

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 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)		(I.R.S. 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)

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

As of July 31, 1998, there were 85,874,513 shares of the Registrant's common stock, \$0.01 par value per share, outstanding.

AMB PROPERTY CORPORATION

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PART I

ITEM 1. FINANCIAL STATEMENTS

AMB PROPERTY CORPORATION

CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 1997 AND JUNE 30, 1998  
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ASSETS

<TABLE>  
<CAPTION>

	DECEMBER 31, 1997	JUNE 30, 1998
	-----	-----
<S>	<C>	<C>
Investments in real estate:		
Land.....	\$ 550,635	\$ 654,926
Buildings and improvements.....	1,822,516	2,163,452
Construction in progress.....	69,848	111,346
	-----	-----
Total investments in properties.....	2,442,999	2,929,724
Accumulated depreciation and amortization.....	(4,153)	(29,252)
	-----	-----
Net investments in properties.....	2,438,846	2,900,472
Investment in unconsolidated joint venture.....	--	67,149
	-----	-----
Net investments in real estate.....	2,438,846	2,967,621
Cash and cash equivalents.....	39,968	29,167
Other assets.....	27,441	36,318
	-----	-----
Total assets.....	\$2,506,255	\$3,033,106
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Debt:		
Unsecured credit facilities.....	\$ 150,000	\$ 137,000
Senior debt securities.....	--	400,000
Secured debt.....	535,652	592,430
	-----	-----
Total debt.....	685,652	1,129,430
Other liabilities.....	49,350	84,508
Payable to affiliates.....	38,071	--
	-----	-----
Total liabilities.....	773,073	1,213,938
Commitments and contingencies.....	--	--
Minority interests.....	65,152	149,751
Stockholders' equity:		
Common stock, \$0.01 par value, 500,000,000 shares authorized, 85,874,513 issued and outstanding.....	859	859
Additional paid-in capital.....	1,667,171	1,668,558
Retained earnings.....	--	--
	-----	-----
Total stockholders' equity.....	1,668,030	1,669,417

Total liabilities and stockholders' equity.....	\$2,506,255	\$3,033,106
	=====	=====

</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 SIX AND THREE MONTHS ENDED JUNE 30, 1997 AND 1998  
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>  
<CAPTION>

	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE THREE MONTHS ENDED JUNE 30,	
	1997	1998	1997	1998
<S>	<C>	<C>	<C>	<C>
<b>REVENUES</b>				
Rental revenues.....	\$ --	\$ 159,003	\$ --	\$ 84,401
Investment management and other income.....	11,083	1,796	5,971	613
Total revenues.....	11,083	160,799	5,971	85,014
<b>OPERATING EXPENSES</b>				
Property operating expenses.....	--	21,231	--	11,227
Real estate taxes.....	--	21,273	--	11,025
General and administrative.....	--	5,862	--	3,144
Interest, including amortization.....	--	27,561	--	15,720
Depreciation and amortization.....	--	25,302	--	13,516
Investment management expenses.....	8,319	--	4,446	--
Total operating expenses.....	8,319	101,229	4,446	54,632
Income from operations before minority interests.....	2,764	59,570	1,525	30,382
Minority interests' share of net income.....	--	(3,686)	--	(2,404)
Net income available to common stockholders.....	\$ 2,764	\$ 55,884	\$ 1,525	\$ 27,978
<b>INCOME PER SHARE OF COMMON STOCK</b>				
Basic.....	\$ 0.54	\$ 0.65	\$ 0.30	\$ 0.33
Diluted.....	\$ 0.54	\$ 0.65	\$ 0.30	\$ 0.32
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
Basic.....	5,079,855	85,874,513	5,079,855	85,874,513
Diluted.....	5,079,855	86,222,175	5,079,855	86,253,456

</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 SIX MONTHS ENDED JUNE 30, 1997 AND 1998  
(UNAUDITED, DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	FOR THE SIX MONTHS ENDED JUNE 30,	
	1997	1998
<S>	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income.....	\$ 2,764	\$ 55,884
Adjustments to reconcile net income to net cash provided by operating activities:		

Depreciation and amortization.....	--	25,302
Straight-line rents.....	--	(5,489)
Amortization of debt premiums and financing costs.....	--	(1,274)
Minority interests' share of net income.....	--	3,686
Equity in income of AMB Investment Management.....	--	95
Changes in assets and liabilities:		
Other assets.....	236	(6,958)
Other liabilities.....	2,816	4,474
	-----	-----
Net cash provided by operating activities.....	5,816	75,720
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property acquisitions.....	--	(246,213)
Additions to land and building improvements.....	--	(16,922)
Additions to tenant improvements and leasing costs.....	--	(4,965)
Additions to construction in progress.....	--	(25,319)
Acquisition of interest in unconsolidated joint venture.....	--	(67,149)
Reduction of payable to affiliates in connection with Formation Transactions.....	--	(38,071)
	-----	-----
Net cash used in investing activities.....	--	(398,639)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on unsecured credit facilities.....	--	382,000
Borrowings on secured debt.....	--	16,914
Payments on unsecured credit facilities.....	--	(395,000)
Payments on secured debt.....	--	(59,545)
Proceeds from issuance of senior debt securities.....	--	399,166
Dividends paid to shareholders.....	--	(29,413)
Distributions to minority interests.....	--	(2,004)
Deferred offering costs.....	(2,291)	--
Distributions to stockholders of Predecessor.....	(5,754)	--
Principal payment of notes receivable from stockholders of Predecessor.....	363	--
	-----	-----
Net cash provided by (used in) financing activities....	(7,682)	312,118
Net decrease in cash and cash equivalents.....	(1,866)	(10,801)
Cash and cash equivalents at beginning of period.....	2,783	39,968
	-----	-----
Cash and cash equivalents at end of period.....	\$ 917	\$ 29,167
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest.....	\$ --	\$ 26,583
	=====	=====
Property acquisitions:		
Acquisitions of properties.....	\$ --	\$ 434,353
Assumption of secured debt.....	--	(99,623)
Minority interests' contribution.....	--	(88,517)
	-----	-----
Cash paid for property acquisitions.....	\$ --	\$ 246,213
	=====	=====

</TABLE>

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

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AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 1998  
(UNAUDITED, DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
	NUMBER OF SHARES	AMOUNT			
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1997.....	85,874,513	\$859	\$1,667,171	\$ --	\$1,668,030
Net income.....	--	--	--	55,884	55,884
Reallocation of Limited Partners' interests in Operating Partnership...	--	--	4,328	--	4,328
Distributions declared to AMB Property Corporation stockholders.....	--	--	(2,941)	(55,884)	(58,825)
	-----	----	-----	-----	-----
BALANCE AT JUNE 30, 1998.....	85,874,513	\$859	\$1,668,558	\$ --	\$1,669,417
	=====	=====	=====	=====	=====

</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  
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND UNIT AMOUNTS)

1. ORGANIZATION AND FORMATION

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 expects to be taxed as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986 (the "Code"), as amended. 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 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. Net of underwriters' commission and offering costs aggregating \$38,068, the Company received approximately \$300,032 in proceeds from the IPO. The net proceeds of the IPO 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 June 30, 1998, the Company owned an approximate 95.8% general partner interest in the Operating Partnership. The remaining 4.2% 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 executive officers of the Company 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.

As of June 30, 1998, the Company owned 500 industrial buildings and retail centers, consisting of 463 industrial buildings (the "Industrial Properties") and 37 retail centers (the "Retail Properties") located in 28 markets throughout the United States. The Industrial Properties, principally warehouse distribution buildings, encompass approximately 47.7 million rentable square feet and, as of June 30, 1998, were 95.1% leased to over 1,200 tenants. The Retail Properties, principally grocer-anchored community shopping centers, encompass approximately

6.8 million rentable square feet and, as of the same date, were 95.0% leased to over 900 tenants. The Industrial Properties and the Retail Properties collectively are referred to as the "Properties."

## 2. INTERIM FINANCIAL STATEMENTS

The consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and note disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The consolidated financial statements for prior periods have been reclassified to conform to current classifications with no effect on results of operations. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, of a normal recurring nature, necessary for a fair presentation of the Company's consolidated financial position and results of operations for the interim periods.

The interim financial information for the six months and for the three months ended June 30, 1997, represents the results of the Predecessor, an investment manager. The Predecessor's revenues consisted primarily of fees earned in connection with real estate investment management services. As such, information presented for the six months and for the three months ended June 30, 1997 and 1998 is not comparable given the differences in lines of business between the Company and the Predecessor.

The interim results of the six and three months ended June 30, 1997 and 1998 are not necessarily indicative of the results expected for the entire year. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

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.

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### AMB PROPERTY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND UNIT AMOUNTS)

### 3. DEBT

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 instruments using the effective interest method. As of June 30, 1998, the unamortized debt premium was \$16,799. As of June 30, 1998, debt, excluding unamortized debt premiums, consists of the following:

<S>	<C>
Unsecured credit facilities, variable interest at LIBOR plus 90 basis points (6.59% at June 30, 1998), \$50,000 due July 1998, remainder due November 2000.....	\$ 137,000
Senior debt securities, weighted average interest rate of 7.18%, due June 2008, June 2015 and June 2018.....	400,000
Secured debt, varying interest rates from 4.00% to 10.38% due November 1998 to January 2014.....	575,631
	-----
Total Debt.....	\$1,112,631
	=====

</TABLE>

Secured debt generally requires monthly principal and interest payments. The secured debt is secured by deeds of trust on certain Properties. All of the secured debt bears interest at fixed rates, except for two loans totaling \$9,173 which bear interest at variable rates. The secured debt has various financial and non-financial covenants. Additionally, certain of the secured debt is cross-collateralized. The weighted-average fixed interest rate on secured debt at June 30, 1998, was 7.91%.

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 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 of the undrawn funds based on the Company's credit rating (15 basis points at June 30, 1998). The Credit Facility has various financial and non-financial covenants. In addition, in April 1998,

the Company obtained a \$50,000 unsecured acquisition facility from NationsBank, bearing interest at LIBOR plus 90 basis points (6.59% at June 30, 1998). The \$50,000 unsecured acquisition facility was repaid in July 1998.

Capitalized interest related to construction projects for the six and three months ended June 30, 1998, was \$3,098 and \$1,845, respectively. There was no capitalized interest for periods prior to the Formation Transactions.

The scheduled maturities of the secured debt as of June 30, 1998 are as follows:

<S>	<C>
1998.....	\$ 16,939
1999.....	11,188
2000.....	13,192
2001.....	38,698
2002.....	54,364
Thereafter.....	441,250
	-----
	\$575,631
	=====

</TABLE>

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AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND UNIT AMOUNTS)

In June 1998, the Company issued \$400,000 aggregate principal amount of unsecured notes ("Senior Debt Securities") in an underwritten public offering, the net proceeds of which were used to repay amounts outstanding under the unsecured credit facilities. As of June 30, 1998, the Senior Debt Securities consisted of the following:

<TABLE>  
<CAPTION>

	PRINCIPAL AMOUNT	INTEREST RATE	MATURITY
<S>	<C>	<C>	<C>
2008 Notes.....	\$175,000	7.10%	June 2008
2015 Notes -- Putable/Callable 2005.....	100,000	6.90	June 2015
2018 Notes.....	125,000	7.50	June 2018
	-----	----	
Total/Weighted Average.....	\$400,000	7.18%	
	=====	=====	

</TABLE>

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.

4. MINORITY INTERESTS

Minority interests in the Company represent the limited partnership interests in the Operating Partnership and interests held by certain third parties (some of which are Institutional Alliance Partners(TM)) in 14 real estate joint ventures that are consolidated for financial reporting purposes. Such investments are consolidated because (i) the Company owns a majority interest, or (ii) 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 changes in financing.

The following table sets forth the minority interest ownership held by certain joint ventures, Institutional Alliance Partners(TM) and the limited partners' interests in the Operating Partnership as of June 30, 1998.

<S>	<C>
Minority Interest -- Joint Ventures.....	\$ 15,649
Minority Interest -- Institutional Alliance Partners(TM)....	61,031
Minority Interest -- Limited Partners.....	73,071
	-----
	\$149,751
	=====

</TABLE>

5. STOCKHOLDERS' EQUITY

On June 19, 1998, the Company and the Operating Partnership declared a quarterly cash distribution of \$0.3425 per share of common stock and operating partnership unit, payable on July 9, 1998, to stockholders and unitholders of

record as of June 30, 1998.

#### 6. EARNINGS PER SHARE

The Company's only dilutive securities outstanding for the six and three months ended June 30, 1998 were stock options issued under its stock incentive plan. The effect of the stock options was to increase weighted average shares outstanding by 347,662 and 378,943 shares for the six and three months ended June 30, 1998, respectively. Such dilution was computed using the treasury stock method. The Predecessor had no dilutive securities outstanding during the six months ended June 30, 1997.

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#### AMB PROPERTY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT PER SHARE AND UNIT AMOUNTS)

#### 7. PRO FORMA INFORMATION

The following summary unaudited pro forma financial information for the six and three months ended June 30, 1997 has been prepared as if the Formation Transactions, the IPO (as described in Note 1) and property acquisitions and dispositions during the year ended December 31, 1997 had occurred on January 1, 1997. The pro forma financial information does not purport to present the consolidated results that would have occurred if the aforementioned transactions had been consummated on January 1, 1997, nor does it purport to be indicative of the consolidated results of operations for future periods.

<TABLE>  
<CAPTION>

	FOR THE SIX MONTHS ENDED JUNE 30, 1997	FOR THE THREE MONTHS ENDED JUNE 30, 1997
	-----	-----
<S>	<C>	<C>
Total revenues.....	\$ 139,232	\$ 70,610
Income from operations before minority interests.....	49,809	25,482
Net income available to common stockholders.....	47,109	23,767
Income Per Share of Common Stock		
Basic.....	\$ 0.55	\$ 0.28
	=====	=====
Diluted.....	\$ 0.55	\$ 0.28
	=====	=====
Weighted Average Common Shares Outstanding		
Basic.....	85,874,513	85,874,513
	=====	=====
Diluted.....	85,874,513	85,874,513
	=====	=====

</TABLE>

#### 8. SUBSEQUENT EVENTS

On July 27, 1998, the Company sold 4,000,000 shares of 8.5% Series A cumulative redeemable preferred stock for \$100,000 in an underwritten public offering. The net proceeds of \$96,850 from the offering were used to repay borrowings under the Credit Facility, for property acquisitions and for other general corporate purposes.

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#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the Notes to Consolidated Financial Statements. Statements contained herein which are not historical facts may be forward looking statements. Forward-looking statements can be identified 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 thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. Forward-looking statements involve numerous risks and uncertainties and should not be relied upon as predictions of future events, and there can be no assurance that the events or circumstances reflected in such forward-looking statements will be achieved or occur. 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, increased interest rates and operating costs, failure to obtain necessary outside financing, difficulties in identifying properties to acquire and in effecting acquisitions, failure to successfully integrate acquired properties and operations, risks and uncertainties affecting property development and construction (including, without limitation, construction delays, cost overruns, inability to obtain necessary permits and public



opposition to such activities), the Company's failure to qualify and maintain its 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. The success of the Company also depends upon economic trends generally, including interest rates, income tax laws, governmental regulation, legislation, population changes and those risk factors discussed in the section entitled "Business -- Business Risks" in the Company's Annual Report on Form 10-K for fiscal year ended December 31, 1997. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management's analysis only and speak only as of the date hereof.

THE COMPANY

The Company is a fully integrated real estate company engaged in the ownership, operation, management, acquisition, renovation, expansion and development of industrial buildings and community shopping centers in target markets nationwide.

INDUSTRIAL AND RETAIL PROPERTIES BY REGION  
AS OF JUNE 30, 1998

<TABLE>  
<CAPTION>

		INDUSTRIAL PROPERTIES			RETAIL PROPERTIES			TOTAL
		NUMBER	RENTABLE		NUMBER	RENTABLE		NUMBER OF
RENTABLE		OF	SQUARE	% OF	OF	SQUARE	% OF	BUILDINGS
SQUARE	% OF	BUILDINGS	FEET	TOTAL	CENTERS	FEET	TOTAL	AND CENTERS
FEET	REGION	TOTAL						
	TOTAL							
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>								
Eastern.....		77	9,864,840	20.7%	4	1,272,968	18.6%	81
11,137,808	20.4%							
Midwestern.....		103	11,868,394	24.9	4	710,833	10.4	107
12,579,227	23.1							
Southern.....		142	13,169,885	27.6	12	1,957,051	28.6	154
15,126,936	27.7							
Western.....		141	12,772,141	26.8	17	2,907,986	42.4	158
15,680,127	28.8							
		---	-----	-----	--	-----	-----	---
		-----	-----	-----	-----	-----	-----	-----
Total.....		463	47,675,260	100.0%	37	6,848,838	100.0%	500
54,524,098	100.0%							
		===	=====	=====	==	=====	=====	===

</TABLE>

ACQUISITION AND DEVELOPMENT ACTIVITY

During the second quarter, the Company invested \$180.4 million in operating properties, consisting of 48 industrial buildings aggregating 3.7 million square feet, including \$29.7 million for the Company's share of co-investments with its Institutional Alliance Partners(TM) and \$62.0 million of properties purchased from its Institutional Alliance Partners(TM).

The Company initiated five new development projects during the quarter, with a total estimated cost of \$81.4 million upon completion in projects aggregating 1.6 million square feet. As of June 30, 1998, the Company had 13 industrial projects under development with a total estimated investment of \$227.1 million upon completion in 5.2 million square feet, and three retail projects under development representing an estimated investment of \$81.5 million upon completion in 654,400 square feet.

At June 30, 1998, the Company owned and operated a total of 500 industrial buildings and retail centers totaling 54.5 million square feet in 28 markets nationwide. In addition, the Company operated 4.6 million square feet of property on behalf of investment management clients.

INCREASED PRESENCE IN KEY MARKETS

The Company continued to execute its research-based target market strategy by selectively expanding its presence in key markets nationwide.

DALLAS: The Company increased its presence in this major distribution market by 27% to 4.8 million square feet with the addition of 1.0 million square feet of existing industrial space. In addition, the Company currently has three development projects underway in the Dallas/Fort Worth

market, including two initiated in the second quarter and the 205,000 square foot air cargo facility on the tarmac of the Dallas/Forth Worth Airport which was initiated in the first quarter of 1998 and is 100% pre-leased.

NORTHERN NEW JERSEY: The Company increased its portfolio in this active distribution market by 35% with the addition of 626,500 square feet in a new industrial development project with Development Alliance Partner(TM) Trammell Crow.

BALTIMORE/WASHINGTON, D.C.: The Company doubled its presence in this key distribution market with the addition of 963,100 square feet in seven industrial buildings. The Company now owns 1.9 million square feet in this market.

Further investments in existing properties in excess of 400,000 square feet were made in existing Company markets, including Minneapolis (516,000 square feet), Atlanta (469,100 square feet), and Houston (418,700 square feet).

#### STRATEGIC ALLIANCE PROGRAMS(TM)

The Company has been a leader in systematically forming alliances with local and regional real estate experts through its Strategic Alliance Programs(TM).

DEVELOPMENT ALLIANCE PROGRAM(TM): The Company's strategy for its Development Alliance Program(TM) is to enhance its development capability by forming alliances with development firms with a strong local presence and expertise.

During the second quarter, the Company initiated two development projects with Development Alliance Partner(TM) Trammell Crow: a \$29.0 million investment in a 626,500 square foot project adjacent to the New Jersey Turnpike and a \$17.3 million investment in a 443,200 square foot project in Orlando Central Park (the dominant industrial park in Orlando). The Company added two new Development Alliance Partners(TM) during the quarter: Gale & Wentworth, one of New Jersey's most prominent real estate organizations, who will source, develop, and manage industrial projects in New Jersey; and National Development of New England, one of the premier commercial developers in New England, with whom the Company initiated a 415,000 square foot industrial project during the quarter.

UPREIT ALLIANCE PROGRAM(TM): Through its UPREIT Alliance Program(TM), the Company issues operating partnership units in exchange for properties, thus providing additional growth for the portfolio. The Company expanded its UPREIT Alliance Program(TM) in the second quarter through the acquisition of a 153,600 square foot industrial property in Alsip, Illinois (a submarket of Chicago) and a 269,800 square foot property in Atlanta. The Company believes that UPREIT Alliance Partners(TM), who can benefit from a tax advantaged transaction structure, have been, and will continue to be, an attractive source of new acquisitions.

INSTITUTIONAL ALLIANCE PROGRAM(TM): The Company's strategy for its Institutional Alliance Program(TM) is to form institutional alliances through the co-investment program of AMB Investment Management to provide access to private capital, including during those times when the public markets are less attractive. Two acquisitions were made through this program during the second quarter, with a total acquisition cost of \$59.4 million, of which \$29.7 million was co-invested by the Company: a 1,019,200 square foot

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industrial warehouse portfolio in Dallas/Fort Worth and a 516,000 square foot portfolio in Minneapolis. The Company's long-standing relationships with institutional investors is also a source of new acquisitions. During the quarter, the Company invested \$62.0 million in industrial properties totaling 1.6 million square feet through such relationships.

During the quarter, the Company initiated a comprehensive branding program intended to support the expansion of the Strategic Alliance Programs(TM) and to establish consistency for all customers and users of AMB services. The Company intends to continue its program of managing its relationships with local vendors to take advantage of the economies of scale of a nationwide portfolio.

#### RESULTS OF OPERATIONS

##### OVERVIEW

Because of the significant impact of the Formation Transactions and the IPO on the Company's results of operations, the discussion below is presented as follows: (i) results of the Company and its Predecessor for the six and three months ended June 30, 1998 and 1997, and (ii) results of the Properties for the six and three months ended June 30, 1998 and 1997. Because the Company commenced its operations as a REIT in connection with the IPO in November 1997, a separate

discussion of the historical operations of the Properties for the comparative periods prior to the IPO is presented below.

#### COMPANY AND PREDECESSOR RESULTS OF OPERATIONS

Company and Predecessor -- Six and Three Months Ended June 30, 1998 and 1997

Rental revenues. Rental revenues, including straight-line rents, tenant reimbursements and other property related income, totaled \$160.8 and \$85.0 million for the six and three months ended June 30, 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 six and three months ended June 30, 1997.

Property operating expenses and real estate taxes. Property operating expenses, including asset management costs and real estate taxes, totaled \$42.5 and \$22.3 million for the six and three months ended June 30, 1998. The Predecessor's expenses consisted primarily of salaries and other general and administrative costs. As such, no such property operating expenses existed during the six and three months ended June 30, 1997.

General and administrative expenses. The Company's general and administrative expenses were \$5.9 and \$3.1 million for the six and three months ended June 30, 1998, as compared to the Predecessor's investment management expenses of \$8.3 and \$4.4 million for the six and three months ended June 30, 1997. Investment management expenses of the Predecessor consisted primarily of salaries and other general and administrative expenses. The \$2.4 million, or 29%, and \$1.3 million, or 30%, decreases, respectively, in general and administrative expenses is attributable to the change in the operations of the Company 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.

#### 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 were not previously managed by the Predecessor.

The historical property financial data presented herein show significant increases in revenues and expenses principally attributable to substantial portfolio growth. As a result, the Company does not believe the year-to-year financial data are comparable. Therefore, the analysis below shows (i) changes resulting from Properties that were owned as of January 1, 1997, excluding development projects (the "Same Store

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Properties"), and (ii) changes attributable to acquisition and development activity during 1997 and 1998. For the comparison between the six and three month periods ended June 30, 1998 and 1997, the Same Store Properties consist of properties aggregating 30.4 million square feet. The Company's future financial condition and results of operations, including rental revenues, may be impacted by the acquisition of additional properties. No assurance can be given that the past trends of revenues, expenses or income of the Company will continue in the future at their historical rates, and any variation therefrom may be material.

Properties -- Six and Three Months Ended June 30, 1998 and 1997

Rental revenues. Rental revenues, including straight-line rents, tenant reimbursements and other property related income, increased by \$49.5 and \$28.5 million, or 44% and 50%, for the six and three months ended June 30, 1998, to \$160.8 and \$85.0 million, respectively, as compared with the same periods in 1997. Approximately \$7.0 and \$3.5 million, or 14% and 12% of this increase, was attributable to Same Store Properties, with the remaining \$42.5 and \$25.0 million attributable to Properties acquired in 1997 and 1998, respectively. The growth in rental revenues in Same Store Properties resulted primarily from the incremental effect of rental rate increases, changes in occupancy and reimbursement of expenses. During the trailing 12 months ended June 30, 1998, such increase in average base rents (cash basis) was 12.1% on 7.0 million square feet leased.

Property operating expenses and real estate taxes. Property operating expenses, including asset management costs and real estate taxes, increased by \$8.2 and \$4.6 million, or 24% and 26%, for the six and three months ended June 30, 1998, respectively, to \$42.5 and \$22.3 million as compared with the same periods in 1997. Same Store Properties operating expenses decreased by approximately \$0.6 and \$0.2 million for the six and three months ended June 30, 1998, respectively, while operating expenses attributable to Properties acquired in 1998 and 1997 added \$8.8 and \$4.8 million, respectively. The change in Same Store Properties operating expenses and real estate taxes relates to increases

in Same Store Properties real estate taxes and insurance expense of approximately \$0.2 and \$0.1 million for the six and three months ended June 30, 1998, respectively, offset by decreases in Same Store Properties other property operating expenses (excluding real estate taxes and insurance) of approximately \$0.8 and \$0.3 million for the six and three months ended June 30, 1998, respectively. The decrease in other property operating expenses is attributable to lower asset management costs in 1998 as compared to 1997 resulting from the change in ownership structure.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company expects that its principal sources of working capital and funding for acquisitions, development, expansion and renovation of Properties will include 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) and cash flows provided by operations. Management believes that its sources of working capital and its ability to access private and public debt and equity capital are adequate to continue to meet liquidity requirements for the foreseeable future.

##### Capital Resources

The Company has 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 the Company's credit rating. The Company uses 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 the Company's debt rating at the time of such borrowings. As of June 30, 1998, the outstanding balance on the Credit Facility was \$87.0 million and bore interest at LIBOR plus 90 basis points (6.59% as of such date). 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 June 30, 1998, the maximum amount available under the Credit Facility was approximately \$413.0 million. In

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addition, in April 1998, the Company obtained a \$50.0 unsecured acquisition facility from NationsBank, bearing interest at LIBOR plus 90 basis points (6.59% at June 30, 1998). The \$50.0 unsecured acquisition facility was repaid in July 1998.

In April 1998, the Company received credit ratings for its unsecured debt 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 the 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 June 1998, the Company issued \$400,000 aggregate principal amount of unsecured notes ("Senior Debt Securities") in an underwritten public offering, the net proceeds of which were 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.

In connection with the Formation Transactions and property acquisitions consummated subsequent thereto, the Company has assumed various mortgages and other secured debt. As of June 30, 1998, the aggregate principal amount of such secured debt was \$575.6 million, excluding unamortized debt premiums of \$16.8 million. The secured debt bears interest at rates varying from 4.00% to 10.38% per annum (with a weighted average of 7.91%) and final maturity dates ranging from November 1998 to January 2014.

As of June 30, 1998, the Company's total outstanding debt was approximately \$1.1 billion, including unamortized debt premiums of approximately \$16.8 million. See Notes to Consolidated Financial Statements. The total amount of debt to be repaid during the remainder of 1998 is approximately \$16.9 million, including scheduled principal amortization of approximately \$3.3 million.

In order to maintain financial flexibility and facilitate the rapid deployment of capital through market cycles, the Company presently intends to operate with a debt-to-total market capitalization ratio of less than 45%. Additionally, the Company presently intends to continue to structure its balance sheet in order to maintain an investment grade rating on its senior unsecured debt. As of June 30, 1998, the Company's debt-to-total market capitalization ratio was approximately 34.2%.

##### Liquidity

As of June 30, 1998, the Company had approximately \$29.2 million in cash and cash equivalents and \$413.0 million of additional available borrowings under the Credit Facility. Additionally, on July 20, 1998, the Company sold \$100 million of Series A preferred stock in an underwritten public offering, the net proceeds of which were used to repay outstanding borrowings on its Credit Facility.

The Company intends to use cash from operations and available borrowings under its Credit Facility as well as net proceeds from future debt or equity offerings, if any, to fund property acquisitions, development activities, and capital expenditures and to provide for general working capital requirements.

On June 19, 1998, the Company and the Operating Partnership declared a quarterly cash distribution of \$0.3425 per common share and operating partnership unit, payable on July 9, 1998 to stockholders and unitholders of record on June 30, 1998.

The anticipated size of the Company's distributions, using only cash from operations, will not allow it to retire all of its debt as it comes due. Therefore, the Company intends to also repay maturing debt with net proceeds from future debt and/or equity financings. No assurance can be given, however, that future financings will be available to the Company or that the terms of any such financings will be favorable from the Company's perspective.

#### Capital Commitments

In addition to recurring capital expenditures and costs to renew or re-tenant space, the Company is currently in the process of renovating, expanding or developing 16 projects at a total estimated cost of \$308.6 million upon completion. The Company presently expects to fund these expenditures with cash from

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operations, borrowings under the Credit Facility or debt or equity issuances. Other than these capital items, the Company has no material capital commitments. During the period from January 1, 1998 to June 30, 1998, the Company invested \$415.5 million in 104 industrial buildings, aggregating 10.2 million rentable square feet. The acquisitions were funded through borrowings under the Credit Facility, cash, debt assumption of approximately \$99.6 million, co-investments by Institutional Alliance Partners(TM) of approximately \$60.3 million and the issuance of LP Units with a value of approximately \$28.2 million at the date of issuance. The Company expects that its funds from operations and borrowings under its Credit Facility will be sufficient to meet expected capital commitments for the next 12 months.

#### YEAR 2000 COMPLIANCE

Many computer programs have been written using two digits rather than four to define the applicable year. Computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This "year 2000 issue" could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices or engage in similar normal business activities.

The Company's current financial systems adequately provide for a four-digit year and management believes the year 2000 issue will not materially affect its business operations or financial condition. Additionally, the Company does not expect that the year 2000 issue will materially affect its operations due to problems encountered by its suppliers, customers and lenders.

#### FUNDS FROM OPERATIONS

Management believes that Funds from Operations ("FFO"), as defined by 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 the Company's FFO for the six and three months ended June 30, 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 dispositions) as if they had occurred on January 1, 1997 (dollars in thousands).

<TABLE>  
<CAPTION>

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	1997 (PRO FORMA)	1998	1997 (PRO FORMA)	1998
<S>	<C>	<C>	<C>	<C>

Income from operations before minority interests.....	\$ 25,482	\$ 30,382	\$ 49,809	\$ 59,570
Real estate related depreciation and amortization:				
Total depreciation and amortization.....	11,472	13,516	23,238	25,302
Furniture, fixtures and equipment depreciation.....	(43)	(111)	(86)	(215)
FFO attributable to minority interests(1) (2).....	(400)	(1,513)	(951)	(2,088)
	-----	-----	-----	-----
FFO(1).....	\$ 36,511	\$ 42,274	\$ 72,010	\$ 82,569
	=====	=====	=====	=====
Weighted average shares and units outstanding (diluted).....	88,416,676	89,886,673	88,416,676	89,362,932
	=====	=====	=====	=====

</TABLE>

(1) The White Paper on Funds from Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") in March 1995 (the "White Paper") defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and

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amortization. Management considers FFO an appropriate measure of performance of an equity REIT because it is predicated on cash flow analyses. The Company computes FFO in accordance with standards established by the White Paper, which may differ from the methodology for calculating FFO utilized by other REITs and, accordingly, may not be comparable to such other REITs. FFO should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of liquidity, nor is it indicative of funds available to fund cash needs, including the ability to make distributions.

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

#### TENANT RETENTION RATES AND RENT INCREASES

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

<TABLE>  
<CAPTION>

	YEARS ENDED DECEMBER 31,			FOR THE THREE	FOR THE SIX	WEIGHTED
	1995	1996	1997	MONTHS ENDED JUNE 30, 1998	MONTHS ENDED JUNE 30, 1998	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<b>INDUSTRIAL PROPERTIES</b>						
Retention rate.....	67.9%	79.2%	69.5%	88.1%	82.5%	74.7%
Rent increases.....	4.8%	4.7%	13.0%	21.2%	13.6%	11.4%
<b>RETAIL PROPERTIES</b>						
Retention rate.....	63.5%	88.4%	87.8%	82.8%	84.7%	83.3%
Rent increases.....	3.2%	5.4%	10.1%	20.3%	23.2%	15.9%

</TABLE>

#### 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 foot 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>

	YEARS ENDED DECEMBER 31,			FOR THE THREE	FOR THE SIX	WEIGHTED
	1995	1996	1997	MONTHS ENDED JUNE 30, 1998	MONTHS ENDED JUNE 30, 1998	



	VOTES FOR	OR WITHHELD	ABSTAINED	VOTES
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Douglas D. Abby	59,475,853	21,110	--	--
Hamid R. Moghadam	59,475,853	21,110	--	--
T. Robert Burke	59,476,053	20,910	--	--
Daniel H. Case, III	59,209,564	287,399	--	--
Robert H. Edelman, Ph.D.	59,476,053	20,910	--	--
Lynn M. Sedway	59,475,753	25,210	--	--
Jeffrey L. Skelton, Ph.D.	59,471,053	25,910	--	--
Thomas W. Tusher	59,475,753	21,210	--	--
Caryl B. Welborn, Esq.	59,475,753	21,210	--	--

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

EXHIBIT NUMBER	DESCRIPTION
-----	-----
<C>	<S>
3.1(1)	Articles of Incorporation of the Registrant.
3.2(1)	Bylaws of the Registrant.
3.3(1)	Form of Certificate for Common Stock of the Registrant.
3.4(4)	Articles Supplementary establishing and fixing the rights and preferences of the 8.5% Series A Cumulative Redeemable Preferred Stock.
3.5(2)	Form of Certificate for the 8.5% Series A Cumulative Redeemable Preferred Stock of the Registrant.
4.1(3)	Indenture by and among the Registrant, the Operating Partnership and State Street Bank and Trust Company of California, N.A., as trustee.
4.2(3)	First Supplemental Indenture, by and among the Operating Partnership, the Registrant and State Street Bank and Trust Company of California, N.A., as trustee; Second Supplemental Indenture, by and among the Operating Partnership, the Registrant and State Street Bank and Trust Company of California, N.A., as trustee; and Third Supplemental Indenture, by and among the Operating Partnership, the Registrant and State Street Bank and Trust Company of California, N.A., as trustee.
4.3(3)	Specimen of 7.10% Notes due 2008.
4.4(3)	Specimen of 7.50% Notes due 2018.
4.5(3)	Specimen of 6.90% Reset Put Securities due 2015.
10.1(2)	Form of Second Amended and Restated Agreement of Limited Partnership of AMB Property, L.P.
10.2(4)	Amended Credit Agreement between AMB Property, L.P. and NationsBank of Texas, N.A. dated April 16, 1998 deleting subsidiary guarantees.
27.1(4)	Financial Data Schedule -- AMB Property Corporation

- (1) Previously filed as an exhibit to Registration Statement on Form S-11 (No. 333.35915) and incorporated herein by reference.
- (2) Previously filed as an exhibit to Registration Statement on Form S-11 (No. 333.58107) and incorporated herein by reference.
- (3) Previously filed as an exhibit to Registration Statement on Form S-11 (No. 333.49163) and incorporated herein by reference.
- (4) Filed herewith.

(b) Reports on Form 8-K:

Form 8-K for the event dated June 30, 1998, was filed July 9, 1998 in connection with the issuance of \$400 million principal amount of senior debt securities.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the



undersigned thereunto duly authorized.

<TABLE>  
<S>

<C>

AMB PROPERTY CORPORATION  
Registrant

Date August 14, 1998

By: /s/ HAMID R. MOGHADAM

-----  
Hamid R. Moghadam  
President and Chief Executive Officer,  
Director (Principal Executive Officer)

Date August 14, 1998

And: /s/ S. DAVIS CARNIGLIA

-----  
S. Davis Carniglia  
Chief Financial Officer, Managing Director  
(Principal Financial Officer)

Date August 14, 1998

And: /s/ MICHAEL A. COKE

-----  
Michael A. Coke  
Director of Financial Management  
And Reporting, Chief Accounting  
Officer (Principal Accounting Officer)

</TABLE>

EXHIBIT INDEX

<TABLE>  
<CAPTION>

Exhibits Description  
-----

<S>	<C>
3.4	Articles Supplementary establishing and fixing the rights and preferences of the 8.5% Series A Cumulative Redeemable Preferred Stock.
10.2	Amended Credit Agreement between AMB Property, L.P. and NationsBank of Texas, N.A. dated April 16, 1998 deleting subsidiary guarantees.
27.1	Financial Data Schedule

</TABLE>

## AMB PROPERTY CORPORATION

## ARTICLES SUPPLEMENTARY

ESTABLISHING AND FIXING THE RIGHTS AND  
PREFERENCES OF 8 1/2% SERIES A PREFERRED STOCK

AMB Property Corporation, a corporation organized and existing under the laws of the State of Maryland (the "Corporation"), certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Pursuant to the authority expressly vested in the Board of Directors of the Corporation (sometimes referred to herein as the "Board") by Article IV of the Articles of Incorporation of the Corporation filed with the Department on November 24, 1997, which comprises, together with these Articles Supplementary, the charter (the "Charter") of the Corporation, and Section 2-105 of the Maryland General Corporation Law (the "MGCL"), the Board of Directors of the Corporation, by resolutions duly adopted on June 19, 1998, adopted resolutions (i) classifying and designating a separate class of authorized but unissued Preferred Stock of the Corporation to consist of not more than 10,000,000 shares, (ii) pursuant to the powers contained in the Bylaws of the Corporation and the MGCL, appointing a Committee (the "Committee") of the Board of Directors comprised of Hamid R. Moghadam, and (iii) delegating to the Committee, to the fullest extent permitted by Maryland law and the Charter and Bylaws of the Corporation, all powers of the Board of Directors with respect to designating and establishing the preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualification and terms and conditions of redemption and other terms and conditions of such class of Preferred Stock, and determining the number of shares of such class of Preferred Stock (not in excess of the aforesaid maximum number) to be issued, and the price and other terms and conditions upon which shares of such series of Preferred Stock are to be offered, sold and issued.

SECOND: Pursuant to the authority conferred upon the Committee as aforesaid, the Committee has on July 20, 1998, adopted resolutions classifying and designating (or confirming the designation and classification of) the aforesaid class of Preferred Stock as the 8 1/2% Series A Cumulative Redeemable Preferred Stock, with the preferences, conversions and other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemptions and other terms and conditions of such 8 1/2% Series A Cumulative Redeemable Preferred Stock (to the extent not set by the Board of Directors in the resolutions referred to in Article FIRST of these Articles Supplementary) and establishing 4,600,000 as the number of shares to be so classified and designated, and authorizing the issuance of up to 4,600,000 shares of 8 1/2% Series A Cumulative Redeemable Preferred Stock.

THIRD: The separate class of Preferred Stock of the Corporation created by the resolutions duly adopted by the Board of Directors of the Corporation and by the Committee and

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referred to in Articles FIRST and SECOND of these Articles Supplementary shall have the designation, number of shares, preferences, conversion and other rights, voting powers, restrictions and limitations as to dividends, qualifications, terms and conditions of redemption and other terms and conditions as follows (and which, upon any restatement of the Charter, may be made a part of Article IV thereof, with any necessary or appropriate changes to the numeration or lettering of the sections or subsections hereof):

(1) DESIGNATION AND NUMBER. A class of Preferred Stock, designated the "8 1/2% Series A Cumulative Redeemable Preferred Stock" (the "Series A Preferred Stock"), is hereby established. The number of shares of Series A Preferred Stock shall be 4,600,000 (the "Series A Preferred Shares").

(2) RANK. The Series A Preferred Shares will rank, with respect to dividend rights and rights upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation, (a) senior to all classes or series of Common Stock (as defined in the Charter) and to all equity securities of the Corporation the terms of which provide that such equity securities shall rank junior to such Series A Preferred Shares; (b) on a parity with all equity securities issued by the Corporation other than those referred to in clauses (a) and (c); and (c) junior to all equity securities issued by the Corporation which rank senior to the Series A Preferred Shares in accordance with Section 6(d). The term "equity securities" does not include convertible debt securities.

(3) DIVIDENDS.

(a) Holders of Series A Preferred Shares shall be entitled to receive, if, when and as authorized by the Board, out of funds legally available for the payment of dividends, cumulative preferential cash dividends at the rate of 8

1/2% of the \$25.00 liquidation preference per annum (equivalent to \$2.125 per annum per share). Such dividends shall accumulate on a daily basis computed on the basis of a 360-day year consisting of twelve 30-day months and be cumulative from July 27, 1998 and shall be payable quarterly in equal amounts in arrears on the 15th day of each January, April, July and October, or, if not a business day, the next succeeding business day, commencing October 15, 1998 (each a "Dividend Payment Date"). Dividends shall be payable to holders of record as they appear in the share records of the Corporation at the close of business on the applicable record date (each, a "Dividend Record Date"), which shall be the date designated by the Board for the payment of dividends that is not more than 30 nor less than 10 days prior to the applicable payment date therefor. Any dividend payable on the Series A Preferred Shares for any partial dividend period shall be prorated and computed on the basis of a 360-day year consisting of twelve 30-day months. Notwithstanding any provision to the contrary contained herein, each outstanding share of Series A Preferred Stock shall be entitled to receive, and shall receive, a dividend with respect to any Dividend Record Date equal to the dividend paid with respect to each other share of Series A Preferred Stock which is outstanding on such date.

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(b) No dividend on the Series A Preferred Shares shall be authorized by the Board or be paid or set apart for payment by the Corporation at such time as the terms and provisions of any agreement of the Corporation, including any agreement relating to its indebtedness, prohibits such authorization, payment or setting apart for payment or provides that such authorization, payment or setting apart for payment would constitute a breach thereof, or a default thereunder, or if such authorization or payment shall be restricted or prohibited by law.

(c) Notwithstanding anything to the contrary contained herein, dividends on the Series A Preferred Shares shall accumulate whether or not restrictions exist in respect thereof, whether or not there are funds legally available for the payment thereof and whether or not such dividends are declared. Accumulated but unpaid dividends on the Series A Preferred Shares will accumulate as of the Dividend Payment Date on which they first become payable or on the date of redemption, as the case may be.

(d) If any Series A Preferred Shares are outstanding, no full dividends will be declared or paid or set apart for payment on any other equity securities of the Corporation of any other class or series ranking, as to distributions or upon liquidation, dissolution or winding up of the Corporation, on a parity with or junior to the Series A Preferred Shares unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Series A Preferred Shares for all past dividend periods and the then current dividend period. When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Shares and any other equity securities ranking as to dividends on a parity with the Series A Preferred Shares, all dividends declared upon the Series A Preferred Shares and any other equity securities of the Corporation ranking as to dividends on a parity with the Series A Preferred Shares shall be declared pro rata so that the amount of dividends declared per Series A Preferred Share and each such other equity securities shall in all cases bear to each other the same ratio that accumulated dividends per Series A Preferred Share and such other equity securities (which shall not include any accumulation in respect of unpaid dividends for prior dividend periods if such other equity securities do not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on Series A Preferred Shares which may be in arrears.

(e) Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series A Preferred Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods and the then current dividend period, no dividends (other than in Common Stock or other equity securities of the Corporation ranking junior to the Series A Preferred Shares as to dividends and upon liquidation, dissolution and winding up of the Corporation) shall be declared or paid or set aside for payment nor shall any other dividend be declared or made upon the Common Stock or any other equity securities of the Corporation ranking or upon liquidation, dissolution or winding up of the Corporation junior to or on a parity with the Series A Preferred Shares, nor shall any Common Stock or any other equity securities of the Corporation ranking junior to or on a parity with the Series A Preferred Shares as to dividends or upon liquidation, dissolution or winding up of the Corporation be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such securities) by the Corporation (except by conversion into or exchange for other equity securities of the Corporation ranking junior to the Series A Preferred Shares as to

dividends and upon liquidation, dissolution and winding up of the Corporation, and, except pursuant to Section 7 of this Article Third to ensure the Corporation's continued status as a REIT or comparable Charter provisions with respect to other classes or series of the Corporation's stock).

(f) Accumulated but unpaid dividends on the Series A Preferred Shares will not bear interest and holders of Series A Preferred Shares shall not be entitled to any dividend in excess of full cumulative dividends as described above. Any dividend payment made on the Series A Preferred Shares shall first be credited against the earliest accumulated but unpaid dividend due with respect to such shares which remains payable.

(g) If, for any taxable year, the Corporation elects to designate as a "capital gain dividend" (as defined in Section 857 of the Code), any portion (the "Capital Gains Amount") of the dividends paid or made available for the year to holders of any class or series of stock of the Corporation, the portion of the Capital Gains Amount that shall be allocable to holders of the Series A Preferred Stock shall be the amount that the total dividends (as determined for Federal income tax purposes) paid or made available to the holders of the Series A Preferred Stock for the year bears to the aggregate amount of dividends (as determined for Federal income tax purposes) paid or made available to the holders of all classes or series of stock of the Corporation for such year.

(4) LIQUIDATION PREFERENCE.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Series A Preferred Shares then outstanding shall be entitled to receive out of the assets of the Corporation legally available for distribution to its stockholders remaining after payment or provision for payment of all debts and liabilities of the Corporation, a liquidation preference in cash of \$25.00 per share, plus an amount equal to any accumulated and unpaid dividends to the date of such payment, before any distribution of assets is made to holders of Common Stock or any other equity securities of the Corporation that rank junior to the Series A Preferred Shares as to liquidation rights.

(b) If, upon any such voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation are insufficient to make full payment to holders of Series A Preferred Shares and the corresponding amounts payable on all shares of other classes or series of equity securities of the Corporation ranking on a parity with the Series A Preferred Shares as to liquidation rights, then the holders of the Series A Preferred Shares and all other such classes or series of equity securities shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

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(c) Written notice of any such liquidation, dissolution or winding up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more than 60 days prior to the payment date stated therein, to each record holder of the Series A Preferred Shares at the respective addresses of such holders as the same shall appear on the stock transfer records of the Corporation.

(d) After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series A Preferred Shares will have no right or claim to any of the remaining assets of the Corporation.

(e) The consolidation or merger of the Corporation with or into another entity, a merger of another entity with or into the Corporation, a statutory share exchange by the Corporation or a sale, lease, transfer or conveyance of all or substantially all of the Corporation's property or business shall not be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

(f) In determining whether a distribution (other than upon voluntary or involuntary liquidation) by dividend, redemption or other acquisition of shares of stock of the Corporation or otherwise is permitted under the MGCL, no effect shall be given to amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of the Series A Preferred Shares whose preferential rights upon dissolution are superior to those receiving the distribution.

(5) OPTIONAL REDEMPTION.

(a) The Series A Preferred Shares are not redeemable prior to July 27, 2003. To ensure that the Corporation remains a qualified real estate investment trust ("REIT") for federal income tax purposes, however, the Series A Preferred Shares shall be subject to the provisions of Section 7 of this Article Third

pursuant to which Series A Preferred Shares owned by a stockholder in excess of the Ownership Limit (as defined in Section 7 of this Article Third) or certain other limitations shall automatically be transferred to a Trust for the benefit of a Charitable Beneficiary (as defined in Section 7 of this Article Third) and the Corporation shall have the right to purchase such shares, as provided in Section 7 of this Article Third. On and after July 27, 2003, the Corporation, at its option, upon giving notice as provided below, may redeem the Series A Preferred Shares, in whole or from time to time in part, for cash, at a redemption price of \$25.00 per share, plus all accumulated and unpaid dividends on such Series A Preferred Shares to the date fixed for redemption.

(b) The redemption price of the Series A Preferred Shares (other than the portion thereof consisting of accumulated and unpaid dividends) is payable solely from the sale proceeds of other equity securities of the Corporation, and not from any other source. For purposes of the preceding sentence, "equity securities" means any equity securities (including Common Stock and Preferred Stock (as defined in the Charter)), depositary shares in respect of any of the foregoing,

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interests, participations or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing.

(c) If fewer than all of the outstanding Series A Preferred Shares are to be redeemed, the shares to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional shares) or by lot or by any other equitable method determined by the Corporation. If such redemption is to be by lot and, as a result of such redemption, any holder of Series A Preferred Shares would become a holder of a number of Series A Preferred Shares in excess of the Ownership Limit (or other limitations set forth in Section 7 of this Article Third) because such holder's Series A Preferred Shares were not redeemed, or were only redeemed in part, then, except as otherwise provided in the Charter, the Corporation will redeem the requisite number of Series A Preferred Shares of such holder such that no holder will hold in excess of the Ownership Limit (or such other limits) subsequent to such redemption.

(d) Notwithstanding anything to the contrary contained herein, unless full cumulative dividends on all Series A Preferred Shares shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, no Series A Preferred Shares shall be redeemed unless all outstanding Series A Preferred Shares are simultaneously redeemed; provided, however, that the foregoing shall not prevent the purchase by the Corporation of Series A Preferred Shares pursuant to Section 7 of this Article Third or otherwise in order to ensure that the Corporation remains qualified as a REIT for Federal or state income tax purposes or the purchase or acquisition of Series A Preferred Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series A Preferred Shares. In addition, unless full cumulative dividends on all outstanding Series A Preferred Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, the Corporation shall not purchase or otherwise acquire directly or indirectly any Series A Preferred Shares or any equity securities of the Corporation ranking junior to or on a parity with the Series A Preferred Shares as to dividends or upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation (except by conversion into or exchange for equity securities of the Corporation ranking junior to the Series A Preferred Shares as to dividends and upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation and except pursuant to Section 7 of this Article Third or comparable Charter provisions with respect to other classes or series of the Corporation's stock).

(e) The holders of shares of Series A Preferred Stock at the close of business on a Dividend Record Date will be entitled to receive the dividend payable with respect to the shares of Series A Preferred Stock held on the corresponding Dividend Payment Date notwithstanding the redemption thereof between such Dividend Record Date and the corresponding Dividend Payment Date or the Corporation's default in the payment of the dividend due. Except as provided herein, the Corporation will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series A Preferred Shares to be redeemed.

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(f) The following provisions set forth the procedures for Redemption:

(i) Notice of redemption will be given by publication in a newspaper of general circulation in the City of New York, such publication to be made once a week for two successive weeks commencing not less than 30 nor more than 60 days, prior to the redemption date. A similar notice will be mailed by

the Corporation, postage prepaid, not less than 30 nor more than 60 days, prior to the redemption date, addressed to the respective holders of record of the Series A Preferred Shares to be redeemed at their respective addresses as they appear on the share records of the Corporation. No failure to give such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series A Preferred Shares except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which the Series A Preferred Shares may be listed or admitted to trading, such notice shall state: (A) the redemption date; (B) the redemption price; (C) the number of Series A Preferred Shares to be redeemed; (D) the place or places where the certificates evidencing shares of Series A Preferred Shares are to be surrendered for payment of the redemption price; and (E) that dividends on the Series A Preferred Shares to be redeemed will cease to accumulate on such redemption date. If fewer than all of the Series A Preferred Shares held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of Series A Preferred Shares to be redeemed from such holder.

(iii) On or after the redemption date, each holder of Series A Preferred Shares to be redeemed shall present and surrender the certificates representing such holder's Series A Preferred Shares to the Corporation at the place designated in the notice of redemption and shall be entitled to the redemption price and any accumulated and unpaid dividends payable upon such redemption upon such surrender and thereupon the redemption price of such shares (including all accumulated and unpaid dividends up to the redemption date) shall be paid to or on the order of the person whose name appears on such certificate representing Series A Preferred Shares as the owner thereof and each surrendered certificate shall be canceled. If fewer than all the shares represented by any such certificate representing Series A Preferred Shares are to be redeemed, a new certificate shall be issued representing the unredeemed shares.

(iv) If notice of redemption of any Series A Preferred Shares has been given and if the funds necessary for such redemption have been set aside by the Corporation in trust for the benefit of the holders thereof, then from and after the redemption date all dividends on such Series A Preferred Shares shall cease to accumulate and any such Series A Preferred Shares will no longer be deemed outstanding and all rights of the holders thereof will terminate, except the right to receive the redemption price (including all accumulated and unpaid dividends up to the redemption date) and such shares shall not thereafter be transferred (except with the consent of the Corporation) on the Corporation's stock transfer records. At its election, the Corporation, prior to a redemption date, may irrevocably deposit the redemption price (including accumulated and unpaid dividends to the redemption date) of the Series A Preferred Shares so called for redemption in trust for the holders thereof with a bank or trust company, in which case the

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redemption notice to holders of the Series A Preferred Shares to be redeemed shall (A) state the date of such deposit, (B) specify the office of such bank or trust company as the place of payment of the redemption price and (C) require such holders to surrender the certificates representing such shares at such place on or about the date fixed in such redemption notice (which may not be later than the redemption date) against payment of the redemption price (including all accumulated and unpaid dividends to the redemption date). Any monies so deposited which remain unclaimed by the holders of the Series A Preferred Shares at the end of two years after the redemption date shall be returned by such bank or trust company to the Corporation.

(g) Any Series A Preferred Shares that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Stock, without further designation as to series or class until such shares are once more designated as part of a particular series or class by the Board.

(6) VOTING RIGHTS.

(a) Holders of the Series A Preferred Shares will not have any voting rights, except as set forth below.

(b) Whenever dividends on any Series A Preferred Shares shall remain unpaid for six or more quarterly periods (whether or not consecutive) (a "Preferred Dividend Default"), the holders of such Series A Preferred Shares (voting as a single class with all other equity securities of the Corporation ranking on a parity with the Series A Preferred Shares as to dividends and upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation ("Parity Preferred Stock") upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of two additional directors of the Corporation (the "Preferred Stock Directors"), who will be elected for a one-year term and until their successors are duly elected and shall qualify (or until such director's right to hold such office terminates

as provided herein, whichever occurs earlier, subject to such director's earlier death, disqualification, resignation or removal), at a special meeting called by the holders of at least 20% of the outstanding Series A Preferred Shares or the holders of shares of any other class or series of Parity Preferred Stock with respect to which dividends are so unpaid (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of stockholders) or, if the request for a special meeting is received by the Corporation less than 90 days before the date fixed for the next annual or special meeting of stockholders, at the next annual or special meeting of stockholders, and at each subsequent annual meeting until all dividends accumulated on the Series A Preferred Shares for all past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment in full.

(c) If and when all accumulated dividends and the dividend for the then current dividend period on the Series A Preferred Shares shall have been paid in full or declared by the Corporation and set aside for payment in full, the holders of Series A Preferred Shares shall be divested of the voting rights set forth in Section 6(b) hereof (subject to reversion in the event of

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each and every Preferred Dividend Default) and, if all accumulated dividends and the dividend for the then current dividend period have been paid in full or declared by the Corporation and set aside for payment in full on all other classes or series of Parity Preferred Stock upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Stock Director so elected shall forthwith terminate. Any Preferred Stock Director elected by the holders of Series A Preferred Shares and any other such Parity Preferred Shares may be removed at any time with or without cause by the vote of, and shall not be removed otherwise than by the vote of, the holders of a majority of the outstanding Series A Preferred Shares when they only have the voting rights set forth, or like those set forth, in Section 6(b) hereof and by the majority vote of the Series A Preferred Shares and all other classes or series of Parity Preferred Stock upon which like voting rights have been conferred and are exercisable (voting as a single class) when the Series A Preferred Shares and such Parity Preferred Stock is entitled to vote thereon. So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Stock Director so elected may be filled by written consent of the Preferred Stock Director so elected remaining in office, or if none remains in office, by a vote of the holders of a majority of the outstanding Series A Preferred Shares when they only have the voting rights set forth, or like those set forth, in Section 6(b) and by the majority vote of the Series A Preferred Shares and other classes or series of Parity Preferred Stock upon which like voting rights have been conferred and are exercisable (voting as a single class) when the Series A Preferred Shares and such Parity Preferred Stock is entitled to vote thereon.

(d) So long as any Series A Preferred Shares remain outstanding, the Corporation shall not, without the affirmative vote or consent of the holders of at least two-thirds of the Series A Preferred Shares outstanding at the time, given in person or by proxy, either in writing or at a meeting (such Series A Preferred Shares voting separately as a class), (i) authorize or create, or increase the authorized or issued amount of, any class or series of stock ranking senior to the Series A Preferred Shares with respect to payment of dividends or the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation or reclassify any authorized shares of the Corporation into any such stock, or create, authorize or issue any obligation or security convertible into exchangeable or exercisable for, or evidencing the right to purchase any such stock; or (ii) amend, alter or repeal the provisions of the Charter (including these Articles Supplementary), whether by merger or consolidation (each and "Event") or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series A Preferred Shares or the holders thereof; provided, however, that with respect to the occurrence of any of the Events set forth in (ii) above, so long as Series A Preferred Shares (or shares issued by a surviving entity in substitution for the Series A Preferred Shares) remain outstanding with the terms thereof materially unchanged, taking into account that upon the occurrence of such an Event, the Corporation may not be the surviving entity, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the holders of the Series A Preferred Shares; and provided further that (x) any increase in the amount of the authorized Preferred Stock or the creation or issuance of any other class or series of Preferred Stock or (y) any increase in the amount of authorized Series A Preferred Shares or any other class or series of Preferred Stock, in

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each case ranking on a parity with or junior to the Series A Preferred Shares

with respect to payment of dividends or the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(e) The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series A Preferred Shares shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

(7) RESTRICTIONS ON OWNERSHIP AND TRANSFER TO PRESERVE TAX BENEFIT.

(a) Definitions. for the purposes of Section 7 of these Articles Supplementary, the following terms shall have the following meanings:

"Beneficial Ownership" shall mean ownership of Series A Preferred Stock by a Person who is or would be treated as an owner of such Series A Preferred Stock either actually or constructively through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

"Charitable Beneficiary" shall mean one or more beneficiaries of a Trust, as determined pursuant to Section 7(c)(vi) of these Articles Supplementary, each of which shall be an organization described in Sections 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

"Code" shall mean the Internal Revenue Code of 1986, as amended. All section references to the Code shall include any successor provisions thereof as may be adopted from time to time.

"Constructive Ownership" shall mean ownership of Series A Preferred Stock by a Person who is or would be treated as an owner of such Series A Preferred Stock either actually or constructively through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

"IRS" means the United States Internal Revenue Service.

"Market Price" shall mean the last reported sales price reported on the New York Stock Exchange of the Series A Preferred Stock on the trading day immediately preceding the relevant date, or if the Series A Preferred Stock is not then traded on the New York Stock Exchange, the last reported sales price of the Series A Preferred Stock on the trading day immediately preceding the relevant

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date as reported on any exchange or quotation system over which the Series A Preferred Stock may be traded, or if the Series A Preferred Stock is not then traded over any exchange or quotation system, then the market price of the Series A Preferred Stock on the relevant date as determined in good faith by the Board of Directors of the Corporation.

"MGCL" shall mean the Maryland General Corporation Law, as amended from time to time, and any successor statute hereafter enacted.

"Ownership Limit" shall mean 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding Series A Preferred Stock of the Corporation.

"Person" shall mean an individual, corporation, partnership, limited liability company, estate, trust (including a trust qualified under Section 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity; but does not include an underwriter acting in a capacity as such in a public offering of shares of Series A Preferred Stock provided that the ownership of such shares of Series A Preferred Stock by such underwriter would not result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, or otherwise result in the Corporation failing to qualify as a REIT.

"Purported Beneficial Transferee" shall mean, with respect to any purported Transfer (or other event) which results in a transfer to a Trust, as provided in Section 7(b)(ii) of these Articles Supplementary, the Purported Record Transferee, unless the Purported Record Transferee would have acquired or owned shares of Series A



Preferred Stock for another Person who is the beneficial transferee or owner of such shares, in which case the Purported Beneficial Transferee shall be such Person.

"Purported Record Transferee" shall mean, with respect to any purported Transfer (or other event) which results in a transfer to a Trust, as provided in Section 7(b)(ii) of these Articles Supplementary, the record holder of the Series A Preferred Stock if such Transfer had been valid under Section 7(b)(i) of these Articles Supplementary.

"REIT" shall mean a real estate investment trust under Sections 856 through 860 of the Code and, for purposes of taxation of the Corporation under applicable state law, comparable provisions of the law of such state.

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"Restriction Termination Date" shall mean the first day after the date hereof on which the Board of Directors of the Corporation determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT.

"Transfer" shall mean any sale, transfer, gift, assignment, devise or other disposition of Series A Preferred Stock, (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Series A Preferred Stock or (ii) the sale, transfer, assignment or other disposition of any securities (or rights convertible into or exchangeable for Series A Preferred Stock), whether voluntary or involuntary, whether such transfer has occurred of record or beneficially or Beneficially or Constructively (including but not limited to transfers of interests in other entities which result in changes in Beneficial or Constructive Ownership of Series A Preferred Stock), and whether such transfer has occurred by operation of law or otherwise.

"Trust" shall mean each of the trusts provided for in Section 7(c) of these Articles Supplementary.

"Trustee" shall mean any Person unaffiliated with the Corporation, or a Purported Beneficial Transferee, or a Purported Record Transferee, that is appointed by the Corporation to serve as trustee of a Trust.

(b) Restriction on Ownership and Transfers.

(i) Prior to the Restriction Termination Date:

(A) except as provided in Section 7(i) of these Articles Supplementary, no Person shall Beneficially Own Series A Preferred Stock in excess of the Ownership Limit;

(B) except as provided in Section 7(i) of these Articles Supplementary, no Person shall Constructively Own Series A Preferred Stock in excess of the Ownership Limit;

(C) no Person shall Beneficially or Constructively Own Series A Preferred Stock which, taking into account any other capital stock of the Corporation Beneficially or Constructively Owned by such Person, would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, or otherwise failing to qualify as a REIT (including but not limited to Beneficial or Constructive Ownership that would result in the Corporation owning (actually or Constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Corporation (either directly or indirectly through one or more partnerships or limited liability companies) from such tenant would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code or comparable provisions of state law).

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(ii) If, prior to the Restriction Termination Date, any Transfer or other event occurs that, if effective, would result in any Person Beneficially or Constructively Owning Series A Preferred Stock in violation of Section 7(b)(i) of these Articles Supplementary, (1) then that number of shares of Series A Preferred Stock that otherwise would cause such Person to violate Section 7(b)(i) of these Articles Supplementary (rounded up to the nearest whole share) shall be automatically transferred to a Trust for the benefit of a Charitable Beneficiary, as described in Section 7(c), effective as of the close of business on the business day prior to the date of such Transfer or other event, and such Purported Beneficial Transferee shall thereafter have no rights in such shares or (2) if, for any reason, the transfer to the Trust described in

clause (1) of this sentence is not automatically effective as provided therein to prevent any Person from Beneficially or Constructively Owning Series A Preferred Stock in violation of Section 7(b) (i) of these Articles Supplementary, then the Transfer of that number of shares of Series A Preferred Stock that otherwise would cause any Person to violate Section 7(b) (i) shall be void ab initio, and the Purported Beneficial Transferee shall have no rights in such shares.

(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.

(c) Transfers of Series A Preferred Stock in Trust.

(i) Upon any purported Transfer or other event described in Section 7(b) (ii) of these Articles Supplementary, such Series A Preferred Stock shall be deemed to have been transferred to the Trustee in his capacity as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the business day prior to the purported Transfer or other event that results in a transfer to the Trust pursuant to Section 7(b) (ii). The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with the Corporation, any Purported Beneficial Transferee, or any Purported Record Transferee. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 7(c) (vi) of these Articles Supplementary.

(ii) Series A Preferred Stock held by the Trustee shall be issued and outstanding Series A Preferred Stock of the Corporation. The Purported Beneficial Transferee or Purported Record Transferee shall have no rights in the shares of Series A Preferred Stock held by the Trustee. The Purported Beneficial Transferee or Purported Record Transferee shall not benefit economically from ownership of any shares held in trust by the Trustee, shall have no rights to dividends and shall not possess any rights to vote or other rights attributable to the shares of Series A Preferred Stock held in the Trust.

(iii) The Trustee shall have all voting rights and rights to dividends with respect to Series A Preferred Stock held in the Trust, which rights shall be exercised for the exclusive

benefit of the Charitable Beneficiary. Any dividend or distribution paid prior to the discovery by the Corporation that shares of Series A Preferred Stock have been transferred to the Trustee shall be paid to the Trustee upon demand, and any dividend or distribution declared but unpaid shall be paid when due to the Trustee with respect to such Series A Preferred Stock. Any dividends or distributions so paid over to the Trustee shall be held in trust for the Charitable Beneficiary.

The Purported Record Transferee and Purported Beneficial Transferee shall have no voting rights with respect to the Series A Preferred Stock held in the Trust and, subject to Maryland law, effective as of the date the Series A Preferred Stock has been transferred to the Trustee, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Purported Record Transferee with respect to such Series A Preferred Stock prior to the discovery by the Corporation that the Series A Preferred Stock has been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Corporation has already taken irreversible corporate action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding any other provision of these Articles Supplementary to the contrary, until the Corporation has received notification that the Series A Preferred Stock has been transferred into a Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies and otherwise conducting votes of stockholders.

(iv) Within 20 days of receiving notice from the Corporation that shares of Series A Preferred Stock have been transferred to the Trust, the Trustee of the Trust shall sell the shares of Series A Preferred Stock held in the Trust to a Person, designated by the Trustee, whose ownership of the shares of Series A Preferred Stock will not violate the ownership limitations set forth in Section 7(b) (i). Upon such sale, the interest of the Charitable Beneficiary in the shares of Series A Preferred Stock sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Purported Record Transferee and to the Charitable Beneficiary as provided in this Section 7(c) (iv). The Purported Record Transferee shall receive the lesser of (1) the price paid by the Purported Record Transferee for the shares of Series A Preferred Stock in

the transaction that resulted in such transfer to the Trust (or, if the event which resulted in the transfer to the Trust did not involve a purchase of such shares of Series A Preferred Stock at Market Price, the Market Price of such shares of Series A Preferred Stock on the day of the event which resulted in the transfer of such shares of Series A Preferred Stock to the Trust) and (2) the price per share received by the Trustee (net of any commissions and other expenses of sale) from the sale or other disposition of the shares of Series A Preferred Stock held in the Trust. Any net sales proceeds in excess of the amount payable to the Purported Record Transferee shall be immediately paid to the Charitable Beneficiary together with any dividends or other distributions thereon. If, prior to the discovery by the Corporation that shares of such Series A Preferred Stock have been transferred to the Trustee, such shares of Series A Preferred Stock are sold by a Purported Record Transferee then (i) such shares of Series A

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Preferred Stock shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Purported Record Transferee received an amount for such shares of Series A Preferred Stock that exceeds the amount that such Purported Record Transferee was entitled to receive pursuant to this Section 7(c)(iv), such excess shall be paid to the Trustee upon demand.

(v) Series A Preferred Stock transferred to the Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price paid by the Purported Record Transferee for the shares of Series A Preferred Stock in the transaction that resulted in such transfer to the Trust (or, if the event which resulted in the transfer to the Trust did not involve a purchase of such shares of Series A Preferred Stock at Market Price, the Market Price of such shares of Series A Preferred Stock on the day of the event which resulted in the transfer of such shares of Series A Preferred Stock to the Trust) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall have the right to accept such offer until the Trustee has sold the shares of Series A Preferred Stock held in the Trust pursuant to Section 7(c)(iv). Upon such a sale to the Corporation, the interest of the Charitable Beneficiary in the shares of Series A Preferred Stock sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Purported Record Transferee and any dividends or other distributions held by the Trustee with respect to such Series A Preferred Stock shall thereupon be paid to the Charitable Beneficiary.

(vi) By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust such that the Series A Preferred Stock held in the Trust would not violate the restrictions set forth in Section 7(b)(i) in the hands of such Charitable Beneficiary.

(d) Remedies For Breach. If the Board of Directors or a committee thereof or other designees if permitted by the MGCL shall at any time determine in good faith that a Transfer or other event has taken place in violation of Section 7(b) of these Articles Supplementary or that a Person intends to acquire, has attempted to acquire or may acquire beneficial ownership (determined without reference to any rules of attribution), Beneficial Ownership or Constructive Ownership of any shares of Series A Preferred Stock of the Corporation in violation of Section 7(b) of these Articles Supplementary, the Board of Directors or a committee thereof or other designees if permitted by the MGCL shall take such action as it deems advisable to refuse to give effect or to prevent such Transfer, including, but not limited to, causing the Corporation to redeem shares of Series A Preferred Stock, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer; provided, however, that any Transfers (or, in the case of events other than a Transfer, ownership or Constructive Ownership or Beneficial Ownership) in violation of Section 7(b)(i) of these Articles Supplementary, shall automatically result in the transfer to a Trust as described in Section 7(b)(ii) and any Transfer in violation of Section 7(b)(iii) shall automatically be void ab initio irrespective of any action (or non-action) by the Board of Directors.

(e) Notice of Restricted Transfer. Any Person who acquires or attempts to acquire shares of Series A Preferred Stock in violation of Section 7(b) of these Articles Supplementary, or any Person who is a Purported Beneficial Transferee such that an automatic transfer to a Trust

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results under Section 7(b)(ii) of these Articles Supplementary, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted Transfer on the Corporation's status as a REIT.

(f) Owners Required To Provide Information. Prior to the Restriction Termination Date each Person who is a beneficial owner or Beneficial Owner or Constructive Owner of Series A Preferred Stock and each Person (including the shareholder of record) who is holding Series A Preferred Stock for a beneficial owner or Beneficial Owner or Constructive Owner shall provide to the Corporation such information that the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT.

(g) Remedies Not Limited. Nothing contained in these Articles Supplementary (but subject to Section 7(1) of these Articles Supplementary) shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its shareholders by preservation of the Corporation's status as a REIT.

(h) Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Section 7 of these Articles Supplementary, including any definition contained in Section 7(a), the Board of Directors shall have the power to determine the application of the provisions of this Section 7 with respect to any situation based on the facts known to it (subject, however, to the provisions of Section 7(1) of these Articles Supplementary). In the event Section 7 requires an action by the Board of Directors and these Articles Supplementary fail to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Section 7. Absent a decision to the contrary by the Board of Directors (which the Board may make in its sole and absolute discretion), if a Person would have (but for the remedies set forth in Section 7(b)) acquired Beneficial or Constructive Ownership of Series A Preferred Stock in violation of Section 7(b)(i), such remedies (as applicable) shall apply first to the shares of Series A Preferred Stock which, but for such remedies, would have been actually owned by such Person, and second to shares of Series A Preferred Stock which, but for such remedies, would have been Beneficially Owned or Constructively Owned (but not actually owned) by such Person, pro rata among the Persons who actually own such shares of Series A Preferred Stock based upon the relative number of the shares of Series A Preferred Stock held by each such Person.

(i) Exceptions.

(i) Subject to Section 7(b)(i)(C), the Board of Directors, in its sole discretion, may exempt a Person from the limitation on a Person Beneficially Owning shares of Series A Preferred Stock in violation of Section 7(b)(i)(A) if the Board of Directors obtains any representations and undertakings from such Person as are reasonably necessary in the opinion of the Board of Directors to ascertain that no individual's Beneficial Ownership of such shares of Series A Preferred Stock will violate Section 7(b)(i)(A) or that any such violation will not cause the

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Corporation to fail to qualify as a REIT under the Code, and that any violation of such representations or undertaking (or other action which is contrary to the restrictions contained in Section 7(b) of these Articles Supplementary) or attempted violation will result in such Series A Preferred Stock being transferred to a Trust in accordance with Section 7(b)(ii) of these Articles Supplementary.

(ii) Subject to Section 7(b)(i)(C), the Board of Directors, in its sole discretion, may exempt a Person from the limitation on a Person Constructively Owning Series A Preferred Stock in violation of Section 7(b)(i)(B), if the Corporation obtains any representations and undertakings from such Person as are reasonably necessary in the opinion of the Board of Directors to ascertain that such Person does not and will not own, actually or Constructively, an interest in a tenant of the Corporation (or a tenant of any entity owned in whole or in part by the Corporation) that would cause the Corporation to own, actually or Constructively, more than a 9.8% interest (as set forth in Section 856(d)(2)(B) of the Code) in such tenant and that any violation or attempted violation will result in such Series A Preferred Stock being transferred to a Trust in accordance with Section 7(b)(ii) of these Articles Supplementary. Notwithstanding the foregoing, the inability of a Person to make the certification described in this Section 7(i)(ii) shall not prevent the Board of Directors, in its sole discretion, from exempting such Person from the limitation on a Person Constructively Owning Series A Preferred Stock in violation of Section 7(b)(i)(B) if the Board of Directors determines that the resulting application of Section 856(d)(2)(B) of the Code would affect the characterization of less than 0.5% of the gross income (as such term is used in Section 856(c)(2) of the Code) of the Corporation in any taxable year, after taking into account the effect of this sentence with respect to all other Series A Preferred Stock to which this sentence applies.

(iii) Prior to granting any exception pursuant to Section 7(i)(i) or (ii) of these Articles Supplementary, the Board of Directors may require a ruling from the Internal Revenue Service, or an opinion of counsel, in either

case in form and substance satisfactory to the Board of Directors in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

(j) Legends. Each certificate for Series A Preferred Stock shall bear substantially the following legends:

#### CLASS OF STOCK

"THE CORPORATION IS AUTHORIZED TO ISSUE CAPITAL STOCK OF MORE THAN ONE CLASS, CONSISTING OF COMMON STOCK AND ONE OR MORE CLASSES OF PREFERRED STOCK. THE BOARD OF DIRECTORS IS AUTHORIZED TO DETERMINE THE PREFERENCES, LIMITATIONS AND RELATIVE RIGHTS OF ANY CLASS OF PREFERRED STOCK BEFORE THE ISSUANCE OF SHARES OF SUCH CLASS OF PREFERRED STOCK. THE CORPORATION WILL FURNISH, WITHOUT CHARGE, TO ANY STOCKHOLDER MAKING A WRITTEN REQUEST

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THEREFOR, A COPY OF THE CORPORATION'S CHARTER AND A WRITTEN STATEMENT OF THE DESIGNATIONS, RELATIVE RIGHTS, PREFERENCES, CONVERSION OR OTHER RIGHTS, VOTING POWERS, RESTRICTIONS, LIMITATIONS AS TO DIVIDENDS AND OTHER DISTRIBUTIONS, QUALIFICATIONS AND TERMS AND CONDITIONS OF REDEMPTION OF THE STOCK OF EACH CLASS WHICH THE CORPORATION HAS THE AUTHORITY TO ISSUE AND, IF THE CORPORATION IS AUTHORIZED TO ISSUE ANY PREFERRED OR SPECIAL CLASS IN SERIES, (i) THE DIFFERENCES IN THE RELATIVE RIGHTS AND PREFERENCES BETWEEN THE SHARES OF EACH SERIES TO THE EXTENT SET, AND (ii) THE AUTHORITY OF THE BOARD OF DIRECTORS TO SET SUCH RIGHTS AND PREFERENCES OF SUBSEQUENT SERIES. REQUESTS FOR SUCH WRITTEN STATEMENT MAY BE DIRECTED TO THE SECRETARY OF THE CORPORATION AT ITS PRINCIPAL OFFICE."

#### RESTRICTION ON OWNERSHIP AND TRANSFER

"THE SHARES OF SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON BENEFICIAL AND CONSTRUCTIVE OWNERSHIP AND TRANSFER FOR THE PURPOSE OF THE CORPORATION'S MAINTENANCE OF ITS STATUS AS A REAL ESTATE INVESTMENT TRUST UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). SUBJECT TO CERTAIN FURTHER RESTRICTIONS AND EXCEPT AS EXPRESSLY PROVIDED IN THE ARTICLES SUPPLEMENTARY FOR THE SERIES A PREFERRED STOCK, (i) NO PERSON MAY BENEFICIALLY OWN SHARES OF THE CORPORATION'S SERIES A PREFERRED STOCK IN EXCESS OF 9.8% (BY VALUE OR BY NUMBER OF SHARES, WHICHEVER IS MORE RESTRICTIVE) OF THE OUTSTANDING SERIES A PREFERRED STOCK OF THE CORPORATION; (ii) NO PERSON MAY CONSTRUCTIVELY OWN SHARES OF THE CORPORATION'S SERIES A PREFERRED STOCK IN EXCESS OF 9.8% (BY VALUE OR BY NUMBER OF SHARES, WHICHEVER IS MORE RESTRICTIVE) OF THE OUTSTANDING SERIES A PREFERRED STOCK OF THE CORPORATION; (iii) NO PERSON MAY BENEFICIALLY OR CONSTRUCTIVELY OWN SHARES OF THE CORPORATION'S SERIES A PREFERRED STOCK THAT, TAKING INTO ACCOUNT ANY OTHER CAPITAL STOCK OF THE CORPORATION BENEFICIALLY OR CONSTRUCTIVELY OWNED BY SUCH PERSON, WOULD RESULT IN THE CORPORATION BEING "CLOSELY HELD" UNDER SECTION 856(h) OF THE CODE OR OTHERWISE CAUSE THE CORPORATION TO FAIL TO QUALIFY AS A REIT; AND (iv) NO PERSON MAY TRANSFER SHARES OF SERIES A PREFERRED STOCK IF SUCH TRANSFER WOULD RESULT IN

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THE CAPITAL STOCK OF THE CORPORATION BEING OWNED BY FEWER THAN 100 PERSONS. ANY PERSON WHO BENEFICIALLY OR CONSTRUCTIVELY OWNS OR ATTEMPTS TO BENEFICIALLY OR CONSTRUCTIVELY OWN SERIES A PREFERRED STOCK WHICH CAUSES OR WILL CAUSE A PERSON TO BENEFICIALLY OR CONSTRUCTIVELY OWN SERIES A PREFERRED STOCK IN EXCESS OF THE ABOVE LIMITATIONS MUST IMMEDIATELY NOTIFY THE CORPORATION. IF ANY OF THE RESTRICTIONS ON TRANSFER OR OWNERSHIP ARE VIOLATED, THE SERIES A PREFERRED STOCK REPRESENTED HEREBY WILL BE AUTOMATICALLY TRANSFERRED TO THE TRUSTEE OF A TRUST FOR THE BENEFIT OF ONE OR MORE CHARITABLE BENEFICIARIES. IN ADDITION, THE CORPORATION MAY REDEEM SHARES UPON THE TERMS AND CONDITIONS SPECIFIED BY THE BOARD OF DIRECTORS IN ITS SOLE DISCRETION IF THE BOARD OF DIRECTORS DETERMINES THAT OWNERSHIP OR A TRANSFER OR OTHER EVENT MAY VIOLATE THE RESTRICTIONS DESCRIBED ABOVE. FURTHERMORE, UPON THE OCCURRENCE OF CERTAIN EVENTS, ATTEMPTED TRANSFERS IN VIOLATION OF THE RESTRICTIONS DESCRIBED ABOVE MAY BE VOID AB INITIO. ALL TERMS IN THIS LEGEND WHICH ARE DEFINED IN THE ARTICLES SUPPLEMENTARY FOR THE SERIES A PREFERRED STOCK SHALL HAVE THE MEANINGS ASCRIBED TO THEM IN SUCH ARTICLES SUPPLEMENTARY, AS THE SAME MAY BE AMENDED FROM TIME TO TIME, A COPY OF WHICH, INCLUDING THE RESTRICTIONS ON TRANSFER AND OWNERSHIP, WILL BE FURNISHED TO EACH HOLDER OF SERIES A PREFERRED STOCK ON REQUEST AND WITHOUT CHARGE. REQUESTS FOR SUCH A COPY MAY BE DIRECTED TO THE SECRETARY OF THE CORPORATION AT ITS PRINCIPAL OFFICE."

(k) Severability. If any provision of this Section 7 or any application of any such provision is determined to be invalid by any Federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

(l) NYSE. Nothing in this Section 7 shall preclude the settlement of any transaction entered into through the facilities of the New York Stock Exchange. The shares of Series A Preferred Stock that are the subject of such transaction shall continue to be subject to the provisions of this Section 7 after such settlement.

(m) Applicability of Section 7. The provisions set forth in this Section 7 shall apply to the Series A Preferred Stock notwithstanding any contrary provisions of the Series A Preferred Stock provided for elsewhere in these Articles Supplementary.

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(8) CONVERSION. The Series A Preferred Shares are not convertible into or exchangeable for any other property or securities of the Corporation.

FOURTH: The Series A Preferred Shares have been classified and designated by the Board under the authority contained in the Charter.

FIFTH: These Articles Supplementary have been approved by the Board in the manner and by the vote required by law.

SIXTH: These Articles Supplementary shall be effective at the time the State Department of Assessments and Taxation of Maryland accepts these Articles Supplementary for record.

SEVENTH: The undersigned President of the Corporation acknowledges these Articles Supplementary to be the act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

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IN WITNESS WHEREOF, the Corporation has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its President and attested to by its Secretary on this 20th day of July, 1998.

AMB PROPERTY CORPORATION

By:

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Hamid R. Moghadam  
President, Chief Executive Officer  
and Director

[SEAL]

ATTEST:

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David S. Fries  
Secretary

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REVOLVING CREDIT AGREEMENT

dated as of April 16, 1998

Between

AMB PROPERTY, L.P.

and

NATIONSBANK OF TEXAS, N.A.

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EXHIBITS

Exhibit A	Note
Exhibit B	[Reserved]
Exhibit C	[Reserved]
Exhibit D	[Reserved]
Exhibit E	Subsidiary Guaranty

REVOLVING CREDIT AGREEMENT

THIS REVOLVING CREDIT AGREEMENT is dated as of April 16, 1998 by and between AMB PROPERTY, L.P., a Delaware limited partnership (the "Borrower"), and NATIONS BANK OF TEXAS, N.A. ("Lender").

RECITALS

WHEREAS, Borrower and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Agent, COMMERZBANK AKTIENGESELLSCHAFT, LOS ANGELES BRANCH, FLEET NATIONAL BANK, NATIONS BANK OF TEXAS, N.A. and PNC BANK, NATIONAL ASSOCIATION, as Co-Agents, and certain other banks entered into that certain revolving credit facility upon the terms and conditions set forth in that certain Second Amended and Restated Revolving Credit Agreement, dated as of November 26, 1997 (the "Existing Credit Agreement"), and

WHEREAS, the Borrower and the Lender wish to enter into a revolving three month bridge credit facility upon the terms and conditions set forth in this Revolving Credit Agreement (the "Agreement"), as hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereby agree as follows:

AGREEMENT

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.

ARTICLE 1.

DEFINITIONS

SECTION 1.1 Definitions. Any term capitalized in this Agreement and not defined herein shall have the definition given to it in Section 1.1 of the Existing Credit Agreement, subject to the terms of Section 1.4 of this Agreement. Subject to the terms of Section 1.4, any such definition is hereby incorporated herein by this reference. The following terms, as used herein, shall have the following meanings:



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

"Applicable Lending Office" means, (i) in the case of Domestic Loans, Lender's Domestic Lending Office and (ii) in the case of EuroDollar Loans, Lender's Euro-Dollar Lending Office.

"Applicable Margin" means 1.10% with respect to each Euro-Dollar Loan and 0.125% with respect to each Base Rate Loan; provided that from and after the Adjustment Date, the provisions of the definition of "Applicable Margin" in the Existing Credit Agreement shall be incorporated herein by reference and shall be applied, as those provisions require, to increase, and only to increase, the Applicable Margin.

"Closing Date" means April 21, 1998.

"Commitment" means, with respect to this Agreement the amount of Fifty Million Dollars (\$50,000,000).

"Domestic Lending Office" means Lender's office located at its address set forth on the signature pages hereto or such other office as Lender may hereafter designate as its Domestic Lending Office by notice to the Borrower.

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

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

"General Partner Guaranty" means the Unconditional Guaranty Agreement of the General Partner dated as of April 16, 1998 delivered to the Lender in connection with this Agreement.

"Interest Period"

(1) with respect to each Euro-Dollar Borrowing shall have the meaning given to it in the Existing Credit Agreement except that the Interest Period shall be the period commencing on the date of such Borrowing and ending one month thereafter, subject to the provisos set forth in the Existing Credit Agreement.

(2) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending 30 days thereafter, subject to the provisos set forth in the Existing Credit Agreement.

"Loan" means any loan made under the terms of this Agreement.

"Loan Amount" Shall mean the amount of Fifty Million Dollars (\$50,000,000).

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

"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).

"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.

"Obligations" means all obligations, liabilities and indebtedness of every nature of the Borrower, from time to time owing to Lender

under or in connection with this Agreement or any other Loan Document.

"Origination Fee" means .125% of the total Commitment, due and payable on the Closing Date.

"Prime Rate" means the rate of interest publicly announced by Lender in Dallas, Texas from time to time as its Prime Rate.

"Reference Bank" means the principal London offices of Lender.

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

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

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

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SECTION 1.2 Accounting Terms and Determinations. The provisions of Section 1.2 of the Existing Credit Agreement are hereby incorporated into this Agreement by this reference.

SECTION 1.3 Types of Borrowings. The provisions of Section 1.3 of the Existing Credit Agreement are hereby incorporated into this Agreement by this reference.

SECTION 1.4 Effect of Incorporation by Reference. For purposes of application, interpretation, or enforcement of this Agreement, whenever a provision of this Agreement incorporates a provision of the Existing Credit Agreement by reference, the incorporated provision shall be read to apply to this Agreement rather than to the Existing Credit Agreement and the terms used in the provision so incorporated herein shall be read to apply to this Agreement. Specifically, but not by way of limitation, when used in any provision in the Existing Credit Agreement as incorporated herein by reference, the following terms, as they are incorporated herein by reference and for purposes of this Agreement, shall have following meanings: "Agreement" means this Agreement; "Loan" or "Loans" shall mean the Loan or Loans made under the terms of this Agreement; "Bank," "Banks," "Agent," or "Morgan" shall mean Lender; "Note" or "Notes" shall mean the Note or Notes evidencing the Loan referred to in this Agreement; and "Borrower" shall mean Borrower as it is borrowing under the terms of this Agreement. Any term capitalized in any term of the Existing Credit Agreement incorporated herein by reference and defined in this Agreement shall for purposes of this Agreement have the meaning given to it in this Agreement; any exhibit referred to in any provision of the Existing Credit Agreement incorporated herein by reference shall be deemed to refer to any exhibit of the corresponding letter attached to this Agreement; and any cross-reference to any section of the Existing Credit Agreement made in any provision of the Existing Credit Agreement incorporated herein by reference shall be deemed to refer to any provision with the corresponding number in this Agreement. Any provisions of the Existing Credit Agreement incorporated herein by reference shall, as they are applied to this Agreement, survive the Existing Credit Agreement.

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## ARTICLE 2.

### THE CREDIT

SECTION 2.1 Commitment to Lend. During the Term, Lender 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 Lender at any one time outstanding shall not exceed the amount of the 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 five 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)). Upon the expiration of the Term, Lender 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 Lender notice (a "Notice of Borrowing") not later than 1:00 p.m. (Dallas, Texas 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 those matters set forth in Section 2.2(a) through 2.2(d) of the Existing Loan Agreement.

SECTION 2.3 [Reserved.]

SECTION 2.4 Notes. The provisions of Section 2.4 of the Existing Credit Agreement are hereby incorporated into this Agreement by this reference.

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. The provisions of Section 2.6(a) through (d) of the Existing Credit Agreement are hereby incorporated into this Agreement by this reference; except that any reference to an Interest Period of longer than for intervals of three months therein shall mean Interest Periods and Intervals of one month.

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SECTION 2.7 Loan Fee. Borrower shall pay Lender a fee equal to 0.10% of each Borrowing at the time of and as a condition precedent to each Borrowing.

SECTION 2.8 Mandatory Expiration. The term (the "Term") of the Commitment shall terminate and expire on the date which is three months after 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 [Reserved.]

SECTION 2.10 Optional Prepayments. The provisions of Section 2.10 of the Existing Credit Agreement are hereby incorporated into this Agreement by this reference.

SECTION 2.11 General Provisions as to Payments. The provisions of Section 2.11 (a) of the Existing Credit Agreement are hereby incorporated into this Agreement by reference, except that references therein to "New York City" shall mean Dallas, Texas.

SECTION 2.12 Funding Losses. The provisions of Section 2.12 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

SECTION 2.13 Computation of Interest and Fees. The provisions of Section 2.13 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

SECTION 2.14 Use of Proceeds. The provisions of Section 2.14 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

### ARTICLE 3.

#### 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 Lender), each document to be dated the Closing Date unless otherwise indicated:

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

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

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

(d) Lender 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 Lender, and its counsel;

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

(f) Lender 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 Lender 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) [Reserved];

(i) Lender shall have received a Consolidated balance sheet of the Borrower, the General Partner, and their Consolidated Subsidiaries dated December 31, 1997 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.;

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(j) [Reserved];

(k) Lender shall have received for its account (i) the Origination Fee, (ii) all fees due and payable pursuant to Section 2.7 hereof on or before the Closing Date, and (iii) the reasonable fees and expenses accrued through the Closing Date of Sheppard, Mullin, Richter & Hampton LLP;

(l) Lender 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) [Reserved];

(n) [Reserved];

(o) [Reserved];

(p) [Reserved];

(q) [Reserved];

(r) Lender 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) [Reserved];

(t) [Reserved];

(u) [Reserved]; and

(v) Borrower (or the General Partner, as applicable) shall have received at least one (1) Investment Grade Rating, from either S&P or Moody's, or Borrower shall have received the prior written informed consent of Agent and Banks, consenting to Borrower's entering into this Agreement and incurring the recourse debt referred to in this Agreement, in compliance with the terms of Section 5.16 of the Existing Credit Agreement.

SECTION 3.2 Borrowings. The obligation of Lender 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 April 30, 1998;
- (b) receipt by Lender 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 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 Lender, has had or is likely to have a Material Adverse Effect;
- (i) Lender shall have theretofore received duly and validly executed Subsidiary Guaranties from each Wholly-Owned Subsidiary that owns a Borrowing Base Property;

- (j) receipt by Lender 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 with Section 5.9 and containing such information as is required by Section 5.1(c)(i) and (ii);
- (k) receipt by Lender 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
- (l) Lender shall have received for its account all fees due and payable pursuant to Section 2.7 hereof on account of the Borrowing.

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.

#### ARTICLE 4.

##### REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to make the Loan, the Borrower makes each representation and warranty made in Article 4 of the Existing Credit Agreement as if it had been made in and as to this Agreement and the Loan Documents executed in conjunction with this Agreement, and as if it had been made as of the Closing Date. For that purpose, the provisions of Article 4 of the Existing Credit Agreement are hereby incorporated into this Agreement by this reference. Such representations and warranties, shall survive the Closing Date, the execution and delivery of the other Loan Documents and the making of the Loans.

ARTICLE 5.

AFFIRMATIVE AND NEGATIVE COVENANTS

The provisions of Article 5 of the Existing Credit Agreement are hereby incorporated into this Agreement by this reference. The Borrower covenants and agrees that so long as Lender has any Commitment hereunder or any Obligations remain unpaid, Borrower will comply with all of the Affirmative and Negative Covenants of Article 5 of the Existing Credit Agreement as if they had been made in conjunction with this Agreement.

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ARTICLE 6.

DEFAULTS

SECTION 6.1 Events of Default. The provisions of Section 6.1 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference. In addition, to the extent not otherwise provided, any Event of Default under the Existing Credit Agreement, or by Borrower, General Partner or any Subsidiary Guarantor under any other debt or obligation, shall be an Event of Default under this Agreement.

SECTION 6.2 Rights and Remedies. The provisions of Section 6.2 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference. Upon the occurrence of any Event of Default described in Sections 6.1(f) or (g), the Commitment shall immediately terminate and the unpaid principal amount of, and any and all accrued interest on, the Loan 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 (including, without limitation, valuation and appraisal, 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 Lender may, by written notice to the Borrower, terminate the Commitments, and may, in addition to the exercise of all rights and remedies permitted Lender 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 appraisal, 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.

SECTION 6.3 Notices of Default. The provisions of Section 6.3 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

ARTICLE 7.

(Reserved)

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ARTICLE 8.

CHANGE IN CIRCUMSTANCES

The provisions of Article 8 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

ARTICLE 9.

MISCELLANEOUS

SECTION 9.1 Notices. The provisions of Section 9.1 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

SECTION 9.2 No Waivers. The provisions of Section 9.2 of the Existing

Credit Agreement are hereby incorporated into this Agreement by reference.

SECTION 9.3 Expenses; Indemnification.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses of Lender, including, without limitation, fees and disbursements of Sheppard, Mullin, Richter & Hampton LLP, counsel for Lender, as well as fees and disbursements of internal counsel, in connection with the preparation and administration of this Agreement, the Loan Documents and the documents and instruments referred to therein, and further modifications 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 Lender, including fees and disbursements of counsel for Lender, 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 provisions of Section 9.3(b) of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

(c) The provisions of Section 9.3(c) of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

SECTION 9.4 [Reserved.]

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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 Lender.

SECTION 9.6 Successors and Assigns. The provisions of Section 9.6 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

SECTION 9.7 [Reserved.]

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 CALIFORNIA.

(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 California or of the United States of America for the Northern District of California, 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 Lender 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 Marshaling; Recapture. The provisions of Section 9.9 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

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SECTION 9.10 Counterparts; Integration; Effectiveness. The provisions of Section 9.10 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

SECTION 9.11 WAIVER OF JURY TRIAL. BORROWER AND LENDER HEREBY IRREVOCABLY WAIVE 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. The provisions of Section 9.12 of the Existing Credit Agreement are hereby incorporated into this Agreement by reference.

SECTION 9.13 Domicile of Loans. Lender may transfer and carry the Loans at, to or for the account of any domestic or foreign branch office, subsidiary or affiliate of Lender.

SECTION 9.14 Limitation of Liability. No claim may be made by the Borrower or any other Person against Lender 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.

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 "NonRecourse 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 Lender). 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.

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SECTION 9.16 Confidentiality. Lender and Borrower agree that they shall maintain confidentiality with regard to nonpublic information concerning the parties to the Loan Documents obtained pursuant to this Agreement and shall not disclose the existence or terms of the Loan Documents, provided the parties shall not be precluded from making disclosure regarding such information: (i) the parties' 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 the parties 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) as to Lender, to any entity participating or considering participating in any credit made under this Agreement, to any affiliate of Lender (including but not limited to NationsBanc Montgomery Securities, LLC), to any person having regulatory authority over Lender, and to any other person as necessary or appropriate in Lender's reasonable judgment, provided, Lender shall, to the extent applicable, require that any such entity be subject to this Section 9.16, however, Lender shall have no duty to monitor any such person and shall have no liability in the event that any such person 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, the parties shall be entitled to the equitable remedies of specific performance and injunctive relief against the other parties which shall breach the confidentiality provisions of this Section 9.16.

SECTION 9.17 Effect of Loan Documents on Existing Credit Agreement. Nothing herein contained shall modify, amend, or alter the terms and conditions of the Existing Credit Agreement.

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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, its sole general partner

By: /s/ JOHN T. ROBERTS, JR.

-----  
Name: John T. Roberts, Jr.

-----  
Title: VP Capital Markets, Treasurer  
-----

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

505 Montgomery Street  
San Francisco, CA 94111  
Attention: Chief Financial Officer  
Facsimile No.: (415) 393-9001

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NATIONSBANK OF TEXAS, N.A.

By: /s/ DONALD H. MOSES

-----  
Name: Donald H. Moses

-----  
Title: Senior Vice President  
-----

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

DOMESTIC AND EURO-DOLLAR LENDING OFFICE:

NationsBank of Texas, N.A  
901 Main Street, 51st Floor  
Dallas, Texas 75202-3714  
Attention: John Hall  
Facsimile: (214) 508-0085

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EXHIBIT A

FORM OF NOTE

NOTE

\$ \_\_\_\_\_

San Francisco, California  
\_\_\_\_\_, 1998

For value received, AMB Property, L.P., a Delaware limited partnership (the "Borrower"), promises to pay to the order of NationsBank of Texas, N.A. (the "Lender"), for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Lender 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 Lender at 901 Main Street, 51st Floor, Dallas, Texas 75202-3714.

All Loans made by the Lender, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Lender and, if the Lender 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 Lender 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 Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

A-1

This note is one of the Notes referred to in the Revolving Credit Agreement dated as of April 16, 1998 between the Borrower and NationsBank of Texas, N.A. (the "Credit Agreement"). Terms defined in the Credit Agreement are used 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, or 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 Lender). 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, its sole  
general partner

By: \_\_\_\_\_

\_\_\_\_\_  
[Printed Name and Title]

By: \_\_\_\_\_

\_\_\_\_\_  
[Printed Name and Title]

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Note (Cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

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Amount of

Date	Amount of Loan	Type of Loan	Principal Repaid	Maturity Date	Notation Made By
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EXHIBIT B

(Reserved)

B-1

EXHIBIT C

[Reserved]

C-1

EXHIBIT D

[Reserved]

D-1

EXHIBIT E

SUBSIDIARY GUARANTY

E-1

UNCONDITIONAL GUARANTY AGREEMENT

THIS UNCONDITIONAL GUARANTY AGREEMENT (this "Guaranty"), dated as of April 16, 1998 is made jointly and severally by AMB PROPERTY II, L.P. and LONG GATE LLC (each, a "Guarantor" and collectively, the "Guarantors") for the benefit of NATIONSBANK OF TEXAS, N.A. ("Lender"), and is made with reference to

that certain Revolving Credit Agreement (the "Credit Agreement"), dated as of April 16, 1998 among AMB Property, L.P. (the "Borrower"), and Lender.

Capitalized terms not otherwise defined in this Guaranty shall have the meanings ascribed to them in the Credit Agreement.

WITNESSETH:

WHEREAS, pursuant to the terms of the Credit Agreement, Lender has agreed to make loans (collectively, the "Loan") to the Borrower from time to time in amounts such that the aggregate principal amount outstanding shall not exceed Fifty Million Dollars (the "Loan Amount") to be used by the Borrower for the Approved Uses;

WHEREAS: (i) Guarantors are Wholly-Owned Subsidiaries of the Borrower that own (or will own) certain Borrowing Base Properties as that term is defined in the Existing Credit Agreement and Guarantor's will be the direct and indirect beneficiary of the Borrower's rights and obligations under the Credit Agreement and (ii) pursuant to the Credit Agreement, it is a condition of the Loans that the Guarantors execute and deliver this Guaranty; and

WHEREAS, in order to induce Lender to make the Loans to Borrower, and to satisfy one of the conditions contained in the Credit Agreement with respect thereto, the Guarantors have agreed to enter into this Guaranty.

NOW THEREFORE, in consideration of the premises and the direct and indirect benefits to be derived from the making of the Loan by Lender to the Borrower, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Guarantors hereby agree as follows:

1. Each Guarantor, on behalf of itself and its successors and assigns, hereby irrevocably, absolutely, and unconditionally guarantees the full and punctual

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payment when due, whether at stated maturity or otherwise, of all Obligations now or hereafter existing under Credit Agreement, the Notes, or under any of the other Loan Documents (such obligations being the "Guaranteed Obligations"), and any and all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by Lender in enforcing its rights under this Guaranty.

2. It is agreed that the obligations of each Guarantor hereunder are primary and this Guaranty shall be enforceable against each Guarantor and its successors and assigns without the necessity for any suit or proceeding of any kind or nature whatsoever brought by Lender against the Borrower or its respective successors or assigns or any other party or against any security for the payment and performance of the Guaranteed Obligations and, except as set forth in the Credit Agreement and the Notes, without the necessity of any notice of non-payment or non-observance or of any notice of acceptance of this Guaranty or of any notice or demand to which either Guarantor might otherwise be entitled (including, without limitation, diligence, presentment, notice of maturity, extension of time, change in nature or form of the Guaranteed Obligations, acceptance of further security, release of further security, imposition or agreement arrived at as to the amount of or the terms of the Guaranteed Obligations, notice of adverse change in the Borrower's financial condition or the condition of the Borrowing Base Properties and any other fact which might materially increase the risk to the Guarantors), all of which each Guarantor hereby expressly waives; and each Guarantor hereby expressly agrees that the validity of this Guaranty and the obligations of each Guarantor hereunder shall in no way be terminated, affected, diminished, modified or impaired by reason of the assertion of or the failure to assert by Lender against the Borrower or its respective successors or assigns, any of the rights or remedies reserved to Lender pursuant to the provisions of the Loan Documents. Each Guarantor hereby agrees that any notice or directive given at any time to Lender which is inconsistent with the waiver in the immediately preceding sentence shall be void and may be ignored by Leader, and, in addition, may not be pleaded or introduced as evidence in any litigation relating to this Guaranty for the reason that such pleading or introduction would be at variance with the written terms of this Guaranty, unless Lender has specifically agreed otherwise in a writing, signed by a duly authorized officer. Each Guarantor specifically acknowledges and agrees that the foregoing waivers are of the essence of this transaction and that, but for this Guaranty and such waivers, Lender would not permit the assumption of the Credit Agreement by, or make the Loan to, the Borrower.

3. Each Guarantor hereby waives, and covenants and agrees that it will not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of, any and all appraisal, valuation, stay, extension,

marshaling-of-assets or redemption laws, or right of homestead or exemption whether now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance by any Guarantor of its obligations under, or the enforcement by Lender of, this Guaranty. Each Guarantor further covenants and agrees not to set up or claim any defense, counterclaim, offset, set-off or other objection of any kind to any action, suit or proceeding in law, equity or otherwise, or to any demand or claim that may be instituted or made by Lender other than the defense of the actual timely payment and performance by the Borrower of the Guaranteed Obligations hereunder or any defense to which Borrower is otherwise entitled. Each Guarantor represents, warrants and agrees that, as of the date hereof, its obligations under this Guaranty are not subject to any counterclaims, offsets or defenses against Lender of any kind.

4. The provisions of this Guaranty are for the benefit of Lender and its successors and permitted assigns, and nothing herein contained shall impair as between the Borrower and Lender the obligations of the Borrower under the Loan Documents.

5. This Guaranty shall be a continuing, unconditional and absolute guaranty and the liability of each Guarantor hereunder shall in no way be terminated, affected, modified, impaired or diminished by reason of the happening, from time to time, of any of the following, although without notice or the further consent of either Guarantor:

(a) any assignment, amendment, modification or waiver of or change in any of the terms, covenants, conditions or provisions of any of the Guaranteed Obligations or the Loan Documents or the invalidity or unenforceability of any of the foregoing; or

(b) any extension of time that may be granted by Lender to the Borrower, any guarantor, or their respective successors or assigns, heirs, executors, administrators or personal representatives; or

(c) any action which Lender may take or fail to take under or in respect of any of the Loan Documents or by reason of any waiver of, or failure to enforce any of the rights, remedies, powers or privileges available to Lender under this Guaranty or available to Lender at law, equity or otherwise, or any action on the part of Lender granting indulgence or extension in any form whatsoever; or

(d) any sale, exchange, release, or other disposition of any property pledged, mortgaged or conveyed, or any property in which Lender has been granted a lien or security interest to secure any indebtedness of the Borrower to Lender; or

(e) any release of any person or entity who may be liable in any manner for the payment and collection of any amounts owed by the Borrower to Lender (including any guarantor); or

(f) the application of any sums by whomsoever paid or however realized to any amounts owing by the Borrower to Lender under the Loan Documents in such manner as Lender shall determine in its sole discretion; or

(g) the Borrower's or any guarantor's voluntary or involuntary liquidation, dissolution, sale of all or substantially all of their respective assets and liabilities, appointment of a trustee, receiver, liquidator, sequestrator or conservator for all or any part of the Borrower's or such guarantor's assets, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment or the commencement of other similar proceedings affecting the Borrower or any guarantor or any of the assets of any of them, including, without limitation, (i) the release or discharge of the Borrower or any guarantor from the payment and performance of their respective obligations under any of the Loan Documents by operation of law, or (ii) the impairment, limitation or modification of the liability of the Borrower or any guarantor in bankruptcy, or of any remedy for the enforcement of the Guaranteed Obligations under any of the Loan Documents, or any guarantor's liability under any guaranty

(including the liability of each Guarantor under this Guaranty), resulting from the operation of any present or future provisions of the Bankruptcy Code or other present or future federal, state or applicable statute or law or from the decision in any court; or

(h) any improper disposition by the Borrower of the proceeds of the Loan, it being acknowledged by Guarantors that Lender shall be entitled to honor any request made by the Borrower for a disbursement of such proceeds and that Lender shall have no obligation to see the proper disposition by the Borrower of such proceeds.

6. Each Guarantor hereby agrees that if at any time all or any part of any payment at any time received by Lender from the Borrower under any of the Notes

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or other Loan Documents or any Guarantor under or with respect to this Guaranty is or must be rescinded or returned by Lender for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of the Borrower or any Guarantor), then each Guarantor's obligations hereunder shall, to the extent of the payment rescinded or returned, be deemed to have continued in existence notwithstanding such previous receipt by Lender, and each Guarantor's obligations hereunder shall continue to be effective or reinstated, as the case may be, as to such payment, as though such previous payment to Lender had never been made. In addition, if any court of competent jurisdiction determines that the incurrence by either Guarantor of its obligations under this Guaranty or the payment by either Guarantor of its obligations hereunder is or would be voidable as a fraudulent transfer or conveyance under section 548 of the Bankruptcy Code, any analogous state law, or any other law relating to debtor protection or creditors' rights, the obligation of that Guarantor hereunder shall automatically be reduced to the maximum amount (if any) of the obligation that the Guarantor could incur or pay without such incurrence or payment being subject to avoidance as a fraudulent transfer or conveyance.

7. Until this Guaranty is terminated pursuant to the terms hereof, the Guarantors (i) shall have no right of subrogation against the Borrower or any entity comprising same or each other by reason of any payments or acts of performance by any Guarantor in compliance with the obligations of each Guarantor hereunder; (ii) hereby waive any right to enforce any remedy which any Guarantor now or hereafter shall have against the Borrower or any entity comprising same or each other by reason of any one or more payment or acts of performance in compliance with the obligations of any Guarantor hereunder; and (iii) shall subordinate any liability or indebtedness of the Borrower or any guarantor or any entity comprising same now or hereafter held by any Guarantor to the obligations of the Borrower under the Loan Documents.

8. Each Guarantor hereby represents and warrants on its own behalf to Lender with the knowledge that Lender is relying upon the same, as follows:

(a) as of the date hereof, such Guarantor is a direct Wholly-Owned Subsidiary of the Borrower and is familiar with the financial condition of Borrower;

(b) based upon such relationship, such Guarantor has determined that it is in its best interest to enter into this Guaranty;

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(c) this Guaranty is necessary and convenient to the conduct, promotion and attainment of such Guarantor's business, and is in furtherance of such Guarantor's business purposes;

(d) the benefits to be derived by such Guarantor from the Borrower's access to funds made possible by the Loan Documents are at least equal to the obligations of such Guarantor undertaken pursuant to this Guaranty;

(e) Each Guarantor is solvent and has full partnership or limited liability company (as applicable) power and legal right to enter into this Guaranty and to perform its obligations under the terms hereof and (i) such Guarantor is organized and validly existing under the laws of the state of its formation and in



If to Lender: NationsBank of Texas, N.A.  
901 Main Street 51st Floor  
Dallas, Texas 75202-3714  
Attention: John Hall

17. This Guaranty shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of Lender and its successors and assigns.

18. The failure of Lender to enforce any right or remedy hereunder, or promptly to enforce any such right or remedy, shall not constitute a waiver thereof, nor give rise to any estoppel against Lender, nor excuse any Guarantor from its obligations hereunder. Any waiver of any such right or remedy to be enforceable against Lender must be expressly set forth in a writing signed by Lender.

19. (a) THIS GUARANTY AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

(b) Any legal action or proceeding with respect to this Guaranty and any action for enforcement of any judgment in respect thereof may be brought in the courts of the State of California or of the United States of America for the Northern District of California, and, by execution and delivery of this Guaranty, Guarantor 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. Each Guarantor irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to Guarantor at the address for notices set forth herein. Guarantor hereby irrevocably waives 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 Guaranty brought in the courts referred to above and hereby further irrevocably waives 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 Lender to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against any Guarantor in any other jurisdiction.

(c) EACH OF THE GUARANTORS AND LENDER EACH HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY AND ALL CLAIMS OR CAUSES OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTY. IT IS HEREBY ACKNOWLEDGED BY EACH GUARANTOR THAT THE WAIVER OF A JURY TRIAL IS A MATERIAL INDUCEMENT FOR LENDER TO ACCEPT THIS GUARANTY AND THAT THE LOAN MADE BY LENDER ARE MADE IN RELIANCE UPON SUCH WAIVER. EACH GUARANTOR FURTHER WARRANTS AND REPRESENTS THAT SUCH WAIVER HAS BEEN KNOWINGLY AND VOLUNTARILY MADE, FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS GUARANTY MAY BE FILED BY LENDER IN COURT AS A WRITTEN CONSENT TO A NON-JURY TRIAL.

(d) Each Guarantor does hereby further covenant and agree with Lender that each Guarantor may be joined in any action against the Borrower in connection with the Loan Documents and that recovery may be had against the Guarantors in such action or in any independent action against either or both of Guarantors (with respect to the Guaranteed Obligations), without Lender first pursuing or exhausting any remedy or claim against the Borrower or its successors or assigns. Each Guarantor also agrees that, in an action brought with respect to the Guaranteed Obligations in any jurisdiction, it shall be conclusively bound by the judgment in any such action by Lender (wherever brought) against the Borrower or its successors or assigns, as if each Guarantor were a party to such action, even though one or both of Guarantors were not joined as parties in such action.

(e) Each Guarantor hereby jointly and severally agrees to pay all expenses (including, without limitation, attorneys' fees and disbursements) which may be incurred by Lender in connection with the enforcement of its rights under this Guaranty, whether or not suit is initiated; provided, however, that such expenses shall be paid by Lender if a final judgment in favor of both Guarantors (or one Guarantor if only a single Guarantor was a party to the action in which such judgment was rendered) is rendered by a court of competent jurisdiction (the "Enforcement Costs"). Moreover, both Guarantors covenant and agree to indemnify and save Lender harmless of and from, and defend it against, all losses, costs, liabilities, expenses, damages or claims arising by reason of any Guarantor's failure to



perform its obligations hereunder (the "Indemnification Costs").

20. All obligations, covenants and agreements of the Guarantors contained in or evidenced by this Guaranty shall be fully recourse (jointly and severally) to the Guarantors and each and every asset of the Guarantors.

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21. Each of the Guarantors acknowledges and agrees that it has jointly and severally guaranteed to Lender, the prompt and unconditional payment of the Guaranteed Obligations, the Enforcement Costs and the Indemnification Costs. Each Guarantor acknowledges and agrees that Lender, in its sole discretion, may enforce this Guaranty against either (or both) of the Guarantors for the entire amount of the Guaranteed Obligations without first or ever making a demand upon or commencing or pursuing an action against the other Guarantor, the Borrower or any other guarantor.

22. All of Lender's rights and remedies under each of the Loan Documents or under this Guaranty are intended to be distinct, separate and cumulative and no such right or remedy therein or herein mentioned is intended to be in exclusion of or a waiver of any other right or remedy available to Lender.

23. This Guaranty shall remain in full force and effect until the payment in full of all of the Guaranteed Obligations at which time (subject to Section 6 above) the Guarantors' obligations hereunder shall be deemed fully discharged, and the Guarantors shall have no further liability under this Guaranty.

IN WITNESS WHEREOF, the undersigned have caused this Guaranty to be duly executed and delivered as of the date first set forth above.

GUARANTORS:

AMB PROPERTY II, L.P.

By: \_\_\_\_\_  
\_\_\_\_\_  
[Printed Name and Title]

LONG GATE LLC

By: \_\_\_\_\_  
\_\_\_\_\_  
[Printed Name and Title]

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