directors of the General Partner during any twelve month period;

(m) any Person (including affiliates of such Person) shall acquire more than twenty percent (20%) of the common shares of the General Partner;

(n) any Person (including affiliates of such Person) shall acquire more than twenty percent (20%) of the limited partnership interests of the Borrower;

(o) if, any Termination Event with respect to a Plan shall occur as a result of which Termination Event or Events any member of the ERISA Group has incurred or may incur any liability to the PBGC or any other Person and the sum (determined as of the date of occurrence of such Termination Event) of the insufficiency of such Plan and the insufficiency of any and all other Plans with respect to which such a Termination Event shall occur and be continuing (or, in the case of a Multi-Employer Plan with respect to which a Termination Event described in clause (ii) of the definition of Termination Event shall occur and be continuing, the liability of the Borrower and the ERISA Affiliates related thereto) is equal to or greater than \$1,000,000 and in the case of a Termination Event with respect to a Plan of any ERISA Affiliate other than any Borrower, the liability therefor could reasonably be asserted against any member of the ERISA Group; or

(p) if any member of the ERISA Group shall commit a failure described in Section 402(f) (1) of ERISA or Section 412(n) (1) of the Code and the amount of the lien determined under Section 402(f) (3) of ERISA or Section 412(n) (3) of the Code that could reasonably be expected to be imposed on any member of the ERISA Group or their assets in respect of such failure shall be equal to or greater than \$1,000,000.

SECTION 6.2. Rights and Remedies. (a) Upon the occurrence of any Event of Default described in Sections 6.1(f) or (g), the Commitments shall immediately terminate and the unpaid principal amount of, and any and all accrued interest on, the Loans and any and all accrued fees and other Obligations hereunder shall automatically become immediately due and payable, with all additional interest from time to time accrued thereon and without presentation, demand, or protest or other requirements of any kind

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(including, without limitation, valuation and appraisalment, diligence, presentment, notice of intent to demand or accelerate and notice of acceleration), all of which are hereby expressly waived by the Borrower; and upon the occurrence and during the continuance of any other Event of Default, the Agent may and at the direction of the Required Banks shall (until the Agent receives such written direction, it may, but shall not be obligated to, take such action, or refrain from taking such action with respect to such Event of Default as it shall deem advisable in its sole discretion), by written notice to the Borrower, terminate the Commitments, and may, and at the direction of the Required Banks shall (until the Agent receives such written direction, it may, but shall not be obligated to, take such action, or refrain from taking such action with respect to such Event of Default as it shall deem advisable in its sole discretion), in addition to the exercise of all rights and remedies permitted Agent and the Banks at law or equity, declare the unpaid principal amount of and any and all accrued and unpaid interest on the Loans and any and all accrued fees and other Obligations hereunder to be, and the same shall thereupon be, immediately due and payable with all additional interest from time to time accrued thereon and without presentation, demand, or protest or other requirements of any kind other than as provided in the Loan Documents (including, without limitation, valuation and appraisalment, diligence, presentment, notice of intent to demand or accelerate and notice of acceleration), all of which are hereby expressly waived by the Borrower to the extent permitted by law.

(b) Notwithstanding anything to the contrary contained in this Agreement or in any other Loan Document, the Agent and the Banks each agree that any exercise or enforcement of the rights and remedies granted the Agent or the Banks under this Agreement or at law or in equity with respect to this Agreement or any other Loan Documents shall be commenced and maintained by the Agent on behalf of the Banks.

SECTION 6.3. Notice of Default. The Agent shall give notice to the Borrower under Section 6.1(c) promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

## ARTICLE VII

### THE AGENT

SECTION 7.1. Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are

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delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto. Only Agent (and not one or more of the Banks) shall have the authority to deal directly with the Borrower under this Agreement and each Bank acknowledges that all notices, demands or requests from such Bank to Borrower must be forwarded to Agent for delivery to the Borrower. Each Bank acknowledges that Borrower has no obligation to act or refrain from acting on instructions or demands of one or more Banks absent written instructions from Agent in accordance with its rights and authority hereunder.

SECTION 7.2. Agent and Affiliates. Morgan shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Agent, and Morgan and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or affiliate of the Borrower as if it were not the Agent hereunder, and the term "Bank" and "Banks"

shall include Morgan in its individual capacity.

SECTION 7.3. Action by Agent. The obligations of the Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article VI.

SECTION 7.4. Consultation with Experts. The Agent may consult with legal counsel (who may be counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.5. Liability of Agent. Neither the Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower; (iii) the satisfaction of any condition specified in Article III, except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the other Loan Documents or any other instrument or writing furnished in connection herewith. The Agent shall not incur any

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liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

SECTION 7.6. Indemnification. Each Bank shall, ratably in accordance with its Commitment, indemnify the Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower as may be required under this Agreement) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with this Agreement, the other Loan Documents or any action taken or omitted by such indemnitees hereunder.

SECTION 7.7. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 7.8. Successor Agent. The Agent may resign at any time by giving notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint a successor Agent and, provided that no Event of Default shall have occurred and be continuing, the appointment of such successor Agent shall be subject to the consent of Borrower, which shall not be unreasonably withheld or delayed provided that any such successor Agent is then a Bank hereunder. Furthermore, in the event that at any time Morgan is the Agent and Morgan assigns its entire interest as a Bank hereunder to an Assignee as permitted by Section 9.6(c) hereof, which Assignee is not an affiliate of Morgan, then Morgan shall offer to resign as Agent, which resignation shall only become effective if the Required Banks accept such resignation in writing within twenty (20) Domestic Business Days after it has been tendered by Morgan. If the Required Banks do not timely accept such resignation, then the resignation shall be deemed to be withdrawn and Morgan shall continue as Agent pursuant to the terms hereof. In addition, upon the affirmative vote of the Required Banks that Agent has acted (or failed to act) with gross negligence or committed an act of willful misconduct in its capacity as agent for the Banks hereunder, the Agent shall immediately tender its resignation-

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tion. If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Agent gives notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of its appointment as the Agent hereunder by a successor Agent, such

successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent.

## ARTICLE VIII

### CHANGE IN CIRCUMSTANCES

SECTION 8.1. Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any Euro-Dollar Borrowing:

(a) the Agent is advised by the Reference Bank that deposits in dollars (in the applicable amounts) are not being offered to the Reference Bank in the relevant market for such Interest Period, or

(b) Banks having 50% or more of the aggregate amount of the Commitments advise the Agent that the Adjusted London Interbank Offered Rate as determined by the Agent will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans for such Interest Period, the Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks to make Europa-Dollar Loans shall be suspended. Unless the Borrower notifies the Agent at least two Domestic Business Days before the date of any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

SECTION 8.2. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank

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or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Agent, the Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans shall be suspended. Before giving any notice to the Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Borrower shall immediately prepay in full the then outstanding principal amount of each such Euro-Dollar Loan, together with accrued interest thereon. Concurrently with prepaying each such Euro-Dollar Loan, the Borrower shall borrow a Base Rate Loan in an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and such Bank shall make such a Base Rate Loan.

SECTION 8.3. Increased Cost and Reduced Return.

(a) If, on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System (but excluding with respect to any Euro-Dollar Loan any such requirement reflected in an applicable Euro-Dollar Reserve Percentage)), special deposit, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or on the London interbank market any other condition affecting its Euro-Dollar Loans, its Note, or its obligation to make Euro-Dollar Loans, and

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the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction; provided, however, that such amounts shall be no greater than that which such Bank is generally charging other borrowers similarly situated to Borrower.

(b) If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction; provided, however, that such amount shall be no greater than that which such Bank is generally charging other borrowers similarly situated to Borrower.

(c) Each Bank will promptly notify the Borrower and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

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(d) Notwithstanding anything to the contrary contained herein, no Bank shall demand compensation for any increased cost, reduction or capital referred to above in Section 8.3(a) or (b) if it shall not at the time be the general policy and practice of such Bank to demand such compensation in similar circumstances from similarly situated borrowers.

#### SECTION 8.4. Taxes.

(a) Any and all payments by the Borrower to or for the account of any Bank or the Agent hereunder or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its income, and franchise or similar taxes imposed on it, by the jurisdiction of such Bank's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.4) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Agent, at its address referred to in Section 9.1, the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, or charges or similar levies which arise from any payment made hereunder or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note (hereinafter referred to as "Other Taxes").

(c) The Borrower agrees to indemnify each Bank and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes

or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.4) paid by such Bank or the Agent (as the case may

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be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 15 days from the date such Bank or the Agent (as the case may be) makes demand therefor.

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Bank remains lawfully able to do so), shall provide the Borrower with Internal Revenue Service form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States. If the form provided by a Bank at the time such Bank first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from "Taxes" as defined in Section 8.4(a).

(e) For any period with respect to which a Bank has failed to provide the Borrower with the appropriate form pursuant to Section 8.4(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which a form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 8.4(a) with respect to Taxes imposed by the United States; provided, however, that should a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Bank pursuant to this Section 8.4, then such Bank will change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Bank, is not otherwise disadvantageous to such Bank.

(g) If circumstances subsequently change so that it is no longer unlawful for an affected Bank to make or maintain Euro-Dollar Loans as contemplated hereunder, such Bank will,

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as soon as reasonably practicable after such Bank becomes aware of such change in circumstances, notify the Borrower and the Agent and upon receipt of such notice, the obligations of such Bank to make or continue Euro-Dollar Loans or to convert Base Rate Loans into Euro-Dollar Loans shall be reinstated.

SECTION 8.5. Base Rate Loans Substituted for Affected Euro-Dollar Loans. If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.2 or (ii) any Bank has demanded compensation under Section 8.3 or 8.4 with respect to its Euro-Dollar Loans and the Borrower shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist:

(a) all Loans which would otherwise be made by such Bank as Euro-Dollar Loans shall be made instead as Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and

(b) after each of its Euro-Dollar Loans has been repaid, all payments of principal which would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Base Rate Loans instead.

## ARTICLE IX

### MISCELLANEOUS

SECTION 9.1. Notices. All notices, requests and other communications to

any party hereunder shall be in writing (including bank wire, facsimile, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Agent, at its address or facsimile number set forth on the signature pages hereof, (y) in the case of any Bank, at its address or facsimile number set forth in its Administrative Questionnaire or (z) in the case of any party, such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section and the appropriate answer back is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or

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(iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent under Article II or Article VIII shall not be effective until received.

SECTION 9.2. No Waivers. No failure or delay by the Agent or any Bank or Borrower in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 9.3. Expenses; Indemnification.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses of the Agent, including, without limitation, appraisal fees, engineering fees, and fees and disbursements of Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the Agent, as well as fees and disbursements of internal counsel, in connection with the preparation, syndications and administration of this Agreement, the Loan Documents and the documents and instruments referred to therein, and further modifications or syndications of the Facility in connection therewith, the administration of the Loans, any waiver or consent hereunder or any amendment or modification hereof or any Default or Event of Default hereunder, and (ii) if an Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Agent and each Bank, including fees and disbursements of counsel for the Agent and each of the Banks, in connection with the enforcement of the Loan Documents and the instruments referred to therein and such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify the Agent and each Bank, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) that may at any time (including, without limitation, at any time following the payment of the Obligations) be imposed on, asserted against or incurred by any Indemnitee as a result of, or arising out of, or in any way related to or by reason of, (i) any of the transactions contemplated by the Loan Documents or the execution, delivery or performance of any Loan Document, (ii) any violation by the Bor-

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rower or the Environmental Affiliates of any applicable Environmental Law, (iii) any Environmental Claim arising out of the management, use, control, ownership or operation of property or assets by the Borrower or any of the Environmental Affiliates, including, without limitation, all on-site and off-site activities involving Hazardous Substances, (iv) the breach of any environmental representation or warranty set forth herein, (v) the grant to the Agent and the Banks of any Lien in any property or assets of the Borrower or any stock or other equity interest in the Borrower, and (vi) the exercise by the Agent and the Banks of their rights and remedies (including, without limitation, foreclosure) under any agreements creating any such Lien (but excluding, as to any Indemnitee, any such losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements incurred by reason of (i) the gross negligence or willful misconduct of such Indemnitee as finally determined by a court of competent jurisdiction, (ii) the breach of this Agreement by such Indemnitee, as finally determined by a court of competent jurisdiction and (iii) any investigative, administrative or judicial proceeding imposed or asserted against any Indemnitee by any bank regulatory agency or by any equity holder of such Indemnitee). The Borrower's obligations under this Section shall survive the termination of this Agreement and the payment of the Obligations.

(c) The Borrower shall pay, and hold the Agent and each of the Banks harmless from and against, any and all present and future U.S. stamp, recording, transfer and other similar foreclosure related taxes with respect to the

foregoing matters and hold the Agent and each Bank harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Bank) to pay such taxes.

SECTION 9.4. Sharing of Set-Offs. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default, each Bank is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special, time or demand, provisional or final) and any other indebtedness at any time held or owing by such Bank (including, without limitation, by branches and agencies of such Bank wherever located) to or for the credit or the account of the Borrower against and on account of the Obligations of the Borrower then due and payable to such Bank under this Agreement or under any of the other Loan Documents, including, without limitation, all interests in

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Obligations purchased by such Bank. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks shall be shared by the Banks pro rata; provided that nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under the Notes. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Borrower in the amount of such participation. Notwithstanding anything to the contrary contained herein, any Bank may, by separate agreement with the Borrower, waive its right to set off contained herein or granted by law and any such written waiver shall be effective against such Bank under this Section 9.4.

SECTION 9.5. Amendments and Waivers. Any provision of this Agreement or the Notes or other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of the Agent are affected thereby, by the Agent); provided that no such amendment or waiver shall, unless signed by all the Banks, (i) increase or decrease the Commitment of any Bank (except for a ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation, or increase the Maximum Loan Amount, (ii) reduce the principal of or rate of interest on any Loan or any fees hereunder, except as provided below, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder or for any reduction or termination of any Commitment, (iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement, (v) release any guarantor or any Guaranty, (vi) modify any Guaranty, or (vii) modify this Section 9.5.

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#### SECTION 9.6. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement or the other Loan Documents without the prior written consent of all Banks except as permitted by Section 5.10 hereof.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans. In the event of any such grant by a Bank of a participating interest to a Participant, whether or not upon notice to the Borrower and the Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower

hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii), (iii) or (iv) of Section 9.5 without the consent of the Participant. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article VIII with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement, the Notes and the other Loan Documents, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit C hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consent of the Borrower and the Agent which consent shall not be unreasonably withheld; provided that if an Assignee is an affiliate of such transferor Bank, no such consent shall be required provided that the rating of such affiliate's senior unsecured indebtedness shall be at least investment grade at such time (although nothing

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contained herein shall limit the right of any Bank to assign its interest herein as aforesaid to any successor by merger or consolidation); provided further, until such time as an Event of Default has occurred and subject to the provisions of subsection (d) of this Section 9.6 and any reduction pursuant to Section 2.10(c) hereof, at all times during the Term, Morgan or an affiliate of Morgan shall retain a minimum Commitment of \$10,000,000 unless (i) required by law, regulation, administrative decree or court order to divest all or any part of such Commitment or (ii) a lesser amount is consented to by Borrower; and provided further that, upon the occurrence and during the continuation of an Event of Default, a Bank may assign its interest herein to an affiliate, regardless of rating and furthermore that Borrower shall have no right to consent to any Assignee. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor Bank shall pay to the Agent an administrative fee for processing such assignment in the amount of \$2,500. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Borrower and the Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.4.

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder. Promptly upon being notified in writing of such transfer, Agent shall notify Borrower thereof.

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.3 or 8.4 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 8.2, 8.3 or 8.4 requiring such Bank to designate a different Applicable Lending Office under certain circum-

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stances or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 9.7. Collateral. Each of the Banks represents to the Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 9.8. Governing Law; Submission to Jurisdiction. (a) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

(b) Any legal action or proceeding with respect to this Agreement or

any other Loan Document and any action for enforcement of any judgment in respect thereof may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Agreement, the Borrower hereby accepts for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts and appellate courts from any thereof. The Borrower irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the hand delivery, or mailing of copies thereof by registered or certified mail, postage prepaid, to the Borrower at its address set forth below. The Borrower hereby irrevocably waives, to the extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement or any other Loan Document brought in the courts referred to above and hereby further irrevocably waives, to the extent permitted by applicable law, and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum. Nothing herein shall affect the right of the Agent, any Bank or any holder of a Note to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Borrower in any other jurisdiction.

Section 9.9. Marshalling; Recapture. Neither the Agent nor any Bank shall be under any obligation to marshal any assets in favor of the Borrower or any other party or against or in payment of any or all of the Obligations. To the extent any Bank receives any payment by or on behalf of the Borrower, which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to the Borrower or its estate, trustee, receiver, custodian or any other party

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under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such payment or repayment, the Obligation or part thereof which has been paid, reduced or satisfied by the amount so repaid shall be reinstated by the amount so repaid and shall be included within the liabilities of the Borrower to such Bank as of the date such initial payment, reduction or satisfaction occurred.

SECTION 9.10. Counterparts; Integration; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective upon receipt by the Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Agent in form satisfactory to it of telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party).

SECTION 9.11. WAIVER OF JURY TRIAL. EACH OF THE BORROWER, THE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 9.12. Survival. All indemnities set forth herein shall survive the execution and delivery of this Agreement and the other Loan Documents and the making and repayment of the Loans hereunder.

SECTION 9.13. Domicile of Loans. Each Bank may transfer and carry its Loans at, to or for the account of any domestic or foreign branch office, subsidiary or affiliate of such Bank.

SECTION 9.14. Limitation of Liability. No claim may be made by the Borrower or any other Person against the Agent or any Bank or the affiliates, directors, officers, employees, attorneys or agent of any of them for any consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or by the other Loan Documents, or any act, omission or event occurring in connection therewith; and the Borrower hereby waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

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SECTION 9.15. Recourse. All obligations, covenants and agreements of Borrower contained in or evidenced by this Agreement, the Notes and any Loan Document shall be fully recourse to Borrower and each and every asset of Borrower. Notwithstanding the foregoing, no recourse under or upon any obligation, covenant, or agreement contained in this Agreement or the Note or any Loan Document shall be had against any officer, director, limited partner, shareholder or employee of Borrower or of the General Partner (each, a

"Non-Recourse Party") and no such Non-Recourse Party shall be personally liable for payment of the Loans or other amounts due in respect thereof (all such liability being expressly waived and released by each Bank and the Agent). In no event shall the foregoing limitation on recourse with respect to any Non-Recourse Party be deemed to limit (a) the liability of the General Partner under the General Partner Guaranty, which shall be fully recourse to the General Partner and each and every asset of the General Partner or (b) the liability of any Subsidiary Guarantor under any Subsidiary Guaranty, which shall be fully recourse to each such Subsidiary Guarantor and each and every asset of each such Subsidiary Guarantor.

SECTION 9.16. Confidentiality. Each Bank and the Agent agrees that it shall maintain confidentiality with regard to nonpublic information concerning the Borrower or the General Partner obtained from the Borrower or the General Partner pursuant to this Agreement, provided that the Banks and the Agent shall not be precluded from making disclosure regarding such information: (i) to the Banks' and Agent's counsel, accountants and other professional advisors (who are, in each case, subject to this confidentiality agreement), (ii) to officers, directors, employees, agents and partners of each Bank, and the Agent who need to know such information (who are, in each case, subject to this confidentiality agreement), (iii) in response to a subpoena or order of a court or governmental agency, (iv) to any entity participating or considering participating in any credit made under this Agreement, provided, the Banks and Agent shall require that any such entity be subject to this Section 9.16, however, Banks and Agent shall have no duty to monitor any participating entity and shall have no liability in the event that any participating entity violates this Section 9.16, (v) in connection with the enforcement of this Agreement, the Notes or the other Loan Documents, or (vi) as required by law, GAAP or applicable regulation. In connection with enforcing its rights pursuant to this Section 9.16, Borrower and the General Partner shall be entitled to the equitable remedies of specific performance and injunctive relief against the Agent or any Bank which shall breach the confidentiality provisions of this Section 9.16.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

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

By: AMB PROPERTY CORPORATION, a Maryland  
corporation and its sole general  
partner

By: \_\_\_\_\_  
Name:  
Title:

505 Montgomery Street  
San Francisco, CA 94111  
Attention: Chief Financial Officer  
Facsimile No.: (415) 394-9001

Commitment  
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Agent and Bank  
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\$55,000,000

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: \_\_\_\_\_  
Name: Timothy O'Donovan  
Title: Vice President

c/o J.P. Morgan Services Inc.  
500 Stanton Christiana Road  
Newark, DE 19713-2107  
Attention: Jennifer Van Landingham  
Telecopy: (302) 634-4222

DOMESTIC AND EURO-DOLLAR  
LENDING OFFICE:  
c/o J.P. Morgan Services Inc.  
500 Stanton Christiana Road  
Newark, DE 19713-2107  
Attention: Jennifer Van Landingham

Telecopy: (302) 634-4222

Signature Page to AMB Property, L.P. Second Amended and Restated  
Credit Agreement

Commitment  
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\$50,000,000

Co-Agent and Bank  
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COMMERZBANK AKTIENGESELLSCHAFT, LOS AN  
GELES BRANCH

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

DOMESTIC AND EURO-DOLLAR  
LENDING OFFICE:  
Commerzbank AG  
660 S. Figueroa Street  
Los Angeles, California  
Attention: Steve Larsen  
Telecopy: (213) 623-8223

and to:

Commerzbank AG  
Two World Financial Center  
New York, NY 10281-1050  
Attention: David Schwartz, Vice President  
Telecopy: 212-266-7530

Signature Page to AMB Property, L.P. Second Amended and Restated  
Credit Agreement

Commitment  
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\$50,000,000

Co-Agent and Bank  
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FLEET NATIONAL BANK

By: \_\_\_\_\_  
Name:  
Title:

DOMESTIC AND EURO-DOLLAR  
LENDING OFFICE:  
  
Fleet Bank  
111 Westminster Street  
Providence, RI 02903  
Attention: Debbie Fox  
Telecopy: (401) 278-5166

Signature Page to AMB Property, L.P. Second Amended and Restated  
Credit Agreement

Commitment  
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\$50,000,000

Co-Agent and Bank  
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NATIONSBANK OF TEXAS, N.A.

By: \_\_\_\_\_  
Name:  
Title:



DOMESTIC AND EURO-DOLLAR LENDING OFFICE:

NationsBank of Texas, N.A.  
901 Main Street, 51st Floor  
Dallas, Texas 75202-3714  
Attn: David Howard  
Telecopy: (214) 508-0085

Signature Page to AMB Property, L.P. Second Amended and Restated  
Credit Agreement

Commitment  
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\$50,000,000

Co-Agent and Bank  
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PNC BANK, NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name:  
Title:

DOMESTIC AND EURO-DOLLAR LENDING OFFICE:

PNC Bank  
One PNC Plaza  
249 Fifth Avenue  
Pittsburgh, PA 15222-2707  
Attn: David Martens  
Telecopy: (412) 762-6500

Signature Page to AMB Property, L.P. Second Amended and Restated  
Credit Agreement

Commitment  
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\$45,000,000

Bank  
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BANK OF AMERICA, National Trust and Sav  
ings Association

By: \_\_\_\_\_  
Name:  
Title:

DOMESTIC AND EURO-CURRENCY  
LENDING OFFICE:

Bank of America NT & SA  
CRESG National 9105  
50 California Street, 11th floor  
San Francisco, California 94111  
Attn: Laurence Hughes  
Telecopy: (415) 445-4154

Signature Page to AMB Current Income Fund, Inc. Second Amended and  
Restated Credit Agreement

Commitment  
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\$35,000,000

Bank  
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DRESDNER BANK AG, NEW YORK AND GRAND

CAYMAN BRANCHES

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

DOMESTIC AND EURO-DOLLAR  
LENDING OFFICE:  
Dresdner Bank AG  
333 South Grand Avenue, Suite 1700  
Los Angeles, CA 90071  
Attention: Vitol Wiacek  
Telecopy: (213) 473-5450

Signature Page to AMB Property, L.P. Second Amended and Restated  
Credit Agreement

Commitment  
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Bank  
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\$25,000,000

THE BANK OF NOVA SCOTIA, acting through  
its San Francisco Agency

By: \_\_\_\_\_  
Name: Paul Stiplosek  
Title: Relationship Manager

DOMESTIC AND EURO-DOLLAR  
LENDING OFFICE:  
Bank of Nova Scotia  
580 California Street, 48th floor  
San Francisco, CA 94104  
Attn: Office Head, Real Estate Banking  
Telecopy: (415) 397-0791

Signature Page to AMB Property, L.P. Second Amended and Restated  
Credit Agreement

Commitment  
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Bank  
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\$30,000,000

CORESTATES BANK, N.A.

By: \_\_\_\_\_  
Name:  
Title:

DOMESTIC AND EURO-DOLLAR LENDING OFFICE:  
CoreStates Bank  
FC 1-8-10-67  
1339 Chestnut Street  
Philadelphia, PA 19107-7618  
Attn: R. Scott Relick, Vice President  
Telecopy: 215-786-6381

Signature Page to AMB Property, L.P. Second Amended and Restated  
Credit Agreement

Commitment  
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Bank  
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\$25,000,000

THE INDUSTRIAL BANK OF JAPAN, LIMITED  
LOS ANGELES AGENCY

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

DOMESTIC AND EURO-DOLLAR LENDING OFFICE:

Industrial Bank of Japan, Limited  
350 South Grand Avenue, Suite 1500  
Los Angeles, CA 90071  
Attn: Hiroshi Maekawa  
Telecopy: 213-488-9840

Signature Page to AMB Property, L.P. Second Amended and Restated  
Credit Agreement

Commitment  
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Bank  
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\$15,000,000

UNION BANK OF CALIFORNIA, N.A.

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

DOMESTIC AND EURO-DOLLAR LENDING OFFICE:

Union Bank of California, N.A.  
San Francisco Corporate Office  
350 California Street, 7th Floor  
San Francisco, CA 94104  
Attn: Diana Giacomini  
Telecopy: 415-433-7438

Signature Page to AMB Property, L.P. Second Amended and Restated  
Credit Agreement

Commitment  
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Bank  
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\$30,000,000

BANKERS TRUST COMPANY

By: \_\_\_\_\_  
Name:  
Title:

DOMESTIC AND EURO-DOLLAR LENDING OFFICE:

BT Alex Brown Company  
BT Plaza  
130 Liberty Street  
New York, New York 10006  
Attn: Kathleen McCabe  
Fax: (212) 669-0752

Signature Page to AMB Property, L.P. Second Amended and Restated  
Credit Agreement

Commitment  
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\$40,000,000

Bank  
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SOCIETE GENERALE, Southwest Agency

By: \_\_\_\_\_  
Name: Robert N. Delph  
Title: Vice President

DOMESTIC AND EURO-DOLLAR LENDING OFFICE:

Societe Generale  
Trammell Crow Center  
2001 Ross Avenue, Suite 4800  
Dallas, Texas 75201  
Attn: Robert N. Delph  
Telecopy: (214) 979-2727

Total Commitments

\$500,000,000

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, as Agent

By: \_\_\_\_\_  
Name: Timothy O'Donovan  
Title: Vice President

c/o J.P. Morgan Services Inc.  
500 Stanton Christiana Road  
Newark, DE 19713-2107  
Attn: Jennifer Van Landingham  
Telecopy: (302) 634-4222

FUNDING INSTRUCTIONS:  
Morgan Guaranty Trust Company of  
New York  
60 Wall Street  
New York, New York 10260-0060  
ABA # 021 000 238

For Credit to: Loan Department  
Account Number 999-99-090

Reference: AMB Property, L.P.

EXHIBIT A

FORM OF NOTE

NOTE

\$ \_\_\_\_\_

New York, New York

\_\_\_\_\_, 199\_

For value received, AMB Property, L.P., a Delaware limited partnership  
(the "Borrower"), promises to pay to the order of \_\_\_\_\_ (the "Bank"), for

the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the last day of the Interest Period relating to such Loan. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, New York.

All Loans made by the Bank, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Notes referred to in the Second Amended and Restated Revolving Credit Agreement dated as of November 26, 1997 among the Borrower, the banks listed on the signature pages thereof and Morgan Guaranty Trust Company of New York, as Agent and Commerzbank Aktiengesellschaft, Los Angeles Branch, Fleet National Bank, NationsBank of Texas, N.A. and PNC Bank, N.A., as Co-Agents (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used

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herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

All obligations, covenants and agreements contained or evidenced in this Note, shall be fully recourse to Borrower and each and every asset of Borrower. Notwithstanding the foregoing, no recourse under or upon any obligation, covenant, agreement contained in this Note shall be had against any Non-Recourse Party (as defined in the Credit Agreement) and no such Non-Recourse Party shall be personally liable for payment of the Loans or other amounts due in respect thereof (all such liability being expressly waived and released by each Bank and the Agent). In no event shall the foregoing limitation on recourse with respect to any Non-Recourse Party be deemed to limit (a) the liability of the General Partner under the General Partner Guaranty, which shall be fully recourse to the General Partner and each and every asset of the General Partner or (b) the liability of any Subsidiary Guarantor under any Subsidiary Guaranty, which shall be fully recourse to each such Subsidiary Guarantor and each and every asset of each such Subsidiary Guarantor.

AMB PROPERTY, L.P.

By: AMB PROPERTY CORPORATION, a  
Maryland corporation and its  
sole general partner

By: \_\_\_\_\_  
Name:  
Title:

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Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

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Date	Amount of Loan	Type of Loan	Amount of Principal Repaid	Maturity Date	Notation Made By
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including the purchase from the Assignor of the corresponding portion of the principal amount of the Loans made by the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee, the Borrower and the Agent and the payment of the amounts specified in Section 3 required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Bank under the Credit Agreement with a Commitment in an amount equal to the Assigned Amount, and (ii) the Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

SECTION 3. Payments. As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them.\* It is understood that Commitment Fees accrued to the date hereof are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Credit Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 4. Consent of the Borrower and the Agent. This Agreement is conditioned upon the consent of the Borrower and the Agent to the extent required by Section 9.6(c) of the Credit Agreement. The execution of this Agreement by the Borrower and the Agent is evidence of this consent (if such consent is required). Pursuant to Section 9.6(c), the Borrower agrees to execute and deliver a Note payable to the order of the Assignee to evidence the assignment and assumption provided for herein.

SECTION 5. Non-Reliance on Assignor. The Assignor makes no representation or warranty in connection with, and shall

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Amount should combine principal together with accrued interest and breakage compensation, if any, to be paid by the Assignee, net of any portion of any upfront fee to be paid by the Assignor to the Assignee. It may be preferable in an appropriate case to specify these amounts generically or by formula rather than as a fixed sum.

C-2

have no responsibility with respect to, the solvency, financial condition, or statements of the Borrower, or the validity and enforceability of the obligations of the Borrower in respect of the Credit Agreement or any Note. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of the Borrower.

SECTION 6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York

SECTION 7. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By: \_\_\_\_\_  
Title:

[ASSIGNEE]

By: \_\_\_\_\_  
Title:

AMB Property, L.P.

By: AMB PROPERTY CORPORATION, a Maryland corporation and its sole general partner

By: \_\_\_\_\_  
Title:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: \_\_\_\_\_  
Title:

C-3

EXHIBIT D

FORM OF BORROWING BASE PROPERTY CERTIFICATE

[Date]

To: Morgan Guaranty Trust Company of New York ("Agent"), as Agent for the Banks party to Second Amended and Restated Revolving Credit Agreement dated as of November 26, 1997 (the "Credit Agreement") among AMB Property, L.P., and the Banks party thereto, as banks, the Agent and Commerzbank Aktiengesellschaft, Los Angeles Branch, Fleet National Bank, NationsBank of Texas, N.A. and PNC Bank, National Association, as Co-Agents

Re: [INSERT DESCRIPTION OF THE NEW ACQUISITION OR REAL PROPERTY ASSET TO BE ADDED TO BORROWING BASE] (the "New Borrowing Base Property")

The undersigned requests that the above-described New Borrowing Base Property be added to the "Borrowing Base Properties" under the terms of the Credit Agreement. Capitalized terms used but not defined herein shall have the meaning ascribed thereto in the Credit Agreement.

Pursuant to Section 3.3(a) of the Credit Agreement, the undersigned hereby certifies as follows with respect to the New Borrowing Base Property:

- 1. The New Borrowing Base Property is 100% owned in [insert form of ownership: fee/leasehold] by Borrower or a Wholly-Owned Subsidiary of Borrower.
- 2. The New Borrowing Base Property is not subject to any Lien, other than Permitted Liens.
- 3. The New Borrowing Base Property is not an interest in a participating mortgage.

Insert if New Borrowing Base Property is owned by any Wholly-Owned Subsidiary which is a distinct corporate or partnership entity (exclusive of mere title holding entities, such as land trusts): The Wholly-Owned Subsidiary that owns the New Borrowing Base Property has delivered to the Agent a Subsidiary Guaranty with respect thereto, as required by Section 3.3 of the Credit Agreement.

The undersigned acknowledges and agrees that the Agent and the Banks will be relying on the foregoing certifications in adding the New Borrowing Base Property as a Borrowing Base Property under the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has caused this certificate to be duly executed as of the date first above written.

AMB Property, L.P.  
By: AMB Property Corporation,  
its general partner  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

D-1

EXHIBIT E

FORM OF SUBSIDIARY GUARANTY

E-1



## REAL PROPERTY ASSETS

Acer Distribution Center  
 Activity Distribution Center\*  
 Alvarado Business Center  
 Amwiler-Gwinnett Industrial Portfolio\*  
 Applewood Village Shopping Center  
 Arapahoe Village Shopping Center\*  
 Ardenwood Corporate Park\*  
 Artesia Industrial Portfolio\*  
 Atlanta South  
 Aurora Marketplace  
 Bayhill Shopping Center  
 Beacon Industrial Park  
 Bensenville\*  
 Blue Lagoon\*  
 Brentwood Commons\*  
 Cabot Business Park  
 Chancellor\*  
 Chicago Industrial\*  
 Civic Center Plaza\*  
 Corbins Corner Shopping Center  
 Corporate Square  
 Crossroads Industrial  
 Docks Corner  
 Dowe Industrial  
 Eastgate Plaza  
 Elk Grove Village Industrial  
 Executive Drive  
 Fairway Drive Industrial  
 Five Points Shopping Center  
 Granada Village\*  
 Harvest Business Park\*  
 Hewlett Packard Distribution\*  
 International Multifoods  
 Itasca Industrial Portfolio  
 Kendall Mall\*  
 Kent Centre  
 Kingsport Industrial Park\*  
 L.A. County Industrial Portfolio  
 La Jolla Village\*  
 Lake Michigan Industrial Portfolio  
 Lakeshore Plaza Shopping Center\*  
 Latham Farms\*  
 Lincoln Industrial Center  
 Linder Skokie  
 Lisle Industrial  
  
 Long Gate Shopping Center  
 Lonestar\*  
 Manhattan Village Shopping Center  
 Melrose Park  
 Mendota Heights\*  
 Metric Center  
 Millmont Page  
 Minneapolis Distribution Portfolio  
 Minneapolis Industrial\*  
 Minneapolis Industrial Portfolio IV\*  
 Moffett Business Center\*  
 Moffett Park R & D Portfolio  
 Norcross/Brookhollow Portfolio  
 Northpointe Commerce  
 Northwest Distribution Center  
 O'Hare Industrial Portfolio  
 Pacific Business Center\*  
 Palm Aire  
 Patuxent  
 Penn James Office Warehouse  
 Pennsy Drive  
 Pleasant Hill Shopping Center  
 Rancho San Diego Village Shopping Center  
 Randall's Houston Retail Portfolio  
 Riverview Plaza Shopping Center  
 Rockford Road Plaza  
 Shoppes At Lago Mar\*  
 Silverado Plaza Shopping Center\*

South Bay Industrial\*  
 Southfield Southwest Pavilion  
 Stadium Business Park\*  
 Systematics  
 Texas Industrial Portfolio  
 The Plaza At Delray\*  
 Twin Cities  
 Twin Oaks Shopping Center  
 Two South Middlesex  
 Valwood\*  
 Wesleyan Plaza  
 West North Carrier\*  
 Windsor Court  
 Woodlawn Point Shopping Center\*  
 Ygnacio Plaza\*  
 Zanker/Charcot Industrial

\* See Schedule 4.17(b)

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SCHEDULE 4.17 (b)

LIENS

<TABLE> <CAPTION> <S>	<C>
Activity Distribution Center	\$ 5,362,000
Amwiler-Gwinnett Industrial Portfolio	14,341,000
Arapahoe Village Shopping Center	10,839,000
Ardenwood Corporate Park	10,000,000
Artesia Industrial Portfolio	54,100,000
Bensenville	41,853,000
Blue Lagoon	11,897,000
Brentwood Commons	5,109,000
Chancellor	2,966,000
Chicago Industrial	3,267,000
Civic Center Plaza	13,668,000
Granada Village	14,669,000
Harvest Business Park	3,661,000
Hewlett Packard Distribution	3,412,000
Kendall Mall	24,780,000
Kingsport Industrial Park	17,584,000
La Jolla Village	18,006,000
Lakeshore Plaza Shopping Center	13,970,000
Latham Farms	37,761,000
Lonestar	17,000,000
Mendota Heights	668,000
Minneapolis Industrial	7,477,000
Minneapolis Industrial Portfolio IV	8,287,000
Moffett Business Center	12,857,000
Pacific Business Center	9,898,000
Shoppes at Lago Mar	5,878,000
Silverado Plaza Shopping Center	4,906,000
South Bay Industrial	19,516,000
Stadium Business Park	4,875,000
The Plaza at Delray	23,000,000
Valwood	4,036,000
West North Carrier	3,267,000
Woodlawn Point Shopping Center	4,659,000
Ygnacio Plaza	7,827,000
</TABLE>	

1

AMENDMENT TO SECOND AMENDED AND RESTATED  
REVOLVING CREDIT AGREEMENT

THIS AMENDMENT TO SECOND AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this "Amendment") is made as of May 29, 1998, by and among AMB PROPERTY, L.P., a Delaware limited partnership (the "Borrower"), the BANKS listed on the signature pages hereof, and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent.

W I T N E S S E T H:

WHEREAS, the Borrower and the Banks have entered into the Second Amended and Restated Revolving Credit Agreement, dated as of November 26, 1997 (the "Credit Agreement"); and

WHEREAS, the parties desire to modify the Credit Agreement upon the terms and conditions set forth herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

2. Guaranties. The final sentence of Section 3.3(a) of the Credit Agreement is hereby deleted, and all references in the Credit Agreement to "Subsidiary Guaranties" and "Subsidiary Guarantors" are hereby deemed

deleted. In addition, the Banks hereby confirm that the Unconditional Guaranty Agreement by AMB Property II, L.P. and Long Gate LLC is hereby terminated and of no further force or effect.

3. Restrictions on Recourse Debt. The following is hereby added to Section 5.16: "Notwithstanding anything contained herein to the contrary, in no event shall the Borrower at any time permit its Consolidated Subsidiaries, other than AMB Property Corporation, to incur third party Recourse Debt."

4. Effective Date. This Amendment shall become effective upon receipt by the Agent of counterparts hereof signed by the Borrower (the date of such receipt being deemed the "Effective Date").

5. Entire Agreement. This Amendment constitutes the entire and final agreement among the parties hereto with respect to the subject matter hereof and there are no other agreements, understandings, undertakings, representations or warranties among the parties hereto with respect to the subject matter hereof except as set forth herein.

6. Governing Law. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

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7. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement, and any of the parties hereto may execute this Amendment by signing any such counterpart.

8. Headings, Etc. Section or other headings contained in this Amendment are for reference purposes only and shall not in any way affect the meaning or interpretation of this Amendment.

9. No Further Modifications. Except as modified herein, all of the terms and conditions of the Credit Agreement, as modified hereby shall remain in full force and effect and, as modified hereby, the Borrower confirms and ratifies all of the terms, covenants and conditions of the Credit Agreement in all respects.

3

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

Borrower: AMB PROPERTY, L.P.

By: AMB Property Corporation,  
its general partner

By: \_\_\_\_\_  
Name:  
Title:

FOR PURPOSES OF CONFIRMING AND RATIFYING THE CONTINUED EFFECTIVENESS OF THE UNCONDITIONAL GUARANTY AGREEMENT, DATED AS OF NOVEMBER 26, 1997, BY AMB PROPERTY CORPORATION:

Confirmed and Ratified:

AMB PROPERTY CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

4

Agent and Bank: MORGAN GUARANTY TRUST COMPANY OF  
NEW YORK, as a Bank and as Agent

By: \_\_\_\_\_  
Name:  
Title:

5

Co-Agent and Bank: COMMERZBANK AKTIENGESELLSCHAFT,  
LOS ANGELES BRANCH

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

6

Co-Agent and Bank: FLEET NATIONAL BANK

By: \_\_\_\_\_  
Name:  
Title:

7

Co-Agent and Bank: NATIONSBANK, N.A. (f/k/a/ NationsBank  
of Texas, N.A.)

By: \_\_\_\_\_  
Name:  
Title:

Co-Agent and Bank: PNC BANK, NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name:  
Title:

Bank: BANK OF AMERICA, NATIONAL TRUST  
AND SAVINGS ASSOCIATION

By: \_\_\_\_\_  
Name:  
Title:

Bank: SOCIETE GENERALE, SOUTHWEST AGENCY

By: \_\_\_\_\_  
Name:  
Title:

Bank: DRESDNER BANK AG, NEW YORK AND  
GRAND CAYMAN BRANCHES

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

Bank: BANKERS TRUST COMPANY

By: \_\_\_\_\_  
Name:  
Title:

Bank: CORESTATES BANK, N.A.

By: \_\_\_\_\_  
Name:  
Title:

Bank: THE BANK OF NOVA SCOTIA, ACTING  
THROUGH ITS SAN FRANCISCO AGENCY

By: \_\_\_\_\_  
Name:  
Title:

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Bank: THE INDUSTRIAL BANK OF JAPAN,  
LIMITED, LOS ANGELES AGENCY

By: \_\_\_\_\_  
Name:  
Title:

16

Bank: UNION BANK OF CALIFORNIA, N.A.

By: \_\_\_\_\_  
Name:  
Title:

17

SECOND AMENDMENT TO SECOND AMENDED AND RESTATED  
REVOLVING CREDIT AGREEMENT

THIS SECOND AMENDMENT TO SECOND AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this "Amendment") is made as of September 30, 1998, by and among AMB PROPERTY, L.P., a Delaware limited partnership (the "Borrower"), the BANKS and CO-AGENTS party hereto, and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent.

W I T N E S S E T H:

WHEREAS, the Borrower, the Agent, the Co-Agents and the Banks have entered into the Second Amended and Restated Revolving Credit Agreement, dated as of November 26, 1997, as amended by that certain Amendment to Second Amended and Restated Revolving Credit Agreement dated as of May 29, 1998 (as so amended, the "Credit Agreement"); and

WHEREAS, the parties desire to modify the Credit Agreement upon the terms and conditions set forth herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

2. Modifications to Definitions.

(a) The definition of "Adjusted EBITDA" contained in Article I is hereby deleted in its entirety and replaced with the following:

"Adjusted EBITDA" means EBITDA minus (i) an adjustment to exclude the effects of straight-lining of rents, and minus (ii) an amount equal to appropriate reserves for replacements of not less than \$0.25 per square foot per annum for each Real Property Asset that is primarily a retail use property and not less than \$0.10 per square foot per annum for each Real Property Asset that is primarily an industrial use property.

(b) The following definition of "Borrower Debt Service" is hereby added to Article I:

"Borrower Debt Service" means as of any date of determination, an amount equal to Debt Service on the Unsecured Senior Debt for the previous four quarters including the quarter then ended.

(c) The definition of "Borrowing Base Net Operating Cash Flow" contained in Article I is hereby deleted in its entirety and replaced with the following:

"Borrowing Base Net Operating Cash Flow" means as of any date of determination with respect to the Borrowing Base Properties, Property Income for the previous four consecutive quarters including the quarter then ended, but less (x) Property Expenses with respect to the Borrowing Base Properties for the previous four consecutive quarters including the quarter then ended, and (y) appropriate reserves for replacements of not less than \$0.25 per square foot per annum for each Borrowing Base Property that is primarily a retail use property and not less than \$0.10 per square foot per annum for each Borrowing Base Property that is primarily an industrial use property. For purposes of Section 5.1(m) hereof, the calculation of Borrowing Base Net Operating Cash Flow shall be made separately as to each Borrowing Base Property.

(d) The definition of "Gross Asset Value" contained in Article I is hereby deleted in its entirety and replaced with the following:

"Gross Asset Value" shall mean (i) with respect to a Real Property Asset that was acquired, directly or indirectly, within the twelve (12) months prior to the date of determination, (A) prior to the first full quarter following such acquisition, the Acquisition Price of such Real Property Asset plus any Capital Expenditures actually incurred by the Borrower or its Subsidiary in connection with such Real Property Asset (which, for the purpose of this definition shall include any expenditures that would have been considered Capital Expenditures except that they were made with respect to the acquisition by the Borrower or its Consolidated Subsidiaries of any interest in a Real Property Asset

within twelve months after the date such interest in asset was acquired) and (B) from and after the first full quarter following such acquisition, the lesser of (x) the amount in clause (i) (A) above and (y) the Net Operating Cash Flow applicable to such Real Property Asset (provided that such Net Operating Cash Flow shall be calculated on an annualized basis based upon the actual amount of Net Operating Cash Flow for the period of Borrower's ownership of such Real Property Asset), in each case capitalized at an annual interest rate of 9.25% if such Real Property Asset is primarily a retail use property and 9.00% if such Real Property Asset is primarily an industrial use property; and (ii) with respect to a Real Property Asset that was acquired, directly or indirectly by the Borrower more than twelve (12) months prior to the date of determination, the Net

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Operating Cash Flow applicable to such Real Property Asset capitalized at an annual interest rate of 9.25% if such Real Property Asset is primarily a retail use property and 9.00% if such Real Property Asset is primarily an industrial use property.

(e) The definition of "Net Operating Cash Flow" contained in Article I is hereby deleted in its entirety and replaced with the following:

"Net Operating Cash Flow" means, as of any date of determination, with respect to all Real Property Assets, Minority Holdings and Joint Ventures of Borrower, the General Partner, and their Consolidated Subsidiaries (with respect to Minority Holdings and Joint Ventures, the Borrower's, the General Partner's or the applicable Consolidated Subsidiary's allocable share only), Property Income for the previous four consecutive quarters including the quarter then ended, but less (x) Property Expenses with respect to all such Real Property Assets, Minority Holdings and Joint Ventures (with respect to Minority Holdings and Joint Ventures, the Borrower's, the General Partner's or the applicable Consolidated Subsidiary's allocable share only) for the previous four consecutive quarters including the quarter then ended and (y) appropriate reserves for replacements of not less than \$0.25 per square foot per annum for each Real Property Asset that is primarily a retail use property and not less than \$0.10 per square foot per annum for each Real Property Asset that is primarily an industrial use property.

(f) The definition of "Pro-Forma Debt Service" contained in Article I is hereby deleted in its entirety.

(g) The following definition of "Total Liabilities to Gross Asset Value Ratio" is hereby added to Article I:

"Total Liabilities to Gross Asset Value Ratio" means the ratio, expressed as a percentage, of (i) Total Liabilities to (ii) the sum of (a) Combined Gross Asset Value, and (b) Cash and Cash Equivalents held by the Borrower, the General Partner or any Consolidated Subsidiary and (c) accounts receivable of the Borrower, the General Partner or any Consolidated Subsidiary, less (d) Intangible Assets (as defined in the definition of Consolidated Tangible Net Worth) and deferred rents.

(h) The definition of "Unimproved Land Value" contained in Article I of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"Unimproved Land Value" means the aggregate Acquisition Price of Unimproved Assets.

3

3. Year 2000 Representation. The Credit Agreement is hereby amended by the addition of the following new Section 4.27:

SECTION 4.27 Year 2000 Compliance. Each of the Borrower and the General Partner has conducted a comprehensive review and assessment of its computer applications and has made such inquiry as it determined to be advisable of its key suppliers, vendors and customers or prospects with respect to the "year 2000 problem" (i.e., the risk that computer applications may not be able to properly perform date-sensitive functions after December 31, 1999) and, based on that review and inquiry, neither the Borrower nor the General Partner believes that the year 2000 problem will result in a Material Adverse Effect.

4. Total Liabilities to Gross Asset Value Ratio. Section 5.9(a) is hereby deleted in its entirety and replaced with the following:



(a) Total Liabilities to Gross Asset Value Ratio.

(i) As of the last day of each calendar quarter commencing as of July 1, 1998 through and including September 30, 1999, for the prior four calendar quarters including the quarter then ended, the Total Liabilities to Gross Asset Value Ratio shall not exceed fifty-five percent (55%).

(ii) From and after October 1, 1999 through and including the Maturity Date, the Total Liabilities to Gross Asset Value Ratio as of the last day of each calendar quarter for the prior four calendar quarters including the quarter then ended, shall not exceed fifty percent (50%).

5. Development Activities. Section 5.9(i) is hereby deleted in its entirety and replaced with the following:

(i) Limitation on Construction Asset Costs. Construction Asset Costs of the Borrower, the General Partner and their Subsidiaries shall at no time exceed twelve and one-half percent (12.5%) of Combined Gross Asset Value.

6. Debt Service. Section 5.9(l) is hereby deleted in its entirety and replaced with the following:

(l) Borrowing Base Properties Minimum Debt Service Coverage. As of the last day of each calendar quarter, the ratio of Borrowing Base Net Operating Cash Flow to Borrower Debt Service shall be equal to or greater than 2.00:1.00.

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7. Borrowing Base Properties Value to Unsecured Debt Ratio. Section 5.9(m) is hereby deleted in its entirety and replaced with the following:

(m) Borrowing Base Properties Value Unsecured Debt Ratio. The ratio of Borrowing Base Properties Value to Senior Unsecured Debt shall not, through and including September 30, 1999, be less than 1.75:1.00 and shall not, from October 1, 1999 through and including the Maturity Date, be less than 2.00:1.00.

8. Effective Date. This Amendment shall become effective as of the date hereof upon receipt by the Agent of counterparts hereof signed by the Borrower and the Required Banks (the date of such receipt being deemed the "Effective Date").

9. Entire Agreement. This Amendment constitutes the entire and final agreement among the parties hereto with respect to the subject matter hereof and there are no other agreements, understandings, undertakings, representations or warranties among the parties hereto with respect to the subject matter hereof except as set forth herein.

10. Governing Law. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York.

11. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement, and any of the parties hereto may execute this Amendment by signing any such counterpart.

12. Headings, Etc. Section or other headings contained in this Amendment are for reference purposes only and shall not in any way affect the meaning or interpretation of this Amendment.

13. No Further Modifications. Except as modified herein, all of the terms and conditions of the Credit Agreement, as modified hereby shall remain in full force and effect and, as modified hereby, the Borrower confirms and ratifies all of the terms, covenants and conditions of the Credit Agreement in all respects.

5

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

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

By: AMB Property Corporation,

a Maryland corporation and its  
sole general partner

By: /s/ John T. Roberts, Jr.  
-----  
Name: John T. Roberts, Jr.  
Title: Treasurer, V.P.

FOR PURPOSES OF CONFIRMING AND RATIFYING  
THE CONTINUED EFFECTIVENESS OF THE  
UNCONDITIONAL GUARANTY AGREEMENT, DATED  
AS OF NOVEMBER 26, 1997, BY AMB PROPERTY  
CORPORATION:

Confirmed and Ratified:

AMB PROPERTY CORPORATION

By: /s/ John T. Roberts, Jr.  
-----  
Name: John T. Roberts, Jr.  
Title: Treasurer, V.P.

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Agent and Bank: MORGAN GUARANTY TRUST COMPANY OF NEW  
YORK, as a Bank and as Agent

By: /s/ Timothy V. O'Donovan  
-----  
Name: Timothy V. O'Donovan  
Title: Vice President

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Co-Agent and Bank: COMMERZBANK AKTIENGESELLSCHAFT,  
LOS ANGELES BRANCH

By: /s/ James J. Henry  
-----  
Name: James J. Henry  
Title: Senior Vice President

By: /s/ Christine H. Finkel  
-----  
Name: Christine H. Finkel  
Title: Assistant Vice President

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Co-Agent and Bank: FLEET NATIONAL BANK

By: -----  
Name:  
Title:

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Co-Agent and Bank: NATIONSBANK, N.A.(f/k/a/ NationsBank  
of Texas, N.A.) Co-Agent and Bank:

By: /s/ Donald H. Moses  
-----  
Name: Donald H. Moses  
Title: Senior Vice President

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Co-Agent and Bank: PNC BANK, NATIONAL ASSOCIATION

By: /s/ David Martens  
-----  
Name: David Martens  
Title: Vice President

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Bank: BANK OF AMERICA, NATIONAL TRUST  
AND SAVINGS ASSOCIATION

By: /s/ Mark McCue  
-----  
Name: Mark McCue  
Title: Vice President

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Bank: SOCIETE GENERALE, SOUTHWEST AGENCY

By: -----  
Name:  
Title:

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Bank: DRESDNER BANK AG, NEW YORK AND  
GRAND CAYMAN BRANCHES

By: -----  
Name:  
Title:

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Bank: BANKERS TRUST COMPANY

By: /s/ Alexander B.V. Johnson  
-----  
Name: Alexander B.V. Johnson  
Title: Managing Director

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Bank: FIRST UNION BANK, N.A. (successor to  
CORESTATES BANK, N.A.)

By: /s/ Cynthia A. Bean  
-----  
Name: Cynthia A. Bean  
Title: Vice President

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Bank: THE BANK OF NOVA SCOTIA, ACTING  
THROUGH ITS SAN FRANCISCO  
AGENCY

By: -----  
Name:  
Title:

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Bank: THE INDUSTRIAL BANK OF JAPAN,  
LIMITED, LOS ANGELES AGENCY

By: /s/ Takeshi Kubo  
-----  
Name: Takeshi Kubo  
Title: Vice President

Signature Page to AMB Property, L.P. Second Amendment to Second  
Amended and Restated Revolving Credit Agreement

Bank: UNION BANK OF CALIFORNIA, N.A.

By: /s/ Diana Giacomini  
-----  
Name: Diana Giacomini  
Title: Vice President

FORM OF  
CHANGE IN CONTROL AND NONCOMPETITION AGREEMENT

THIS CHANGE IN CONTROL AND NONCOMPETITION AGREEMENT (the "Agreement") is dated as of November 26, 1998, between AMB Property, L.P., a Delaware limited partnership (the "Company"), and \_\_\_\_\_ (the "Executive").

1. TERM OF AGREEMENT

This Agreement shall commence on the date hereof and will terminate four (4) years from the date hereof; provided, however, that commencing on November 26, 2002, and each November 26 thereafter, the term of this Agreement shall be automatically extended for one additional year unless, not later than October 30 of the preceding year, the Company shall have given notice that it does not wish to extend this Agreement; provided, further, that if a Change in Control (as defined in Section 2) occurs during the original or extended term of this Agreement, this Agreement shall continue in effect until the later of November 26, 2002 and twenty-four (24) months after the date on which such Change in Control occurred (the "Change in Control Date").

2. DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings:

"Cause" shall mean:

(a) gross negligence or willful misconduct in the performance of the Executive's duties;

(b) the Executive's willful and continued failure to substantially perform the Executive's duties with the Company (other than a failure resulting from the Executive's incapacity due to physical or mental illness or any failure after the Executive's issuance of a Notice of Termination (as defined in Section 3.5)), after a written demand for substantial performance is delivered to the Executive by the Board of Directors (the "Board") of AMB Property Corporation, a Maryland corporation (the "General Partner");

(c) fraud or other conduct against the material best interests of the Company; or

(d) a conviction of a felony if such conviction has a material adverse effect on the Company.

A "Change in Control" shall be deemed to occur if:

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(a) the shareholders of the General Partner approve a plan of complete liquidation of the General Partner or an agreement for the sale or disposition by the General Partner of all or substantially all of the General Partner's assets, or the General Partner disposes of more than fifty percent (50%) of its interest in the Company;

(b) any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the General Partner representing forty percent (40%) or more of the combined voting power of the General Partner's then outstanding securities. For purposes of this Agreement, (A) the term "Person" is used as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); provided, however, that the term shall not include the General Partner, any trustee or other fiduciary holding securities under an employee benefit plan of the General Partner, and any corporation owned, directly or indirectly, by the shareholders of the General Partner, in substantially the same proportions as their ownership of stock of the General Partner, and (B) the term "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act;

(c) during any period of two (2) consecutive years (not including any period prior to the execution 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 General Partner to effect a

transaction described in clauses (a), (b) or (d)) whose election by the Board or nomination for election by the General Partner's shareholders 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

(d) the shareholders of the General Partner approve a merger or consolidation of the General Partner with any other corporation (or other entity), other than (i) a merger or consolidation which would result in the voting securities of the General Partner 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 General Partner or such surviving entity outstanding immediately after such merger or consolidation or (ii) where more than fifty percent (50%) of the directors of the General Partner or the surviving entity after such merger or consolidation were directors of the General Partner immediately before such merger or consolidation.

"Date of Termination" shall mean:

(a) if the Executive's employment is terminated by his death, the date

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of his death;

(b) if the Executive's employment is terminated by reason of his Disability, the date of the opinion of the physician referred to in the definition of "Disability" hereof; or

(c) if the Executive's employment is terminated by the Company or by the Executive for any reason other than death or Disability, the date specified in the Notice of Termination;

provided, that, if within fifteen (15) days after any Notice of Termination (as defined in Section 3.5) is given, the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally resolved, either by mutual written agreement of the parties, or otherwise; provided, however, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

"Disability" shall mean the Executive's physical or mental disability or infirmity which, in the opinion of a competent physician selected by the Board, renders the Executive unable to perform properly his duties as an employee of the Company, and as a result, the Executive is unable to perform such duties for six (6) consecutive calendar months or for shorter periods aggregating one hundred and eighty (180) business days in any twelve (12) month period, but only to the extent that such definition does not violate the Americans with Disabilities Act.

"Good Reason" shall mean, without the Executive's express written consent, the occurrence after a Change in Control of any of the following circumstances unless such circumstances are fully corrected (provided such circumstances are capable of correction) prior to the Date of Termination as specified in the Notice of Termination:

(a) the assignment to the Executive of any duties inconsistent with the position in the Company that the Executive held immediately prior to the Change in Control Date, a significant adverse alteration in the nature or status of the Executive's responsibilities or the conditions of the Executive's employment from those in effect immediately prior to the Change in Control Date, or any other action by the Company that results in a material diminution in the Executive's position, authority, duties or responsibilities from those in effect immediately prior to the Change in Control Date;

(b) a reduction in the Executive's annual base compensation as in effect on the Change in Control Date;

(c) the relocation of the Company's offices at which the Executive is principally employed immediately prior to the Change in Control Date (the "Principal Location") to a location more than fifty (50) miles from such location or the Company's

requiring the Executive, without the Executive's written consent, to be based anywhere other than the Principal Location, except for required travel on the Company's business to an extent substantially consistent with the Executive's business travel obligations prior to the Change in Control Date;

(d) the Company's failure to pay to the Executive any portion of the Executive's compensation or to pay to the Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company within seven (7) days of the date such compensation is due; or

(e) the Company's failure to continue in effect any material compensation or benefit plan or practice in which the Executive is eligible to participate in on the Change in Control Date (other than any equity based plan), unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the Company's failure to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed at the time of the Change in Control Date;

provided, however, that the Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

### 3. COMPENSATION UPON TERMINATION

#### 3.1. Death.

Whether or not there is a Change in Control, if the Executive's employment shall be terminated due to the Executive's death, the Company shall pay monthly to the Executive's estate for a period equal to one (1) year following the Date of Termination an amount equal to the sum of: (i) one-twelfth of the Executive's annual base compensation as in effect on the Date of Termination plus (ii) one-twelfth of any bonus at the most recent annual amount received, or entitled to be received, by the Executive for the most recent annual period. At the Executive's estate's expense, the Executive's spouse and children shall also be entitled to any continuation of health insurance coverage rights under any applicable law.

#### 3.2. Disability.

Whether or not there is a Change in Control, if the Executive's employment shall be terminated by reason of Disability, the Company shall pay to the Executive a single payment in an amount equal to the sum of: (i) the Executive's annual base compensation as in effect on the Date of Termination plus (ii) an amount equal to the annual bonus received, or entitled to be received, by the Executive for the most recent annual period. Such payment shall be in addition to any disability insurance payments to which the Executive is otherwise entitled. At the Executive's own expense, the Executive and the Executive's spouse and children shall also be entitled to any continuation of health insurance coverage rights under any applicable law.

#### 3.3. Termination Upon Change in Control.

If during the term or extended term of this Agreement and within two (2) years following a Change in Control, the Executive's employment with the Company is terminated, in addition to his base compensation and any bonus then payable through the Date of Termination and, at the Executive's own expense, any continuation of health insurance coverage rights under any applicable law, the Executive shall be entitled to the benefits provided below, unless such termination is (i) because of the Executive's death, Disability or retirement, (ii) by the Company for Cause or (iii) by the Executive other than for Good Reason; provided, however, that in the event the Executive's employment is terminated for any reason and subsequently a Change in Control occurs, the Executive shall not be entitled to any benefits hereunder, other than pursuant to Sections 3.1 and 3.2:

(a) the Company shall pay to the Executive, when due, the Executive's base compensation and any bonus then payable through the Date of Termination;

(b) in lieu of any further salary payments to the Executive for periods subsequent to the Date of Termination, the Company shall pay as severance pay to the Executive during the Nonsolicitation Period (as

defined in Section 4.3) a monthly payment equal to 1/24 of the sum of the following:

(i) two (2) times the Executive's annual base compensation as in effect as of the Date of Termination or immediately prior to the Change in Control Date, whichever is greater; and

(ii) two (2) times the annual bonus received, or entitled to be received, by the Executive for the most recent annual period;

(c) for a twelve (12) month period after such termination (the "Coverage Period"), the Company shall continue to provide the Executive and the Executive's eligible family members with medical and dental health benefits and life and disability insurance at least equal to those which would have been provided to the Executive and them if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter; provided, however, that if the Executive becomes re-employed with another employer and is eligible to receive medical and dental health benefits and life and disability insurance under another employer's plans, the Company's obligations under this Section 3.3(c) shall be reduced to the extent comparable benefits are actually received by the Executive during the twelve (12) month period following the Executive's termination, and any such benefits actually received by the Executive shall be reported to the Company; and

(d) the Company shall pay to the Executive on or about the date or dates that the contributions would have been made an amount equal to the aggregate amount of the Company's maximum contributions that would have been made under the Company's 401(k) plan (the "401(k) Plan") during the Coverage Period if the Executive had continued to be employed and participated in the 401(k) Plan during the Coverage Period.

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3.4. Limitation. The foregoing notwithstanding, the total of the payments made to the Executive pursuant to Sections 3.1, 3.2 or 3.3 hereof shall be reduced to the extent that the payment of such amount would cause the Executive's total termination benefits (as determined by the Executive's tax advisor) to constitute an "excess" parachute payment under Section 280G of the Code, and by reason of such excess parachute payment the Executive would be subject to an excise tax under Section 4999(a) of the Code, but only if the Executive determines that the after-tax value of the termination benefits calculated with the foregoing restriction exceed those calculated without the foregoing restriction.

3.5 Notice. Any termination of the Executive's employment by the Company or the Executive shall be communicated by written notice of termination to the other party (the "Notice of Termination"). The Notice of Termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

#### 3.6 Termination Obligations.

(a) The Executive hereby acknowledges and agrees that all Personal Property and equipment furnished to or prepared by the Executive in the course of or incident to his employment, belongs to the Company and shall be promptly returned to the Company upon termination of the Executive's employment. "Personal Property" includes, without limitation, all electronic devices of the Company used by the Executive, including, without limitation, personal computers, facsimile machines, cellular telephones, pagers and tape recorders and all books, manuals, records, reports, notes, contracts, lists, blueprints, maps and other documents, or materials, or copies thereof (including computer files), and all other proprietary information relating to the business of the Company. Following termination, the Executive will not retain any written or other tangible material containing any proprietary information of the Company.

(b) The Executive's obligations under this Section 3.6 and Section 4 hereof shall survive termination of the Executive's employment and the expiration of this Agreement.

(c) Upon termination of the Executive's employment, the Executive will be deemed to have resigned from all offices and directorships then held with the Company or any affiliate.

3.7. No Duty to Mitigate. The Executive shall not be required to mitigate the amount of any payment provided for herein by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by the Executive as the result of employment by another employer.



4.1. Confidentiality. In consideration of and in connection with the benefits provided to the Executive under this Agreement, the Executive hereby agrees that the Executive will not, during the Executive's employment or at any time thereafter directly or indirectly disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (as defined below). The Executive agrees that, upon termination of his employment with the Company, all Confidential Information in his possession that is in written or other tangible form (together with all copies or duplicates thereof, including computer files) shall be returned to the Company and shall not be retained by the Executive or furnished to any third party, in any form except as provided herein; provided, however, that the Executive shall not be obligated to treat as confidential, or return to the Company copies of any Confidential Information that (i) was publicly known at the time of disclosure to the Executive, (ii) becomes publicly known or available thereafter other than by any means in violation of this Agreement or any other duty owed to the Company by the Executive, or (iii) is lawfully disclosed to the Executive by a third party. As used in this Agreement the term "Confidential Information" means information disclosed to the Executive or known by the Executive as a consequence of or through his relationship with the Company, about the owners, tenants, employees, consultants, vendors, business methods, public relations methods, organization, procedures, property acquisition and development, or finances, including, without limitation, information of or relating to owner or tenant lists of the Company and its affiliates.

4.2. Noncompetition. During the term of the Executive's employment, the Executive shall not engage in any activities, directly or indirectly, in respect of commercial real estate, and will not make any investment in respect of industrial or retail real estate, other than through ownership of not more than five percent (5%) of the outstanding shares of a public company engaged in such activities and through investments listed on Schedule I to the Employment Agreement (as defined below).

4.3. Nonsolicitation. In consideration of and in connection with the benefits provided to the Executive under this Agreement, for a period of two (2) years following the Date of Termination (the "Nonsolicitation Period"), the Executive shall not solicit or induce any of the Company's or its affiliates' employees, agents or independent contractors to end their relationship with the Company or its affiliates, or recruit, hire or otherwise induce any such person to perform services for the Executive, or any other person, firm or company.

5. GENERAL PROVISIONS

5.1. Termination of Employment Agreement. The parties hereby agree that the Employment Agreement dated as of November 26, 1997 (the "Employment Agreement") between the Executive and the Company is hereby terminated as of the date hereof, the Employment Agreement shall be of no further force and effect as of the date hereof and the parties shall be released from any further obligations thereunder.

5.2. Successors; Binding Agreement

(a) The Company shall require any successor (whether direct or

indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to receive compensation from the Company in the same amount and on the same terms to which the Executive would be entitled hereunder if the Executive terminated the Executive's employment for Good Reason following a Change in Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. Unless expressly provided otherwise, "Company" as used herein shall mean the Company as defined in this Agreement and any successor to its business and/or assets as aforesaid.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive and the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees,

devises and legatees. If the Executive should die while any amount would still be payable to the Executive hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, if there is no such designee, to the Executive's estate.

5.3. Injunctive Relief and Enforcement. The Executive acknowledges that the remedies at law for any breach by him of the provisions of Sections 3.6 or 4 hereof may be inadequate and that, therefore, in the event of breach by the Executive of the terms of Sections 3.6 or 4 hereof, the Company shall be entitled to institute legal proceedings to enforce the specific performance of this Agreement by the Executive and to enjoin the Executive from any further violation of Sections 3.6 or 4 hereof and to exercise such remedies cumulatively or in conjunction with all other rights and remedies provided by law and not otherwise limited by this Agreement.

5.4. No Contract of Employment. The Executive acknowledges that the Executive's employment with the Company is at will. This Agreement shall not confer upon the Executive any right of continued or future employment by the Company or any right to compensation or benefits from the Company except the rights specifically stated herein, and shall not limit the right of the Company to terminate the Executive's employment at any time with or without cause.

5.5. Notice. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when addressed as follows and (i) when personally delivered, (ii) when transmitted by telecopy, electronic or digital transmission with receipt confirmed, (iii) one day after delivery to an overnight air courier guaranteeing next day delivery, or (iv) upon receipt if sent by certified or registered mail. In each case notice shall be sent to:

If to Executive: \_\_\_\_\_

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AMB Property Corporation  
505 Montgomery Street, 5th Floor  
San Francisco, CA 94111  
Facsimile: (415) 394-9001

If to the Company: AMB Property Corporation  
505 Montgomery Street  
San Francisco, CA 94111  
Attention: General Counsel  
Facsimile: (415) 394-9001

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

5.6. Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. In addition, in the event any provision in this Agreement shall be determined by any court of competent jurisdiction to be unenforceable by reason of extending for too great a period of time or over too great a geographical area or by reason of being too extensive in any other respect, each such agreement shall be interpreted to extend over the maximum period of time for which it may be enforceable and to the maximum extent in all other respects as to which it may be enforceable, and enforced as so interpreted, all as determined by such court in such action.

5.7. Assignment. This Agreement may not be assigned by the Executive, but may be assigned by the Company to any successor to its business and will inure to the benefit and be binding upon any such successor.

5.8. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

5.9. Headings. The headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

5.10. Choice of Law. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of California without giving effect to the principles of conflict of laws thereof.

5.11. Indemnification. To the fullest extent permitted under applicable law, the Company shall indemnify, defend and hold the Executive harmless from and against any and all causes of action, claims, demands, liabilities, damages, costs and expenses of any nature whatsoever (collectively,

"Damages") directly or indirectly arising out of or relating to the Executive discharging the Executive's duties on behalf of the Company and/or its respective subsidiaries and affiliates, so long as the Executive acted in good faith within the course and

scope of the Executive's duties with respect to the matter giving rise to the claim or Damages for which the Executive seeks indemnification.

5.12. LIMITATION ON LIABILITIES. IF EITHER THE EXECUTIVE OR THE COMPANY IS AWARDED ANY DAMAGES AS COMPENSATION FOR ANY BREACH OR ACTION RELATED TO THIS AGREEMENT, A BREACH OF ANY COVENANT CONTAINED IN THIS AGREEMENT (WHETHER EXPRESS OR IMPLIED BY EITHER LAW OR FACT), OR ANY OTHER CAUSE OF ACTION BASED IN WHOLE OR IN PART ON ANY BREACH OF ANY PROVISION OF THIS AGREEMENT, SUCH DAMAGES SHALL BE LIMITED TO CONTRACTUAL DAMAGES AND SHALL EXCLUDE (I) PUNITIVE DAMAGES, AND (II) CONSEQUENTIAL AND/OR INCIDENTAL DAMAGES (E.G., LOST PROFITS AND OTHER INDIRECT OR SPECULATIVE DAMAGES). THE MAXIMUM AMOUNT OF DAMAGES THAT THE EXECUTIVE MAY RECOVER FOR ANY REASON SHALL BE THE AMOUNT EQUAL TO ALL AMOUNTS OWED (BUT NOT YET PAID) TO THE EXECUTIVE PURSUANT TO THIS AGREEMENT THROUGH ITS TERM AND THROUGH ANY APPLICABLE SEVERANCE PERIOD, PLUS INTEREST ON ANY DELAYED PAYMENT AT THE MAXIMUM RATE PER ANNUM ALLOWABLE BY APPLICABLE LAW FROM AND AFTER THE DATE(S) THAT SUCH PAYMENTS WERE DUE.

5.13. WAIVER OF JURY TRIAL. TO THE EXTENT APPLICABLE, EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT.

5.14. Attorneys' Fees. If any legal action, arbitration or other proceeding, is brought for the enforcement of this Agreement, or because of an alleged dispute, breach or default in connection with any of the provisions of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, including any appeal of such action or proceeding, in addition to any other relief to which that party may be entitled.

5.15. Entire Agreement. This Agreement contains the entire agreement and understanding between the Company and the Executive with respect to the matters contained herein, and no representations, promises, agreements or understandings, written or oral, not herein contained shall be of any force or effect. This Agreement shall not be changed unless in writing and signed by both the Executive and the Company.

5.16. The Executive's Acknowledgment. The Executive acknowledges (a) that he has had the opportunity to consult with independent counsel of his own choice concerning this Agreement, and (b) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have executed this Change in Control and Noncompetition Agreement as of the date and year first above written.

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

By: AMB Property Corporation,  
Its general partner

By: \_\_\_\_\_

EXECUTIVE

\_\_\_\_\_



THE FIRST AMENDED AND RESTATED  
1997 STOCK OPTION AND INCENTIVE PLAN  
OF  
AMB PROPERTY CORPORATION  
AND AMB INVESTMENT MANAGEMENT, INC.  
AND THEIR RESPECTIVE SUBSIDIARIES

AMB Property Corporation, a Maryland corporation (the "Company") and AMB Investment Management, Inc., a Maryland corporation (the "Investment Management Company") 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 is hereby amended and restated in its entirety in the form of this First Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries (the "Plan"), effective as of March 5, 1999. 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, consultants and independent directors of the Investment Management Company 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 Investment Management Company, 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 or one of its 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 or (iv) a conviction of a felony if such conviction has a material adverse effect on the Company.

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, with respect to the Company and any Company Subsidiary, the Compensation Committee of the Board, or another committee or subcommittee of the Board, appointed as provided in Section 9.1 and, with respect to the Investment Management Company, the Compensation Committee of its board of directors or another committee or subcommittee of such board, if any, appointed by the Board of Directors of the Investment Management Company in a manner consistent with Section 9.1 hereof (except that references to the Board in such Section shall mean the board of directors of the Investment Management Company) or the Investment Management Company's board of directors; provided,

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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 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. Company Subsidiary. "Company 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 Company or by one or more Company Subsidiaries or by the Company and one or more Company 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 Company or by one or more Company Subsidiaries or by the Company and one or more Company 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 Company or by one or more other Company Subsidiaries or by the Company and one or more Company Subsidiaries.

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

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

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

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1.13. 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.

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

1.15. Director. "Director" shall mean an Independent Director, an Investment Management Company Director or a Non-Employee Director.

1.16. 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.

1.17. Employee. "Employee" shall mean any Company Employee or any Investment Management Company Employee.

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

1.19. 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,

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in the case of Options 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.

1.20. 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.

1.21. 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.

1.22. 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.

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

1.24. 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.

1.25. Investment Management Company. "Investment Management Company" shall mean AMB Investment Management, Inc., a Maryland corporation.

1.26. Investment Management Company Employee. "Investment Management Company Employee" shall mean any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Investment Management Company, or any corporation or partnership which is then an Investment Management Company Subsidiary.

1.27. Investment Management Company Independent Director. "Investment Management Company Independent Director" shall mean a member of the Investment Management Company Board who is not (i) an employee, officer, or affiliates of the Company, the Investment Management Company or a subsidiary or division of the foregoing, 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

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company or the Investment Management Company in addition to director's fees or (b) an Independent Director.

1.28. Investment Management Company Purchase Price. "Investment Management Company Purchase Price" shall have the meaning set forth in Section 5.5 hereof.

1.29. Investment Management Company Purchased Shares. "Investment Management Company Purchased Shares" shall have the meaning set forth in Section 5.5 hereof.

1.30. Investment Management Company Subsidiary. "Investment Management Company Subsidiary" shall mean (i) a corporation, association or other business of which 50% or more of the total combined voting power of all classes of capital stock is owned, directly or indirectly, by the Investment Management Company or by one or more Investment Management Company Subsidiaries or by the Investment Management Company and one or more Investment Management Company 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 Investment Management Company or by one or more Investment Management Company Subsidiaries or by the Investment Management Company and one or more Investment Management Company 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 Investment Management Company or by one or more Investment Management Company Subsidiaries or by the Investment Management Company and one or more Investment Management Company Subsidiaries.

1.31. Non-Employee Director. "Non-Employee Director" shall mean a member of the Board or the Investment Management Company Board who is not an Independent Director, an Investment Management Company Independent Director or an Employee.

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

1.33. 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.

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

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

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1.36. Partnership Agreement. "Partnership Agreement" shall mean the Amended and Restated Agreement of Limited Partnership of the Partnership, as the same may be amended, modified or restated from time to time.

1.37. 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.



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

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

1.40. 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.

1.41. 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.

1.42. Plan. "Plan" shall mean the First Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their respective Subsidiaries.

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

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

1.45. 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.

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1.46. 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.

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

1.48. 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.

1.49. Subsidiary. "Subsidiary" shall mean any Company Subsidiary or Investment Management Company Subsidiary.

1.50. 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 Investment Management Company, an Investment Management 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 commencement of employment with the Company, a Company Subsidiary, the Investment Management Company, an Investment Management 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 Investment Management Company, an Investment Management 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.

1.51. Termination of Directorship. "Termination of Directorship" shall mean the time when an Optionee, Grantee or Restricted Stockholder who is an Independent Director or a Management Investment Company 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 Investment Management Company, an

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Investment Management 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 Investment Management Company, an Investment Management 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 or Management Investment Company Independent Directors in accordance with the Company's bylaws.

1.52. 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, Investment Management Company or 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 Investment Management Company, an Investment Management 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 Investment Management Company, an Investment Management 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 Investment Management Company, an Investment Management 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.

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(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 Five Million Seven Hundred Fifty Thousand (5,750,000). 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. 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

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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.

(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) 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 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 as described in clause (ii) of the preceding sentence. 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 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; 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 or Termination of Consultancy 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

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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 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 (except an Option granted to an Independent Director) 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 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 Investment Management Company, an Investment Management 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 Investment Management Company, an Investment Management 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 Investment Management Company, an Investment Management 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 Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary,

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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):

(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

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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

(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");

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(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 Shares to an Investment Management Company Employee, Consultant or Independent Director.

(a) At the time that an Optionee who is an Employee, Independent Director or consultant of the Investment Management Company or an Investment Management Company Subsidiary exercises all or any part of an Option pursuant to the terms of this Plan, such Optionee shall remit to the Investment Management Company or the Investment Management Company 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 Investment Management Company, of a notice of the exercise of shares with respect to which an Option (which in the case of an Investment Management 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 an Investment Management Company Employee, an Investment Management Company Independent Director or consultant, with respect to each such exercise the Company shall sell to the Investment Management Company, or the Investment Management Company Subsidiary in the case of an Optionee who is an Employee, consultant or Independent Director of an Investment Management Company Subsidiary, the number of shares (the "Investment Management Company 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 "Investment Management Company Purchase Price");

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

5.6. 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.

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5.7. Conditions to Issuance of Stock Certificates. The Company 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 of full payment for such shares, including payment of any applicable withholding tax.

5.8. 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.

5.9. 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.

5.10. 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

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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, any Partnership Subsidiary, the Investment Management Company or any Investment Management Company 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.

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(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 Investment Management Company, an Investment Management 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 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 Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary or (b) receive any severance pay from the Company, a Company Subsidiary, the Investment Management Company, an Investment Management 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 Investment Management Company, an Investment Management 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

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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 Director 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.

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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.

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#### 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.

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

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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, any Partnership Subsidiary, the Investment Management Company or any Investment Management Company 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.

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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 Investment Management Company, an Investment Management 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 Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary or (b) receive any severance pay from the Company, a Company Subsidiary, the Investment Management Company, an Investment Management 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 Investment Management Company, an Investment Management 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

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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 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

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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.

##### 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 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

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the employ of, or to consult for, the Company, a Company Subsidiary, the Investment Management Company, an Investment Management 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 Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary or (b) receive any severance pay from the Company, a Company Subsidiary, the Investment Management Company, an Investment Management 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 Investment Management Company, an Investment Management 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 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 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

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(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 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 Options granted to Independent Directors) in its sole discretion;

(ii) In its sole and absolute discretion, the Committee (or the Board, in the case of Options 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 Options 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 Options 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 Options 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 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 Options 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 Options 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.

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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 Options 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 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 Options 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

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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 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, without the Company's consent.

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

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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.

[Remainder of Page Intentionally Left Blank.]

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I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of AMB Property Corporation on March 5, 1999.

Executed on this 5th day of March, 1999.

/s/ David S. Fries  
-----  
David S. Fries  
Secretary

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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 5th day of March, 1999.

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

By: AMB Property Corporation  
its general partner

By: /s/ David S. Fries  
-----  
David S. Fries  
Managing Director, General Counsel  
and Secretary

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

By: AMB Property Holding Corporation  
its general partner

By: /s/ John T. Roberts  
-----  
John T. Roberts  
Vice President

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AMB INVESTMENT MANAGEMENT, INC.,  
a Maryland corporation

By: /s/ Barbara J. Linn

-----  
Barbara J. Linn  
President

AMB INVESTMENT MANAGEMENT  
LIMITED PARTNERSHIP

By: AMB Investment Management, Inc.  
its general partner

By: /s/ Barbara J. Linn

-----  
Barbara J. Linn  
President

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FIRST AMENDMENT TO  
THE FIRST AMENDED AND RESTATED  
1997 STOCK OPTION AND INCENTIVE PLAN OF  
AMB PROPERTY CORPORATION AND AMB INVESTMENT MANAGEMENT, INC.  
AND THEIR RESPECTIVE SUBSIDIARIES

This First Amendment (this "Amendment") to the First Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries (the "Plan") is hereby adopted pursuant to Section 10.2 of the Plan, effective as of March 5, 1999, subject to stockholder approval of this Amendment. All capitalized terms used in this Amendment without definition have the meanings assigned to them in the Plan.

Subsection (a) of Section 2.1 of the Plan is hereby amended to read in its entirety as follows:

"(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."

All other provisions of the Plan remain the same.

This Amendment 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 Amendment. Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments may be granted and Restricted Stock or Deferred Stock may be awarded pursuant to this Amendment prior to such stockholder approval; provided that, to the extent that the shares of Common Stock subject to such awards exceed the number of shares of Common Stock available under the Plan without giving effect to this Amendment, 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 Amendment 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 such Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments previously granted and all such Restricted Stock or Deferred Stock previously awarded under this Amendment in excess of the number of shares of Common Stock available under the Plan without giving effect to this Amendment shall thereupon be canceled and become null and void.

I hereby certify that the foregoing First Amendment to 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 duly adopted by the Board of Directors of AMB Property Corporation on March 5, 1999 and by the stockholders of AMB Property Corporation on May 7, 1999.

-----  
David S. Fries  
Secretary

SUBSIDIARIES OF THE REGISTRANT

<TABLE>  
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Name of Subsidiary -----	Jurisdiction of Organization and Type of Entity -----
<S> AMB Property, L.P. AMB Property II, L.P. Long Gate LLC	<C> Delaware limited partnership Delaware limited partnership 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 10K into the Company's previously filed Registration Statement File No. 333-68291, Registration Statement File No. 333-68283 and Registration Statement File No. 333-42015.

ARTHUR ANDERSEN LLP

San Francisco, California  
March 22, 1999



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