

REGISTRATION NO. 333-58107

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-11  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

<TABLE>

<S>	<C>	<C>
	AMB PROPERTY CORPORATION	
	(EXACT NAME OF ISSUER OF THE SERIES A PREFERRED STOCK AS SPECIFIED IN ITS CHARTER)	
	MARYLAND	94-3281941
	(STATE OR OTHER	(I.R.S. EMPLOYER
	JURISDICTION	IDENTIFICATION NO.)
	OF INCORPORATION)	

</TABLE>

505 MONTGOMERY STREET  
SAN FRANCISCO, CALIFORNIA 94111  
(415) 394-9000

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE AND TELEPHONE NUMBER)

S. DAVIS CARNIGLIA  
MANAGING DIRECTOR AND  
CHIEF FINANCIAL OFFICER  
AMB PROPERTY CORPORATION  
505 MONTGOMERY STREET  
SAN FRANCISCO, CALIFORNIA 94111  
(415) 394-9000

(NAME, ADDRESS AND TELEPHONE NUMBER OF AGENT FOR SERVICE)

COPIES TO:

<TABLE>

<S>	<C>	<C>
	JEFFREY T. PERO, ESQ. J. SCOTT HODGKINS, ESQ. LAURA L. GABRIEL, ESQ. LATHAM & WATKINS 505 MONTGOMERY STREET SAN FRANCISCO, CALIFORNIA 94111 (415) 391-0600	KENNETH M. DORAN, ESQ. GIBSON, DUNN & CRUTCHER LLP 333 SOUTH GRAND AVENUE LOS ANGELES, CALIFORNIA 90071 (213) 229-7000

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:  
As soon as practicable after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

-----  
 THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.  
 -----  
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CROSS REFERENCE SHEET

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FORM S-11 ITEM NO. AND HEADING -----	LOCATION OR HEADING IN PROSPECTUS -----
<C> <S>	<C>
1. Forepart of Registration Statement and Outside Front Cover Page of Prospectus.....	Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front Cover Page; Outside Back Cover Page
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; Risk Factors
4. Determination of Offering Price.....	Underwriters
5. Dilution.....	Not Applicable
6. Selling Security Holders.....	Not Applicable
7. Plan of Distribution.....	Underwriters
8. Use of Proceeds.....	Use of Proceeds
9. Selected Financial Data.....	Selected Financial and Other Data
10. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	Management's Discussion and Analysis of Financial Condition and Results of Operations
11. General Information as to Registrant.....	Prospectus Summary; Business and Properties; Management; Principal Stockholders; Description of Certain Provisions of the Partnership Agreement of the Operating Partnership
12. Policy with Respect to Certain Activities.....	Policies With Respect to Certain Activities
13. Investment Policies of Registrant.....	Policies With Respect to Certain Activities
14. Description of Real Estate.....	Management's Discussion and Analysis of Financial Condition and Results of Operations; Business and Properties
15. Operating Data.....	Business and Properties
16. Tax Treatment of Registrant and Its Security Holders.....	Material Federal Income Tax Consequences
17. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters....	Risk Factors; Price Range of Common Stock and Distribution History; Principal Stockholders
18. Description of Registrant's Securities.....	Description of Capital Stock; Series A Preferred Stock
19. Legal Proceedings.....	Business and Properties; Legal Proceedings
20. Security Ownership of Certain Beneficial Owners and Management.....	Principal Stockholders
21. Directors and Executive Officers.....	Management
22. Executive Compensation.....	Management

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<C> <S>	<C>
23. Certain Relationships and Related Transactions...	Risk Factors; Business and Properties; Management; Certain Relationships and Related Transactions; Principal Stockholders
24. Selection, Management and Custody of Registrant's Investments.....	Risk Factors; Business and Properties; Policies With Respect to Certain Activities
25. Policies with Respect to Certain Transactions....	Risk Factors; Business and Properties; Policies With Respect to Certain Activities; Management; Certain Relationships and Related Transactions; Principal Stockholders
26. Limitations of Liability.....	Management; Description of Certain Provisions of the Partnership Agreement of the Operating Partnership
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28. Interests of Named Experts and Counsel.....	Not Applicable
29. Disclosure of Commission Position on Indemnification for Securities Act Liabilities...	Not Applicable

30. Quantitative and Qualitative Disclosures About  
Market Risk..... Risk Factors  
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THIS PROSPECTUS AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION OR AMENDMENT WITHOUT NOTICE. THESE SECURITIES MAY NOT BE SOLD NOR MAY AN OFFER TO BUY BE ACCEPTED PRIOR TO THE TIME THE PROSPECTUS IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH JURISDICTIONS.

Prospectus (Subject to Completion)

Issued July 13, 1998

4,000,000 Shares

AMB Property Corporation [AMB LOGO]  
% SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK  
(\$ .01 par value per share)  
(Liquidation Preference \$25.00 Per Share)  
-----

DIVIDENDS ON THE % SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK, \$.01 PAR VALUE PER SHARE (THE "SERIES A PREFERRED STOCK"), OFFERED HEREBY (THE "OFFERING") OF AMB PROPERTY CORPORATION (THE "COMPANY"), A MARYLAND CORPORATION, ARE CUMULATIVE FROM THE DATE OF ORIGINAL ISSUE AND ARE PAYABLE QUARTERLY IN ARREARS ON THE 15TH DAY OF JANUARY, APRIL, JULY AND OCTOBER OF EACH YEAR, COMMENCING ON OCTOBER 15, 1998, AT THE RATE OF % OF THE LIQUIDATION PREFERENCE PER ANNUM (EQUIVALENT TO \$ PER ANNUM PER SHARE OF SERIES A PREFERRED STOCK). SEE "SERIES A PREFERRED STOCK -- DIVIDENDS."

THE SERIES A PREFERRED STOCK WILL NOT BE REDEEMABLE PRIOR TO SEPTEMBER , 2003. ON AND AFTER SEPTEMBER , 2003, THE SERIES A PREFERRED STOCK WILL BE REDEEMABLE BY THE COMPANY, IN WHOLE OR FROM TIME TO TIME IN PART, AT THE OPTION OF THE COMPANY, FOR CASH, AT A REDEMPTION PRICE OF \$25.00 PER SHARE, PLUS ACCUMULATED AND UNPAID DIVIDENDS THEREON, IF ANY, TO THE REDEMPTION DATE. THE REDEMPTION PRICE OF THE SERIES A PREFERRED STOCK (OTHER THAN THE PORTION THEREOF CONSISTING OF ACCUMULATED AND UNPAID DIVIDENDS) WILL BE PAYABLE SOLELY OUT OF THE SALE PROCEEDS OF OTHER EQUITY SECURITIES OF THE COMPANY, WHICH MAY INCLUDE OTHER CLASSES AND SERIES OF PREFERRED SHARES, AND FROM NO OTHER SOURCE. THE SERIES A PREFERRED STOCK HAS NO STATED MATURITY, WILL NOT BE SUBJECT TO MANDATORY REDEMPTION OR ANY SINKING FUND AND WILL NOT BE CONVERTIBLE INTO ANY OTHER SECURITIES OF THE COMPANY. HOWEVER, THE COMPANY MAY PURCHASE SERIES A PREFERRED STOCK AT ANY TIME IN CERTAIN CIRCUMSTANCES RELATING TO THE MAINTENANCE OF ITS ABILITY TO QUALIFY AS A REIT FOR FEDERAL INCOME TAX PURPOSES. SEE "SERIES A PREFERRED STOCK -- REDEMPTION."

IN ORDER TO ASSIST THE COMPANY IN MAINTAINING ITS QUALIFICATION AS A REIT FOR FEDERAL INCOME TAX PURPOSES, OWNERSHIP, ACTUALLY OR CONSTRUCTIVELY, BY ANY PERSON OF MORE THAN 9.8% IN VALUE OR NUMBER (WHICHEVER IS MORE RESTRICTIVE) OF THE SERIES A PREFERRED STOCK IS RESTRICTED BY THE COMPANY'S ARTICLES OF INCORPORATION. SEE "SERIES A PREFERRED STOCK -- RESTRICTIONS ON OWNERSHIP AND TRANSFER."  
-----

APPLICATION HAS BEEN MADE TO LIST THE SERIES A PREFERRED STOCK ON THE NEW YORK STOCK EXCHANGE (THE "NYSE"), SUBJECT TO OFFICIAL NOTICE OF ISSUANCE, UNDER THE SYMBOL "AMB PF A." IF SO APPROVED, TRADING ON THE NYSE IS EXPECTED TO COMMENCE WITHIN A 30-DAY PERIOD AFTER THE DATE OF INITIAL DELIVERY OF THE SERIES A PREFERRED STOCK.  
-----

SEE "RISK FACTORS" BEGINNING ON PAGE 14 HEREIN FOR CERTAIN FACTORS RELEVANT TO AN INVESTMENT IN THE SHARES OF SERIES A PREFERRED STOCK, INCLUDING:

- - The Company may be unable to pay dividends on the Series A Preferred Stock if the Company is unable to renew leases at favorable rental rates upon expiration or pay tenant improvement costs in connection therewith, if the Properties do not generate revenue sufficient to meet operating expenses and fixed charges (including debt service and Series A Preferred Stock dividends), or if the Company is unable to sell Properties when necessary.
- - The Company may not have sufficient cash flow to pay dividends on the Series A Preferred Stock if the Company incurs additional indebtedness, or is unable to repay, extend or refinance existing indebtedness.
- - The Company's cash flow and ability to pay dividends on the Series A Preferred Stock would be adversely affected if principal payments on the Company's debt due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions.
- - Increased interest expense on the Company's variable-rate indebtedness would

adversely affect cash flow and the Company's ability to pay dividends on the Series A Preferred Stock if prevailing interest rates increase or other factors result in higher interest rates.

- REIT distribution requirements may limit the Company's ability to finance future acquisitions, expansions and developments without additional debt or equity financing necessary to achieve the Company's business plan, which in turn may adversely affect the price of the Series A Preferred Stock.
- The involvement of certain officers and directors in other real estate activities could divert management's attention from the day-to-day operations of the Company.
- Contingent or undisclosed liabilities acquired in mergers, property acquisitions or other similar transactions could adversely affect the Company's results of operations, financial condition, cash flow and ability to pay dividends on the Series A Preferred Stock.
- The influence of Executive Officers, directors and significant stockholders on the Company's operations could result in management taking action which is not in the best interests of all of the Company's stockholders.
- Taxation of the Company as a corporation if it fails to qualify as a REIT for Federal income tax purposes could result in a decrease in cash available to pay dividends on the Series A Preferred Stock.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE \$25 A SHARE

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TO	PRICE TO PUBLIC (1)	UNDERWRITING DISCOUNTS AND COMMISSIONS (2)	PROCEEDS COMPANY (1)
(3)			
<S>	<C>	<C>	<C>
Per Share.....	\$	\$	\$
Total(4).....	\$	\$	\$

- (1) Plus accumulated dividends, if any, from the date of original issuance.
- (2) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriters."
- (3) Before deducting expenses payable by the Company estimated at \$1,000,000.
- (4) The Company has granted to the Underwriters an option, exercisable within 30 days of the date hereof, to purchase up to an additional 600,000 shares of Series A Preferred Stock solely to cover over-allotments, if any. If this option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be \$ \_\_\_\_\_, \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively. See "Underwriters."

The shares of Series A Preferred Stock are offered, subject to prior sale, when, as, and if accepted by the Underwriters, and subject to approval of certain legal matters by Gibson, Dunn & Crutcher LLP, counsel for the Underwriters. It is expected that delivery of the Series A Preferred Stock will be made on or about \_\_\_\_\_, 1998, at the offices of Morgan Stanley & Co. Incorporated, New York, New York, against payment therefor in immediately available funds.

MORGAN STANLEY DEAN WITTER

A.G. EDWARDS & SONS, INC.

MERRILL LYNCH & CO.

PAINWEBBER INCORPORATED

SALOMON SMITH BARNEY

, 1998

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SERIES A PREFERRED STOCK. SUCH TRANSACTIONS MAY INCLUDE STABILIZING AND THE PURCHASE OF SERIES A PREFERRED STOCK TO COVER SYNDICATE SHORT POSITIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITERS."

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY OTHER THAN THE SERIES A PREFERRED STOCK OFFERED HEREBY, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY THE SERIES A PREFERRED STOCK BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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AMB and its logo are registered service marks of the Company. All other trademarks and service marks appearing in this Prospectus are the property of their respective holders.

In addition to historical information, the information included in this Prospectus contains forward-looking statements, such as those pertaining to the Company's (including for purposes of this paragraph, certain of its subsidiaries') capital resources, portfolio performance and results of operations. Likewise, the pro forma financial statements and other pro forma information included in this Prospectus also contain certain such forward-looking statements. In addition, all statements regarding anticipated growth in the Company's funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. 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. Certain such 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. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and they may be incapable of being realized. 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 (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), 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 "Risk Factors." Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management's analysis only.

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#### PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial data, including the financial statements and notes thereto, set forth elsewhere in this Prospectus. Unless otherwise indicated or required by the context, (i) all calculations and information contained in this Prospectus assume the Underwriters' over-allotment option will not be exercised, (ii) all rental and square footage data are approximate and/or on a weighted average basis, (iii) unless otherwise indicated, all Property information is presented as of March 31, 1998 and (iv) the "Company" shall include AMB Property





	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Eastern.....	4	4	1,272,968	18.6%	98.1%	\$14,381	18.8%
Midwestern.....	4	4	710,833	10.4	99.0	7,099	9.3
Southern.....	12	12	1,957,051	28.6	88.8	19,143	25.1
Western.....	17	17	2,907,986	42.4	95.9	35,666	46.8
Total/Weighted Average....	37	37	6,848,838	100.0%	94.6%	\$76,289	100.0%

</TABLE>

TOTAL PROPERTIES

REGION	NUMBER OF PROPERTIES	NUMBER OF BUILDINGS	RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL SQUARE FEET	PERCENTAGE LEASED	ANNUALIZED BASE RENT (000S) (1)	PERCENTAGE OF ANNUALIZED BASE RENT
Eastern.....	31	72	10,002,315	19.7%	93.3%	\$ 47,816	18.8%
Midwestern.....	32	96	11,910,348	23.4	93.4	46,174	18.1
Southern.....	42	126	13,220,026	26.0	94.3	64,239	25.2
Western.....	50	158	15,680,127	30.9	96.7	96,475	37.9
Total/Weighted Average...	155	452	50,812,816	100.0%	94.6%	\$254,704	100.0%

</TABLE>

(1) Annualized Base Rent means the monthly contractual amount under existing leases at March 31, 1998, multiplied by 12. This amount excludes expense reimbursements and rental abatements.

RECENT DEVELOPMENTS

**Sale of Senior Debt Securities.** On June 30, 1998, the Operating Partnership sold \$400 million aggregate principal amount of senior debt securities (the "Senior Debt Securities") in an underwritten public offering. The net proceeds from the offering of the Senior Debt Securities were used to repay borrowings under the Credit Facility (as defined below).

**Acquisitions.** From April 1, 1998 to June 30, 1998, the Company acquired for an aggregate purchase price of approximately \$210.4 million (i) eight Industrial Properties, comprising 44 buildings and 3.3 million rentable square feet, (ii) four buildings aggregating 0.4 million square feet which are adjacent to existing Properties and (iii) a limited partnership interest in an existing unconsolidated real estate joint venture that owns 36 industrial buildings aggregating 4.0 million square feet.

**Quarterly Distributions.** On June 19, 1998, the Board of Directors declared a distribution on the Common Stock of \$0.3425 per share, paid on July 9, 1998 to stockholders of record as of June 30, 1998, and, in its capacity as general partner of the Operating Partnership, declared a distribution on the Operating Partnership's common partnership units of \$0.3425 per common partnership unit, paid on July 9, 1998 to partners of record as of June 30, 1998.

**Investment-Grade Credit Ratings.** The Company recently received credit ratings on its senior 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 receiving these investment-grade credit ratings, the interest rate on the Company's \$500 million unsecured revolving credit facility (the "Credit Facility") was reduced by 20 basis points to LIBOR plus 90 basis points. In addition, the Company has received prospective ratings on the Series A Preferred Stock of Baa2 from Moody's Investors Service, BBB- from Standard & Poor's Corporation and BBB from Duff & Phelps Credit Rating Co.

RISK FACTORS

An investment in shares of Series A Preferred Stock involves various material risks. Prospective investors should carefully consider the following risk factors, in addition to the other information set forth in this Prospectus, before making an investment decision regarding the shares of Series A Preferred

Stock offered hereby. Each of these matters could have adverse consequences to the Company. Such risks include, among others:

- the possible failure of investments to perform in accordance with the Company's expectations, inaccuracy of estimates of costs of improvements to bring an acquired property up to standards, competition for attractive investment opportunities and other general risks associated with any real estate investment which could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends on the Series A Preferred Stock;
- the need to renew leases or re-lease space upon lease expirations and to pay renovation and re-leasing costs in connection therewith, the effect of economic and other conditions on property cash flows and values, the ability of tenants to make lease payments, the ability of a property to generate revenue sufficient to meet operating expenses (including future debt service), and the illiquidity of real estate investments which could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends on the Series A Preferred Stock;
- the inability to refinance outstanding indebtedness upon maturity or refinance such indebtedness on favorable terms, the risks of rising interest rates in connection with the Credit Facility and other variable-rate borrowings and the ability of the Company to incur more debt without stockholder approval, thereby increasing its debt service obligations, which could adversely affect the Company's financial condition, results of operations, cash flow and ability to pay dividends on the Series A Preferred Stock;
- the distribution requirements of REITs which may limit the Company's ability to finance future acquisitions, expansions and development without additional debt or equity financing necessary to

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achieve the Company's business plan, and risks associated with the Company's reliance on external sources of capital which, in turn, may adversely affect its ability to pay dividends on, and the trading price and market value of, the Series A Preferred Stock;

- conflicts of interest in connection with the operations of the Company, including (i) the continued involvement of certain of the Executive Officers and directors in other real estate activities and investments which could divert management's attention from the day-to-day operations of the Company; (ii) the influence of certain directors, officers and significant stockholders on the management and operation of the Company, and as stockholders, on the outcome of matters submitted to a vote of the stockholders and (iii) the potential failure to enforce the terms of agreements, including the indemnification by certain of the Executive Officers and other participants in the Formation Transactions (as defined) for breaches of representations and warranties relating to the Formation Transactions, each of which could result in the Company taking action which is not in the interest of all stockholders;
- taxation of the Company as a corporation if it fails to qualify as a REIT for Federal income tax purposes, the Company's liability for certain Federal, state and local income taxes in such event, and the resulting decrease in cash available for the payment of dividends to holders of the Series A Preferred Stock;
- if the Company does not effectively manage its rapid growth, it may be unable to pay dividends to holders of the Series A Preferred Stock;
- the possible unavailability of acquisition and development financing on favorable terms and delays due to the inability to obtain necessary permits or authorizations which could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends on the Series A Preferred Stock;
- possible uninsured losses or losses in excess of insured limits relating to certain activities, including fire, rental loss and seismic activity, which could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends on the Series A Preferred Stock;
- potential liability of the Company for contingent or unknown liabilities assumed by the Company as the surviving entity in the Formation Transactions and as an acquirer of properties which could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends on the Series A Preferred Stock;
- potential liability of the Company for environmental matters and the costs of compliance with certain government regulations which could have an adverse effect on the Company's financial condition, results of

operations, cash flow and ability to pay dividends on the Series A Preferred Stock;

- in connection with the Company's property ownership through partnerships and joint ventures, the possibility that (i) a joint venturer or another partner in a partnership may (a) become bankrupt while the Company and any other remaining partners or joint venturers remain liable for the liabilities of such partnerships or joint ventures or (b) have economic interests inconsistent with those of the Company, or (ii) the Company could be required to sell its interest or acquire its joint venturers' interest or another partner's interest at a disadvantageous time or on disadvantageous terms, which could adversely affect the return realized by the Company on such investments and therefore could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends on the Series A Preferred Stock;
- possible conflicts of interest imposed by the fiduciary obligations of the Company to the limited partners of the Operating Partnership, in its capacity as the general partner of the Operating Partnership, the requirement for the limited partners to approve certain amendments affecting their rights and the ability of the limited partners to approve certain transactions that affect all stockholders of the Company, which could result in the Company taking action which is not in the interest of all stockholders, including holders of the Series A Preferred Stock;
- the dependence on the efforts of the Executive Officers, particularly Messrs. Abbey, Moghadam and Burke, the Chairman of the Company's Investment Committee, its Chief Executive Officer and the

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Chairman of the Board of Directors, respectively. The inability to find suitable replacements for these key personnel, the loss of their services or the limitation of their availability could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

- absence of a prior public market for the shares of Series A Preferred Stock and no assurance that a public market will develop or be sustained, and potential adverse effects on the value of the shares of Series A Preferred Stock from fluctuations in equity markets or rising market interest rates, which may negatively impact the price at which shares of Series A Preferred Stock may be resold.

#### BUSINESS AND OPERATING STRATEGIES

The Company focuses its investment activities in industrial hub distribution markets and retail trade areas throughout the U.S. where opportunities exist to acquire and develop additional properties on an advantageous basis. The Company believes that the industrial property sector is well-positioned to benefit from strong market fundamentals and growth in international trade, and further believes that the retail property sector will benefit from limited new construction in "in-fill" locations and from projected growth in personal income and retail sales levels (in-fill locations are those typified by significant population densities and low availability of land resulting in limited opportunities for new construction of competitive properties). The Company seeks to capitalize on these current conditions in the industrial and retail property sectors by implementing the following business and operating strategies:

- National Property Company. The Company believes that its national strategy enables it to increase or decrease investments in certain regions to take advantage of the relative strengths and attractive investment opportunities in different real estate markets. Through its presence in markets throughout the U.S., the Company has developed expertise in leasing, expense management, tenant retention strategies and property design and configuration.
- Two Complementary Property Types. Management believes that its dual property strategy provides significant opportunities to allocate capital and organizational resources and offers the Company an optimal combination of growth, strong current income and stability through market cycles.
- Select Market Focus. The Company focuses on acquiring, redeveloping and operating properties in in-fill locations. As the strength of these markets continues to grow and the demand for well-located properties increases, the Company believes that it will benefit from the resulting upward pressure on rents.
- Research-Driven Market Selection. The Company's decisions regarding the deployment of capital are experience- and research-driven, with investments based on thorough qualitative and quantitative research and analysis of local markets. The Company employs a dedicated research department using proprietary analyses, databases and systems.

- Property Management. The Company actively manages the Properties through its experienced staff of regional managers, each of whom has broad responsibilities for the Properties they manage. The Company typically outsources property management to a select group of third-party local managers with whom the Company has established strong relationships. Management believes that industrial and retail property types do not typically require on-site property managers and that by utilizing third-party property managers, the Company is better able to service its customers and more efficiently manage its costs.
- Disciplined Investment Process. The Company has established a disciplined approach to the investment decision-making process through operating divisions that are subject to the overall policy direction of its Investment Committee. The Company has also established efficient and effective proprietary systems and procedures to manage and track a high volume of acquisition proposals and transactions.
- Renovation, Expansion and Development. Management believes that value-added renovation and expansion of properties and development of well-located, high-quality industrial properties and community shopping centers should continue to provide the Company with attractive opportunities for increased cash flow and a higher risk-adjusted rate of return than may be obtained from the purchase of stabilized properties.

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- Financing Strategy. The Company intends to operate with a conservative Debt-to-Total Market Capitalization Ratio and plans to continue to structure its balance sheet in order to maintain investment-grade ratings. Upon consummation of the Offering, the Company's Debt-to-Total Market Capitalization Ratio as of March 31, 1998 on a pro forma basis (giving effect to the acquisition-related debt incurred subsequent to March 31, 1998, the sale of the Senior Debt Securities and the Offering and the application of the proceeds therefrom as if the debt had been incurred and those transactions had occurred as of that date) would have been approximately 31.4% (approximately 29.9% on an historical basis).

#### STRATEGIES FOR GROWTH

The Company intends to achieve its growth objectives of long-term sustainable growth in funds from operations ("FFO") and maximization of long-term stockholder value principally through the following:

**Growth Through Operations.** The Company intends to improve operating margins by increasing the occupancy rate of its Properties and by capitalizing on the economies of owning, operating and growing a large national portfolio. During the 12 months ended March 31, 1998, the Company increased average rental rates by 12.3% from the expiring rent for such space on 263 leases entered into or renewed during the 12 months ended March 31, 1998, representing 5.5 million rentable square feet or 10.9% of the aggregate rentable square footage of the Properties. During the 12 months ending March 31, 1999, leases encompassing an aggregate of 10.3 million rentable square feet (representing 20.3% of the Company's aggregate rentable square footage as of March 31, 1998) are subject to contractual rent increases resulting in an average rent increase per rentable square foot of \$1.28, or 5.9%. Based on recent experience and market trends, management believes it will have an opportunity to increase the average rental rate on Property leases expiring during the nine months ending December 31, 1998 covering an aggregate of 5.2 million rentable square feet.

**Growth Through Acquisitions.** Between January 1, 1998 and June 30, 1998, the Company acquired (i) 31 Properties comprising 88 buildings and 10.0 million square feet, (ii) 10 buildings aggregating 0.8 million square feet which are adjacent to existing Properties and (iii) a limited partnership interest in an existing unconsolidated real estate joint venture which owns 36 industrial buildings aggregating 4.0 million square feet. The Company believes its significant acquisition experience and its extensive network of property acquisition sources will continue to provide opportunities for external growth. Management believes that there is a growing trend among large private institutional holders of real estate assets to shift a portion of their direct investment in real estate assets to more liquid securities such as common stock in publicly-traded REITs. The Company believes that its relationships with leading pension funds and other institutional investors will continue to provide an important source of acquisition opportunities. The Company's operating structure enables it to acquire properties through the Operating Partnership in exchange for units, thereby enhancing the Company's attractiveness to owners and developers seeking to transfer properties on a tax-deferred basis.

The Company is generally in various stages of negotiations for a number of acquisitions, which may include acquisitions of individual properties, large multi-property portfolios and other real estate companies. There can be no

assurance that any of such acquisitions will be consummated. Such acquisitions, if consummated, may be material individually or in the aggregate. Sources of capital for acquisitions may include undistributed cash flow, borrowings under the Credit Facility, other forms of secured or unsecured financing, issuances of debt or equity securities by the Operating Partnership or the Company and assumption of debt related to the assets being acquired.

Growth Through Renovation, Expansion and Development. Management believes that it has the market expertise and access to identify and acquire value-added properties and develop new properties. The Company has developed the in-house expertise to create value through acquiring and managing value-added properties and believes its national market presence and expertise will enable it to continue to generate and capitalize on such opportunities. The Company has also established certain strategic alliances with national and regional developers to enhance the Company's development capabilities.

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#### THE OFFERING

Securities Offered..... 4,000,000 shares of % Series A Cumulative Redeemable Preferred Stock (or 4,600,000 shares of % Series A Cumulative Redeemable Preferred Stock if the Underwriters' over-allotment option is exercised in full) (the "Series A Preferred Stock").

Dividends..... Dividends on the Series A Preferred Stock are cumulative from the date of original issue and are payable quarterly in arrears on the 15th day of January, April, July and October of each year, commencing on October 15, 1998 (or, if any such date is not a Business Day, on the next succeeding Business Day), at the rate of % of the liquidation preference per annum (equivalent to \$ per annum per share of Series A Preferred Stock). Dividends on the Series A Preferred Stock will accumulate whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. If the Company designates any portion of a dividend as "capital gain dividend," a holder's share of such capital gain dividend will be an amount that bears the same ratio to the total amount of dividends (as determined for Federal income tax purposes) paid to such holder for the year as the aggregate amount designated as a capital gain dividend bears to the aggregate amount of all dividends (as determined for Federal income tax purposes) paid on all classes of shares for the year. See "Series A Preferred Stock -- Dividends."

Ranking..... The Series A Preferred Stock will rank, with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up of the Company, senior to the Common Stock. See "Series A Preferred Stock -- Ranking."

Liquidation Preference..... The Series A Preferred Stock will have a liquidation preference of \$25.00 per share, plus an amount equal to accumulated and unpaid dividends. See "Series A Preferred Stock -- Liquidation Rights."

Maturity..... The Series A Preferred Stock has no stated maturity and will not be subject to mandatory redemption or any sinking fund.

Optional Redemption..... The Series A Preferred Stock will not be redeemable prior to , 2003. On and after , 2003, the Series A Preferred Stock will be redeemable for cash at the option of the Company, in whole or from time to time in part, at a redemption price of \$25.00 per share, plus accumulated and unpaid dividends thereon, if any, to the redemption date. The redemption price (other than the portion thereof consisting of accumulated and unpaid

dividends) will be payable solely out of the sale proceeds of other equity securities of the Company, which may include other classes or series of Preferred Stock, and from no other source. In certain circumstances related to the Company's maintenance of its ability to qualify as a REIT for Federal income tax purposes, the Company may redeem shares of Series A Preferred Stock. See "Series A Preferred Stock -- Redemption."

Voting Rights..... If dividends on the Series A Preferred Stock remain unpaid for six or more quarterly periods (whether or not consecutive), holders of the Series A Preferred Stock (voting separately as a class with all

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other classes or series of equity securities of the Company upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of two additional directors to serve on the Board of Directors until all dividend arrearages with respect to the Series A Preferred Stock are eliminated. The Series A Preferred Stock will also be entitled to certain additional voting rights described herein. See "Series A Preferred Stock -- Voting Rights."

Conversion..... The Series A Preferred Stock will not be convertible into or exchangeable for any other property or securities of the Company.

NYSE Listing..... Application has been made to list the Series A Preferred Stock on the NYSE, subject to official notice of issuance, under the symbol "AMB Pf A." Trading on the NYSE is expected to commence within a 30-day period after the date of initial delivery of the Series A Preferred Stock. While the Underwriters have advised the Company that they intend to make a market in the Series A Preferred Stock prior to commencement of trading on the NYSE, they are under no obligation to do so and no assurance can be given that a market for the Series A Preferred Stock will exist prior to or upon commencement of trading. See "Underwriters."

Use of Proceeds..... The net proceeds from the Offering will be used for the repayment of indebtedness, property acquisitions and other general corporate purposes. See "Use of Proceeds."

Ownership Limit..... In order to assist the Company in maintaining its qualification as a REIT for Federal income tax purposes, ownership, actually or constructively, by any person of more than 9.8% in value or number (whichever is more restrictive) of shares of Series A Preferred Stock is restricted by the Company's Articles Supplementary. See "Series A Preferred Stock."

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#### ORGANIZATION

The Company conducts substantially all of its operations through the Operating Partnership. The following diagram illustrates the structure of the Company, the Operating Partnership and their subsidiaries:

#### [AMB PROPERTY CHART]

-----  
(1) AMB Investment Management Corporation ("AMB Investment Management") conducts its business through AMB Investment Management Limited Partnership (the "Investment Management Partnership"), of which it is the sole general partner and owns the entire capital interest. Certain Executive Officers own a profits interest in the Investment Management Partnership relating to the allocation of a portion of the incentive fees with respect to assets managed by the Company's predecessor prior to the IPO.

(2) Includes properties owned on a joint venture basis through certain limited

partnerships and limited liability companies in which the Operating Partnership owns at least a 50% interest. See "Business and Properties -- Properties Held Through Joint Ventures, Limited Liability Companies and Partnerships" for a list of such entities.

- (3) AMB Property II, L.P. and Long Gate LLC hold title to Properties in certain states for local law purposes. The ownership of such Properties through such entities does not materially affect the Operating Partnership's and the Company's overall ownership of the interests in the Properties.

The principal executive offices of the Company are located at 505 Montgomery Street, San Francisco, California 94111, and its telephone number is (415) 394-9000. The Company also maintains a regional office in Boston, Massachusetts.

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#### TAX STATUS OF THE COMPANY

The Company will elect to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with its taxable year ended December 31, 1997, and believes its current organization and method of operation will enable it to maintain status as a REIT. To maintain REIT status, an entity must meet a number of organizational and operational requirements, including a requirement that it distribute at least 95% of its REIT taxable income (determined without regard to the dividends-paid deduction and by excluding net capital gains) to its stockholders. As a REIT, the Company generally is not subject to Federal income tax on net income it distributes to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to Federal income tax at regular corporate rates and may not be able to qualify as a REIT for the four subsequent taxable years. See "Risk Factors -- Federal Income Tax Risks -- Adverse Consequences of Failure to Qualify as a REIT" and "Material Federal Income Tax Consequences -- Failure of the Company to Qualify as a REIT." In the opinion of Latham & Watkins, tax counsel to the Company, commencing with the Company's taxable year ended December 31, 1997, the Company has been organized and has operated in conformity with the requirements for qualification and taxation as a REIT, and its method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code. See "Material Federal Income Tax Consequences -- Taxation of the Company." Such legal opinion, however, is based on various assumptions and factual representations by the Company regarding the Company's ability to maintain the various requirements for qualification as a REIT, and no assurance can be given that actual operating results have met or will continue to meet these requirements. Such legal opinion is not binding on the Internal Revenue Service ("IRS") or any court. Moreover, the Company's continued qualification and taxation as a REIT depends upon its ability to meet (through actual annual operating results, distribution levels and diversity of stock ownership) the various qualification tests imposed under the Code, the results of which have not been and will not be reviewed by Latham & Watkins. Even if the Company qualifies for taxation and maintains its status as a REIT, the Company may be subject to certain Federal, state and local taxes on its income and property.

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#### SUMMARY FINANCIAL AND OTHER DATA

The following table sets forth summary financial and other data on an historical basis for the Company and its predecessor, AMB Institutional Realty Advisors, Inc. ("AMB" or the "Predecessor"), for the five years ended December 31, 1997 and the three months ended March 31, 1997 and 1998 and on an as adjusted basis for the Company for the year ended December 31, 1997 (giving effect to the Formation Transactions, the IPO and certain property acquisitions and dispositions in 1997). Additionally, the table sets forth summary financial and other data for the Company for the year ended December 31, 1997 and for the three months ended March 31, 1998 on a pro forma basis (giving effect to the Formation Transactions, the IPO, certain property acquisitions and dispositions in 1997, the property acquisitions in 1998, the sale of the Senior Debt Securities and the application of the net proceeds therefrom and the Offering and the application of the net proceeds therefrom, as if all such transactions had occurred on January 1, 1997). For the four-year period ended December 31, 1996 and the period from January 1, 1997 through November 25, 1997, the Predecessor operated as an investment manager with revenues that consisted primarily of fees earned in connection with real estate management services. The historical financial information contained in the tables should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and accompanying Notes thereto included elsewhere in this Prospectus.

The historical results of the Company for 1997 include the results of operations of the Company, including property operations for the period from November 26, 1997 to December 31, 1997, and the results of the Predecessor, an investment manager, for the period from January 1, 1997 to November 25, 1997.

In the opinion of management, the historical financial information as of and for the three months ended March 31, 1998 reflects all adjustments, which



are of a normal recurring nature, necessary for a fair presentation of the financial information, and the as adjusted and pro forma condensed financial information provides for all adjustments necessary to reflect the adjustments and transactions described above. The information for the three months ended March 31, 1998 is unaudited and the operating data for that period are not necessarily indicative of the results for the entire year. The as adjusted and pro forma information is unaudited and is not necessarily indicative of the results that would have occurred if the transactions and adjustments reflected therein had been consummated in the period or on the date presented, nor does it purport to represent the financial position, results of operations or changes in cash flows for future periods.

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COMPANY AND PREDECESSOR SUMMARY FINANCIAL AND OTHER DATA  
(IN THOUSANDS, EXCEPT SHARE AND UNIT DATA, PERCENTAGES AND NUMBER OF PROPERTIES)

<TABLE>  
<CAPTION>

	AS OF AND FOR THE YEARS ENDED DECEMBER 31,						
	PREDECESSOR				COMPANY		
	(1)				HISTORICAL	AS ADJUSTED	PRO FORMA
	1993	1994	1995	1996	(2)	(3)	(4)
				1997	1997	1997	
					(UNAUDITED)	(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
<b>OPERATING DATA:</b>							
Total revenues.....	\$7,155	\$12,865	\$16,865	\$23,991	\$ 56,062	\$ 284,674	\$341,132
Income from operations before minority interests.....	798	2,925	3,296	7,140	18,885	103,903	113,833
Net income available to common stockholders.....	798	2,925	3,262	7,003	18,228	99,508	95,229
Net income per common share (5):							
Basic.....	\$ 0.17	\$ 0.59	\$ 0.64	\$ 1.38	\$ 1.39	\$ 1.16	\$ 1.11
Diluted.....	0.17	0.59	0.64	1.38	1.38	1.16	1.11
Distributions per common share.....					0.13	1.37	1.37
<b>OTHER DATA:</b>							
EBITDA(6).....						\$ 195,218	\$238,274
Funds from Operations(7)....						147,409	151,850
<b>Cash flows provided by (used in):</b>							
Operating activities.....						131,621	144,562
Investing activities.....						(607,768)	(941,937)
Financing activities.....						553,199	721,486
Ratio of earnings to fixed charges and preferred stock dividends(8).....						3.1x	2.2x
Ratio of EBITDA to interest expense and preferred stock dividends(9).....						4.3x	3.0x
<b>BALANCE SHEET DATA:</b>							
Investments in real estate at cost.....	\$ --	\$ --	\$ --	\$ --	\$2,442,999		
Total assets.....	2,739	4,092	4,948	7,085	2,506,255		
Secured debt(10).....	--	--	--	--	535,652		
Senior Debt Securities.....	--	--	--	--	--		
Unsecured credit facility...	--	--	--	--	150,000		
Stockholders' equity.....	2,480	3,848	4,241	6,300	1,668,030		
<b>PROPERTY DATA:</b>							
<b>INDUSTRIAL PROPERTIES</b>							
Total rentable square footage of properties at end of period.....	5,638	13,364	21,598	29,609	37,329		
Number of properties at end of period.....	12	28	44	60	95		
Occupancy rate at end of period.....	97.4%	96.9%	97.3%	97.2%	95.7%		
<b>RETAIL PROPERTIES</b>							
Total rentable square footage of properties at end of period.....	1,074	2,422	3,299	5,282	6,216		
Number of properties at end of period.....	9	14	19	30	33		
Occupancy rate at end of period.....	96.5%	93.7%	92.4%	92.4%	96.1%		

<CAPTION>

AS OF AND FOR THE  
THREE MONTHS ENDED MARCH 31,

	COMPANY		
	PREDECESSOR	HISTORICAL	PRO FORMA
	(1)	1998	(4)
	1997	1998	1998
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>
OPERATING DATA:			
Total revenues.....	\$5,112	\$ 75,785	\$ 88,839
Income from operations before minority interests.....	1,239	29,188	32,421
Net income available to common stockholders.....	1,239	27,906	27,812
Net income per common share (5):			
Basic.....	\$ 0.24	\$ 0.32	\$ 0.32
Diluted.....	0.24	0.32	0.32
Distributions per common share.....		0.34	0.34
OTHER DATA:			
EBITDA(6).....		\$ 52,815	\$ 63,056
Funds from Operations(7)....		40,295	41,697
Cash flows provided by (used in):			
Operating activities.....		34,820	38,347
Investing activities.....		(199,520)	(49,646)
Financing activities.....		153,316	(11,205)
Ratio of earnings to fixed charges and preferred stock dividends(8).....		3.1x	2.4x
Ratio of EBITDA to interest expense and preferred stock dividends(9).....		4.5x	3.2x
BALANCE SHEET DATA:			
Investments in real estate at cost.....		\$2,755,882	\$2,966,330
Total assets.....		2,798,190	3,023,947
Secured debt(10).....		610,111	626,220
Senior Debt Securities.....		--	400,000
Unsecured credit facility....		312,000	--
Stockholders' equity.....		1,670,705	1,766,605
PROPERTY DATA:			
INDUSTRIAL PROPERTIES			
Total rentable square footage of properties at end of period.....		43,964	47,676
Number of properties at end of period.....		118	126
Occupancy rate at end of period.....		94.6%	94.6%
RETAIL PROPERTIES			
Total rentable square footage of properties at end of period.....		6,849	6,849
Number of properties at end of period.....		37	37
Occupancy rate at end of period.....		94.6%	94.6%

</TABLE>

- (1) Represents the Predecessor's historical financial and other data for the years ended December 31, 1993, 1994, 1995, 1996 and the three months ended March 31, 1997. The Predecessor operated as an investment manager prior to November 26, 1997.
- (2) Represents the Predecessor's historical financial and other data for the period January 1, 1997 through November 25, 1997 and the Company's historical and other data for the period from November 26, 1997 to December 31, 1997.
- (3) As adjusted financial and other data have been prepared as if the Formation Transactions, the IPO and certain property acquisitions and dispositions in 1997 had occurred on January 1, 1997.

(4) Pro forma financial and other data have been prepared as if the Formation Transactions, the IPO, certain property acquisitions and dispositions in 1997, the property acquisitions in 1998, the sale of the Senior Debt Securities and the Offering had occurred on January 1, 1997. See "Pro Forma Financial Information."

(5) Historical, as adjusted and pro forma net income per basic share for the year ended December 31, 1997 equals the historical, as adjusted and pro forma net income divided by 13,140,218, 85,874,513 and 85,874,513 shares, respectively. Historical and pro forma net income per basic share for the three months ended March 31, 1998 equals the historical and pro forma net income divided by 85,874,513 and 85,874,513 shares, respectively. Historical, as adjusted and pro forma diluted net income per share for the year ended December 31, 1997 equals the historical, as adjusted and pro forma net income divided by 13,168,036, 86,156,556 and 86,156,556 shares, respectively. Historical and pro forma diluted net income per share for the three months ended March 31, 1998 equals the historical and pro forma net income divided by 86,284,736 and 86,284,736 shares, respectively.

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(6) EBITDA is computed as income from operations before disposal of properties and minority interests plus interest expense, income taxes, depreciation and amortization. Management believes that in addition to cash flows and net income, EBITDA is a useful financial performance measure for assessing operating performance because, together with net income and cash flows, EBITDA provides investors with an additional basis to evaluate the ability to incur and service debt and to fund acquisitions and other capital expenditures.

(7) FFO represents net income (loss) before minority interests and extraordinary items, adjusted for depreciation on real property and amortization of tenant improvement costs and lease commissions, gains (losses) from the disposal of properties and FFO attributable to minority interests in consolidated joint ventures whose interests are not convertible into shares of Common Stock. 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 on Funds from Operations approved by the Board of Governors of NAREIT in March 1995 (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 the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions. The following table sets forth the Company's calculation of FFO for the periods presented.

MONTHS ENDED	FOR THE YEAR ENDED		FOR THE THREE
	DECEMBER 31, 1997		MARCH
31, 1998			
	AS ADJUSTED	PRO FORMA	HISTORICAL
PRO FORMA			
<S>	<C>	<C>	<C>
Income from operations before minority interests.....	\$ 103,903	\$ 113,833	\$ 29,188
\$ 32,421			
Real estate related depreciation and amortization:			
Depreciation and amortization.....	45,886	54,027	11,786
13,256			
Furniture, fixtures and equipment depreciation....	(173)	(173)	(104)
(104)			
FFO attributable to minority interests.....	(2,207)	(8,609)	(575)
(2,069)			
Adjustment to derive FFO of unconsolidated joint venture:			
Company's share of net income.....	--	(5,470)	--
(1,273)			
Company's share of FFO.....	--	6,742	--
1,591			
Series A Preferred Stock dividends.....	--	(8,500)	--
(2,125)			

FFO.....	\$ 147,409	\$ 151,850	\$ 40,295
\$ 41,697			
=====	=====	=====	=====
Weighted average shares and units outstanding (diluted).....	88,698,719	89,904,556	88,839,192
90,032,738	=====	=====	=====
=====			

</TABLE>

- (8) The ratio of earnings to fixed charges and preferred stock dividends is computed as income from operations before minority interests plus fixed charges (excluding capitalized interest) divided by fixed charges and preferred stock dividends. Fixed charges consist of interest costs (including amortization of debt premiums and financing costs), whether capitalized or expensed, and the interest component of rental expense.
- (9) The ratio of EBITDA to interest expense and preferred stock dividends is calculated as EBITDA divided by the sum of book interest expense (including amortization of debt premiums and discounts and financing costs) and preferred stock dividends.
- (10) Secured debt as of December 31, 1997 and March 31, 1998 is comprised of mortgage loans and other secured debt and includes unamortized debt premiums and discounts of approximately \$18,286 and \$17,542, respectively.

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#### RISK FACTORS

An investment in the shares of Series A Preferred Stock involves various material risks. Prospective investors should carefully consider the following risk factors in connection with an investment in the shares of Series A Preferred Stock offered hereby.

#### GENERAL REAL ESTATE RISKS

##### Uncontrollable Factors Affecting Performance and Value

Real property investments are subject to varying degrees of risk. The yields available from equity investments in real estate depend on the amount of income earned and capital appreciation generated by the related properties as well as the expenses incurred in connection therewith. If the Properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, the ability to pay dividends to holders of the Series A Preferred Stock could be adversely affected. Income from, and the value of, the Properties may be adversely affected by the general economic climate, local conditions such as oversupply of industrial or retail space or a reduction in demand for industrial or retail space in the area, the attractiveness of the Properties to potential tenants, competition from other industrial and retail properties, and the ability of the Company to provide adequate maintenance and insurance and increased operating costs (including insurance premiums, utilities and real estate taxes). In addition, revenues from properties and real estate values are also affected by such factors as the cost of compliance with regulations and the potential for liability under applicable laws, including changes in tax laws, interest rate levels and the availability of financing. The Company's income would be adversely affected if a significant number of tenants were unable to pay rent or if industrial or retail and other space could not be rented on favorable terms. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the investment.

##### Renewal of Leases and Reletting of Space

The Company is subject to the risks that leases may not be renewed, space may not be relet or the terms of renewal or reletting (including the cost of required renovations) may be less favorable than current lease terms. Leases on a total of approximately 42.5% of the Properties' leased square footage as of March 31, 1998 will expire on or prior to December 31, 2000, with leases on 12.9% of such leased square footage expiring during the 12 months ending March 31, 1999. In addition, numerous properties compete with the Company's Properties in attracting tenants to lease space, particularly with respect to retail properties. The number of competitive commercial properties in a particular area could have a material adverse effect on the Company's ability to lease space in its Properties or newly acquired properties and on the rents charged. If the Company were unable to promptly relet or renew the leases for all or a substantial portion of this space, if the rental rates upon such renewal or reletting were significantly lower than expected or if its reserves for these purposes proved inadequate, the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock could be adversely affected. See "Business and Properties -- Industrial Properties -- Industrial Property Lease

Expirations -- Portfolio Total" and "-- Retail Properties -- Retail Property Lease Expirations -- Portfolio Total."

#### Illiquidity of Real Estate Investments

Because real estate investments are relatively illiquid, the Company's ability to vary its portfolio promptly in response to economic or other conditions is limited. The limitations in the Code and related regulations on a REIT holding property for sale may affect the Company's ability to sell properties without adversely affecting distributions to the Company's stockholders, including holders of the Series A Preferred Stock. The relative illiquidity of its holdings, Code prohibitions and related regulations could impede the ability of the Company to respond to adverse changes in the performance of its investments and could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

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#### Concentration of Properties in California

As of March 31, 1998, the Properties in California represented approximately 24.0% of aggregate square footage and approximately 30.6% of Annualized Base Rent. The Company's revenue from, and the value of its Properties in, California may be affected by a number of factors, including the local economic climate (which may be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors) and local real estate conditions (such as oversupply of or reduced demand for commercial properties). A downturn in either the California economy or in California real estate conditions could adversely affect the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock. Properties are also subject to possible loss from seismic activity. See "-- Uninsured Losses from Seismic Activity."

#### Concentration of Properties in Industrial and Retail Sectors

The Properties are and are likely to continue to be concentrated predominantly in the industrial and retail commercial real estate sectors, which as of March 31, 1998, represented 86.5% and 13.5%, respectively, of the Properties' aggregate rentable square footage. Such concentration may expose the Company to the risk of economic downturns in these sectors to a greater extent than if its portfolio also included other property types. As a result, economic downturns in these sectors could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

#### Uninsured Loss

The Company carries comprehensive liability, fire, extended coverage and rental loss insurance covering all of its Properties, with policy specifications and insured limits which the Company believes are adequate and appropriate under the circumstances given relative risk of loss, the cost of such coverage and industry practice. There are, however, certain types and magnitudes of losses that are not generally insured because it is not economically feasible to insure against such losses, such as losses due to riots or acts of war, or may be insured subject to certain limitations including large deductibles or co-payments, such as losses due to floods or seismic activity. See "-- Uninsured Losses From Seismic Activity." Should an uninsured loss or a loss in excess of insured limits occur with respect to one or more of its properties, the Company could lose its capital invested in such properties, as well as the anticipated future revenue from such properties and, in the case of debt which is with recourse to the Company, the Company would remain obligated for any mortgage debt or other financial obligations related to such properties. Moreover, as the general partner of the Operating Partnership, the Company will generally be liable for all of the Operating Partnership's unsatisfied obligations other than non-recourse obligations. Any such liability could adversely affect the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

#### Uninsured Losses from Seismic Activity

A number of both the Industrial and Retail Properties are located in areas that are known to be subject to earthquake activity, including in California where, as of March 31, 1998, 27 Industrial Properties aggregating 10.4 million rentable square feet representing 20.4% of the Properties based on aggregate square footage, and 11 Retail Properties, aggregating 1.8 million rentable square feet representing 3.6% of the Properties based on aggregate square footage, are located. The Company carries replacement cost earthquake insurance on all of its Properties located in areas historically subject to seismic activity, subject to coverage limitations and deductibles which the Company believes are commercially reasonable. Such insurance coverage also applies to the properties managed by AMB Investment Management, with a single aggregate policy limit and deductible applicable to such properties and the Company's properties. Through an annual analysis prepared by outside consultants, the Company evaluates its earthquake insurance coverage in light of current industry

practice and determines the appropriate amount of earthquake insurance to carry. No assurance can be given, however, that material losses in excess of insurance proceeds will not occur or that such insurance will continue to be available at commercially reasonable rates.

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#### Impact on Control Over and Liabilities With Respect to Properties Owned Through Partnerships and Joint Ventures

The Company has ownership interests in six industrial and six retail joint ventures, limited liability companies or partnerships. The Company may make investments through such ventures in the future and presently plans to do so with clients of AMB Investment Management, with respect to certain investment opportunities, who share certain approval rights over major decisions. Partnership, limited liability company or joint venture investments may, under certain circumstances, involve risks such as the possibility that the Company's partners, members or joint venturers might become bankrupt (in which event the Company and any other remaining general partners, members or joint venturers would generally remain liable for the liabilities of such partnership, limited liability company or joint venture), that such partners, members or co-venturers might at any time have economic or other business interests or goals which are inconsistent with the business interests or goals of the Company, or that such partners, members or co-venturers may be in a position to take action contrary to the instructions or the requests of the Company or contrary to the Company's policies or objectives, including the Company's policy with respect to maintaining its qualification as a REIT. In addition, agreements governing joint ventures, limited liability companies and partnerships often contain restrictions on the transfer of a joint venturer's, member's or partner's interest or "buy-sell" or similar provisions which may result in a purchase or sale of such an interest at a disadvantageous time or on disadvantageous terms. The Company will, however, seek to maintain sufficient control of such partnerships, limited liability companies or joint ventures to permit the Company's business objectives to be achieved. There is no limitation under the Company's organizational documents as to the amount of available funds that may be invested in partnerships, limited liability companies or joint ventures. The occurrence of one or more of the events described above could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

#### Possible Inability to Consummate Acquisitions on Advantageous Terms

The Company intends to continue to acquire industrial and retail properties. Acquisitions of industrial and retail properties entail risks that investments will fail to perform in accordance with expectations. Estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. In addition, there are general investment risks associated with any new real estate investment. Further, the Company expects that there will be significant competition for attractive investment opportunities from other major real estate investors with significant capital including both publicly traded REITs and private institutional investment funds. The Company anticipates that future acquisitions will be financed through a combination of borrowings under the Credit Facility, proceeds from equity or debt offerings by the Company or the Operating Partnership (including issuances of Units in the Operating Partnership), which could have an adverse effect on the Company's cash flow. No assurance can be given that the Company will be able to acquire additional properties. In addition, no assurance can be given that any such acquisitions will be financed on terms favorable to the Company, or that such additional properties, if any, will conform with management's expectations or investment criteria. Any one of the foregoing events could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

#### Possible Inability to Complete Renovation and Development on Advantageous Terms

The real estate development business, including the renovation and rehabilitation of existing properties, involves significant risks in addition to those involved in the ownership and operation of established industrial buildings and community shopping centers, including the risks that financing may not be available on favorable terms for development projects and construction may not be completed on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing such properties and generating cash flow. Substantial renovation and new development activities are also subject to risks relating to the inability to obtain, or delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations. Once completed, such new or renovated properties may perform below anticipated levels, producing cash flow below budgeted amounts. The

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occurrence of one or more of the foregoing in connection with the Company's renovation and development activities could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to

pay dividends to holders of the Series A Preferred Stock. In addition, substantial renovation as well as new development activities, regardless of whether or not they are ultimately successful, typically require a substantial portion of management's time and attention which could take management's time away from the day-to-day operations of the Company. The Company anticipates that future activities will be financed through a combination of additional equity offerings, and public or private debt financing, including commercial lines of credit, and other forms of secured or unsecured financing. If such activities are financed through construction loans, there is a risk that, upon completion of construction, permanent financing may not be available or may be available only on disadvantageous terms which could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

#### LIMITED RESTRICTIONS ON TOTAL INDEBTEDNESS

The Company operates with a policy of incurring debt, either directly or through its subsidiaries, only if upon such incurrence the Company's Debt-to-Total Market Capitalization Ratio would be approximately 45% or less. In addition, the aggregate amount of indebtedness that the Company may incur under such policy varies directly with the valuation of the Company's capital stock and the number of shares of capital stock outstanding. Accordingly, the Company would be able to incur additional indebtedness as a result of increases in the market price per share of its common stock or other outstanding classes of capital stock, and future issuance of shares of capital stock. Notwithstanding the foregoing policy, the organizational documents of the Company do not contain any limitation on the amount of indebtedness that may be incurred. Accordingly, the Board of Directors could alter or eliminate this policy and would do so, for example, if it were necessary for the Company to continue to qualify as a REIT. If this policy were changed, the Company could become more highly leveraged, resulting in an increase in debt service that could adversely affect the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

#### DEBT FINANCING

##### Debt Financing and Existing Debt Maturities

The Company is subject to risks normally associated with debt financing, including the risk that its cash flow will be insufficient to make required distributions to holders of Series A Preferred Stock, the risk that existing indebtedness on the Properties (which in all cases will not have been fully amortized at maturity) will not be able to be refinanced or that the terms of such refinancing will not be as favorable as the terms of existing indebtedness. See "Business and Properties -- Debt Financing." As of March 31, 1998, the Company had an aggregate of \$610.1 million of secured indebtedness with an average maturity of seven years and a weighted average interest rate of 8.0%, and \$312.0 million outstanding under its Credit Facility with a maturity date of November 2000 and a weighted average interest rate of 6.8%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and "Business and Properties -- Debt Financing." In addition, in June 1998, the Operating Partnership issued \$400 million aggregate principal amount of Senior Debt Securities, the proceeds of which were used for the repayment of borrowings under the Credit Facility. The Company is a guarantor of the Operating Partnership's obligations with respect to the Senior Debt Securities. See "Capitalization." If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, the Company expects that its cash flow will not be sufficient in all years to pay dividends to holders of the Series A Preferred Stock and to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) resulted in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase, which would adversely affect the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock. If a Property or Properties are mortgaged to secure payment of indebtedness and the Company is unable to meet mortgage payments, the Property could

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be foreclosed upon or otherwise transferred to the mortgagee with a consequent loss of income and asset value to the Company which could have an adverse effect on the its financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

##### Impact of Rising Interest Rates and Variable Rate Debt

As of March 31, 1998, the Company had \$312.0 million outstanding under its \$500.0 million variable-rate Credit Facility. Following the application of the proceeds from the sale of the Senior Debt Securities, the Company had \$83.2 million outstanding under the Credit Facility. In addition, the Company may incur other variable rate indebtedness in the future. Increases in interest

rates on such indebtedness could increase the Company's interest expense, which would adversely affect the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock. Accordingly, the Company may in the future engage in transactions to further limit its exposure to rising interest rates to the extent that it believes such to be appropriate and cost effective. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

#### Dependence on External Sources of Capital

In order to qualify as a REIT under the Code, the Company generally is required each year to distribute to its stockholders at least 95% of its REIT taxable income (determined without regard to the dividends-paid deduction and by excluding any net capital gain). See "Material Federal Income Tax Consequences -- Taxation of the Company -- Annual Distribution Requirements." Because of this distribution requirement, the Company may not be able to fund all future capital needs, including capital needs in connection with acquisitions, from cash retained from operations. As a result, to fund future capital needs, the Company relies on third-party sources of capital, which may or may not be available on favorable terms or at all. The Company's access to third-party sources of capital depends upon a number of factors, including the market's perception of the Company's growth potential and its current and potential future earnings and cash distributions and the market price of the shares of its Common Stock and, upon consummation of the Offering, the Series A Preferred Stock. Moreover, additional equity offerings of Common Stock or Preferred Stock may result in substantial dilution of stockholders' interests in the Company, and additional debt financing may substantially increase the Company's leverage. See "Policies with Respect to Certain Activities -- Financing Policies."

#### Possible Impact of Defaults on Cross-Collateralized and Cross-Defaulted Debt

As of March 31, 1998, the Company had 12 non-recourse secured loans which are cross-collateralized by five pools consisting of 19 Properties. As of March 31, 1998, there was \$211.2 million outstanding on such loans. If an event of default were to occur on any such loan, the Company would be required to repay the aggregate of all indebtedness, together with applicable prepayment charges, in order to avoid foreclosure on all such Properties within the applicable pool. Foreclosure on such Properties, or the Company's inability to refinance any such loan on terms as favorable as existing terms, would adversely impact its financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock. In addition, the Company's Credit Facility and its Senior Debt Securities contain defaults in the event that other material indebtedness of the Company (including its non-recourse secured and joint venture debt) is in default. Such cross-default provision may require the Company to repay or restructure the Credit Facility and the Senior Debt Securities in addition to any mortgage or other debt which is in default, which could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

#### CONTINGENT OR UNKNOWN LIABILITIES

The AMB Predecessors have been in existence for varying lengths of time up to 15 years. In the Formation Transactions, the Company acquired the assets of CIF, VAF, AMB and WPF, and certain assets of the Individual Account Investors (each as defined in the Glossary), subject to all of the potential existing liabilities of such predecessor entities. There can be no assurances that there are no current liabilities and will

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not be any future liabilities arising from prior activities that are unknown and therefore not disclosed in this Prospectus. Such liabilities have been assumed by the Company as the surviving entity in the various merger and contribution transactions that comprise the Formation Transactions. Existing liabilities for indebtedness generally were taken into account (directly or indirectly) in connection with the allocation of the shares of Common Stock and/or Units in the Formation Transactions, but no other liabilities were taken into account for such purposes. The Company does not have recourse against CIF, VAF, AMB or WPF or any of their respective stockholders or partners or against the Individual Account Investors, with respect to any unknown liabilities except to the extent provided by the indemnity escrow agreement entered into in connection with the Formation Transactions (the "Indemnity Escrow"). Unknown liabilities might include liabilities for clean-up or remediation of undisclosed environmental conditions, claims of tenants, vendors or other persons dealing with the entities prior to the Formation Transactions (that had not been asserted prior to the Formation Transactions), accrued but unpaid liabilities incurred in the ordinary course of business, tax liabilities and claims for indemnification by the officers and directors of CIF, VAF and AMB and others indemnified by such entities, including clients of AMB. Certain tenants may claim that the Formation Transactions gave rise to a right to purchase the premises occupied by such



tenants. The Company does not believe any such claims would be material. See "-- Government Regulations -- Environmental Matters" below as to the possibility of undisclosed environmental conditions potentially affecting the value of the Properties. The existence of undisclosed material liabilities which are not covered by the Indemnity Escrow could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

#### CONFLICTS OF INTEREST

##### Continued Involvement of Executive Officers in Other Real Estate Activities and Investments

Certain Executive Officers own interests in real estate-related businesses and investments. Such interests include minority ownership of Institutional Housing Partners, a residential housing finance company (through AMB Institutional Housing Partners); and ownership of AMB Development, Inc. and AMB Development L.P., developers which own property that management believes is not suitable for ownership by the Company. AMB Development, Inc. and AMB Development L.P. have agreed not to initiate any new development projects following the IPO, nor will they make any further investments in industrial or retail properties other than those currently under development at the time of the IPO. The continued involvement in other real estate-related activities by certain of the Executive Officers and directors could divert management's attention from the day-to-day operations of the Company. Most of the Executive Officers have entered into a non-competition agreement with the Company pursuant to which, among other things, they have agreed not to engage in any activities, directly or indirectly, in respect of commercial real estate, and not make any investment in respect of industrial or retail real estate, other than through ownership of not more than 5% of the outstanding shares of a public company engaged in such activities or through the existing investments referred to herein.

AMB Institutional Housing Partners, AMB Development, Inc. and AMB Development, L.P. continue to use the name "AMB" pursuant to royalty-free license arrangements with the Company. The Company could also, in the future, subject to the unanimous approval of the disinterested directors, acquire property from such Executive Officers, enter into leases between such Executive Officers and the Company, and/or engage in other related activities in which the interests pursued by such Executive Officers may not be in the best interests of the holders of the Series A Preferred Stock.

##### Conflicts of Interest in Connection with Properties Owned or Controlled by Executive Officers and Directors

AMB Development L.P. owns interests in 11 retail development projects in the U.S., each of which consists of a single free-standing Walgreens drugstore, and, together with other entities controlled by nine of the Executive Officers, a low income housing apartment building located in the San Francisco Bay Area. In addition, Messrs. Abbey, Moghadam and Burke, each a founder and director of the Company, own less than 1% interests in two partnerships which own office buildings in various markets; these interests have negligible value. Luis A. Belmonte, an Executive Officer, owns less than a 10% interest, representing an estimated value

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of \$75,000, in a limited partnership which owns an office building located in Oakland, California. David S. Fries, an Executive Officer, owns an approximate 1% interest in a limited partnership that owns an apartment complex in Orange County, California.

In addition, several of the Executive Officers individually own: (i) less than 1% interests in the stocks of certain publicly-traded REITs, including mortgage REITs, and residential developers; (ii) certain interests in and rights to developed and undeveloped real property located outside the United States; (iii) interests in single-family homes and residential apartments in the San Francisco Bay Area; (iv) certain passive interests, not believed to be material, in real estate businesses in which such persons were previously employed; and (v) certain other de minimis holdings in equity securities. Thomas W. Tusher, a member of the Board of Directors, is a limited partner in a partnership in which Messrs. Abbey, Moghadam and Burke are general partners and which owns a 75% interest in an office building. Mr. Tusher owns a 20% interest in the partnership, valued as of March 31, 1998 at approximately \$939,000. Messrs. Abbey, Moghadam and Burke each have an approximately 26.7% interest in the partnership, each valued as of March 31, 1998 at approximately \$1,252,000.

The Company believes that the properties and activities set forth above generally do not directly compete with any of the Properties; however, it is possible that a property in which an Executive Officer or director of the Company, or an affiliate of such person, has an interest may compete with the Company in the future if the Company were to invest in a property similar in type and in close proximity to such property. However, the continued involvement by the Executive Officers and directors in such properties could divert management's attention from the day-to-day operations of the Company. The Company is prohibited from acquiring any properties from the Executive Officers

or their affiliates without the approval of its disinterested directors. See "Policies With Respect to Certain Activities -- Conflict of Interest Policies."

#### Conflicts Relating to the Operating Partnership

The Company, as the general partner of the Operating Partnership, has fiduciary obligations to the limited partners in the Operating Partnership, the discharge of which may conflict with the interests of the Company's stockholders. In addition, those persons holding Units, as limited partners, will have the right to vote as a class on certain amendments to the Partnership Agreement of the Operating Partnership ("Partnership Agreement") and individually to approve certain amendments that would adversely affect their rights, which voting rights may be exercised in a manner that conflicts with the interests of those investors who acquire shares of Series A Preferred Stock in the Offering. In addition, under the terms of the Partnership Agreement, the holders of Units will have certain approval rights with respect to certain transactions that affect all stockholders but which may not be exercised in a manner which reflects the interests of all stockholders, including holders of the Series A Preferred Stock. See "Description of Certain Provisions of the Partnership Agreement of the Operating Partnership -- Removal of General Partner; Transferability of the Company's Interests; Treatment of Units in Significant Transactions."

#### Influence of Directors, Executive Officers and Significant Stockholders

As of May 31, 1998, the Company's three largest stockholders, Ameritech Pension Trust, the City and County of San Francisco Employees' Retirement System and Southern Company System Master Retirement Trust, beneficially owned approximately 28.1% of the outstanding Common Stock (assuming the exchange of all Units into shares of Common Stock). In addition, the Executive Officers and directors beneficially owned 5.4% of the Common Stock as of such date (assuming the exchange of all Units into shares of Common Stock, before issuance of any Performance Units), and will have influence on the management and operation of the Company and, as stockholders, will have influence on the outcome of any matters submitted to a vote of the stockholders. Such influence might be exercised in a manner that is inconsistent with the interests of other stockholders, including the holders of the Series A Preferred Stock. Although there is no understanding or arrangement for these directors, officers and stockholders and their affiliates to act in concert, such parties would be in a position to exercise significant influence over the Company's affairs should they choose to do so. See "Principal Stockholders."

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#### Failure to Enforce Terms of Certain Agreements

As holders of shares of Common Stock and, potentially, Performance Units, certain of the Company's directors and Executive Officers could have a conflict of interest with respect to their obligations as directors and Executive Officers to vigorously enforce the terms of certain of the agreements relating to the Formation Transactions. The potential failure to enforce the material terms of those agreements could result in a monetary loss to the Company, which loss could have a material adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

#### GOVERNMENT REGULATIONS

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

#### Costs of Compliance with Americans with Disabilities Act

Under the Americans with Disabilities Act of 1990 (the "ADA"), all places of public accommodation are required to meet certain Federal requirements related to access and use by disabled persons. Compliance with the ADA might require removal of structural barriers to handicapped access in certain public areas where such removal is "readily achievable." Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants. The impact of application of the ADA to the Properties, including the extent and timing of required renovations, is uncertain. If required changes involve a greater amount of expenditures than the Company currently anticipates or if the changes must be made on a more accelerated schedule than the Company currently anticipates, its ability to pay dividends to holders of the Series A Preferred Stock could be adversely affected.

#### Environmental Matters

Under Federal, state and local laws and regulations relating to the protection of the environment ("Environmental Laws"), a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances or petroleum products at such property, and may be required to investigate and clean up such contamination at such property or such contamination which has migrated from

such property. Such laws typically impose liability and clean-up responsibility without regard to whether the owner or operator knew of or caused the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. In addition, the owner or operator of a site may be subject to claims by third parties based on personal injury, property damage and/or other costs, including investigation and clean-up costs, resulting from environmental contamination present at or emanating from a site.

Environmental Laws also govern the presence, maintenance and removal of asbestos-containing building materials ("ACBM"). Such laws require that ACBM be properly managed and maintained, that those who may come into contact with ACBM be adequately appraised or trained and that special precautions, including removal or other abatement, be undertaken in the event ACBM is disturbed during renovation or demolition of a building. Such laws may impose fines and penalties on building owners or operators for failure to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers. Some of the Properties may contain ACBM.

Some of the Properties are leased or have been leased, in part, to owners and operators of dry cleaners that operate on-site dry cleaning plants, to owners and operators of gas stations or to owners or operators of other businesses that use, store or otherwise handle petroleum products or other hazardous or toxic substances. Some of these Properties contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. These operations create a potential for the release of petroleum products or other hazardous or toxic substances. Some of the Properties are adjacent to or near other properties that have contained or currently contain underground storage tanks used to store

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petroleum products or other hazardous or toxic substances. In addition, certain of the Properties are on, or are adjacent to or near other properties upon which others, including former owners or tenants of the Properties, have engaged or may in the future engage in activities that may release petroleum products or other hazardous or toxic substances.

All of the Properties were subject to a Phase I or similar environmental assessments by independent environmental consultants at the time of acquisition or shortly after acquisition. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. Phase I assessments generally include an historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report, but do not include soil sampling or subsurface investigations and typically do not include an asbestos survey. Some of the Operating Partnership's environmental assessments of the Properties do not contain a comprehensive review of the past uses of the Properties and/or the surrounding properties.

None of the environmental assessments of the Properties has revealed any environmental liability that the Company believes would have a material adverse effect on its financial condition or results of operations taken as a whole, nor is it aware of any such material environmental liability. Nonetheless, it is possible that the assessments do not reveal all environmental liabilities and that there are material environmental liabilities of which the Company is unaware. Moreover, there can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Properties will not be affected by tenants, by the condition of land or operations in the vicinity of the Properties (such as releases from underground storage tanks), or by third parties unrelated to the Company. If the costs of compliance with the various environmental laws and regulations, now existing or hereafter adopted, exceed the Company's budgets for such items, the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock could be adversely affected.

#### Other Regulations

The Properties are also subject to various Federal, state and local regulatory requirements such as state and local fire and life safety requirements. Failure to comply with these requirements could result in the imposition of fines by governmental authorities or awards of damages to private litigants. The Company believes that the Properties are currently in substantial compliance with all such regulatory requirements. However, there can be no assurance that these requirements will not be changed or that new requirements will not be imposed which would require significant unanticipated expenditures by the Company, which expenditures could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

#### FEDERAL INCOME TAX RISKS

Adverse Consequences of the Company's Failure to Qualify as a REIT

The Company intends to operate so as to qualify as a REIT under the Code. Although management believes that the Company has been organized and has operated in a manner which would allow it to qualify as a REIT under the Code, no assurance can be given that the Company has been so organized and operated, or that the Company will continue to be so organized and operated in the future. Qualification as a REIT involves the satisfaction of numerous requirements (some on an annual and quarterly basis) established under highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within the Company's control. For example, in order to qualify as a REIT, at least 95% of the Company's gross income in any year must be derived from qualifying sources, and the Company must pay dividends to stockholders aggregating annually at least 95% of its REIT taxable income (determined without regard to the dividends-paid deduction and by excluding capital gains). The complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Code is greater in the case of a REIT, such as the Company, that holds its assets in partnership form. No assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not significantly change the tax laws with

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respect to qualification as a REIT or the Federal income tax consequences of such qualification. The Company, however, is not aware of any pending tax legislation that would adversely affect its ability to operate as a REIT.

In the opinion of Latham & Watkins, tax counsel to the Company, commencing with the Company's taxable year ended December 31, 1997, the Company has been organized and has operated in conformity with the requirements for qualification as a REIT and its method of operation will enable it to continue to meet the requirements for qualification and taxation as a REIT under the Code. See "Material Federal Income Tax Consequences -- Taxation of the Company." Such legal opinion, however, is based on various assumptions and factual representations by the Company regarding its ability to satisfy the various requirements for qualification as a REIT, and no assurance can be given that actual operating results have met or will continue to meet these requirements. Such legal opinion is not binding on the IRS or any court. Moreover, the Company's qualification and taxation as a REIT depends upon its ability to meet (through actual annual operating results, distribution levels and diversity of stock ownership) the various qualification tests imposed under the Code, the results of which have not been and will not be reviewed by Latham & Watkins.

If the Company were to fail to qualify as a REIT in any taxable year, it would be subject to Federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Moreover, unless entitled to relief under certain statutory provisions, the Company also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. In addition, a recent Federal budget proposal contains a provision which, if enacted in its present form, would result in the immediate taxation of all gain inherent in a C corporation's (i.e., a corporation which is neither an S Corporation nor a REIT) assets upon an election by the corporation to become a REIT in taxable years beginning after January 1, 1999, and thus could effectively preclude the Company from re-electing to be taxed as a REIT following a loss of its REIT status. This treatment would significantly reduce the net earnings of the Company available for investment or distribution to stockholders because of the additional tax liability to the Company for the year or years involved. In addition, distributions to stockholders would no longer be required to be made. See "Material Federal Income Tax Consequences -- Taxation of the Company -- Failure of the Company to Qualify as a REIT."

#### Other Tax Liabilities

Even if the Company qualifies as a REIT, it will be subject to certain Federal, state and local taxes on its income and property. In addition, the net taxable income, if any, from the activities conducted through AMB Investment Management will be subject to Federal and state income tax. See "Federal Income Tax Consequences -- Other Tax Consequences."

#### DEPENDENCE ON KEY PERSONNEL

The Company is dependent on the efforts of its Executive Officers, particularly Messrs. Abbey, Moghadam and Burke, the Chairman of the Company's Investment Committee, its Chief Executive Officer and the Chairman of its Board of Directors, respectively. While the Company believes that it could find suitable replacements for these key personnel, the loss of their services or the limitation of their availability could have an adverse effect on the Company's financial condition, results of operations, cash flow and ability to pay

dividends to holders of the Series A Preferred Stock. While all Executive Officers have entered into or will enter into employment agreements with the Company, there may be limitations under applicable state law in the enforceability of such agreements, particularly as respects the non-competition agreements contained therein. See "Management."

#### NEED TO MANAGE RAPID GROWTH

The Company's business has grown rapidly and continues to grow rapidly through property acquisitions. There can be no assurance that the Company will be able to manage effectively rapid growth in the future, and any failure to do so could adversely affect the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock.

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#### AMB INVESTMENT MANAGEMENT

##### Adverse Consequences of Lack of Control Over the Business of AMB Investment Management

To comply with the REIT asset tests that restrict ownership of shares of other corporations, the Operating Partnership owns 100% of the non-voting preferred stock of AMB Investment Management (representing approximately 95% of its economic interest) and certain Executive Officers and an officer of AMB Investment Management own all of the outstanding voting common stock of AMB Investment Management (representing approximately 5% of its economic interest). This ownership structure is necessary to permit the Company to share in the income of AMB Investment Management while maintaining its status as a REIT. Although the Company receives substantially all of the economic benefit of the business carried on by AMB Investment Management through the Company's right to receive dividends through the Operating Partnership, the Company is not able to elect directors or officers of AMB Investment Management and, therefore, the Company does not have the ability to influence the operation of AMB Investment Management or require that AMB Investment Management's board of directors declare and pay a cash dividend on the non-voting stock of AMB Investment Management held by the Operating Partnership. As a result, the board of directors and management of AMB Investment Management might implement business policies or decisions that would not have been implemented by persons controlled by the Company and that may be adverse to the interests of the Company's stockholders, including holders of the Series A Preferred Stock, or that lead to adverse financial results, which could adversely impact the Company's financial condition, results of operations, cash flow and ability to pay dividends to holders of the Series A Preferred Stock. In addition, AMB Investment Management is subject to tax on its income, reducing its cash available for distribution.

##### Uncertainty of AMB Investment Management Operations

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

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#### THE COMPANY

##### GENERAL

The Company is one of the largest publicly-traded real estate companies in the United States. As of June 30, 1998, the Company owned 163 Properties, comprised of 126 Industrial Properties and 37 Retail Properties located in 28 markets throughout the United States. The Industrial Properties, principally warehouse distribution properties, encompass approximately 47.7 million rentable square feet and, as of March 31, 1998, were 94.6% leased to over 1,000 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 94.6% leased to over 900 tenants. See "Business and Properties." The Company owns substantially all of its assets, and conducts substantially all of its business, through the Operating Partnership and its subsidiaries.

The Company is engaged in the business of acquiring and operating industrial properties and community shopping centers in target markets nationwide. The Company is led by Mr. Hamid R. Moghadam, its Chief Executive

Officer and one of the three founders of the Company. Messrs. Douglas D. Abbey and T. Robert Burke, the other two founders, also play active roles in the Company's operations as the Chairman of its Investment Committee and the Chairman of its Board of Directors, respectively. The Company's 10 executive officers have an average of 22 years of experience in the real estate industry and have worked together for an average of eight years building the AMB real estate business.

AMB Property Corporation was organized in November 1997 and commenced operations upon the completion of the IPO. The Company operates as a self-administered and self-managed real estate company and expects that it has qualified and that it will continue to qualify as a REIT for Federal income tax purposes beginning with the year ended December 31, 1997.

#### RECENT DEVELOPMENTS

**Sale of Senior Debt Securities.** On June 30, 1998, the Operating Partnership sold \$400 million aggregate principal amount of Senior Debt Securities in an underwritten public offering. The net proceeds from the offering of Senior Debt Securities were used to repay borrowings under the Credit Facility.

**Acquisitions.** From April 1, 1998 to June 30, 1998, the Company acquired for an aggregate purchase price of approximately \$210.4 million (i) eight Industrial Properties, comprising 44 buildings and 3.3 million rentable square feet, (ii) four buildings aggregating 0.4 million square feet which are adjacent to existing Properties and (iii) a limited partnership interest in an existing unconsolidated real estate joint venture that owns 36 industrial buildings aggregating 4.0 million square feet.

**Quarterly Distributions.** On June 19, 1998, the Board of Directors declared a distribution on the Common Stock of \$0.3425 per share, paid on July 9, 1998 to stockholders of record as of June 30, 1998, and in its capacity as general partner of the Operating Partnership, declared a distribution on the Operating Partnership's common partnership units of \$0.3425 per common partnership unit, paid on July 9, 1998 to partners of record as of June 30, 1998.

**Investment-Grade Credit Rating.** The Company recently received credit ratings on its senior 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 receiving these investment-grade credit ratings, the interest rate on the Credit Facility was reduced by 20 basis points to LIBOR plus 90 basis points. In addition, the Company has received prospective ratings on the Series A Preferred Stock of Baa2 from Moody's Investors Service, BBB- from Standard & Poor's Corporation and BBB from Duff & Phelps Credit Rating Co.

#### BUSINESS AND OPERATING STRATEGIES

The Company focuses its investment activities in industrial hub distribution markets and retail trade areas throughout the U.S. where management believes opportunities exist to acquire and develop additional properties on an advantageous basis. The Company is a full-service real estate company with in-house expertise in acquisitions, development and redevelopment, asset management and leasing, finance and accounting and market research. The Company has long-standing relationships with most of the real estate management firms across the country which provide local property management and leasing services to the Company on a fee basis. See "-- Property Management."

#### NATIONAL PROPERTY COMPANY

As of June 30, 1998, the Company owned 163 Properties located in 28 markets throughout the U.S. The Company believes that its national strategy enables it to (i) increase or decrease investments in certain regions to take advantage of the relative strengths in different real estate markets; (ii) retain and accommodate tenants as they consolidate or expand, particularly in its Industrial Properties; and (iii) build brand awareness as well as customer loyalty through the delivery of consistent service and quality product. Through its presence in markets throughout the U.S., the Company has also developed operating expertise in leasing, expense management, tenant retention strategies and property design and configuration.

#### TWO COMPLEMENTARY PROPERTY TYPES

Management believes its strategy of owning and operating both industrial properties and community shopping centers offers the Company an optimal combination of growth opportunities, strong current income and increased

stability through market cycles. The Company has developed the expertise, infrastructure and management information systems to acquire, reposition, develop and operate these two property types. Management believes that its dual property strategy provides significant opportunities to allocate capital and organizational resources between property types according to changing market conditions and its investment strategy.

#### SELECT MARKET FOCUS

The Company intends to continue its strategy of investing in industrial hub distribution markets and retail trade areas across the country to capitalize on changes in the relative economic strength of these regions. The Company focuses on acquiring, redeveloping and operating properties in in-fill locations which are characterized by limited new construction opportunities. As the strength of these markets continues to grow and the demand for well-located properties increases, the Company believes that it will benefit from an upward pressure on rents resulting from the increased demand combined with the relative lack of new available space.

The Company intends to continue to focus its industrial property investment activities in six hub markets which dominate national warehouse distribution activities: Atlanta, Chicago, Dallas/Fort Worth, Los Angeles, Northern New Jersey and the San Francisco Bay Area. Among the nation's 53 major industrial markets tracked by CB Commercial/Torto Wheaton Research, the six markets listed above accounted for approximately (i) 36% of the warehouse property inventory as of December 31, 1997 and (ii) for the three-year period ended December 31, 1997, an average of 36% of industrial property net absorption. In addition, such hub markets contain approximately 56% of the Industrial Properties based on aggregate square footage. The Company also invests in selected regional distribution markets including Boston, Houston, Miami, Minneapolis, San Diego, Seattle and Baltimore/Washington, D.C. The Company focuses on these established industrial markets because management believes they offer large and broadly diversified tenant bases which provide greater demand for properties over market cycles than secondary markets. In-fill locations within these markets also typically have significant barriers to new construction, including geographic or regulatory supply constraints, and benefit from access to large labor supplies and well-developed transportation networks. See "Business and Properties -- Industrial Properties -- Overview of Major Target Markets."

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#### PROPERTY MANAGEMENT

The Company actively manages its properties through its experienced staff of regional managers, each of whom specializes in the management of industrial properties or community shopping centers in designated markets. Regional, market and property-type focus provides regional managers with extensive knowledge of real estate trends and supply and demand activity in their markets as well as an effective network of local contacts who provide sources for market data, leads for new tenants and property acquisitions, and opportunities to enhance the value of the Properties. The Company typically outsources property management to a select group of third-party local managers with whom the Company has developed strong relationships.

The Company's regional managers have broad responsibilities that include implementing an annual business plan for each property, formulating leasing strategies, establishing leasing terms and conditions, negotiating leases, approving and monitoring leases and capital expenditures, planning and implementing renovation, expansion and development, establishing annual operating and capital budgets and effecting dispositions. The Company's regional managers utilize local leasing agents to identify prospective tenants and document lease transactions. Third-party local property service providers are engaged to oversee custodial property matters such as rent collection, tenant requests, maintenance and repair, and supervision of cleaning and security services. The Company monitors the performance of its properties on a daily basis through the use of its proprietary asset information system. This management tool enables the Company not only to monitor the operating performance of a property (and the local property manager), but also to review and communicate strategic initiatives to the local property manager on a real-time basis and to compare the property's performance to on-line budgets and objectives. The Company also monitors the tenant service performance of its service providers in order to ensure high quality and uniform service to its tenants.

Management believes that its approach to property management and its relationships with third-party property management companies enable the Company to more effectively manage fixed operating costs associated with a national portfolio. By employing third-party local property managers which management believes to be among the best in their respective market, the Company can enter and exit markets efficiently without the administrative burden of retaining a large staff. Since the Company is the customer, rather than the competitor, of third-party management firms, these firms are also a source of new acquisition opportunities in the respective markets, thus providing the Company with greater access to transaction flow. Management believes this approach also gives the Company a competitive advantage in capitalizing on the increasing trend among

corporations to outsource their real estate service requirements to property management companies.

From January 1, 1995 through March 31, 1998, the weighted average tenant retention rate of the Properties managed by AMB, the Company's Predecessor, and owned by the Company upon consummation of the Formation Transactions, was approximately 72.9% for the Industrial Properties and approximately 83.5% for the Retail Properties, based on aggregate square footage. See "Business and Properties -- Historical Lease Renewals and Retention Rates." Management believes that these tenant retention rates reflect the success of the Company's operating and tenant service-driven property management strategy.

#### DISCIPLINED INVESTMENT PROCESS

During its 14-year history prior to the consummation of the IPO, AMB established a disciplined approach to the investment process through operating divisions that are subject to the overall policy direction of management's investment committee (the "Investment Committee"). The stages in the investment process are highly integrated, with Investment Committee review at critical points in the process.

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

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complete review of the information developed during the due diligence process and either rejects or gives final approval.

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

#### RENOVATION, EXPANSION AND DEVELOPMENT

The multidisciplinary background of the Company's employees provides it with the skills and experience to capitalize on strategic renovation, expansion and development opportunities. Several of the Company's officers have extensive experience in real estate development, both at AMB and with national development firms. The Company generally pursues development projects in joint ventures with local developers. In this way, the Company leverages the development skill, access to opportunities and capital of such developers, transferring a significant amount of the development risk to them and eliminating the need and expense of an in-house development staff. See "Strategies for Growth -- Growth Through Renovation, Expansion and Development."

#### FINANCING STRATEGY

In order to maintain financial flexibility and facilitate the rapid deployment of capital over market cycles, the Company intends to operate with a Debt-to-Total Market Capitalization Ratio of less than 45%, though the Company's organizational documents do not limit the amount of indebtedness the Company may incur. Additionally, the Company intends to continue to structure its balance sheet in order to maintain investment-grade ratings. The Company also intends to keep the majority of its assets unencumbered to help facilitate such ratings. Upon consummation of the Offering, the Company's Debt-to-Total Market Capitalization Ratio as of March 31, 1998 on a pro forma basis (giving effect to the acquisition-related debt incurred subsequent to March 31, 1998, the sale of the Senior Debt Securities and the Offering and the application of the proceeds therefrom as if the debt had been incurred and those transactions had occurred as of that date) would have been approximately 31.4% (approximately 29.9% on an historical basis). See "Policies with Respect to Certain Activities -- Financing Policies."

The Company anticipates that future acquisitions will be financed through a combination of 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 and with shares of Preferred Stock or Units in the Operating Partnership. Additionally, the Company's co-investment program will also serve as a source of capital, particularly when more traditional sources of capital may not be available on attractive terms. See "-- AMB Investment Management."



Borrowings under the Credit Facility bear interest at a rate equal to LIBOR plus 90 to 120 basis points (currently LIBOR plus 90 basis points), depending upon the Company's debt rating at the time of such borrowings. The Company expects to continue to use the Credit Facility for acquisitions and for general corporate purposes. As of March 31, 1998, \$312.0 million was outstanding under the Credit Facility. Of the \$312.0 million outstanding at March 31, 1998, substantially all of such borrowings were used to finance property acquisitions. Following the application of the proceeds from the sale of the Senior Debt Securities, the Company had \$83.2 million outstanding under the Credit Facility. See "Management's Discussion of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and "Business and Properties -- Debt Financing."

#### AMB INVESTMENT MANAGEMENT

AMB Investment Management provides real estate investment management services on a fee basis to certain clients of AMB, the Company's predecessor, which did not participate in the Formation Transactions. The Company presently intends to co-invest with clients of AMB Investment Management, to the extent such

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clients newly commit investment capital, through partnerships, limited liability companies and joint ventures. The Company uses a co-investment formula with each client whereby the Company will own at least a 20% interest in all ventures. As of March 31, 1998, the Company had consummated two co-investments through one partnership. See "Business and Properties -- Properties Held Through Joint Ventures, Limited Liability Companies and Partnerships." AMB Investment Management is owned by the Company, which owns 100% of the non-voting preferred stock (representing a 95% economic interest therein), and an officer of AMB Investment Management and certain Executive Officers, who collectively own 100% of the voting common stock (representing a 5% economic interest therein).

#### STRATEGIES FOR GROWTH

The Company intends to achieve its objectives of long-term sustainable growth in FFO and maximization of long-term stockholder value, principally by growth through (i) operations, resulting from improved operating margins within the portfolio while maintaining above-average occupancy, (ii) continued property acquisitions, including through the co-investment program of AMB Investment Management and (iii) renovation, expansion and development of selected properties.

#### GROWTH THROUGH OPERATIONS

The Company seeks to improve operating margins by increasing the occupancy rate of its Properties and by taking advantage of the economies of owning, operating and growing a large national portfolio. As of March 31, 1998, the Industrial Properties and Retail Properties owned as of such date were each 94.6% leased. During the 12 months ended March 31, 1998, the Company increased average rental rates by 12.3% from the expiring rent for such space, on 263 leases entered into or renewed during the 12 months ended March 31, 1998, representing 5.5 million rentable square feet or 10.9% of the aggregate rentable square footage of the Properties. During the 12 months ending March 31, 1999, leases encompassing an aggregate of 10.3 million rentable square feet (representing 20.3% of the Company's aggregate rentable square footage as of March 31, 1998) are subject to contractual rent increases resulting in an average rent increase per rentable square foot of \$1.28, or 5.9%. Based on recent experience and current market trends, management believes it will have an opportunity to increase the average rental rate on Property leases expiring during the nine months ending December 31, 1998 covering an aggregate of 5.2 million rentable square feet. The Company seeks to reduce the potential volatility of the portfolio's FFO by managing lease expirations so that they occur within individual properties and across the entire portfolio in a staggered fashion, and by monitoring the credit and mix of tenants, particularly those in the Retail Properties.

#### GROWTH THROUGH ACQUISITIONS

Between January 1, 1998 and June 30, 1998, the Company acquired (i) 31 Properties comprising 88 buildings and 10.0 million square feet, (ii) 10 buildings aggregating 0.8 million square feet which are adjacent to existing Properties and (iii) a limited partnership interest in an existing unconsolidated real estate joint venture which owns 36 industrial buildings aggregating 4.0 million square feet. The Company believes its significant acquisition experience and its extensive network of property acquisition sources will continue to provide opportunities for external growth. Management believes that there is a growing trend among large private institutional holders of real estate assets to shift a portion of their direct investment in real estate assets to more liquid securities such as common stock and units in publicly-traded REITs. The Company has relationships with a number of the

nation's leading pension funds and other institutional investors, many of whom have large portfolios of industrial properties and community shopping centers. Management believes that the Company's relationship with third-party local property managers also will create acquisition opportunities as such managers market properties on behalf of unaffiliated sellers. The Company also will maintain relationships with institutional owners of property portfolios managed by AMB Investment Management. The Company believes that through these relationships it will have opportunities to acquire portfolios in exchange for equity interests in the Company, and will be well-positioned to facilitate such investors' shift from private to public real estate ownership. See "Business and Operating Strategies -- AMB Investment Management." The Company's operating structure enables it to acquire properties through the

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Operating Partnership in exchange for Units, thereby enhancing the Company's attractiveness to owners and developers seeking to transfer properties on a tax-deferred basis.

The Company is generally in various stages of negotiations for a number of acquisitions, which may include acquisitions of individual properties, large multi-property portfolios and other real estate companies. There can be no assurance that any of such acquisitions will be consummated. Such acquisitions, if consummated, may be material individually or in the aggregate. Sources of capital for acquisitions may include undistributed cash flow, borrowings under the Credit Facility, other forms of secured or unsecured financing, issuances of debt or equity securities of the Operating Partnership or the Company and assumption of debt related to the assets being acquired.

GROWTH THROUGH RENOVATION, EXPANSION AND DEVELOPMENT

Management believes that renovation and expansion of value-added properties and development of well-located, high-quality industrial properties and community shopping centers should continue to provide the Company with attractive opportunities for increased cash flow and a higher rate of return than may be obtained from the purchase of fully leased, renovated properties. Value-added properties are typically characterized as properties with available space or near-term leasing exposure, properties which are well-located but require redevelopment or renovation, and occasionally undeveloped land acquired in connection with another property that provides an opportunity for development. Such properties require significant management attention and/or capital investment to maximize their return. The Company has also established certain strategic alliances with national and regional developers to enhance the Company's development capabilities.

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USE OF PROCEEDS

The net proceeds from the Offering are expected to be approximately \$95.9 million, after deducting Underwriters' discounts and commissions and estimated offering expenses aggregating approximately \$4.1 million. The Company intends to use the net proceeds to repay approximately \$83.2 million of borrowings outstanding under the Credit Facility, for property acquisitions and for other general corporate purposes. Pending application of the net proceeds, the Company may invest such portion of the net proceeds in interest-bearing accounts and short-term, interest-bearing securities which are consistent with the Company's qualification for taxation as a REIT. As of March 31, 1998, the weighted average interest rate on such borrowings expected to be repaid with the net proceeds of the Offering was approximately 6.8% and the maturity was approximately 2.6 years. All of such indebtedness was incurred within the 12-month period ended May 31, 1998.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTION HISTORY

The Common Stock began trading on the New York Stock Exchange (the "NYSE") on November 21, 1997 under the symbol "AMB." On July 10, 1998, the last reported sales price per share of the Common Stock on the NYSE was \$24. As of July 10, 1998, there were approximately 163 holders of record of the Common Stock (excluding beneficial owners whose shares are held in the name of Cede & Co.). The following table sets forth the high and low closing sales prices per share of the Common Stock reported on the NYSE for the period from November 21, 1997 to July 10, 1998 and the distributions paid by the Company with respect to such periods.

<TABLE>  
<CAPTION>

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

1997			
Fourth Quarter (from November 21, 1997).....	\$25 1/8	\$22 1/4	\$0.1340
1998			
First Quarter.....	\$24 15/16	\$23 3/8	\$0.3425
Second Quarter.....	\$25	\$22 3/8	\$0.3425
Third Quarter (through July 10, 1998).....	\$24 7/16	\$23 15/16	--

</TABLE>

On June 19, 1998, the Board of Directors declared a distribution on the Common Stock of \$0.3425 per share, paid on July 9, 1998 to stockholders of record as of June 30, 1998 and in its capacity as general partner of the Operating Partnership, declared a distribution on the Operating Partnership's common partnership units of \$0.3425 per common partnership unit, paid on July 9, 1998 to partners of record as of June 30, 1998.

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CAPITALIZATION

The following table sets forth the capitalization of the Company as of March 31, 1998 on an historical, a pre-offering pro forma and a pro forma basis. The pre-offering pro forma information gives effect to the property acquisitions occurring after March 31, 1998, the sale of the Senior Debt Securities, and the application of the net offering proceeds therefrom. The pro forma information gives effect to such acquisitions, the sale of the Senior Debt Securities and the application of the net offering proceeds therefrom and the offering and the application of the net proceeds therefrom. See "Use of Proceeds." The information set forth in the following table should be read in conjunction with the historical Consolidated Financial Statements and Notes thereto, the condensed consolidated pro forma financial information and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" included elsewhere in this Prospectus.

<TABLE>  
<CAPTION>

	HISTORICAL	PRE-OFFERING PRO FORMA	PRO FORMA
	-----	-----	-----
	(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>	<C>
Debt:			
Unsecured credit facility.....	\$ 312,000	\$ 83,176	\$ --
Senior Debt Securities.....	--	400,000	400,000
Secured debt(1).....	610,111	626,220	626,220
	-----	-----	-----
Total debt.....	922,111	1,109,396	1,026,220
Minority interests.....	123,763	149,511	149,511
Stockholders' equity:			
Preferred Stock, \$.01 par value, 100,000,000 shares authorized, none issued or outstanding (4,000,000 shares of Series A Preferred Stock issued and outstanding, pro forma).....	--	--	95,900
Common Stock, \$.01 par value, 500,000,000 shares authorized, 85,874,513 shares issued and outstanding(2).....	859	859	859
Additional paid-in capital, Common Stock.....	1,669,846	1,669,846	1,669,846
Retained earnings.....	--	--	--
	-----	-----	-----
Total stockholders' equity.....	1,670,705	1,670,705	1,766,605
	-----	-----	-----
Total capitalization.....	\$2,716,579	\$2,929,612	\$2,942,336
	=====	=====	=====

</TABLE>

(1) Secured debt is comprised of mortgage loans and other secured debt and includes unamortized debt premiums and discounts of \$17,542.

(2) Does not include (i) 3,748,002 shares of Common Stock that may be issued upon the exchange of Units and (ii) approximately 3,071,250 shares of Common Stock issuable upon the exercise of outstanding options granted under the Company's Stock Option and Incentive Plan.

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SELECTED FINANCIAL AND OTHER DATA

COMPANY AND PREDECESSOR

The following table sets forth selected financial and other data on an historical basis for the Company and its Predecessor, AMB Institutional Realty Advisors, Inc., for the five years ended December 31, 1997, and the three months ended March 31, 1997 and 1998 and on an as adjusted basis for the Company for the year ended December 31, 1997 (giving effect to the Formation Transactions, the IPO and certain property acquisitions and dispositions in 1997). Additionally, the table sets forth selected financial and other data for the Company for the year ended December 31, 1997 and for the three months ended March 31, 1998 on a pro forma basis (giving effect to the Formation Transactions, the IPO, certain property acquisitions and dispositions in 1997, the property acquisitions in 1998, the sale of the Senior Debt Securities and the application of the net offering proceeds therefrom and the Offering and the application of the net proceeds therefrom, as if such transactions had occurred on January 1, 1997). For the four-year period ended December 31, 1996 and the period from January 1, 1997 through November 25, 1997, the Predecessor operated as an investment manager with revenues that consisted primarily of fees earned in connection with real estate management services. The historical financial information contained in the tables should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements and accompanying Notes thereto included elsewhere in this Prospectus.

The historical results of the Company for 1997 include the results of operations of the Company, including property operations for the period from November 26, 1997 to December 31, 1997, and the results of the Company's Predecessor, an investment manager, for the period from January 1, 1997 to November 25, 1997.

In the opinion of management, the historical financial information as of and for the three months ended March 31, 1998 reflects all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the financial information, and the as adjusted and pro forma condensed financial information provides for all adjustments necessary to reflect the adjustments and transactions described above. The information for the three months ended March 31, 1998 is unaudited and the operating data for that period are not necessarily indicative of the results for the entire year. The as adjusted and pro forma information is unaudited and is not necessarily indicative of the results that would have occurred if the transactions and adjustments reflected therein had been consummated in the period or on the date presented, nor does it purport to represent the financial position, results of operations or changes in cash flows for future periods.

COMPANY AND PREDECESSOR SELECTED FINANCIAL AND OTHER DATA

(IN THOUSANDS EXCEPT SHARE AND UNIT DATA, PERCENTAGES AND NUMBER OF PROPERTIES)

<TABLE>  
<CAPTION>

	AS OF AND FOR THE YEARS ENDED DECEMBER 31,						
	PREDECESSOR				COMPANY		
	(1)				HISTORICAL (2)	AS ADJUSTED (3)	PRO FORMA (4)
	1993	1994	1995	1996	1997	1997	1997
						(UNAUDITED)	(UNAUDITED)
						<C>	<C>
<b>OPERATING DATA:</b>							
Total revenues.....	\$7,155	\$12,865	\$16,865	\$23,991	\$ 56,062	\$ 284,674	\$341,132
Income from operations before minority interests.....	798	2,925	3,296	7,140	18,885	103,903	113,833
Net income available to common stockholders.....	798	2,925	3,262	7,003	18,228	99,508	95,229
Net income per common share(5):							
Basic.....	\$ 0.17	\$ 0.59	\$ 0.64	\$ 1.38	\$ 1.39	\$ 1.16	\$ 1.11
Diluted.....	0.17	0.59	0.64	1.38	1.38	1.16	1.11
Distributions per common share.....					0.13	1.37	1.37
<b>OTHER DATA:</b>							
EBITDA(6).....						\$ 195,218	\$238,274
Funds from Operations(7).....						147,409	151,850
Cash flows provided by (used in):							
Operating activities.....						131,621	144,562
Investing activities.....						(607,768)	(941,937)
Financing activities.....						553,199	721,486
Ratio of earnings to fixed charges and preferred stock							

dividends(8).....					3.1x	2.2x
Ratio of EBITDA to interest expense and preferred stock dividends(9).....					4.3x	3.0x
BALANCE SHEET DATA:						
Investments in real estate at cost.....	\$ --	\$ --	\$ --	\$ --	\$2,442,999	
Total assets.....	2,739	4,092	4,948	7,085	2,506,255	
Secured debt(10).....	--	--	--	--	535,652	
Senior Debt Securities.....	--	--	--	--	--	
Unsecured credit facility.....	--	--	--	--	150,000	
Stockholders' equity.....	2,480	3,848	4,241	6,300	1,668,030	
PROPERTY DATA:						
INDUSTRIAL PROPERTIES						
Total rentable square footage of properties at end of period...	5,638	13,364	21,598	29,609	37,329	
Number of properties at end of period.....	12	28	44	60	95	
Occupancy rate at end of period.....	97.4%	96.9%	97.3%	97.2%	95.7%	
RETAIL PROPERTIES						
Total rentable square footage of properties at end of period...	1,074	2,422	3,299	5,282	6,216	
Number of properties at end of period.....	9	14	19	30	33	
Occupancy rate at end of period.....	96.5%	93.7%	92.4%	92.4%	96.1%	

<CAPTION>

AS OF AND FOR THE  
THREE MONTHS ENDED MARCH 31,

	COMPANY		
	PREDECESSOR (1)	HISTORICAL	PRO FORMA (4)
	1997	1998	1998
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>
OPERATING DATA:			
Total revenues.....	\$5,112	\$ 75,785	\$ 88,839
Income from operations before minority interests.....	1,239	29,188	32,421
Net income available to common stockholders.....	1,239	27,906	27,812
Net income per common share(5):			
Basic.....	\$ 0.24	\$ 0.32	\$ 0.32
Diluted.....	0.24	0.32	0.32
Distributions per common share.....		0.34	0.34
OTHER DATA:			
EBITDA(6).....		\$ 52,815	\$ 63,056
Funds from Operations(7).....		40,295	41,697
Cash flows provided by (used in):			
Operating activities.....		34,820	38,347
Investing activities.....		(199,520)	(49,646)
Financing activities.....		153,316	(11,205)
Ratio of earnings to fixed charges and preferred stock dividends(8).....		3.1x	2.4x
Ratio of EBITDA to interest expense and preferred stock dividends(9).....		4.5x	3.2x
BALANCE SHEET DATA:			
Investments in real estate at cost.....		\$2,755,882	\$2,966,330
Total assets.....		2,798,190	3,023,947
Secured debt(10).....		610,111	626,220
Senior Debt Securities.....		--	400,000
Unsecured credit facility.....		312,000	--
Stockholders' equity.....		1,670,705	1,766,605
PROPERTY DATA:			
INDUSTRIAL PROPERTIES			
Total rentable square footage of properties at end of period...		43,964	47,676
Number of properties at end of period.....		118	126
Occupancy rate at end of period.....		94.6%	94.6%
RETAIL PROPERTIES			
Total rentable square footage of properties at end of period...		6,849	6,849

Number of properties at end of period.....	37	37
Occupancy rate at end of period.....	94.6%	94.6%

</TABLE>

- -----

- (1) Represents the Predecessor's historical financial and other data for the years ended December 31, 1993, 1994, 1995, 1996 and the three months ended March 31, 1997. The Predecessor operated as an investment manager prior to November 26, 1997.
- (2) Represents the Predecessor's historical financial and other data for the period January 1, 1997 through November 25, 1997 and the Company's historical and other data for the period from November 26, 1997 to December 31, 1997.
- (3) As adjusted financial and other data have been prepared as if the Formation Transactions, the IPO and certain property acquisitions and dispositions in 1997 had occurred on January 1, 1997.
- (4) Pro forma financial and other data have been prepared as if the Formation Transactions, the IPO, certain property acquisitions and dispositions in 1997, the property acquisitions in 1998, the sale of the Senior Debt Securities and the Offering had occurred on January 1, 1997. See "Pro Forma Financial Information."
- (5) Historical, as adjusted and pro forma net income per basic share for the year ended December 31, 1997 equals the historical, as adjusted and pro forma net income divided by 13,140,218, 85,874,513 and 85,874,513 shares, respectively. Historical and pro forma net income per basic share for the three months ended March 31, 1998 equals the historical and pro forma net income divided by 85,874,513 and 85,874,513 shares, respectively. Historical, as adjusted and pro forma diluted net income per share for the year ended December 31, 1997 equals the historical, as adjusted and pro forma net income divided by 13,168,036, 86,156,556 and 86,156,556 shares, respectively. Historical and pro forma diluted net income per share for the three months ended March 31, 1998 equals the historical and pro forma net income divided by 86,284,736 and 86,284,736 shares, respectively.
- (6) EBITDA is computed as income from operations before disposal of properties and minority interests plus interest expense, income taxes, depreciation and amortization. Management believes that in addition to cash flows and net income, EBITDA is a useful financial performance measure for assessing operating performance because, together with net income and cash flows, EBITDA provides investors with an additional basis to evaluate the ability to incur and service debt and to fund acquisitions and other capital expenditures.

- (7) FFO represents net income (loss) before minority interests and extraordinary items, adjusted for depreciation on real property and amortization of tenant improvement costs and lease commissions, gains (losses) from the disposal of properties and FFO attributable to minority interests in consolidated joint ventures whose interests are not convertible into shares of Common Stock. 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 the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions. The following table sets forth the Company's calculation of FFO for the periods presented.

<TABLE>  
<CAPTION>

MONTHS ENDED	FOR THE YEAR ENDED	FOR THE THREE
	DECEMBER 31, 1997	MARCH
31, 1998		

- -----

PRO FORMA	ADJUSTED	PRO FORMA	HISTORICAL
-----	-----	-----	-----
<S>	<C>	<C>	<C>
<C>			
Income from operations before minority interests.....	\$ 103,903	\$ 113,833	\$ 29,188
\$ 32,421			
Real estate related depreciation and amortization:			
Depreciation and amortization.....	45,886	54,027	11,786
13,256			
Furniture, fixtures and equipment depreciation.....	(173)	(173)	(104)
(104)			
FFO attributable to minority interests.....	(2,207)	(8,609)	(575)
(2,069)			
Adjustment to derive FFO of unconsolidated joint venture:			
Company's share of net income.....	--	(5,470)	--
(1,273)			
Company's share of FFO.....	--	6,742	--
1,591			
Series A Preferred Stock Dividends.....	--	(8,500)	--
(2,125)			
-----	-----	-----	-----
FFO.....	\$ 147,409	\$ 151,850	\$ 40,295
\$ 41,697			
=====	=====	=====	=====
Weighted average shares and units outstanding (diluted).....	88,698,719	89,904,556	88,839,192
90,032,738			
=====	=====	=====	=====

</TABLE>

(8) The ratio of earnings to fixed charges and preferred stock dividends is computed as income from operations before minority interests plus fixed charges (excluding capitalized interest) divided by fixed charges and preferred stock dividends. Fixed charges consist of interest costs (including amortization of debt premiums and financing costs), whether capitalized or expensed, and the interest component of rental expense.

(9) The ratio of EBITDA to interest expense and preferred stock dividends is calculated as EBITDA divided by the sum of book interest expense (including amortization of debt premiums and discounts and financing costs) and preferred stock dividends.

(10) Secured debt as of December 31, 1997 and March 31, 1998 is comprised of mortgage loans and other secured debt and includes unamortized debt premiums and discounts of approximately \$18,286 and \$17,542, respectively.

#### OPERATING PARTNERSHIP AND AMB CONTRIBUTED PROPERTIES

The following table sets forth selected financial and other data on an historical basis for the Operating Partnership for the period from November 26, 1997 to December 31, 1997 and for the three months ended March 31, 1998 and for the properties contributed to the Company in the Formation Transactions ("the AMB Contributed Properties"), for the four years ended December 31, 1996, the period from January 1, 1997 to November 25, 1997 and the three months ended March 31, 1997, and on an as adjusted basis for the Operating Partnership for the year ended December 31, 1997 (giving effect to the Formation Transactions, the sale of the Senior Debt Securities, the IPO and certain property acquisitions and dispositions in 1997). Additionally, the table sets forth selected financial and other data for the Operating Partnership for the year ended December 31, 1997 and for the three months ended March 31, 1998 on a pro forma basis (giving effect to the Formation Transactions, the IPO, certain property acquisitions and dispositions in 1997, the 1998 property acquisitions, the sale of the Senior Debt Securities and the Offering and the application of the net proceeds therefrom, as if such transactions had occurred on January 1, 1997). The historical financial information contained in the tables should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements and accompanying Notes thereto included elsewhere in this Prospectus.

In the opinion of management, the historical financial information as of and for the three months ended March 31, 1998 reflects all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the financial information, and the as adjusted and pro forma condensed financial





interests.....	14,217	29,188	32,421
BALANCE SHEET DATA:			
Investments in real estate at cost.....		\$2,755,882	\$2,966,330
Total assets.....		2,798,190	3,023,947
Secured debt(5).....		610,111	626,220
PROPERTY DATA:			
INDUSTRIAL PROPERTIES			
Total rentable square footage of properties at end of period.....		43,964	47,676
Number of properties at end of period.....		118	126
Occupancy rate at end of period.....		94.6%	94.6%
RETAIL PROPERTIES			
Total rentable square footage of properties at end of period.....		6,849	6,849
Number of properties at end of period.....		37	37
Occupancy rate at end of period.....		94.6%	94.6%

- 
- (1) Represents the AMB Contributed Properties' historical combined financial and other data for the years ended December 31, 1993, 1994, 1995 and 1996, the period from January 1, 1997 through November 25, 1997 and for the three months ended March 31, 1997.
  - (2) For the period from November 26, 1997 to December 31, 1997.
  - (3) As adjusted financial and other data have been prepared as if the Formation Transactions, the IPO and certain property acquisitions and dispositions in 1997 had occurred on January 1, 1997.
  - (4) Pro forma financial and other data have been prepared as if the Formation Transactions, the IPO, certain property acquisitions and dispositions in 1997, the property acquisitions in 1998, the sale of the Senior Debt Securities and the Offering had occurred on January 1, 1997. See "Pro Forma Financial Information."
  - (5) Secured debt as of December 31, 1997 and March 31, 1998 includes unamortized debt premiums and discounts of approximately \$18,286 and \$17,542, respectively.

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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" and "Selected Financial and Other Data" of the Company. Statements contained herein which are not historical facts may be forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

GENERAL

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 years ended December 31, 1995, 1996 and 1997 and for the three months ended March 31, 1997 and 1998, and (ii) results of the AMB Contributed Properties for the years ended December 31, 1995, 1996 and 1997 and for the three months ended March 31, 1997 and 1998. Because the Company commenced its operations as a REIT in connection with the consummation of the IPO on November 26, 1997, a separate discussion of the historical operations of the Properties for the comparative periods prior to the IPO is presented below.

The historical results of the Company for the year ended December 31, 1997 include its results, including property operations, for the period from November 26, 1997 to December 31, 1997 and the results of the Company's Predecessor, an investment manager, for the period from January 1, 1997 to November 25, 1997. As an investment manager, the Predecessor's revenues consisted primarily of fees earned in connection with real estate management services. Management's discussion and analysis of the Company and Predecessor for the years ended December 31, 1995, 1996 and 1997 and for the three months ended March 31, 1997 and 1998 is limited to investment management and other income and general and administrative expenses, and excludes a discussion of rental revenues, operating expenses, interest expense and depreciation and amortization because such analysis is not comparable or meaningful given the differences in lines of business between the Company's and the Predecessor's.

## COMPANY AND PREDECESSOR RESULTS OF OPERATIONS

### COMPANY AND PREDECESSOR -- THREE MONTHS ENDED MARCH 31, 1998 AND 1997

Rental revenues. Rental revenues, including straight-line rents, tenant reimbursements and other property related income, totaled \$74.6 million for the three months ended March 31, 1998. The Predecessor's revenues consisted primarily of fees earned in connection with real estate management services. As such, no such rental revenues existed for the Predecessor for the three months ended March 31, 1997.

General and administrative expenses. The Company's general and administrative expenses were \$2.7 million for the three months ended March 31, 1998, as compared to the Predecessor's investment management expenses of \$3.9 million for the three months ended March 31, 1997. Investment management expenses of the Predecessor consisted primarily of salaries and other general and administrative expenses. The \$1.2 million, or 31%, decrease 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.

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

Investment management and other income. Investment management and other income for the period from January 1, 1997 to November 25, 1997 was \$29.0 million, which on an annualized basis represents a 34.1% increase over the year ended December 31, 1996. The increase reflects the growth in the portfolio under

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management. Investment management and other income for the period from November 26, 1997 to December 31, 1997 was \$0.6 million.

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

### PREDECESSOR -- YEARS ENDED DECEMBER 31, 1996 AND 1995

Investment management and other income. Investment management and other income for the years ended December 31, 1996 and 1995 was \$24.0 million and \$16.9 million, respectively, an increase of 42.0%. The increase from 1995 to 1996 was primarily due to management fees associated with a growing portfolio and increased economies of scale from managing this larger portfolio.

General and administrative expenses. General and administrative expenses for the years ended December 31, 1996 and 1995 were \$16.9 million and \$13.6 million, respectively, reflecting the increase in size of the portfolio under management.

## OPERATING PARTNERSHIP RESULTS OF OPERATIONS

The historical results of operations of the Operating Partnership for periods prior to November 26, 1997 include Properties that were managed by the Predecessor and exclude the results of four properties that were contributed to the Company in the Formation Transactions that were not previously managed by the Predecessor. In addition, the historical results of operations include the results of Properties acquired after November 26, 1997, from the date of acquisition of such Properties to December 31, 1997.

The historical property financial data presented herein show significant increases in revenues and expenses principally attributable to the 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 held during the entire period for both years being compared (the "Core Portfolio") and (ii) changes attributable to acquisition and development activity. For the comparison between the three months ended March 31, 1997 and 1998, the Core Portfolio consists of 77 Properties acquired prior to January 1, 1997, for the comparison between the years ended December 31, 1997 and 1996, the Core Portfolio consists of the 59 Properties acquired prior to January 1, 1996, and for the comparison between the years ended December 31, 1996 and 1995, the Core Portfolio consists of the 42 Properties acquired prior to January 1, 1995. 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.

The historical results of the Operating Partnership for 1997 include the

results achieved by the Operating Partnership for the period from November 26, 1997 (acquisition date) to December 31, 1997 and the results achieved by the prior owners of the Properties for the period from January 1, 1997 to November 25, 1997.

OPERATING PARTNERSHIP AND AMB CONTRIBUTED PROPERTIES -- THREE MONTHS ENDED MARCH 31, 1998 AND 1997

Rental revenues. Rental revenues, including straight-line rents, tenant reimbursements and other property related income, increased by \$19.7 million, or 36%, for the three months ended March 31, 1998, to \$74.6 million as compared to \$54.9 million for the three months ended March 31, 1997. Approximately \$3.1 million, or 16% of this increase, was attributable to the Core Portfolio, with the remaining \$16.6 million attributable to Properties acquired in 1997 and 1998. The 6% growth in rental revenues in the Core Portfolio resulted primarily from the incremental effect of rental rate increases, changes in occupancy and reimbursement of expenses. In 1998, the Company increased average contractual or base rental rates on the Properties by 16.4% on 52 new and renewing leases totaling 1.3 million rentable square feet (representing 2.6% of the Properties' aggregate rentable square footage).

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Property operating expenses and real estate taxes. Property operating expenses, including asset management costs and real estate taxes, increased by \$0.9 million, or 4%, for the three months ended March 31, 1998, to \$20.3 million as compared to \$19.4 million for the three months ended March 31, 1997. Core Portfolio operating expenses decreased by approximately \$3.1 million, while operating expenses attributable to Properties acquired in 1998 and 1997 increased by \$4.0 million. The change in Core Portfolio operating expenses and real estate taxes relates to (i) Core Portfolio real estate taxes and insurance expense increased by approximately \$0.2 million from 1997 to 1998, while (ii) Core Portfolio other property operating expenses (excluding real estate taxes and insurance) decreased by approximately \$3.3 million from 1997 to 1998. The large decrease in other property operating expenses is attributable to lower asset management costs in 1998 as compared to 1997 that resulted from the change in ownership structure.

Interest expense. Interest expense for the three months ended March 31, 1997 and March 31, 1998 remained constant at \$11.8 million. This was the result of an increase in interest expense resulting from debt incurred to fund property acquisitions being offset by a decrease in interest expense resulting from the amortization of debt premiums of \$0.7 million in the three months ended March 31, 1998 and an increase in capitalized interest related to developments in-process.

Depreciation and amortization expense. Depreciation and amortization expense increased by \$2.9 million, or 33%, for the three months ended March 31, 1998, to \$11.8 million as compared to \$8.9 million for the three months ended March 31, 1997. This increase was attributable to substantial growth in the number of properties owned by the Operating Partnership.

General, administrative and other expenses. General, administrative and other expenses increased by \$2.5 million for the three months ended March 31, 1998, to \$2.7 million as compared to \$0.2 million for the three months ended March 31, 1997. This increase was attributable to the changes in operations resulting primarily from the change in the character of the Operating Partnership's business.

OPERATING PARTNERSHIP AND AMB CONTRIBUTED PROPERTIES -- YEARS ENDED DECEMBER 31, 1997 AND 1996

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

Property operating expenses and real estate taxes. Property operating expenses and real estate taxes increased by \$25.6 million, or 46.3%, for the year ended December 31, 1997, to \$80.9 million as compared to \$55.3 million for the year ended December 31, 1996. Approximately \$3.4 million of this increase was attributable to the Core Portfolio, with the remaining \$22.2 million attributable to Properties acquired in 1997 and 1996. Core Portfolio real estate taxes and insurance expense increased by approximately \$1.4 million from 1996 to 1997. Core Portfolio other property operating expenses (excluding real estate taxes and insurance) increased by \$2.0 million from 1996 to 1997. The increases in expenses are primarily due to increases in property tax assessment values and incentive management fees expense.

Interest expense. Interest expense increased by \$21.6 million, or 80.3%, for the year ended December 31, 1997, to \$48.5 million as compared to \$26.9 million for the year ended December 31, 1996. Interest expense related to the Core Portfolio increased by \$11.6 million due to the placement of debt on certain properties, while financing related to properties acquired in 1997 and 1996 added \$10.0 million to interest expense.

Depreciation and amortization expense. Depreciation and amortization expense increased by \$8.2 million, or 28.7%, for the year ended December 31, 1997, to \$36.8 million as compared to \$28.6 million for the year ended December 31, 1996. The increase was attributable to substantial growth in the number of

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properties owned by the Company. Depreciation and amortization includes depreciation of capital and tenant improvements and amortization of leasing commissions.

General, administrative and other expenses. General, administrative and other expenses increased by \$1.2 million or 150%, for the year ended December 31, 1997, to \$2.0 million as compared to \$0.8 million for the year ended December 31, 1996. The increase was attributable to the changes in operations resulting primarily from the change in the character of the Company's business from that of an investment manager prior to the IPO to a self-administered and self-managed REIT thereafter.

Interest and other income. Interest and other income decreased by \$0.1 million, or 7%, for the year ended December 31, 1997, to \$1.4 million as compared to \$1.5 million for the year ended December 31, 1996. This decrease was primarily due to lower average cash balances.

#### AMB CONTRIBUTED PROPERTIES -- YEARS ENDED DECEMBER 31, 1996 AND 1995

Rental revenues. Rental revenues, including tenant reimbursements and other property related income, increased by \$60.2 million, or 56.7%, for the year ended December 31, 1996, to \$166.4 million as compared to \$106.2 million for the year ended 1995. Approximately \$7.5 million, or 12.5% of this increase, was attributable to the Core Portfolio, with the remaining \$52.7 million attributable to Properties acquired in 1996 and 1995. The 8.6% growth in rental income in the Core Portfolio resulted primarily from rental rate increases.

Property operating expenses and real estate taxes. Property operating expenses and real estate taxes increased by \$18.4 million, or 49.9%, for the year ended December 31, 1996, to \$55.3 million as compared to \$36.9 million for the year ended December 31, 1995. Approximately \$1.6 million of this increase was attributable to the Core Portfolio, with the remaining \$16.8 million attributable to Properties acquired in 1996 and 1995. The Core Portfolio had an increase of approximately \$1.0 million in real estate tax and insurance expense. The other property operating expenses (excluding real estate taxes and insurance) for the Core Portfolio increased by \$0.6 million from 1995 to 1996. The increases in expenses are primarily due to increases in property tax assessment values and miscellaneous expenses.

Interest expense. Interest expense increased by \$6.4 million, or 31.2%, for the year ended December 31, 1996, to \$26.9 million as compared to \$20.5 million for the year ended December 31, 1995. Interest expense related to the Core Portfolio increased by \$3.2 million, while financing related to Properties acquired in 1996 and 1995 added \$3.2 million to interest expense.

Depreciation and amortization expense. Depreciation and amortization expense increased by \$11.1 million, or 63.4%, for the year ended December 31, 1996, to \$28.6 million as compared to \$17.5 million for the year ended December 31, 1995. The increase was attributable to substantial growth in the number of properties owned by the Company. Depreciation and amortization includes depreciation of capital and tenant improvements and amortization of leasing commissions.

General, administrative and other expenses. General, administrative and other expenses remained unchanged at \$0.8 million for the year ended December 31, 1996 and December 31, 1995. General, administrative and other expenses as a percentage of total revenues was 0.5% for the year ended December 31, 1996 and 0.7% for the year ended December 31, 1995.

Interest and other income. Interest income decreased by \$0.6 million, or 28.6%, for the year ended December 31, 1996, to \$1.5 million as compared to \$2.1 million for the year ended December 31, 1995. This decrease was primarily due to lower average cash balances.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company expects that its principal sources of working capital and funding for acquisitions, development, expansion and renovation of the Properties will include borrowings under the Credit Facility, other forms of secured or unsecured financing, proceeds from equity or debt offerings by the

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, through the Operating Partnership, has a \$500.0 million unsecured revolving credit agreement with Morgan Guaranty Trust Company of New York as agent, and a syndicate of 12 other banks. The Credit Facility, which matures in November 2000, 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. 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, depending on the Company's debt rating at the time of such borrowings. Monthly debt service payments on the Credit Facility are interest only. The total amount available under the Credit Facility fluctuates based upon the borrowing base, as defined in the agreement governing the Credit Facility.

The Company recently received credit ratings on its senior 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 receiving these investment-grade credit ratings, the interest rate on the Company's Credit Facility was reduced by 20 basis points to LIBOR plus 90 basis points.

On June 30, 1998 the Operating Partnership sold the Senior Debt Securities in an aggregate principal amount of \$400 million in an underwritten public offering. The Senior Debt Securities are comprised of \$175 million aggregate principal amount of 7.10% notes due June 30, 2008, \$125 million aggregate principal amount of 7.50% notes due June 30, 2018 and \$100 million aggregate principal amount of 6.90% Reset Put Securities due June 30, 2015 -- Puttable/Callable June 30, 2005. Interest on the Senior Debt Securities is payable semi-annually on June 30 and December 30, commencing December 30, 1998, and no repayments of principal are due prior to maturity. Each tranche of the Senior Debt Securities may be redeemed at the option of the Operating Partnership at any time, in whole or in part, at 100% of the outstanding principal amount of such securities being redeemed, plus accrued and unpaid interest to the date of redemption, plus the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to such redemption date) discounted to such redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points. The Senior Debt Securities are guaranteed on an unsecured basis by the Company.

In connection with the recent property acquisitions and the Formation Transactions, the Company has assumed various mortgages and other secured debt. As of March 31, 1998, the aggregate principal amount of such secured debt was \$610.1 million, including unamortized debt premiums of \$17.5 million. The secured debt bears interest at rates varying from 7.01% to 10.39% per annum (with a weighted average of 8.01%) with final maturity dates ranging from 1998 to 2014.

As of March 31, 1998, the Company's total outstanding debt was approximately \$922.1 million, including \$312.0 million under the Credit Facility and unamortized debt premiums of approximately \$17.5 million. Following the application of the proceeds from the offering of the Senior Debt Securities, the Company had \$73.9 million outstanding under the Credit Facility. The total amount of secured debt to be repaid in 1998 is approximately \$53.7 million, including normal principal amortization of approximately \$5.6 million and \$35.0 million of assumed secured debt, which was repaid in full subsequent to March 31, 1998.

In order to maintain financial flexibility and facilitate the rapid deployment of capital through market cycles, the Company intends to operate with a Debt-to-Total Market Capitalization Ratio of less than 45%. Additionally, the Company intends to structure its balance sheet to enable it to maintain investment-grade ratings. The Company intends to keep the majority of its assets unencumbered to facilitate such ratings. Upon consummation of the Offering, the Company's Debt-to-Total Market Capitalization Ratio as of March 31, 1998 on a pro forma basis (giving effect to the acquisition-related debt incurred subsequent to March 31, 1998, the sale of the Senior Debt Securities and the Offering and the application of the proceeds therefrom as if the debt had been incurred and those transactions had occurred as of that date) would have been approximately 31.4% (approximately 29.9% on an historical basis).

## Liquidity

As of March 31, 1998, the Company had approximately \$28.6 million in cash and cash equivalents and \$148.0 million of additional available borrowings under the Credit Facility. The Company intends to use cash from operations, available borrowings under its Credit Facility and net proceeds from the anticipated issuance of the Notes to fund acquisitions and capital expenditures and to provide for general working capital requirements.

On June 19, 1998, the Board of Directors declared a distribution on the Common Stock of \$0.3425 per share, paid on July 9, 1998 to stockholders of record as of June 30, 1998 and in its capacity as general partner of the Operating Partnership, declared a distribution on the Operating Partnership's common partnership units of \$0.3425 per common partnership unit, paid on July 9, 1998 to partners of record as of June 30, 1998.

The anticipated size of the Company and the Operating Partnership's distributions, using only cash from operations, will not allow them to retire all of their debt as it comes due. Therefore, the Company and the Operating Partnership intend to 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 and the Operating Partnership 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, as of March 31, 1998, the Company was in the process of renovating, expanding or developing 10 projects at a total estimated cost of \$211.0 million. The Company presently expects to fund these expenditures with cash from operations, borrowings under the Credit Facility or debt or equity issuances. Other than these capital items, the Company has no material capital commitments. From April 1, 1998 to June 30, 1998, the Company acquired for an aggregate purchase price of \$210.4 million (i) eight Industrial Properties comprising 44 buildings and 3.3 million rentable square feet, (ii) four buildings aggregating 0.4 million square feet which are adjacent to existing Properties and (iii) a limited partnership interest in an existing unconsolidated real estate joint venture that owns 36 industrial buildings aggregating 4.0 million square feet. The acquisitions were funded through borrowings under the Credit Facility, cash, debt assumption of approximately \$184.7 million, an investment from a co-investment partner of approximately \$23.3 million and the issuance of Units with a value of approximately \$2.4 million at the date of issuance. The Company expects that its funds from operations and availability under its Credit Facility will be sufficient to meet expected capital commitments for the next 12 months.

## INFLATION

Substantially all of the industrial and retail leases require the tenant to pay, as additional rent, a portion of any increases in real estate taxes and operating expenses over a base amount. In addition, many of the industrial and retail leases provide for fixed increases in base rent or indexed escalations (based on the Consumer Price Index or other measures). Management believes that inflationary increases in operating expenses will be offset, in part, by the expense reimbursements and contractual rent increases described above.

Leases representing approximately 5.9% of the Company's total rentable square feet provide for rent increases based upon changes in the Consumer Price Index. The remainder of the Company's leases provide for fixed rental payments, of which a majority include predetermined rent increases at various points in time during the lease term.

## 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 currently 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 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 the 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.

The following table reflects the calculation of the Company's FFO on an historical basis for the three months ended March 31, 1998, on an as adjusted basis (giving effect to the completion of the Formation Transactions, the IPO and certain 1997 property acquisitions and dispositions) for the year ended December 31, 1997 and on a pro forma basis (giving effect to the Formation Transactions, the IPO, certain 1997 property acquisitions and dispositions, the property acquisitions in 1998, the sale of the Senior Debt Securities and the application of the net offering proceeds therefrom and the Offering and the application of the net proceeds therefrom, as if all such transactions had occurred on January 1, 1997) for the year ended December 31, 1997 and the three months ended March 31, 1998. See "Pro Forma Financial Information."

<TABLE>  
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31, 1997		FOR THE THREE MONTHS ENDED MARCH 31, 1998	
	AS ADJUSTED	PRO FORMA	HISTORICAL	PRO FORMA
<S>	<C>	<C>	<C>	<C>
Income from operations before minority interests.....	\$ 103,903	\$ 113,833	\$ 29,188	\$ 32,421
Real estate related depreciation and amortization:				
Depreciation and amortization....	45,886	54,027	11,786	13,256
Furniture, fixtures and equipment depreciation.....	(173)	(173)	(104)	(104)
FFO attributable to minority interests(1) (2).....	(2,207)	(8,609)	(575)	(2,069)
Adjustment to derive FFO of unconsolidated joint venture:				
Company's share of net income....	--	(5,470)	--	(1,273)
Company's share of FFO.....	--	6,742	--	1,591
Series A Preferred Stock dividends....	--	(8,500)	--	(2,125)
FFO(1).....	\$ 147,409	\$ 151,850	\$ 40,295	\$ 41,697
Weighted average shares and units outstanding (diluted).....	88,698,719	89,904,556	88,839,192	90,032,738
Cash flows provided by (used in):				
Operating activities.....	\$ 131,621	\$ 144,562	\$ 34,820	\$ 38,347
Investing activities.....	(607,768)	(941,937)	(199,520)	(49,646)
Financing activities.....	553,199	721,486	153,316	(11,205)

</TABLE>

(1) 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 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 the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as an indicator of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including the Company's 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 before disposal of properties 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.

As of March 31, 1998, the Company owned 155 properties aggregating 50.8 million rentable square feet and located in 28 markets nationwide. The following table summarizes the diversification by region of the Industrial and Retail Properties owned as of March 31, 1998:

INDUSTRIAL AND RETAIL PROPERTIES BY REGION

<TABLE>

<CAPTION>

REGION	INDUSTRIAL PROPERTIES				RETAIL PROPERTIES		
	NUMBER OF PROPERTIES	NUMBER OF BUILDINGS	RENTABLE SQUARE FEET	% OF TOTAL	NUMBER OF CENTERS	RENTABLE SQUARE FEET	% OF TOTAL
Eastern.....	27	68	8,729,347	19.9%	4	1,272,968	18.6%
Midwestern.....	28	92	11,199,515	25.5	4	710,833	10.4
Southern.....	30	114	11,262,975	25.6	12	1,957,051	28.6
Western.....	33	141	12,772,141	29.0	17	2,907,986	42.4
Total.....	118	415	43,963,978	100.0%	37	6,848,838	100.0%

<CAPTION>

REGION	TOTAL PROPERTIES		
	NUMBER OF PROPERTIES	RENTABLE SQUARE FEET	% OF TOTAL
Eastern.....	31	10,002,315	19.7%
Midwestern.....	32	11,910,348	23.4
Southern.....	42	13,220,026	26.0
Western.....	50	15,680,127	30.9
Total.....	155	50,812,816	100.0%

</TABLE>

INDUSTRIAL PROPERTIES

At March 31, 1998, the Company owned 118 Industrial Properties (encompassing 415 buildings) aggregating approximately 44.0 million rentable square feet, located in 23 markets nationwide. The Industrial Properties accounted for \$178.4 million of Annualized Base Rent, or 70% of the Company's Annualized Base Rent for the Properties as of March 31, 1998. The Industrial Properties were 94.6% leased to over 1,000 tenants as of the same date, the largest of which accounted for no more than 1.3% of Annualized Base Rent from the Industrial Properties. The historical weighted average tenant retention rate for the Industrial Properties for the period beginning January 1, 1995 through March 31, 1998 was approximately 72.9%.

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

<TABLE>

<CAPTION>

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

</TABLE>

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

Overview of Major Target Markets. The Industrial Properties are



concentrated in national hub distribution markets such as Atlanta, Chicago, Dallas/Fort Worth, Los Angeles, Northern New Jersey and the San Francisco Bay Area because management believes their strategic location, transportation network and infrastructure, and large consumer and manufacturing base support strong demand for industrial space. The six national hub markets listed above are the nation's largest warehouse markets and, as of December 31, 1997, comprised 36% of the warehouse inventory of the 53 industrial markets tracked by CB Commercial/

Torto Wheaton Research. As of December 31, 1997, the combined population of these markets was approximately 37.2 million, and the amount of per capita warehouse space was 19% above the average for such 53 industrial markets. As set forth in the table below, these six markets contained five of the ten busiest cargo airports and three of the ten busiest container ports.

10 LARGEST WAREHOUSE MARKETS

MARKET	SQ. FT. (000S) (1)
*NORTHERN NEW JERSEY.....	371,087
*LOS ANGELES.....	360,561
*CHICAGO.....	344,968
*ATLANTA.....	286,006
*DALLAS/FORT WORTH.....	265,769
*SAN FRANCISCO BAY AREA.....	258,578
PHILADELPHIA.....	191,625
GREATER MIAMI.....	188,824
ORANGE COUNTY.....	186,793
St. Louis.....	156,666

10 BUSIEST AIR CARGO MARKETS  
IN THE CONTINENTAL U.S.

MARKET	ANNUAL TONNAGE (2)
MEMPHIS.....	2,233,490
*LOS ANGELES.....	1,872,528
MIAMI.....	1,765,827
New York.....	1,661,400
*CHICAGO.....	1,407,589
Louisville.....	1,345,318
*NEWARK.....	1,048,954
*ATLANTA.....	864,474
Dayton.....	812,440
*DALLAS/FORT WORTH.....	810,621

10 BUSIEST PORTS BY CONTAINERIZED CARGO

MARKET	ANNUAL TONNAGE (3)
*LONG BEACH/LOS ANGELES.....	31,411,023
*NEW YORK/NEW JERSEY.....	13,407,276
SEATTLE/TACOMA.....	11,941,371
Charleston.....	6,858,062
*OAKLAND.....	6,767,463
HOUSTON.....	6,458,136
Hampton Roads.....	6,189,183
Savannah.....	5,505,551
MIAMI/PORT EVERGLADES.....	5,356,102
New Orleans.....	5,009,960

Markets in which the Company owns Industrial Properties are in bold. "\*" denotes each of the six national hub markets as characterized by the Company.

- (1) Table derived from data, as of December 31, 1997, obtained from CB Commercial/Torto Wheaton Research.
- (2) Table derived from preliminary data, as of December 1997, published by the Airports Council International.
- (3) Table derived from data, as of December 31, 1996, obtained from the U.S. Bureau of the Census -- United States Foreign Trade.

Within these metropolitan areas, the Industrial Properties are concentrated in in-fill locations (areas which are typified by high population densities and low levels of available land that could be developed into competitive industrial or retail properties) within established, relatively large submarkets (markets

within a metropolitan area in which the competitive environment for one or more property types is largely dependent upon the supply of such property type in such market rather than the supply of such property type in other portions of such metropolitan area) which the Company believes should provide a higher rate of occupancy and rent growth than properties located elsewhere. These in-fill locations are typically near major ports or airports, have good access to freeways and rail lines, are proximate to a diverse labor pool, and have limited land available for new construction. There is typically broad demand for industrial space in these centrally located submarkets due to a diverse mix of industries and types of industrial uses, including warehouse distribution, light assembly and manufacturing. The Company generally avoids locations at the periphery of metropolitan areas where there are fewer supply constraints. Small metropolitan areas or cities without a heavy concentration of warehouse activity typically have few, if any, supply-constrained locations.

INDUSTRIAL PROPERTY SUMMARY

As of March 31, 1998, the 118 Industrial Properties were diversified across 23 markets nationwide. The average age of the Industrial Properties is 12 years (since the time the property was built or substantially renovated), which the Company believes should result in lower operating costs over the long term. Ownership of each Property is in fee simple unless otherwise noted.

<TABLE>  
<CAPTION>

PERCENTAGE REGION/MARKET/PROPERTY LEASED	LOCATION	NUMBER OF BUILDINGS	YEAR BUILT/ RENOVATED (1)	RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL RENTABLE SQUARE FEET
<S>	<C>	<C>	<C>	<C>	<C>
EASTERN					
Baltimore/Washington, D.C.					
Brightseat Road.....	Landover	1	1990	121,785	0.3%
100.0%					
Patuxent.....	Jessup	2	1981	147,383	0.3
100.0					
Pennsy Drive.....	Landover	1	1998R	359,477	0.8
23.1					
Preston Court.....	Jessup	1	1988	178,880	0.4
100.0					
Santa Barbara Court.....	Elkridge	1	1978	166,820	0.4
100.0					
Boston					
Arsenal Street.....	Watertown	1	1978	191,850	0.4
100.0					
Bedford Street.....	Middleborough	1	1982	40,018	0.1
100.0					
Braintree Industrial.....	Braintree	8	1969	976,634	2.2
100.0					
Bradlee Circle Office.....	Braintree	1	1987	120,000	0.3
100.0					
Brockton Industrial.....	Brockton	1	1967	300,114	0.7
100.0					
Cabot Business Park.....	Mansfield	13	1970	1,102,429	2.5
83.7					
Collins Street.....	Attleboro	1	1979	152,730	0.3
100.0					
Hampden Road.....	Mansfield	1	1977	204,117	0.5
100.0					
Hartwell Avenue.....	Lexington	1	1970	40,800	0.1
100.0					
Locke Building.....	Marlborough	1	1982	97,870	0.2
100.0					
Stoughton Industrial.....	Stoughton	5	1984	632,675	1.4
100.0					
United Drive.....	West Bridgewater	1	1986	315,000	0.7
100.0					
Cincinnati (5)					
Dixie Highway.....	Florence	2	1990	209,680	0.5
100.0					
Empire Drive.....	Florence	1	1989	199,440	0.5
100.0					
Holton Drive.....	Florence	1	1994	268,525	0.6
100.0					
Production Drive.....	Florence	1	1975	50,729	0.1
0.0					
Northern New Jersey					
Dock's Corner.....	South Brunswick	1	1996	554,521	1.3
84.1					

100.0	Dock's Corner II.....	South Brunswick	1	1981	212,335	0.5
95.7	Jamesburg.....	Dayton	3	1989	821,712	1.9
100.0	Two South Middlesex.....	Monroe	1	1995	218,088	0.5
98.7	Philadelphia Mid-Atlantic Business Center.....	West Deptford	13	1979R	779,594	1.8
100.0	Wilmington Boulden.....	Wilmington	3	1986	266,141	0.6
	Eastern Region Total/Weighted Average.....		68		8,729,347	19.9%

<CAPTION>

REGION/MARKET/PROPERTY	ANNUALIZED BASE RENT (2) (000S)	PERCENTAGE OF ANNUALIZED BASE RENT	NUMBER OF LEASES	ANNUALIZED BASE RENT PER LEASED SQUARE FOOT (3)
<S>	<C>	<C>	<C>	<C>
EASTERN				
Baltimore/Washington, D.C.				
Brightseat Road.....	\$ 581	0.3%	2	\$4.77
Patuxent.....	654	0.4	8	4.44
Pensy Drive.....	353	0.2	1	4.25
Preston Court.....	748	0.4	3	4.18
Santa Barbara Court.....	616	0.3	2	3.69
Boston				
Arsenal Street.....	1,438	0.8	1	7.50
Bedford Street.....	593	0.3	1	14.82
Braintree Industrial.....	2,031	1.1	10	2.08
Bradlee Circle Office.....	1,148	0.6	1	9.57
Brockton Industrial.....	1,123	0.6	2	3.74
Cabot Business Park.....	4,863	2.7	18	5.27
Collins Street.....	468	0.3	1	3.06
Hampden Road.....	816	0.5	1	4.00
Hartwell Avenue.....	204	0.1	1	5.00
Locke Building.....	333	0.2	1	3.40
Stoughton Industrial.....	1,895	1.1	7	3.00
United Drive.....	1,228	0.7	1	3.90
Cincinnati (5)				
Dixie Highway.....	636	0.4	3	3.03
Empire Drive.....	622	0.3	3	3.12
Holton Drive.....	1,034	0.6	1	3.85
Production Drive.....	0.0	0.0	0	0.0
Northern New Jersey				
Dock's Corner.....	1,819	1.0	2	3.90
Dock's Corner II.....	839	0.5	1	3.95
Jamesburg.....	4,758	2.7	4	6.05
Two South Middlesex.....	856	0.5	2	3.93
Philadelphia				
Mid-Atlantic Business Center.....	2,717	1.5	27	3.53
Wilmington				
Boulden.....	1,062	0.6	5	3.99
Eastern Region Total/Weighted Average.....	\$ 33,435	18.7%	109	\$4.13

</TABLE>

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<TABLE>

<CAPTION>

PERCENTAGE REGION/MARKET/PROPERTY LEASED	LOCATION	NUMBER OF BUILDINGS	YEAR BUILT/ RENOVATED (1)	RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL RENTABLE SQUARE FEET
<S>	<C>	<C>	<C>	<C>	<C>
MIDWESTERN					
Chicago					
Belden Avenue.....	Addison	3	1991	346,233	0.8%

96.1	Bensenville.....	Bensenville	13	1994R	2,137,370	4.9
59.3	Chicago Industrial.....	Bensenville	2	1974	184,360	0.4
100.0	Crossroads Industrial.....	Bollingbrook	1	1990	260,890	0.6
81.5	Elk Grove Village Industrial.....	Elk Grove Village	10	1980	693,459	1.6
89.0	Executive Drive.....	Addison	1	1987	75,020	0.2
100.0	Greenleaf.....	Elk Grove Village	1	1973	50,695	0.1
77.0	Itasca Industrial Portfolio...	Itasca, Wood Dale	6	1996R	769,070	1.7
100.0	Lake Michigan Industrial Portfolio(4).....	Itasca,	2	1994	310,681	0.8
60.3	Linder Skokie.....	Bridgeview Skokie	1	1991R	484,370	1.1
100.0	Lisle Industrial.....	Lisle	1	1985R	360,000	0.8
100.0	Melrose Park.....	Melrose Park	1	1982	346,538	0.8
100.0	O'Hare Industrial Portfolio...	Itasca,	15	1975	699,512	1.6
100.0	Windsor Court.....	Naperville Addison	1	1990	56,640	0.1
100.0	Columbus Industrial Drive.....	Columbus	1	1991	228,433	0.5
86.7	Janitrol.....	Columbus	1	1989	240,000	0.5
100.0	Minneapolis Braemar Business Center.....	Minneapolis	2	1982	108,091	0.2
92.6	Corporate Square.....	Eagan	6	1992R	526,490	1.3
98.1	Edenvale Business Center.....	Eden Prairie	1	1982	85,818	0.2
72.8	Mendota Heights (6).....	Mendota Heights	1	1998D	150,394	0.3
99.5	Minneapolis Distribution Portfolio.....	Minneapolis,	5	1997R	1,032,994	2.3
100.0	Minneapolis Industrial Portfolio IV.....	Edina Plymouth	4	1985R	514,546	1.2
100.0	Minneapolis Industrial Portfolio V.....	Brooklyn Center	6	1997	499,673	1.1
100.0	Parkway Business Center.....	New Hope	1	1982	43,660	0.1
100.0	Penn James Office/Warehouse...	Bloomington	2	1974	215,606	0.5
93.2	Round Lake Business Center....	Arden Hills	1	1982	74,265	0.2
100.0	Shady Oak.....	Eden Prairie	1	1980R	104,243	0.2
100.0	Twin Cities.....	New Hope, Mendota	2	1980	600,464	1.4
	Midwestern Region Total/Weighted Average.....		---		-----	-----
93.0%			92		11,199,515	25.5%
			---		-----	-----
	SOUTHERN					
100.0%	Atlanta Amwiler-Gwinnett Industrial Portfolio.....	Gwinnett County	9	1996	792,686	1.8%
96.2	Atlanta South.....	Clayton County	9	1994	624,135	1.4
96.7	Norcross/Brookhollow Portfolio.....	Gwinnett County	4	1996	322,399	0.7
85.1	Southfield.....	Gwinnett County	8	1990	780,623	1.8
n/a	Suwanee Creek Distribution Center(7).....	Atlanta	n/a	1998D	n/a	n/a
100.0	Austin Metric Center(4).....	Austin	6	1996	735,240	1.7

<CAPTION>

REGION/MARKET/PROPERTY	ANNUALIZED BASE RENT (2) (000S)	PERCENTAGE OF ANNUALIZED BASE RENT	NUMBER OF LEASES	ANNUALIZED BASE RENT PER LEASED SQUARE FOOT (3)
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
<b>MIDWESTERN</b>				
Chicago				
Belden Avenue.....	\$ 1,904	1.1%	7	\$5.50
Bensenville.....	7,821	4.3	31	3.81
Chicago Industrial.....	475	0.3	3	4.35
Crossroads Industrial.....	1,043	0.5	4	4.00
Elk Grove Village				
Industrial.....	2,422	1.4	13	4.29
Executive Drive.....	490	0.3	5	7.34
Greenleaf.....	266	0.1	1	5.25
Itasca Industrial Portfolio...	1,941	1.1	10	3.28
Lake Michigan Industrial				
Portfolio(4).....	1,090	0.6	3	3.51
Linder Skokie.....	807	0.5	6	2.76
Lisle Industrial.....	756	0.4	1	2.10
Melrose Park.....	1,057	0.6	1	3.05
O'Hare Industrial Portfolio...	3,154	1.7	16	4.51
Windsor Court.....				
276		0.2	1	4.87
Columbus				
Industrial Drive.....	678	0.4	1	2.97
Janitrol.....	684	0.4	1	3.29
Minneapolis				
Braemar Business Center.....	623	0.3	18	5.76
Corporate Square.....	1,765	1.0	21	3.62
Edenvale Business Center.....	340	0.2	11	4.04
Mendota Heights (6).....	455	0.3	7	4.16
Minneapolis Distribution				
Portfolio.....	3,798	2.1	25	3.70
Minneapolis Industrial				
Portfolio IV.....	1,876	1.1	16	3.65
Minneapolis Industrial				
Portfolio V.....	1,594	0.9	16	3.19
Parkway Business Center.....	245	0.1	7	5.61
Penn James Office/Warehouse...	815	0.5	23	3.78
Round Lake Business Center....	379	0.2	10	5.48
Shady Oak.....	377	0.2	3	3.62
Twin Cities.....	1,944	1.1	8	3.24
-----	-----	-----	-----	-----
Midwestern Region Total/Weighted				
Average.....	\$ 39,075	21.9%	269	\$3.75
-----	-----	-----	-----	-----
<b>SOUTHERN</b>				
Atlanta				
Amwiler-Gwinnett Industrial				
Portfolio.....	\$ 2,974	1.7%	26	\$3.75
Atlanta South.....	3,037	1.7	26	5.06
Norcross/Brookhollow				
Portfolio.....	1,663	0.9	20	5.34
Southfield.....	2,762	1.5	32	4.16
Suwanee Creek Distribution				
Center(7).....	n/a	n/a	n/a	n/a
Austin				
Metric Center(4).....	4,809	2.7	22	6.54

</TABLE>

<TABLE>

<CAPTION>

PERCENTAGE LEASED	REGION/MARKET/PROPERTY	LOCATION	NUMBER OF BUILDINGS	YEAR BUILT/ RENOVATED (1)	RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL RENTABLE SQUARE FEET
-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Dallas/Fort Worth						
n/a	DFW Air Cargo Facility(7).....	Dallas	n/a	1998D	n/a	n/a
95.1	Dallas Industrial Portfolio...	Dallas, Arlington	18	1986	1,066,098	2.4
100.0	Lincoln Industrial Center.....	Carrollton	1	1980	93,718	0.2

96.7	Lonestar.....	Dallas, Irving,	7	1993	911,375	2.1
		Grand Prairie				
100.0	McDaniel Drive.....	Carrollton	1	1981	157,500	0.4
100.0	N. Glenville Avenue.....	Richardson	1	1981	109,000	0.2
100.0	Pagemill & Dillworth.....	Dallas	2	1981	217,782	0.5
100.0	Shiloh Road.....	Garland	1	1979	192,720	0.4
100.0	Valwood.....	Carrollton	2	1984	275,994	0.6
100.0	Valwood Parkway II.....	Carrollton	2	1984	254,219	0.6
100.0	West Kiest.....	Dallas	1	1981	248,698	0.6
100.0	West North Carrier.....	Grand Prairie	1	1993R	248,736	0.6
	Houston					
	Houston Industrial					
95.1	Portfolio.....	Houston	5	1986	464,696	1.1
	Memphis					
100.0	Corporate Park.....	Memphis	6	1987	658,322	1.4
100.0	Hickory Hill.....	Memphis	1	1979	200,000	0.5
	Miami					
98.1	Beacon Industrial Park.....	Miami	8	1995	785,251	1.8
100.0	Blue Lagoon.....	Miami	2	1994	325,611	0.6
97.1	Brittania Business Park.....	Riviera Beach	2	1988	258,578	0.6
	Orlando					
100.0	Chancellor(4).....	Orlando	1	1996R	201,600	0.5
67.3	Chancellor Square.....	Orlando	3	1982	141,778	0.3
62.9	Presidents Drive.....	Orlando	3	1979	378,379	0.9
100.0	Presidents Drive II.....	Orlando	3	1984	302,400	0.7
82.2	Sand Lake Service Center.....	Orlando	6	1972	400,591	0.9
100.0	Viscount.....	Orlando	1	1972	114,846	0.3
			---		-----	-----
	Southern Region Total/Weighted					
95.2%	Average.....		114		11,262,975	25.6%
			---		-----	-----
	WESTERN					
	Los Angeles					
100.0%	Anaheim Industrial.....	Anaheim	1	1980	161,500	0.4%
100.0	Artesia Industrial					
100.0	Portfolio.....	Compton	27	1984	2,496,465	5.7
0.0	Commerce.....	Fontana	1	1990	254,414	0.6
100.0	East Walnut Drive.....	City of Industry	1	1990	85,871	0.2
100.0	International Multifoods.....	La Mirada	1	1995R	144,000	0.3
100.0	Jasmine Avenue.....	Fontana	1	1990	410,428	0.9
100.0	L.A. County Industrial					
100.0	Portfolio.....	Carson, Norwalk	6	1980	818,191	1.9
100.0	Systematics.....	Walnut	1	1981	66,387	0.2
	Orange County					
100.0	Northpointe Commerce.....	Fullerton	2	1992	119,445	0.3
97.3	Stadium Business Park.....	Anaheim	9	1995R	282,492	0.6

<CAPTION>

REGION/MARKET/PROPERTY	ANNUALIZED BASE RENT (2) (000S)	PERCENTAGE OF ANNUALIZED BASE RENT	NUMBER OF LEASES	ANNUALIZED BASE RENT PER LEASED SQUARE FOOT (3)
------------------------	---------------------------------------	---	------------------------	---

<S>	<C>	<C>	<C>	<C>
Dallas/Fort Worth				
DFW Air Cargo Facility(7).....	n/a	n/a	n/a	n/a
Dallas Industrial Portfolio...	3,149	1.8	67	3.11
Lincoln Industrial Center.....	340	0.2	3	3.63
Lonestar.....	3,049	1.7	11	3.46
McDaniel Drive.....	601	0.3	1	3.82
N. Glenville Avenue.....	414	0.2	1	3.80
Pagemill & Dillworth.....	817	0.6	3	3.75
Shiloh Road.....	530	0.3	1	2.75
Valwood.....	862	0.5	7	3.12
Valwood Parkway II.....	888	0.5	5	3.49
West Kiest.....	601	0.3	1	2.42
West North Carrier.....	567	0.3	2	2.28
Houston				
Houston Industrial Portfolio.....	1,408	0.8	17	3.18
Memphis				
Corporate Park.....	2,348	1.3	10	3.57
Hickory Hill.....	561	0.3	1	2.81
Miami				
Beacon Industrial Park.....	5,145	2.9	21	6.68
Blue Lagoon.....	2,311	1.4	14	7.10
Brittania Business Park.....	1,302	0.7	8	5.19
Orlando				
Chancellor(4).....	579	0.3	1	2.87
Chancellor Square.....	559	0.3	7	5.86
Presidents Drive.....	921	0.5	9	3.87
Presidents Drive II.....	958	0.5	7	3.17
Sand Lake Service Center.....	1,576	0.9	36	4.78
Viscount.....	365	0.2	8	3.17

Southern Region Total/Weighted  
Average..... \$ 45,096 25.3% 367 \$4.20

WESTERN				
Los Angeles				
Anaheim Industrial.....	\$ 588	0.3%	2	\$3.64
Artesia Industrial Portfolio.....	9,694	5.4	30	3.88
Commerce.....	0	0.0	0	0.00
East Walnut Drive.....	343	0.2	1	3.99
International Multifoods.....	810	0.5	1	5.63
Jasmine Avenue.....	1,231	0.7	1	3.00
L.A. County Industrial Portfolio.....	3,797	2.1	11	4.64
Systematics.....	489	0.3	1	7.37
Orange County				
Northpointe Commerce.....	801	0.4	2	6.71
Stadium Business Park.....	1,546	0.9	30	5.62

</TABLE>

<TABLE>  
<CAPTION>

PERCENTAGE LEASED	REGION/MARKET/PROPERTY	LOCATION	NUMBER OF BUILDINGS	YEAR BUILT/ RENOVATED (1)	RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL RENTABLE SQUARE FEET
-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Portland						
89.4	Cascade Business Park.....	Tigard	4	1995	159,411	0.4
100.0	Wilsonville.....	Portland	1	1979	516,693	1.2
Sacramento						
100.0	Hewlett Packard Distribution.....	Roseville	1	1994	182,437	0.4
San Diego						
100.0	Activity Distribution Center.....	San Diego	4	1991	252,318	0.6
San Francisco Bay Area						
100.0	Acer Distribution Center.....	San Jose	1	1974	196,643	0.4
98.3	Alvarado Business Center.....	San Leandro	10	1986	695,070	1.5

100.0	Ardenwood Corporate Park.....	Fremont	4	1986	295,657	0.7
100.0	Dowe Industrial.....	Union City	2	1985R	326,080	0.7
100.0	Fairway Drive Industrial(4)(6).....	San Leandro	2	1997D	175,324	0.4
66.6	Laurelwood.....	Santa Clara	2	1981	155,500	0.4
100.0	Milmont Page.....	Fremont	3	1982	199,862	0.5
100.0	Moffett Business Center.....	Sunnyvale	4	1994R	285,480	0.6
100.0	Moffett Park R&D Portfolio....	Sunnyvale	14	1994R	462,245	1.0
99.1	Pacific Business Center.....	Fremont	2	1991	375,912	0.9
95.4	Silicon Valley R&D Portfolio.....	San Jose,	5	1978	287,228	0.7
100.0		Sunnyvale, Milpitas				
100.0	South Bay Industrial.....	Fremont	8	1990	1,011,781	2.3
100.0	Weigman Road.....	Hayward	1	1990	148,559	0.3
100.0	Yosemite Drive.....	Milpitas	1	1983	169,195	0.4
100.0	Zanker/Charcot Industrial.....	San Jose	5	1993R	301,064	0.7
97.2	Seattle					
100.0	Harvest Business Park.....	Kent	3	1986	191,841	0.4
100.0	Kent Centre.....	Kent	4	1993	267,967	0.6
99.9	Kingsport Industrial Park.....	Kent	7	1994R	951,056	2.2
88.5	Northwest Distribution Center.....	Kent	3	1980	325,625	0.6
	Western Region Total/Weighted		141		12,772,141	29.0
96.8	Average.....					
	TOTAL/WEIGHTED AVERAGE.....		415		43,963,978	100.0%
94.6%			===		=====	=====

<CAPTION>

REGION/MARKET/PROPERTY -----	ANNUALIZED BASE RENT (2) (000S) -----	PERCENTAGE OF ANNUALIZED BASE RENT -----	NUMBER OF LEASES -----	ANNUALIZED
				BASE RENT PER LEASED SQUARE FOOT (3) -----
<S>	<C>	<C>	<C>	<C>
Portland				
Cascade Business Park.....	1,065	0.6	8	7.47
Wilsonville.....	1,550	0.9	1	3.00
Sacramento				
Hewlett Packard Distribution.....	630	0.4	1	3.45
San Diego				
Activity Distribution Center.....	1,366	0.8	15	5.41
San Francisco Bay Area				
Acer Distribution Center.....	1,038	0.6	2	5.28
Alvarado Business Center.....	3,673	2.1	33	5.38
Ardenwood Corporate Park.....	2,300	1.3	9	7.78
Dowe Industrial.....	1,132	0.6	4	3.47
Fairway Drive Industrial(4)(6).....	797	0.4	2	4.55
Laurelwood.....	487	0.3	1	4.71
Milmont Page.....	1,157	0.6	10	5.79
Moffett Business Center.....	2,187	1.2	5	7.66
Moffett Park R&D Portfolio....	4,990	2.8	33	10.89
Pacific Business Center.....	1,989	1.1	10	5.55
Silicon Valley R&D Portfolio.....	2,376	1.3	9	8.27
South Bay Industrial.....	5,376	3.0	30	5.31
Weigman Road.....	581	0.3	2	3.91
Yosemite Drive.....	748	0.4	1	4.42
Zanker/Charcot Industrial.....	1,905	1.1	17	6.51
Seattle				



Harvest Business Park.....	857	0.5	11	4.47
Kent Centre.....	1,179	0.7	16	4.40
Kingsport Industrial Park.....	3,042	1.7	18	3.20
Northwest Distribution Center.....	1,085	0.6	3	3.77
	-----	-----	-----	
Western Region Total/Weighted Average.....	60,809	34.1	320	4.92
	-----	-----	-----	
TOTAL/WEIGHTED AVERAGE.....	\$178,415	100.0%	1,065	\$4.29
	=====	=====	=====	

</TABLE>

- 
- (1) Industrial Properties denoted with an "R," "E" or "D" indicate the date of most recent renovation, expansion or development, respectively. All other dates reference the year such Property was developed.
  - (2) Annualized Base Rent means the monthly contractual amount under existing leases at March 31, 1998, multiplied by 12. This amount excludes expense reimbursements and rental abatements.
  - (3) Calculated as total Annualized Base Rent divided by rentable square feet leased as of March 31, 1998.
  - (4) The Company holds interests in these Properties through a joint venture interest in a limited partnership or limited liability company. See "-- Properties Held Through Joint Ventures, Limited Liability Companies and Partnerships."
  - (5) The Properties included in the Cincinnati Consolidated Metropolitan Statistical Area are located in Florence, Kentucky, and, accordingly, are reflected in the Eastern region.
  - (6) This Property is being redeveloped. All calculations are based on rentable square feet existing as of March 31, 1998.
  - (7) This Property consists of land held for future development.

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#### INDUSTRIAL PROPERTY TENANT INFORMATION

Largest Industrial Property Tenants. The following table lists tenants with Annualized Base Rent representing at least 0.5% of total Annualized Base Rent as of March 31, 1998 of the Industrial Properties owned as of such date. Eleven of such tenants lease space in more than one of the Industrial Properties.

<TABLE>  
<CAPTION>

TENANT NAME (1)	NUMBER OF PROPERTIES	AGGREGATE RENTABLE SQUARE FEET	PERCENTAGE OF AGGREGATE LEASED SQUARE FEET (2)	ANNUALIZED BASE RENT (000S)	PERCENTAGE OF AGGREGATE ANNUALIZED BASE RENT (3)
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Wakefern Food Corporation.....	1	419,900	1.0%	\$ 2,314	1.3%
Bradlees Stores, Inc.....	2	716,239	1.7	1,998	1.1
United States Postal Service.....	2	433,359	1.0	1,969	1.1
Air Express International, Inc.....	2	272,235	0.7	1,896	1.1
Dell USA.....	1	290,400	0.7	1,724	1.0
Rite Aid.....	1	516,693	1.2	1,550	0.9
Sage Enterprises Inc.....	2	199,877	0.5	1,459	0.8
Boston Edison Company.....	1	191,850	0.5	1,439	0.8
Home Depot USA Inc.....	2	374,813	0.9	1,367	0.8
Acer America.....	2	241,643	0.6	1,318	0.7
General Electric Company.....	4	318,055	0.8	1,311	0.7
Cosmair Inc.....	1	303,843	0.7	1,291	0.7
Schmelbach-Lubeca AG.....	2	339,104	0.8	1,265	0.7
Avery Dennison Corporation.....	1	410,428	1.0	1,231	0.7
United Liquors Ltd.....	1	315,000	0.8	1,229	0.7
Unisource Worldwide, Inc.....	4	279,167	0.7	1,178	0.7
Mylex Corporation.....	1	133,182	0.3	1,173	0.7
Rolf C. Hagen (USA) Corp.....	1	204,151	0.5	1,133	0.6
Harmonic Lightwaves.....	1	110,160	0.3	1,124	0.6
C & S Wholesale Grocers, Inc.....	1	113,680	0.3	1,108	0.6
Ciba Vision Corporation.....	1	245,616	0.6	1,067	0.6
Dry Storage Corporation.....	1	346,538	0.8	1,057	0.6
Hexcel Corporation.....	1	285,634	0.7	1,051	0.6
The Discovery Channel Store/Nature Company.....	1	268,525	0.6	1,034	0.6
Holman Distribution.....	1	371,440	0.9	1,011	0.6
Mitsubishi Warehouse Corporation.....	1	253,584	0.6	1,004	0.6
Hit or Miss.....	1	328,540	0.8	946	0.5

ADAP, Inc.....	1	249,851	0.6	927	0.5
Superior Coffee & Foods.....	1	201,011	0.5	926	0.5
Advo Systems, Inc.....	1	173,660	0.4	905	0.5
Emery Air Freight Corporation.....	2	143,726	0.3	905	0.5
Pragmatech Inc.....	1	102,157	0.2	873	0.5
Rollerblade, Inc.....	1	278,840	0.7	872	0.5
Boise Cascade Corporation.....	1	260,143	0.6	864	0.5
Arrow Electronics.....	1	227,500	0.5	860	0.5
Best Buy Company.....	1	244,733	0.6	842	0.5
Logitech, Inc.....	1	95,632	0.2	827	0.5
Sears, Roebuck and Co.....	2	169,653	0.4	821	0.5
Bridgestone/Firestone, Inc.....	1	296,800	0.7	819	0.5
Vidco International.....	1	146,460	0.4	817	0.5
HomeGoods Inc. ....	1	204,117	0.5	816	0.5
Belkin Components.....	1	219,028	0.5	815	0.5
International Multifoods.....	1	144,000	0.3	810	0.5
Total.....		11,440,967	27.4%	\$49,946	28.4%

</TABLE>

- (1) Tenant(s) may be a subsidiary of or an entity affiliated with the named tenant.
- (2) Computed as Aggregate Rentable Square Feet divided by the Aggregate Leased Square Feet of the Industrial Properties.
- (3) Computed as Annualized Base Rent divided by the Aggregate Annualized Base Rent of the Industrial Properties.

The 43 largest industrial tenants represent 28.4% of the Industrial Properties' Annualized Base Rent as of March 31, 1998. Other companies that are tenants in the Industrial Properties include International Business

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Machines, Inc., Hewlett Packard Company, Federal Express Corporation, Lucent Technologies, Inc. and a wide variety of other national, regional and local industrial tenants. Leases of less than 25,000 rentable square feet represent 57% of the Industrial Properties' total number of leases and 18.8% of the Industrial Properties' Annualized Base Rent. Following is a list of certain tenants which lease less than 25,000 rentable square feet of industrial space:

<S>	<C>	<C>
Alabama Metal Industries, Inc.	Type A Snowboard, Inc.	W.R. Grace & Co.
Argosy Industries, Inc.	Buckeye International, Inc.	Creative Solutions
City of San Leandro	Creative Education Supplies	Genuine Parts Company
Custom Walls & Windows Inc.	Farmer's Insurance	Litho Technical Services
Golden West Games	Le Gourmet Kitchens	Plastek USA Inc.
National Tree Corporation	New Golf Holding Co.	Santa Cruz Motors
Plummer's, Inc.	Quality Video	Tokyo World Transport (USA) Inc.
Supergraphics Inc.	The Sportsman's Guide	Zebra Express Inc.

#### INDUSTRIAL PROPERTY LEASE EXPIRATIONS

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

<TABLE>  
<CAPTION>

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES EXPIRING (1)	RENTABLE SQUARE FOOTAGE OF EXPIRING LEASES (1)	PERCENTAGE OF TOTAL RENTABLE SQUARE FOOTAGE	ANNUALIZED BASE RENT OF EXPIRING LEASES (000S) (1) (2)	PERCENTAGE OF ANNUALIZED BASE RENT OF EXPIRING LEASES	ANNUALIZED BASE RENT OF EXPIRING LEASES PER SQUARE FOOT (3)
--						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1998 (4).....	190	4,771,454	11.5%	\$ 21,239	11.5%	\$4.45
1999.....	205	7,043,996	16.9	27,486	14.9	3.90
2000.....	228	7,320,405	17.6	32,604	17.7	4.45
2001.....	156	5,096,560	12.3	24,399	13.2	4.79
2002.....	150	6,715,250	16.1	29,596	16.1	4.41
2003.....	54	3,576,187	8.6	15,347	8.3	4.29
2004.....	23	1,880,574	4.5	8,473	4.6	4.51
2005.....	20	2,122,015	5.1	8,078	4.4	3.81
2006.....	14	1,042,523	2.5	6,466	3.5	6.20
2007.....	5	503,868	1.2	2,418	1.3	4.80

2008 and beyond.....	16	1,538,479	3.7	8,266	4.5	5.37
	-----	-----	-----	-----	-----	-----
Total/Weighted Average....	1,061	41,611,311	100.0%	\$184,372	100.0%	\$4.43
	=====	=====	=====	=====	=====	=====

</TABLE>

- 
- (1) Schedule includes executed leases that commence after March 31, 1998. Schedule excludes leases expiring prior to April 1, 1998.
  - (2) Calculated as monthly rent at expiration multiplied by 12.
  - (3) Rent per square foot is calculated by dividing the Annualized Base Rent of expiring leases by the square footage expiring in any given year.
  - (4) Includes leases encompassing 318,985 square feet which are on a month-to-month basis.

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#### RETAIL PROPERTIES

At March 31, 1998, the Company owned 37 Retail Properties aggregating approximately 6.8 million rentable square feet, 33 of which are grocer-anchored. As of March 31, 1998, the Retail Properties were 94.6% leased to over 900 tenants, the largest of which accounted for approximately 3.0% of Annualized Base Rent from the Retail Properties as of such date. The Retail Properties have an average age of five years since built, expanded or renovated. The historical weighted average tenant retention rate for the Retail Properties for the period beginning January 1, 1995 through March 31, 1998 was approximately 83.5%, based on 0.8 million rentable square feet of expiring leases.

The Retail Properties generally are located in supply-constrained trade areas (those trade areas typified by significant population densities, a limited number of existing retailers, such as grocers, and a low availability of land which could be developed into competitive space for additional competitive retailers) of 16 major metropolitan areas. The Company's national operating strategy for the community shopping center business is based on detailed research regarding target trade areas which typically have high population densities and above-average income levels. The two graphs below compare the population density and income levels surrounding the Company's Retail Properties to the national averages.

#### 1997 MEDIAN HOUSEHOLD INCOME AMB RETAIL PROPERTIES VS. U.S. (1)

<TABLE>	
<S>	
Within 3 miles of AMB Centers	50000 (2)
All MSAs	42000 (3)
Total U.S.	37000 (3)
</TABLE>	

- (1) Weighted by number of households.
- (2) Derived from information compiled by Claritas Inc. The Company has been advised that the information comes from various government and industry sources, but the Company has not independently verified the information.
- (3) Derived from forecasted data obtained from Regional Financial Associates.

#### 1997 AVERAGE POPULATION WITHIN THREE-MILE RADIUS OF RETAIL PROPERTIES (1)

<TABLE>	
<S>	
AMB Centers	108,000
U.S. Average	71,000 (2)
</TABLE>	

- (1) Derived from information compiled by Claritas Inc. The Company has been advised that the information comes from various government and industry sources, but the Company has not independently verified the information.
- (2) For all shopping centers greater than or equal to 50,000 square feet and less than or equal to 400,000 square feet.

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Management believes that the characteristics of its trade areas tend to result in Retail Properties with above-average retail sales. The graph below compares the average sales of the Retail Properties' grocer anchors to the national average for grocers.

AVERAGE 1997 GROCER ANCHOR SALES FOR  
RETAIL PROPERTIES

AVERAGE 1996 RETAIL SALES CHART

<TABLE>	
<S>	<C>
AMB Centers(1) (2)	\$498
Total U.S.	\$398(3)
</TABLE>	

- (1) Includes sales per square foot for grocer anchors reporting a full year of sales. Thirty-one of 37 Retail Properties are represented above. Of the six Retail Properties not represented, (i) four do not have grocer anchors, (ii) one Property is currently under construction and (iii) the grocer-anchor store at one Property is not owned by the Company and does not report sales.
- (2) All but nine of the 31 Retail Properties included report sales on a calendar year basis.
- (3) Derived from data published in the Progressive Grocer Annual Report, April 1998.

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Property Characteristics. The Retail Properties generally contain between 80,000 and 350,000 rentable square feet. On average, 67% of the rentable square feet for each of the Retail Properties is leased to one or more Anchor Tenants (defined as all grocery stores, drugstores and any other retail tenant occupying more than 10,000 rentable square feet). The following table identifies characteristics of a typical Retail Property.

<TABLE>		
<CAPTION>		
	TYPICAL PROPERTY	TYPICAL RANGE
	-----	-----
<S>	<C>	<C>
Rentable square feet.....	190,000	80,000 - 350,000
Percentage leased by Anchor Tenants.....	67%	60% - 85%
Number of tenants.....	25	10 - 50
Parking spaces per 1,000 square feet.....	5.0	4.0 - 6.0
Square footage per Anchor Tenant.....	25,000	10,000 - 100,000
Average square footage per Non-Anchor Tenant.....	1,500	750 - 5,000
</TABLE>		

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

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RETAIL PROPERTY SUMMARY

Anchor Tenants accounted for 67.4% of the aggregate square footage of the Retail Properties as of March 31, 1998. Annualized Base Rent as of such date for the Company's largest tenants was approximately \$29.9 million, representing approximately 39.3% of Annualized Base Rent for all Retail Properties. Annualized Base Rent for the remaining retail tenants was approximately \$46.3 million as of the same date, representing approximately 60.7% of the Annualized Base Rent for all Retail Properties. The following table sets forth, on a property-by-property basis, the rentable square footage leased to Anchor Tenants and Non-Anchor Tenants as of March 31, 1998. Ownership of each Property is in fee simple unless otherwise noted.

<TABLE>			
<CAPTION>			
		LEASED	
		LEASED	NON-
		ANCHOR	ANCHOR
		RENTABLE	RENTABLE
TOTAL			AVAILABLE
	YEAR BUILT/	SQUARE	SQUARE
RENTABLE			RENTABLE

REGION/MARKET/PROPERTY SQUARE FEET	LOCATION	RENOVATED (1)	FEET	FEET	SQUARE FEET
<S>	<C>	<C>	<C>	<C>	<C>
EASTERN					
Albany					
Latham Farms.....	Albany	1993	502,444	77,733	22,300
602,477					
Baltimore					
Long Gate Shopping Center.....	Ellicott City	1996	390,288	14,467	0
404,755					
Boston					
Mazzeo Drive.....	Randolph	1993	88,420	0	0
88,420					
Hartford					
Corbins Corner Shopping Center.....	Hartford	1988R	116,960	58,067	2,289
177,316					
Eastern Total/Weighted Average.....			1,098,112	150,267	24,589
1,272,968					
MIDWESTERN					
Chicago					
Brentwood Commons.....	Bensenville	1990R	61,621	40,508	0
102,129					
Civic Center Plaza.....	Niles	1989	238,655	17,554	7,306
263,515					
Riverview Plaza Shopping Center.....	Chicago	1981	113,607	25,665	0
139,272					
Minneapolis					
Rockford Road Plaza.....	Plymouth	1991	151,757	54,160	0
205,917					
Midwestern Total/Weighted Average...			565,640	137,887	7,306
710,833					
SOUTHERN					
Atlanta					
Woodlawn Point Shopping Center.....	Cobb County	1993	68,499	29,400	0
97,899					

<CAPTION>

REGION/MARKET/PROPERTY	PERCENTAGE LEASED	ANNUALIZED BASE RENT (000S) (2)	NUMBER OF LEASES	AVERAGE BASE RENT PER SQUARE FOOT (3)	PRIMARY TENANTS (4)
<S>	<C>	<C>	<C>	<C>	<C>
EASTERN					
Albany					
Latham Farms.....	96.3%	\$ 5,941	27	\$10.24	Sam's Club Wal-Mart Stores
Baltimore					
Long Gate Shopping Center.....	100.0	4,639	12	11.46	Kohl's Target
Boston					
Mazzeo Drive.....	100.0	690	1	7.80	Bob's Inc.
Hartford					
Corbins Corner Shopping Center.....	98.7	3,111	23	17.77	Filene's Basement Toys 'R Us
Eastern Total/Weighted Average.....		98.1%	\$14,381	63	\$11.52
MIDWESTERN					
Chicago					
Brentwood Commons.....	100.0%	\$ 1,047	21	\$10.25	Dominick's Super Trak
Civic Center Plaza.....	97.2	2,471	13	9.64	Dominick's Home Depot
Riverview Plaza Shopping Center.....	100.0	1,379	14	9.90	Dominick's Toys 'R Us
Minneapolis					
Rockford Road Plaza.....	100.0	2,202	30	10.69	PetsMart

Midwestern Total/Weighted Average... 99.0% \$ 7,099 78 \$10.09

SOUTHERN Atlanta

Woodlawn Point Shopping Center... 100.0% \$ 1,194 18 \$12.20

Publix Zany Brainy

</TABLE>

55

<TABLE> <CAPTION>

Table with columns: REGION/MARKET/PROPERTY, LOCATION, YEAR BUILT/RENOVATED(1), SQUARE FEET, LEASED ANCHOR RENTABLE, LEASED NON-ANCHOR RENTABLE, AVAILABLE SQUARE FEET. Includes rows for Houston, Miami, and Southern Total/Weighted Average.

WESTERN Denver

Applewood Village Shopping Center... Wheat Ridge 1994R 265,663 85,013 2,547

Arapahoe Village Shopping Center... Boulder 1989R 85,530 73,707 0

Los Angeles Granada Village... Granada Hills 1996R 124,638 88,328 11,817

Manhattan Village Shopping Center... Manhattan Beach 1992R 225,791 188,467 9,692

Twin Oaks Shopping Center... Agoura Hills 1996R 58,475 43,924 0

<CAPTION>

Table with columns: REGION/MARKET/PROPERTY, PERCENTAGE LEASED, ANNUALIZED BASE RENT (000S) (2), NUMBER OF LEASES, AVERAGE BASE RENT PER SQUARE FOOT (3), PRIMARY TENANTS (4). Includes row for Houston Randall's Austin Parkway.

Randall's Commons Memorial.....	96.8	947	15	8.88	Randall's Walgreen's
Randall's Dairy Ashford.....	100.0	1,283	12	9.44	Randall's PetsMart
Randall's Woodway Collection....	83.7	1,206	12	13.02	Randall's Eckerd
Wesleyan Plaza.....	93.6	3,760	46	11.28	Randall's Bering's Home Center
Miami					
Kendall Mall(6).....	94.8	3,734	46	13.15	J.C. Penney Home Store
Northridge Plaza(6)(7).....	91.9	1,362	21	7.75	Upton's Target
Palm Aire(6)(7).....	36.8	436	15	7.41	Publix Eckerd
Shoppes at Lago Mar.....	89.1	879	17	11.88	Winn-Dixie Publix
Springs Gate(8).....	n/a	n/a	n/a	n/a	n/a
The Plaza at Delray(6).....	88.9	3,249	35	12.15	Home Place
-----					
Southern Total/Weighted Average.....	88.8%	\$19,143	249	\$11.01	Regal Cinema
-----					
WESTERN					
Denver					
Applewood Village Shopping Center.....	99.3%	\$ 2,865	41	\$ 8.17	Wal-Mart Stores King Soopers
Arapahoe Village Shopping Center.....	100.0	1,840	25	11.56	Safeway So-Fro Fabrics
Los Angeles					
Granada Village.....	94.7	2,820	38	13.24	Hughes Market TJ Maxx
Manhattan Village Shopping Center.....	97.7	6,492	88	15.67	Macy's Fry's Electronics
Twin Oaks Shopping Center.....	100.0	1,100	24	10.74	Ralph's Rite Aid

</TABLE>

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<TABLE>  
<CAPTION>

TOTAL			LEASED ANCHOR RENTABLE	LEASED NON-ANCHOR RENTABLE	AVAILABLE	
RENTABLE	REGION/MARKET/PROPERTY	LOCATION	SQUARE FEET	SQUARE FEET	SQUARE FEET	
SQUARE FEET		YEAR BUILT/ RENOVATED(1)				
	-----	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	<C>	
<C>						
	Reno					
76,757	Southwest Pavilion(7).....	Reno	1997E	47,140	25,206	4,411
	San Diego					
164,952	La Jolla Village S.C.(5).....	La Jolla	1989R	67,238	95,142	2,572
	Rancho San Diego Village S.C....	La Mesa	1994R	39,777	58,282	13,393
111,452	Santa Barbara					
144,484	Five Points Shopping Center.....	Santa Barbara	1996	97,189	47,295	0
	San Francisco Bay Area					
122,041	Bayhill Shopping Center.....	San Bruno	1997R	59,221	57,775	5,045
	Lakeshore Plaza Shopping Center.....	San Francisco	1993	38,836	81,975	2,050
122,861	Pleasant Hill Shopping Center...	Pleasant Hill	1990R	210,614	23,063	0
233,677	Silverado Plaza Shopping Center.....	Napa	1994R	58,238	25,843	942
85,023	Ygnacio Plaza.....	Walnut Creek	1990R	52,118	50,118	7,193
109,429	Seattle					
106,950	Aurora Marketplace.....	Edmonds	1991	74,113	32,837	0
	Eastgate Plaza.....	Bellevue	1995R	49,575	26,989	0

76,564	Totem Lake Malls.....	Kirkland	1989R	154,223	75,629	60,352
290,204						
-----						
Western Region Total/Weighted Average				1,708,379	1,079,593	120,014
2,907,986						
-----						
Total/Weighted Average.....				4,615,813	1,862,225	370,800
6,848,838						
=====						

<CAPTION>

REGION/MARKET/PROPERTY	PERCENTAGE LEASED	ANNUALIZED BASE RENT (000S) (2)	NUMBER OF LEASES	AVERAGE BASE RENT PER SQUARE FOOT (3)	PRIMARY TENANTS (4)
<S>	<C>	<C>	<C>	<C>	<C>
Reno					
Southwest Pavilion(7).....	94.3	731	14	10.10	Scolari's Market
San Diego					
La Jolla Village S.C. (5).....	98.4	3,016	37	18.57	Whole Foods Market Sav-on Drugs Safeway
Rancho San Diego Village S.C....	88.0	1,247	41	12.72	
Santa Barbara					
Five Points Shopping Center.....	100.0%	2,241	25	15.51	Lucky Ross Stores
San Francisco Bay Area					
Bayhill Shopping Center.....	95.9	1,282	27	10.96	Longs Drugs Mollie Stone's Markets
Lakeshore Plaza Shopping Center.....	98.3	3,281	33	27.16	Ross Stores UCSF
Pleasant Hill Shopping Center...	100.0	2,374	12	10.16	Toys 'R Us Target
Silverado Plaza Shopping Center.....	98.9	823	17	9.79	Nob Hill Foods Rite Aid
Ygnacio Plaza.....	93.4	1,352	24	13.22	Lucky Rite Aid
Seattle					
Aurora Marketplace.....	100.0	1,495	18	13.98	Drug Emporium Safeway
Eastgate Plaza.....	100.0	944	15	12.33	Rite Aid Albertson's
Totem Lake Malls.....	79.2%	1,763	36	7.67	Lamonts Apparel Computer City
Western Region Total/Weighted Averag	95.9%	35,666	515	\$12.79	
Total/Weighted Average.....	94.6%	\$76,289	905	\$11.78	
		=====	=====		

</TABLE>

- 
- (1) Retail Properties denoted with an "R," "E" or "D" indicate the date of most recent renovation, expansion or development, respectively. All other dates reference the year such Property was developed.
  - (2) Annualized Base Rent means the monthly contractual amount under existing leases at March 31, 1998, multiplied by 12. This amount excludes expense reimbursements, rental abatements and percentage rents.
  - (3) Calculated as total Annualized Base Rent divided by rentable square feet actually leased as of March 31, 1998.
  - (4) Primary tenants are defined as the two largest Anchor Tenants as measured by rentable square footage.
  - (5) This Property includes 33 apartment units which were acquired as part of the acquisition of the Property.
  - (6) The Company holds interests in these Properties through a joint venture interest in a limited partnership. See "-- Properties Held Through Joint Ventures, Limited Liability Companies and Partnerships."
  - (7) This Property is being redeveloped. All calculations are based on rentable square feet existing as of March 31, 1998.
  - (8) This Property consists of land held for future development.

RETAIL PROPERTY TENANT INFORMATION

Largest Retail Property Tenants. The Company's 25 largest Retail Property tenants by Annualized Base Rent are set forth in the table below. These tenants have an average of approximately 15 years remaining on their lease terms, which



the Company believes should provide a balance to the typically shorter remaining lease terms of the Industrial Property tenants.

<TABLE>  
<CAPTION>

TENANT NAME (1) (2)	NUMBER OF PROPERTIES	AGGREGATE RENTABLE SQUARE FEET	PERCENTAGE OF AGGREGATE LEASED SQUARE FEET (3)	ANNUALIZED BASE RENT (000S)	PERCENTAGE OF AGGREGATE ANNUALIZED BASE RENT (4)
<S>	<C>	<C>	<C>	<C>	<C>
Wal-Mart Stores, Inc. and Sam's Club....	2	388,866	6.0%	\$ 2,891	3.8%
Randall's Food & Drugs, Inc. ....	5	298,549	4.6	2,369	3.1
Safeway Stores, Inc. ....	4	187,334	2.9	1,860	2.5
Target Stores Corporation.....	3	320,670	4.9	1,784	2.4
Home Place.....	2	109,323	1.7	1,450	1.9
Omni .....	3	175,229	2.7	1,430	1.9
Blockbuster Video, Inc. ....	10	58,785	0.9	1,247	1.7
Toys 'R Us, Inc. ....	3	135,332	2.1	1,247	1.7
Publix.....	5	199,764	3.1	1,180	1.5
Home Quarters.....	1	101,783	1.6	1,167	1.5
J.C. Penney.....	4	74,612	1.1	1,113	1.5
Tandy Corporation.....	15	81,910	1.3	1,044	1.4
Dart.....	6	64,390	1.0	1,030	1.3
Gap, Inc.....	4	57,591	0.9	1,016	1.3
Home Depot.....	1	116,095	1.8	1,015	1.3
Barnes & Noble Super Stores, Inc. ....	3	50,600	0.8	1,004	1.3
Great Atlantic.....	1	86,889	1.3	949	1.2
PetsMart, Inc. ....	4	102,100	1.6	875	1.1
Hallmark.....	13	49,693	0.8	852	1.1
Hannaford Bros. Co. ....	1	63,664	1.0	828	1.1
TJX, Inc. ....	4	117,200	1.8	769	1.0
Ross Stores, Inc. ....	2	61,120	0.9	769	1.0
Randolph Bob's, Inc. ....	1	88,420	1.4	690	0.9
American Stores.....	4	116,873	1.8	689	0.9
Fry's Electronics.....	1	46,200	0.7	677	0.9
Total.....		3,152,992	48.7%	\$29,945	39.3%

</TABLE>

- (1) Tenant(s) may be a subsidiary of or an entity affiliated with the named tenant.
- (2) Of the top 25 Retail Property tenants, six are grocers. Of the 37 Retail Properties, 33 are grocer-anchored.
- (3) Computed as Aggregate Rentable Square Feet divided by the Aggregate Leased Square Feet of the Retail Properties.
- (4) Computed as Annual Base Rent divided by the Aggregate Annualized Base Rent of the Retail Properties.

With over 900 tenants, the Retail Properties include other national retailers as well as regional and local tenants, many of which are privately held. Leases of less than 2,500 rentable square feet represent 58% of the Retail Property leases and 20.5% of the Retail Properties' Annualized Base Rent. Following is a list of certain tenants which lease less than 2,500 rentable square feet of retail space:

Agoura Beauty Supply  
Flower Basket  
Islands Restaurants  
King Dragon  
Star of India  
TCBY  
Baskin Robbins, Inc.  
Great Escapes Travel  
Let Us Mail  
Pavilion Cleaners  
Santa Barbara Travel  
State Farm Insurance  
The Bowling Store  
Domino's Pizza  
Imagination Toys  
Nail Xpress  
Prestige Jewelers  
Sears Driving School  
Subway  
Yum-Yum Donuts

RETAIL PROPERTY LEASE EXPIRATIONS

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

<TABLE>  
<CAPTION>

YEAR OF LEASE EXPIRATIONS FOOT (3)	NUMBER OF LEASES EXPIRING (1)	RENTABLE SQUARE FOOTAGE OF LEASES EXPIRING (1)	PERCENTAGE OF TOTAL RENTABLE Square Footage	ANNUALIZED BASE RENT OF EXPIRING LEASES (1) (2) (000S)	PERCENTAGE OF ANNUALIZED BASE RENT OF EXPIRING LEASES	ANNUALIZED RENT OF EXPIRING LEASES PER SQUARE
1998 (4)	121	438,950	6.7%	\$ 4,759	5.7%	\$10.84
1999	123	392,463	6.0	5,536	6.6	14.11
2000	123	467,638	7.2	5,961	7.2	12.75
2001	113	511,783	7.9	6,670	8.0	13.03
2002	132	426,945	6.6	7,740	9.3	18.13
2003	59	321,251	4.9	4,559	5.5	14.19
2004	30	179,045	2.8	2,702	3.2	15.09
2005	36	134,228	2.1	3,103	3.7	23.12
2006	46	303,150	4.7	5,712	6.9	18.84
2007	34	406,543	6.3	4,291	5.2	10.55
2008 and beyond	102	2,921,111	44.8	32,248	38.7	11.04
Total/Weighted Average	919	6,503,107	100.0%	\$83,281	100.0%	\$12.81

</TABLE>

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(1) Schedule includes executed leases that commence after March 31, 1998. Schedule excludes leases expiring prior to April 1, 1998.

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

(3) Rent per square foot is calculated by dividing the Annualized Base Rent of expiring leases by the square footage expiring in any given year.

(4) Includes leases encompassing 43,699 square feet which are on a month-to-month basis.

HISTORICAL TENANT RETENTION RATES AND RENT INCREASES

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

<TABLE>  
<CAPTION>

	YEARS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31, 1998	TOTAL/WEIGHTED AVERAGE
	1995	1996	1997		
<S>	<C>	<C>	<C>	<C>	<C>
Industrial Properties:					
Retention rate	67.9%	79.2%	69.5%	77.3%	72.9%
Rental rate increases	4.8%	4.7%	13.0%	14.8%	
Retail Properties:					
Retention rate	63.5%	88.4%	87.8%	87.2%	83.5%
Rental rate increases	3.2%	5.4%	10.1%	22.0%	
Total Properties:					
Retention rate	67.7%	79.8%	70.3%	78.1%	73.5%
Rental rate increases	4.3%	5.0%	12.0%	16.4%	

</TABLE>

RECURRING TENANT IMPROVEMENTS AND LEASING COMMISSIONS

The tables below summarize for Industrial Properties and Retail Properties, separately, the recurring tenant improvements and leasing commissions 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. See "Risk Factors -- General Real Estate Risks -- Possible Inability to Complete Renovation and Development on Advantageous Terms."

<TABLE>  
<CAPTION>

	YEARS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31, 1998	WEIGHTED AVERAGE
	1995	1996	1997		
<S>	<C>	<C>	<C>	<C>	<C>
<b>Industrial Properties:</b>					
Expenditures per renewed square foot leased.....	\$0.91	\$0.93	\$1.05	\$ 0.76	\$0.93
Expenditures per re-tenanted square foot leased.....	1.75	1.97	1.62	1.98	1.77
Aggregate weighted average per square foot leased.....	1.32	1.29	1.30	0.98	1.26
<b>Retail Properties:</b>					
Expenditures per renewed square foot leased.....	5.53	4.72	4.25	1.82	3.96
Expenditures per re-tenanted square foot leased.....	5.37	6.53	7.92	13.85	7.47
Aggregate weighted average per square foot leased.....	5.46	5.61	6.41	3.25	5.59

OCCUPANCY AND BASE RENT

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

<TABLE>  
<CAPTION>

	YEARS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31, 1998
	1995	1996	1997	
<S>	<C>	<C>	<C>	<C>
<b>Industrial Properties:</b>				
Occupancy rate at period end.....	97.3%	97.2%	95.7%	94.6%
Average base rent per square foot(1).....	\$ 3.43	\$ 3.81	\$ 4.26	\$ 4.29
<b>Retail Properties:</b>				
Occupancy rate at period end.....	92.4%	92.4%	96.1%	94.6%
Average base rent per square foot(1).....	\$10.46	\$11.32	\$11.98	\$11.78

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

RENOVATION, EXPANSION AND DEVELOPMENT PROJECTS IN PROGRESS

The following table sets forth the Properties owned by the Company as of March 31, 1998 which were undergoing renovation, expansion or new development. No assurance can be given that any of such Properties will be completed on schedule or within budgeted amounts. See "Risk Factors -- General Real Estate Risks -- Possible Inability to Complete Renovation and Development on Advantageous Terms."

<TABLE>  
<CAPTION>

PROPERTY NAME	TYPE (1)	ESTIMATED STABILIZATION DATE (2)	ESTIMATED TOTAL INVESTMENT (000S) (3)	ESTIMATED SQUARE FEET AT COMPLETION
<S>	<C>	<C>	<C>	<C>
<b>Industrial Properties:</b>				
Dock's Corner.....	Expansion	Mar-99	\$ 46,900	1,200,000
Fairway Drive Phase II.....	Development	June-98	10,600	255,300
Fairway Drive Phase III.....	Development	Sept-99	4,800	115,000
Mendota Heights.....	Development	Dec-98	6,900	150,400
Pennsy Drive.....	Renovation	Jan-99	10,000	359,500
DFW Air Cargo Facility.....	Development	Dec-99	18,300	205,000
Suwanee Creek Distribution Center.....	Development	Feb-01	32,000	1,086,000
Subtotal.....			129,500	3,371,200
<b>Retail Properties:</b>				
Palm Aire.....	Renovation	Feb-99	11,500	144,300
Springs Gate.....	Development	May-99	34,600	248,900
Northridge Plaza.....	Renovation	Sept-00	35,400	259,400
Subtotal.....			81,500	652,600

Total.....

-----  
\$211,000  
=====

-----  
4,023,800  
=====

</TABLE>

- -----

- (1) Renovation with respect to a Property means capital improvements which have totaled 20% or more of the total cost of such Property within a 24-month period or which have resulted in material improvement of physical condition. Expansion with respect to a Property means construction resulting in an increase in the rentable square footage of an existing structure or the development of additional buildings on a property on which existing buildings are located. Development with respect to a Property means new construction on a previously undeveloped location.
- (2) Estimated stabilization date means management's estimate of when capital improvements for repositioning, development and redevelopment programs will have been completed and in effect for a sufficient period of time (but in no case more than 12 months after shell completion) to achieve market occupancy of at least 95%.
- (3) Represents total estimated cost of renovation, expansion or development, including initial acquisition costs. The estimates are based on the Company's current planning estimates and forecasts and therefore subject to change.

PROPERTIES HELD THROUGH JOINT VENTURES, LIMITED LIABILITY COMPANIES AND PARTNERSHIPS

As of March 31, 1998, the Company held interests in 12 joint ventures, limited liability companies and partnerships (collectively, the "Joint Ventures") with certain unaffiliated third parties (the "Joint Venture Participants"). Pursuant to the existing agreements with respect to each Joint Venture, the Company holds a greater than 50% interest in 11 of the Joint Ventures and a 50% interest in the twelfth Joint Venture, but in certain cases such agreements provide that the Company is a limited partner or that the Joint Venture Participant is principally responsible for day-to-day management control of the Property (though in all such cases, the Company has approval rights with respect to significant decisions involving the underlying properties). Under the agreements governing the Joint Ventures, the Company and the Joint Venture Participant may be required to make additional capital contributions, and subject to certain limitations, the Joint Ventures may incur additional debt. Such agreements also impose certain restrictions on the transfer of the interest in the Joint Venture by the Company or the Joint Venture Participant, and provide certain rights to the Company and/or the Joint Venture Participant to sell its interest to the Joint Venture or to the other venturer on terms specified in the agreement. All of the Joint Ventures terminate in the year 2024 or later, but may end earlier if a Joint Venture ceases to hold any interest in or have any obligations relating to the property

held by such Joint Venture. See "Risk Factors -- Impact on Control Over and Liabilities with Respect to Properties Owned Through Partnerships and Joint Ventures."

The following table sets forth certain information regarding the Joint Ventures as of March 31, 1998:

<TABLE>  
<CAPTION>

PROPERTY	GROSS BOOK VALUE (1)	MORTGAGE DEBT	BOOK VALUE OF CO-VENTURER'S INVESTMENT (2)	COMPANY'S INVESTMENT (3)	PERCENTAGE AND FORM OF COMPANY'S OWNERSHIP INTEREST
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
<b>Industrial Properties:</b>					
Chancellor.....	\$ 6,390	\$ (2,972)	\$ (613)	\$ 2,805	90% general partnership interest
Fairway Drive.....	12,119	--	(313)	11,806	70% LLC interest
Nippon Express(4)....	6,257	--	(412)	5,845	50% limited partnership interest
Metric Center(5)....	43,965	--	(5,421)	38,544	87.15% limited partnership interest
Jamesburg/Corporate Park/Hickory Hill.....	74,465	--	(37,119)	37,346	50.0005% general partnership interest
Subtotal.....	143,196	(2,972)	(43,878)	96,346	
<b>Retail Properties:</b>					
Kendall Mall.....	35,794	(25,063)	358	11,089	50.0001% limited partnership interest
Manhattan Village....	83,307	--	(7,884)	75,423	90% LLC interest

Palm Aire.....	14,035	(5,623)	(1,108)	7,304	50.0001% general partnership interest
The Plaza at Delray.....	35,127	(23,378)	(355)	11,394	50.0001% limited partnership interest
Springs Gate.....	11,693	--	--	11,693	50.0001% limited partnership interest
Northridge Plaza.....	11,011	--	--	11,011	50.0001% limited partnership interest
	-----	-----	-----	-----	
Subtotal.....	190,967	(54,064)	(8,989)	127,914	
	-----	-----	-----	-----	
Total.....	\$334,163	\$(57,036)	\$(52,867)	\$224,260	
	=====	=====	=====	=====	

</TABLE>

- 
- (1) Represents the book value of the Property owned by the respective joint venture entity before accumulated depreciation.
  - (2) Represents the co-venturer's aggregate investment on a book value basis in the respective joint venture property.
  - (3) Represents the Company's aggregate investment on a book value basis in the respective joint venture property.
  - (4) Represents a building which is part of the Lake Michigan Industrial Portfolio.
  - (5) Represents one property with multiple buildings owned by two joint venture entities on identical economic terms.

The Company accounts for all of the above investments on a consolidated basis for financial reporting purposes because of its ability to exercise control over significant aspects of the investment as well as its significant economic interest in such investments. See Notes to the Consolidated Financial Statements of the Company.

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#### DEBT FINANCING

The Company's financing policies and objectives are determined by the Board of Directors and may be altered without the consent of the Company's stockholders. The Company's organizational documents do not limit the amount of indebtedness that it may incur. The Company presently intends to limit its Debt-to-Total Market Capitalization Ratio to approximately 45%. As of March 31, 1998, on a pro forma basis after giving effect to the Offering and the application of the net proceeds therefrom as described in "Use of Proceeds," the Company's consolidated Debt-to-Total Market Capitalization Ratio as of March 31, 1998 on a pro forma basis (giving effect to the acquisition-related debt incurred subsequent to March 31, 1998, the sale of the Senior Debt Securities and the Offering and the application of the proceeds therefrom as if the debt had been incurred and those transactions had occurred as of that date) would have been approximately 31.4% (approximately 29.9% on an historical basis). The Company believes that the Debt-to-Total Market Capitalization Ratio is a useful indicator of a company's ability to incur indebtedness and has gained acceptance as an indicator of leverage for real estate companies. The Company intends to utilize one or more sources of capital for future acquisitions, including development and capital improvements, which may include undistributed cash flow, borrowings under the Credit Facility, issuance of debt or equity securities of either the Operating Partnership or the Company, funds from its co-investment partners and other bank and/or institutional borrowings. There can be no assurance, however, that the Company will be able to obtain capital for any such acquisitions, developments or improvements on terms favorable to the Company. See "Strategies for Growth -- Growth Through Acquisition."

Credit Facility. The Company, through the Operating Partnership, is party to the Credit Facility with aggregate availability of \$500 million (subject to borrowing base limitations). The Company intends to use the Credit Facility principally for acquisitions and for working capital purposes. Borrowings under the Credit Facility bear interest at a floating rate equal to LIBOR plus 90 to 120 basis points (currently LIBOR plus 90 basis points), depending upon the Company's debt rating at the time of such borrowings. As of March 31, 1998, \$312.0 million was outstanding under the Credit Facility. Following the application of the proceeds from the sale of the Senior Debt Securities, the Company had \$83.2 million outstanding under the Credit Facility. Of the \$312.0 million outstanding as of March 31, 1998, substantially all of such borrowings were used to finance property acquisitions. The Company's ability to borrow under the Credit Facility is subject to its ongoing compliance with a number of financial and other covenants. The Credit Facility requires that: (i) the Company maintain a ratio of unencumbered property value to unsecured

indebtedness of at least 2 to 1; (ii) the unencumbered properties generate sufficient net operating income to maintain a debt service coverage ratio of at least 2 to 1; (iii) the Company maintain a total indebtedness to total asset value ratio of not more than 0.5 to 1; (iv) the ratio of net operating cash flow to debt service plus estimated capital expenditures and preferred dividends be at least 2 to 1; and (v) certain other customary covenants and performance requirements. The Credit Facility, except under certain circumstances, limits the Company's ability to make distributions to no more than 95% of its annual FFO.

Senior Debt Securities. On June 30, 1998 the Operating Partnership sold the Senior Debt Securities in an aggregate principal amount of \$400 million in an underwritten public offering. The Senior Debt Securities are comprised of \$175 million aggregate principal amount of 7.10% notes due June 30, 2008, \$125 million aggregate principal amount of 7.50% notes due June 30, 2018 and \$100 million aggregate principal amount of 6.90% Reset Put Securities due June 30, 2015 -- Puttable/Callable June 30, 2005. Interest on the Senior Debt Securities is payable semi-annually on June 30 and December 30, commencing December 30, 1998, and no repayments of principal are due prior to maturity. Each tranche of the Senior Debt Securities may be redeemed at the option of the Operating Partnership at any time, in whole or in part, at 100% of the outstanding principal amount of such securities being redeemed, plus accrued and unpaid interest to the date of redemption, plus the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to such redemption date) discounted to such redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points. The Senior Debt Securities are guaranteed on an unsecured basis by the Company.

Secured Debt. As of March 31, 1998, \$73 million was outstanding under a credit facility which is secured by six properties (the "Secured Facility"). Payments of interest only are due monthly at a fixed annual

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interest rate of 7.53% with the principal due on December 12, 2008. The Secured Facility became an obligation of the Company upon consummation of the Formation Transactions. Under the Secured Facility, the Company may substitute collateral, subject to certain requirements with respect to the property offered as replacement collateral. In addition to the Secured Facility, 53 of the Properties secure mortgage indebtedness. The aggregate principal amount of such mortgage indebtedness was \$514 million, \$444 million, \$403 million and \$254 million at March 31, 1998 and December 31, 1997, 1996 and 1995, respectively. All secured indebtedness bears interest at rates varying from 7.01% to 10.39% per annum (with a weighted average of 8.01%) with final maturity dates ranging from 1998 to 2014.

The following table sets forth scheduled principal payments of the Company's secured debt (excluding construction debt of \$5.6 million as of March 31, 1998) for the Properties on an historical basis as of March 31, 1998 for each of the years beginning with the year ending December 31, 1998. All of the Company's mortgage debt is fixed-rate and has generally been arranged by the Company or its predecessors directly with lenders such as Principal Financial Group, Northwestern Mutual Life, Prudential Insurance and Nationwide Insurance.

<TABLE>  
<CAPTION>

YEAR	SCHEDULED PRINCIPAL AMORTIZATION	PRINCIPAL DUE AT MATURITY	TOTAL PRINCIPAL PAYMENTS	WEIGHTED AVERAGE YEAR-END INTEREST RATE
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
1998.....	\$ 5,648	\$ 48,055	\$ 53,703	7.96%
1999.....	7,398	3,567	10,965	7.94
2000.....	8,804	--	8,804	7.93
2001.....	9,392	29,190	38,582	7.93
2002.....	9,260	54,415	63,675	7.88
2003.....	8,219	114,982	123,201	7.82
2004.....	6,435	36,085	42,520	7.71
2005.....	5,911	33,416	39,327	7.61
2006.....	4,441	103,922	108,363	7.70
2007.....	2,038	14,339	16,377	7.66
2008.....	1,603	77,783	79,386	8.25
2009.....	426	--	426	8.25
2010.....	345	--	345	8.25
2011.....	375	--	375	8.25
2012.....	407	--	407	8.25
2013.....	442	--	442	8.25
2014.....	48	--	48	0.00
Total/Weighted Average.....	\$71,192	\$515,754	\$586,946	6.71%

</TABLE>

The following table sets forth scheduled maturities of the Company's secured debt (excluding construction debt of \$5.6 million as of March 31, 1998) on a property-by-property basis.

<TABLE>  
<CAPTION>

PROPERTY	INTEREST RATE AT MARCH 31, 1998	NOTE BALANCE AT MARCH 31, 1998 (000S)	ANNUAL DEBT SERVICE (000S)	MATURITY DATE
<S>				
Industrial Properties:				
Arsenal Street.....	10.20%	\$ 10,598	\$ 1,438	04/01/98
Bedford Street.....	8.50	1,841	219	04/01/98
Braintree Industrial.....	7.75	5,234	542	04/01/98
Braintree Office.....	8.34	6,157	659	04/01/98
Collins Street.....	9.50	2,141	57	04/01/98
Collins Street.....	10.25	431	315	04/01/98

</TABLE>

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<TABLE>  
<CAPTION>

PROPERTY	INTEREST RATE AT MARCH 31, 1998	NOTE BALANCE AT MARCH 31, 1998 (000S)	ANNUAL DEBT SERVICE (000S)	MATURITY DATE
<S>				
Hartwell Avenue/Braintree Industrial/ Stoughton Industrial (2).....	7.87	6,305	849	04/01/98
Stoughton Industrial.....	10.39	708	122	04/01/98
Stoughton Industrial.....	8.25	610	81	04/01/98
United Drive.....	9.50	953	113	04/01/98
Harvest Business Park.....	10.38	3,631	438	04/01/99
Edenvale Business Center.....	9.38	1,540	183	11/01/01
United Drive.....	8.50	7,911	844	06/30/02
OCP Portfolio(3).....	9.13	12,532	1,373	11/15/02
Chancellor.....	7.45	2,940	273	01/15/03
Blue Lagoon.....	7.15	11,805	1,032	02/01/03
Kingsport Industrial Park.....	7.81	17,477	1,582	08/01/03
Moffett Business Center.....	7.20	12,757	1,123	12/15/03
Bensenville.....	8.53	19,986	2,034	08/01/04
Bensenville.....	8.53	6,680	678	08/01/04
Bensenville.....	8.35	2,701	267	08/01/04
Bensenville.....	8.35	7,061	691	08/01/04
Bensenville.....	8.35	5,107	499	08/01/04
South Bay Industrial (4).....	8.31	19,404	1,843	04/05/05
Lonestar.....	8.23	17,000	1,399	08/01/05
Activity Distribution Center.....	7.27	5,317	478	01/01/06
Stadium Business Park.....	7.27	4,834	434	01/01/06
Hewlett Packard Distribution.....	7.27	3,384	304	01/01/06
Minneapolis Industrial Portfolio IV.....	7.27	8,218	739	01/01/06
Amwiler-Gwinnett Industrial Portfolio... Pacific Business Center.....	7.01	8,577	838	04/01/06
Chicago Industrial.....	8.59	9,820	1,003	08/01/06
Valwood.....	8.59	3,242	331	08/01/06
Valwood.....	8.59	4,004	409	08/01/06
West North Carrier.....	8.59	3,242	331	08/01/06
Artesia Industrial Portfolio.....	7.29	54,100	3,944	11/15/06
Stoughton Industrial.....	10.38	4,305	746	12/31/06
Amwiler-Gwinnett Industrial Portfolio... Mendota Heights.....	7.68	5,608	514	01/01/07
Ardenwood Corporate Park.....	8.50	668	57	06/18/07
Ardenwood Corporate Park.....	7.84	9,950	883	09/01/07
Stoughton Industrial.....	7.84	1,207	142	09/30/07
Brockton Industrial.....	9.00	6,680	723	12/31/07
Minneapolis Industrial Portfolio V..... Secured Facility-Industrial(5).....	8.88	7,279	1,053	12/01/08
Stoughton Industrial.....	7.53	47,450	3,573	12/01/08
Stoughton Industrial.....	8.25	2,384	329	03/31/09
Mazzeo.....	8.25	4,105	465	01/01/14
Subtotal/Weighted Average (rate/number of years).....	8.04	377,884	35,950	7.08
Retail Properties:				
Lakeshore Plaza Shopping Center.....	7.68	13,567	1,867	11/10/98
Woodlawn Shopping Center.....	8.50	4,620	474	01/01/01
Kendall Mall.....	7.65	24,641	2,169	11/15/01
Silverado Plaza Shopping Center.....	9.02	4,860	534	04/10/02

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<TABLE>  
<CAPTION>

NOTE BALANCE AT ANNUAL DEBT

PROPERTY	INTEREST RATE AT MARCH 31, 1998	MARCH 31, 1998 (000S)	SERVICE (000S)	MATURITY DATE
<S>	<C>	<C>	<C>	<C>
Arapahoe Village Shopping Center.....	7.81	10,760	1,002	08/01/02
The Plaza at Delray.....	7.78	22,902	1,983	09/01/02
Brentwood Commons.....	8.74	5,081	502	06/01/03
Granada Village.....	8.74	14,588	1,441	06/01/03
Ygnacio Plaza.....	8.74	7,783	769	06/01/03
La Jolla Village.....	8.74	17,907	1,768	06/01/03
Latham Farms.....	7.88	37,409	3,665	12/01/03
Civic Center Plaza.....	7.27	13,555	1,216	02/01/06
Shoppes at Lago Mar.....	7.50	5,831	532	04/01/06
Secured Facility-Retail(5).....	7.53	25,550	1,924	12/12/08
Subtotal/Weighted Average (rate/number of years).....	7.96	209,054	19,846	5.5
Total/Weighted Average (rate/number of years).....	8.01%	\$586,938	\$55,796	6.5

</TABLE>

- (1) These loans were repaid on the scheduled maturity date.
- (2) One loan is secured by three properties. These properties are Hartwell Avenue, Braintree Industrial and Stoughton Industrial.
- (3) OCP Portfolio has one loan secured by three properties. These properties are Chancellor Square, Presidents Drive and Sand Lake Service Center.
- (4) Comprised of three loans with identical terms that are not cross-collateralized.
- (5) The Secured Facility is cross-collateralized with the following Industrial and Retail Properties: L.A. County Industrial Portfolio, Southfield, Corbins Corner Shopping Center, Elk Grove Village Industrial, Pleasant Hill Shopping Center and Milmont Page.

Construction Debt. The Company also has a construction loan agreement in the amount of \$8 million to fund building improvements. The loan matures in July 2000. Borrowings under the construction loan bear interest at LIBOR plus 275 basis points, or the greater of the prime rate or the federal funds rate plus 50 basis points, at the borrower's option. The balance of the construction loan outstanding at March 31, 1998 was \$5.6 million.

#### INSURANCE

The Company and AMB Investment Management carry joint blanket coverage for Properties owned by the Company and Properties managed by AMB Investment Management, with a single aggregate policy limit and deductible. Management believes that its Properties are covered adequately by commercial general liability insurance, including excess liability coverage, and commercial "all risks" property insurance, including loss of rents coverage, with commercially reasonable deductibles, limits and policy terms and conditions customarily carried for similar properties. There are, however, certain types of losses which may be uninsurable or not economically insurable, such as losses due to loss of rents caused by strikes, nuclear events or acts of war. Should an uninsured loss occur, the Company could lose both its invested capital in and anticipated profits from the property.

The Company insures its properties for earthquake or earth movement. A number of both the Industrial and Retail Properties are located in areas that are known to be subject to earthquake activity. This is focused in California where as of March 31, 1998, there are 27 Industrial Properties aggregating 10.4 million rentable square feet and 11 Retail Properties aggregating 1.8 million square feet. Through an annual analysis prepared by outside consultants, the Company determines appropriate limits of earthquake coverage to secure. Coverage is on a replacement cost basis, subject to the maximum limit purchased which the Company believes is adequate and appropriate given both exposure and cost considerations. Therefore, no assurance can

be given that material losses in excess of insurance proceeds will not occur in the future. See "Risk Factors -- General Real Estate Risks -- Uninsured Losses from Seismic Activity."

The Company has insurance for loss in the event of damage to its properties for earthquake activity, which consists of a sublimit of \$10,000,000 per occurrence for earthquake coverage provided as part of the "All Risk Property Policy" with a primary insurer, with \$90,000,000 per occurrence for losses in excess of the \$10,000,000 sublimit. The per occurrence deductible for this coverage in California is 5% of the values applied separately to each building



subject to a minimum deductible of \$100,000 (to the extent that such amount is greater than 5% of the values at each location), and the deductible for Properties outside of California is \$25,000.

#### GOVERNMENT REGULATIONS

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

Costs of Compliance with Americans with Disabilities Act. Under the ADA, all places of public accommodation are required to meet certain federal requirements related to access and use by disabled persons. Compliance with the ADA might require removal of structural barriers to handicapped access in certain public areas where such removal is "readily achievable." Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants.

Environmental Matters. Under Environmental Laws, a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances or petroleum products at such property, and may be required to investigate and clean-up such contamination at such property or such contamination which has migrated from such property. Such laws typically impose liability and clean-up responsibility without regard to whether the owner or operator knew of or caused the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. In addition, the owner or operator of a site may be subject to claims by third parties based on personal injury, property damage and/or other costs, including investigation and clean-up costs, resulting from environmental contamination present at or emanating from a site.

Environmental Laws also govern the presence, maintenance and removal of ACBM. Such laws require that ACBM be properly managed and maintained, that those who may come into contact with ACBM be adequately apprised or trained and that special precautions, including removal or other abatement, be undertaken in the event ACBM is disturbed during renovation or demolition of a building. Such laws may impose fines and penalties on building owners or operators for failure to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers. Some of the Properties may contain ACBM.

Some of the Properties are leased or have been leased, in part, to owners and operators of dry cleaners that operate on-site dry cleaning plants, to owners and operators of gas stations or to owners or operators of other businesses that use, store or otherwise handle petroleum products or other hazardous or toxic substances. Some of these Properties contain, or may have contained, underground storage tanks for the storage of petroleum products and other hazardous or toxic substances. These operations create a potential for the release of petroleum products or other hazardous or toxic substances. Some of the Properties are adjacent to or near other properties that have contained or currently contain underground storage tanks used to store petroleum products or other hazardous or toxic substances. In addition, certain of the Properties are on or are adjacent to or near other properties upon which others, including former owners or tenants of the Properties, have engaged or may in the future engage in activities that may release petroleum products or other hazardous or toxic substances.

All of the Properties were subject to a Phase I or similar environmental assessments by independent environmental consultants at the time of acquisition or shortly after acquisition. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of, the surveyed property

and surrounding properties. Phase I assessments generally include an historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report, but do not include soil sampling or subsurface investigations and typically do not include an asbestos survey. Some of the Company's environmental assessments of the Properties do not contain a comprehensive review of the past uses of the Properties and/or the surrounding properties.

None of the environmental assessments of the Properties has revealed any environmental liability that the Company believes would have a material adverse effect on the Company's financial condition or results of operations taken as a whole, nor is the Company aware of any such material environmental liability. Nonetheless, it is possible that the Company's assessments do not reveal all environmental liabilities and that there are material environmental liabilities of which the Company is unaware. Moreover, there can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Properties will not be affected by tenants, by the condition of land or operations in the vicinity of the Properties (such as releases from underground

storage tanks), or by third parties unrelated to the Company. If the costs of compliance with the various environmental laws and regulations, now existing or hereafter adopted, exceed the Company's budgets for such items, the Company's ability to pay dividends to holders of the Series A Preferred Stock could be adversely affected.

Other Regulations. The Properties are also subject to various Federal, state and local regulatory requirements such as state and local fire and life safety requirements. Failure to comply with these requirements could result in the imposition of fines by governmental authorities or awards of damages to private litigants. The Company believes that the Properties are currently in substantial compliance with all such regulatory requirements. However, there can be no assurance that these requirements will not be changed or that new requirements will not be imposed which would require significant unanticipated expenditures by the Company, which expenditure could have an adverse effect on the Company's results of operations and financial condition.

Risk of Property Tax Reassessment. Certain local real property tax assessors may seek to reassess certain of the Properties as a result of the Formation Transactions and the transfer of interests that occurred in connection therewith. In jurisdictions such as California, where Proposition 13 limits the assessor's ability to reassess real property so long as there is no change in ownership, the assessed value could increase by as much as the full value of any appreciation that has occurred during the AMB Predecessors' period of ownership. Where appropriate, the Company would contest vigorously any such reassessment. Subject to market conditions, current leases may permit the Company to pass through to tenants a portion of the effect of any increases in real estate taxes resulting from any such reassessment.

#### MANAGEMENT AND EMPLOYEES

The Company conducts substantially all of its operations through the Operating Partnership. AMB Investment Management independently conducts third party portfolio management activities and related operations. The Company generally has full, exclusive and complete responsibility and discretion in the management and control of the Operating Partnership.

As of May 31, 1998, the Company employed 123 persons, 99 of whom were located at the Company's headquarters in San Francisco and 24 of whom were located in the Company's Boston office.

#### LEGAL PROCEEDINGS

Neither the Company nor any of the Properties is subject to any material litigation nor, to the Company's knowledge, is any material litigation threatened against any of them, other than routine litigation arising in the ordinary course of business, which is generally expected to be covered by liability insurance, or to have an immaterial effect on financial results.

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#### POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of the policies with respect to investments, financing and certain other activities of the Company. These policies and those set forth under "Certain Relationships and Related Transactions -- Conflicts of Interest" have been determined by the Board of Directors of the Company and may be amended or revised from time to time at the discretion of the Board of Directors without notice to or a vote of the stockholders of the Company or the limited partners of the Operating Partnership, except that changes in certain policies with respect to conflicts of interest must be consistent with legal requirements. Such legal requirements include those arising from fiduciary principles under the Maryland General Corporation Law ("MGCL"), including Section 2-419 thereof (which provides procedures for approval of interested director transactions), and the Delaware Revised Uniform Limited Partnership Act, and the judicial decisions under each of such statutes. All references in the following discussion to the "Company" include the Operating Partnership unless otherwise indicated.

#### INVESTMENT POLICIES

Investments in Real Estate or Interests in Real Estate. The Company currently plans to continue to conduct substantially all of its investment activities through the Operating Partnership. The Company's investment objectives are to increase FFO and the value of the Properties, and to acquire established income-producing industrial properties and community shopping centers with FFO growth potential. Additionally, where prudent and possible, the Company may develop new properties and seek to renovate or reposition the existing Properties and any newly-acquired properties. The Company's business is focused on industrial properties and community shopping centers, but the Company may invest in other types of properties which represent investment opportunities at the discretion of management. In addition, the Company may invest in other property types in connection with industrial and retail acquisition and development opportunities. Where appropriate, and subject to REIT qualification rules, the Operating Partnership may sell or otherwise dispose of certain of the

Properties.

The Company expects to pursue its investment objectives through the direct and indirect ownership of properties and ownership interests in other entities. The Company focuses on properties in those markets where the Company currently has operations and in new markets selectively targeted by management. However, future investments, including the activities described below, will not be limited to any geographic area or to a specified percentage of the Company's assets.

The Company also may participate with other entities in property ownership through joint ventures or other types of co-ownership. Equity investments may be subject to existing mortgage financing and other indebtedness or such financing or indebtedness may be incurred in connection with acquiring investments. Any such financing or indebtedness will have priority over the Company's equity interest in such property. See "Business and Operating Strategies -- AMB Investment Management."

Investments in Real Estate Mortgages. While the Company emphasizes equity real estate investments, it may, in its discretion, invest in mortgages, deeds of trust and other similar interests. The Company does not presently intend to invest significantly in mortgages or deeds of trust, but may acquire such interests as a strategy for acquiring ownership of a property or the economic equivalent thereof, subject to the investment restrictions applicable to REITs. In addition, the Company may invest in mortgage-related securities and/or may seek to issue securities representing interests in such mortgage-related securities as a method of raising additional funds.

Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers. Subject to the gross income and asset tests necessary for REIT qualification, the Company also may invest in securities of entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities. To date, the Company has not invested in any such securities. In selecting such investments in the future, if any, the Company expects to consider the same factors used to identify individual properties for investment -- companies with properties located in in-fill locations -- as well as other factors which the Company may consider to be relevant, including, among others, historical performance, financial condition and management. The Company may acquire all or substantially all of the

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securities or assets of other REITs or similar entities where such investments would be consistent with the Company's investment policies. In any event, the Company does not intend that its investments in securities will require it to register as an "investment company" under the Investment Company Act of 1940, as amended.

#### FINANCING POLICIES

In addition to the limitations on indebtedness under the Credit Facility, since the IPO, the Company has maintained and presently intends to continue to maintain a Debt-to-Total Market Capitalization Ratio of approximately 45% or less. This policy differs from conventional mortgage debt-to-equity ratios which are asset-based ratios. The Company, however, may from time to time re-evaluate this policy and decrease or increase such ratio in light of then current economic conditions, relative costs to the Company of debt and equity capital, market values of its properties, growth and acquisition opportunities and other factors. There is no limit on the Debt-to-Total Market Capitalization Ratio imposed by either the Articles of Incorporation or Bylaws or the Partnership Agreement. To the extent the Board of Directors of the Company determines to obtain additional capital, the Company may issue equity securities, or cause the Operating Partnership to issue additional Units or debt securities, or retain earnings (subject to provisions in the Code requiring distributions of taxable income to maintain REIT status), or a combination of these methods. Pursuant to the Partnership Agreement the net proceeds of all equity capital raised by the Company will be contributed to the Operating Partnership in exchange for additional general partner interests therein.

To the extent that the Board of Directors determines to obtain debt financing in addition to the existing mortgage indebtedness and the Senior Debt Securities, the Company intends to do so generally through mortgages on its properties and the Credit Facility; however, the Company may also issue or cause the Operating Partnership to issue additional debt securities in the future. Such indebtedness may be recourse, non-recourse or cross-collateralized and may contain cross-default provisions. The net proceeds of any debt securities issued by the Company will be lent to the Operating Partnership on substantially the same terms and conditions as are incurred by the Company. The Company does not have a policy limiting the number or amount of mortgages that may be placed on any particular property, but mortgage financing instruments usually limit additional indebtedness on such properties. In the future, the Company may seek to extend, expand, reduce or renew the Credit Facility, or obtain new credit facilities or lines of credit, subject to its general policy on debt capitalization, for the purpose of making acquisitions or capital improvements

or providing working capital or meeting the taxable income distribution requirements for REITs under the Code.

#### LENDING POLICIES

The Company may consider offering purchase money financing in connection with the sale of Properties where the provision of such financing will increase the value received by the Company for the property sold. The Company may also make loans to the Operating Partnership, AMB Investment Management, and joint ventures and other entities in which it or the Operating Partnership has an equity interest.

#### CONFLICT OF INTEREST POLICIES

Officers and Directors of the Company. Without the unanimous approval of the disinterested directors, the Company and its subsidiaries will not (i) acquire from or sell to any director, officer or employee of the Company, or any entity in which a director, officer or employee of the Company owns more than a 1% interest, or acquire from or sell to any affiliate of any of the foregoing, any assets or other property, (ii) make any loan to or borrow from any of the foregoing persons or (iii) engage in any other material transaction with any of the foregoing persons. Each transaction of the type described above will be in all respects on such terms as are, at the time of the transaction and under the circumstances then prevailing, fair and reasonable to the Company and its subsidiaries in the opinion of the disinterested directors. For purposes of this paragraph, "disinterested directors" means those Independent Directors who do not have an interest in the transaction in question.

Policies Applicable to All Directors. Under Maryland law, each director is obligated to offer to the Company any opportunity (with certain limited exceptions) which comes to such director and which the

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Company could reasonably be expected to have an interest in developing or acquiring. The Company has adopted certain policies relating to such matters applicable to Independent Directors (as defined) actively engaged in industrial and retail real estate which generally limit directly competitive activities by such directors. In addition, under the MGCL, any contract or other transaction between a corporation and any director or any other corporation, firm or other entity in which the director is a director or has a material financial interest may be void or voidable. However, the MGCL provides that any such contract or transaction will not be void or voidable if (i) it is authorized, approved or ratified, after disclosure of, or with knowledge of, the common directorship or interest, by the affirmative vote of a majority of disinterested directors (even if the disinterested directors constitute less than a quorum) or by the affirmative vote of a majority of the votes cast by disinterested stockholders or (ii) it is fair and reasonable to the corporation.

#### POLICIES WITH RESPECT TO OTHER ACTIVITIES

The Company may, but does not presently intend to, make investments other than as previously described. The Company makes real property investments only through the Company and the Operating Partnership, except to the extent necessary to establish financing partnerships or similar vehicles established substantially for the benefit of the Company or the Operating Partnership. The Company has authority to offer its shares of Common Stock or other equity or debt securities of the Operating Partnership in exchange for property and to repurchase or otherwise reacquire its shares of Common Stock or any other securities and may engage in such activities in the future. Similarly, the Operating Partnership may offer additional Units or other equity interests in the Operating Partnership that are exchangeable for shares of Common Stock or Preferred Stock in exchange for property. The Operating Partnership also may make loans to joint ventures in which it may participate in the future. Neither the Company nor the Operating Partnership will engage in trading, underwriting or the agency distribution or sale of securities of other issuers.

#### POLICIES WITH RESPECT TO INVESTMENT ADVISORY SERVICES

Uninvested commitments of clients of AMB Investment Management which existed upon consummation of the IPO, any additional amounts committed by these clients and any amounts committed by investors which become clients of AMB Investment Management will be invested only in properties in which the Company also invests, on a co-investment basis. See "Business and Operating Strategies -- AMB Investment Management." AMB Investment Management may also assume management of assets already owned by existing or new clients and manage such assets on a separate account basis. To the extent that transactions arise between the Company and a client of AMB Investment Management, it is anticipated that AMB Investment Management generally will not exercise decision-making authority on behalf of the client, and the client will act through its own representatives. Similarly, it is expected that the terms of co-investment arrangements between the Company and clients of AMB Investment Management will be negotiated on an arm's-length basis at the time the applicable investment management agreement is entered into, with any subsequent modifications thereto to be likewise entered into on the basis of arm's-length negotiations with the

client or another representative designated thereby at the time of such negotiation.

#### OTHER POLICIES

The Company operates in a manner that does not subject it to regulation under the Investment Company Act of 1940. The Board of Directors has the authority, without stockholder approval, to issue additional shares of Common Stock or other securities and to repurchase or otherwise reacquire shares of Common Stock or any other securities in the open market or otherwise and may engage in such activities in the future. The Company may, under certain circumstances, purchase shares of Common Stock or Series A Preferred Stock in the open market, if such purchases are approved by the Board of Directors. The Board of Directors has no present intention of causing the Company to repurchase any of the shares of Common Stock or Series A Preferred Stock, and any such action would be taken only in conformity with applicable Federal and state laws and the requirements for qualifying as a REIT under the Code and the Treasury Regulations. The Company expects to issue shares of Common Stock to holders of Units upon exercise of their exchange rights set forth in the Partnership Agreement. The Company may in the future make loans to joint ventures in which it

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participates in order to meet working capital or other capital needs. The Company has not engaged in trading, underwriting or agency distribution or sale of securities of other issuers other than the Operating Partnership, nor has the Company invested in the securities of other issuers other than the Operating Partnership and AMB Investment Management for the purpose of exercising control, and does not intend to do so.

At all times, the Company intends to make investments in such a manner as to be consistent with the requirements of the Code for the Company to qualify as a REIT unless, because of changing circumstances or changes in the Code (or in Treasury Regulations), the Board of Directors determines that it is no longer in the best interests of the Company to qualify as a REIT and such determination is approved by the affirmative vote of holders owning at least two-thirds of the shares of the Company's capital stock outstanding and entitled to vote thereon.

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#### MANAGEMENT

The Company's Board of Directors is comprised currently of the nine directors included in the table below. Directors are elected on an annual basis. The collective background and experience of the directors provide the Company with advice and guidance in a number of areas, including corporate governance, strategic planning, capital markets and property acquisition and management.

The Company believes that an independent Board of Directors, whose interests are aligned with those of the stockholders, is essential to the creation of long-term stockholder value. Therefore, six of nine of the Company's directors are not employed by, or otherwise affiliated with, the Company ("Independent Directors"). To demonstrate the alignment of their interests with those of stockholders, the Independent Directors who became directors upon consummation of the IPO waived cash retainers and instead received options to purchase shares of Common Stock at the initial public offering price.

The following table lists the Executive Officers and directors of the Company:

<TABLE>  
<CAPTION>

NAME	AGE	POSITION
----	---	-----
<S>	<C>	<C>
T. Robert Burke	55	Chairman of the Board of Directors
Hamid R. Moghadam	41	President, Chief Executive Officer and Director
Douglas D. Abbey	48	Chairman of the Investment Committee and Director
Luis A. Belmonte	57	Managing Director, Industrial Division
S. Davis Carniglia	47	Managing Director and Chief Financial Officer
John H. Diserens	44	Managing Director, Retail Division
Bruce H. Freedman	49	Managing Director, Industrial Division
David S. Fries	34	Managing Director and General Counsel
Jean Collier Hurley	58	Managing Director, Investor Relations and Corporate Communications
Craig A. Severance	46	Managing Director, Acquisitions
Daniel H. Case, III	40	Director
Robert H. Edelstein, Ph.D.	54	Director
Lynn M. Sedway	56	Director
Jeffrey L. Skelton, Ph.D.	48	Director
Thomas W. Tusher	57	Director
Caryl B. Welborn	47	Director

</TABLE>

Set forth below are the biographies of such persons in the table above.

T. Robert Burke, one of the founders of AMB, is a Director of the Company and has been the Chairman of the Board of AMB since 1994. He has 29 years of experience in real estate and is a member of the Investment Committee. Mr. Burke was on the board of directors of CIF and of VAF. He was formerly a senior real estate partner with Morrison & Foerster LLP and, for two years, served as that firm's Managing Partner for Operations. Mr. Burke graduated from Stanford University and holds a J.D. degree from Stanford Law School. He is a member of the Board of Directors of NAREIT, is on the Board of the Stanford Management Company and is a Trustee of Stanford University. He is also a member of the Urban Land Institute and is the former Chairman of the Board of Directors of the Pension Real Estate Association.

Hamid R. Moghadam, one of the founders of AMB, is a Director of the Company and is the President and Chief Executive Officer of the Company. Mr. Moghadam has 16 years of experience in real estate acquisitions, dispositions, investment analysis, finance and development, and is a member of the Investment Committee. He was on the board of directors of CIF and of VAF. Mr. Moghadam holds bachelor's and master's degrees in civil engineering and construction management, respectively, from the Massachusetts Institute of Technology and an M.B.A. degree from the Graduate School of Business at Stanford University. He is a member of the board of directors of the National Realty Committee, a member of the Young Presidents' Organization, has served on the Advisory Committee of the Massachusetts Institute of Technology Center for Real Estate and is a Trustee of the Bay Area Discovery Museum.

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Douglas D. Abbey, one of the founders of AMB, is a Director of the Company and is Chairman of the Investment Committee and is responsible for directing the economic research used to determine the Company's investment strategy, as well as the market research for property acquisitions. Mr. Abbey has 23 years of experience in asset management, acquisitions and real estate research. He is a graduate of Amherst College and has a master's degree in city planning from the University of California at Berkeley. He is the chair of the Urban Land Institute's Commercial Retail Council and Research Committee, serves on the Policy Advisory Board for the Center for Real Estate and Urban Economics at the University of California at Berkeley, is on the Editorial Board for the Journal of Real Estate Investment Trusts and is a Trustee of Golden Gate University.

Luis A. Belmonte is a Managing Director of the Company and co-head of the Industrial Division. He specializes in industrial property development and redevelopment, and is a member of the Investment Committee. He joined AMB in 1990 and has over 30 years of experience in development, redevelopment, finance, construction, and management of commercial and industrial projects. He was a partner with Lincoln Property Company, where he built a portfolio of 18 million square feet of buildings. Mr. Belmonte received his bachelor's degree from the University of Santa Clara. He is a member of the Urban Land Institute, an associate member of the Society of Industrial Realtors, former President of the San Francisco chapter of NAIOP, The Association for Commercial Real Estate, and serves as Chairman of the California Commercial Council.

S. Davis Carniglia is a Managing Director and Chief Financial Officer of the Company and is the Vice Chairman of the Investment Committee. He joined AMB in 1992 and has 23 years of experience in real estate accounting, taxation, forecasting and financing. Mr. Carniglia was formerly a tax and real estate consulting partner with KPMG/Peat Marwick, where he was responsible for that firm's San Francisco Bay Area real estate practice, and was an appraisal/valuation partner. Mr. Carniglia has a bachelor's degree in economics from Pomona College and a J.D. degree from Hastings College of Law. He is a Certified Public Accountant, and a member of the State Bar of California, Financial Executives Institute, Urban Land Institute, NAREIT and Bay Area Mortgage Association.

John H. Diserens is a Managing Director and head of the Retail Division of the Company and is a member of the Investment Committee. He has over 21 years of experience in asset and property management for institutional investors. In his eight years at AMB, he has been responsible for the asset management of all properties, including over 40 community shopping centers. Prior to joining AMB, Mr. Diserens was a Vice President and a divisional manager with Property Management Systems, one of the nation's largest asset and property management firms, responsible for a diversified portfolio in excess of 10 million square feet. Mr. Diserens holds a bachelor's degree in economics and accounting from Macquarie University of Sydney, Australia, and has completed the Executive Program at the Graduate School of Business of Stanford University. He is a member of the International Council of Shopping Centers, Association of Foreign Investors in U.S. Real Estate, National Association of Real Estate Investment Managers ("NAREIM"), Institute of Real Estate Management, and is on the board of NAREIM.

Bruce H. Freedman is a Managing Director and co-head of the Industrial Division of the Company and is a member of the Investment Committee. He joined AMB in 1995 and has over 28 years of experience in real estate finance and investment. Before joining the Company, he served as a Principal and President

of Allmerica Realty Advisors from 1993 to 1995 and as Principal for Aldrich, Eastman & Waltch (AEW) from 1986 to 1992. At Allmerica, he was responsible for business operation and management of a \$250 million equity real estate portfolio, and at AEW he managed a team of 20 people which invested, managed and accounted for over \$1 billion of institutional client assets. Mr. Freedman is a cum laude graduate of Babson College. He is a member of the Urban Land Institute, Real Estate Finance Association and NAREIM, and holds the CRE designation from the American Society of Real Estate Counselors.

David S. Fries is a Managing Director and General Counsel of the Company and joined AMB in 1998. Prior to joining AMB, he was a real estate partner with the international law firms of Orrick, Herrington & Sutcliffe LLP and Morrison & Foerster LLP, where he focused on the real estate, securities and financing issues affecting REITs, the acquisition of large real estate portfolios and the negotiation of complex joint

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venture arrangements. Mr. Fries holds a bachelor's degree in political science from the University of Pennsylvania and a J.D. degree from Stanford Law School. He is a member of the State Bar of California and NAREIT and a past President of The Belden Club.

Jean Collier Hurley is a Managing Director responsible for Investor Relations and Corporate Communications. Prior to joining AMB in 1990, Ms. Hurley was a Vice President with Crocker National Bank where she provided financing for major national and international corporations. Ms. Hurley holds a bachelor's degree in business management and a master of science in marketing and design from San Diego State University, and holds an M.B.A. degree in Finance from the University of California at Berkeley, Graduate School of Business. Ms. Hurley serves on the Editorial Board of the Pension Real Estate Association Quarterly, and is a member of NAREIT and the National Investor Relations Institute.

Craig A. Severance is a Managing Director and a member of the Investment Committee, and is responsible for property acquisitions and information technology. He has managed the screening of all property submissions and has developed the Company's proprietary property submissions database. Before joining AMB in 1986, he was a Vice President with the investment real estate group at Bank of America, where he represented domestic and foreign institutional investors in major commercial property acquisitions. Mr. Severance has a bachelor's degree in economics from Middlebury College, and holds an M.B.A. degree from the Graduate School of Business at Stanford University. He is a member of the International Council of Shopping Centers.

Daniel H. Case, III is a Director of the Company and is President and Chief Executive Officer of the Hambrecht & Quist Group. After joining Hambrecht & Quist in 1981, he co-founded the business which became Hambrecht & Quist Guaranty Finance in 1983. Mr. Case was named co-director of mergers and acquisitions of Corporate Finance in 1986, and became a managing director and head of Investment Banking in December 1987. In October 1991, he was elected to the board of directors of Hambrecht & Quist. In April 1992, he was elected President and Co-Chief Executive Officer. He became Chief Executive Officer in October 1994. Mr. Case also serves as a director of Rational Software Corporation, Electronic Arts, the Securities Industry Association, and the Bay Area Council. Mr. Case was named as one of the "100 Global Leaders for Tomorrow" by the World Economics Forum and one of the "Top 50 Innovators in Technology" by Time Magazine. He has a bachelor's degree in economics and public policy from Princeton University and studied management at the University of Oxford as a Rhodes Scholar.

Robert H. Edelstein, Ph.D. is a Director of the Company and was an independent director of CIF. He has been a director of TIS Mortgage Investment Company, a NYSE-listed mortgage REIT, since 1988, and has been the Chairholder of Professorship of Real Estate Development and Co-Chairman of the Fisher Center for Real Estate and Urban Economics at the Haas School of Business, University of California at Berkeley since 1985. Prior to joining the faculty at Berkeley in 1985, Dr. Edelstein was a Professor of Finance at The Wharton School and Director of the Real Estate Center for 15 years. He is active in research and consulting in urban real estate economics, real estate finance, real estate property taxation, environmental economics, energy economics, public finance and urban financial problems. Dr. Edelstein received his bachelor's, master's and Ph.D. degrees in economics, with specialization fields in statistics and econometrics, from Harvard University. He is President of The American Real Estate and Urban Economics Association, an ex officio member of Lambda Alpha (honorary real estate association), the Urban Land Institute and The Society for Real Estate Finance.

Lynn M. Sedway is a Director of the Company and was an independent director of CIF. She is principal and founder of the Sedway Group, a 20-year old real estate economics firm headquartered in San Francisco. Ms. Sedway is recognized throughout the real estate investment industry as an expert in urban and real estate economics. She currently directs and has ultimate responsibility for the activities of her firm, including market analysis, property valuation, development and redevelopment analysis, acquisition and disposition strategies, and public policy issues. Ms. Sedway received her bachelor's degree in economics

at the University of Michigan and an M.B.A. degree from the University of California at Berkeley, Graduate School of Business, where she is also a guest lecturer. She is a trustee of the Urban Land Institute, the Policy Advisory Board of the Fisher Center for Real Estate and Urban Economics, and the San Francisco Chamber of Commerce.

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Ms. Sedway is a member of The International Council of Shopping Centers and the American Society of Real Estate Counselors.

Jeffrey L. Skelton, Ph.D. is a Director of the Company and was an independent director of VAF. He is President and Chief Executive Officer of Symphony Asset Management, the asset management subsidiary of BARRA, Inc., a financial software company. Prior to joining BARRA, Inc. in 1994, he was with Wells Fargo Nikko Investment Advisors from January 1991 to December 1993, where he served in a variety of capacities, including Chief Research Officer, Vice Chairman, Co-Chief Investment Officer and Chief Executive of Wells Fargo Nikko Investment Advisors Limited in London. Dr. Skelton has a Ph.D. in Mathematical Economics and Finance and an M.B.A. degree from the University of Chicago, and was an Assistant Professor of Finance at the University of California at Berkeley, Graduate School of Business. He is a frequent speaker in professional forums and is the author of a number of works published in academic and professional journals.

Thomas W. Tusher is a Director of the Company and was an independent director of VAF. He was President and Chief Operating Officer of Levi Strauss & Co. from 1984 through 1996. Previously, he was President of Levi Strauss International from 1976 to 1984. Mr. Tusher began his career at Levi Strauss in 1969. He was a director of the publicly-held Levi Strauss & Co. from 1978 to 1985, and was named a director of the privately-controlled Levi Strauss & Co. in 1989. Prior to joining Levi Strauss & Co., Mr. Tusher was with Colgate Palmolive from 1965 to 1969. Mr. Tusher has a bachelor's degree from the University of California at Berkeley and an M.B.A. degree from the Graduate School of Business at Stanford University. He is a director of Cakebread Cellars and Dash America (Pearl Izumi). He is a former director of Great Western Financial Corporation and the San Francisco Chamber of Commerce. He is also Chairman Emeritus and a member of the advisory board of the Walter A. Haas School of Business at the University of California at Berkeley. Mr. Tusher is also a director of the World Wildlife Fund and a member of the Advisory Council of the Graduate School of Business at Stanford University.

Caryl B. Welborn is a Director of the Company and was an independent director of VAF. She is a commercial real estate attorney in San Francisco, and prior to starting her own firm in 1995, she was a partner with Morrison & Foerster LLP for 13 years. Ms. Welborn has a bachelor's degree from Stanford University and a J.D. degree from the Law School at the University of California at Los Angeles. She is a program chair and frequent lecturer on real estate issues nationally, and has published numerous articles in professional publications. Ms. Welborn is an officer and board member of the American College of Real Estate Lawyers. She has held leadership positions in the American Bar Association's Real Property, Probate and Trust Section. In addition, Ms. Welborn has acted as an American Bar Association advisor regarding revision of the Uniform Partnership Act.

#### COMMITTEES OF THE BOARD OF DIRECTORS

**Audit Committee.** The Audit Committee consists of three Independent Directors, Ms. Welborn, the Chairman, and Messrs. Edelstein and Skelton. The Audit Committee makes recommendations concerning the engagement of independent public accountants, reviews with the independent public accountants the plans and results of the audit engagement, approves professional services provided by the independent public accountants, reviews the independence of the independent public accountants, considers the range of audit and non-audit fees and reviews the adequacy of the Company's internal accounting controls.

**Executive Committee.** The Executive Committee consists of Mr. Case, the Chairman, Messrs. Skelton, Moghadam and Burke and Ms. Sedway. The Executive Committee has the authority within certain parameters to acquire, dispose of and finance investments for the Company (including the issuance by the Operating Partnership of additional Units or other equity interests) and approve the execution of contracts and agreements, including those related to the borrowing of money by the Company, and generally exercises all other powers of the Board of Directors except as prohibited by law.

**Compensation Committee.** The Compensation Committee consists of three Independent Directors, Mr. Tusher, the Chairman, Mr. Skelton and Ms. Sedway. The Compensation Committee determines compensation for the Company's executive officers, and reviews and makes recommendations concerning

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proposals by management with respect to compensation, bonus, employment agreements and other benefits and policies respecting such matters for the executive officers of the Company.



The Board of Directors does not have a nominating committee; rather, the entire Board of Directors performs the function of such a committee.

COMPENSATION OF THE BOARD OF DIRECTORS

In lieu of cash compensation, each Independent Director receives, upon initial election to the Board of Directors and upon each election thereafter, options to purchase Common Stock, at an exercise price equal to the fair market value at the date of grant (in the case of options granted upon consummation of the IPO, at the price to the public in the IPO). All of such options vest immediately upon grant. The initial grant of such options upon initial election will cover 20,000 shares of Common Stock, and each subsequent grant will cover 15,000 shares of Common Stock for each Independent Director. The initial grant for each Independent Director appointed to serve immediately following the consummation of the IPO covered 26,250 shares of Common Stock representing the grant to each Independent Director with respect to their initial election to the Board of Directors (expected to occur in 1998) plus an additional grant of options to purchase 6,250 shares of Common Stock with respect to the period from the date of the IPO through the date of their initial election, but such Independent Directors will not be granted options upon re-election in 1998. In addition, Independent Directors are paid \$1,250 for each meeting in excess of six meetings of the Board of Directors attended during each annual term and are reimbursed for reasonable expenses incurred to attend director and committee meetings. Officers of the Company who are directors are not paid any compensation in respect of their service as directors.

EXECUTIVE COMPENSATION

The following table sets forth the estimated annual base salaries and other compensation paid for the period of November 26, 1997 through December 31, 1997 to the Chief Executive Officer and certain of the Company's other executive officers who, on an annualized basis, have a total annual salary and bonus in excess of \$100,000 (collectively, the "Named Executive Officers"). The Company has entered into employment agreements with certain of its Executive Officers as described below. See "-- Employment Agreements."

<TABLE>  
<CAPTION>

	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		
	1997 SALARY	1997 BONUS	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK	SECURITIES UNDERLYING OPTIONS GRANTED IN	
NAME AND PRINCIPAL POSITION	(\$)	(\$)	(\$)	AWARD(S)	1997 (#)	(#)
T. Robert Burke Chairman of the Board.....	16,645	--	2,800	--	225,000	
Hamid R. Moghadam President and Chief Executive Officer.....	40,362	--	(3)	--	500,000	
Douglas D. Abbey Chairman of Investment Committee...	21,389	--	2,800	--	250,000	
S. Davis Carniglia Chief Financial Officer.....	21,389	--	2,800	--	130,000	
Craig A. Severance Managing Director, Acquisitions....	21,389	--	2,800	--	130,000	
John H. Diserens Managing Director, Retail Division.....	21,389	--	2,800	--	130,000	

</TABLE>

(1) Represents the actual amount of compensation paid from November 26, 1997 through December 31, 1997. Annual base compensation paid in 1997 was \$150,000 for Mr. Burke, \$400,000 for Mr. Moghadam and \$200,000 for each of Messrs. Abbey, Carniglia, Severance and Diserens.

(2) The amount of any such bonus has been determined by the Compensation Committee of the Board of Directors. Pursuant to the executive's employment agreement, at the executive's option such executive may receive restricted shares of common stock, or options to purchase common stock, in lieu of any cash bonus, the number of such shares or options to be determined as set

forth in such employee's employment agreement. See "-- Employment Agreements."

- (3) The aggregate amount of the perquisites and other personal benefits, securities or property for Mr. Moghadam is less than the lesser of either \$50,000 or 10% of his total salary and bonus paid in 1997.
- (4) Options to purchase an aggregate of 3,111,250 shares of Common Stock (net of forfeitures) have been granted to directors, executive officers and other employees of the Company as of December 31, 1997. Such options vest pro rata in annual installments over a four-year period. An additional 2,638,750 shares of Common Stock are reserved for issuance under the Stock Incentive Plan.

OPTION GRANTS IN LAST FISCAL YEAR

The following table shows certain information relating to options to purchase shares of Common Stock granted to the Named Executive Officers during 1997.

<TABLE>  
<CAPTION>

REALIZABLE VALUE	INDIVIDUAL GRANTS (1)				POTENTIAL		
	PERCENT OF		OF COMMON		AT ASSUMED ANNUAL		
RATES	SHARE		PRICE APPRECIATION		OPTION TERM (2)		
FOR	NUMBER OF SHARES OF	TOTAL OPTIONS	GRANTED TO		OPTION TERM (2)		
(000S)	COMMON STOCK	EMPLOYEES IN	EXERCISE	EXPIRATION	5%		
-----	UNDERLYING OPTIONS	FISCAL YEAR (3)	PRICE PER SHARE	DATE	-----	-----	
10%	NAME	GRANTED (#)	FISCAL YEAR (3)	PRICE PER SHARE	DATE	5%	-----
-----	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
T. Robert Burke.....	225,000	7.2%	\$21.00	11/25/07	\$2,972	\$	
7,531							
Hamid R. Moghadam...	500,000	16.0%	21.00	11/25/07	6,605		
16,735							
Douglas D. Abbey....	250,000	8.0%	21.00	11/25/07	3,303		
8,368							
S. Davis Carniglia...	130,000	4.2%	21.00	11/25/07	1,717		
4,351							
Craig A. Severance...	130,000	4.2%	21.00	11/25/07	1,717		
4,351							
John H. Diserens.....	130,000	4.2%	21.00	11/25/07	1,717		
4,351							

</TABLE>

- (1) All options granted in 1997 become exercisable in four equal installments (rounded to the nearest whole share of Common Stock) beginning on the first anniversary of the date of grant and have a term of not more than ten years. The option exercise price is equal to the fair market value of the Common Stock on the date of grant.
- (2) In accordance with the rules of the SEC, these amounts are the hypothetical gains or "option spreads" that would exist for the respective options based on assumed rates or annual compound share price appreciation of 5% and 10% from the date the options were granted over the full option term. No gain to the optionee is possible without an increase in the price of Common Stock, which would benefit all stockholders.
- (3) The total number of shares of Common Stock underlying such options used in such calculation are net of forfeitures.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The following table sets forth certain information concerning exercised and unexercised options held by the Named Executive Officers at December 31, 1997. No options were exercised by the Named Executive Officers in 1997.

<TABLE>  
<CAPTION>

NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1997	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1997
--	--

NAME	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE (1)
<S>	<C>	<C>	<C>	<C>
T. Robert Burke.....	--	225,000	--	\$ 928,125
Hamid R. Moghadam.....	--	500,000	--	2,062,500
Douglas D. Abbey.....	--	250,000	--	1,031,250
S. Davis Carniglia.....	--	130,000	--	536,250
Craig A. Severance.....	--	130,000	--	536,250
John H. Diserens.....	--	130,000	--	536,250

</TABLE>

(1) Based on a price per share of Common Stock of \$25.125, the last reported sales price per share on the New York Stock Exchange on December 31, 1997, less the exercise price of in-the-money options.

#### EMPLOYMENT AGREEMENTS

Each of the persons who served as an Executive Officer at the time of the IPO entered into an employment agreement with the Company. The employment agreements have an initial term of one year (three years in the case of Mr. Moghadam) and are subject to automatic one-year extensions following the expiration of the initial term. The employment agreements provide for annual base compensation with the amount of any bonus to be determined by the Compensation Committee, based on certain performance

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targets, up to 150% of the applicable annual base compensation in the case of Messrs. Burke, Abbey and Moghadam, and 100% of the applicable annual base compensation in the case of Messrs. Carniglia, Diserens and Severance. The performance targets to be used to determine executive bonuses for the calendar year ending December 31, 1998 have not been finalized by the Compensation Committee. However, such performance targets are expected to include operating results and acquisition activity. The employment agreements provide that the executive has the right to elect to receive restricted stock or stock options in lieu of such executive's bonus. The number of shares of restricted stock to be so issued will equal 125% of the amount of the bonus, divided by the then current market price of the stock. The number of options to purchase shares of Common Stock so granted will be determined based on 150% of the amount of the bonus and the current market price of the Common Stock, using the "Black-Scholes" option-pricing methodology. Such restricted stock and options to purchase Common Stock will vest ratably over a three-year period. The employment agreements also provide that the executive will receive certain insurance benefits and be able to participate in the Company's employee benefit plans, including the Stock Incentive Plan (as defined below), and that, in the event of the executive's death, the executive's estate will receive certain compensation payments. The executive also is entitled to receive severance during the term of the employment agreement and for one year thereafter in the event of a termination of the executive's employment resulting from a disability, by the Company without "cause" or by the executive for "good reason." "Cause" means (i) gross negligence or willful misconduct, (ii) an uncured breach of any of the employee's material duties under the employment agreement, (iii) fraud or other conduct against the material best interests of the Company or (iv) a conviction of a felony if such conviction has a material adverse effect on the Company. "Good reason" means (a) a substantial adverse change in the nature or scope of the employee's responsibilities and authority under the employment agreement or (b) an uncured breach by the Company of any of its material obligations under the employment agreement. Severance benefits include base compensation at the amounts provided in the employment agreement and bonus based on the most recent amount paid, as well as certain continuing insurance and other benefits.

Such employment agreements also contain a non-competition agreement pursuant to which each executive agrees that he or she will not engage in any activities, directly or indirectly, in respect of commercial real estate, and will not make any investment in respect of industrial or retail real estate, other than through ownership of not more than 5% of the outstanding shares of a public company engaged in such activities and through existing investments as described under the caption "Certain Relationships and Related Transactions." Such restrictions apply during the term of the employment agreements and for a one-year period thereafter.

#### STOCK INCENTIVE PLAN

The Company adopted the Stock Option and Incentive Plan (the "Stock Incentive Plan") to (i) enable executive officers, employees and directors of the Company, the Operating Partnership and AMB Investment Management to participate in the ownership of the Company, (ii) attract and retain executive officers, other key employees (those employees which from time-to-time are recognized for exceptional contributions to the Company and its subsidiaries, including the Operating Partnership) and directors of the Company, the Operating Partnership and AMB Investment Management and (iii) provide incentives to such persons to maximize the Company's performance and its cash flow available for distribution. The Stock Incentive Plan provides for the award to such officers

and key employees (subject to the Ownership Limit, or such other limit as provided in the Company's Articles of Incorporation or as otherwise permitted by the Board of Directors) of a broad variety of stock-based compensation alternatives such as non-qualified stock options, incentive stock options, restricted stock and stock appreciation rights, and provides for the grant to Independent Directors and directors of AMB Investment Management of non-qualified stock options.

The Compensation Committee, which is comprised solely of Independent Directors, has the authority to determine the terms of options and restricted shares of common stock granted under the Stock Incentive Plan, including, among other things, the individuals who shall receive such grants, the times when they shall receive them, whether an incentive stock option or non-qualified option shall be granted and the number of shares to be subject to each grant.

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The Company has reserved 5,750,000 shares of Common Stock for issuance under the Stock Incentive Plan and, as of April 30, 1998, had granted to certain directors, officers and employees options to purchase 3,071,250 shares of Common Stock (net of forfeitures). Such options have a ten-year term and vest pro rata in annual installments over a four-year period with respect to initial grants. There is no limit on the number of awards that may be granted to any one individual so long as the (i) aggregate fair market value (determined at the time of grant) of shares with respect to which an incentive stock option is first exercisable by an optionee during any calendar year cannot exceed \$100,000, (ii) grant does not violate the Ownership Limit or cause the Company to fail to qualify as a REIT for Federal income tax purposes and (iii) maximum number of shares of Common Stock for which stock options and stock appreciation rights may be issued during any fiscal year to any participant in the Stock Incentive Plan shall not exceed 1,000,000. See "Description of Capital Stock -- Restrictions on Ownership and Transfer." The Company plans to limit future grants under the Stock Incentive Plan to the Company's directors and officers and a limited number of other employees.

Restricted Stock. Restricted stock may be sold to participants at various prices (but not below par value) and is subject to such restrictions as may be determined by the Compensation Committee. Restricted stock typically may be repurchased by the Company at the original price if certain conditions or restrictions are removed or expire. Purchasers of restricted stock will have voting rights and receive distributions prior to the time when the restrictions lapse. To date the Company has granted 5,712 restricted shares of Common Stock. The Company has no present plans to grant restricted shares of Common Stock other than with respect to additional shares which may be issued to, and at the option of, certain employees in lieu of annual cash bonus compensation.

Administration of the Stock Incentive Plan. The Stock Incentive Plan is administered by the Board of Directors and/or the Compensation Committee. No person is eligible to serve on the Compensation Committee unless such person is an Independent Director. The Committee has complete discretion to determine (subject to (i) the Ownership Limit contained in the Articles of Incorporation of the Company and (ii) a limit against granting options or stock appreciation rights for more than 1,000,000 shares to any person in any year) which eligible individuals are to receive option or other stock grants, the number of shares subject to each such grant, the status of any granted option as either an incentive option or a non-qualified stock option under the Federal tax laws, the exercise schedule to be in effect for the grant, the maximum term for which any granted option is to remain outstanding and, subject to the specific terms of the Stock Incentive Plan, any other terms of the grant.

Eligibility. All employees of the Company may, at the discretion of the Compensation Committee, be granted incentive and non-qualified stock options to purchase shares of Common Stock at an exercise price not less than 100% of the fair market value of such shares on the grant date. Directors of the Company, employees of the Operating Partnership, employees and directors of AMB Investment Management, consultants and other persons who are not regular salaried employees of the Company are not eligible to receive incentive stock options, but are eligible to receive non-qualified stock options. In addition, all employees and consultants of the Company, the Operating Partnership and AMB Investment Management are eligible for awards of restricted stock and grants of stock appreciation rights.

Purchase Price of Shares Subject to Options. The exercise price of the shares of Common Stock subject to each option shall be set by the Compensation Committee; provided, however, that the exercise price per share of an option shall be not less than 100% of the fair market value of such shares on the date such option is granted; provided, further, that, in the case of an incentive stock option, the exercise price per share shall not be less than 110% of the fair market value of such shares on the date such option is granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company, any subsidiary or any parent corporation ("greater than 10% stockholders").

Non-Assignability. Options may be transferred only by will or by the laws

of descent and distribution. During a participant's lifetime, options are exercisable only by the participant.

Terms and Exercisability of Options. Unless otherwise determined by the Board of Directors or the Compensation Committee, all options granted under the Stock Incentive Plan are subject to the following

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conditions: (i) options will be exercisable in installments, on a cumulative basis, at the rate of thirty-three and one-third percent (33 1/3%) each year beginning on the first anniversary of the date of the grant of the option, until the options expire or are terminated (other than options granted at the time of the IPO, which vest ratably over four years) and (ii) following an optionee's termination of employment, the optionee shall have the right to exercise any outstanding vested options for a specified period.

To the extent the aggregate fair market value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by an optionee during any calendar year exceeds \$100,000, such options shall be taxed as non-qualified stock options. The rule set forth in the preceding sentence shall be applied by taking options into account in the order in which they were granted. For this purpose, the fair market value of stock shall be determined as of the time that the option with respect to such stock is granted.

Options are exercisable in whole or in part by written notice to the Company, specifying the number of shares being purchased and accompanied by payment of the purchase price for such shares. The option price may be paid: (i) in cash or by certified or cashier's check payable to the order of the Company, (ii) by delivery of shares of Common Stock already owned by, and in the possession of, the optionee or (iii) if authorized by the Board of Directors or the Compensation Committee or if specified in the option agreement for the option being exercised, by a recourse promissory note made by the optionee in favor of the Company or through installment payments to the Company.

On the date the option price is to be paid, the optionee must make full payment to the Company of all amounts that must be withheld by the Company for Federal, state or local tax purposes.

Termination of Employment; Death or Permanent Disability. If an option holder ceases to be employed by the Company for any reason other than the optionee's death or permanent disability, such optionee's stock option shall expire three months after the date of such cessation of employment unless by its terms it expires sooner; provided, however, that during such period after cessation of employment, such stock option may be exercised only to the extent it was exercisable according to such option's terms on the date of cessation of employment. If an optionee dies or becomes permanently disabled while the optionee is employed by the Company, such optionee's option shall expire twelve months after the date of such optionee's death or permanent disability unless by its terms it expires sooner. During such period after death, such stock option may, to the extent it remain unexercised upon the date of such death, be exercised by the person or persons to whom the optionee's rights under such stock option are transferred under the laws of descent and distribution.

Acceleration of Exercisability. In the event the Company is acquired by merger, consolidation or asset sale, each outstanding option which is not to be assumed by the successor corporation or replaced with a comparable option to purchase shares of the capital stock of the successor corporation will, at the election of the Board of Directors (or if so provided in an option or other agreement with an optionee), automatically accelerate in full.

Adjustments. In the event any change is made to the Common Stock issuable under the Stock Incentive Plan by reason of any recapitalization, stock dividend, stock split, combination of shares, exchange of shares or other change in corporate structure effected without the Company's receipt of consideration, appropriate adjustment will be made to (i) the maximum number and class of shares issuable under the Stock Incentive Plan and (ii) the number and/or class of shares and price per share in effect under each outstanding option.

Amendments to the Stock Incentive Plan. The Board of Directors may at any time suspend or terminate the Stock Incentive Plan. The Board of Directors or Compensation Committee may also at any time amend or revise the terms of the Stock Incentive Plan; provided that no such amendment or revision shall, unless appropriate stockholder approval of such amendment or revision is obtained, (i) increase the maximum number of shares which may be acquired pursuant to options granted under the Stock Incentive Plan (except for adjustments as described in the foregoing paragraph) or (ii) change the minimum purchase price required under the Stock Incentive Plan.

Termination. The Stock Incentive Plan will terminate on December 31, 2007, unless sooner terminated by the Board of Directors.

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Registration Statement on Form S-8. The shares of Common Stock underlying options granted under the Stock Incentive Plan and restricted shares of Common Stock are subject to an effective Registration Statement on Form S-8.

#### 401(k) PLAN

Effective November 26, 1997, the Company established its Section 401(k) Savings/Retirement Plan (the "401(k) Plan") to cover eligible employees of the Company, the Operating Partnership and any designated affiliate. The 401(k) Plan permits eligible employees of the Company to defer up to 10% of their annual compensation, subject to certain limitations imposed by the Code. The employees' elective deferrals are immediately vested and non-forfeitable upon contributions to the 401(k) Plan. The Company currently makes matching contributions to the 401(k) Plan in an amount equal to 50% of the first 3.5% of annual compensation deferred by each employee; however, it has reserved the right to make greater matching contributions or discretionary profit sharing contributions in the future. Participants vest immediately in the matching contributions by the Company. Discretionary contributions are subject to three-year vesting whereby 100% vests after the third year. Employees of the Company are eligible to participate in the 401(k) Plan if they meet certain requirements concerning minimum period of credited service. The Company's contribution to the 401(k) Plan for the period ended December 31, 1997 was \$144,971. The 401(k) Plan qualifies under Section 401 of the Code so that contributions by employees to the 401(k) Plan, and income earned on plan contributions, are not taxable to employees until withdrawn from the 401(k) Plan.

#### LIMITATION OF DIRECTORS' AND OFFICERS' LIABILITY

The Operating Partnership's officers and the Company's directors are indemnified under Maryland law, the Company's Articles of Incorporation and the Partnership Agreement against certain liabilities. The Articles of Incorporation and Bylaws require the Company to indemnify its directors and officers to the fullest extent permitted from time to time by the MGCL.

#### INDEMNIFICATION AGREEMENTS

The Company enters into indemnification agreements with each of its Executive Officers and directors. The indemnification agreements require, among other matters, that the Company indemnify its Executive Officers and directors to the fullest extent permitted by law and reimburse the Executive Officers and directors for all related expenses as incurred, subject to return if it is subsequently determined that indemnification is not permitted. Under the agreements, the Company must also indemnify and reimburse all expenses as incurred by Executive Officers and directors seeking to enforce their rights under the indemnification agreements and may cover executive officers and directors under the Company's directors' and officers' liability insurance. Although the form of indemnification agreement offers substantially the same scope of coverage afforded by law, it provides greater assurance to directors and Executive Officers that indemnification will be available, because, as a contract, it cannot be modified unilaterally in the future by the Board of Directors or the stockholders to eliminate the rights it provides.

The Company's officers and directors are also indemnified under the MGCL, the Articles of Incorporation and the Partnership Agreement against certain liabilities. See "Certain Provisions of Maryland Law and of the Company's Articles of Incorporation and Bylaws -- Limitation of Directors' and Officers' Liability".

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has engaged in the following transactions and relationships with certain of the Executive Officers, directors and persons who hold more than 5% of the outstanding shares of Common Stock.

#### FORMATION TRANSACTIONS

In connection with the Formation Transactions, CIF, VAF and the Company's predecessor, AMB, effected a series of mergers pursuant to which such entities merged into the Company with the institutional stockholders of CIF and VAF and the Company's executive officers (the former stockholders of AMB), receiving an aggregate of 4,746,624 shares of Common Stock, with a total value at the time of the IPO of \$99.7 million, and the right to receive in the Company's second year of operation up to 4,241,803 limited partnership Units (the "Performance Units"). The issuance of such Units is dependent upon the future trading price of and dividends on the shares of Common Stock. See "Description of Certain Provisions of the Partnership Agreement of the Operating Partnership -- Performance Units." In addition, such executive officers received the right to receive certain investment management fees earned by AMB Investment Management, subject to certain limitations. Through May 31, 1998, no payments have been made to the Company's executive officers in respect of the right to receive such investment management fees.

In addition, certain Individual Account Investors, former investment management clients of AMB including Ameritech Pension Trust ("Ameritech"), City and County of San Francisco Employees' Retirement System ("CCSFERS") and Southern Company System Master Retirement Trust ("Southern Company"), contributed certain real property interests to the Company. In exchange for such contribution of properties, Ameritech, CCSFERS and Southern Company received 12,441,580, 6,772,640 and 8,032,415 shares of Common Stock, respectively, with a total value at the time of the IPO of \$626.7 million. See "Principal Stockholders."

In connection with consummation of the Formation Transactions, the Company assumed the \$4.0 million revolving credit facility of AMB, of which approximately \$1.1 million was outstanding upon completion of the Formation Transactions, relieving three of the Company's Executive Officers, Messrs. Abbey, Moghadam and Burke, of their respective obligations with respect to the partial guaranty of such indebtedness. The proceeds of such indebtedness were used by AMB to acquire certain assets historically used in AMB's operations from AMB Investments, Inc. ("AMBI"), an entity owned equally by Messrs. Abbey, Moghadam and Burke. The Company also assumed a \$791,925 note payable of AMBI to WPF as consideration for the transfer to the Company of AMBI's general partner interest in WPF (which the Company believed had a value equal to or greater than the face amount of such note at the time such note payable was assumed).

#### OTHER RELATED TRANSACTIONS

During 1990, 1991, 1994, 1995 and 1996, Craig A. Severance, John H. Diserens, S. Davis Carniglia, Jean C. Hurley and Bruce H. Freedman issued notes to AMB in consideration of the acquisition of shares of AMB common stock in the principal amounts of \$189,472, \$243,866, \$132,237, \$342,806 and \$307,071, respectively. The notes bore interest at an annual rate of prime plus 1.0%. The principal amount of the notes and accrued interest thereon were repaid in full by all stockholders prior to the IPO.

In January 1993, AMBI, AMB, AMB Corporate Real Estate Advisors, Inc. ("AMBCREA"), AMB Development L.P., AMB Development, Inc. and AMB Institutional Housing Partners entered into an agreement for the purpose of the parties thereto to work together to accomplish separate business purposes while sharing certain support and other resources. Under the Intercompany Agreement, each party to the agreement (each, an "AMB Intercompany Party") is permitted to use the term "AMB" as a part of its name. Each AMB Intercompany Party also agreed, among other things, to do business in a specified aspect of real estate and finance; to use its best efforts to refer business opportunities outside of its own line of business to other AMB Intercompany Parties; to provide intercompany loans; and to utilize personnel of another AMB Intercompany Party for a fee. In addition, under the Intercompany Agreement, AMBI agreed to: (i) provide common business services, resources and support, including employees, benefits, services contracts and financial management and reporting to each AMB Intercompany Party; (ii) purchase all fixed assets and rent

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them to the AMB Intercompany Parties for a fee; (iii) act as lessee for office space for each AMB Intercompany Party; (iv) employ all employees of each AMB Intercompany Party, fix such employees' salaries, bonuses and benefits, and charge such costs to the appropriate AMB Intercompany Party; and (v) pay for the direct and indirect costs of operation of each AMB Intercompany Party and charge each AMB Intercompany Party its allocated share. The total amount paid to AMBI by AMB during the years ended December 31, 1994, 1995, 1996 and 1997 was \$9,940,762, \$13,564,178, \$16,842,615 and \$19,358,000, respectively, which equaled the expenses incurred by AMBI allocable to AMB for each such year.

As part of the Formation Transactions, the Company acquired AMBI's assets (other than its leasehold interest for office space and certain office equipment) and employed the employees utilized in its business, and all other AMBI employees were transferred to AMBCREA. Accordingly, upon consummation of the IPO, the Intercompany Agreement was modified so that it applies only to the office space and certain office equipment leased by AMBI, which is used by the Company, the Operating Partnership and AMB Investment Management, respectively, for fees equal to an allocation of AMBI's cost thereof. AMB Institutional Housing Partners, AMB Development, Inc. and AMB Development L.P. are continuing to use the name "AMB" pursuant to royalty-free license arrangements with the Company. See "-- Conflicts of Interest."

#### CONFLICTS OF INTEREST

The Executive Officers and directors of the Company may be subject to a number of conflicts of interest. See "Risk Factors -- Conflicts of Interest" and "Policies with Respect to Certain Activities -- Conflict of Interest Policies."

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#### PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of shares of Common Stock as of May 31, 1998 by (i) each director,

(ii) each Executive Officer, (iii) all directors and Executive Officers of the Company as a group and (iv) each person or entity which is the beneficial owner of 5% or more of the outstanding shares of Common Stock. Except as indicated below, all of such shares of Common Stock are owned directly, and the indicated person or entity has sole voting and investment power. As of May 31, 1998, none of the Company's executive officers and directors or its 5% stockholders owned any Units of the Operating Partnership.

<TABLE>  
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER(1) -----	NUMBER OF SHARES OF BENEFICIALLY OWNED(2) -----	PERCENTAGE OF OUTSTANDING SHARES OF COMMON STOCK(2) -----
<S>	<C>	<C>
T. Robert Burke.....	877,289	1.0%
Hamid R. Moghadam.....	1,397,477	1.6%
Douglas D. Abbey.....	1,125,245	1.3%
S. Davis Carniglia.....	224,377	*
Craig A. Severance.....	331,364	*
John H. Diserens.....	284,182	*
Daniel H. Case, III.....	10,000	*
Robert H. Edelstein, Ph.D.....	952	*
Lynn M. Sedway.....	3,152	*
Jeffrey L. Skelton, Ph.D.....	952	*
Thomas W. Tusher.....	25,952	*
Caryl B. Welborn.....	7,952	*
Ameritech Pension Trust(3).....	12,441,580	14.5%
City and County of San Francisco Employees' Retirement System(4).....	6,722,640	7.8%
Southern Company System Master Retirement Trust(5).....	6,032,415	7.0%
All directors and Executive Officers as a group (16 persons).....	4,619,601	5.4%

</TABLE>

\* Represents less than 1.0% of outstanding shares of Common Stock.

- (1) Unless otherwise indicated, the address for each of the persons listed is c/o AMB Property Corporation, 505 Montgomery Street, San Francisco, California 94111.
- (2) Excludes (i) options to purchase 1,522,500 shares of Common Stock granted to Named Executive Officers and directors on November 26, 1997 and (ii) 3,781,459 Performance Units which are not exercisable or were not earned within 60 days of the date of this filing. See "Description of Certain Provisions of the Partnership Agreement of the Operating Partnership -- Performance Units."
- (3) Reflects shares held by State Street Bank and Trust Company, as trustee, the voting and investment power with respect to which are held by Ameritech Pension Trust. The address of Ameritech Pension Trust for this purpose is 225 W. Randolph, HQ13A, Chicago, Illinois 60606, Attn.: Director-Real Estate.
- (4) The address of the City and County of San Francisco Employees' Retirement System is 1155 Market Street, San Francisco, California 94103.
- (5) The address of Southern Company System Master Retirement Trust is 270 Peachtree Street N.W., Suite 1900 BIN 924, Atlanta, Georgia 30303.

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#### SERIES A PREFERRED STOCK

The summary of the terms of the Company's Preferred Stock and Series A Preferred Stock set forth below does not purport to be complete and is subject to and qualified in its entirety by reference to the Charter of the Company (the "Charter"), including the Articles Supplementary establishing the terms of the Series A Preferred Stock (the "Articles Supplementary"), the Bylaws of the Company and the MGCL. Copies of the Charter, inclusive of the Articles Supplementary, and the Bylaws have been included or incorporated by reference as exhibits to the Registration Statement of which this Prospectus is a part and may be obtained as described under "Available Information."

#### PREFERRED STOCK GENERALLY

The Charter provides that the Company is authorized to issue 500,000,000 shares of Common Stock and 100,000,000 shares of Preferred Stock of which 4,600,000 shares are designated as Series A Preferred Stock. As of June 30,



1998, 85,874,513 shares of Common Stock and no shares of Preferred Stock were issued and outstanding.

The Charter authorizes the Board of Directors to issue 100 million shares of Preferred Stock, to classify any unissued shares of Preferred Stock and to reclassify any previously classified but unissued shares of Preferred Stock of any class from time to time, in one or more classes, as authorized by the Board of Directors. Prior to issuance of shares of Preferred Stock of each class the Board of Directors is required by Maryland law and the Charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class. Thus, the Board, without stockholder approval, could authorize the issuance of shares of Preferred Stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control of the Company that might involve a premium price for holders of shares of Preferred Stock or shares of Common Stock or otherwise be in the stockholders' best interest, or that could adversely affect the rights and powers of the Series A Preferred Stock. See "-- Power to Issue Additional Common Stock and Preferred Stock" below.

#### SERIES A PREFERRED STOCK GENERALLY

The Board of Directors of the Company has adopted Articles Supplementary establishing the terms of the Series A Preferred Stock as a class of Preferred Stock, designated as the % Series A Cumulative Redeemable Preferred Stock. When issued, the Series A Preferred Stock will be validly issued, fully paid and nonassessable.

In connection with the Offering, the Company, in accordance with the terms of the Partnership Agreement, will contribute or otherwise transfer the net proceeds of the sale of the Series A Preferred Stock to the Operating Partnership and the Operating Partnership will issue to the Company % Series A Cumulative Redeemable Preferred Units (the "Series A Preferred Units") that mirror the rights, preferences and other terms of the Series A Preferred Stock. The Operating Partnership will be required to make all required distributions on such Series A Preferred Units prior to any distribution of cash or assets to the holders of any other Units or any other equity interests in the Operating Partnership, except for any other series of Preference Units ranking on a parity with such Series A Preferred Units as to dividends or voluntary or involuntary liquidation, dissolution or winding up of the Operating Partnership and except for distributions required to enable the Company to maintain its qualification as a REIT. Upon consummation of the Offering, the Operating Partnership will have no Preference Units, other than the Series A Preferred Units, outstanding or any other equity interests ranking prior to any other Units or any other equity interests in the Operating Partnership.

Application has been made to list the Series A Preferred Stock on the NYSE, subject to official notice of issuance. If so approved, trading of the Series A Preferred Stock on the NYSE is expected to commence within a 30-day period after the date of initial delivery of the Series A Preferred Stock. See "Underwriters."

#### RANKING

The Series A Preferred Stock will rank, with respect to dividends and upon voluntary or involuntary liquidation, dissolution or winding up of the Company, (a) senior to all classes or series of Common Stock and to

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all equity securities of the Company the terms of which provide that such equity securities shall rank junior to such Series A Preferred Stock; (b) on a parity with all equity securities issued by the Company other than those referred to in clauses (a) and (c); and (c) junior to all equity securities issued by the Company which rank senior to the Series A Preferred Stock. The term "equity securities" does not include convertible debt securities.

#### DIVIDENDS

Holders of the Series A Preferred Stock shall be entitled to receive, when and as authorized by the Board of Directors out of funds legally available therefor, cumulative preferential cash dividends at the rate of % of the liquidation preference per annum (equivalent to \$ per annum per share). Dividends on the Series A Preferred Stock offered hereby 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 the date of original issuance 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 (each, a "Dividend Payment Date"), commencing on October 15, 1998. Dividends will be payable to holders of record as they appear in the share records of the Company at the close of business on the applicable record date, which shall be the 15th day of the preceding calendar month or such other date designated by the Board of Directors of the Company for the payment of dividends that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Any dividend payable on the Series A Preferred Stock for any portion of a dividend period shall be prorated and computed on the basis of a 360-day year of twelve 30-day months.

No dividends on the Series A Preferred Stock shall be authorized by the Board of Directors of the Company or be paid or set apart for payment by the Company at such time as the terms and provisions of any agreement of the Company, 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. Covenants in the Company's Credit Facility provide generally that it may not pay distributions in excess of 95% of FFO in any year, but such covenants permit the Company, upon certain circumstances, to pay distributions in an amount necessary to maintain its qualification as a REIT. The Company does not believe that these covenants will have any adverse impact on the Company's ability to pay dividends in respect of the Series A Preferred Stock or in the normal course of business to its stockholders in amounts necessary to maintain its qualification as a REIT. In addition, the Charter contains provisions which would prohibit or limit dividends on the Common Stock in the event that full cumulative dividends are not paid on the Series A Preferred Stock.

Except as provided below, unless full cumulative dividends on the Series A Preferred Stock 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 dividends (other than in Common Stock or other equity securities of the Company ranking junior to the Series A Preferred Stock as to dividends and upon voluntary or involuntary liquidation, dissolution and winding up of the Company) shall be declared or paid or set aside for payment or other dividend be declared or made upon the Common Stock or any other equity securities of the Company ranking as to distributions or upon voluntary or involuntary liquidation, dissolution or winding up of the Company junior to or on a parity with the Series A Preferred Stock, nor shall any Common Stock or any other equity securities of the Company ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon voluntary or involuntary liquidation, dissolution or winding up of the Company 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 Company (except by conversion into or exchange for other equity securities of the Company ranking junior to the Series A Preferred Stock as to dividends and upon voluntary or involuntary liquidation, dissolution and winding up of the Company and pursuant to the provisions of the Articles Supplementary providing for limitations on ownership and transfer in order to ensure that the Company remains qualified as a REIT). When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon Series A Preferred Stock and any other equity securities ranking as to dividends on a parity with the Series A Preferred Stock, all dividends declared upon Series A Preferred Stock and any other equity securities of the Company ranking on a parity with the Series A Preferred Stock as to dividends and upon voluntary or involuntary liquidation, dissolution or winding up of the Company will be declared pro rata so that the amount of dividends declared per share of Series A Preferred Stock and each such other equity securities shall in all

cases bear to each other the same ratio that accumulated dividends per share of Series A Preferred Stock 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 Stock which may be in arrears.

Notwithstanding the foregoing, dividends on the Series A Preferred Stock will 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 Stock will not bear interest and holders of the Series A Preferred

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

If the Company properly designates any portion of a dividend as a "capital gain dividend," a holder's share of such capital gain dividend would be an amount which bears the same ratio to the total amount of dividends (as determined for Federal income tax purposes) paid to such holder for the year as the aggregate amount designated as a capital gain dividend bears to the aggregate amount of all dividends (as determined for Federal income tax purposes) paid on all classes of shares of the Company's capital stock for the year.

#### LIQUIDATION PREFERENCE

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the Series A Preferred Stock will be entitled to receive out of the assets of the Company legally available for distribution to its stockholders remaining after payment or provision for payment of all debts and liabilities of the Company, 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 that rank junior to the Series A Preferred Stock as to voluntary or involuntary liquidation. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of the Series A Preferred Stock will have no right or claim to any of the remaining assets of the Company. The consolidation or merger of the Company with or into any other entity, a merger of another entity with or into the Company, a statutory share exchange by the Company or the sale, lease, transfer or conveyance of all or substantially all of the property or business of the Company shall not be deemed to constitute a liquidation, dissolution or winding up of the Company.

If, upon any such voluntary or involuntary liquidation, dissolution or winding up, the assets of the Company are insufficient to make full payment to holders of the Series A Preferred Stock and the corresponding amounts payable on all shares of other classes or series of equity securities of the Company ranking on a parity with the Series A Preferred Stock as to liquidation rights, then the holders of the Series A Preferred Stock and all other such classes or series of equity securities will share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled. In determining whether a distribution (other than upon voluntary or involuntary liquidation, dissolution or winding up of the Company) by dividend, redemption or other acquisition of shares of stock of the Company or otherwise is permitted under the MGCL, no effect shall be given to amounts that would be needed, if the Company were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of the Series A Preferred Stock, whose preferential rights upon dissolution are superior to those receiving the distribution.

#### OPTIONAL REDEMPTION

The Series A Preferred Stock will not be redeemable prior to \_\_\_\_\_, 2003. On and after \_\_\_\_\_, 2003, the Company, at its option upon not less than 30 or more than 60 days' written notice, may redeem the Series A Preferred Stock, 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 thereon to the date fixed for redemption. The redemption price of the Series A Preferred Stock (other than any portion thereof consisting of accumulated and unpaid dividends) will be payable solely from the sale proceeds of other equity securities of the Company and not from any other source. For purposes of the preceding sentence, "equity securities" means any equity securities (including

Common Stock and Preferred Stock), depositary shares in respect of any of the foregoing, 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. Holders of shares of Series A Preferred Stock to be redeemed shall surrender such shares of Series A Preferred Stock 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. If notice of redemption of any shares of Series A Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Company in trust for the benefit of the holders thereof, then from and after the redemption date

dividends on such shares of Series A Preferred Stock will cease to accumulate and any such shares of Series A Preferred Stock will no longer be deemed outstanding and all rights of the holders thereof will terminate, except the right to receive the redemption price (including accumulated and unpaid dividends up to the redemption date). If fewer than all of the outstanding shares of Series A Preferred Stock are to be redeemed, the shares of Series A Preferred Stock to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares), by lot or by any other equitable method determined by the Company. If such redemption is to be by lot and, as a result of such redemption, any holder of shares of Series A Preferred Stock would become a holder of a number of shares of Series A Preferred Stock in excess of the Ownership Limit because such holder's shares of Series A Preferred Stock were not redeemed, or were only redeemed in part, then, except as otherwise provided in the Charter, the Company will redeem the requisite number of shares of Series A Preferred Stock of such holder such that no holder will hold in excess of the Ownership Limit subsequent to such redemption. See "-- Restrictions on Ownership and Transfer."

Notwithstanding the foregoing, unless full cumulative dividends on all outstanding shares of Series A Preferred Stock 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 shares of Series A Preferred Stock shall be redeemed unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of Series A Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series A Preferred Stock. In addition, unless full cumulative dividends on all outstanding shares of Series A Preferred Stock 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 Company shall not purchase or otherwise acquire directly or indirectly any shares of Series A Preferred Stock or any equity securities of the Company ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon voluntary or involuntary liquidation, dissolution or winding up of the Company (except by conversion into or exchange for equity securities of the Company ranking junior to the Series A Preferred Stock as to dividends and upon voluntary or involuntary liquidation, dissolution or winding up of the Company).

The foregoing provisions shall not prevent the acquisition by the Company of shares of Series A Preferred Stock pursuant to the provisions of the Articles Supplementary providing for limitations on ownership and transfer in order to ensure that the Company remains qualified as a REIT for federal income tax purposes. See "-- Restrictions on Ownership and Transfer."

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 Company, 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 Stock to be redeemed at their respective addresses as they appear on the share transfer records of the Company. 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 shares of Series A Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the redemption date; (ii) the redemption price; (iii) the number of shares of Series A Preferred Stock to be redeemed; (iv) the place or places where the certificates evidencing shares of Series A Preferred Stock are to be surrendered for payment of the redemption price; and (v) that dividends on the Series A Preferred Stock to be redeemed will cease to accumulate on such redemption date. If fewer than all the shares of Series A

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Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series A Preferred Stock to be redeemed from such holder.

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 Company's default in the payment of the dividend due. Except as provided above, the Company will make no payment or allowance for unpaid dividends, whether or not in arrears, on the shares of Series A Preferred Stock to be redeemed.

The Series A Preferred Stock will not have a stated maturity and will not

be subject to any sinking fund or mandatory redemption provisions.

#### VOTING RIGHTS

Holders of the Series A Preferred Stock will not have any voting rights, except as described below.

In any matter in which the holders of Series A Preferred Stock are entitled to vote (as expressly provided herein), including any action by written consent, each share of Series A Preferred Stock shall be entitled to one vote, which may be directed by the holder thereof (or by any proxy or proxies of such holder).

Whenever dividends on any shares of the Series A Preferred Stock remain unpaid for six or more quarterly periods (whether or not consecutive) (a "Preferred Dividend Default"), the holders of the Series A Preferred Stock (voting as a single class with all other equity securities of the Company ranking on a parity with the Series A Preferred Stock as to dividends and upon voluntary or involuntary liquidation, dissolution or winding up of the Company upon which like voting rights have been conferred and are exercisable ("Parity Preferred Shares")) will be entitled to vote for the election of two additional directors of the Company who will be elected for a one-year term. Such elections shall be held at a special meeting called by the holders of record of at least 20% of the outstanding Series A Preferred Stock or the holders of shares of any other series or class of Parity Preferred Shares 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 Company 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 of stockholders until all dividends accumulated on the Series A Preferred Stock 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.

If and when all accumulated dividends and the dividend for the then current dividend period on the Series A Preferred Stock shall have been paid in full or declared by the Company and set aside for payment in full, the holders of Series A Preferred Stock shall be divested of the voting rights set forth in the immediately preceding paragraph (subject to revesting in the event of 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 Company and set aside for payment in full on all other series or classes of Parity Preferred Shares upon which like voting rights have been conferred and are exercisable, the term of office of each director so elected shall terminate. So long as a Preferred Dividend Default shall continue, any vacancy in the office of a director so elected may be filled by written consent of the director so elected remaining in office or, if there is no such remaining director, by vote of holders of a majority of the outstanding Series A Preferred Stock and any series of Parity Preferred Shares upon which like voting rights have been conferred and are exercisable (voting as a single class). Any director elected by the holders of Series A Preferred Stock 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 Stock when they only have the voting rights set forth in the immediately preceding paragraph and, when Parity Preferred Shares are issued and outstanding, by a majority vote of the Series A Preferred Stock and all series and classes of Parity Preferred Shares upon which like voting rights have been conferred and are exercisable (voting as a single class).

So long as any Series A Preferred Stock remain outstanding, the Company will not, without the affirmative vote or consent of the holders of at least two-thirds of the Series A Preferred Stock outstanding at

the time, given in person or by proxy, either in writing or at a meeting (the Series A Preferred Stock 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 Stock with respect to payment of dividends or the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up or reclassify any authorized stock of the Company into such shares, 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, whether by merger or consolidation (each, an "Event") or

otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series A Preferred Stock or the holders thereof; provided, however, with respect to the occurrence of any of the Events set forth in (ii) above, so long as shares of Series A Preferred Stock remain outstanding with the terms thereof materially unchanged, taking into account that upon the occurrence of such an Event, the Company 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 holders of Series A Preferred Stock; 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 Stock or any other class or series of Preferred Stock, in each case ranking on a parity with or junior to the Series A Preferred Stock with respect to payment of dividends and the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

The foregoing voting provisions will 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 shares of Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

#### CONVERSION RIGHTS

The Series A Preferred Stock will not be convertible into or exchangeable for any other property or securities of the Company.

#### POWER TO ISSUE ADDITIONAL COMMON SHARES AND PREFERRED SHARES

The Company believes that the power of the Board of Directors to issue additional authorized but unissued Common Stock or Preferred Stock and to classify or reclassify unissued Common Stock or Preferred Stock and thereafter to cause the Company to issue such classified or reclassified Common Stock or Preferred Stock provides the Company with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series of Preferred Stock, as well as the Common Stock, are available for issuance without further action by the Company's stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which the Company's securities may be listed or traded. Although the Board of Directors has no intention at the present time of doing so, it could authorize the Company to issue a class or series that could, depending upon the terms of such class or series, delay, defer or prevent a transaction or a change in control of the Company that might involve a premium price for holders of Common Stock or otherwise be in their best interest, or that could adversely affect the rights and voting power of the Series A Preferred Stock.

#### RESTRICTIONS ON OWNERSHIP AND TRANSFER

In order for the Company to qualify as a REIT under the Code, the Company's capital stock is subject to certain restrictions on ownership and transfer. See "Description of Capital Stock -- Restrictions on Ownership and Transfer."

#### TRANSFER AGENT, REGISTRAR, CONVERSION AGENT AND DIVIDEND DISBURSING AGENT

The transfer agent, registrar and dividend disbursing agent for the Series A Preferred Stock is Boston EquiServe LLP, an affiliate of First National Bank of Boston.

#### DESCRIPTION OF CAPITAL STOCK

The following summary of the terms of the Company's capital stock does not purport to be complete and is subject to and qualified in its entirety by reference to the MGCL, and the Charter and Bylaws, copies of which are filed as exhibits to the Registration Statement of which this Prospectus is a part. See "Additional Information."

#### COMMON STOCK

Each outstanding share of Common Stock entitles the holder to one vote on all matters presented to stockholders for a vote, including the election of directors, and, except as otherwise required by law and except as provided in any resolution adopted by the Board of Directors with respect to any other class

or series of stock establishing the designation, powers, preferences and relative, participating, optional or other special rights and powers of such series, the holders of such shares possess the exclusive voting power, subject to the provisions of the Charter regarding the ownership of shares of Common Stock in excess of the Ownership Limit or such other limit as provided therein or as otherwise permitted by the Board of Directors. Holders of shares of Common Stock do not have any conversion, exchange, sinking fund, redemption or appraisal rights or any preemptive rights to subscribe for any securities of the Company or cumulative voting rights in the election of directors. All shares of Common Stock that are issued and outstanding are duly authorized, fully paid and nonassessable. Subject to the preferential rights of any other shares or series or classes of stock and to the provisions of the Charter regarding ownership of shares of Common Stock in excess of the Ownership Limit, or such other limit as provided therein or as otherwise permitted by the Board of Directors, distributions may be paid to the holders of shares of Common Stock if and when authorized and declared by the Board of Directors of the Company out of funds legally available therefor. The Company intends to continue to make quarterly distributions on outstanding shares of Common Stock.

Under the MGCL, stockholders are generally not liable for the Company's debts or obligations. If the Company is liquidated, subject to the right of any holders of Preferred Stock to receive preferential distributions, each outstanding share of Common Stock will be entitled to participate pro rata in the assets remaining after payment of, or adequate provision for, all known debts and liabilities of the Company, including debts and liabilities arising out of its status as general partner of the Operating Partnership.

Subject to the provisions of the Charter regarding the ownership of shares of Common Stock in excess of the Ownership Limit, or such other limit as provided therein or as otherwise permitted by the Board of Directors described below, all shares of Common Stock have equal distribution, liquidation and voting rights, and have no preference or exchange rights.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. Under the MGCL, the term "substantially all of the Company's assets" is not defined and is, therefore, subject to Maryland common law and to judicial interpretation and review in the context of the unique facts and circumstances of any particular transaction. The Articles of Incorporation do not provide for a lesser percentage in any such situation.

The Charter authorizes the Board of Directors to reclassify any unissued shares of Common Stock into other classes or series of classes of stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations and restrictions on ownership, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class or series.

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#### PREFERRED STOCK

Preferred Stock may be issued from time to time, in one or more classes or series, as authorized by the Board of Directors. Upon consummation of the Offering, no Preferred Stock other than the Series A Preferred Stock will be issued or outstanding. Prior to the issuance of shares of each class or series of Preferred Stock, the Board of Directors is required by the MGCL and the Charter to fix for each class or series the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption, as permitted by Maryland law. Because the Board of Directors has the power to establish the preferences, powers and rights of each class or series of Preferred Stock, it may afford the holders of any class or series of Preferred Stock preferences, powers and rights, voting or otherwise, senior to the rights of holders of shares of Common Stock. The issuance of Preferred Stock, including the Series A Preferred Stock offered hereby, could have the effect of delaying or preventing a change of control of the Company that might involve a premium price for holders of shares of Common Stock or otherwise be in their best interest. See "Series A Preferred Stock."

#### RESTRICTIONS ON OWNERSHIP AND TRANSFER

For the Company to qualify as a REIT under the Code, no more than 50% in value of all classes of its outstanding shares of capital stock, including shares of Series A Preferred Stock, may be owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be treated as a REIT has been made) or during a proportionate part of a shorter taxable year. In addition, if the Company, or an owner of 10% or more of the Company, actually or constructively owns 10% or more of a tenant of the Company (or a tenant of any partnership or limited liability company in which the Company is a partner or member, respectively), the rent received by the Company (either directly or through any such partnership or limited liability company) from such tenant will not be qualifying income for purposes of the gross income tests for REITs contained in the Code. A REIT's stock also must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (other than the first year for which an election to be treated as a REIT has been made).

Because the Board of Directors believes it is desirable for the Company to qualify as a REIT, the Charter, subject to certain exceptions as discussed below, provides that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% (by value or number of shares, whichever is more restrictive) of each of the Common Stock and the Series A Preferred Stock. The constructive ownership rules under the Code are complex and may cause Common Stock or Series A Preferred Stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of the Common Stock or Series A Preferred Stock (or the acquisition of an interest in an entity that owns, actually or constructively, Common Stock or Series A Preferred Stock) by an individual or entity, could, nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of the outstanding Common Stock or the Series A Preferred Stock, as the case may be, and thus subject such Common Stock or the Series A Preferred Stock to the applicable Ownership Limit. The Board of Directors may, but in no event will be required to, waive the applicable Ownership Limit with respect to a particular stockholder if it determines that such ownership will not jeopardize the Company's status as a REIT and the Board of Directors otherwise decides such action would be in the best interest of the Company. As a condition of such waiver, the Board of Directors may require an opinion of counsel satisfactory to it and/or undertakings or representations from the applicant with respect to preserving the REIT status of the Company. The Board of Directors has waived the Ownership Limit applicable to the Common Stock with respect to Ameritech Pension Trust, allowing it to own up to 14.9% of the Common Stock. However, such waiver was conditioned upon the receipt of undertakings and representations from Ameritech Pension Trust requested by the Board of Directors which are reasonably necessary to conclude that such ownership would not cause the Company to fail to qualify as a REIT.

The Charter further prohibits (a) any person from actually or constructively owning Common Stock or Series A Preferred Stock that would result in the Company being "closely held" under Section 856(h) of the Code or otherwise cause the Company to fail to qualify as a REIT and (b) any person from transferring

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Common Stock or Series A Preferred Stock if such transfer would result in shares of Common Stock or Series A Preferred Stock being owned by fewer than 100 persons. The Charter also provides that any person who acquires or attempts or intends to acquire actual or constructive ownership of Common Stock or Series A Preferred Stock that will or may violate any of the foregoing restrictions on transferability and ownership is required to give notice immediately to the Company and provide the Company with such other information as it may request in order to determine the effect of such transfer on the Company's status as a REIT. The foregoing restrictions on transferability and ownership will not apply if the Board of Directors determines that it is no longer in the best interest of the Company to attempt to qualify, or to continue to qualify, as a REIT. Except as otherwise described above, any change in the applicable Ownership Limit would require an amendment to the Charter, which requires the affirmative vote of holders owning at least two-thirds of the shares of the Company's capital stock outstanding and entitled to vote thereon.

Pursuant to the Charter, if any purported transfer of shares of stock of the Company or any other event would otherwise result in any person violating an Ownership Limit, such other limit as permitted by the Board of Directors or the other restrictions in the Charter, then any such purported transfer will be void and of no force or effect with respect to the purported transferee (the



"Prohibited Transferee") as to that number of shares that exceeds the applicable Ownership Limit or such other limit (referred to as "excess shares") and the Prohibited Transferee will acquire no right or interest (or, in the case of any event other than a purported transfer, the person or entity holding record title to any such shares in excess of the applicable Ownership Limit (the "Prohibited Owner") will cease to own any right or interest) in such excess shares. Any such excess shares described above will be transferred automatically, by operation of law, to a trust, the beneficiary of which will be a qualified charitable organization selected by the Company (the "Beneficiary"). Such automatic transfer will be deemed to be effective as of the close of business on the Business Day (as defined in the Articles of Incorporation) prior to the date of such violating transfer or event. Within 20 days of receiving notice from the Company of the transfer of shares to the trust, the trustee of the trust (who will be designated by the Company and be unaffiliated with the Company and any Prohibited Transferee or Prohibited Owner) will be required to sell such excess shares to a person or entity who could own such shares without violating the applicable Ownership Limit, or such other limit as permitted by the Board of Directors, and distribute to the Prohibited Transferee an amount equal to the lesser of the price paid by the Prohibited Transferee for such excess shares or the sales proceeds received by the trust for such excess shares. In the case of any excess shares resulting from any event other than a transfer, or from a transfer for no consideration (such as a gift), the trustee will be required to sell such excess shares to a qualified person or entity and distribute to the Prohibited Owner an amount equal to the lesser of the applicable Market Price (as defined in the Charter) of such excess shares as of the date of such event or the sales proceeds received by the trust for such excess shares. In either case, any proceeds in excess of the amount distributable to the Prohibited Transferee or Prohibited Owner, as applicable, will be distributed to the Beneficiary. Prior to a sale of any such excess shares by the trust, the trustee will be entitled to receive, in trust for the Beneficiary, all dividends and other distributions paid by the Company with respect to such excess shares, and also will be entitled to exercise all voting rights with respect to such excess shares. Subject to Maryland law, effective as of the date that such shares have been transferred to the trust, the trustee will have the authority (at the trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Transferee or Prohibited Owner, as applicable, prior to the discovery by the Company that such shares have been automatically transferred to the trust and (ii) to recast such vote in accordance with the desires of the trustee acting for the benefit of the Beneficiary. However, if the Company has already taken irreversible corporate action, then the trustee shall not have the authority to rescind and recast such vote. Any dividend or other distribution paid to the Prohibited Transferee or Prohibited Owner (prior to the discovery by the Company that such shares had been automatically transferred to a trust as described above) will be required to be repaid to the trustee upon demand for distribution to the Beneficiary. If the transfer to the trust as described above is not automatically effective (for any reason) to prevent violation of the applicable Ownership Limit or such other limit as provided in the Charter or as otherwise permitted by the Board of Directors, then the Charter provides that the transfer of the excess shares will be void ab initio.

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In addition, shares of stock held in the trust shall be deemed to have been offered for sale to the Company, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the trust (or, in the case of a devise or gift, the applicable Market Price at the time of such devise or gift) and (ii) the applicable Market Price on the date the Company, or its designee, accepts such offer. The Company shall have the right to accept such offer until the trustee has sold the shares held in the trust. Upon such a sale to the Company, the interest of the Beneficiary in the shares sold shall terminate and the trustee shall distribute the net proceeds of the sale to the Prohibited Transferee or Prohibited Owner.

If any purported transfer of shares would cause the Company to be beneficially owned by fewer than 100 persons, the Charter provides that such transfer will be null and void in its entirety and the intended transferee will acquire no rights to the stock.

All certificates representing shares will bear a legend referring to the restrictions described above. The foregoing ownership limitations could delay, defer or prevent a transaction or a change in control of the Company that might involve a premium price for the shares or otherwise be in the best interest of stockholders.

Under the Charter, owners of outstanding shares must, upon demand of the Company, provide a completed questionnaire to the Company containing information regarding ownership of such shares, as set forth in the Treasury Regulations. In addition, each stockholder shall upon demand be required to disclose to the Company in writing such information as the Company may request in order to

determine the effect, if any, of such stockholder's actual and constructive ownership of shares of Common Stock and/or Series A Preferred Stock on the Company's status as a REIT and to ensure compliance with each Ownership Limit, or such other limit as provided in the Charter or as otherwise permitted by the Board of Directors.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF  
THE COMPANY'S CHARTER AND BYLAWS

The following paragraphs summarize certain provisions of the MGCL and the Company's Charter and Bylaws. Such paragraphs do not, however, purport to be complete and are subject to and qualified in their entirety by reference to the MGCL and the Charter and Bylaws.

BOARD OF DIRECTORS

The Charter provides that the number of directors of the Company shall be established by the Bylaws but shall not be less than the minimum number required by the MGCL, which in the case of the Company is three. The Bylaws currently provide that the Board of Directors consist of not fewer than five nor more than 13 members which are elected to a one-year term at each annual meeting of the Company's stockholders. Any vacancy (except for a vacancy caused by removal) will be filled by a majority of the entire Board of Directors. The Bylaws provide that a majority of the Board must be "Independent Directors." An "Independent Director" is a director who is not an employee, officer or affiliate of the Company or a subsidiary or division thereof, or a relative of a principal executive officer, or who is not an individual member of an organization acting as advisor, consultant or legal counsel, receiving compensation on a continuing basis from the Company in addition to director's fees.

REMOVAL OF DIRECTORS

While the Charter and the MGCL empower the stockholders to fill vacancies in the Board of Directors that are caused by the removal of a director, the Charter precludes stockholders from removing incumbent directors except upon a substantial affirmative vote. Specifically, the Charter provides that a director may be removed only for cause and only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors, subject to the rights of the holders of shares of Series A Preferred Stock to elect and remove directors elected by such holders under certain circumstances. See "Series A Preferred Stock -- Voting Rights." Under the MGCL, the term "cause" is not defined and is, therefore, subject to Maryland

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common law and to judicial interpretation and review in the context of the unique facts and circumstances of any particular situation. This provision, when coupled with the provision in the Bylaws authorizing the Board of Directors to fill vacant directorships, precludes stockholders from removing incumbent directors except upon a substantial affirmative vote and filling the vacancies created by such removal with their own nominees.

OPT OUT OF BUSINESS COMBINATIONS AND CONTROL SHARE ACQUISITION STATUTES

The Company has elected in its Bylaws not to be governed by the "control share acquisition" provisions of the MGCL (Sections 3-701 through 3-709), and the Board of Directors has adopted, by irrevocable resolution of the Board of Directors, not to be governed by the "business combination" provision of the MGCL (Section 3-602), each of which could have the effect of delaying or preventing a change of control of the Company. The Bylaws provide that the Company cannot at a future date determine to be governed by either such provision without the approval of a majority of the outstanding shares entitled to vote. In addition, such irrevocable resolution adopted by the Board of Directors may only be changed by the approval of a majority of the outstanding shares entitled to vote.

AMENDMENT TO THE CHARTER AND BYLAWS

The Charter may not be amended without the affirmative vote of at least two-thirds of the shares of capital stock outstanding and entitled to vote thereon voting together as a single class. Other than provisions of the Bylaws (i) opting out of the control share acquisition statute, (ii) requiring approval

by the Independent Directors of transactions involving executive officers, directors or any limited partners of the Operating Partnership and their affiliates and (iii) those governing amendment of the Bylaws, each of which may be amended only with the approval of a majority of the shares of capital stock entitled to vote, the Bylaws may be amended by the vote of a majority of the Board of Directors or the shares of the Company's capital stock entitled to vote thereon.

#### MEETINGS OF STOCKHOLDERS

The Bylaws provide for annual meetings of stockholders to elect the Board of Directors and transact such other business as may properly be brought before the meeting. Special meetings of stockholders may be called by the President, the Board of Directors, the Chairman of the Board and/or at the request in writing of the holders of 50% or more of the outstanding stock of the Company entitled to vote.

The MGCL provides that any action required or permitted to be taken at a meeting of stockholders may be taken without a meeting by unanimous written consent, if such consent sets forth such action and is signed by each stockholder entitled to vote on the matter and a written waiver of any right to dissent is signed by each stockholder entitled to notice of the meeting but not entitled to vote at it.

#### ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

The Bylaws provide that (i) with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (a) pursuant to the Company's notice of the meeting, (b) by or at the direction of the Board of Directors or (c) by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in the Bylaws, and (ii) with respect to special meetings of stockholders, only the business specified in the Company's notice of meeting may be brought before the meeting of stockholders.

The provisions in the Charter on amendments thereto and the advance notice provisions of the Bylaws could have the effect of discouraging a takeover or other transaction in which holders of some, or a majority, of the shares of Common Stock might receive a premium for their shares of Common Stock over the then prevailing market price or which such holders might believe to be otherwise in their best interests.

#### DISSOLUTION OF THE COMPANY

Under the MGCL, the Company may be dissolved by (i) the affirmative vote of a majority of the entire Board of Directors declaring such dissolution to be advisable and directing that the proposed dissolution be submitted for consideration at any annual or special meeting of stockholders and (ii) upon proper notice, stockholder approval by the affirmative vote of the holders of two-thirds of the total number of shares of capital stock outstanding and entitled to vote thereon voting as a single class.

#### LIMITATION OF DIRECTORS' AND OFFICERS' LIABILITY

The Company's officers and directors are indemnified under the MGCL, the Charter and the Partnership Agreement against certain liabilities. The Charter and Bylaws require the Company to indemnify its directors and officers to the fullest extent permitted from time to time by the MGCL.

The MGCL permits a corporation to indemnify its directors and officers and certain other parties against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, (ii) the director or officer actually received an improper personal benefit in money, property or services or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. Indemnification may be made against judgments, penalties, fines, settlements and reasonable expenses actually incurred by the director or officer in connection with the proceeding; provided, however, that if the proceeding is one by or in the right of the corporation, indemnification may not be made with respect to any proceeding in which the director or officer has been adjudged to be liable to the corporation. In addition, a director or officer may not be indemnified with respect to any proceeding charging improper personal benefit to the director or officer in which the director or officer was adjudged to be

liable on the basis that personal benefit was received. The termination of any proceeding by conviction, or upon a plea of nolo contendere or its equivalent, or an entry of any order of probation prior to judgment, creates a rebuttable presumption that the director or officer did not meet the requisite standard of conduct required for indemnification to be permitted.

The MGCL permits the charter of a Maryland corporation to include a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, subject to specified restrictions, and the Company's Charter contains this provision. The MGCL does not, however, permit the liability of directors and officers to the corporation or its stockholders to be limited to the extent that (i) it is proved that the person actually received an improper personal benefit in money, property or services, (ii) a judgment or other final adjudication is entered in a proceeding based on a finding that the person's action, or failure to act, was committed in bad faith or was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding or (iii) in the case of any criminal proceeding, the director had reasonable cause to believe that the act or failure to act was unlawful. This provision does not limit the ability of the Company or its stockholders to obtain other relief, such as an injunction or rescission.

The Partnership Agreement also provides for indemnification of the Company, as general partner, and its officers and directors to the same extent indemnification is provided to officers and directors of the Company in its Charter, and limits the liability of the Company and its officers and directors to the Operating Partnership and the partners of the Operating Partnership to the same extent liability of officers and directors of the Company to the Company and its stockholders is limited under the Charter. See "Description of Certain Provisions of the Partnership Agreement of the Operating Partnership -- Exculpation and Indemnification of the Company."

Insofar as indemnification for liability arising under the Securities Act may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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#### DESCRIPTION OF CERTAIN PROVISIONS OF THE PARTNERSHIP AGREEMENT OF THE OPERATING PARTNERSHIP

Substantially all of the Company's assets are held, and all of its operations are conducted, by or through the Operating Partnership. The Company is the sole general partner of the Operating Partnership and owned, as of May 31, 1998, a 95.9% interest therein. The right and power to manage the Operating Partnership is vested exclusively in the Company, as sole general partner. The interest in the Operating Partnership allocated to the Company is designated as a general partner interest. Except with respect to distributions of cash and allocations of income and loss, and except as otherwise noted herein and elsewhere in this Prospectus, the description herein of Units is applicable also to Series A Preferred Units, Performance Units, and holders of Performance Units are treated as limited partners. The following summary of the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership (the "Partnership Agreement") and the descriptions of certain provisions set forth elsewhere in this Prospectus are qualified in their entirety by reference to the Partnership Agreement, which is filed as an exhibit to the Registration Statement of which this Prospectus is a part.

#### GENERAL

Holders of Units hold limited partnership interests in the Operating Partnership, and all holders of partnership interests (including the Company in its capacity as general partner) are entitled to share in cash distributions from, and in the profits and losses of, the Operating Partnership. The number of units of the general partnership (the "GP Units") held by the Company is approximately equal to the total number of shares of Common Stock outstanding. Accordingly, the distributions paid by the Company per share outstanding are expected to be equal to the distributions per Unit paid on the outstanding Units. The Units have not been registered pursuant to Federal or state securities laws, and they will not be listed on the NYSE or any other exchange or quoted on any national market system. However, the shares of Common Stock that may be issued by the Company upon redemption of the Units may be sold in registered transactions, or transactions exempt from registration under the Securities Act. The limited partners of the Operating Partnership have the rights to which limited partners are entitled under the Partnership Agreement and the Partnership Act. The Partnership Agreement imposes certain restrictions

on the transfer of Units, as described below.

#### PURPOSE, BUSINESS AND MANAGEMENT

The Operating Partnership is organized as a Delaware limited partnership pursuant to the terms of the Partnership Agreement. The Company is the sole general partner of the Operating Partnership and conducts substantially all of its business through the Operating Partnership, except for investment advisory services (which are conducted through AMB Investment Management). The Operating Partnership owns 100% of the non-voting preferred stock of AMB Investment Management (representing 95% of its economic interest) and an officer of AMB Investment Management and certain Executive Officers own all of the outstanding voting common stock of AMB Investment Management (representing 5% of its economic interest).

The primary purpose of the Operating Partnership is, in general, to acquire, purchase, own, operate, manage, develop, redevelop, invest in, finance, refinance, sell, lease and otherwise deal with industrial and retail properties and assets related thereto, and interests therein. The Operating Partnership is authorized to conduct any business that may be lawfully conducted by a limited partnership formed under the Partnership Act, except that the Partnership Agreement requires the business of the Operating Partnership to be conducted in such a manner that will permit the Company to be classified as a REIT under Section 856 of the Code, unless the Company ceases to qualify as a REIT for reasons other than the conduct of the business of the Operating Partnership. Subject to the foregoing limitation, the Operating Partnership may enter into partnerships, joint ventures or similar arrangements and may own interests directly or indirectly in any other entity.

The Company, as the general partner of the Operating Partnership, has the exclusive power and authority to conduct the business of the Operating Partnership, subject to the consent of the limited partners in certain limited circumstances (as discussed below) and except as expressly limited in the Partnership Agreement.

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The Company has the right to make all decisions and take all actions with respect to the Operating Partnership's acquisition and operation of the Properties and all other assets and businesses of or related to the Partnership. No limited partner may take part in the conduct or control of the business or affairs of the Operating Partnership by virtue of being a holder of Units. In particular, each limited partner expressly acknowledged in the Partnership Agreement that the Company, as general partner, is acting on behalf of the Operating Partnership's limited partners and the Company's stockholders collectively, and is under no obligation to consider the tax consequences to limited partners when making decisions for the benefit of the Operating Partnership. The Company intends to make decisions in its capacity as general partner of the Operating Partnership so as to maximize the profitability of the Company and the Operating Partnership as a whole, independent of the tax effects on the limited partners. The Company and the Operating Partnership have no liability to a limited partner as a result of any liabilities or damages incurred or suffered by, or benefits not derived by, a limited partner as a result of an action or inaction of the Company as general partner of the Operating Partnership as long as the Company acted in good faith. Limited partners have no right or authority to act for or to bind the Operating Partnership.

Limited partners of the Operating Partnership have no authority to transact business for, or participate in the management activities or decisions of, the Operating Partnership, except as provided in the Partnership Agreement or as required by applicable law.

#### ENGAGING IN OTHER BUSINESSES; CONFLICTS OF INTEREST

The Company may not conduct any business other than in connection with the ownership, acquisition and disposition of Operating Partnership interests as a general partner and the management of the business of the Operating Partnership, its operation as a public reporting company with a class (or classes) of securities registered under the Exchange Act, its operation as a REIT and such activities as are incidental to such activities (including, without limitation, ownership of any interest in AMB Property Holding Corporation, AMB Investment Management or a title holding, management or finance subsidiary organized as a partnership, limited liability company or corporation) title holding, without the consent of the holders of a majority of the limited partnership interests. Except as may otherwise be agreed to in writing, each limited partner, and its affiliates, is free to engage in any business or activity, even if such business or activity competes with or is enhanced by the business of the Operating Partnership. The Partnership Agreement does not prevent another person or entity that acquires control of the Company in the future from conducting other businesses or owning other assets, even though such businesses or assets may be ones that it would be in the best interests of the limited partners for the

Operating Partnership to own. The Company, in the exercise of its power and authority under the Partnership Agreement, may contract and otherwise deal with or otherwise obligate the Operating Partnership to entities in which the Company or any one or more of the officers, directors or stockholders of the Company may have an ownership or other financial interest, whether direct or indirect.

#### REIMBURSEMENT OF THE COMPANY; TRANSACTIONS WITH THE COMPANY AND ITS AFFILIATES

The Company does not receive any compensation for its services as general partner of the Operating Partnership. The Company, however, as a partner in the Operating Partnership, has the same right to allocations and distributions as other partners of the Operating Partnership. In addition, the Operating Partnership reimburses the Company for all expenses it incurs relating to its activities as general partner, its continued existence and qualification as a REIT and all other liabilities incurred by the Company in connection with the pursuit of its business and affairs. The Company may retain such persons or entities as it shall determine (including itself, any entity in which the Company has an interest, or any entity with which it is affiliated) to provide services to or on behalf of the Operating Partnership. The Company is entitled to reimbursement from the Operating Partnership for its out of pocket expenses (other than amounts paid or payable to the Company or any entity in which the Company has an interest or with which it is affiliated) incurred in connection with Operating Partnership business. Such expenses include those incurred in connection with the administration and activities of the Operating Partnership, such as the maintenance of the Operating Partnership books and records, management of the Operating Partnership property and assets, and

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preparation of information regarding the Operating Partnership provided to the partners in the preparation of their individual tax returns. Except as expressly permitted by the Partnership Agreement, however, affiliates of the Company will not engage in any transactions with the Operating Partnership except on terms that are fair and reasonable and no less favorable to the Operating Partnership than would be obtained from an unaffiliated third party.

#### EXCULPATION AND INDEMNIFICATION OF THE COMPANY

The Partnership Agreement generally provides that the Company, as general partner of the Operating Partnership, will incur no liability to the Operating Partnership or any limited partner for losses sustained, liabilities incurred, or benefits not derived as a result of errors in judgment or for any mistakes of fact or law or for anything which it may do or refrain from doing in connection with the business and affairs of the Operating Partnership if the Company carried out its duties in good faith. The Company's liability in any event is limited to its interest in the Operating Partnership. Without limiting the foregoing, the Company has no liability for the loss of any limited partner's capital. In addition, the Company is not responsible for any misconduct, negligent act or omission of any consultant, contractor or agent of the Operating Partnership or of the Company and has no obligation other than to use good faith in the selection of all such contractors, consultants and agents. The Company may consult with counsel, accountants, appraisers, management consultants, investment bankers, and other consultants and advisors selected by it. An opinion by any such consultant on a matter which the Company believes to be within such consultant's professional or expert competence is deemed to be complete protection as to any action taken or omitted to be taken by the Company based on such opinion and in good faith.

The Partnership Agreement also requires the Operating Partnership to indemnify the Company, the directors and officers of the Company, and such other persons as the Company may from time to time designate against any loss or damage, including reasonable legal fees and court costs incurred by such person by reason of anything it may do or refrain from doing for or on behalf of the Operating Partnership or in connection with its business or affairs unless it is established that: (i) the act or omission of the indemnified person was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) the indemnified person actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Any such indemnification claims must be satisfied solely out of the assets of the Operating Partnership.

#### SALES OF ASSETS; LIQUIDATION

Under the Partnership Agreement, the Company, as general partner, generally has the exclusive authority to determine whether, when and on what terms the assets of the Operating Partnership (including the Properties) will be sold. However, the Company has agreed, in connection with the contribution of Properties from taxable Investors in the Formation Transactions (with an estimated aggregate value of approximately \$54.2 million), not to dispose of such assets in a taxable sale or exchange prior to November 26, 2001 (the fourth anniversary of the consummation of the Formation Transactions) and, thereafter, to use commercially reasonable efforts to minimize the adverse tax consequences of any such sale. The Company has entered into and may enter into similar or

other agreements in connection with other acquisitions of properties for Units.

A merger of the Operating Partnership with another entity generally requires an affirmative vote of the holders of a majority of the outstanding percentage interest (including that held directly or indirectly by the Company), subject to certain consent rights of holders of Units as described below under "Amendment of the Partnership Agreement." A dissolution or liquidation of the Operating Partnership, including a sale or disposition of all or substantially all of the Operating Partnership's assets and properties, also requires the consent of a majority of all Units held by limited partners, including Performance Units.

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#### CAPITAL CONTRIBUTION

The Partnership Agreement provides that if the Operating Partnership requires additional funds at any time or from time to time in excess of funds available to the Operating Partnership from borrowings or capital contributions, the Company may borrow such funds from a financial institution or other lender or through public or private debt offerings and lend such funds to the Operating Partnership on the same terms and conditions as are applicable to the Company's borrowing of such funds. As an alternative to borrowing funds required by the Operating Partnership, the Company may contribute the amount of such required funds as an additional capital contribution to the Operating Partnership. If the Company so contributes additional capital to the Operating Partnership, the Company's partnership interest in the Operating Partnership will be increased on a proportionate basis. Conversely, the partnership interests of the limited partners will be decreased on a proportionate basis in the event of additional capital contributions by the Company. See "Policies With Respect to Certain Activities -- Financing Policies."

#### DISTRIBUTIONS; ALLOCATIONS OF INCOME AND LOSS

The Partnership Agreement generally provides for the quarterly distribution of Available Cash (as defined below), as determined in the manner provided in the Partnership Agreement, to the partners of the Operating Partnership in proportion to their percentage interests in the Operating Partnership (which for any partner is determined by the number of Units it owns relative to the total number of Units outstanding). If any Preference Units are outstanding, distributions shall be paid to holders of such Preference Units in accordance with the rights of each class of Preference Units (and, within each such class, pro rata in proportion to the respective percentage interest of each holder), with any remaining Available Cash distributed in accordance with the previous sentence. "Available Cash" is generally defined as net cash flow from operations, plus any reduction in reserves, and minus interest and principal payments on debt, capital expenditures, any additions to reserves and other adjustments. Neither the Company nor the limited partners are currently entitled to any preferential or disproportionate distributions of Available Cash with respect to the Units.

However, in connection with the Offering, the Partnership Agreement will be amended to provide for preferred distributions of cash and preferred allocations of income to the Company in an amount equal to the dividends payable by the Company on the Series A Preferred Stock. As a consequence, the Company will receive distributions from the Operating Partnership sufficient to pay dividends on the Series A Preferred Stock before any other partner in the Operating Partnership receives a distribution. In addition, if necessary, income will be specially allocated to the Company and losses will be allocated to the other partners of the Operating Partnership in amounts necessary to ensure that, to the extent possible, the balance in the Company's capital account will at all times be equal to or in excess of the amount payable by the Company on the Series A Preferred Stock upon liquidation or redemption.

#### REMOVAL OF THE GENERAL PARTNER; TRANSFERABILITY OF THE COMPANY'S INTERESTS; TREATMENT OF UNITS IN SIGNIFICANT TRANSACTIONS

The general partner may not be removed by the limited partners, with or without cause, other than with the consent of the general partner. The Partnership Agreement provides that the Company may not voluntarily withdraw from the Operating Partnership, without the consent of the limited partners. However, except as set forth below, the Company may transfer or assign its general partner interest in connection with a merger, consolidation or sale of substantially all the assets of the Company without limited partner consent.

Neither the Company nor the Operating Partnership may engage in any merger, consolidation or other combination with or into another person, or effect any reclassification, recapitalization or change of its outstanding equity interests, and the Company may not sell all or substantially all of its assets

(each a "Termination Transaction") unless in connection with the Termination Transaction all holders of Units either will receive, or will have the right to elect to receive, for each Unit an amount of cash, securities or other property equal to the product of the number of shares of Common Stock into which each Unit is then exchangeable and the greatest amount of cash, securities or other property paid to the holder of one Share in consideration of one Share pursuant to the Termination Transaction. If, in connection with the Termination

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Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding shares of Common Stock, each holder of Units will receive, or will have the right to elect to receive, the greatest amount of cash, securities or other property which such holder would have received had it exercised its right to redemption and received shares of Common Stock in exchange for its Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer. Performance Units issued or to be issued will also have the benefit of such provisions, irrespective of the capital account then applicable thereto.

A Termination Transaction may also occur if the following conditions are met: (i) substantially all of the assets directly or indirectly owned by the surviving entity are held directly or indirectly by the Operating Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Operating Partnership (in each case, the "Surviving Partnership"); (ii) the holders of Units, including the holders of Performance Units issued or to be issued, own a percentage interest of the Surviving Partnership based on the relative fair market value of the net assets of the Operating Partnership and the other net assets of the Surviving Partnership immediately prior to the consummation of such transaction; (iii) the rights, preferences and privileges of such holders in the Surviving Partnership, including the holders of Performance Units issued or to be issued, are at least as favorable as those in effect immediately prior to the consummation of such transaction and as those applicable to any other limited partners or non-managing members of the Surviving Partnership (except, as to Performance Units, for such differences with Units regarding liquidation, redemption or exchange as are described herein); and (iv) such rights of the limited partners, including the holders of Performance Units issued or to be issued, include at least one of the following: (a) the right to redeem their interests in the Surviving Partnership for the consideration available to such persons pursuant to the preceding paragraph; or (b) the right to redeem their Units for cash on terms equivalent to those in effect immediately prior to the consummation of such transaction, or, if the ultimate controlling person of the Surviving Partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the relative fair market value of such securities and the Common Stock. For purposes of this paragraph, the determination of relative fair market values and rights, preferences and privileges of the limited partners shall be reasonably determined by the Board of Directors as of the time of the Termination Transaction and, to the extent applicable, the values shall be no less favorable to the holders of Units than the relative values reflected in the terms of the Termination Transaction.

In addition, in the event of a Termination Transaction, the arrangements with respect to Performance Units and Performance Shares will be equitably adjusted to reflect the terms of the transaction, including, to the extent that the shares are exchanged for consideration other than publicly traded common equity, the transfer or release of remaining Performance Shares, and resulting issuance of any Performance Units, as of the consummation of the Termination Transaction or set forth in the applicable Supplement.

#### REDEMPTION/EXCHANGE RIGHTS

Holders of Units have the right, commencing generally on the first anniversary of such holder becoming a limited partner of the Operating Partnership, to require the Operating Partnership to redeem part or all of their Units for cash (based upon the fair market value of an equivalent number of shares of Common Stock at the time of such redemption) or the Company may elect to exchange such Units for shares of Common Stock (on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of certain rights, certain extraordinary distributions and similar events). The Company presently anticipates that it will elect to issue shares of Common Stock in exchange for Units in connection with each such redemption request, rather than having the Operating Partnership pay cash. With each such redemption or exchange, the Company's percentage ownership interest in the Operating Partnership will increase. This redemption/exchange right may be exercised by limited partners from time to time, in whole or in part, subject to the limitations that such right may not be exercised at any time to the extent such exercise would result in any person actually or constructively owning shares of Common Stock in excess of the Ownership Limit or such other amount as permitted by the Board of Directors, as applicable, assuming common stock was issued in

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such exchange. Holders of Performance Units also have limited redemption/exchange rights, as discussed under the caption "-- Performance Units" below.

#### PERFORMANCE UNITS

Notwithstanding the foregoing discussion of distributions and allocations of income or loss of the Operating Partnership, depending on the trading price of the Common Stock after November 26, 1998 (the first anniversary of the IPO), certain of the officers, in their capacity as limited partners of the Operating Partnership, may receive Performance Units on each of February 26, May 26, August 26 and November 26, 1999. The Performance Units are similar to Units in many respects, including (i) the right to share in operating distributions, and allocations of operating income and loss, of the Operating Partnership on a pro rata basis with Units; and (ii) certain redemption and exchange rights, including limited rights to cause the Operating Partnership to redeem such Performance Units for cash or, at the Company's option, to exchange such units for shares of Common Stock. Any such redemption rights, however, will be dependent upon an increase in the value of the assets of the Operating Partnership (in some cases measured by reference to the trading price of the shares of Common Stock) subsequent to the issuance of such Performance Units. Without such an increase, the holders of Performance Units will not be entitled to receive any proceeds upon the liquidation of the Operating Partnership or the redemption of their Performance Units.

If any Performance Units are issued to such officers, in their capacity as limited partners of the Operating Partnership, an equal number of GP Units allocable to the Company and Units allocable to Performance Investors who are limited partners in the Operating Partnership will be transferred to the Operating Partnership. In addition, if any of the Company's GP Units are transferred to the Operating Partnership as a result of the issuance of Performance Units, an equal number of shares of Common Stock (the "Performance Shares") will be transferred by Company stockholders to the Company from the applicable Performance Investors. Accordingly, no Company stockholder or limited partner in the Operating Partnership (other than Performance Investors, to the extent of their obligations to transfer Performance Shares to the Company or the Operating Partnership, as applicable) will be diluted as a result of the issuance of Performance Units to such officers.

#### REGISTRATION RIGHTS

The Company granted to limited partners certain registration rights (collectively, the "Registration Rights") with respect to the shares of Common Stock issuable upon exchange of Units or otherwise (the "Registrable Shares"). The Company has agreed to file and generally keep continuously effective beginning one year after the completion of the IPO a registration statement covering the issuance of shares of Common Stock upon exchange of Units and the resale thereof. Pursuant to the terms and conditions of such Registration Rights, prior to the date upon which such Units would be eligible for resale under Rule 144(k) under the Securities Act, as such rule may be amended from time to time (or any similar rule or regulation hereafter adopted by the SEC), each limited partner generally is limited to resales of Registrable Shares to the number of Registrable Shares which otherwise would be eligible for resale by such Investor pursuant to Rule 144, assuming such Registrable Shares were issued on the same date as the respective Units were issued. The shelf registration statement will also cover Shares issuable upon exchange of Performance Units. The Company may also agree to provide the Registration Rights or other registration rights to any other person who may become an owner of Units, provided such person provides the Company with satisfactory undertakings. The Company will bear expenses incident to its registration obligations upon exercise of the Registration Rights, including the payment of Federal securities law and state Blue Sky registration fees, except that it will not bear any underwriting discounts or commissions or transfer taxes relating to registration of Registrable Shares. The Company may agree, from time to time, to grant additional registration rights in connection with other transactions.

#### DUTIES AND CONFLICTS

Except as otherwise set forth in "Policies with Respect to Certain Activities -- Conflicts of Interest Policies" and "Management -- Employment Agreements," any limited partner of the Operating Partnership

may engage in other business activities outside the Operating Partnership, including business activities that directly compete with the Operating Partnership.

#### MEETINGS; VOTING

Meetings of the limited partners may be called by the Company, on its own motion, or upon written request of limited partners owning at least 25% of the then outstanding Units. Limited partners may vote either in person or by proxy at meetings. Any action that is required or permitted to be taken by the limited partners may be taken either at a meeting of the limited partners or without a meeting if consents in writing setting forth the action so taken are signed by limited partners owning not less than the minimum number of Units that would be necessary to authorize or take such action at a meeting of the limited partners at which all limited partners entitled to vote on such action were present. On matters for which limited partners are entitled to vote, each limited partner has a vote equal to the number of Units the limited partner holds. A transferee of Units who has not been admitted as a substituted limited partner with respect to such Units will have no voting rights with respect to such Units, even if such transferee holds other Units as to which it has been admitted as a limited partner. The Partnership Agreement does not provide for annual meetings of the limited partners, and the Company does not anticipate calling such meetings.

#### AMENDMENT OF THE PARTNERSHIP AGREEMENT

Amendments to the Partnership Agreement may be proposed by the Company or by limited partners owning at least 25% of the then outstanding Units entitled to vote. Generally, the Partnership Agreement may be amended with the approval of the Company, as general partner, and partners (including the Company) holding a majority of the percentage interest of the partnership. Certain provisions regarding, among other things, the rights and duties of the Company as general partner (e.g., restrictions on the Company's power to conduct businesses other than as denoted herein) or the dissolution of the Operating Partnership, may not be amended without the approval of a majority of the percentage interests of the partnership. Notwithstanding the foregoing, the Company, as general partner, has the power, without the consent of the limited partners, to amend the Partnership Agreement as may be required to, among other things, (i) add to the obligations of the Company as general partner or surrender any right or power granted to the Company as general partner, (ii) reflect the admission, substitution, termination or withdrawal of partners in accordance with the terms of the Partnership Agreement, (iii) establish the rights, powers, duties and preferences of any additional partnership interests issued in accordance with the terms of the Partnership Agreement, (iv) reflect a change of an inconsequential nature that does not materially adversely affect any limited partner, or cure any ambiguity, correct or supplement any provisions of the Partnership Agreement not inconsistent with law or with other provisions of the Partnership Agreement, or make other changes concerning matters under the Partnership Agreement that are not otherwise inconsistent with the Partnership Agreement or applicable law or (v) satisfy any requirements of Federal, state or local law.

Certain amendments, including amendments effected directly or indirectly through a merger or sale of assets of the Operating Partnership or otherwise, that would, among other things, (i) convert a limited partner's interest into a general partner's interest, (ii) modify the limited liability of a limited partner, (iii) alter the interest of a partner in profits or losses, or the rights to receive any distributions (except as permitted under the Partnership Agreement with respect to the admission of new partners or the issuance of additional Units, either of which actions will have the effect of changing the percentage interests of the partners and thus altering their interests in profits, losses and distributions) or (iv) alter the limited partner's redemption right, must be approved by the Company and each limited partner that would be adversely affected by such amendment. Such protections apply to both holders of Units and holders of Performance Units. In addition, no amendment may be effected, directly or indirectly, through a merger or sale of assets of the Operating Partnership or otherwise, which would adversely affect the rights of former stockholders of the Predecessor to receive Performance Units as described herein.

#### BOOKS AND REPORTS

The Operating Partnership's books and records are maintained at the principal office of the Operating Partnership, which is located at 505 Montgomery Street, San Francisco, California 94111. All elections and options available to the Operating Partnership for Federal or state income tax purposes may be taken or rejected by the Operating Partnership in the sole discretion of the Company. The limited partners have the right, subject to certain limitations, to receive copies of the most recent SEC filings by the Company, the Operating Partnership's Federal, state and local income tax returns, a list of limited partners, the Partnership Agreement, the partnership certificate and all amendments thereto and certain information about the capital contributions of the partners. The Company may keep confidential from the limited partners any information that the Company believes to be in the nature of trade secrets or other information the disclosure of which the Company in good faith believes is not in the best interests of the Operating Partnership or which the Operating Partnership is required by law or by agreements with unaffiliated third parties

to keep confidential.

The Company will use reasonable efforts to furnish to each limited partner, within 90 days after the close of each taxable year, the tax information reasonably required by the limited partners for Federal and state income tax reporting purposes.

#### TERM

The Operating Partnership will continue in full force and effect for approximately 99 years or until sooner dissolved pursuant to the terms of the Partnership Agreement.

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#### MATERIAL FEDERAL INCOME TAX CONSEQUENCES

The following summary of material Federal income tax consequences regarding the Company and the Offering is based on current law, is for general information only and is not tax advice. The information set forth below, to the extent that it constitutes matters of law, summaries of legal matters or legal conclusions, is the opinion of Latham & Watkins, tax counsel to the Company. This discussion does not purport to deal with all aspects of taxation that may be relevant to particular stockholders in light of their personal investment or tax circumstances, or to certain types of stockholders subject to special treatment under the Federal income tax laws, including, without limitation, certain financial institutions, life insurance companies, dealers in securities or currencies, stockholders holding Series A Preferred Stock as part of a conversion transaction, as part of a hedge or hedging transaction, or as a position in a straddle for tax purposes, tax-exempt organizations (except to the extent discussed under the heading "-- Taxation of Tax-Exempt Stockholders") or foreign corporations, foreign partnerships and persons who are not citizens or residents of the United States (except to the extent discussed under the heading "-- Taxation of Non-U.S. Stockholders"). In addition, the summary below does not consider the effect of any foreign, state, local or other tax laws that may be applicable to prospective stockholders.

The information in this section is based on the Code, current, temporary and proposed Treasury Regulations promulgated thereunder, the legislative history of the Code, current administrative interpretations and practices of the IRS (including its practices and policies as expressed in certain private letter rulings which are not binding on the IRS except with respect to the particular taxpayers who requested and received such rulings), and court decisions, all as of the date hereof. No assurance can be given that future legislation, Treasury Regulations, administrative interpretations and practices and/or court decisions will not alter the Code or existing interpretations thereof, and any such change could apply retroactively to transactions preceding the date of the change. The Company has not requested, and does not plan to request, any ruling from the IRS concerning the tax treatment of the Company or the Operating Partnership. Thus, no assurance can be provided that the statements set forth herein (which are, in any event, not binding on the IRS or courts) will not be challenged by the IRS or will be sustained by a court if so challenged.

EACH PROSPECTIVE PURCHASER IS ADVISED TO CONSULT HIS OR HER TAX ADVISOR REGARDING THE TAX CONSEQUENCES TO HIM OR HER OF THE ACQUISITION, OWNERSHIP AND SALE OF THE SERIES A PREFERRED STOCK, INCLUDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF SUCH ACQUISITION, OWNERSHIP AND SALE AND OF POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

#### TAXATION OF THE COMPANY

General. The Company intends to make an election to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with its taxable year ended December 31, 1997. The Company believes that, commencing with its taxable year ended December 31, 1997, it has been organized and has operated in such a manner as to qualify for taxation as a REIT under the Code commencing with such taxable year, and the Company intends to continue to operate in such a manner, but no assurance can be given that it has operated or will continue to operate in such a manner so as to qualify or remain qualified.

These sections of the Code and the corresponding Treasury Regulations are highly technical and complex. The following sets forth the material aspects of the sections that govern the Federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Code provisions, rules and regulations promulgated thereunder, and administrative and judicial interpretations thereof.

Latham & Watkins has acted as tax counsel to the Company in connection with the the Offering, and the Company's election to be taxed as a REIT. In the opinion of Latham & Watkins, commencing with the Company's taxable year ended December 31, 1997, the Company has been organized and has operated in conformity with the requirements for qualification as a REIT, and its method of operation will enable it to continue to meet the requirements for qualification and

taxation as a REIT under the Code. It must be emphasized that this opinion is based on various factual assumptions relating to the organization and operation

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of the Company, the Operating Partnership, and their subsidiaries, and is conditioned upon certain representations made by such parties and certain other persons as to factual matters. In addition, this opinion is based upon the factual representations of the Company concerning its business and properties as set forth in this Prospectus. Moreover, such qualification and taxation as a REIT depends upon the Company's ability to meet (through actual annual operating results, distribution levels and diversity of stock ownership) the various qualification tests imposed under the Code and discussed below, the results of which have not been and will not be reviewed by Latham & Watkins. Accordingly, no assurance can be given that the actual results of the Company's operations for any particular taxable year will satisfy such requirements. Further, the anticipated income tax treatment described in this Prospectus may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time. See "-- Failure of the Company to Qualify as a REIT." With respect to certain legal matters relating to Maryland law, Latham & Watkins has relied upon the opinion of Ballard Spahr Andrews & Ingersoll, counsel for the Company.

If the Company qualifies for taxation as a REIT, it generally will not be subject to Federal corporate income taxes on its net income that is currently distributed to stockholders. This treatment substantially eliminates the "double taxation" (at the corporate and stockholder levels) that generally results from investment in a regular corporation. However, the Company will be subject to Federal income tax as follows. First, the Company will be required to pay tax at regular corporate rates on any undistributed "REIT taxable income," including undistributed net capital gains. Second, under certain circumstances, the Company may be subject to the "alternative minimum tax" on its items of tax preference. Third, if the Company has (i) net income from the sale or other disposition of "foreclosure property" (defined generally as property acquired by the Company through foreclosure or otherwise after a default on a loan secured by the property or a lease of the property) which is held primarily for sale to customers in the ordinary course of business or (ii) other nonqualifying income from foreclosure property, it will be subject to tax at the highest corporate rate on such income. Fourth, if the Company has net income from prohibited transactions (which are, in general, certain sales or other dispositions of property held primarily for sale to customers in the ordinary course of business other than foreclosure property), such income will be subject to a 100% tax. Fifth, if the Company should fail to satisfy the 75% gross income test or the 95% gross income test (as discussed below), but has nonetheless maintained its qualification as a REIT because certain other requirements have been met, it will be subject to a 100% tax on an amount equal to (a) the gross income attributable to the greater of the amount by which the Company fails the 75% or 95% test multiplied by (b) a fraction intended to reflect the Company's profitability. Sixth, if the Company should fail to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain net income for such year and (iii) any undistributed taxable income from prior periods, the Company would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. Seventh, with respect to any asset (a "Built-In Gain Asset") acquired by the Company from a corporation which is or has been a C corporation (i.e., generally a corporation subject to full corporate-level tax) in a transaction in which the basis of the Built-In Gain Asset in the hands of the Company is determined by reference to the basis of the asset in the hands of the C corporation, if the Company recognizes gain on the disposition of such asset during the ten-year period (the "Recognition Period") beginning on the date on which such asset was acquired by the Company, then, to the extent of the Built-In Gain (i.e., the excess of (a) the fair market value of such asset over (b) the Company's adjusted basis in such asset, determined as of the beginning of the Recognition Period), such gain will be subject to tax at the highest regular corporate rate pursuant to Treasury Regulations that have not yet been promulgated. The results described above with respect to the recognition of Built-In Gain assume that the Company will make an election pursuant to IRS Notice 88-19 and that the availability or nature of such election is not modified as proposed in President Clinton's 1999 Federal Budget Proposal.

Requirements for Qualification. The Code defines a REIT as a corporation, trust or association (i) which is managed by one or more trustees or directors; (ii) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest; (iii) which would be taxable as a domestic corporation but for Sections 856 through 859 of the Code; (iv) which is neither a financial institution nor an insurance company subject to certain provisions of the Code; (v) the beneficial ownership of which is held by 100 or more persons; (vi) during the last half of each taxable year not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals (as defined in the

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Code to include certain entities); and (vii) which meets certain other tests, described below, regarding the nature of its income and assets and the amount of its distributions. The Code provides that conditions (i) to (iv), inclusive, must be met during the entire taxable year and that condition (v) must be met during at least 335 days of a taxable year of twelve months, or during a

proportionate part of a taxable year of less than twelve months. Conditions (v) and (vi) will not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of conditions (v) and (vi), pension funds and certain other tax-exempt entities are treated as individuals, subject to a "look-through" exception in the case of condition (vi).

The Company believes that the conditions set forth above have been satisfied. The Company believes that it has issued sufficient shares of Common Stock with sufficient diversity of ownership pursuant to the Formation Transactions and the IPO to allow it to satisfy conditions (v) and (vi). In addition, the Articles of Incorporation provide for restrictions regarding the transfer and ownership of shares, which restrictions are intended to assist the Company in continuing to satisfy the share ownership requirements described in (v) and (vi) above. Such ownership and transfer restrictions are described under the caption "Description of Capital Stock -- Restrictions on Ownership and Transfer." These restrictions, however, may not ensure that the Company will, in all cases, be able to satisfy the share ownership requirements described above. If the Company fails to satisfy such share ownership requirements, the Company's status as a REIT will terminate; provided, however, if the Company complies with the rules contained in the applicable Treasury Regulations requiring the Company to attempt to ascertain the actual ownership of its shares, and the Company does not know, and would not have known through the exercise of reasonable diligence, whether it failed to meet the requirement set forth in condition (vi) above, the Company will be treated as having met such requirement. See "-- Failure of the Company to Qualify as a REIT." In addition, a corporation may not elect to become a REIT unless its taxable year is the calendar year. The Company has a calendar taxable year.

Termination of S Status. Prior to its merger into the Company, AMB believed that it validly elected to be taxed as an S corporation and that such election had not been revoked or otherwise terminated (except as provided below). In order to allow the Company to become a REIT, AMB revoked its S election shortly before its merger into the Company. If AMB was not an S corporation in 1997 (the calendar year in which the Formation Transactions occurred), the Company likely would not qualify as a REIT for its taxable year ended December 31, 1997 and perhaps subsequent years. See "Failure of the Company to Qualify as a REIT." In connection with the IPO, Latham & Watkins rendered an opinion regarding AMB's Federal income tax status as an S corporation, which opinion was based upon certain representations made by AMB as to factual matters and upon the opinion of counsel for certain shareholders of AMB, with respect to matters relating to the tax status of such shareholders.

Ownership of a Partnership Interest. In the case of a REIT which is a partner in a partnership, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to such share. In addition, the character of the assets and gross income of the partnership shall retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, the Company's proportionate share of the assets and items of income of the Operating Partnership (including the Operating Partnership's share of such items of any subsidiary partnerships, including the Joint Ventures) will be treated as assets and items of income of the Company for purposes of applying the requirements described herein. The rules described above will also apply to a REIT's membership interest in a limited liability company which is taxable as a partnership for income tax purposes. Accordingly, references to partnerships and their partners in this discussion of certain Federal income tax consequences shall include limited liability companies and their members, respectively. A summary of the rules governing the Federal income taxation of partnerships and their partners is provided below in "-- Tax Aspects of the Operating Partnership and the Joint Ventures." The Company has direct control of the Operating Partnership and operates it consistently with the requirements for qualification as a REIT. The Company, however, is a limited partner or non-managing member in certain of the Joint Ventures. If a Joint Venture takes or expects to take actions which could jeopardize the Company's status as a REIT or subject the Company to tax, the Company may be forced to dispose of its interest in such Joint Venture. In addition, it is possible that a Joint Venture could take an action which could cause the Company to fail a REIT income or

asset test, and that the Company would not become aware of such action in a time frame which would allow it to dispose of its interest in the Joint Venture or take other corrective action on a timely basis. In such a case, the Company could fail to qualify as a REIT.

The Company owns 100% of the stock of a subsidiary that is a qualified REIT subsidiary (a "QRS") and may acquire stock of one or more new subsidiaries. A corporation will qualify as a QRS if 100% of its stock is held by the Company. A QRS will not be treated as a separate corporation, and all assets, liabilities and items of income, deduction and credit of a QRS will be treated as assets, liabilities and such items (as the case may be) of the Company for all purposes of the Code, including the REIT qualification tests. For this reason, references under "Material Federal Income Tax Consequences" to the income and assets of the

Company shall include the income and assets of any QRS. A QRS will not be subject to Federal income tax and the Company's ownership of the voting stock of a QRS will not violate the restrictions against ownership of securities of any one issuer which constitute more than 10% of such issuer's voting securities or more than 5% of the value of the Company's total assets, as described below under "-- Asset Tests."

Income Tests. In order to maintain its qualification as a REIT, the Company annually must satisfy two gross income requirements. First, at least 75% of the Company's gross income (excluding gross income from prohibited transactions) for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property (including "rents from real property" and, in certain circumstances, interest) or from certain types of temporary investments. Second, at least 95% of the Company's gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from such real property investments, dividends, interest and gain from the sale or disposition of stock or securities (or from any combination of the foregoing).

Rents received by the Company will qualify as "rents from real property" in satisfying the gross income requirements for a REIT described above only if several conditions are met. First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of it being based on a fixed percentage or percentages of receipts or sales. Second, the Code provides that rents received from a tenant will not qualify as "rents from real property" in satisfying the gross income tests if the REIT, or an actual or constructive owner of 10% or more of the REIT, actually or constructively owns 10% or more of such tenant (a "Related Party Tenant"). Third, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as "rents from real property." Finally, for rents received to qualify as "rents from real property," the REIT generally must not operate or manage the property or furnish or render services to the tenants of such property, other than through an independent contractor from whom the REIT derives no revenue (subject to a 1% de minimis exception); provided, however, the REIT may directly perform certain services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property. The Company does not and will not, and as general partner of the Operating Partnership, has not and will not permit the Operating Partnership to (i) charge rent for any property that is based in whole or in part on the income or profits of any person (except by reason of rent being based on a percentage of receipts or sales, as described above), (ii) rent any property to a Related Party Tenant, (iii) derive rental income attributable to personal property (other than personal property leased in connection with the lease of real property, the amount of which is less than 15% of the total rent received under the lease) or (iv) perform services considered to be rendered to the occupant of the property, other than through an independent contractor from whom the Company derives no revenue. Notwithstanding the foregoing, the Company may have taken and may continue to take certain of the actions set forth in (i) through (iv) above to the extent such actions will not, based on the advice of tax counsel to the Company, jeopardize the Company's status as a REIT.

The term "interest" generally does not include any amount received or accrued (directly or indirectly) if the determination of such amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely by reason of it being based on a fixed percentage or percentages of receipts or sales. The Company has not derived

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and does not expect to derive significant amounts of interest that fail to qualify under the 75% or 95% gross income tests.

The Investment Management Partnership conducts the asset management business and receives fees (including incentive fees) in exchange for the provision of certain services to asset management clients. Such fees do not accrue to the Company, but the Company derives its allocable share of dividend income from AMB Investment Management through its interest in the Operating Partnership. Such dividend income qualifies under the 95%, but not the 75%, REIT gross income test. The Operating Partnership may provide certain management or administrative services to the Investment Management Partnership. The fees derived by the Operating Partnership as a result of the provision of such services will be nonqualifying income to the Company under both the 95% and 75% REIT income tests. The amount of such dividend and fee income will depend on a number of factors which cannot be determined with certainty, including the level of services provided by the Investment Management Partnership and the Operating Partnership. The Company will monitor the amount of the dividend income from the Investment Management Subsidiary and the fee income described above, and will take actions intended to keep this income (and any other nonqualifying income) within the limitations of the REIT income tests. However, there can be no assurance that such actions will in all cases prevent the Company from violating

a REIT income test.

If the Company fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for such year if it is entitled to relief under certain provisions of the Code. These relief provisions will be generally available if the Company's failure to meet such tests was due to reasonable cause and not due to willful neglect, the Company attaches a schedule of the sources of its income to its Federal income tax return, and any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible, however, to state whether in all circumstances the Company would be entitled to the benefit of these relief provisions. For example, if the Company fails to satisfy the gross income tests because nonqualifying income that the Company intentionally incurs exceeds the limits on such income, the IRS could conclude that the Company's failure to satisfy the tests was not due to reasonable cause. If these relief provisions are inapplicable to a particular set of circumstances involving the Company, the Company would not qualify as a REIT. As discussed above in "Material Federal Income Tax Consequences -- Taxation of the Company -- General," even if these relief provisions apply, a 100% tax would be imposed on an amount equal to (a) the gross income attributable to the greater of the amount by which the Company failed the 75% or 95% test multiplied by (b) a fraction intended to reflect the Company's profitability.

Any gain realized by the Company on the sale of any property held as inventory or other property held primarily for sale to customers in the ordinary course of business (including the Company's share of any such gain realized by the Operating Partnership) will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income may also have an adverse effect upon the Company's ability to satisfy the income tests for qualification as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances with respect to the particular transaction. The Company holds the Properties for investment with a view to long-term appreciation, engages in the business of acquiring, developing, owning and operating the Properties (and other properties) and makes such occasional sales of the Properties as are consistent with the Company's investment objectives. There can be no assurance, however, that the IRS might not contend that one or more of such sales is subject to the 100% penalty tax.

Asset Tests. The Company, at the close of each quarter of its taxable year, must also satisfy three tests relating to the nature of its assets. First, at least 75% of the value of the Company's total assets must be represented by real estate assets (including (i) its allocable share of assets held by partnerships in which the Company owns a direct or indirect interest, including the Operating Partnership and the Joint Ventures and (ii) stock or debt instruments held for not more than one year purchased with the proceeds of a stock offering or long-term (at least five years) public debt offering of the Company), cash, cash items and government securities. Second, not more than 25% of the Company's total assets may be represented by securities other than those in the 75% asset class. Third, of the investments included in the 25% asset class, the value of any

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one issuer's securities owned by the Company may not exceed 5% of the value of the Company's total assets and the Company may not own more than 10% of any one issuer's outstanding voting securities.

As described above, the Operating Partnership owns 100% of the non-voting preferred stock of AMB Investment Management, and by virtue of its ownership of interests in the Operating Partnership, the Company is considered to own its pro rata share of such stock. See "Structure of the Company." The stock of AMB Investment Management held by the Company (through the Operating Partnership) is not a qualifying real estate asset. The Operating Partnership does not and will not own any of the voting securities of AMB Investment Management, and therefore the Company (through the Operating Partnership) will not be considered to own more than 10% of the voting securities of AMB Investment Management. In addition, the Company believes (and has represented to tax counsel to the Company for purposes of its opinion, as described above) that the value of its pro rata share of the securities of AMB Investment Management held by the Operating Partnership does not exceed 5% of the total value of the Company's assets, and will not exceed such amount in the future. Tax counsel, in rendering its opinion as to the qualification of the Company as a REIT, has relied on the representation of the Company to such effect. No independent appraisals have been obtained to support this conclusion. There can be no assurance that the IRS will not contend that the value of the securities of AMB Investment Management held by the Company (through the Operating Partnership) exceeds the 5% value limitation. The 5% value test must be satisfied not only on the date that the Company (directly or through the Operating Partnership) acquires securities in AMB Investment Management, but also each time the Company increases its ownership of securities of AMB Investment Management, including as a result of increasing its interest in the Operating Partnership. For example, the Company's indirect ownership of securities of AMB Investment Management will increase as a

result of the Company's capital contributions to the Operating Partnership (such as the contribution of the net proceeds of the Offering) or as limited partners exercise their redemption/exchange rights. Although the Company believes that it presently satisfies the 5% value test and plans to take steps to ensure that it satisfies such test for any quarter with respect to which retesting is to occur, there can be no assurance that such steps will always be successful, or will not require a reduction in the Operating Partnership's overall interest in AMB Investment Management.

In addition, President Clinton's 1999 Federal budget proposal contains a provision which would amend the REIT asset tests so as to prohibit REITs from owning stock of a corporation possessing more than 10% of the vote or value of all classes of stock of the corporation (other than a QRS or another REIT). This proposal would be effective with respect to stock acquired on or after the date of the first Congressional committee action with respect to the proposal (the "Action Date"). In addition, to the extent that a REIT's stock ownership is grandfathered by virtue of this effective date, such grandfathered status would terminate if the subsidiary corporation engages in a trade or business that it is not engaged in on the Action Date or acquires substantial new assets on or after such date. Accordingly, if this provision of the budget proposal is enacted in its present form, the Company's stock ownership in AMB Investment Management would be grandfathered, but such grandfathered status would terminate if AMB Investment Management engages in a trade or business that it is not engaged in on the Action Date or acquires substantial new assets on or after such date, even if such activities are undertaken prior to the adoption of the proposal. It is presently uncertain whether any proposal regarding REIT subsidiaries, such as AMB Investment Management, will be enacted, or if enacted, what the terms of such proposal (including its effective date) will be.

After initially meeting the asset tests at the close of any quarter, the Company will not lose its status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If the failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter (including as a result of the Company increasing its interest in the Operating Partnership), the failure can be cured by the disposition of sufficient nonqualifying assets within 30 days after the close of that quarter. The Company intends to maintain adequate records of the value of its assets to ensure compliance with the asset tests and to take such other actions within 30 days after the close of any quarter as may be required to cure any noncompliance. If the Company fails to cure noncompliance with the asset tests within such time period, the Company would cease to qualify as a REIT.

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Annual Distribution Requirements. The Company, in order to qualify as a REIT, is required to distribute dividends (other than capital gain dividends) to its stockholders in an amount at least equal to (i) the sum of (a) 95% of the Company's "REIT taxable income" (computed without regard to the dividends paid deduction and by excluding the Company's net capital gain) and (b) 95% of the excess of the net income, if any, from foreclosure property over the tax imposed on such income, minus (ii) the excess of the sum of certain items of noncash income (i.e., income attributable to leveled stepped rents, original issue discount or purchase money debt, or a like-kind exchange that is later determined to be taxable) over 5% of "REIT taxable income" as described in clause (i)(a) above. In addition, if the Company disposes of any Built-In Gain Asset during its Recognition Period, the Company will be required, pursuant to Treasury Regulations which have not yet been promulgated, to distribute at least 95% of the Built-In Gain (after tax), if any, recognized on the disposition of such asset. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Company timely files its tax return for such year and if paid on or before the first regular dividend payment after such declaration. Such distributions are taxable to holders of the Company's capital stock (other than tax-exempt entities, as discussed below) in the year in which paid, even though such distributions relate to the prior year for purposes of the Company's 95% distribution requirement. The amount distributed must not be preferential -- i.e., each holder of shares of Common Stock must receive the same distribution per share, and each holder of shares of Series A Preferred Stock must receive the same distribution per share. To the extent that the Company does not distribute all of its net capital gain or distributes at least 95%, but less than 100%, of its "REIT taxable income," as adjusted, it will be subject to tax thereon at regular ordinary and capital gain corporate tax rates. The Company currently makes timely distributions sufficient to satisfy these annual distribution requirements. In this regard, the Partnership Agreement authorizes the Company, as general partner, to take such steps as may be necessary to cause the Operating Partnership to distribute to its partners an amount sufficient to permit the Company to meet these distribution requirements.

It is expected that the Company's REIT taxable income will be less than its cash flow due to the allowance of depreciation and other non-cash charges in computing REIT taxable income. Accordingly, the Company anticipates that it will



generally have sufficient cash or liquid assets to enable it to satisfy the distribution requirements described above. It is possible, however, that the Company, from time to time, may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between (i) the actual receipt of income and actual payment of deductible expenses and (ii) the inclusion of such income and deduction of such expenses in arriving at taxable income of the Company. In the event that such timing differences occur, in order to meet the distribution requirements, the Company may find it necessary to arrange for short-term, or possibly long-term, borrowings or to pay dividends in the form of taxable stock dividends.

If the Company fails to meet the 95% distribution test due to certain adjustments (e.g., an increase in the Company's income or a decrease in its deduction for dividends paid) by reason of a judicial decision or by agreement with the IRS, the Company may be able to pay a "deficiency dividend" to its stockholders in the taxable year of the adjustment, which dividend would relate back to the year being adjusted. In such case, the Company would also be required to pay interest to the IRS and would be subject to any applicable penalty provisions.

Furthermore, if the Company should fail to distribute during each calendar year (or in the case of distributions with declaration and record dates falling in the last three months of the calendar year, by the end of the following January) at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain income for such year and (iii) any undistributed taxable income from prior periods, the Company would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. Any REIT taxable income and net capital gain on which this excise tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating such tax.

Earnings and Profits Distribution Requirement. In order to qualify as a REIT, the Company cannot have at the end of any taxable year any undistributed "earnings and profits" that are attributable to a "C corporation" taxable year (i.e., a year in which a corporation is neither a REIT nor an S corporation). In connection with the Formation Transactions, the Company succeeded to various tax attributes of AMB, CIF

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and VAF (if the mergers of CIF and VAF into AMB (the "Private REIT Mergers") were treated as tax-free reorganizations under the Code), including any undistributed C corporation earnings and profits of such corporations. If AMB qualified as an S corporation for each year in which its activities would have created earnings and profits, and each of CIF and VAF qualified as a REIT during its existence and its Merger into the Company was treated as a tax-free reorganization under the Code, then such corporations would not have any undistributed C corporation earnings and profits. If, however, (i) either CIF or VAF failed to qualify as a REIT throughout the duration of its existence, or (ii) AMB failed to qualify as an S corporation for any year in which its activities would have created earnings and profits, then the Company would have acquired undistributed C corporation earnings and profits that, if not distributed by the Company prior to the end of its first taxable year, would prevent the Company from qualifying as a REIT.

The Company believes that each of CIF and VAF qualified as a REIT throughout the duration of its existence and that, in any event, neither CIF nor VAF had any undistributed C corporation earnings and profits at the time of the applicable Private REIT Merger. The Company believes that AMB qualified as an S corporation since its 1989 taxable year and that its activities prior to such year did not create any earnings and profits. In addition, in connection with the IPO, counsel to CIF and VAF rendered opinions with respect to each such corporation's qualification as a REIT for Federal income tax purposes, and Latham & Watkins rendered an opinion with respect to AMB's status as an S corporation for Federal income tax purposes. Such opinions were based on certain representations and assumptions. There can be no assurance, however, that the IRS would not contend otherwise on a subsequent audit of one or more of AMB, CIF or VAF.

#### FAILURE OF THE COMPANY TO QUALIFY AS A REIT

If the Company fails to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, the Company will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Distributions to stockholders in any year in which the Company fails to qualify will not be deductible by the Company nor will they be required to be made. As a result, the Company's failure to qualify as a REIT would substantially reduce the cash available for distribution by the Company to its stockholders. In addition, if the Company fails to qualify as a REIT, all distributions to stockholders will be taxable as ordinary income to the extent of the Company's current and accumulated earnings and profits and, subject to certain limitations of the Code, corporate distributees may be eligible for the dividends-received deduction. Unless entitled to relief under specific statutory provisions, the Company would also be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances the Company would be

entitled to such statutory relief. In addition, a recent Federal budget proposal contains a provision which, if enacted in its present form, would result in the immediate taxation of all gain inherent in a C corporation's assets upon an election by the corporation to become a REIT in taxable years beginning after January 1, 1999, and thus could effectively preclude the Company from re-electing to be taxed as a REIT following a loss of its REIT status.

#### TAX ASPECTS OF THE OPERATING PARTNERSHIP AND THE JOINT VENTURES

General. Substantially all of the Company's investments are held indirectly through the Operating Partnership. In addition, the Operating Partnership holds certain of its investments indirectly through the Joint Ventures. In general, partnerships are "pass-through" entities which are not subject to Federal income tax. Rather, partners are allocated their proportionate shares of the items of income, gain, loss, deduction and credit of a partnership, and are potentially subject to tax thereon, without regard to whether the partners receive a distribution from the partnership. The Company includes in its income its proportionate share of the foregoing partnership items for purposes of the various REIT income tests and in the computation of its REIT taxable income. Moreover, for purposes of the REIT asset tests, the Company includes its proportionate share of assets held by the Operating Partnership and the Joint Ventures. See "-- Taxation of the Company -- Ownership of Partnership Interests by a REIT."

Entity Classification. The Company's interests in the Operating Partnership and the Joint Ventures involve special tax considerations, including the possibility of a challenge by the IRS of the status of any of such partnerships as a partnership (as opposed to an association taxable as a corporation) for Federal income

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tax purposes. If the Operating Partnership or any of the Joint Ventures were treated as an association, it would be taxable as a corporation and therefore be subject to an entity-level tax on its income. In such a situation, the character of the Company's assets and items of gross income would change and preclude the Company from satisfying the asset tests and possibly the income tests (see "Taxation of the Company -- Requirements for Qualification" and "-- Asset Tests" and "-- Income Tests"), and, in turn, would prevent the Company from qualifying as a REIT. See "-- Taxation of the Company -- Failure of the Company to Qualify as a REIT" above for a discussion of the effect of the Company's failure to meet such tests for a taxable year. In addition, a change in the status of the Operating Partnership or any of the Joint Ventures for tax purposes might be treated as a taxable event, in which case the Company might incur a tax liability without any related cash distributions.

The IRS has issued certain Treasury Regulations (the "Final Regulations") which provide that a domestic business entity not otherwise classified as a corporation and which has at least two members (an "Eligible Entity") may elect to be taxed as a partnership for Federal income tax purposes. The Final Regulations apply for tax periods beginning on or after January 1, 1997 (the "Effective Date"). The Company has not requested, and does not intend to request, a ruling from the IRS that the Operating Partnership or any of the Joint Ventures will be treated as a partnership for Federal income tax purposes. However, the Company believes that the Operating Partnership and each of the Joint Ventures will be so treated.

Allocations of Operating Partnership Income, Gain, Loss and Deduction. The Partnership Agreement generally provides that all items of operating income and loss shall be allocated to its partners in proportion to the number of Units or Performance Units held by each Unitholder. The allocation of gain or loss relating to the disposition of the Operating Partnership's assets upon liquidation is allocated first to the partners in the amounts necessary, in general, to equalize the Company's and the limited partners' per unit capital accounts, with any special allocation of gain to the holders of Performance Units being offset by a reduction in the gain allocation to the Company and Unitholders which were Performance Investors. However, the Partnership Agreement will be amended to provide for preferred distributions of cash and preferred allocations of income to the Company in an amount equal to the dividends payable by the Company on the Series A Preferred Stock. As a consequence, the Company will receive distributions from the Operating Partnership sufficient to pay dividends on Series A Preferred Stock before any other partner in the Operating Partnership receives a distribution. In addition, if necessary, income will be specially allocated to the Company and losses will be allocated to the other partners of the Operating Partnership in amounts necessary to ensure that the balance in the Company's capital account will at all times be equal to or in excess of the amount payable by the Company on the Series A Preferred Stock upon liquidation or redemption.

Although a partnership agreement will generally determine the allocation of income and loss among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder. Generally, Section 704(b) and the Treasury Regulations promulgated thereunder require that partnership allocations respect the economic arrangement of the partners. Accordingly, as required by Section 704(b) of the Code, the Partnership Agreement provides for

certain "regulatory" allocations which, among other things, may defer the allocation of losses to the limited partners of the Operating Partnership. If an allocation is not respected under Section 704(b) of the Code for Federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. The allocations of taxable income and loss provided for in the Partnership Agreement are intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder.

Pursuant to Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss is generally equal to the difference between the fair market value of contributed property at the time of contribution and the adjusted tax basis of such property at such time (a

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"Book-Tax Difference"). Such allocations are solely for Federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The Operating Partnership was formed by way of contributions of property (such as the property contributed by certain Individual Account Investors, property contributed by the Company, which the Company acquired as successor to CIF and VAF, if the Private REIT Mergers qualified as tax-free reorganizations, and property contributed by certain other parties subsequent to the Formation Transactions) which had a fair market value which differed from its adjusted tax basis at the time of contribution. Consequently, the Partnership Agreement requires that such allocations be made in a manner consistent with Section 704(c) of the Code.

In general, the partners of the Operating Partnership who contributed assets having an adjusted tax basis less than their fair market value at the time of contribution will be allocated depreciation deductions for tax purposes which are lower than such deductions would have been if determined on a pro rata basis. In addition, in the event of the disposition of any of the contributed assets which have such a Book-Tax Difference, all income attributable to such Book-Tax Difference generally will be allocated to such contributing partners. These allocations will tend to eliminate the Book-Tax Difference over the life of the Operating Partnership. However, the special allocation rules of Section 704(c) do not always entirely eliminate the Book-Tax Difference on an annual basis or with respect to a specific taxable transaction such as a sale. Thus, the carryover basis of the contributed assets in the hands of the Operating Partnership may cause the Company or other partners to be allocated lower depreciation and other deductions, and possibly an amount of taxable income in the event of a sale of such contributed assets in excess of the economic or book income allocated to it as a result of such sale. Such an allocation might cause the Company or other partners to recognize taxable income in excess of cash proceeds, which might adversely affect the Company's ability to comply with the REIT distribution requirements. See "-- Taxation of the Company -- Requirements for Qualification" and "-- Annual Distribution Requirements."

Treasury Regulations under Section 704(c) of the Code provide a partnership with a choice of several methods of accounting for Book-Tax Differences, including retention of the "traditional method" or the election of certain methods which would permit any distortions caused by a Book-Tax Difference to be entirely rectified on an annual basis or on a specific taxable transaction such as a sale. The Operating Partnership and the Company intend to use the "traditional method" to account for Book-Tax Differences with respect to the Properties which have previously been contributed to the Operating Partnership, but they have not yet determined which method they will use to account for Book-Tax Differences with respect to properties to be contributed to the Operating Partnership in the future.

With respect to any property purchased for cash by the Operating Partnership, such property will initially have a tax basis equal to its fair market value, and Section 704(c) of the Code will not apply.

#### TAXATION OF TAXABLE U.S. STOCKHOLDERS GENERALLY

As used herein, the term "U.S. Stockholder" means a holder of shares of Series A Preferred Stock who (for United States Federal income tax purposes) (i) is a citizen or resident of the United States, (ii) is a corporation, partnership or other entity created or organized in or under the laws of the United States or of any state thereof or the District of Columbia (unless, in the case of a partnership, Treasury Regulations provide otherwise), (iii) is an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) is a trust the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in regulations, certain trusts in existence on August 20, 1996, and

treated as United States persons prior to such date that elect to continue to be treated as United States persons, shall also be considered U.S. Stockholders.

Dividends and Other Distributions. As long as the Company qualifies as a REIT, distributions made by the Company out of its current or accumulated earnings and profits (and not designated as capital gain dividends) will constitute dividends taxable to taxable U.S. Stockholders as ordinary income. Such distributions will not be eligible for the dividends-received deduction otherwise available with respect to dividends received by U.S. Stockholders that are corporations. For purposes of determining whether distributions are out

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of current or accumulated earnings and profits, the earnings and profits of the Company will be allocated first to the Series A Preferred Stock and then to the Company's Common Stock.

If the Company properly designates any portion of a dividend as a "capital gain dividend," a holder's share of such capital gain dividend would be an amount which bears the same ratio to the total amount of dividends paid to such holder for the year as the aggregate amount designated as a capital gain dividend bears to the aggregate amount of all dividends paid on all classes of shares of the Company's capital stock for the year. Distributions made by the Company that are treated as capital gain dividends will be taxable to taxable U.S. Stockholders as gains (to the extent that they do not exceed the Company's actual net capital gain for the taxable year) from the sale or disposition of a capital asset. Depending upon the period of time that the Company held the assets to which such gains were attributable, and upon certain designations, if any, which may be made by the Company, such gains may be taxable to non-corporate U.S. Stockholders at a rate of either 20%, 25% or 28%. U.S. Stockholders that are corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income. To the extent that the Company makes distributions (not designated as capital gain dividends) in excess of its current and accumulated earnings and profits, such distributions will be treated first as a tax-free return of capital to each U.S. Stockholder, reducing the adjusted basis which such U.S. Stockholder has in his or her shares of Series A Preferred Stock for tax purposes by the amount of such distribution (but not below zero), with distributions in excess of a U.S. Stockholder's adjusted basis in his shares taxable as capital gains (provided that the shares have been held as a capital asset). With respect to non-corporate U.S. Stockholders, amounts described as being treated as capital gains in the preceding sentence will be taxable as long-term capital gains if the shares to which such gains are attributable have been held for more than eighteen months, mid-term capital gains if such shares have been held for more than one year but not more than eighteen months, or short-term capital gains if such shares have been held for one year or less). Dividends declared by the Company in October, November or December of any year and payable to a stockholder of record on a specified date in any such month shall be treated as both paid by the Company and received by the stockholder on December 31 of such year; provided that the dividend is actually paid by the Company on or before January 31 of the following calendar year. Stockholders may not include in their own income tax returns any net operating losses or capital losses of the Company.

Distributions made by the Company and gain arising from the sale or exchange by a U.S. Stockholder of shares of Series A Preferred Stock will not be treated as passive activity income, and, as a result, U.S. Stockholders generally will not be able to apply any "passive losses" against such income or gain. Distributions made by the Company (to the extent they do not constitute a return of capital) generally will be treated as investment income for purposes of computing the investment interest limitation. Gain arising from the sale or other disposition of Series A Preferred Stock (or distributions treated as such), however, will not be treated as investment income under certain circumstances.

The Company may elect to retain, rather than distribute as a capital gain dividend, its net long-term capital gains. In such event, the Company would pay tax on such retained net long-term capital gains. In addition, to the extent designated by the Company, a U.S. Stockholder generally would (i) include its proportionate share of such undistributed long-term capital gains in computing its long-term capital gains in its return for its taxable year in which the last day of the Company's taxable year falls (subject to certain limitations as to the amount so includable), (ii) be deemed to have paid the capital gains tax imposed on the Company on the designated amounts included in such U.S. Stockholder's long-term capital gains, (iii) receive a credit or refund for such amount of tax deemed paid by it, (iv) increase the adjusted basis of its shares of Series A Preferred Stock by the difference between the amount of such includable gains and the tax deemed to have been paid by it and (v) in the case of a U.S. Stockholder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury Regulations to be prescribed by the IRS.

Upon any sale, exchange or other disposition of Series A Preferred Stock to or with a person other than the Company, a U.S. Stockholder will generally recognize gain or loss for federal income tax purposes in an amount equal to the difference between (i) the amount of cash and the fair market value of any other

property received on such sale or other disposition (less any portion thereof attributable to accumulated and declared but unpaid distributions that the selling stockholder is entitled to receive, which would have been character-

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ized as a dividend to the extent of the Company's current and accumulated earnings and profits) and (ii) the holder's adjusted tax basis in such shares of Series A Preferred Stock for tax purposes. Such gain or loss will be capital gain or loss if the shares have been held by the U.S. Stockholder as a capital asset, and, in the case of a non-corporate U.S. Stockholder, will be mid-term or long-term gain or loss if such shares have been held for more than one year or more than eighteen months, respectively. In general, any loss recognized by a U.S. Stockholder upon the sale or other disposition of shares of Series A Preferred Stock that have been held for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss, to the extent of distributions received by such U.S. Stockholder from the Company which were required to be treated as long-term capital gains.

Redemption of Series A Preferred Stock. A redemption of shares of the Series A Preferred Stock will be treated under Section 302 of the Code as a distribution taxable as a dividend (to the extent of the Company's current and accumulated earnings and profits) at ordinary income rates unless the redemption satisfies one of the tests set forth in Section 302(b) of the Code and is therefore treated as a sale or exchange of the redeemed shares. The redemption will be treated as a sale or exchange if it (i) is "substantially disproportionate" with respect to the holder, (ii) results in a "complete termination" of the holder's stock interest in the Company or (iii) is "not essentially equivalent to a dividend" with respect to the holder, all within the meaning of Section 302(b) of the Code. In determining whether any of these tests have been met, shares of capital stock (including Common Stock and other equity interests in the Company) considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Code, as well as shares of capital stock actually owned by the holder, must generally be taken into account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Code will be satisfied with respect to any particular holder of the Series A Preferred Stock depends upon the facts and circumstances at the time that the determination must be made, prospective holders of the Series A Preferred Stock are advised to consult their own tax advisors to determine such tax treatment.

If a redemption of shares of the Series A Preferred Stock is not treated as a distribution taxable as a dividend to a particular holder, it will be treated, as to that holder, as a taxable sale or exchange. As a result, such holder will recognize gain or loss for federal income tax purposes in an amount equal to the difference between (i) the amount of cash and the fair market value of any property received (less any portion thereof attributable to accumulated and declared but unpaid dividends, which will be taxable as a dividend to the extent of the Company's current and accumulated earnings and profits) and (ii) the holder's adjusted basis in the shares of the Series A Preferred Stock for tax purposes. Such gain or loss will be capital gain or loss if the shares have been held as a capital asset, and, in the case of a non-corporate U.S. Stockholder, will be mid-term or long-term capital gain or loss if such shares have been held for more than one year or more than eighteen months, respectively. In general, any loss recognized by a U.S. Stockholder upon a redemption treated as a sale or exchange of shares of Series A Preferred Stock that have been held for six months or less (after applying certain holding period rules) will be treated as long-term capital loss, to the extent of distributions received by such U.S. Stockholder from the Company which were required to be treated as long-term capital gains.

If a redemption of shares of the Series A Preferred Stock is treated as a distribution taxable as a dividend, the amount of the distribution will be measured by the amount of cash and the fair market value of any property received by the holder. The holder's adjusted basis in the redeemed shares of the Series A Preferred Stock for tax purposes will be transferred to the holder's remaining shares of capital stock in the Company, if any. If the holder owns no other shares of capital stock in the Company, such basis may, under certain circumstances, be transferred to a related person or it may be lost entirely.

Backup Withholding. The Company reports to its U.S. Stockholders and the IRS the amount of dividends paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, a stockholder may be subject to backup withholding at the rate of 31% with respect to dividends paid unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (ii) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A U.S. Stockholder that does not provide the Company with his correct taxpayer

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identification number may also be subject to penalties imposed by the IRS.

Backup withholding is not an additional tax. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. In addition, the Company may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status to the Company. See "-- Taxation of Non-U.S. Stockholders."

Taxation of Tax-Exempt Stockholders. The IRS has ruled that amounts distributed as dividends by a qualified REIT do not constitute unrelated business taxable income ("UBTI") when received by a tax-exempt entity. Based on that ruling, provided that a tax-exempt stockholder (except certain tax-exempt stockholders described below) has not held its shares of Series A Preferred Stock as "debt financed property" within the meaning of the Code and such shares are not otherwise used in a trade or business, the dividend income from the Company will not be UBTI to a tax-exempt stockholder. Similarly, income from the sale of Series A Preferred Stock will not constitute UBTI unless such tax-exempt stockholder has held such shares as "debt financed property" within the meaning of the Code or has used the shares in a trade or business.

For tax-exempt stockholders which are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts or qualified group legal services plans exempt from Federal income taxation under Code Sections 501(c)(7), (c)(9), (c)(17) or (c)(20), respectively, income from an investment in the Company will constitute UBTI unless the organization is able to properly deduct amounts set aside or placed in reserve for certain purposes so as to offset the income generated by its investment in the Company. Such prospective investors should consult their own tax advisors concerning these "set aside" and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a "pension held REIT" shall be treated as UBTI as to any trust which (i) is described in Section 401(a) of the Code, (ii) is tax-exempt under Section 501(a) of the Code and (iii) holds more than 10% (by value) of the interests in the REIT. Tax-exempt pension funds that are described in Section 401(a) of the Code are referred to below as "qualified trusts."

A REIT is a "pension held REIT" if (i) it would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Code provides that stock owned by qualified trusts shall be treated, for purposes of the "not closely held" requirement, as owned by the beneficiaries of the trust (rather than by the trust itself), and (ii) either (a) at least one such qualified trust holds more than 25% (by value) of the interests in the REIT, or (b) one or more such qualified trusts, each of which owns more than 10% (by value) of the interests in the REIT, hold in the aggregate more than 50% (by value) of the interests in the REIT. The percentage of any REIT dividend treated as UBTI is equal to the ratio of (i) the UBTI earned by the REIT (treating the REIT as if it were a qualified trust and therefore subject to tax on UBTI) to (ii) the total gross income of the REIT. A de minimis exception applies where the percentage is less than 5% for any year. The provisions requiring qualified trusts to treat a portion of REIT distributions as UBTI will not apply if the REIT is able to satisfy the "not closely held" requirement without relying upon the "look-through" exception with respect to qualified trusts. As a result of certain limitations on transfer and ownership of Common Stock and Series A Preferred Stock contained in the Articles of Incorporation and the Articles Supplementary, the Company does not expect to be classified as a "pension held REIT."

#### TAXATION OF NON-U.S. STOCKHOLDERS

The rules governing United States Federal income taxation of the ownership and disposition of stock by persons that are, for purposes of such taxation, nonresident alien individuals, foreign corporations, foreign partnerships or foreign estates or trusts (collectively, "Non-U.S. Stockholders") are complex, and no attempt is made herein to provide more than a brief summary of such rules. Accordingly, the discussion does not address all aspects of United States Federal income tax and does not address state, local or foreign tax consequences that may be relevant to a Non-U.S. Stockholder in light of its particular circumstances, including, for example, if the investment in the Company is connected to the conduct by a Non-U.S. Stockholder of a U.S. trade or business. In addition, this discussion is based on current law, which is subject to change, and assumes that the Company qualifies for taxation as a REIT. Prospective Non-U.S. Stockholders

should consult with their own tax advisors to determine the impact of Federal, state, local and foreign income tax laws with regard to an investment in the Series A Preferred Stock, including any reporting requirements.

Distributions. Distributions by the Company to a Non-U.S. Stockholder that are neither attributable to gain from sales or exchanges by the Company of United States real property interests nor designated by the Company as capital gains dividends will be treated as dividends of ordinary income to the extent that they are made out of current or accumulated earnings and profits of the Company. Such distributions ordinarily will be subject to withholding of United States Federal income tax on a gross basis (that is, without allowance of

deductions) at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, unless the dividends are treated as effectively connected with the conduct by the Non-U.S. Stockholder of a United States trade or business or, if an income tax treaty applies, as attributable to a United States permanent establishment of the Non-U.S. Stockholder. Dividends that are effectively connected with such a United States trade or business (or, if an income tax treaty applies, that are attributable to a United States permanent establishment of the Non-U.S. Stockholder) will be subject to tax on a net basis (that is, after allowance of deductions) at graduated rates, in the same manner as U.S. Stockholders are taxed with respect to such dividends and are generally not subject to withholding. Any such dividends received by a Non-U.S. Stockholder that is a corporation may also be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

Pursuant to current Treasury Regulations, dividends paid to an address in a country outside the United States are generally presumed to be paid to a resident of such country for purposes of determining the applicability of withholding discussed above and the applicability of a tax treaty rate. Under certain treaties, lower withholding rates generally applicable to dividends do not apply to dividends from a REIT, such as the Company. Certain certification and disclosure requirements must be satisfied to be exempt from withholding under the effectively connected income and permanent establishment exemptions discussed above.

Distributions in excess of current and accumulated earnings and profits of the Company will not be taxable to a Non-U.S. Stockholder to the extent that such excess distributions do not exceed the adjusted basis of the stockholder's Series A Preferred Stock, but rather will reduce the adjusted basis of such stock. If, at the time of the distribution, the Company is not a "domestically-controlled REIT," then the Series A Preferred Stock will constitute a "United States real property interest" and the distribution will therefore be subject to the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). See "-- Sale of Series A Preferred Stock" below. For FIRPTA withholding purposes (discussed below), such distributions (i.e., distributions that are not made out of earnings and profits) will be treated as consideration for the sale or exchange of shares of Series A Preferred Stock. To the extent that such distributions exceed the adjusted basis of a Non-U.S. Stockholder's Series A Preferred Stock, they will give rise to gain from the sale or exchange of his or her stock, the tax treatment of which is described below. If it cannot be determined at the time a distribution is made whether or not such distribution will be in excess of current and accumulated earnings and profits, the distribution will generally be treated as a dividend for withholding purposes. However, amounts thus withheld are generally refundable if it is subsequently determined that such distribution was, in fact, in excess of current and accumulated earnings and profits of the Company. A Non-U.S. Stockholder may obtain such a refund by filing the appropriate claim for refund with the IRS.

Distributions to a Non-U.S. Stockholder that are designated by the Company at the time of distribution as capital gains dividends (other than those arising from the disposition of a United States real property interest) generally will not be subject to United States Federal income taxation, unless (i) investment in the Series A Preferred Stock is effectively connected with the Non-U.S. Stockholder's United States trade or business (or, if an income tax treaty applies, is attributable to a United States permanent establishment of the Non-U.S. Stockholder), in which case the Non-U.S. Stockholder will be subject to the same treatment as domestic stockholders with respect to such gain (except that a stockholder that is a foreign corporation may also be subject to the 30% branch profits tax, as discussed above) or (ii) the Non-U.S. Stockholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

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Distributions to a Non-U.S. Stockholder that are attributable to gain from sales or exchanges by the Company of United States real property interests will cause the Non-U.S. Stockholder to be treated as recognizing such gain as income effectively connected with a United States trade or business. A Non-U.S. Stockholder would thus generally be entitled to offset its gross income by allowable deductions and would pay tax on the resulting taxable income at the same rates applicable to domestic stockholders (subject to a special alternative minimum tax in the case of nonresident alien individuals). Also, such gain may be subject to a 30% branch profits tax in the hands of a Non-U.S. Stockholder that is a corporation and is not entitled to treaty relief or exemption, as discussed above. The Company is required to withhold tax equal to 35% of the amount of any such distribution. That amount is creditable against the Non-U.S. Stockholder's United States Federal income tax liability. To the extent that such withholding exceeds the actual tax owed by the Non-U.S. Stockholder, the Non-U.S. Stockholder may claim a refund from the IRS.

The Company or any nominee (e.g., a broker holding shares in street name) may rely on a certificate of non-foreign status on Form W-8 or Form W-9 to

determine whether withholding is required on gains realized from the disposition of United States real property interests. A domestic person who holds shares of Series A Preferred Stock on behalf of a Non-U.S. Stockholder will generally bear the burden of withholding, provided that the Company has properly provided a required notice and certain other requirements are met.

Sale of Series A Preferred Stock. Gain recognized by a Non-U.S. Stockholder upon the sale or exchange of shares of Series A Preferred Stock generally will not be subject to United States taxation unless such shares constitute a "United States real property interest" within the meaning of FIRPTA. The Series A Preferred Stock will not constitute a "United States real property interest" so long as the Company is a "domestically-controlled REIT." A "domestically-controlled REIT" is a REIT in which at all times during a specified testing period less than 50% in value of its stock is held directly or indirectly by Non-U.S. Stockholders. The Company believes that it will be a "domestically-controlled REIT," and therefore that the sale of shares of Series A Preferred Stock will not be subject to taxation under FIRPTA. However, because the shares of Common Stock and Series A Preferred Stock will be publicly traded, no assurance can be given that the Company will continue to be a "domestically-controlled REIT." Notwithstanding the foregoing, gain from the sale or exchange of shares of Series A Preferred Stock not otherwise subject to FIRPTA will be taxable to a Non-U.S. Stockholder if (i) the Non-U.S. Stockholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the nonresident alien individual will be subject to a 30% United States withholding tax on the amount of such individual's gain, or (ii) the investment in Series A Preferred Stock is effectively connected with the non-U.S. Stockholder's United States trade or business, in which case the Non-U.S. Stockholder will be subject to tax in the same manner as U.S. Stockholders with respect to such gain (except that a 30% branch profits tax may also apply as discussed above).

If the Company does not qualify as, or ceases to be, a "domestically-controlled REIT," gain arising from the sale or exchange by a Non-U.S. Stockholder of shares of Series A Preferred Stock would be subject to United States taxation under FIRPTA as a sale of a "United States real property interest" unless the shares are "regularly traded" (as defined by applicable Treasury Regulations) on an established securities market (e.g., the New York Stock Exchange) and the selling Non-U.S. Stockholder held no more than 5% (after applying certain constructive ownership rules) of the shares of Series A Preferred Stock during the shorter of (i) the period during which the taxpayer held such shares or (ii) the five-year period ending on the date of the disposition of such shares. If gain on the sale or exchange of shares of Series A Preferred Stock were subject to taxation under FIRPTA, the Non-U.S. Stockholder may be subject to regular United States income tax with respect to such gain in the same manner as a U.S. Stockholder (subject to any applicable alternative minimum tax, a special alternative minimum tax in the case of nonresident alien individuals and the possible application of the 30% branch profits tax in the case of foreign corporations), and the purchaser of the stock would be required to withhold and remit to the IRS 10% of the purchase price. The 10% withholding tax will not apply if the shares are "regularly traded" on an established securities market.

Backup Withholding Tax and Information Reporting. Backup withholding tax (which generally is a withholding tax imposed at the rate of 31% on certain payments to persons that fail to furnish certain information under the United States information reporting requirements) and information reporting will

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generally not apply to distributions paid to Non-U.S. Stockholders outside the United States that are treated as (i) dividends subject to the 30% (or lower treaty rate) withholding tax discussed above, (ii) capital gains dividends or (iii) distributions attributable to gain from the sale or exchange by the Company of United States real property interests. As a general matter, backup withholding and information reporting will not apply to a payment of the proceeds of a sale of Series A Preferred Stock by or through a foreign office of a foreign broker. Information reporting (but not backup withholding) will apply, however, to a payment of the proceeds of a sale of Series A Preferred Stock by a foreign office of a broker that (a) is a United States person, (b) derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States or (c) is a "controlled foreign corporation" (generally, a foreign corporation controlled by United States stockholders) for United States tax purposes, unless the broker has documentary evidence in its records that the holder is a Non-U.S. Stockholder and certain other conditions are met, or the stockholder otherwise establishes an exemption. Payment to or through a United States office of a broker of the proceeds of a sale of Series A Preferred Stock is subject to both backup withholding and information reporting unless the stockholder certifies under penalty of perjury that the stockholder is a Non-U.S. Stockholder, or otherwise establishes an exemption. Backup withholding is not an additional tax. A Non-U.S. Stockholder may obtain a refund of any amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS.



New Withholding Regulations. Final regulations dealing with withholding tax on income paid to foreign persons and related matters (the "New Withholding Regulations") were recently promulgated. In general, the New Withholding Regulations do not significantly alter the substantive withholding and information reporting requirements, but unify current certification procedures and forms and clarify reliance standards. For example, the New Withholding Regulations provide a certification rule under which a foreign stockholder who wishes to claim the benefit of an applicable treaty rate with respect to dividends received from a United States corporation will be required to satisfy certain certification and other requirements. In addition, the New Withholding Regulations require a corporation that is a REIT to treat as a dividend the portion of a distribution that is not designated as a capital gain dividend or return of basis and apply the 30% withholding tax (subject to any applicable deduction or exemption) to such portion, and to apply the FIRPTA withholding rules (discussed above) with respect to the portion of the distribution designated by the REIT as capital gain dividend. The New Withholding Regulations will generally be effective for payments made after December 31, 1999, subject to certain transition rules. THE DISCUSSION SET FORTH ABOVE IN "TAXATION OF NON-U.S. STOCKHOLDERS" DOES NOT TAKE THE NEW WITHHOLDING REGULATIONS INTO ACCOUNT. PROSPECTIVE NON-U.S. STOCKHOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE NEW WITHHOLDING REGULATIONS.

#### TAX LIABILITIES AND ATTRIBUTES INHERITED FROM PREDECESSORS

Pursuant to the Formation Transactions, the Company succeeded to certain of the assets and liabilities of the entities which participated in the Formation Transactions, including potential tax liabilities of such entities. For instance, as a result of the Private REIT Mergers and the merger of AMB into the Company, the Company acquired all of the assets and liabilities of CIF, VAF and AMB, including any tax liabilities of such corporations. The tax treatment of the Private REIT Mergers is not certain. However, the Company intends to take the position that such mergers qualified as tax-free reorganizations under the Code. If either of the Private REIT Mergers did not qualify as a tax-free reorganization under the Code, such Private REIT Merger would be treated as a taxable sale by CIF or VAF (each a "Private REIT") of its assets to the Company in exchange for shares of Common Stock of the Company, followed by the Private REIT's distribution to its stockholders of such shares in a taxable liquidation. In this case, such Private REIT would recognize gain on this deemed taxable sale. However, assuming each Private REIT at all times qualified for taxation as a REIT, in calculating its taxable income, it should be entitled to a deduction in an amount equal to the lesser of (i) its earnings and profits for its taxable year ending with the Private REIT Merger (including the earnings and profits arising from the deemed sale of the assets to the Company) or (ii) the fair market value of the Private REIT Merger consideration it was deemed to distribute to its stockholders as a result of the Private REIT Merger. As a result of such deduction, it is expected that neither CIF nor VAF would be taxable on a material

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amount of gain for Federal income tax purposes as a result of such transactions. If either or both of CIF and VAF recognized any such gain or failed to qualify as a REIT, or if AMB failed to qualify as an S corporation, for any year prior to the Formation Transactions, the Company could have assumed a material Federal income tax liability. In addition, because many of the properties owned by CIF and VAF had fair market values in excess of their bases, if the Private REIT Mergers were treated as tax-free reorganizations under Section 368(a) of the Code, the Company's basis in the assets received pursuant to the applicable Private REIT Merger was lower than it would have been had such Private REIT Merger not been so treated. This lower basis would cause the Company to have lower depreciation deductions and higher gain on sale with respect to such properties than would be the case if such properties had been acquired in a taxable transaction.

The Built-in Gain rules described under the caption "-- Taxation of the Company -- General" above would apply (i) with respect to any assets acquired by the Company from a Private REIT in connection with the Private REIT Mergers if such Private REIT Mergers qualified as tax-free reorganizations under the Code and if a Private REIT failed to qualify, for any reason, as a REIT at any time during its existence, and/or (ii) with respect to AMB's assets on the Company's election to be taxed as a REIT, if AMB failed to qualify, for any reason, as an S corporation at any time after AMB's acquisition of any of its assets and prior to its revocation of such election in connection with the Formation Transactions. In such case, if the Company were not to make an election pursuant to Notice 88-19, a Private REIT would recognize taxable gain on the Private REIT Merger under the Built-in Gain rules, notwithstanding that the Private REIT Merger otherwise qualified as a tax-free reorganization under the Code, and the Company would be required to recognize taxable gain with respect to AMB's assets on its election to be taxed as a REIT under the Built-in Gain rules, notwithstanding that the Company otherwise qualified as a REIT. The liability for any tax due with respect to the gain described above would be assumed by the Company as a result of the Mergers. The Company believes that (i) each of the

Private REITs qualified as a REIT throughout its existence and (ii) AMB qualified as an S corporation since its 1989 taxable year and that it did not own any assets prior to such date. However, the Company intends to make a protective election under Notice 88-19 with respect to each of the Private REIT Mergers, and its election to be taxed as a REIT, in order to avoid the adverse consequences that otherwise could result from such events.

#### OTHER TAX CONSEQUENCES

The Company and its stockholders may be subject to state or local taxation in various state or local jurisdictions, including those in which it or they transact business or reside. The state and local tax treatment of the Company and its stockholders may not conform to the Federal income tax consequences discussed above. Consequently, prospective stockholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in the Company. In addition, AMB Investment Management will not qualify as a REIT or as a partnership and, accordingly, will be subject to Federal, state and local income taxes on its taxable income at regular corporate rates. As a result, AMB Investment Management will only be able to distribute out its net after-tax earnings to its stockholders, including the Operating Partnership, thereby reducing the cash available for distribution by the Company to its stockholders.

#### PENDING LEGISLATION

Legislation has been proposed and passed by both the United States House of Representatives and United States Senate which, if signed by President Clinton, would shorten the holding period for long-term capital gains rates applicable to non-corporate shareholders to twelve months. This would effectively eliminate the 28% mid-term capital gains rate, causing gains from the sale or exchange of a capital asset held by such shareholders for more than twelve months to be taxed at a 20% rate.

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#### ERISA CONSIDERATIONS

The following is a summary of material considerations arising under ERISA and the prohibited transaction provisions of Section 4975 of the Code that may be relevant to a prospective purchaser (including, with respect to the discussion contained in "-- Status of the Company under ERISA," a prospective purchaser that is not an employee benefit plan, another tax-qualified retirement plan or an individual retirement account, individual retirement annuity, medical savings account or education individual retirement account (collectively, an "IRA")). This discussion does not purport to deal with all aspects of ERISA or Section 4975 of the Code or, to the extent not preempted, state law that may be relevant to particular employee benefit plan stockholders (including plans subject to Title I of ERISA, other employee benefit plans and IRAs subject to the prohibited transaction provisions of Section 4975 of the Code, and governmental plans and church plans that are exempt from ERISA and Section 4975 of the Code but that may be subject to state law requirements) in light of their particular circumstances.

A FIDUCIARY MAKING THE DECISION TO INVEST IN SHARES OF SERIES A PREFERRED STOCK ON BEHALF OF A PROSPECTIVE PURCHASER WHICH IS AN ERISA PLAN, A TAX QUALIFIED RETIREMENT PLAN, AN IRA OR OTHER EMPLOYEE BENEFIT PLAN IS ADVISED TO CONSULT ITS OWN LEGAL ADVISOR REGARDING THE SPECIFIC CONSIDERATIONS ARISING UNDER ERISA, SECTION 4975 OF THE CODE, AND (TO THE EXTENT NOT PRE-EMPTED) STATE LAW WITH RESPECT TO THE PURCHASE, OWNERSHIP OR SALE OF SHARES OF COMMON STOCK BY SUCH PLAN OR IRA. Plans should also consider the entire discussion under the heading "Material Federal Income Tax Consequences," as material contained therein is relevant to any decision by an employee benefit plan, tax-qualified retirement plan or IRA to purchase the Series A Preferred Stock.

#### EMPLOYEE BENEFIT PLANS, TAX-QUALIFIED RETIREMENT PLANS AND IRAS

Each fiduciary of an employee benefit plan subject to Title I of ERISA (an "ERISA Plan") should carefully consider whether an investment in shares of Series A Preferred Stock is consistent with its fiduciary responsibilities under ERISA. In particular, the fiduciary requirements of Part 4 of Title I of ERISA require (i) an ERISA Plan's investments to be prudent and in the best interests of the ERISA Plan, its participants and beneficiaries, (ii) an ERISA Plan's investments to be diversified in order to reduce the risk of large losses, unless it is clearly prudent not to do so, (iii) an ERISA Plan's investments to be authorized under ERISA and the terms of the governing documents of the ERISA Plan and (iv) that the fiduciary not cause the ERISA Plan to enter into transactions prohibited under Section 406 of ERISA. In determining whether an investment in shares of Series A Preferred Stock is prudent for purposes of ERISA, the appropriate fiduciary of an ERISA Plan should consider all of the facts and circumstances, including whether the investment is reasonably designed, as a part of the ERISA Plan's portfolio for which the fiduciary has

investment responsibility, to meet the objectives of the ERISA Plan, taking into consideration the risk of loss and opportunity for gain (or other return) from the investment, the diversification, cash flow and funding requirements of the ERISA Plan, and the liquidity and current return of the ERISA Plan's portfolio. A fiduciary should also take into account the nature of the Company's business, the length of the Company's operating history and other matters described under "Risk Factors."

The fiduciary of an IRA or of an employee benefit plan not subject to Title I of ERISA because it is a governmental or church plan (if no election has been made under Section 410(d) of the Code) or because it does not cover common law employees (a "Non-ERISA Plan") should consider that such an IRA or Non-ERISA Plan may only make investments that are either authorized or not prohibited by the appropriate governing documents, not prohibited under Section 4975 of the Code and permitted under applicable state law.

#### STATUS OF THE COMPANY UNDER ERISA

A prohibited transaction may occur if the assets of the Company are deemed to be assets of the investing ERISA Plans and disqualified persons deal with such assets. In certain circumstances where an ERISA Plan holds an interest in an entity, the assets of the entity are deemed to be ERISA Plan assets (the "look-through rule"). Under such circumstances, any person that exercises authority or control with respect to the management or disposition of such assets is an ERISA Plan fiduciary. ERISA Plan assets are not defined in

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ERISA or the Code, but the United States Department of Labor has issued regulations, effective March 13, 1987 (the "Regulations"), that outline the circumstances under which an ERISA Plan's interest in an entity will be subject to the look-through rule.

The Regulations apply only to the purchase by an ERISA Plan of an "equity interest" in an entity, such as stock of a REIT. However, the Regulations provide an exception to the look-through rule for equity interests that are "publicly-offered securities." The Regulations also provide exceptions to the look-through rule for equity interests in certain types of entities, including any entity which qualifies as either a "real estate operating company" (a "REOC") or a "venture capital operating company" (a "VCOC").

Under the Regulations, a "publicly-offered security" is a security that is (i) freely transferable, (ii) part of a class of securities that is widely-held and (iii) either (a) part of a class of securities that is registered under section 12(b) or 12(g) of the Exchange Act or (b) sold to an ERISA Plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and the class of securities of which such security is a part is registered under the Exchange Act within 120 days (or such longer period allowed by the SEC) after the end of the fiscal year of the issuer during which the offering of such securities to the public occurred. Whether a security is considered "freely transferable" depends on the facts and circumstances of each case. Under the Regulations, if the security is part of an offering in which the minimum investment is \$10,000 or less, then, (i) any restriction on or prohibition against any transfer or assignment of such security for the purposes of preventing a termination or reclassification of the entity for Federal or state tax purposes will not ordinarily prevent the security from being considered freely transferable and (ii) limitations or restrictions on the transfer or assignment of a security which are created or imposed by persons other than the issuer of the security or persons acting for or on behalf of the issuer will ordinarily not prevent the security from being considered freely transferable. A class of securities is considered "widely-held" if it is a class of securities that is owned by 100 or more investors independent of the issuer and of one another.

Under the Regulations, a REOC is defined as an entity (i) which on certain testing dates has at least 50% of its assets (other than short-term investments pending long-term commitment or distribution to investors), valued at cost, invested in real estate which is managed or developed and with respect to which the entity has the right to substantially participate directly in the management or development activities and (ii) which, in the ordinary course of its business, is engaged directly in real estate management or development activities. A VCOC is defined as an entity (i) which on certain testing dates has at least 50% of its assets (other than short-term investments pending long-term commitment or distribution to investors), valued at cost, invested in one or more operating companies with respect to which the entity has management rights and (ii) which, in the ordinary course of its business, actually exercises its management rights with respect to one or more of the operating companies in which it invests.

The Series A Preferred Stock of the Company is expected to meet the criteria of the publicly-offered securities exception to the look-through rule. First, the Series A Preferred Stock should be considered to be freely transferable, as the minimum investment will be less than \$10,000 and the only restrictions upon its transfer are those required under Federal tax laws to maintain the Company's status as a REIT, resale restrictions under applicable Federal securities laws with respect to securities not purchased in the Offering

and those owned by the Company's officers, directors and other affiliates, and voluntary restrictions agreed to by the Company and Morgan Stanley & Co. Incorporated, on behalf of the Underwriters, in connection with the Offering. Second, the Series A Preferred Stock is expected to be held by 100 or more investors and it is expected that at least 100 or more of these investors will be independent of the Company and of one another. Third, the Series A Preferred Stock will be part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and will be registered under the Exchange Act within 120 days after the end of the fiscal year of the Company during which the offering of such securities to the public occurs. In addition, the Company has obtained management rights with respect to the Operating Partnership and conducts its affairs in such a manner that it will qualify as either a REOC or VCOC under the Regulations. Accordingly, the Company believes that if an ERISA Plan purchases the Series A Preferred Stock, the Company's assets should not be deemed to be ERISA Plan assets and, therefore, that any person who exercises authority or control with respect to the Company's assets should not be an ERISA Plan fiduciary.

UNDERWRITERS

Under the terms and subject to the conditions in the Underwriting Agreement dated the date hereof (the "Underwriting Agreement"), the Underwriters named below, for whom Morgan Stanley & Co. Incorporated, A.G. Edwards & Sons, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, PaineWebber Incorporated and Smith Barney Inc. are acting as representatives (the "Representatives"), have severally agreed to purchase, and the Company has agreed to sell to them, severally, the respective number of shares of Series A Preferred Stock set forth opposite the names of such Underwriters below:

<TABLE>  
<CAPTION>

NAME - - - - -	NUMBER OF SHARES -----
<S>	<C>
Morgan Stanley & Co. Incorporated.....	
A.G. Edwards & Sons, Inc.....	
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
PaineWebber Incorporated.....	
Smith Barney Inc.....	
Total.....	----- 4,000,000 =====

</TABLE>

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the Series A Preferred Stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all of the shares of Series A Preferred Stock offered hereby if any such shares are taken.

The Underwriters propose to offer part of the Series A Preferred Stock directly to the public at the public offering price set forth on the cover page of this Prospectus and part to certain dealers at a price that represents a concession not in excess of \$ a share. Any Underwriter may allow, and any such dealer may reallow, a concession to certain other dealers not in excess of \$ a share. After the initial offering of the Series A Preferred Stock, the offering price and other selling terms may from time to time be varied by the Underwriters.

The Company has granted to the Underwriters an option, exercisable for 30 days after the date hereof, to purchase up to 600,000 additional shares of Series A Preferred Stock to cover over-allotments, if any, at the public offering price less the underwriting discount set forth on the cover page of this Prospectus. If the Underwriters exercise this option, each Underwriter will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof which the number of shares of Series A Preferred Stock to be purchased by such Underwriter bears to the total number of shares of Series A Preferred Stock, as shown in the foregoing table.

The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Underwriters may be required to make in respect of

such liabilities.

Application has been made to list the Series A Preferred Stock on the NYSE. If so approved, trading of the Series A Preferred Stock on the NYSE is expected to commence within the 30-day period after initial delivery thereof. The Underwriters have advised the Company that they intend to make a market in the Series A Preferred Stock prior to the commencement of trading on the NYSE. The Underwriters will have no obligation to make a market in the Series A Preferred Stock, however, and may cease market-making activities, if commenced, at any time.

The Company has agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period ending 30 days after the date of this Prospectus, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of Series A Preferred Stock, any other equity securities of the Company which are substantially similar to the Series A Preferred Stock (other than any securities of the Company which are

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convertible into Common Stock) or any securities convertible into or exercisable or exchangeable for shares of Series A Preferred Stock or any other equity securities of the Company which are substantially similar to the Series A Preferred Stock (other than any securities of the Company which are convertible into Common Stock) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any shares of Series A Preferred Stock, any other equity securities of the Company which are substantially similar to the Series A Preferred Stock (other than any securities of the Company which are convertible into Common Stock) or any securities convertible into or exercisable or exchangeable for shares of Series A Preferred Stock or any other equity securities of the Company which are substantially similar to the Series A Preferred Stock (other than any securities of the Company which are convertible into Common Stock), whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Series A Preferred Stock, other securities, in cash or otherwise. The restrictions described in this paragraph do not apply to the sale of Series A Preferred Stock to the Underwriters.

In order to facilitate the Offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Series A Preferred Stock. Specifically, the Underwriters may stabilize the price of the Series A Preferred Stock and the Underwriters may bid for, and purchase, the Series A Preferred Stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an Underwriter or a dealer for distributing the Series A Preferred Stock in the Offering, if the syndicate repurchases previously distributed Series A Preferred Stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Series A Preferred Stock above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

#### LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Company by Latham & Watkins, San Francisco, California. Certain legal matters will be passed upon for the Underwriters by Gibson, Dunn & Crutcher LLP, Los Angeles, California. Certain legal matters relating to Maryland law, including the validity of the issuance of the shares of Series A Preferred Stock offered hereby, will be passed upon for the Company by Ballard Spahr Andrews & Ingersoll, Baltimore, Maryland. In addition, the description of Federal income tax consequences contained in this Prospectus under the caption "Material Federal Income Tax Consequences" is, to the extent that it constitutes matters of law, summaries of legal matters or legal conclusions, the opinion of Latham & Watkins, tax counsel to the Company.

#### EXPERTS

The audited financial statements and schedules included in this Prospectus and elsewhere in the Registration Statement, to the extent and for the periods indicated in their reports, have been audited by Arthur Andersen LLP, independent public accountants, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

#### AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following regional

offices of the Commission: Seven World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such materials can be obtained by mail from the Public Reference Section of the Commission, at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports, proxy statements and other information regarding registrants that file electronically with the Commission. In

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addition, reports, proxy statements and other information concerning the Company can be inspected at the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

This Prospectus constitutes a part of a Registration Statement on Form S-11 (together with amendments and exhibits thereto, the "Registration Statement") filed by the Registrants with the Commission under the Securities Act. The Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement for further information with respect to the Registrants and the securities offered hereby. Any statements contained herein concerning the provisions of any document filed as an exhibit to the Registration Statement or otherwise filed with the Commission are not necessarily complete, and in each instance reference is made to the copy of such document so filed. Each such statement is qualified in its entirety by such reference.

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#### GLOSSARY

"ACBM" means asbestos-containing building materials.

"ADA" means the Americans with Disabilities Act of 1990.

"affiliate" has the meaning given to it in the Securities Act.

"AMB" means AMB Institutional Realty Advisors, Inc., a California corporation.

"AMB Intercompany Party" means a party to the Intercompany Agreement.

"AMB Predecessors" means collectively, AMB and certain real estate investment funds, trusts, corporations and partnerships that prior to the IPO owned the Properties, including CIF, VAF, WPF and the Individual Account Investors.

"AMB Property Corporation" means AMB Property Corporation, a Maryland corporation with its principal office at 505 Montgomery Street, San Francisco, California 94111.

"AMBCREA" means AMB Corporate Real Estate Advisors, Inc., a California corporation.

"AMBI" means AMB Investments, Inc., a California corporation.

"AMB Investment Management" means AMB Investment Management Corporation, a Maryland corporation, of which the Company owns 100% of the non-voting preferred stock (representing 95% of its economic value) and certain of the Executive Officers own 100% of the outstanding voting common stock (representing 5% of its economic value) with its operations conducted through the Investment Management Partnership and which, through the Investment Management Partnership, provides the real estate advisory services to the Company and to certain of AMB's clients which did not participate in the Formation Transactions.

"Anchor Tenants" means retail tenants occupying more than 10,000 rentable square feet and all grocery stores and drugstores.

"Annualized Base Rent" means the monthly contractual rent under existing leases at March 31, 1998, multiplied by 12. This amount excludes expense reimbursements and rental abatements for industrial and retail properties as well as percentage rents for retail properties.

"Built-in Gain Asset" means an asset acquired by the Company from a corporation which is or has been a C Corporation.

"Bylaws" means the bylaws of the Company.

"Charter" means the Articles of Incorporation of the Company, as amended from time to time.

"CIF" means AMB Current Income Fund, Inc., a Maryland corporation.

"Code" means the Internal Revenue Code of 1986.

"Common Stock" means shares of common stock of the Company.

"Common Units" means units of the Operating Partnership designated as common units pursuant to the Partnership Agreement.

"Company" means AMB Property Corporation and its subsidiaries, including AMB Property, L.P., and with respect to the period prior to the IPO, unless the context requires otherwise, the AMB Predecessors.

"Credit Facility" means the Operating Partnership's unsecured \$500 million credit facility among the Operating Partnership, MGT and a syndicate of 12 other banks.

"Debt-to-Total Market Capitalization Ratio" means the ratio calculated based on the Company's total consolidated debt and its pro rata share of unconsolidated debt as a percentage of the market value of outstanding shares of Common Stock plus the value of the liquidation preference of outstanding shares of Preferred Stock and Units (not owned by the Company) plus the Company's total consolidated debt and its pro rata share of unconsolidated debt.

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"Eastern region" means the Eastern region of the United States as defined by the National Council of Real Estate Investment Fiduciaries which includes the states of Connecticut, Delaware, Kentucky, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Vermont, West Virginia and the District of Columbia.

"Environmental Laws" means the Federal, state and local laws and regulations relating to the protection of the environment.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Executive Officer" means an officer of the Operating Partnership and the Company named in the table under the caption "Management."

"expense reimbursements" means each tenant's share of taxes, insurance and operating expenses to be reimbursed to the Company.

"FASB" means the Financial Accounting Standards Board.

"Final Regulations" means certain finalized and published Treasury Regulations which provide that an Eligible Entity may elect to be taxed as a partnership for Federal income tax purposes.

"FIRPTA" means the Foreign Investment in Real Property Tax Act of 1980.

"Formation Transactions" means certain transactions in which the Company, the Operating Partnership and AMB Investment Management engaged in to enable the Company to continue and grow the real estate operations of the AMB Predecessors and to enable the Company to qualify as a REIT for Federal income tax purposes commencing with its taxable year ended December 31, 1997.

"forward-looking statements" means statements relating to, without limitation, future economic performance, plans and objectives of management for future operations and projections of revenue and other financial items, which 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 thereon or comparable terminology.

"Funds from Operations" or "FFO" means income (loss) from operations before disposal of real estate properties, minority interests and extraordinary items plus depreciation and amortization, excluding depreciation of furniture, fixtures and equipment and the Company's share of the FFO of unconsolidated joint ventures less FFO attributable to minority interests in consolidated joint ventures which are not convertible into shares of Common Stock and Series A Preferred Stock dividends.

"GAAP" means generally accepted accounting principles.

"GP Units" means units of the Operating Partnership representing the general partnership interest therein, with generally identical rights to

distributions as the Units.

"greater than 10% stockholder" means an individual owning (within the meaning of Section 424(d) of the Code) more than ten percent of the total combined voting power of all classes of stock of the Company, any subsidiary or any parent corporation.

"Holders" means holders of the Notes.

"Indemnity Consideration" means the shares of Common Stock or Units issued or cash paid pursuant to any indemnification obligation.

"Indemnity Escrow" means an escrow available to provide for an indemnification commitment into which the Indemnity Consideration was deposited.

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

"Individual Account Investors" means certain individual account investors, each of which has assets under management with AMB pursuant to an investment advisory agreement.

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"Industrial Properties" means the industrial properties comprised principally of warehouse distribution facilities which are owned by the Company.

"in-fill" means those markets which are typified by significant population densities and low availability of land which could be developed into competitive industrial or retail properties, as applicable. Such properties allow for a more precise analysis of their trade areas and competition than properties located in areas which are undergoing substantial real estate development.

"Intercompany Agreement" means that certain agreement dated January 1, 1993, as amended, entered into by and among AMBI, AMB, AMBCREA, AMB Properties, AMB Development, Inc., AMB Institutional Housing Partners and other related or commonly controlled business entities as may become parties thereto from time to time.

"Investment Committee" means that certain management committee which reviews and approves each investment of the Company and the Operating Partnership.

"Investment Management Partnership" means AMB Investment Management Limited Partnership, a Maryland limited partnership, of which AMB Investment Management is the sole general partner and owns the entire capital interests, and through which the operations of AMB Investment Management are conducted.

"Investors" means the CIF Stockholders, VAF Stockholders, WPF Investors and the Individual Account Investors.

"IPO" means the initial public offering of the Company's common stock.

"IRA" means an individual retirement account.

"IRS" means the United States Internal Revenue Service.

"Joint Ventures" means the joint ventures, limited liability companies and partnerships with certain third parties.

"look-through rule" means under certain circumstances, where an investing plan holds an interest in an entity and the assets of the entity are deemed to be Plan assets.

"MGCL" means Maryland General Corporation Law.

"MGT" means Morgan Guaranty Trust Company of New York.

"Midwestern region," means the Midwestern region of the United States as defined by the National Council of Real Estate Investment Fiduciaries which includes the states of Illinois, Iowa, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin.

"Named Executive Officers" means the Company's Chief Executive Officer and the four other most highly compensated executive officers.

"NAIOP" means the National Association of Industrial and Office Parks.

"NAREIM" means the National Association of Real Estate Investment Managers.

"NAREIT" means the National Association of Real Estate Investment Trusts.



"New Withholding Regulations" means final regulations which were recently promulgated which deal with withholding tax on income paid to foreign persons and related matters.

"Non-Anchor Tenant" refers to all tenants which are not Anchor Tenants.

"Non-ERISA Plan" means the fiduciary of an IRA or of an employee benefit plan not subject to Title I of ERISA because it is a governmental or church plan or because it does not cover common law employees.

"NYSE" means the New York Stock Exchange.

"Offering" means the offering of the Series A Preferred Stock made hereby.

"Operating Partnership" means AMB Property, L.P., a Delaware limited partnership of which the Company is the general partner.

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"Ownership Limit" means, with respect to the Common Stock, actual or constructive ownership by any person of more than 9.8% of the issued and outstanding shares of Common Stock (subject to certain exceptions) and, with respect to the Series A Preferred Stock, actual or constructive ownership by any person of more than 9.8% of the issued and outstanding shares of the Series A Preferred Stock, in each case, by value or number of shares, whichever is more restrictive.

"Partnership Act" means the Delaware Uniform Limited Partnership Act.

"Partnership Agreement" means the partnership agreement of the Operating Partnership.

"percentage rents" means the rents calculated as a percentage of a tenant's gross sales above predetermined thresholds.

"Performance Investors" means those investors which, immediately prior to the IPO, owned assets (either directly or through CIF, VAF or WPF) which were subject to advisory agreements with AMB and included an incentive fee provision or, in the case of WPF, a "catch up adjustment."

"Performance Shares" means the specified portion of the Shares issuable in the Formation Transactions to Performance Investors.

"Performance Units" means units of the Operating Partnership issued to certain officers and employees of the Operating Partnership.

"Plan" means an ERISA Plan, a tax-qualified retirement plan or other employee benefit plan.

"Preference Units" means the preferred units and other partnership interests of different classes and series of the Operating Partnership having such rights, preferences and other privileges, variations and designations as may be determined by the Company in its capacity as general partner of the Operating Partnership.

"Preferred Stock" means preferred stock, \$0.01 par value per share, which the Charter of the Company authorize the Board of Directors to cause the Company to issue, in series, and to establish the preferences, rights and other terms of any series so issued.

"Prohibited Owner" means the person or entity holding shares in excess of the Ownership Limit or such other limit.

"Prohibited Transferee" means, with respect to any purported sale, transfer, gift, assignment, devise or other disposition of shares of capital stock of the Company (or other event) which results in a transfer to a trust, as provided in the Charter, the record holder of such shares if such sale, transfer, gift, assignment, devise or other disposition had been valid under the Charter, unless such record holder would have acquired or owned shares of capital stock of the Company for another person who is the beneficial transferee or owner of such shares, in which case the Prohibited Transferee shall be such person.

"Properties" means the Industrial Properties and the Retail Properties.

"property operating expenses" means real estate taxes and insurance,

repairs and maintenance and property operating expenses.

"Prospectus" means the prospectus to be used in connection with the Offering of the Series A Preferred Stock.

"QRS" means a qualified REIT subsidiary.

"Recognition Period" means, with respect to a Built-in Gain Asset, a 10-year period beginning on the date on which the Company acquired such asset.

"Registrable Shares" means the Shares issuable upon exchange of Units or otherwise, the holder of which has certain registration rights with respect to those Shares.

"Registration Rights" means certain registration rights with respect to the Shares issuable upon exchange of Units or otherwise granted to investors who received Units in connection with the Formation Transactions.

"Regulations" means regulations issued by the United States Department of Labor, effective as of March 13, 1987.

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"REIT" means a real estate investment trust under the Code.

"Related Party Tenant" means a tenant in which a REIT, or an actual or constructive owner of 10% or more of the REIT actually or constructively owns 10% or more of such tenant.

"REOC" means an entity (i) which on certain testing dates has at least 50% of its assets (other than short-term investments pending long-term commitment or distribution to investors), valued at cost, invested in real estate which is managed or developed and with respect to which the entity has the right to substantially participate directly in the management or development activities and (ii) which, in the ordinary course of its business, is engaged directly in real estate management or development activities.

"restricted securities" has the meaning given to it in Rule 144 under the Securities Act.

"Restricted Shares" means the "restricted securities" under the meaning of Rule 144 of the Securities Act consisting of the Shares held or to be held by Investors and the Shares reserved for issuance upon redemption of Units by Investors who elect to receive Units in exchange for their respective real property interests.

"Retail Properties" means the retail properties comprised principally of community shopping centers which are owned by the Company.

"Rule 144" means the rule adopted by the SEC that permits holders of restricted securities as well as affiliates of an issuer of the securities, pursuant to certain conditions and subject to certain restrictions, to sell their securities publicly without registration under the Securities Act.

"San Francisco Bay Area" means the area comprised of the nine counties in immediate proximity to the San Francisco Bay.

"SEC" or "Commission" means the Securities and Exchange Commission.

"Section 401(k) Plan" means the Company's Section 401(k) savings/retirement plan.

"Secured Facility" means a 12-year non-recourse secured financing facility due December 12, 2008 which is secured by six Properties.

"Securities Act" means the Securities Act of 1933, as amended.

"Series A Preferred Stock" means the Company's % Series A Cumulative Redeemable Preferred Stock, par value \$.01 per share.

"Senior Debt Securities" means \$400 million aggregate principal amount of senior debt securities sold by the Operating Partnership in an underwritten offering on June 30, 1998.

"Series A Preferred Unit" means the % Series A Cumulative Redeemable Preferred Units issued by the Operating Partnership to the Company in exchange for the net proceeds of the sale of the Series A Preferred Stock.

"Southern region" means the Southern region of the United States as defined by the National Council of Real Estate Investment Fiduciaries which includes the states of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Oklahoma, Tennessee and Texas.

"stabilization" means when capital improvements for repositioning, development and redevelopment programs have been completed and in effect for a sufficient period of time (but in no case more than 12 months after shell completion) to achieve market occupancy of at least 95%.

"Stock Incentive Plan" means the Stock Option and Incentive Plan established by the Company.

"Subsidiaries" means the subsidiaries of AMB Property Corporation and AMB Property, L.P.

"Surviving Partnership" means a limited partnership or limited liability company which is the surviving entity of a merger, consolidation or combination of assets with the Operating Partnership.

"Tax-Exempt Stockholder" means a stockholder exempt from taxation under the Code.

"Termination Transaction" means, with respect to the Company, any merger, consolidation or other combination with or into another person, a sale of all or substantially all of its assets or any reclassification, recapitalization or change of its outstanding equity interests, unless in connection with such transaction, all

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holders of Units either will receive, or will have the right to elect to receive, for each Unit an amount of cash, securities or other property equal to the product of the number of Shares into which each Unit is then exchangeable and the greatest amount of cash, securities or other property paid to the holder of one Share in consideration of one Share pursuant to such transaction.

"Transferee" means an assignee, legatee, distributee or other transferee of all or any portion of a partner's interest in the Operating Partnership.

"Treasury Regulations" means the IRS regulations.

"UBTI" or "unrelated business taxable income" means unrelated business taxable income as defined in Section 512 of the Code.

"Underwriters" means those underwriters named herein for whom Morgan Stanley & Co. Incorporated, A.G. Edwards & Sons, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, PaineWebber Incorporated and Smith Barney Inc. are acting as representatives.

"Underwriting Agreement" means that certain underwriting agreement pursuant to which the Underwriters have severally agreed to purchase, and the Company has agreed to sell to them, severally, the aggregate principal amount of the Series A Preferred Stock as set forth on the table under the caption "Underwriters" herein.

"Unitholder" means a holder of Units or Performance Units.

"Units" means Common Units and Preferred Units of the Operating Partnership.

"U.S. Stockholder" means a holder of shares of Series A Preferred Stock who (for United States Federal income tax purposes) (i) is a citizen or resident of the United States, (ii) is a corporation, partnership, or other entity created or organized in or under the laws of the United States or of any state thereof, (iii) is an estate, the income of which is subject to United States Federal income taxation regardless of its source or (iv) is a trust the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to such date that elect to continue to be treated as United States persons, shall also be considered U.S. Stockholders.

"VAF" means AMB Value Added Fund, Inc., a Maryland corporation.

"VCOC" means an entity (i) which on certain testing dates has at least 50% of its assets (other than short-term investments pending long-term commitment or distribution to investors), valued at cost invested in one or more operating companies with respect to which the entity has management rights and (ii) which, in the ordinary course of its business, actually exercises its management rights with respect to one or more of the operating companies in which it invests.

"Western region" means the Western region of the United States as defined by the National Council of Real Estate Investment Fiduciaries which includes the

states of Alaska, Arizona, California, Colorado, Hawaii, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming.

"White Paper" means the White Paper on Funds from Operations approved by the Board of Governors of the NAREIT in March 1995.

"WPF" means AMB Western Properties Fund-I, a California limited partnership.

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AMB PROPERTY CORPORATION

PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

BACKGROUND

The accompanying unaudited pro forma condensed consolidated balance sheet as of March 31, 1998 has been prepared to reflect: (i) the acquisition of properties subsequent to March 31, 1998, (ii) the sale of Senior Debt Securities and the application of the net proceeds from the sale, (iii) the Offering and the application of the net proceeds from the Offering and (iv) certain other adjustments as if such transactions and adjustments had occurred on March 31, 1998. The accompanying unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 1997 and the three months ended March 31, 1998 have been prepared to reflect: (i) the incremental effect of the acquisition of properties during 1998 and 1997, (ii) the incremental effect of the disposition or partial disposition of properties during 1997, (iii) the IPO and Formation Transactions, (iv) pro forma debt and other adjustments resulting from the sale of Senior Debt Securities and the Offering and the application of the resulting net proceeds and (v) certain other adjustments as if such transactions and adjustments had occurred on January 1, 1997.

These unaudited pro forma condensed consolidated statements should be read in connection with the historical combined financial statements and notes thereto of the AMB Contributed Properties and the consolidated financial statements and notes thereto of AMB Property Corporation included elsewhere in this Prospectus. In the opinion of management, the pro forma condensed consolidated financial information provides for all adjustments necessary to reflect the effects of the IPO and Formation Transactions, the sale of Senior Debt Securities and the Offering and the application of the resulting net proceeds, property acquisitions and dispositions and certain other transactions.

The pro forma information is unaudited and is not necessarily indicative of the consolidated results that would have occurred if the transactions and adjustments reflected therein had been consummated in the period or on the date presented, or on any particular date in the future, nor does it purport to represent the financial position, results of operations or changes in cash flows for future periods.

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AMB PROPERTY CORPORATION

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET  
AS OF MARCH 31, 1998  
(UNAUDITED, IN THOUSANDS)

<TABLE>  
<CAPTION>

PRO FORMA	COMPANY (1)	PROPERTY ACQUISITIONS (2)	SENIOR DEBT SECURITIES (3)	PRE-OFFERING PRO FORMA	OFFERING (4)
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
ASSETS					

Investments in real estate, net.....	\$2,740,048	\$210,448	\$ --	\$2,950,496	\$ --	
\$2,950,496						
Cash and cash equivalents.....	28,584	(2,949)	--	25,635	12,724	
38,359						
Other assets.....	29,558	--	5,534	35,092	--	
35,092						
-----						
Total assets.....	\$2,798,190	\$207,499	\$ 5,534	\$3,011,223	\$ 12,724	
\$3,023,947						
=====						
LIABILITIES AND STOCKHOLDERS' EQUITY						
Secured debt.....	\$ 610,111	\$ 16,109	\$ --	\$ 626,220	\$ --	\$
626,220						
Credit facility.....	312,000	165,642	(394,466)	83,176	(83,176)	
--						
Senior debt securities.....	--	--	400,000	400,000	--	
400,000						
Other liabilities.....	81,611	--	--	81,611	--	
81,611						
-----						
Total liabilities.....	1,003,722	181,751	5,534	1,191,007	(83,176)	
1,107,831						
-----						
Minority interests.....	123,763	25,748	--	149,511	--	
149,511						
-----						
Stockholders' Equity						
Series A Preferred Stock.....	--	--	--	--	95,900	
95,900						
Common Shares.....	859	--	--	859	--	
859						
Additional paid-in capital.....	1,669,846	--	--	1,669,846	--	
1,669,846						
Retained earnings.....	--	--	--	--	--	
--						
-----						
Total equity.....	1,670,705	--	--	1,670,705	95,900	
1,766,605						
-----						
Total liabilities and stockholder's equity.....	\$2,798,190	\$207,499	\$ 5,534	\$3,011,223	\$ 12,724	
\$3,023,947						
=====						

</TABLE>

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AMB PROPERTY CORPORATION

NOTES TO PRO FORMA  
CONDENSED CONSOLIDATED BALANCE SHEET  
AS OF MARCH 31, 1998

(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

1. Reflects the historical consolidated balance sheet of AMB Property Corporation as of March 31, 1998. See the historical consolidated financial statements and notes thereto of AMB Property Corporation included elsewhere in this Prospectus.

2. Reflects property acquisitions and the acquisition of a non-controlling limited partnership interest subsequent to March 31, 1998 for an estimated total purchase price of approximately \$210,448, including estimated acquisition costs. The Company has funded these acquisitions through (i) borrowings under its Credit Facility of approximately \$165,642, (ii) cash on hand of approximately \$2,949 (iii) the issuance of Operating Partnership Units in the amount of approximately \$2,425, (iv) the assumption of approximately \$16,109 in secured debt and (v) minority interest joint venture contributions of approximately \$23,323. Property acquisitions include the following properties:

<TABLE>

<CAPTION>

PROPERTY NAME	ACQUISITION PRICE
-----	-----
<S>	<C>
Houston Service Center.....	\$ 15,620
Meadowridge/Greenwood.....	33,050
Northwest Business Center.....	8,060
Forbes.....	2,980
Southfield.....	10,225
Dallas Warehouse Portfolio.....	32,645
Suffolk.....	3,535
Twin Cities Office Showroom Portfolio.....	26,759
Crysen Corridor Warehouse.....	5,700
Chicago Packaging Building.....	4,800
	-----
	\$ 143,374
	=====

</TABLE>

For purposes of property disclosures included elsewhere in this Prospectus, Meadowridge/Greenwood is comprised of Meadowridge Business Park and Greenwood Place. The Dallas Warehouse Portfolio and the Twin Cities Office Showroom Portfolio represent investments through an existing joint venture with a client of AMB Investment Management in which the Operating Partnership owns a 50.0005% interest. Such joint venture is accounted for on a consolidated basis and, accordingly, a minority interest of \$23,323 has been reflected relative to this acquisition.

Also reflects the acquisition of a non-controlling limited partnership interest in an existing unconsolidated real estate joint venture which owns the Elk Grove Industrial Park for a total purchase price of approximately \$67,074 which was funded with borrowings under the Credit Facility. The Company's investment in this joint venture is reflected in investments in real estate in the accompanying pro forma balance sheet.

3. Reflects the effect of (i) the sale of Senior Debt Securities in the amount of \$400,000, resulting in net proceeds of approximately \$394,466 after payment of approximately \$5,534 of financing costs, net underwriting discounts and premiums and (ii) the repayment of borrowings under the Credit Facility of approximately \$394,466 using the net proceeds of the sale of Senior Debt Securities.

4. Reflects the effect of the Offering, including (i) the issuance of Series A Preferred Stock in the amount of \$100,000, resulting in assumed net proceeds of approximately \$95,900 after payment of approximately \$4,100 of offering costs and (ii) the repayment of borrowings under the Credit Facility of approximately \$83,176. The remaining proceeds will be used to fund future property acquisitions and for general corporate purposes.

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AMB PROPERTY CORPORATION

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 1998

(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>  
<CAPTION>

	COMPANY (1)	1998 PROPERTY ACQUISITIONS (2)	PRO FORMA DEBT ADJUSTMENTS AND OFFERING (3)	PRO FORMA
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
REVENUES				
Rental revenue.....	\$ 74,602	\$11,781	\$ --	\$ 86,383
Interest and other income.....	1,183	1,273	--	2,456
	-----	-----	-----	-----
Total revenues.....	75,785	13,054	--	88,839
	-----	-----	-----	-----
OPERATING EXPENSES				
Real estate taxes and property operating expenses.....	20,252	2,813	--	23,065
Interest expense.....	11,841	--	5,538	17,379
Depreciation and amortization.....	11,786	1,470	--	13,256



General, administrative and other.....	2,718	--	--	2,718
Total operating expenses.....	46,597	4,283	5,538	56,418
Income from operations before minority interests.....	29,188	8,771	(5,538)	32,421
Minority interests' share of net income.....	(1,282)	(1,202)	--	(2,484)
Net income.....	27,906	7,569	(5,538)	29,937 (4)
Preferred stock dividends.....	--	--	(2,125)	(2,125)
Net income available to common stockholders.....	\$ 27,906	\$ 7,569	\$ (7,663)	\$ 27,812
Net income per share				
Basic.....	\$ 0.32			\$ 0.32
Diluted.....	\$ 0.32			\$ 0.32
Weighted average shares outstanding				
Basic.....	85,874,513			85,874,513
Diluted.....	86,284,736			86,284,736

</TABLE>

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AMB PROPERTY CORPORATION

NOTES TO PRO FORMA  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 1998  
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

1. Reflects the historical consolidated operations of AMB Property Corporation for the three months ended March 31, 1998. See the historical consolidated financial statements and notes thereto of AMB Property Corporation included elsewhere in this Prospectus.

2. Reflects the incremental effects of properties acquired subsequent to December 31, 1997 based on the operations of such properties for periods prior to acquisition by the Company. Below is a summary of the incremental effect of such properties:

<TABLE>  
<CAPTION>

	BOSTON INDUSTRIAL	JAMESBURG PROPERTY	ORLANDO CENTRAL PARK	TOTEM LAKE MALLS	DALLAS WAREHOUSE PORTFOLIO	TWIN CITIES OFFICE SHOWROOM	CRYSEN CORRIDOR WAREHOUSE	
OTHER PROPERTIES	-----	-----	-----	-----	-----	-----	-----	--
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Rental and other revenues.....	\$2,853	\$1,466	\$ 804	\$ 758	\$1,053	\$1,011	\$124	
\$3,712								
Real estate taxes and property operating expenses.....	(108)	(543)	(260)	(277)	(221)	(384)	(31)	
(989)								
Pro forma effect.....	\$2,745	\$ 923	\$ 544	\$ 481	\$ 832	\$ 627	\$ 93	
\$2,723	=====	=====	=====	=====	=====	=====	=====	
=====								

<CAPTION>

	TOTAL
<S>	<C>
Rental and other revenues.....	\$11,781
Real estate taxes and property operating expenses.....	(2,813)
Pro forma effect.....	\$ 8,968
=====	

</TABLE>

Four of the property acquisitions, Jamesburg Property, Corporate Park Industrial, Dallas Warehouse Portfolio and Twin Cities Office Showroom Portfolio, represent a joint venture with a client of AMB Investment Management in which the Company owns a controlling 50.0005% interest. The joint venture acquisitions are accounted for on a consolidated basis and, accordingly, a minority interest of \$1,202 has been reflected relative to these acquisitions.

See the statements of revenues and certain expenses of Boston Industrial Portfolio, Jamesburg Property, Orlando Central Park, Totem Lake Malls, Dallas Warehouse Portfolio, Twin Cities Office Showroom Portfolio and Crysen Corridor Warehouse included elsewhere in this Prospectus.

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AMB PROPERTY CORPORATION

NOTES TO PRO FORMA  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)  
FOR THE THREE MONTHS ENDED MARCH 31, 1998  
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

The following table sets forth the incremental revenues and certain expenses for periods prior to acquisition for the Other Properties acquired in 1998, but not included in the statements of revenues and certain expenses of the Boston Industrial Portfolio, Jamesburg Property, Orlando Central Park, Totem Lake Malls, Dallas Warehouse Portfolio, Twin Cities Office Showroom Portfolio and Crysen Corridor Warehouse included elsewhere in this Prospectus.

<TABLE>  
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PROPERTY ACQUIRED	RENTAL REVENUES	REAL ESTATE TAXES AND PROPERTY OPERATING EXPENSES	REVENUES IN EXCESS OF CERTAIN EXPENSES
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Wilsonville.....	\$ 167	\$ (41)	\$ 126
Atlanta South Phase III.....	116	(30)	86
Mansfield Industrial Portfolio....	71	(2)	69
Corporate Park Industrial.....	757	(130)	627
Cascade.....	44	(11)	33
Northridge.....	108	(43)	65
Minneapolis Industrial Portfolio.....	592	(230)	362
Houston Service Center.....	534	(188)	346
Meadowridge Business Park.....	800	(180)	620
Northwest Business Center.....	244	(58)	186
Forbes.....	--	--	--
Southfield.....	--	--	--
Suffolk.....	92	(23)	69
Chicago Packaging Building.....	187	(53)	134
	-----	-----	-----
	\$ 3,712	\$ (989)	\$2,723
	=====	=====	=====

</TABLE>

Two of the acquisitions above, Forbes and Southfield, represent the purchase of vacant buildings which are in the process of being leased up. As such, no property operations have been reflected in the accompanying pro forma statement of operations relative to these acquisitions.

Also reflects the acquisition of a non-controlling limited partnership interest in an existing unconsolidated real estate joint venture which owns the Elk Grove Industrial Park. As such, the Company's share of equity in earnings of this joint venture of \$1,273 is included in interest and other income in the accompanying pro forma statement of operations.

Also reflects estimated depreciation and amortization of the 1998 property acquisitions based on estimated useful lives of 40 years.

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AMB PROPERTY CORPORATION

NOTES TO PRO FORMA

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)  
 FOR THE THREE MONTHS ENDED MARCH 31, 1998  
 (UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

3. Reflects an adjustment to derive pro forma interest expense, which is based upon the pro forma debt balances as of March 31, 1998. The calculation of pro forma interest expense is as follows:

<S>	<C>
Secured debt, pro forma balance of \$608,678 (before premium of \$17,542), assumed interest rate of 7.7%.....	\$11,767
Credit Facility, pro forma balance of zero, assumed interest rate of 6.55%.....	--
Senior Debt Securities, pro forma balance of \$400,000, weighted average interest rate of 7.175%.....	7,175
Amortization of debt premium, actual amounts amortized during the period.....	(744)
Amortization of deferred financing costs, \$6,434 balance, 3 to 17 year terms.....	247
Unused Credit Facility fees, unused pro forma balance of \$500,000, fee of 0.15%.....	187
Capitalized interest, actual amounts capitalized during the period.....	(1,253)
	-----
Pro forma interest expense.....	\$17,379
	=====

The net change in interest expense is the result of the repayment of borrowings on the Credit Facility of approximately \$477,642 with the net proceeds from the sale of Senior Debt Securities and the Offering.

Also reflects the sale of the Senior Debt Securities and the Offering and the application of the resulting net proceeds and the payment of pro forma Series A Preferred Stock dividends at an assumed dividend rate.

4. The pro forma taxable income of the Company for the twelve months ended March 31, 1998 is approximately \$108,498, which is based upon pro forma income from operations before minority interest of approximately \$111,715, plus book depreciation and amortization of approximately \$50,838 less other book/tax differences of approximately \$6,645 and less tax depreciation and amortization of approximately \$47,410.

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AMB PROPERTY CORPORATION

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
 FOR THE YEAR ENDED DECEMBER 31, 1997  
 (UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>  
 <CAPTION>

1997 AS	AMB CONTRIBUTED	1997 PROPERTY	1997 PROPERTY	IPO AND FORMATION	
ADJUSTED	COMPANY (1)	PROPERTIES (2)	ACQUISITIONS (3)	DISPOSITIONS (4)	TRANSACTIONS (5)
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
REVENUES					
Rental revenue.....	\$ 26,465	\$207,391	\$47,554	(\$1,200)	\$ 2,455
282,665					
Interest and other income....	29,597	1,217	176	--	(28,981)
2,009					
	-----	-----	-----	-----	-----
Total revenues.....	56,062	208,608	47,730	(1,200)	(26,526)
284,674					
	-----	-----	-----	-----	-----
OPERATING EXPENSES					
Real estate taxes and					

property operating expenses.....	8,899	72,452	10,815	(363)	(10,325)	
81,478						
Interest expense.....	3,528	45,009	--	(75)	(3,033)	
45,429						
Depreciation and amortization.....	4,195	32,616	--	(157)	9,232	
45,886						
General, administrative and other.....	20,555	823	--	--	(13,400)	
7,978						
-----						
Total operating expenses.....	37,177	150,900	10,815	(595)	(17,526)	
180,771						
-----						
Income from operations before disposal of real estate and minority interests.....	18,885	57,708	36,915	(605)	(9,000)	
103,903						
Gain on disposal of real estate.....	--	360	--	(360)	--	
--						
-----						
Income from operations before minority interests.....	18,885	58,068	36,915	(965)	(9,000)	
103,903						
Minority interests' share of net income.....	(657)	(884)	(296)	--	(2,558)	
(4,395)						
-----						
Net income.....	18,228	57,184	36,619	(965)	(11,558)	
99,508						
Preferred Stock Dividends....	--	--	--	--	--	
--						
-----						
Net income available to common stockholders.....	\$ 18,228	\$ 57,184	\$36,619	\$ (965)	\$ (11,558)	\$
99,508						
=====						
Net income per share						
Basic.....	\$ 1.39					\$
1.16						
=====						
Diluted.....	\$ 1.38					\$
1.16						
=====						
Weighted average shares outstanding						
Basic.....	13,140,218					
85,874,513						
=====						
Diluted.....	13,168,036					
86,156,556						
=====						

<CAPTION>

	1998 PROPERTY ACQUISITIONS (6)	PRO FORMA DEBT ADJUSTMENTS AND OFFERING (7)	PRO FORMA
	-----	-----	-----
<S>	<C>	<C>	<C>
REVENUES			
Rental revenue.....	\$50,988	\$ --	\$ 333,653
Interest and other income....	5,470	--	7,479
	-----	-----	-----
Total revenues.....	56,458	--	341,132
	-----	-----	-----
OPERATING EXPENSES			
Real estate taxes and property operating expenses.....	13,402	--	94,880
Interest expense.....	--	24,985	70,414

Depreciation and amortization.....	8,141	--	54,027
General, administrative and other.....	--	--	7,978
Total operating expenses.....	21,543	24,985	227,299
Income from operations before disposal of real estate and minority interests.....	34,915	(24,985)	113,833
Gain on disposal of real estate.....	--	--	--
Income from operations before minority interests.....	34,915	(24,985)	113,833
Minority interests' share of net income.....	(5,709)	--	(10,104)
Net income.....	29,206	(24,985)	103,729 (8)
Preferred Stock Dividends....	--	(8,500)	(8,500)
Net income available to common stockholders.....	\$29,206	\$ (33,485)	95,229
Net income per share			
Basic.....			\$ 1.11
Diluted.....			\$ 1.11
Weighted average shares outstanding			
Basic.....			85,874,513
Diluted.....			86,156,556

</TABLE>

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AMB PROPERTY CORPORATION

NOTES TO PRO FORMA  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 1997  
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

1. Reflects the historical consolidated operations of AMB Property Corporation for the period from November 26, 1997 to December 31, 1997. See the historical consolidated financial statements and notes thereto of AMB Property Corporation included elsewhere in this Prospectus.

2. Reflects the historical combined operations of the AMB Contributed Properties for the period from January 1, 1997 to November 25, 1997. See the historical combined financial statements and notes thereto of the AMB Contributed Properties included elsewhere in this Prospectus.

3. Reflects the incremental effects of properties acquired during the year ended December 31, 1997 based on the historical operations of such properties for periods prior to acquisition by the Company or the owners of the AMB Contributed Properties. Below is a summary of the incremental effect of such properties:

<TABLE>  
<CAPTION>

TOTAL	CABOT INDUSTRIAL PORTFOLIO	CABOT BUSINESS PARK	MANHATTAN VILLAGE	WESLAYAN PLAZA	SILICON VALLEY R&D PORTFOLIO	OTHER PROPERTIES	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
Rental revenues.....	\$22,995	\$4,734	\$ 5,467	\$3,259	\$2,958	\$ 8,141	\$
47,554							
Real estate taxes and property operating expenses.....	(4,775)	(895)	(1,928)	(990)	(311)	(1,916)	
(10,815)							
Pro forma effect.....	\$18,220	\$3,839	\$ 3,539	\$2,269	\$2,647	\$ 6,225	\$
36,739							

=====  
</TABLE>

One of the acquisitions above, Manhattan Village, represents the acquisition of a property and the formation of several joint ventures that own the property, in which the Company owns a 90% interest. The joint venture is accounted for on a consolidated basis, and accordingly, a 10% minority interest has been reflected relative to this acquisition.

See the statements of revenues and certain expenses of Cabot Industrial Portfolio, Cabot Business Park, Manhattan Village, Wesleyan Plaza and Silicon Valley R&D Portfolio included elsewhere in this Prospectus.

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AMB PROPERTY CORPORATION

NOTES TO PRO FORMA  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 1997  
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

The following table sets forth the incremental revenues and certain expenses for periods prior to acquisition for the Other Properties acquired in 1997. See "Business and Properties."

<TABLE>  
<CAPTION>

PROPERTY ACQUIRED -----	RENTAL REVENUES -----	REAL ESTATE TAXES AND PROPERTY OPERATING EXPENSES -----	REVENUES IN EXCESS OF CERTAIN EXPENSES -----
<S>	<C>	<C>	<C>
Shady Oak.....	\$ 326	\$ (70)	\$ 256
Metric Center.....	635	(50)	585
Southfield.....	171	(40)	131
Atlanta South Phase II.....	109	(57)	52
O'Hare Industrial Portfolio (Ardmore).....	265	(74)	191
Windsor Court.....	151	(53)	98
Beacon Building 8.....	765	(180)	585
Greenleaf.....	177	(74)	103
Boulden.....	1,070	(269)	801
Mid-Atlantic Business Center.....	1,537	(414)	1,123
Brittania Business Park.....	1,058	(212)	846
Rockford Road.....	64	(6)	58
Patuxent.....	509	(113)	396
Executive.....	588	(175)	413
Acer Distribution.....	716	(129)	587
	-----	-----	-----
	\$ 8,141	\$ (1,916)	\$ 6,225
	=====	=====	=====

</TABLE>

4. Reflects the incremental effects of the disposition or partial disposition of properties during 1997, based upon the historical operations of such properties. See Note 7 to the historical combined financial statements of the AMB Contributed Properties included elsewhere in this Prospectus.

5. Reflects the effects of the application of purchase accounting as a result of the IPO and Formation Transactions, resulting in pro forma expense adjustments as follows: (i) an increase in depreciation expense of \$9,232, (ii) the reclassification of certain property-related expenses from general and administrative expense to property operating expense (due to the internalization of management) of approximately \$5,196 and (iii) a net increase in general, administrative and other expenses of \$5,958, after reclassification of property-related expenses. Such changes are based upon actual expenses incurred during 1997 adjusted for (a) the estimated changes in costs due to operating as a public entity including investor relations, accounting and legal fees and other costs related to the internalization of management and (b) certain reclassifications to reflect the Company's new organizational structure as a result of the IPO. Estimated depreciation and amortization has been based upon asset lives of 5 to 40 years.

Also reflects the elimination of advisory fees charged by the Company's predecessor, AMB, to the owners of the AMB Contributed Properties of \$15,521 (excluding approximately \$2,027 in real estate acquisition fees paid to AMB which have been accounted for as acquisition costs by the owners of the AMB Contributed Properties and accordingly capitalized as investments in real estate). Also reflects the elimination of investment management and advisory

fees earned by AMB of \$28,756 and related expenses of \$19,358 resulting from the change in the Company's operations from an investment manager to a real estate operating company.

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AMB PROPERTY CORPORATION

NOTES TO PRO FORMA  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 1997  
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Also reflects an adjustment to historical interest expense to derive 1997 as adjusted interest expense, which is based upon the Company's debt balances as of December 31, 1997. The calculation of 1997 as adjusted interest expense is as follows:

<TABLE>	
<S>	<C>
Secured debt, balance of \$517,366 (before premium of \$18,286), assumed interest rate of 7.82%.....	\$40,458
Credit Facility, balance of \$150,000, assumed interest rate of 6.90%.....	10,350
Amortization of debt premium, \$18,286 balance, 8 year term.....	(2,924)
Amortization of financing costs, \$900 balance, 3 year term.....	300
Unused Credit Facility fees, unused balance of \$350,000, fee of 0.20%.....	700
Capitalized interest, average historical construction in process of \$48,303, overall weighted average interest rate of 7.5%.....	(3,455)
	-----
1997 as adjusted interest expense.....	\$45,429
	=====
</TABLE>	

Also reflects an adjustment to record rental revenues on a straight-line basis for the Properties from January 1, 1997, the assumed date of acquisition by the Company. Rental income has not been included for any properties for periods prior to completion of their construction and availability for occupancy. The pro forma straight-line rent adjustment for the year ended December 31, 1997 is calculated as the difference between (i) pro forma straight-line rental revenues of \$5,447 and (ii) historical straight-line rental revenues of \$2,992.

Also reflects an adjustment to reflect the incremental effect of establishing the Company's investment in AMB Investment Management, the income from which is included in interest and other income. The pro forma operations of AMB Investment Management and the Company's share of AMB Investment Management's net income based upon its 95% economic interest are as follows:

<TABLE>	
<S>	<C>
Advisory revenues.....	\$ 5,487
General and administrative expenses.....	(4,465)
Depreciation and amortization.....	(72)
	-----
Income before income taxes.....	950
Income taxes (at assumed effective tax rate of 40%).....	(380)
	-----
Income before minority interest.....	570
Minority interest.....	(17)
	-----
Net income.....	\$ 553
	-----
Company's share of net income.....	\$ 525
	=====
</TABLE>	

Advisory revenues consist of actual fees earned by AMB for the period from January 1, 1997 to November 25, 1997 from the assets that are managed by AMB Investment Management and the actual results of AMB Investment Management for the period from November 26, 1997 to December 31, 1997.

General and administrative expenses consist of direct costs and indirect costs allocated to AMB Investment Management by the Company. Such indirect costs have been allocated based upon the percentage of total assets managed by AMB Investment Management.

In addition to its share of AMB Investment Management's net income, the Company received an acquisition fee for acquisition services provided to AMB Investment Management in 1997. The pro forma fee for 1997 amounts to \$750.

NOTES TO PRO FORMA  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 1997  
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

6. Reflects the incremental effects of properties acquired subsequent to December 31, 1997 based on the operations of such properties for periods prior to acquisition by the Company. Below is a summary of the incremental effect of such properties:

<TABLE>  
<CAPTION>

	BOSTON INDUSTRIAL PORTFOLIO	JAMESBURG PROPERTY	ORLANDO CENTRAL PARK	TOTEM LAKE MALLS	DALLAS WAREHOUSE PORTFOLIO	TWIN CITIES OFFICE SHOWROOM	CRYSEN CORRIDOR WAREHOUSE	
OTHER PROPERTIES	-----	-----	-----	-----	-----	-----	-----	--
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Rental and other revenues.....	\$10,403	\$ 6,774	\$3,249	\$ 2,822	\$4,159	\$ 4,294	\$ 536	
\$18,751								
Real estate taxes and property operating expenses.....	(802)	(2,510)	(1,069)	(1,293)	(961)	(1,622)	(113)	
(5,032)								
-----	-----	-----	-----	-----	-----	-----	-----	-
Pro forma effect.....	\$ 9,601	\$ 4,264	\$2,180	\$ 1,529	\$3,198	\$ 2,672	\$ 423	
\$13,719	=====	=====	=====	=====	=====	=====	=====	
=====								

<CAPTION>

	TOTAL -----
<S>	<C>
Rental and other revenues.....	\$50,988
Real estate taxes and property operating expenses.....	(13,402)
-----	-----
Pro forma effect.....	\$37,586
=====	=====

</TABLE>

Four of the property acquisitions, Jamesburg Property, Corporate Park Industrial, Dallas Warehouse Portfolio and Twin Cities Office Showroom Portfolio, represent joint ventures with a client of AMB Investment Management in which the Company owns a controlling 50.0005% interest. The joint venture acquisitions are accounted for on a consolidated basis and, accordingly, a minority interest of \$5,709 has been reflected relative to these acquisitions.

See the statements of revenues and certain expenses of Boston Industrial Portfolio, Jamesburg Property, Orlando Central Park, Totem Lake Malls, Dallas Warehouse Portfolio, Twin Cities Office Showroom Portfolio and Crysen Corridor Warehouse included elsewhere in this Prospectus.

The following table sets forth the incremental revenues and certain expenses for periods prior to acquisition for the Other Properties acquired in 1998.

<TABLE>  
<CAPTION>

PROPERTY ACQUIRED -----	RENTAL REVENUES -----	REAL ESTATE TAXES AND PROPERTY OPERATING EXPENSES -----	REVENUES IN EXCESS OF CERTAIN EXPENSES -----
<S>	<C>	<C>	<C>



Wilsonville.....	\$ 2,026	\$ (500)	\$ 1,526
Atlanta South Phase III.....	773	(200)	573
Mansfield Industrial Portfolio.....	343	(12)	331
Corporate Park Industrial.....	3,241	(572)	2,669
Cascade.....	1,065	(259)	806
Northridge.....	1,332	(534)	798
Minneapolis Industrial Portfolio.....	2,468	(881)	1,587
Houston Service Center.....	2,072	(729)	1,343
Meadowridge Business Park.....	3,104	(699)	2,405
Northwest Business Center.....	947	(221)	726
Forbes.....	--	--	--
Southfield.....	--	--	--
Suffolk.....	655	(221)	434
Chicago Packaging Building.....	725	(204)	521
	-----	-----	-----
	\$18,751	\$(5,032)	\$13,719
	=====	=====	=====

</TABLE>

Also reflects the acquisition of a non-controlling limited partnership interest in an existing unconsolidated real estate joint venture which owns the Elk Grove Industrial Park. As such, the Company's share of equity in

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AMB PROPERTY CORPORATION

NOTES TO PRO FORMA  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 1997  
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

earnings of this joint venture of \$5,470 is included in interest and other income in the accompanying pro forma statement of operations.

Also reflects estimated depreciation and amortization of the 1998 property acquisitions based on estimated useful lives of 40 years.

7. Reflects an adjustment to derive pro forma interest expense, which is based upon the pro forma debt balances as of March 31, 1998. The calculation of pro forma interest expense is as follows:

<TABLE>		<C>
<S>		
Secured debt, pro forma balance of \$608,678 (before premium of \$17,542), assumed interest rate of 7.7%.....		\$47,068
Credit Facility, pro forma balance of zero, assumed interest rate of 6.55%.....		--
Senior Debt Securities, pro forma balance of \$400,000, weighted average interest rate of 7.175%.....		28,700
Amortization of deferred financing costs, \$6,434 balance, 3 to 17 year terms.....		990
Amortization of debt premium, \$17,542 balance, 8 year term.....		(2,976)
Unused Credit Facility fees, unused pro forma balance of \$500,000, fee of 0.15%.....		750
Capitalized interest, average construction in process of \$67,500, overall weighted average assumed interest rate of 7.5%.....		(4,118)
		-----
Pro forma interest expense.....		\$70,414
		=====

</TABLE>

The net change in interest expense is the result of the repayment of borrowings on the Credit Facility of approximately \$477,642 with the net proceeds from the sale of Senior Debt Securities and the Offering.

Also reflects the sale of the Senior Debt Securities and the Offering and the application of the resulting net proceeds and the payment of pro forma Series A Preferred Stock dividends at an assumed dividend rate.

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AMB PROPERTY CORPORATION

CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 1997 AND MARCH 31, 1998  
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AMOUNTS)

## ASSETS

<TABLE>  
<CAPTION>

	DECEMBER 31, 1997	MARCH 31, 1998
	-----	-----
<S>	<C>	<C>
Investments in real estate:		
Land and improvements.....	\$ 550,635	\$ 618,956
Buildings and improvements.....	1,822,516	2,045,834
Construction in progress.....	69,848	91,092
	-----	-----
Total investments in real estate.....	2,442,999	2,755,882
Accumulated depreciation and amortization.....	(4,153)	(15,834)
	-----	-----
Net investments in real estate.....	2,438,846	2,740,048
Cash and cash equivalents.....	39,968	28,584
Other assets.....	27,441	29,558
	-----	-----
Total assets.....	\$2,506,255	\$2,798,190
	=====	=====

## LIABILITIES AND STOCKHOLDERS' EQUITY

Debt:		
Secured debt.....	\$ 535,652	\$ 610,111
Unsecured credit facility.....	150,000	312,000
	-----	-----
Total debt.....	685,652	922,111
Other liabilities.....	49,350	81,611
Payable to affiliates.....	38,071	--
	-----	-----
Total liabilities.....	773,073	1,003,722
Commitments and contingencies.....	--	--
Minority interests.....	65,152	123,763
Stockholders' equity:		
Preferred stock, \$.01 par value, 100,000,000 shares authorized, none issued or outstanding.....	--	--
Common stock, \$.01 par value, 500,000,000 shares authorized, 85,874,513 issued and outstanding.....	859	859
Additional paid-in capital.....	1,667,171	1,669,846
Retained earnings.....	--	--
	-----	-----
Total stockholders' equity.....	1,668,030	1,670,705
	-----	-----
Total liabilities and stockholders' equity.....	\$2,506,255	\$2,798,190
	=====	=====

</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 THREE MONTHS ENDED MARCH 31, 1997 AND 1998  
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>  
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1997	1998
	-----	-----
<S>	<C>	<C>
REVENUES		
Rental revenues.....	\$ --	\$ 74,602
Investment management and other income.....	5,112	1,183
	-----	-----
Total revenues.....	5,112	75,785
	-----	-----
OPERATING EXPENSES		
Property operating expenses.....	--	10,004
Real estate taxes.....	--	10,248
Interest.....	--	11,841
Depreciation and amortization.....	--	11,786
General and administrative.....	--	2,718
Investment management expenses.....	3,873	--
	-----	-----
Total operating expenses.....	3,873	46,597
	-----	-----
Income from operations before minority		

interests.....	1,239	29,188
Minority interests' share of net income.....	--	(1,282)
	-----	-----
Net income available to common stockholders.....	\$ 1,239	\$ 27,906
	=====	=====
INCOME PER SHARE OF COMMON STOCK		
Basic.....	\$ 0.24	\$ 0.32
	=====	=====
Diluted.....	\$ 0.24	\$ 0.32
	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic.....	5,079,855	85,874,513
	=====	=====
Diluted.....	5,079,855	86,284,736
	=====	=====
DISTRIBUTIONS DECLARED PER SHARE OF COMMON STOCK.....	\$ 0.17	\$ 0.34
	=====	=====

</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 THREE MONTHS ENDED MARCH 31, 1997 AND 1998  
(UNAUDITED, IN THOUSANDS)

<TABLE>  
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31,	
	1997	1998
	-----	-----
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income.....	\$1,239	\$ 27,906
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	--	11,786
Straight-line rents.....	--	(2,825)
Amortization of debt premiums and financing costs.....	--	(669)
Minority interests' share of net income.....	--	1,282
Equity in income of AMB Investment Management.....	--	(126)
Changes in assets and liabilities:		
Other assets.....	101	(4,512)
Other liabilities.....	219	1,978
	-----	-----
Net cash provided by operating activities.....	1,559	34,820
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property acquisitions.....	--	(149,874)
Additions to land and building improvements.....	--	(3,648)
Additions to tenant improvements and leasing costs.....	--	(2,862)
Additions to construction in progress.....	--	(5,065)
Reduction of payable to affiliates in connection with Formation Transactions.....	--	(38,071)
	-----	-----
Net cash used in investing activities.....	--	(199,520)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on unsecured credit facility.....	--	162,000
Borrowings on secured debt.....	--	1,118
Payments on secured debt.....	--	(9,429)
Distributions to minority interests.....	--	(373)
Distributions to minority interests of Predecessor.....	(137)	--
Distributions to stockholders of Predecessor.....	(4,003)	--
Principal payment of notes receivable from stockholders of Predecessor.....	328	--
	-----	-----
Net cash provided by (used in) financing activities.....	(3,812)	153,316
Net decrease in cash and cash equivalents.....	(2,253)	(11,384)
Cash and cash equivalents at beginning of period.....	3,093	39,968
	-----	-----
Cash and cash equivalents at end of period.....	\$ 840	\$ 28,584
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest.....	\$ --	\$ 13,457
Property acquisitions:		
Acquisitions of properties.....	\$ --	\$ 296,143
Assumption of secured debt.....	--	(83,515)
Minority interests contribution.....	--	(62,754)
	-----	-----

Cash paid for property acquisitions..... \$ -- \$ 149,874  
=====

</TABLE>

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

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AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 1998  
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<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.....	--	--	--	27,906	27,906
Reallocation of Limited Partners' interests in Operating Partnership.....	--	--	4,181	--	4,181
Distributions declared to AMB Property Corporation stockholders.....	--	--	(1,506)	(27,906)	(29,412)
BALANCE AT MARCH 31, 1998.....	85,874,513	\$859	\$1,669,846	\$ --	\$1,670,705

</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, IN THOUSANDS, EXCEPT SHARE, UNIT, SQUARE FEET AND PERCENTAGE DATA)

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, as amended (the "Code"). The Company, through its controlling interest in its subsidiary AMB Property, L.P., a Delaware limited partnership (the "Operating Partnership"), is engaged in the ownership, operation, management, acquisition, renovation, expansion and development of industrial properties and community shopping centers in target markets nationwide. Unless the context otherwise requires, the "Company" means AMB Property Corporation, the Operating Partnership and their 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 being issued to the former stockholders of the Predecessor. 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 units representing limited partnership interests 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 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

purposes, including working capital.

As of March 31, 1998, the Company owned an approximate 95.9% general partner interest in the Operating Partnership. The remaining 4.1% limited partner interest was 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 Corporation, 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 and an officer of AMB Investment Management collectively purchased 100% of AMB Investment Management'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.

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#### AMB PROPERTY CORPORATION

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED, IN THOUSANDS, EXCEPT SHARE, UNIT, SQUARE FEET AND PERCENTAGE DATA)

As of March 31, 1998, the Company owned 155 Properties, consisting of 118 industrial properties (the "Industrial Properties") and 37 retail properties (the "Retail Properties") located in 28 markets throughout the United States. The Industrial Properties (comprising 415 buildings), principally warehouse distribution properties, encompass approximately 44.0 million rentable square feet and, as of March 31, 1998, were 94.6% leased to over 1,000 tenants. The Retail Properties (comprising 37 centers), principally grocer-anchored community shopping centers, encompass approximately 6.8 million rentable square feet and, as of the same date, were 94.6% leased to over 900 tenants. The Industrial Properties and the Retail Properties collectively are referred to as the "Properties."

#### 2. 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 three months ended March 31, 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 three months ended March 31, 1997 and 1998 is not comparable given the differences in lines of business between the Company and the Predecessor.

The interim results for the three months ended March 31, 1997 and 1998 are not necessarily indicative of the results expected for the entire year.

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.

#### 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 March 31, 1998, the unamortized debt premium was \$17,542. As of March 31, 1998, debt, excluding unamortized debt premiums, consists of the following:

<TABLE>	
<S>	
Secured debt, varying interest rates from 7.01% to 10.39%, due November 1998 to January 2014.....	\$592,569
Unsecured credit facility, variable interest at LIBOR plus 110 basis points, (6.79% at March 31, 1998) due November 2000.....	312,000
	-----
Total Debt.....	\$904,569
	=====

</TABLE>

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AMB PROPERTY CORPORATION

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

Secured debt generally requires monthly principal and interest payments. The secured debt is secured by deeds of trust or mortgages on certain Properties. All of the secured debt bears interest at fixed rates, except for one loan of \$5,623 which bears interest at either LIBOR plus 275 basis points (8.44% at March 31, 1998) or prime plus 50 basis points, at the borrower's option. 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 March 31, 1998, was 8.01%.

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 12 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. The Credit Facility has various financial and non-financial covenants.

Interest capitalized related to construction projects for the three months ended March 31, 1998, was \$1,253. There was no capitalized interest for periods prior to the Formation Transactions.

The scheduled maturities of the secured debt as of March 31, 1998 are as follows:

<TABLE>	
<S>	
1998.....	\$ 53,712
1999.....	10,965
2000.....	14,427
2001.....	38,582
2002.....	63,675
Thereafter.....	411,208
	-----
	\$592,569
	=====

</TABLE>

The 1998 maturities included \$35,000 of secured debt that was assumed in connection with certain property acquisitions, and which was repaid in full subsequent to March 31, 1998.

4. MINORITY INTERESTS

Minority interests in the Company represent the limited partnership interests in the Operating Partnership and interests held by certain third parties in 11 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 all 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 ("Minority Interest -- Joint Ventures") and the limited partnership interests' in the Operating Partnership ("Minority Interest -- Limited Partners") as of March 31, 1998.

<TABLE>	
<S>	
Minority Interest -- Joint Ventures.....	\$ 52,867
Minority Interest -- Limited Partners.....	70,896
	-----
	\$123,763
	=====

</TABLE>

5. STOCKHOLDERS' EQUITY

On March 9, 1998, the Company and the Operating Partnership declared a quarterly cash distribution of \$0.3425 per share of common stock, payable on April 3, 1998, to stockholders and unitholders of record as of March 18, 1998.

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AMB PROPERTY CORPORATION

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

6. EARNINGS PER SHARE

For purposes of calculating diluted earnings per share for the three months ended March 31, 1998, no adjustment to net income available to common stockholders was necessary, as the Company's only dilutive securities outstanding for such period were stock options issued under its stock incentive plan. The effect of the stock options was to increase weighted average shares outstanding by 410,223 for the three months ended March 31, 1998. Such dilution was computed using the treasury stock method. The Predecessor had no dilutive securities outstanding during the three months ended March 31, 1997.

7. PRO FORMA INFORMATION

The following summary unaudited pro forma financial information for the three months ended March 31, 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. In the opinion of management, 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 present the consolidated results of operations for future periods.

<TABLE>  
<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31, 1997 -----
<S>	<C>
Total revenues.....	\$ 68,622
Income from operations before minority interests.....	24,327
Net income available to common stockholders.....	23,342
Income Per Share of Common Stock	
Basic.....	\$ 0.27 -----
Diluted.....	\$ 0.27 -----
Weighted Average Common Shares Outstanding	
Basic.....	85,874,513 =====
Diluted.....	86,284,736 =====

</TABLE>

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AMB PROPERTY CORPORATION

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

8. OPERATING PARTNERSHIP

As of March 31, 1998, the Company owned a 95.9% general partner interest in the Operating Partnership. Therefore, the Company consolidates the Operating Partnership and records the remaining 4.1% limited partner interests as minority interests in the consolidated financial statements. The Operating Partnership commenced operations as a fully integrated real estate company in connection with the Formation Transactions. The following table sets forth summary financial information of the Operating Partnership as of and for the period from December 31, 1997 to March 31, 1998:

<TABLE>	
<S>	<C>
Investments in real estate, net.....	\$ 2,740,048
Total assets.....	2,798,190
Debt.....	922,111
Partners' capital.....	1,741,601
Revenues.....	75,785
Income from operations before minority interest.....	29,188
Net income.....	28,726
Net income per unit:	

Basic.....	\$	0.32
Diluted.....	\$	0.32
Weighted average units outstanding:		
Basic.....		88,428,969
Diluted.....		88,839,192

Following is a statement of partners' capital of the Operating Partnership for the three months ended March 31, 1998:

<TABLE>  
<CAPTION>

	GENERAL PARTNER		LIMITED PARTNERS		TOTAL
	UNITS	AMOUNT	UNITS	AMOUNT	
<S>	<C>	<C>	<C>	<C>	<C>
December 31, 1997....	85,874,513	\$1,668,030	2,542,163	\$49,368	\$1,717,398
Contributions.....	--	--	1,106,444	25,760	25,760
Net income.....	--	27,906	--	820	28,726
Reallocation.....	--	4,181	--	(4,181)	--
Distributions.....	--	(29,412)	--	(871)	(30,283)
March 31, 1998.....	85,874,513	\$1,670,705	3,648,607	\$70,896	\$1,741,601

</TABLE>

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of  
AMB Property Corporation:

We have audited the accompanying consolidated balance sheets of AMB Property Corporation and subsidiaries as of December 31, 1996 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AMB Property Corporation and subsidiaries as of December 31, 1996 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

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

ARTHUR ANDERSEN LLP

San Francisco, California  
January 27, 1998

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AMB PROPERTY CORPORATION  
CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 1996 AND 1997  
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>  
<CAPTION>

<S>	1996	1997
	<C>	<C>
ASSETS		



Investments in real estate:		
Land and improvements.....	\$ --	\$ 550,635
Buildings and improvements.....	--	1,822,516
Construction in progress.....	--	69,848
	-----	-----
Total investments in real estate.....	--	2,442,999
Accumulated depreciation and amortization.....	--	(4,153)
	-----	-----
Net investments in real estate.....	--	2,438,846
Cash and cash equivalents.....	3,093	39,968
Other assets.....	3,992	27,441
	-----	-----
Total assets.....	\$7,085	\$2,506,255
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Debt:		
Secured debt.....	\$ --	\$ 535,652
Unsecured credit facility.....	--	150,000
	-----	-----
Total debt.....	--	685,652
Other liabilities.....	648	49,350
Payable to affiliates.....	--	38,071
	-----	-----
Total liabilities.....	648	773,073
	-----	-----
Commitments and contingencies.....	--	--
Minority interests.....	137	65,152
Stockholders' equity:		
Preferred stock of AMB Property Corporation, \$.01 par value, 100,000,000 shares authorized, none issued or outstanding.....	--	--
Common stock of AMB Property Corporation, \$.01 par value, 500,000,000 shares authorized, 85,874,513 issued and outstanding.....	--	859
Additional paid-in capital of AMB Property Corporation....	--	1,667,171
Common stock of Predecessor, no par value, 500,000,000 shares authorized, 5,181,450 issued and outstanding....	1,349	--
Additional paid-in capital of Predecessor.....	1,298	--
Notes receivable from stockholders of Predecessor.....	(869)	--
Retained earnings.....	4,522	--
	-----	-----
Total stockholders' equity.....	6,300	1,668,030
	-----	-----
Total liabilities and stockholders' equity.....	\$7,085	\$2,506,255
	=====	=====

</TABLE>

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

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AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997  
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>

<CAPTION>

	1995	1996	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
REVENUES			
Rental revenues.....	\$ --	\$ --	\$ 26,465
Investment management and other income.....	16,865	23,991	29,597
	-----	-----	-----
Total revenues.....	16,865	23,991	56,062
OPERATING EXPENSES			
Property operating expenses.....	--	--	5,312
Real estate taxes.....	--	--	3,587
Interest.....	--	--	3,528
Depreciation and amortization.....	--	--	4,195
General and administrative.....	--	--	1,197
Investment management expenses.....	13,569	16,851	19,358
	-----	-----	-----
Total operating expenses.....	13,569	16,851	37,177
	-----	-----	-----
Income from operations before minority interests.....	3,296	7,140	18,885
Minority interests' share of net income.....	(34)	(137)	(657)
	-----	-----	-----
Net income available to common stockholders.....	\$ 3,262	\$ 7,003	\$ 18,228
	=====	=====	=====

INCOME PER SHARE OF COMMON STOCK			
Basic.....	\$ 0.64	\$ 1.38	\$ 1.39
	=====	=====	=====
Diluted.....	\$ 0.64	\$ 1.38	\$ 1.38
	=====	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic.....	5,079,855	5,079,855	13,140,218
	=====	=====	=====
Diluted.....	5,079,855	5,079,855	13,168,036
	=====	=====	=====

</TABLE>

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

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AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1995	1996	1997
	-----	-----	-----
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income.....	\$ 3,262	\$ 7,003	\$ 18,228
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	--	--	4,195
Straight-line rents.....	--	--	(901)
Amortization of debt premiums and financing costs.....	--	--	(266)
Minority interests' share of net income.....	34	137	657
Equity in income of AMB Investment Management.....	--	--	(61)
Changes in assets and liabilities:			
Other assets.....	(1,538)	(249)	(11,873)
Other liabilities.....	429	(25)	2,301
	-----	-----	-----
Net cash provided by operating activities.....	2,187	6,866	12,280
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to properties.....	--	--	(222,497)
Additions to buildings improvements and leasing costs.....	--	--	(1,769)
Additions to construction in progress.....	--	--	(2,606)
Cash paid for property in Formation Transactions, net of cash acquired.....	--	--	(5,935)
	-----	-----	-----
Net cash used for investing activities.....	--	--	(232,807)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock (net of \$21,091 commission).....	--	--	317,009
Borrowings on Credit Facility.....	750	--	150,000
Borrowings on secured debt.....	--	--	850
Repayment of Credit Facility.....	(750)	--	(182,000)
Payments on secured debt.....	--	--	(516)
Payment of financing fees.....	--	--	(900)
Dividends paid to Predecessor stockholders.....	(2,925)	(5,262)	(16,404)
Distributions paid to AMB Property Corporation stockholders.....	--	--	(11,506)
Distributions to minority interests of Predecessor.....	--	(34)	--
Principal payment of notes receivable from stockholders of Predecessor.....	56	318	869
	-----	-----	-----
Net cash provided by (used in) financing activities.....	(2,869)	(4,978)	257,402
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(682)	1,888	36,875
Cash and cash equivalents at beginning of period.....	1,887	1,205	3,093
	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 1,205	\$ 3,093	\$ 39,968
	=====	=====	=====

</TABLE>

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

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AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997  
(IN THOUSANDS, EXCEPT SHARES)

<TABLE>  
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	NOTES RECEIVABLE FROM STOCKHOLDERS	TOTAL
	NUMBER OF SHARES	AMOUNT				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PREDECESSOR						
Balance at December 31, 1994.....	4,978,260	\$ 699	\$ 1,298	\$ 2,444	\$(593)	\$ 3,848
Net income.....	--	--	--	3,262	--	3,262
Dividends declared and paid.....	--	--	--	(2,925)	--	(2,925)
Principal payment of notes receivable from stockholders.....	--	--	--	--	56	56
Issuance of common stock for notes...	101,595	343	--	--	(343)	--
Balance at December 31, 1995.....	5,079,855	1,042	1,298	2,781	(880)	4,241
Net income.....	--	--	--	7,003	--	7,003
Dividends declared and paid.....	--	--	--	(5,262)	--	(5,262)
Principal payment of notes receivable from stockholders.....	--	--	--	--	318	318
Issuance of common stock for notes...	101,595	307	--	--	(307)	--
Balance at December 31, 1996.....	5,181,450	1,349	1,298	4,522	(869)	6,300
AMB PROPERTY CORPORATION						
Net income.....	--	--	--	18,228	--	18,228
Dividends declared and paid to Predecessor stockholders.....	--	(990)	(1,298)	(14,116)	--	(16,404)
Principal payment of notes receivable from stockholders.....	--	--	--	--	869	869
Exchange of Predecessor shares for shares of AMB Property Corporation, net.....	(434,834)	(312)	312	--	--	--
Issuance of common stock for Properties.....	65,022,185	651	1,369,740	--	--	1,370,391
Issuance of common stock, net of offering costs of \$38,068.....	16,100,000	161	299,871	--	--	300,032
Issuance of restricted stock.....	5,712	--	120	--	--	120
Distributions paid to AMB Property Corporation stockholders.....	--	--	(2,872)	(8,634)	--	(11,506)
Balance at December 31, 1997.....	85,874,513	\$ 859	\$1,667,171	\$ --	\$ --	\$1,668,030

</TABLE>

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

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AMB PROPERTY CORPORATION

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

1. ORGANIZATION AND FORMATION OF COMPANY

AMB Property Corporation, a Maryland corporation (the "Company"), commenced operations as a fully integrated real estate company effective with the completion of its initial public offering (the "Offering") on November 26, 1997. The Company will elect to be taxed as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). The Company, through its controlling interest in its subsidiary AMB Property, L.P., a Delaware limited partnership (the "Operating Partnership"), is engaged in the ownership, operation, management, acquisition, renovation, expansion, and development of industrial properties and community shopping centers in target markets nationwide. Unless the context otherwise requires, the "Company" shall include AMB Property Corporation, the Operating Partnership and their controlled subsidiaries.

The Company and the Operating Partnership were formed shortly before consummation of the Offering. 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 being issued to the former stockholders of the Predecessor. 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 units representing limited partnership interests 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 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 Offering 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 Offering. The net proceeds of the Offering 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 purposes, including working capital.

As of December 31, 1997, the Company owned an approximate 97.1% general partner interest in the Operating Partnership. The remaining 2.9% limited partner interest was owned by unaffiliated 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 management and control of the Operating Partnership.

In connection with the Formation Transactions, the Operating Partnership formed AMB Investment Management Corporation, 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). Certain Executive Officers and an officer of AMB Investment Management collectively purchased 100% of AMB Investment Management'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.

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#### AMB PROPERTY CORPORATION

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

As of December 31, 1997, the Company owned 37.3 million rentable square feet of industrial properties (the "Industrial Properties"), principally warehouse distribution properties, that were 95.7% leased and 6.2 million rentable square feet of retail properties (the "Retail Properties"), principally grocer-anchored community shopping centers, that were 96.1% leased. The Industrial Properties and the Retail Properties collectively are referred to as the "Properties."

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

### PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the financial position, results of operations and cash flows of the Company, its wholly owned qualified REIT subsidiaries, the Operating Partnership, and eight joint ventures (the "Joint Ventures") in which the Company has a controlling interest. Third-party equity interests in the Operating Partnership and the Joint Ventures are reflected as minority interests in the consolidated financial statements. All significant intercompany amounts have been eliminated.

### BASIS OF PRESENTATION

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

### INVESTMENTS IN REAL ESTATE

Investments in real estate are stated at depreciated cost and are reviewed for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying amount of a property may not be recoverable. Impairment is recognized when estimated expected future cash flows

(undiscounted and without interest charges) are less than the carrying amount of the property. To the extent an impairment has occurred, the excess of the carrying amount of the property over its estimated fair value will be charged to income. As of December 31, 1997, there were no impairments of the carrying values of the Properties.

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

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

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

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AMB PROPERTY CORPORATION

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

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held in financial institutions and other highly liquid short-term investments with original maturities of three months or less. Cash and cash equivalents as of December 31, 1997 include restricted cash of \$8,074, which represents amounts held in escrow in connection with property purchases and capital improvements.

DEFERRED FINANCING

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments include short-term investments, accounts receivable, accounts payable, accrued expenses, construction loans payable, mortgage debt, secured debt, unsecured notes payable and an unsecured credit facility. The fair value of these instruments approximates its carrying or contract values.

DEBT PREMIUMS

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

MINORITY INTERESTS

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

The following table sets forth the minority interest ownership held by certain joint ventures ("Minority Interest -- Joint Ventures") and the limited partnership interests in the Operating Partnership ("Minority Interest -- Limited Partners") as of December 31, 1997.

<TABLE>	
<S>	<C>
Minority Interest -- Joint Ventures.....	\$15,784
Minority Interest -- Limited Partners.....	49,368
	-----
	\$65,152
	=====

</TABLE>

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AMB PROPERTY CORPORATION

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

REVENUES

The Company, as a lessor, retains substantially all of the benefits and risks of ownership of the Properties and accounts for its leases as operating leases. Rental revenues are recognized on a straight-line basis over the term of the leases.

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

INVESTMENT MANAGEMENT AND OTHER INCOME

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

INVESTMENT MANAGEMENT EXPENSE

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

EARNINGS PER SHARE

For purposes of calculating diluted earnings per share for the year ended December 31, 1997, no adjustment to net income available to common stockholders was necessary, as the Company's only dilutive securities outstanding for such period were stock options issued under its stock incentive plan. The effect of the stock options was to increase weighted average shares outstanding by 27,818 shares for the year ended December 31, 1997. Such dilution was computed using the treasury stock method. The Predecessor had no dilutive securities outstanding during the years ended December 31, 1995 and 1996.

RECLASSIFICATIONS

The consolidated financial statements for prior periods have been reclassified to conform with current classifications with no effect on results of operations.

FUTURE ACCOUNTING PRONOUNCEMENTS

In June of 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement, effective for financial statements for periods beginning after December 15, 1997, requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Generally, information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments. The Company expects to adopt this SFAS in 1998 to the extent applicable.

3. TRANSACTIONS WITH AFFILIATES

As discussed in "Organization and Formation of the Company," the Operating Partnership formed AMB Investment Management (which conducts its operations through the Investment Management Partnership) for the purpose of carrying on the operations of the Predecessor. The Company and the Investment Management Partnership have an agreement that allows for the sharing of certain costs and employees. Additionally, the Company provides the Investment Management Partnership with certain acquisition-related services.

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AMB PROPERTY CORPORATION

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

As part of the Formation Transactions, the Operating Partnership was required to pay an amount equal to the net working capital balances at November 25, 1997 of the Predecessor and the acquired properties to the owners of said entities. As of December 31, 1997, the Company owed approximately \$37,808 to owners related to these working capital distributions. Such amount is included in Payable to affiliates on the consolidated balance sheet and was paid subsequent to year-end.

The Company and the Investment Management Partnership share common office space under lease obligations of an affiliate of the Predecessor. Such lease obligations are charged to the Company and the Investment Management Partnership at cost. For the period ended December 31, 1995, 1996 and 1997, the Company paid approximately \$435, \$510 and \$700, respectively for occupancy costs related to the lease obligations of the affiliate.

#### 4. DEBT

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

<TABLE> <S>	<C>
Secured debt, varying coupon interest rates from 7.01% to 10.38%, due November 1998 to December 2008.....	\$ 517,366
Unsecured credit facility, variable interest at LIBOR plus 110 basis points (7.10% at December 31, 1997) due November 2000.....	150,000
	-----
Total Debt.....	\$ 667,366
	=====

</TABLE>

Secured debt generally requires monthly principal and interest payments. The secured debt is secured by deeds of trust and mortgages on 48 Properties. The carrying value of real estate investments pledged as collateral under deeds of trust and mortgages for the secured debt is \$1,049,003 as of December 31, 1997. All of the secured debt bears interest at fixed rates, except for one loan which bears interest at either LIBOR plus 275 basis points (8.75% at December 31, 1997) or prime plus 50 basis points, at the borrower's option. The secured debt has various financial and non-financial covenants. Additionally, certain of the secured debt is cross-collateralized.

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 12 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. The Credit Facility has various financial and non-financial covenants.

The weighted-average fixed interest rate on secured debt at December 31, 1997 was 7.82%. Interest capitalized related to construction projects for the period from November 26, 1997 to December 31, 1997 was \$448. There was no capitalized interest for periods prior to the Formation Transactions.

The scheduled maturities of the secured debt as of December 31, 1997 are as follows:

<TABLE> <S>	<C>
1998.....	\$ 19,390
1999.....	9,666
2000.....	11,862
2001.....	35,654
2002.....	43,967
Thereafter.....	396,827
	-----
	\$517,366
	=====

</TABLE>

#### 5. LEASING ACTIVITY

Future minimum rental income due under noncancelable leases in effect at December 31, 1997 with tenants is as follows:

<TABLE>

<S>	<C>
1998.....	\$ 214,400
1999.....	188,926
2000.....	160,592
2001.....	128,241
2002.....	101,733
Thereafter.....	459,070
	-----
	\$1,252,962
	=====

</TABLE>

In addition to minimum rental payments, certain tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$5,267 for the period from November 26, 1997 to December 31, 1997. These amounts are included as rental income and operating expenses in the accompanying consolidated statements of operations. Certain of the leases also provide for the payment of additional rent based on a percentage of the tenant's revenues. Some leases contain options to renew. No individual tenant accounts for greater than 2% of rental revenues.

#### 6. INCOME TAXES

The Company intends to be taxed as a REIT under the Code for the fiscal year ended December 31, 1997. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 95% of its taxable income. It is management's intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to corporate level federal income tax on net income it distributes currently to its stockholders. As such, no provision for federal income taxes has been included in the accompanying consolidated financial statements. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed taxable income.

For federal income tax purposes, cash distributions paid to stockholders may be characterized as ordinary income, return of capital (generally non-taxable) or capital gains. On December 8, 1997, the Company declared a distribution of \$0.134 per common share, payable on December 29, 1997 to stockholders of record on December 18, 1997. The distribution covered the period from November 26, 1997 through December 31, 1997. For Federal income tax purposes, 100% of the distribution was ordinary income.

Prior to the Merger, the Predecessor conducted its business as an S corporation, and therefore was exempt from federal income taxes under Subchapter S of the Code. Under this election federal income taxes were paid by the stockholders of the Predecessor.

#### 7. STOCK INCENTIVE PLAN AND 401(k) PLAN

##### STOCK INCENTIVE PLAN

In November 1997, the Company established a Stock Option and Incentive Plan (the "Stock Incentive Plan") for the purpose of attracting and retaining eligible officers, directors and employees. The Company has reserved for issuance 5,750,000 shares of Common Stock under the Stock Incentive Plan. In November 1997, the Company granted 3,153,750 non-qualified options to certain directors, officers and employees. Each option

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AMB PROPERTY CORPORATION

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

is exchangeable for one share of the Common Stock and has an exercise price equal to \$21.00, the market price at the date of grant. The options have a 10-year term and vest pro rata in annual installments over a four-year period from the date of grant.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its Stock Incentive Plan. Opinion 25 measures compensation cost using the intrinsic value based method of accounting. Under this method, compensation cost is the excess, if any, of the quoted market price of the stock at the date of grant over the amount an employee must pay to acquire the stock. Accordingly, no compensation cost has been recognized for the Stock Incentive Plan, as the option price for all option grants in 1997 was equal to the market price as of the date of grant. However, if the Company had measured compensation cost using the fair value based method prescribed in SFAS 123, "Accounting for Stock-Based Compensation," the impact on pro forma net income and earnings per share would not have been



material.

The fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in 1997: dividend yield of 6.52%, expected volatility of 18.75%, risk-free interest rate of 5.86%, and expected lives of 10 years.

Following is a summary of the option activity for the year ended December 31, 1997:

<TABLE>  
<CAPTION>

	SHARES UNDER OPTION (000)	EXERCISE PRICE	REMAINING CONTRACTUAL LIFE
<S>	<C>	<C>	<C>
Outstanding, 11/25/97.....	--	--	--
Granted.....	3,154	\$21.0	10 years
Exercised.....	--	--	--
Forfeited.....	(10)	--	--
	-----	-----	-----
Outstanding, 12/31/97.....	3,144	\$21.0	10 years
	=====	=====	=====
Options exercisable at year-end.....	184	\$21.0	
	=====	=====	
Fair value of options granted during the year.....	\$ 2.28		
	=====		

</TABLE>

#### RESTRICTED STOCK

In 1997, the Company sold 5,712 restricted shares of its Common Stock to certain independent directors for \$0.01 per share in cash.

#### 401(k) PLAN

In November 1997, the Company established a Section 401(k) Savings/Retirement Plan (the "Section 401(k) Plan"), which is a continuation of the Section 401(k) plan of the Predecessor, to cover eligible employees of the Company and any designated affiliate. The Section 401(k) Plan permits eligible employees of the Company to defer up to 10% of their annual compensation, subject to certain limitations imposed by the Code. The employees' elective deferrals are immediately vested and non-forfeitable upon contribution to the Section 401(k) Plan. The Company matches the employee contributions to the Section 401(k) Plan in an amount equal to 50% of the first 3.5% of annual compensation deferred by each employee and may also make discretionary contributions to the plan. As of December 31, 1997, the Company's accrual for 401(k) match was \$140. Such amount was included in Other liabilities on the consolidated balance sheet.

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

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AMB PROPERTY CORPORATION

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

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

<TABLE>  
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1995	1996	1997
<S>	<C>	<C>	<C>
Cash paid for interest.....	\$--	\$--	\$ 2,509
	===	===	=====
Non-cash transactions:			
Acquisitions of properties in Formation Transactions...	\$--	\$--	\$2,216,137
Assumption of debt.....	--	--	(717,613)
Cash acquired.....	--	--	(43,978)
Other assumed assets and liabilities.....	--	--	(13,862)
Minority interest.....	--	--	(64,358)
Shares issued.....	--	--	(1,370,391)
	---	---	-----
Net cash paid, net of cash acquired.....	\$--	\$--	\$ 5,935
	===	===	=====

</TABLE>

#### 9. PRO FORMA INFORMATION (UNAUDITED)

The following unaudited pro forma condensed consolidated statement of operations has been prepared as if the Formation Transactions, the Offering (as described in Note 1) and certain property acquisitions and dispositions in 1997 had occurred on January 1, 1996. In the opinion of management, the pro forma condensed consolidated statement of operations does not purport to present the consolidated results that would have occurred if the aforementioned transactions had been consummated on January 1, 1996, nor does it purport to present the consolidated results of operations for future periods.

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1997
	-----	-----
<S>	<C>	<C>
Total revenues.....	\$ 265,550	\$ 284,674
Income from operations before minority interests.....	90,694	103,903
Net income available to common stockholders.....	87,313	99,508
INCOME PER SHARE OF COMMON STOCK		
Basic.....	\$ 1.02	\$ 1.16
	=====	=====
Diluted.....	\$ 1.01	\$ 1.15
	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic.....	85,874,513	85,874,513
	=====	=====
Diluted.....	86,156,556	86,156,556
	=====	=====

</TABLE>

#### 10. COMMITMENTS AND CONTINGENCIES

##### LITIGATION

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

##### ENVIRONMENTAL MATTERS

The Company follows the policy of monitoring its Properties for the presence of hazardous or toxic substances. The Company is not aware of any environmental liability with respect to the Properties that would

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AMB PROPERTY CORPORATION

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

have a material adverse effect on the Company's business, assets or results of operations. There can be no assurance that such a material environmental liability does not exist. The existence of any such material environmental liability could have a material adverse effect on the Company's results of operations and cash flow.

##### GENERAL UNINSURED LOSSES

The Company carries comprehensive liability, fire, flood, environmental, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of extraordinary losses that may be either uninsurable or not economically insurable. Should an uninsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from, a property.

Certain of the Properties are located in areas that are subject to earthquake activity; the Company has therefore obtained limited earthquake insurance.

#### 11. OPERATING PARTNERSHIP

As of December 31, 1997 the Company owned a 97.1% general partner interest in the Operating Partnership. Therefore, the Company consolidates the Operating Partnership and records the remaining 2.9% limited partner interests as minority interest in the consolidated financial statements.

The Operating Partnership commenced operations as a fully integrated real estate company on November 26, 1997 upon completion of the Formation Transactions. For financial reporting purposes, AMB Institutional Realty Advisors, Inc. is not considered to be the predecessor of the Operating

Partnership. The following table sets forth summary financial information of the Operating Partnership as of and for the period from November 26, 1997 to December 31, 1997 (in thousands, except unit data):

	<C>
Investments in real estate, net.....	\$2,438,846
Total assets.....	2,506,255
Debt.....	685,652
Partners' capital.....	1,717,398
Revenues.....	27,110
Income from operations before minority interest.....	9,291
Net income.....	9,174
Total units.....	88,416,676
Net income per unit.....	\$0.10

Following is a statement of partners' capital of the Operating Partnership from November 26, 1997 (inception) to December 31, 1997 (in thousands, except unit data):

	GENERAL PARTNER		LIMITED PARTNERS		TOTAL
	UNITS	AMOUNT	UNITS	AMOUNT	
November 25, 1997....	--	\$ --	--	\$ --	\$ --
Contributions.....	85,874,513	1,670,902	2,542,163	49,169	1,720,071
Net income.....	--	8,634	--	540	9,174
Distributions.....	--	(11,506)	--	(341)	(11,847)
December 31, 1997....	85,874,513	\$1,668,030	2,542,163	\$49,368	\$1,717,398

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AMB PROPERTY CORPORATION

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION  
AS OF DECEMBER 31, 1997

PROPERTY	LOCATION	TYPE	ENCUMBRANCES (1)	INITIAL COST TO COMPANY		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	
				LAND	BUILDING	LAND	BUILDING
72nd Avenue.....	WA	IND	\$ --	\$ 1,298	\$ 4,008	\$ --	\$ --
Acer Distribution Center... Activity Distribution Center.....	CA	IND	--	3,146	9,479	--	--
Alvarado Business Center...	CA	IND	5,400	3,736	11,248	--	--
Amwiler-Gwinnett Industrial Portfolio.....	GA	IND	14,360	6,641	19,964	--	4
Ardenwood Corporate Park...	CA	IND	10,339	7,321	22,002	--	--
Artesia Industrial Portfolio.....	CA	IND	54,742	23,860	71,620	--	907
Atlanta South.....	GA	IND	--	6,550	19,691	--	--
Beacon Industrial Park.....	FL	IND	--	10,466	31,437	--	--
Belden Avenue.....	IL	IND	--	5,019	15,186	--	--
Bensenville.....	IL	IND	44,593	20,799	62,438	--	19
Blue Lagoon.....	FL	IND	11,916	4,945	14,875	--	23
Boulden.....	DE	IND	--	2,807	8,462	--	36
Brightseat Road.....	MD	IND	--	1,557	4,841	--	--
Britannia Business Park....	FL	IND	--	3,199	9,637	--	37
Cabot Business Park.....	MA	IND	--	16,017	48,091	--	7
Chancellor.....	FL	IND	2,987	1,587	4,802	--	--
Chicago Industrial.....	IL	IND	3,522	1,574	4,761	--	--
Commerce.....	CA	IND	--	2,197	6,653	--	--
Corporate Square.....	MN	IND	--	4,024	12,113	--	16
Crossroads Industrial.....	IL	IND	--	2,583	7,789	--	--
Dixie Highway.....	KY	IND	--	1,700	5,149	--	--
Dock's Corner.....	NJ	IND	--	2,050	6,190	--	--
Dock's Corner II.....	NJ	IND	--	2,272	6,917	--	--
Dowe Industrial.....	CA	IND	--	2,665	8,034	--	--
East Walnut Drive.....	CA	IND	--	964	2,918	--	--
Elk Grove Village							

Industrial.....	IL	IND	--	7,713	23,179	--	8
Empire Drive.....	KY	IND	--	1,590	4,815	--	--
Executive Drive.....	IL	IND	--	1,399	4,236	--	--
Fairway Drive Industrial...	CA	IND	--	1,954	5,479	--	--

<CAPTION>

GROSS AMOUNT CARRIED AT 12/31/97

PROPERTY	GROSS AMOUNT CARRIED AT 12/31/97			ACCUMULATED DEPRECIATION	YEAR OF CONSTRUCTION OR ACQUISITION	DEPRECIABLE LIFE (YEARS)
	LAND	BUILDING	TOTAL COSTS (2)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
72nd Avenue.....	\$ 1,298	\$ 4,008	\$ 5,306	\$ 9	1997	5-40
Acer Distribution Center...	3,146	9,479	12,625	22	1997	5-40
Activity Distribution Center.....	3,736	11,248	14,984	26	1997	5-40
Alvarado Business Center...	7,906	23,832	31,738	54	1997	5-40
Amwiler-Gwinnett Industrial Portfolio.....	6,641	19,968	26,609	46	1997	5-40
Ardenwood Corporate Park...	7,321	22,002	29,323	50	1997	5-40
Artesia Industrial Portfolio.....	23,860	72,527	96,387	165	1997	5-40
Atlanta South.....	6,550	19,691	26,241	45	1997	5-40
Beacon Industrial Park.....	10,466	31,437	41,903	72	1997	5-40
Belden Avenue.....	5,019	15,186	20,205	35	1997	5-40
Bensenville.....	20,799	62,457	83,256	143	1997	5-40
Blue Lagoon.....	4,945	14,898	19,843	34	1997	5-40
Boulder.....	2,807	8,498	11,305	19	1997	5-40
Brightseat Road.....	1,557	4,841	6,398	11	1997	5-40
Britannia Business Park....	3,199	9,674	12,873	22	1997	5-40
Cabot Business Park.....	16,017	48,098	64,115	110	1997	5-40
Chancellor.....	1,587	4,802	6,389	11	1997	5-40
Chicago Industrial.....	1,574	4,761	6,335	11	1997	5-40
Commerce.....	2,197	6,653	8,850	15	1997	5-40
Corporate Square.....	4,024	12,129	16,153	28	1997	5-40
Crossroads Industrial.....	2,583	7,789	10,372	18	1997	5-40
Dixie Highway.....	1,700	5,149	6,849	12	1997	5-40
Dock's Corner.....	2,050	6,190	8,240	14	1997	5-40
Dock's Corner II.....	2,272	6,917	9,189	16	1997	5-40
Dowe Industrial.....	2,665	8,034	10,699	18	1997	5-40
East Walnut Drive.....	964	2,918	3,882	7	1997	5-40
Elk Grove Village Industrial.....	7,713	23,187	30,900	53	1997	5-40
Empire Drive.....	1,590	4,815	6,405	11	1997	5-40
Executive Drive.....	1,399	4,236	5,635	10	1997	5-40
Fairway Drive Industrial...	1,954	5,479	7,433	13	1997	5-40

</TABLE>

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<TABLE>

<CAPTION>

PROPERTY	LOCATION	TYPE	ENCUMBRANCES (1)	INITIAL COST TO COMPANY		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	
				LAND	BUILDING	LAND	BUILDING
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Hampden Road.....	MA	IND	--	2,200	6,678	--	--
Harvest Business Park.....	WA	IND	3,826	2,371	7,153	--	51
Hewlett Packard Distribution.....	CA	IND	3,437	1,668	5,043	--	--
Holton Drive.....	KY	IND	--	2,633	7,972	--	--
Industrial Drive.....	OH	IND	--	1,743	5,410	--	--
International Multifoods...	CA	IND	--	1,613	4,879	--	--
Itasca Industrial Portfolio.....	IL	IND	--	6,416	19,289	--	213
Janitrol.....	OH	IND	--	1,797	5,576	--	--
Jasmine Avenue.....	CA	IND	--	3,157	9,562	--	--
Kent Centre.....	WA	IND	--	3,042	9,165	--	23
Kingsport Industrial Park.....	WA	IND	18,161	7,919	23,798	--	96
L.A. County Industrial Portfolio (3).....	CA	IND	--	11,128	33,423	--	17
Lake Michigan Industrial Portfolio.....	IL	IND	--	2,886	8,699	--	--
Laurelwood.....	CA	IND	--	2,750	8,538	--	--
Lincoln Industrial Center.....	TX	IND	--	671	2,052	--	--
Linder Skokie.....	IL	IND	--	2,938	8,854	--	--
Lisle Industrial.....	IL	IND	--	2,290	6,911	--	--
Lonestar.....	TX	IND	17,773	7,129	21,428	--	--

McDaniel Drive.....	TX	IND	--	1,537	4,659	--	--
Melrose Park.....	IL	IND	--	2,936	9,190	--	--
Metric Center.....	TX	IND	--	10,968	32,944	--	45
Mid-Atlantic Business Center.....	PA	IND	--	6,581	19,783	--	36
Milmont Page.....	CA	IND	--	3,201	9,642	--	94
Minneapolis Distribution Portfolio.....	MN	IND	--	7,018	21,093	--	95
Minneapolis Industrial IV.....	MN	IND	8,346	4,938	14,854	--	42
Minneapolis Industrial V....	MN	IND	7,952	4,426	13,317	--	46
Moffett Business Center....	CA	IND	12,883	5,892	17,716	--	--
Moffett Park R&D Portfolio.....	CA	IND	--	14,807	44,462	--	598
N. Glenville Avenue.....	TX	IND	--	1,094	3,316	--	--
Norcross/ Brookhollow Portfolio.....	GA	IND	--	3,721	11,180	--	--
Northpointe Commerce.....	CA	IND	--	1,773	5,358	--	--
Northwest Distribution Center.....	WA	IND	--	2,234	6,743	--	7
O'Hare Industrial Portfolio.....	IL	IND	--	7,357	22,112	--	156
Pacific Business Center....	CA	IND	10,679	5,417	16,291	--	16

<CAPTION>

GROSS AMOUNT CARRIED AT 12/31/97

PROPERTY	LAND	BUILDING	TOTAL COSTS (2)	ACCUMULATED DEPRECIATION	YEAR OF CONSTRUCTION OR ACQUISITION	DEPRECIABLE LIFE (YEARS)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Hampden Road.....	2,200	6,678	8,878	15	1997	5-40
Harvest Business Park.....	2,371	7,204	9,575	16	1997	5-40
Hewlett Packard Distribution.....	1,668	5,043	6,711	12	1997	5-40
Holton Drive.....	2,633	7,972	10,605	18	1997	5-40
Industrial Drive.....	1,743	5,410	7,153	12	1997	5-40
International Multifoods...	1,613	4,879	6,492	11	1997	5-40
Itasca Industrial Portfolio.....	6,416	19,502	25,918	44	1997	5-40
Janitrol.....	1,797	5,576	7,373	13	1997	5-40
Jasmine Avenue.....	3,157	9,562	12,719	22	1997	5-40
Kent Centre.....	3,042	9,188	12,230	21	1997	5-40
Kingsport Industrial Park.....	7,919	23,894	31,813	54	1997	5-40
L.A. County Industrial Portfolio (3).....	11,128	33,440	44,568	76	1997	5-40
Lake Michigan Industrial Portfolio.....	2,886	8,699	11,585	20	1997	5-40
Laurelwood.....	2,750	8,538	11,288	19	1997	5-40
Lincoln Industrial Center.....	671	2,052	2,723	5	1997	5-40
Linder Skokie.....	2,938	8,854	11,792	20	1997	5-40
Lisle Industrial.....	2,290	6,911	9,201	16	1997	5-40
Lonestar.....	7,129	21,428	28,557	49	1997	5-40
McDaniel Drive.....	1,537	4,659	6,196	11	1997	5-40
Melrose Park.....	2,936	9,190	12,126	21	1997	5-40
Metric Center.....	10,968	32,989	43,957	75	1997	5-40
Mid-Atlantic Business Center.....	6,581	19,819	26,400	45	1997	5-40
Milmont Page.....	3,201	9,736	12,937	22	1997	5-40
Minneapolis Distribution Portfolio.....	7,018	21,188	28,206	48	1997	5-40
Minneapolis Industrial IV.....	4,938	14,896	19,834	34	1997	5-40
Minneapolis Industrial V....	4,426	13,363	17,789	30	1997	5-40
Moffett Business Center....	5,892	17,716	23,608	40	1997	5-40
Moffett Park R&D Portfolio.....	14,807	45,060	59,867	101	1997	5-40
N. Glenville Avenue.....	1,094	3,316	4,410	8	1997	5-40
Norcross/ Brookhollow Portfolio.....	3,721	11,180	14,901	26	1997	5-40
Northpointe Commerce.....	1,773	5,358	7,131	12	1997	5-40
Northwest Distribution Center.....	2,234	6,750	8,984	15	1997	5-40
O'Hare Industrial Portfolio.....	7,357	22,268	29,625	51	1997	5-40
Pacific Business Center....	5,417	16,307	21,724	37	1997	5-40

</TABLE>

<TABLE>  
<CAPTION>

PROPERTY -----	LOCATION -----	TYPE ---	ENCUMBRANCES (1) -----	INITIAL COST TO COMPANY		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	
				LAND	BUILDING	LAND	BUILDING
				-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Pagemill & Dillworth.....	TX	IND	--	1,877	5,690	--	--
Patuxent.....	MD	IND	--	1,696	5,127	--	--
Penn James							
Office/Warehouse.....	MN	IND	--	1,991	6,013	--	103
Pennsy Drive.....	MD	IND	--	657	2,011	--	203
Presidents Drive.....	FL	IND	--	1,124	3,446	--	--
Presidents Drive II.....	FL	IND	--	2,563	7,861	--	--
Preston Court.....	MD	IND	--	2,313	7,192	--	--
Production Drive.....	KY	IND	--	425	1,286	--	--
Santa Barbara Court.....	MD	IND	--	1,617	5,029	--	--
Shiloh Road.....	TX	IND	--	1,813	5,495	--	--
Silicon Valley R&D							
Portfolio.....	CA	IND	--	8,024	24,205	--	--
South Bay Industrial.....	CA	IND	20,791	14,992	45,016	--	465
Southfield.....	GA	IND	--	7,073	21,259	--	106
Stadium Business Park.....	CA	IND	4,909	3,768	11,345	--	48
Systematics.....	CA	IND	--	911	2,773	--	--
Texas Industrial Portfolio							
(4).....	TX	IND	--	10,806	32,499	--	218
Twin Cities.....	MN	IND	--	4,873	14,638	--	--
Two South Middlesex.....	NJ	IND	--	2,247	6,781	--	--
Valwood.....	TX	IND	4,351	1,983	5,989	--	12
Valwood Parkway II.....	TX	IND	--	2,219	6,729	--	--
Viscount.....	FL	IND	--	984	3,016	--	--
Weigman Road.....	CA	IND	--	1,563	4,852	--	--
West Kiest.....	TX	IND	--	1,395	4,231	--	--
West North Carrier.....	TX	IND	3,522	1,375	4,165	--	85
Windsor Court.....	IL	IND	--	766	2,338	--	--
Yosemite Drive.....	CA	IND	--	2,350	7,297	--	--
Zanker/Charcot							
Industrial.....	CA	IND	--	5,282	15,887	--	202
Applewood Village Shopping							
Center.....	CO	RET	--	6,716	26,903	--	--
Arapahoe Village Shopping							
Center.....	CO	RET	11,083	3,795	15,220	--	--
Aurora Marketplace.....	WA	RET	--	3,243	13,013	--	4
BayHill Shopping Center....	CA	RET	--	2,844	11,417	--	64
Brentwood Commons.....	IL	RET	5,460	1,810	7,280	--	1
Civic Center Plaza.....	IL	RET	13,689	5,113	20,492	--	42
Corbins Corner Shopping							
Center.....	CT	RET	--	6,438	25,791	--	3

<CAPTION>

GROSS AMOUNT CARRIED AT 12/31/97

PROPERTY -----	LAND -----	BUILDING -----	TOTAL COSTS (2) -----	ACCUMULATED DEPRECIATION -----	YEAR OF CONSTRUCTION OR ACQUISITION -----	DEPRECIABLE LIFE (YEARS) -----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Pagemill & Dillworth.....	1,877	5,690	7,567	13	1997	5-40
Patuxent.....	1,696	5,127	6,823	12	1997	5-40
Penn James						
Office/Warehouse.....	1,991	6,116	8,107	14	1997	5-40
Pennsy Drive.....	657	2,214	2,871	5	1997	5-40
Presidents Drive.....	1,124	3,446	4,570	8	1997	5-40
Presidents Drive II.....	2,563	7,861	10,424	18	1997	5-40
Preston Court.....	2,313	7,192	9,505	16	1997	5-40
Production Drive.....	425	1,286	1,711	3	1997	5-40
Santa Barbara Court.....	1,617	5,029	6,646	11	1997	5-40
Shiloh Road.....	1,813	5,495	7,308	13	1997	5-40
Silicon Valley R&D						
Portfolio.....	8,024	24,205	32,229	55	1997	5-40
South Bay Industrial.....	14,992	45,481	60,473	103	1997	5-40
Southfield.....	7,073	21,365	28,438	49	1997	5-40
Stadium Business Park.....	3,768	11,393	15,161	26	1997	5-40
Systematics.....	911	2,773	3,684	6	1997	5-40
Texas Industrial Portfolio						
(4).....	10,806	32,717	43,523	74	1997	5-40
Twin Cities.....	4,873	14,638	19,511	33	1997	5-40
Two South Middlesex.....	2,247	6,781	9,028	15	1997	5-40
Valwood.....	1,983	6,001	7,984	14	1997	5-40
Valwood Parkway II.....	2,219	6,729	8,948	15	1997	5-40
Viscount.....	984	3,016	4,000	7	1997	5-40
Weigman Road.....	1,563	4,852	6,415	11	1997	5-40
West Kiest.....	1,395	4,231	5,626	10	1997	5-40

West North Carrier.....	1,375	4,250	5,625	10	1997	5-40
Windsor Court.....	766	2,338	3,104	5	1997	5-40
Yosemite Drive.....	2,350	7,297	9,647	17	1997	5-40
Zanker/Charcot Industrial.....	5,282	16,089	21,371	36	1997	5-40
Applewood Village Shopping Center.....	6,716	26,903	33,619	61	1997	5-40
Arapahoe Village Shopping Center.....	3,795	15,220	19,015	35	1997	5-40
Aurora Marketplace.....	3,243	13,017	16,260	30	1997	5-40
BayHill Shopping Center....	2,844	11,481	14,325	26	1997	5-40
Brentwood Commons.....	1,810	7,281	9,091	17	1997	5-40
Civic Center Plaza.....	5,113	20,534	25,647	47	1997	5-40
Corbins Corner Shopping Center.....	6,438	25,794	32,232	59	1997	5-40

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<TABLE>  
<CAPTION>

PROPERTY	LOCATION	TYPE	ENCUMBRANCES (1)	INITIAL COST TO COMPANY		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	
				LAND	BUILDING	LAND	BUILDING
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Eastgate Plaza.....	WA	RET	--	2,122	8,529	--	59
Five Points Shopping Center.....	CA	RET	--	5,412	21,687	--	96
Granada Village.....	CA	RET	15,678	6,533	26,172	--	251
Kendall Mall.....	FL	RET	25,162	7,069	28,316	--	16
La Jolla Village.....	CA	RET	19,245	6,936	27,785	--	16
Lakeshore Plaza Shopping Center.....	CA	RET	13,839	6,706	26,865	--	74
Latham Farms.....	NY	RET	38,833	12,327	49,350	--	23
Long Gate Shopping Center.....	MD	RET	--	9,662	38,677	--	--
Manhattan Village Shopping Center.....	CA	RET	--	16,484	66,578	--	230
Pleasant Hill Shopping Center.....	CA	RET	--	5,403	21,654	--	13
Rancho San Diego Village Shopping Center.....	CA	RET	--	2,645	10,621	--	2
Randall's Dairy Ashford....	TX	RET	--	2,542	10,179	--	--
Randall's Austin Parkway...	TX	RET	--	2,139	8,563	--	--
Randall's Commons Memorial.....	TX	RET	--	2,053	8,221	--	1
Randall's Woodway.....	TX	RET	--	3,075	12,313	--	--
Riverview Plaza Shopping Center.....	IL	RET	--	2,656	10,663	--	--
Rockford Road Plaza.....	MN	RET	--	4,333	17,371	--	35
Shoppes at Lago Mar.....	FL	RET	5,932	2,051	8,246	--	66
Silverado Plaza Shopping Center.....	CA	RET	5,203	1,928	7,753	--	--
Southwest Pavilion.....	NV	RET	--	1,575	8,140	--	30
The Plaza at Delray.....	FL	RET	23,455	6,968	27,914	--	4
Twin Oaks Shopping Center.....	CA	RET	--	2,399	9,637	--	47
Weslayan Plaza.....	TX	RET	--	7,842	31,409	--	76
Woodlawn Point Shopping Center.....	GA	RET	4,823	2,318	9,312	--	--
Ygnacio Plaza.....	CA	RET	8,365	3,021	12,114	--	38
			=====	=====	=====	=====	=====
			\$455,256	\$550,635	\$1,817,216	\$ --	\$5,300

<CAPTION>

GROSS AMOUNT CARRIED AT 12/31/97

PROPERTY	LAND	BUILDING	TOTAL COSTS (2)	ACCUMULATED DEPRECIATION	YEAR OF CONSTRUCTION OR ACQUISITION	DEPRECIABLE LIFE (YEARS)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Eastgate Plaza.....	2,122	8,588	10,710	20	1997	5-40
Five Points Shopping Center.....	5,412	21,783	27,195	50	1997	5-40
Granada Village.....	6,533	26,423	32,956	60	1997	5-40
Kendall Mall.....	7,069	28,332	35,401	65	1997	5-40
La Jolla Village.....	6,936	27,801	34,737	63	1997	5-40
Lakeshore Plaza Shopping Center.....	6,706	26,939	33,645	61	1997	5-40

Latham Farms.....	12,327	49,373	61,700	113	1997	5-40
Long Gate Shopping Center.....	9,662	38,677	48,339	88	1997	5-40
Manhattan Village Shopping Center.....	16,484	66,808	83,292	152	1997	5-40
Pleasant Hill Shopping Center.....	5,403	21,667	27,070	49	1997	5-40
Rancho San Diego Village Shopping Center.....	2,645	10,623	13,268	24	1997	5-40
Randall's Dairy Ashford....	2,542	10,179	12,721	23	1997	5-40
Randall's Austin Parkway...	2,139	8,563	10,702	20	1997	5-40
Randall's Commons Memorial.....	2,053	8,222	10,275	19	1997	5-40
Randall's Woodway.....	3,075	12,313	15,388	28	1997	5-40
Riverview Plaza Shopping Center.....	2,656	10,663	13,319	24	1997	5-40
Rockford Road Plaza.....	4,333	17,406	21,739	40	1997	5-40
Shoppes at Lago Mar.....	2,051	8,312	10,363	19	1997	5-40
Silverado Plaza Shopping Center.....	1,928	7,753	9,681	18	1997	5-40
Southwest Pavilion.....	1,575	8,170	9,745	19	1997	5-40
The Plaza at Delray.....	6,968	27,918	34,886	64	1997	5-40
Twin Oaks Shopping Center.....	2,399	9,684	12,083	22	1997	5-40
Weslayan Plaza.....	7,842	31,485	39,327	72	1997	5-40
Woodlawn Point Shopping Center.....	2,318	9,312	11,630	21	1997	5-40
Ygnacio Plaza.....	3,021	12,152	15,173	26	1997	5-40
	-----	-----	-----	-----		
	\$550,635	\$1,822,516	\$2,373,151	\$4,153		
	=====	=====	=====	=====		

</TABLE>

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AMB PROPERTY CORPORATION

SCHEDULE III (CONTINUED)  
CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION  
AS OF DECEMBER 31, 1997  
(IN THOUSANDS)

A summary of activity for real estate and accumulated depreciation for the year ended December 31, 1997 is as follows:

<TABLE>

<CAPTION>

	1997 (5)
	-----
<S>	<C>
INVESTMENTS IN REAL ESTATE:	
Balance at beginning of year.....	\$ --
Acquisition of Properties (6).....	2,367,851
Improvements.....	5,300
	-----
Balance at end of year.....	\$2,373,151
	=====
ACCUMULATED DEPRECIATION:	
Balance at beginning of year.....	\$ --
Depreciation expense.....	4,153
	-----
Balance at end of year.....	\$ 4,153
	=====

</TABLE>

- 
- (1) As of December 31, 1997, Properties with a net book value of \$170,979 serve as collateral for outstanding indebtedness under a secured debt facility of \$73,000.
  - (2) As of December 31, 1997, the aggregate cost for federal income tax purposes of investments in real estate was approximately \$2,231,504.
  - (3) Consists of two properties with seven buildings in Los Angeles and one building in Anaheim.
  - (4) Consists of two properties with five buildings in Houston and 18 buildings in Dallas.
  - (5) The Company was formed in November 1997. Since the Company did not own real estate prior to the Formation Transaction, a reconciliation of activity for real estate and accumulated depreciation is not provided for the years ended December 31, 1996 and 1995.
  - (6) As discussed in the "Notes to Consolidated Financial Statements --



Organization and Formation of the Company," the Company and the Operating Partnership acquired Properties with a value of \$2,216,137 in exchange for shares of the Company's common stock and units in the Operating Partnership.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To AMB Property Corporation:

We have audited the accompanying combined balance sheets of the AMB Contributed Properties as of December 31, 1995 and 1996, and the related combined statements of operations, owners' equity and cash flows for the years ended December 31, 1994, 1995 and 1996. These combined financial statements are the responsibility of the management of the AMB Contributed Properties. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the AMB Contributed Properties as of December 31, 1995 and 1996, and the results of their operations and their cash flows for the years ended December 31, 1994, 1995 and 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California  
March 27, 1998

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AMB CONTRIBUTED PROPERTIES

COMBINED BALANCE SHEETS  
AS OF DECEMBER 31, 1995 AND 1996  
AND SEPTEMBER 30, 1997 (UNAUDITED)  
(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30, 1997	
	1995	1996	HISTORICAL	AS ADJUSTED
			(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
<b>ASSETS</b>				
Investments in real estate:				
Land and land improvements.....	\$ 252,627	\$ 431,869	\$ 502,385	\$ 502,385
Buildings and improvements.....	754,623	1,157,464	1,367,162	1,367,162
Construction in progress.....	11,431	26,758	31,615	31,615
	-----	-----	-----	-----
Total investments in real estate....	1,018,681	1,616,091	1,901,162	1,901,162
Less -- accumulated depreciation....	(33,726)	(61,704)	(87,836)	(87,836)
	-----	-----	-----	-----
Net investments in real estate.....	984,955	1,554,387	1,813,326	1,813,326
Cash and cash equivalents.....	110,474	33,120	46,055	13,168
Accounts receivable, net.....	9,646	13,842	17,112	17,112
Deferred rent receivable.....	3,465	5,899	8,347	8,347
Deferred financing and leasing costs, net.....	6,281	13,840	15,130	15,130
Prepaid expenses and other assets.....	2,360	1,471	4,905	4,905
	-----	-----	-----	-----
Total assets.....	\$1,117,181	\$1,622,559	\$1,904,875	\$1,871,988
	=====	=====	=====	=====
<b>LIABILITIES AND OWNERS' EQUITY</b>				
<b>Debt:</b>				
Mortgage loans.....	\$ 254,067	\$ 403,321	\$ 443,324	\$ 443,324
Secured debt facility.....	--	73,000	73,000	73,000
Secured line of credit.....	--	46,313	43,613	43,613
Unsecured line of credit.....	--	25,500	181,300	181,300
	-----	-----	-----	-----
Total debt.....	254,067	548,134	741,237	741,237
Accounts payable and other liabilities....	11,395	14,298	19,662	19,662

Accounts payable to affiliates.....	529	2,713	3,117	3,117
Accrued real estate taxes.....	7,240	8,465	16,278	16,278
Security deposits payable.....	2,141	6,714	8,202	8,202
Unearned rental income.....	896	1,703	2,354	2,354
	-----	-----	-----	-----
Total liabilities.....	276,268	582,027	790,850	790,850
Commitments and contingencies.....	--	--	--	--
Minority interests.....	3,714	12,931	16,224	16,224
Owners' equity.....	838,007	1,028,377	1,098,526	1,065,639
Note receivable from owner.....	(808)	(776)	(725)	(725)
	-----	-----	-----	-----
Total owners' equity.....	837,199	1,027,601	1,097,801	1,064,914
	-----	-----	-----	-----
Total liabilities and owners' equity.....	\$1,117,181	\$1,622,559	\$1,904,875	\$1,871,988
	=====	=====	=====	=====

</TABLE>

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

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AMB CONTRIBUTED PROPERTIES

COMBINED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996,  
THE NINE MONTHS ENDED SEPTEMBER 30, 1996 (UNAUDITED) AND  
THE PERIOD FROM JANUARY 1, 1997 TO NOVEMBER 25, 1997 (UNAUDITED)  
(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED	JANUARY 1,
	1994	1995	1996	SEPTEMBER 30,	1997 TO
	-----	-----	-----	1996	NOVEMBER 25,
				(UNAUDITED)	1997
				(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES					
Rental revenues.....	\$50,893	\$106,180	\$166,415	\$120,146	\$207,391
Interest and other income.....	789	2,069	1,538	1,066	1,217
	-----	-----	-----	-----	-----
Total revenues.....	51,682	108,249	167,953	121,212	208,608
OPERATING EXPENSES					
Rental expenses.....	7,216	15,210	22,646	16,013	28,057
Real estate taxes.....	6,361	15,431	23,167	17,460	29,749
Interest expense.....	12,023	20,533	26,867	18,927	45,009
Depreciation and amortization....	8,812	17,524	28,591	20,549	32,616
Asset management fees to affiliate.....	3,167	6,250	9,508	6,593	14,646
General, administrative and other.....	350	782	838	586	823
	-----	-----	-----	-----	-----
Total operating expenses.....	37,929	75,730	111,617	80,128	150,900
Income from operations before disposal of properties and minority interests.....	13,753	32,519	56,336	41,084	57,708
Gain (loss) on disposition of properties.....	--	--	(1,471)	43	360
	-----	-----	-----	-----	-----
Income from operations before minority interests.....	13,753	32,519	54,865	41,127	58,068
Minority interests' share of (income) loss.....	(559)	12	(465)	(678)	(884)
	-----	-----	-----	-----	-----
Net income.....	\$13,194	\$ 32,531	\$ 54,400	\$ 40,449	\$ 57,184
	=====	=====	=====	=====	=====

</TABLE>

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

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AMB CONTRIBUTED PROPERTIES

COMBINED STATEMENTS OF OWNERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 1997 (UNAUDITED)  
(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	OWNERS' EQUITY	NOTE RECEIVABLE FROM OWNER	TOTAL
<S>	<C>	<C>	<C>
Balance at December 31, 1993.....	\$ 208,810	\$ (767)	\$ 208,043
Contributions.....	312,241	--	312,241
Distributions.....	(43,367)	--	(43,367)
Net income.....	13,194	--	13,194
Balance at December 31, 1994.....	490,878	(767)	490,111
Contributions.....	392,662	--	392,662
Distributions.....	(78,064)	--	(78,064)
Increase in note receivable from owner.....	--	(41)	(41)
Net income.....	32,531	--	32,531
Balance at December 31, 1995.....	838,007	(808)	837,199
Contributions.....	253,322	--	253,322
Distributions.....	(117,352)	--	(117,352)
Principal reduction on note receivable from owner.....	--	32	32
Net income.....	54,400	--	54,400
Balance at December 31, 1996.....	1,028,377	(776)	1,027,601
Contributions.....	112,912	--	112,912
Distributions.....	(89,598)	--	(89,598)
Principal reduction on note receivable from owner.....	--	51	51
Net income.....	46,835	--	46,835
Balance at September 30, 1997.....	\$1,098,526	\$ (725)	\$1,097,801

</TABLE>

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

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AMB CONTRIBUTED PROPERTIES

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996,  
THE NINE MONTHS ENDED SEPTEMBER 30, 1996 (UNAUDITED) AND  
THE PERIOD FROM JANUARY 1, 1997 TO NOVEMBER 25, 1997 (UNAUDITED)  
(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	JANUARY 1, 1997 TO NOVEMBER 25,
	1994	1995	1996	1996	1997
<S>	<C>	<C>	<C>	(UNAUDITED) <C>	(UNAUDITED) <C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	\$ 13,194	\$ 32,531	\$ 54,400	\$ 40,449	\$ 57,184
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization.....	8,812	17,524	28,591	20,549	32,616
Amortization of deferred financing costs.....	138	217	479	360	1,088
Straight-line rents.....	(1,404)	(2,061)	(2,434)	(1,826)	(2,965)
Minority interests' share of net income (loss).....	559	(12)	465	678	884
(Gain) loss on disposition of properties.....	--	--	1,471	(43)	(360)
Increase in accounts receivable and other assets.....	(776)	(5,603)	(3,307)	(1,116)	(14,166)
Increase (decrease) in payable to affiliates.....	1,001	(472)	2,184	(1,413)	615
Increase in accounts payable and other liabilities.....	6,998	10,284	9,069	8,405	16,890
Net cash provided by operating activities.....	28,522	52,408	90,918	66,043	91,786
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to properties.....	(345,042)	(352,984)	(566,278)	(220,685)	(315,303)
Additions to leasing costs.....	(1,898)	(2,741)	(6,002)	(3,732)	(4,548)
Net cash used for investing activities.....	(346,940)	(355,725)	(572,280)	(224,417)	(319,851)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Borrowings on debt.....	125,527	59,852	331,023	121,342	188,886
Payments on debt.....	(20,534)	(7,744)	(36,956)	(29,054)	(52,004)
Additions to financing fees.....	(836)	(816)	(3,248)	(3,077)	(244)

Capital distributions.....	(43,367)	(78,064)	(117,352)	(85,437)	(90,107)
Capital contributions.....	312,241	384,596	231,491	--	187,192
Contributions by minority interests.....	150	457	556	78,824	7,980
Distributions to minority interests.....	(368)	(2,994)	(1,538)	(1,463)	(2,528)
Decrease (increase) in note receivable from owner.....	(767)	(41)	32	83	(17)
Net cash provided by financing activities.....	372,046	355,246	404,008	81,218	239,158
Net increase (decrease) in cash and equivalents.....	53,628	51,929	(77,354)	(77,156)	11,093
Cash and cash equivalents at beginning of period.....	4,917	58,545	110,474	110,474	33,120
Cash and cash equivalents at end of period.....	\$ 58,545	\$ 110,474	\$ 33,120	\$ 33,318	\$ 44,213

</TABLE>

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

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AMB CONTRIBUTED PROPERTIES

NOTES TO COMBINED FINANCIAL STATEMENTS  
(DOLLARS IN THOUSANDS)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying combined financial statements represent a combination of the assets, liabilities and operations of 96 properties (the "Properties") located throughout the United States, which are owned by certain real estate investment funds, trusts and partnerships. Collectively, the combination of the operations of the investments in the Properties is referred to as the "AMB Contributed Properties." During the periods presented, the AMB Contributed Properties were all managed by AMB Institutional Realty Advisors, Inc. ("AMB"), the investment manager, under separate investment management agreements (the "Agreements"). AMB Contributed Properties is not a legal entity. A summary of the various entities that own the Properties, the number of properties and square footage as of November 25, 1997 is as follows:

<TABLE>  
<CAPTION>

PROPERTY OWNER	NUMBER OF PROPERTIES	SQUARE FOOTAGE
AMB Current Income Fund, Inc.(1).....	34	14,866,408
AMB Value Added Fund, Inc.....	5	1,740,103
AMB Western Properties Fund-I.....	8	1,118,907
Ameritech Pension Trust.....	11	4,398,878
City and County of San Francisco Employees' Retirement System.....	12	3,933,608
First Allmerica Financial Life Insurance Company.....	1	484,370
Milwaukee Employee's Retirement System(1).....	1	285,480
Southern Company System Master Retirement Trust.....	20	8,427,537
SPP Investment Management.....	1	699,512
Various Family Trusts.....	3	510,298
Total.....	96	36,465,101

</TABLE>

(1) AMB Current Income Fund, Inc. and Milwaukee Employee's Retirement System own respective interests in a limited liability company of 66.7% and 33.3%. The principal asset of the limited liability company is a 2,512,465 square foot property. The property is included in AMB Current Income Fund, Inc.'s number of properties and square footage above.

On November 25, 1997, the owners of the AMB Contributed Properties and AMB completed a business combination plan whereby the owners of the Properties contributed their property to AMB Property Corporation, a public real estate company (the "Company"), in exchange for shares in AMB Property Corporation, or units in a subsidiary partnership, AMB Property, L.P. (the "Operating Partnership") or, in certain limited circumstances, cash (the "Formation Transactions"). The allocation of ownership interests among the owners of the AMB Contributed Properties and AMB was based on the agreed-upon relative values of net assets contributed. The initial allocation among these entities may change pending the resolution of certain future performance criteria of the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

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### AMB CONTRIBUTED PROPERTIES

#### NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) (DOLLARS IN THOUSANDS)

### INVESTMENTS IN REAL ESTATE

Investments in real estate are stated at depreciated cost and are reviewed for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying amount of a property may not be recoverable. Impairment is recognized when estimated expected future cash flows (undiscounted and without interest charges) are less than the carrying amount of the property. To the extent an impairment has occurred, the excess of the carrying amount of the property over its estimated fair value will be charged to income. As of December 31, 1997, there were no impairments of the carrying values of the Properties.

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

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

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

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

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

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash held in financial institutions and other highly liquid short-term investments with original maturities of three months or less. Cash and cash equivalents as of December 31, 1995 and 1996 and September 30, 1997 (unaudited) include restricted cash of \$77,593, \$11,042, and \$1,740, respectively, which represent amounts held in escrow in connection with property purchases and capital improvements.

### DEFERRED FINANCING AND LEASING COSTS

Costs incurred in connection with financing or leasing are capitalized and amortized to interest expense and depreciation and amortization, respectively, on a straight-line basis (which approximates the effective interest method in the case of financing costs) over the term of the related loan or lease for periods generally ranging from six months to 10 years. Unamortized costs are charged to expense upon the early repayment of the related debt or upon the early termination of the lease. Accumulated amortization as of December 31, 1995 and 1996 and September 30, 1997 (unaudited) was \$1,239, \$2,930 and \$5,487, respectively.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

Based on the borrowing rates currently available to the Properties, the fair value of its debt at September 30, 1997 (unaudited) (with a carrying amount of \$741,237) was approximately \$760,000. Such valuation is based on the current rates offered to the AMB Contributed Properties for debt of the same remaining maturities. The carrying amount of cash and cash equivalents approximates fair value.

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AMB CONTRIBUTED PROPERTIES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

MINORITY INTERESTS

Minority interests in the AMB Contributed Properties represent interests held by certain entities in eight real estate limited partnerships and limited liability companies that are consolidated for financial reporting purposes. Such investments are consolidated because (i) the Company owns a controlling general partner's interest or holds a majority member interest, or (ii) the Company as limited partner holds significant control over the entity through a 50% or greater ownership interest combined with the ability to control major operating decisions such as approval of budgets, selection of property managers and change in financing. Further, in all cases, the Company has the ability to preclude a sale or refinancing proposed by any other partner.

REVENUES

All leases are classified as operating leases. Rental revenues are recognized on a straight-line basis over the term of the leases. Deferred rent receivable represents the excess of rental revenue recognized on a straight-line basis over cash received under the applicable lease provisions.

INTEREST AND OTHER INCOME

Interest and other income primarily represents interest income on cash and cash equivalents.

NEW ACCOUNTING PRONOUNCEMENTS

In June of 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This statement, effective for financial statements for periods beginning after December 15, 1997, requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Generally, information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments. This statement is not applicable to the AMB Contributed Properties, as they are not public business enterprises.

3. NOTE RECEIVABLE FROM OWNER

An affiliate of AMB held a 1% general partnership interest in AMB Western Properties Fund-I. The general partner's capital contribution was made through a note payable to AMB Western Properties Fund-I. The note accrues interest at 9.29%, payable from the general partner's quarterly cash distributions. At December 31, 1995 and 1996 and September 30, 1997 (unaudited), outstanding principal and interest on the note totaled \$808, \$776 and \$725, respectively.

4. TRANSACTIONS WITH INVESTMENT MANAGER

The owners of the AMB Contributed Properties are obligated to pay AMB acquisition fees and asset management fees, as defined in the Agreements. For the years ended December 31, 1994, 1995 and 1996, the nine months ended September 30, 1996 (unaudited) and the period from January 1, 1997 to November 25, 1997 (unaudited), the AMB Contributed Properties incurred expenses of \$3,167, \$6,250, \$9,508, \$6,593 and \$14,646, respectively, related to asset management of the Properties. In addition, acquisition fees paid to AMB of \$3,521, \$3,884, \$4,849, \$2,053 and \$2,989 were capitalized to investments in real estate in the accompanying combined balance sheets for the years ended December 31, 1994, 1995 and 1996, for the nine months ended September 30, 1996 (unaudited) and the period from January 1, 1997 to November 25, 1997 (unaudited), respectively. At December 31, 1995 and 1996 and September 30, 1997 (unaudited), total acquisition and asset management fees payable to AMB were \$529, \$2,713 and \$3,024, respectively.

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AMB CONTRIBUTED PROPERTIES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

Certain owners of the AMB Contributed Properties are also obligated to pay incentive management fees to AMB during ownership and upon disposition of the Properties to the extent that operations of the Properties and their fair values meet certain criteria. In connection with the Formation Transaction the owners of the AMB Contributed Properties agreed to terminate their respective existing incentive management fee agreements with AMB. One of the owners of the AMB Contributed Properties agreed to and paid a final incentive management fee of \$3,011.

5. DEBT

As of December 31, 1995 and 1996 and September 30, 1997 (unaudited), debt consisted of the following:

<TABLE>  
<CAPTION>

	DECEMBER 31,		SEPTEMBER 30,
	1995	1996	1997
			(UNAUDITED)
<S>	<C>	<C>	<C>
Mortgage loans, varying interest rates from 7.0% to 10.4%, due November 1998 to December 2008...	\$254,067	\$403,321	\$443,324
Secured debt facility, fixed interest at 7.53%, due December 2008.....	--	73,000	73,000
Secured line of credit, variable interest at LIBOR plus 50 basis points (6.2% at September 30, 1997), due October 1998.....	--	46,313	43,613
Unsecured line of credit, variable interest at LIBOR plus 150 basis points (7.2% at September 30, 1997), due August 1999.....	--	25,500	181,300
Total debt.....	\$254,067	\$548,134	\$741,237

</TABLE>

The unsecured line of credit had total availability of \$200,000 as of September 30, 1997 (unaudited). The unsecured line includes a one-year option to extend and a fee on average unused funds of 25 basis points.

The secured debt facility and secured line of credit in aggregate had total availability of \$116,613 as of September 30, 1997.

Mortgage loans generally require monthly principal and interest payments. The mortgage loans are secured by deeds of trust or mortgages on 42 Properties. The net book value of real estate investments pledged as collateral under deeds of trust or mortgages for mortgage loans and the secured debt facility at December 31, 1995 and 1996 and September 30, 1997 (unaudited) is \$475,783, \$934,233 and \$935,074, respectively. In addition, Properties with a net book value of \$129,192, \$147,452 and \$146,853 as of December 31, 1995 and 1996 and September 30, 1997 (unaudited), respectively, are part of a collateral pool for cross-collateralized mortgage debt of one of the Property owners. As such mortgage is deemed to be debt of the real estate investment fund rather than of the Properties and as such Properties were contributed to the Company free of debt, the debt is not reflected in the accompanying combined financial statements.

Also included in mortgage loans is a construction loan with a balance of \$1,928 as of September 30, 1997 (unaudited). Such loan matures in 2000, has total availability of \$8,000 and bears interest at LIBOR plus 275 basis points or prime plus 50 basis points at the borrower's option.

The secured line is collateralized by capital subscriptions receivable of \$149,436 at September 30, 1997 (unaudited) from the owners of AMB Value Added Fund, Inc. which have been netted against owners' equity in the accompanying combined financial statements.

The weighted-average fixed interest rate on debt at September 30, 1997 (unaudited) was 7.87%. Interest capitalized related to construction projects for the years ended December 31, 1994, 1995 and 1996, for the

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AMB CONTRIBUTED PROPERTIES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

nine months ended September 30, 1996 (unaudited) and for the period from January 1, 1997 to November 25, 1997 (unaudited) was \$132, \$105, \$1,134, \$537 and \$1,092, respectively.

The scheduled maturities of all debt outstanding as of September 30, 1997 are as follows:

<S>	<C>
1997 (three months).....	\$ 1,536
1998.....	63,002
1999.....	190,966
2000.....	9,285
2001.....	35,654
Thereafter.....	440,794

-----  
\$741,237  
=====

</TABLE>

6. LEASING ACTIVITY

Future minimum rentals due under noncancelable operating leases with tenants in effect at September 30, 1997 (unaudited) are as follows:

<TABLE>	
<S>	
1997 (three months).....	\$ 43,059
1998.....	178,488
1999.....	158,878
2000.....	138,977
2001.....	117,644
Thereafter.....	509,810
	-----
	\$1,146,856
	=====

</TABLE>

In addition to minimum rental payments, certain tenants pay reimbursements for their pro rata share of specified operating expenses, which reimbursements amounted to \$9,077, \$21,008, \$33,805, \$26,176 and \$44,574 for the years ended December 31, 1994, 1995 and 1996, for the nine months ended September 30, 1996 (unaudited) and for the period from January 1, 1997 to November 25, 1997 (unaudited), respectively. These amounts are included as rental income and operating expenses in the accompanying combined statements of operations. Certain of the leases also provide for the payment of additional rent based on a percentage of the tenant's revenues. Some leases contain options to renew. No individual tenant accounts for greater than 10% of rental revenues.

7. PROPERTY DISPOSITIONS

During the year ended December 31, 1996 and period from January 1, 1997 to November 25, 1997 (unaudited), the AMB Contributed Properties disposed of certain Properties. The accompanying combined financial statements include the operations of such Properties for periods prior to their disposition. The following table sets forth the revenues and expenses of the disposed Properties included in the accompanying

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AMB CONTRIBUTED PROPERTIES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)  
(DOLLARS IN THOUSANDS)

combined financial statements for the years ended December 31, 1994, 1995 and 1996, the nine months ended September 30, 1996 (unaudited) and the period from January 1, 1997 to November 25, 1997 (unaudited).

<TABLE>  
<CAPTION>

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED	JANUARY 1, 1997 TO
	-----			SEPTEMBER 30,	NOVEMBER 25,
	1994	1995	1996	1996	1997
	-----			-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$1,248	\$ 2,170	\$ 2,624	\$ 1,909	\$1,200
Expenses.....	(489)	(1,005)	(1,475)	(1,075)	(595)
	-----			-----	
Net Income.....	\$ 759	\$ 1,165	\$ 1,149	\$ 834	\$ 605
	=====	=====	=====	=====	=====

</TABLE>

8. INCOME TAXES

The Properties are owned by entities that are generally not subject to federal income taxes, including tax-exempt master trusts, real estate investment trusts and partnerships. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements.

9. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS

The owners of the AMB Contributed Properties follow the policy of monitoring its properties for the presence of hazardous or toxic substances. The owners of the AMB Contributed Properties are not aware of any environmental liability with respect to the Properties that would have a material adverse effect on the AMB Contributed Properties' business, assets or results of operations; however, there can be no assurance that a material environmental



liability does not exist. The existence of any such material environmental liability could have a material adverse effect on the AMB Contributed Properties' results of operations and cash flow.

GENERAL UNINSURED LOSSES

The AMB Contributed Properties generally carry comprehensive liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of extraordinary losses that may be either uninsurable, or not economically insurable. Should an uninsured loss occur, the AMB Contributed Properties could lose its investment in, and anticipated profits and cash flows from, a property.

Certain of the AMB Contributed Properties are located in areas that are subject to earthquake activity; the AMB Contributed Properties have therefore obtained limited earthquake insurance.

10. AS ADJUSTED BALANCE SHEET (UNAUDITED)

The as adjusted balance sheet as of September 30, 1997 reflects a cash distribution of approximately \$32,887 to the owners of the AMB Contributed Properties. Such distribution was made in connection with the formation of the Company and was paid subsequent to December 31, 1997. The distribution was determined based upon the net working capital position of the Properties as of November 25, 1997.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To AMB Property Corporation:

We have audited the accompanying combined statement of revenues and certain expenses of the Boston Industrial Portfolio for the year ended December 31, 1997. This combined financial statement is the responsibility of the management of the Company. Our responsibility is to express an opinion on this combined financial statement based on our audit.

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

The accompanying combined statement of revenues and certain expenses has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1, and is not intended to be a complete presentation of the revenues and expenses of the Boston Industrial Portfolio.

In our opinion, the combined financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Boston Industrial Portfolio for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California  
March 27, 1998

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BOSTON INDUSTRIAL PORTFOLIO

COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD FROM JANUARY 1, 1998  
TO MARCH 27, 1998 (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1997 -----	1998 -----
		(UNAUDITED)
<S>	<C>	<C>
REVENUES:		
Rental revenues.....	\$10,395	\$2,847
Other income.....	8	6
	-----	-----
	10,403	2,853

CERTAIN EXPENSES:		
Property operating expenses.....	306	30
Real estate taxes.....	496	78
	-----	-----
	802	108
	-----	-----
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$ 9,601	\$2,745
	=====	=====

</TABLE>

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

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BOSTON INDUSTRIAL PORTFOLIO

NOTES TO COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
(UNAUDITED, DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

PROPERTIES ACQUIRED

The accompanying combined statements of revenues and certain expenses include the combined operations of the Boston Industrial Portfolio (the "Portfolio"). AMB Property Corporation (the "Company") acquired the following properties from an unrelated party on March 27, 1998 for an aggregate purchase price of \$85,356 and one building with a value of \$2,444, which is to be acquired.

<TABLE>

<CAPTION>

PROPERTY NAME -----	LOCATION -----	RENTABLE SQUARE FEET -----
<S>	<C>	<C>
Braintree Industrial	Braintree, MA	976,634
Braintree Office	Braintree, MA	120,000
Stoughton Industrial	Stoughton, MA	632,675
Arsenal Street	Watertown, MA	191,850
Bedford Street	Middleborough, MA	40,018
Brockton Industrial	Brockton, MA	300,114
Collins Street	Attleboro, MA	152,730
Hartwell Avenue	Lexington, MA	40,800
United Drive	West Bridgewater, MA	315,000
Mazzeo	Randolph, MA	88,420
		-----
		2,858,241
		=====

</TABLE>

BASIS OF PRESENTATION

The accompanying combined statements of revenues and certain expenses are not representative of the actual operations of the Portfolio for the period presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Portfolio; however, the Company is not aware of any material factors relating to the Portfolio that would cause the reported financial information not to be indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Portfolio.

REVENUE RECOGNITION

All leases are classified as operating leases. Rental revenues are recognized on a straight-line basis over the terms of the leases. No individual tenant accounted for greater than 10% of revenues.

USE OF ESTIMATES

The preparation of the combined statements of revenues and certain expenses in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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BOSTON INDUSTRIAL PORTFOLIO

NOTES TO COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES (CONTINUED)  
(UNAUDITED, DOLLARS IN THOUSANDS)

2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1998 and

annually thereafter on non-cancelable operating leases in effect as of December 31, 1997.

<TABLE>	
<S>	
1998.....	\$ 10,746
1999.....	10,283
2000.....	9,284
2001.....	8,864
2002.....	6,381
Thereafter.....	28,196
	-----
Total.....	\$ 73,754
	=====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$610 and \$153 for the year ended December 31, 1997 and for the period from January 1, 1998 to March 27, 1998 (unaudited), respectively. These amounts are included in rental revenues in the accompanying combined statements of revenues and certain expenses. Certain leases contain options to renew.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To AMB Property Corporation:

We have audited the accompanying statement of revenues and certain expenses of the Jamesburg Property, for the year ended December 31, 1997. This financial statement is the responsibility of the management of the Company. Our responsibility is to express an opinion on this financial statement based on our audit.

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

The accompanying statement of revenues and certain expenses has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1, and is not intended to be a complete presentation of the revenues and expenses of the Jamesburg Property.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Jamesburg Property for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California  
March 27, 1998

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THE JAMESBURG PROPERTY

STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD FROM JANUARY 1, 1998  
TO MARCH 20, 1998 (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1997	1998
	-----	-----
		(UNAUDITED)
<S>	<C>	<C>
REVENUES		
Rental revenues.....	\$6,774	\$1,466
Other income.....	--	--
	-----	-----
	6,774	1,466
CERTAIN EXPENSES		
Property operating expenses.....	1,720	372
Real estate taxes.....	790	171
	-----	-----

	2,510	543
	-----	-----
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$4,264	\$ 923
	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.  
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THE JAMESBURG PROPERTY

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
(UNAUDITED DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

PROPERTIES ACQUIRED

The accompanying statements of revenues and certain expenses include the operations of the Jamesburg Property (the "Property") acquired by AMB Property Corporation (the "Company") from an unrelated party on March 20, 1998 for an initial purchase price of \$46,802. The Property is located in Dayton, New Jersey and includes 821,712 rentable square feet.

BASIS OF PRESENTATION

The accompanying statements of revenues and certain expenses are not representative of the actual operations of the Property for the period presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Property; however, the Company is not aware of any material factors relating to the Property that would cause the reported financial information not to be indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Property.

REVENUE RECOGNITION

All leases are classified as operating leases. Rental revenues are recognized on a straight-line basis over the terms of the leases. No individual tenant accounted for greater than 10% of revenues.

USE OF ESTIMATES

The preparation of the statements of revenues and certain expenses in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1998 and annually thereafter on non-cancelable operating leases in effect as of December 31, 1997.

<TABLE>		
<S>		<C>
1998.....	\$ 4,783	
1999.....	4,404	
2000.....	2,480	
2001.....	2,085	
2002.....	1,080	
Thereafter.....	1,712	
	-----	
Total.....	\$16,544	
	=====	

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$2,143 and \$536 for the year ended December 31, 1997 and for the period from January 1, 1998 to March 20, 1998 (unaudited), respectively. These amounts are included in rental revenues in the accompanying statements of revenues and certain expenses. Certain leases contain options to renew.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To AMB Property Corporation:

We have audited the accompanying statement of revenues and certain expenses of Orlando Central Park, for the year ended December 31, 1997. This financial statement is the responsibility of the management of the Company. Our

responsibility is to express an opinion on this financial statement based on our audit.

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

The accompanying statement of revenues and certain expenses has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1, and is not intended to be a complete presentation of the revenues and expenses of Orlando Central Park.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of Orlando Central Park for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California  
March 27, 1998

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ORLANDO CENTRAL PARK

STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD FROM JANUARY 1, 1998  
TO MARCH 24, 1998 (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1997	1998
	-----	-----
		(UNAUDITED)
<S>	<C>	<C>
REVENUES		
Rental revenues.....	\$ 3,194	\$ 792
Other income.....	55	12
	-----	-----
	3,249	804
CERTAIN EXPENSES		
Property operating expenses.....	693	166
Real estate taxes.....	376	94
	-----	-----
	1,069	260
	-----	-----
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$ 2,180	\$ 544
	=====	=====

</TABLE>

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

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ORLANDO CENTRAL PARK

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
(UNAUDITED, DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

PROPERTIES ACQUIRED

The accompanying statements of revenues and certain expenses include the operations of Orlando Central Park (the "Property") acquired by AMB Property Corporation (the "Company") from an unrelated party on March 24, 1998 for an initial purchase price of \$30,300. The Property is located in Orlando, Florida and includes 791,386 rentable square feet.

BASIS OF PRESENTATION

The accompanying statements of revenues and certain expenses are not representative of the actual operations of the Property for the period presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Property; however, the Company is not aware of any material factors relating to the Property that would cause the reported financial information not to be

indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Property.

#### REVENUE RECOGNITION

All leases are classified as operating leases. Rental revenues are recognized on a straight-line basis over the terms of the leases. No individual tenant accounted for greater than 10% of revenues.

#### USE OF ESTIMATES

The preparation of the statements of revenues and certain expenses in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1998 and annually thereafter on non-cancelable operating leases in effect as of December 31, 1997.

<S>	<C>
1998.....	\$1,981
1999.....	1,475
2000.....	1,014
2001.....	412
2002.....	294
Thereafter.....	--
	-----
Total.....	\$5,176
	=====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$140 and \$35 for the year ended December 31, 1997 and for the period from January 1, 1998 to March 24, 1998 (unaudited), respectively. These amounts are included in rental revenues in the accompanying statements of revenues and certain expenses. Certain leases contain options to renew.

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#### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To AMB Property Corporation:

We have audited the accompanying statement of revenues and certain expenses of Totem Lake Malls, for the year ended December 31, 1997. This financial statement is the responsibility of the management of the Company. Our responsibility is to express an opinion on this financial statement based on our audit.

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

The accompanying statement of revenues and certain expenses has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1, and is not intended to be a complete presentation of the revenues and expenses of Totem Lake Malls.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of Totem Lake Malls for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California  
March 27, 1998

F-66

TOTEM LAKE MALLS

STATEMENTS OF REVENUES AND CERTAIN EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD FROM JANUARY 1, 1998  
TO MARCH 6, 1998 (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1997 -----	1998 ----- (UNAUDITED)
<S>	<C>	<C>
REVENUES		
Rental revenues.....	\$2,749	\$742
Other income.....	73	16
	-----	----
	2,822	758
CERTAIN EXPENSES		
Property operating expenses.....	1,041	235
Real estate taxes.....	252	42
	-----	----
	1,293	277
	-----	----
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$1,529	\$481
	=====	=====

</TABLE>

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

F-67

TOTEM LAKE MALLS

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

PROPERTIES ACQUIRED

The accompanying statements of revenues and certain expenses include the operations of Totem Lake Malls (the "Property") acquired by AMB Property Corporation (the "Company") from an unrelated party on March 6, 1998 for an initial purchase price of \$26,000. The Property is located in Seattle, Washington and includes 290,204 rentable square feet.

BASIS OF PRESENTATION

The accompanying statements of revenues and certain expenses are not representative of the actual operations of the Property for the period presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Property; however, the Company is not aware of any material factors relating to the Property that would cause the reported financial information not to be indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Property.

REVENUE RECOGNITION

All leases are classified as operating leases. Rental revenues are recognized on a straight-line basis over the terms of the leases. No individual tenant accounted for greater than 10% of revenues.

USE OF ESTIMATES

The preparation of the statements of revenues and certain expenses in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1998 and annually thereafter on non-cancelable operating leases in effect as of December 31, 1997.

<S>	<C>
1998.....	\$ 1,739
1999.....	1,620
2000.....	1,633
2001.....	1,549
2002.....	929
Thereafter.....	4,515
	-----

Total..... \$ 11,985  
 =====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$457 and \$114 for the year ended December 31, 1997 and for the period from January 1, 1998 to March 6, 1998 (unaudited), respectively. These amounts are included in rental revenues in the accompanying statements of revenues and certain expenses. Certain leases contain options to renew.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To AMB Property Corporation:

We have audited the accompanying statement of revenues and certain expenses of the Dallas Warehouse Portfolio (as defined in Note 1) for the year ended December 31, 1997. This financial statement is the responsibility of the management of the AMB Contributed Properties. Our responsibility is to express an opinion on this financial statement based on our audit.

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

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in Note 1 and is not intended to be a complete presentation of the revenues and expenses of the Dallas Warehouse Portfolio.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Dallas Warehouse Portfolio for the year ended December 31, 1997, in conformity with generally accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California,  
 April 21, 1998

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DALLAS WAREHOUSE PORTFOLIO

STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 1997 AND  
 FOR THE PERIOD FROM JANUARY 1, 1998 TO MARCH 31, 1998 (UNAUDITED)  
 (IN THOUSANDS)

<TABLE>  
 <CAPTION>

	1997	1998
	-----	-----
		(UNAUDITED)
<S>	<C>	<C>
REVENUES		
Rental revenues.....	\$4,133	\$1,048
Other income.....	26	5
	-----	-----
	4,159	1,053
CERTAIN EXPENSES		
Property operating expenses.....	280	43
Real estate taxes.....	681	178
	-----	-----
	981	221
	-----	-----
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$3,198	\$ 832
	=====	=====

</TABLE>



DALLAS WAREHOUSE PORTFOLIO

NOTES TO STATEMENTS OF REVENUES  
AND CERTAIN EXPENSES  
(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PROPERTIES ACQUIRED

The accompanying statements of revenues and certain expenses include the operations of the Dallas Warehouse Portfolio (the "Portfolio") acquired by AMB Property Corporation (the "Company") from an unrelated party on June 18, 1998 for an initial purchase price of \$32,650. The Portfolio is located in the Dallas, Texas area and includes 11 buildings comprising 1,019,200 rentable square feet.

Basis of Presentation

The accompanying statements of revenues and certain expenses are not representative of the actual operations of the Portfolio for the periods presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Portfolio; however, the Company is not aware of any material factors relating to these Portfolio that would cause the reported financial information not to be indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Portfolio.

Revenue Recognition

All leases are classified as operating leases, and rental revenue is recognized on a straight-line basis over the terms of the leases.

Uses of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1997 and annually thereafter on non-cancelable operating leases in effect as of December 31, 1997.

<TABLE>  
<CAPTION>

	YEAR	AMOUNT
	----	-----
<S>		<C>
1998.....		\$ 4,300
1999.....		2,765
2000.....		2,019
2001.....		1,242
2002.....		1,071
Thereafter.....		2,099
		-----
Total.....		\$13,496
		=====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$322 and \$76 for the year ended December 31, 1997 and for the three months ended March 31, 1998 (unaudited). Certain leases contain options to renew.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To AMB Property Corporation:

We have audited the accompanying combined statement of revenues and certain expenses of the Twin Cities Office/ Showroom Portfolio for the year ended

December 31, 1997. This combined financial statement is the responsibility of the management of the Company. Our responsibility is to express an opinion on this combined financial statement based on our audit.

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

The accompanying combined statement of revenues and certain expenses has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1, and is not intended to be a complete presentation of the revenues and expenses of the Twin Cities Office/ Showroom Portfolio.

In our opinion, the combined financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Twin Cities Office/ Showroom Portfolio for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California

May 1, 1998

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TWIN CITIES OFFICE/SHOWROOM PORTFOLIO

COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD FROM JANUARY 1, 1998

TO MARCH 31, 1998 (UNAUDITED)

(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1997 -----	1998 ----- (UNAUDITED)
	<C>	<C>
REVENUES:		
Rental revenues.....	\$4,262	\$1,007
Other income.....	32	4
	-----	-----
	4,294	1,011
CERTAIN EXPENSES:		
Property operating expenses.....	626	141
Real estate taxes.....	996	243
	-----	-----
	1,622	384
	-----	-----
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$2,672	\$ 627
	=====	=====

</TABLE>

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

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TWIN CITIES OFFICE/SHOWROOM PORTFOLIO

NOTES TO COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
(UNAUDITED, DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

PROPERTIES ACQUIRED

The accompanying combined statements of revenues and certain expenses include the combined operations of the Twin Cities Office/Showroom Portfolio (the "Portfolio") acquired by AMB Property Corporation (the "Company") from an unrelated party on June 30, 1998 for an aggregate purchase price of \$26,759. The Portfolio is located in the Minnetonka, Minnesota area and includes 10 buildings comprising 515,951 rentable square feet.

BASIS OF PRESENTATION

The accompanying combined statements of revenues and certain expenses are not representative of the actual operations of the Portfolio for the period presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Portfolio; however, the Company is not aware of any material factors relating to the Portfolio that would cause the reported financial information not to be indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Portfolio.

REVENUE RECOGNITION

All leases are classified as operating leases. Rental revenues are recognized on a straight-line basis over the terms of the leases. No individual tenant accounted for greater than 10% of revenues.

USE OF ESTIMATES

The preparation of the combined statements of revenues and certain expenses in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1998 and annually thereafter on non-cancelable operating leases in effect as of December 31, 1997.

<TABLE>	
<S>	<C>
1998.....	\$2,628
1999.....	2,038
2000.....	1,386
2001.....	1,033
2002.....	790
Thereafter.....	696
	-----
Total.....	\$8,571
	=====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$1,517 and \$418 for the year ended December 31, 1997 and for the period from January 1, 1998 to March 31, 1998 (unaudited), respectively. These amounts are included in rental revenues in the accompanying combined statements of revenues and certain expenses. Certain leases contain options to renew.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To AMB Property Corporation:

We have audited the accompanying statement of revenues and certain expenses of Crysen Corridor Warehouse, for the year ended December 31, 1997. This financial statement is the responsibility of the management of the Company. Our responsibility is to express an opinion on this financial statement based on our audit.

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

The accompanying statement of revenues and certain expenses has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1, and is not intended to be a complete presentation of the revenues and expenses of Crysen Corridor Warehouse.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of Crysen Corridor Warehouse for the year ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California

February 24, 1998

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CRYSEN CORRIDOR WAREHOUSE

STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD FROM JANUARY 1, 1998  
TO MARCH 31, 1998 (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1997	1998
	----	-----
		(UNAUDITED)
	<C>	<C>
REVENUES		
Rental revenues.....	\$526	\$118
Other income.....	10	6
	----	----
	536	124
CERTAIN EXPENSES		
Property operating expenses.....	46	14
Real estate taxes.....	67	17
	----	----
	113	31
	----	----
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$423	\$ 93
	=====	=====

</TABLE>

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

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CRYSEN CORRIDOR WAREHOUSE

NOTES TO STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
(UNAUDITED DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

PROPERTIES ACQUIRED

The accompanying statements of revenues and certain expenses include the operations of Crysen Corridor Warehouse (the "Property") acquired by AMB Property Corporation (the "Company") from an unrelated party on June 30, 1998 for an initial purchase price of \$5,700. The Property is located in Howard County, Maryland and includes 150,000 rentable square feet.

BASIS OF PRESENTATION

The accompanying statements of revenues and certain expenses are not representative of the actual operations of the Property for the period presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Property; however, the Company is not aware of any material factors relating to the Property that would cause the reported financial information not to be indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Property.

REVENUE RECOGNITION

All leases are classified as operating leases. Rental revenues are recognized on a straight-line basis over the terms of the leases. The property is leased to two tenants, which together accounted for 100% of rental revenues.

USE OF ESTIMATES

The preparation of the statements of revenues and certain expenses in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1998 and annually thereafter on non-cancelable operating leases in effect as of December 31, 1997.

<TABLE>		
<S>		<C>
1998.....		\$ 408
1999.....		426
2000.....		432
2001.....		442
2002.....		368
Thereafter.....		--
		-----
Total.....		\$2,076
		=====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$36 and \$6 for the year ended December 31, 1997 and for the period from January 1, 1998 to March 31, 1998 (unaudited), respectively. These amounts are included in rental revenues in the accompanying statements of revenues and certain expenses. Certain leases contain options to renew.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To AMB Property Corporation:

We have audited the accompanying combined statement of revenues and certain expenses of the Cabot Industrial Portfolio (as defined in Note 1) for the year ended December 31, 1996. This combined financial statement is the responsibility of the management of the AMB Contributed Properties. Our responsibility is to express an opinion on this combined financial statement based on our audit.

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

We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of AMB Property Corporation as described in Note 1 and is not intended to be a complete presentation of the revenues and expenses of the Cabot Industrial Portfolio.

In our opinion, the combined financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Cabot Industrial Portfolio for the year ended December 31, 1996, in conformity with generally accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California,  
October 29, 1997

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CABOT INDUSTRIAL PORTFOLIO

COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1996 AND  
FOR THE PERIOD FROM JANUARY 1, 1997 TO DECEMBER 30, 1997 (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1996 -----	1997 ----- (UNAUDITED)
	<C>	<C>
REVENUES		
Rental revenues.....	\$21,821	\$22,843
Other income.....	197	152
	-----	-----
	22,018	22,995
CERTAIN EXPENSES		
Property operating expenses.....	1,418	1,476
Real estate taxes.....	2,391	3,299
	-----	-----
	3,809	4,775
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$18,209	\$18,220
	=====	=====

</TABLE>

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

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CABOT INDUSTRIAL PORTFOLIO

NOTES TO COMBINED STATEMENTS OF REVENUES  
AND CERTAIN EXPENSES  
(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Properties Acquired

The accompanying combined statements of revenues and certain expenses include the combined operations (see "Basis of Presentation" below) of the Cabot Industrial Portfolio (the "Portfolio"). AMB Property Corporation (the "Company") acquired the following 28 properties from an unrelated party on December 30, 1997 for an aggregate purchase price of \$216.7 million.

<TABLE>  
<CAPTION>

PROPERTY NAME -----	LOCATION -----	RENTABLE SQUARE FEET -----
<S>	<C>	<C>
Hampden Road	Mansfield, MA	204,117
Dock's Corner II	South Brunswick, NJ	212,335
Santa Barbara Court	Elkridge, MD	166,820
Preston Court	Jessup, MD	178,880
Brightseat Road	Landover, MD	121,785
President's Drive	Orlando, FL	129,372
President's Drive II	Orlando, FL	302,400
Viscount	Orlando, FL	114,846
Dixie Highway	Florence, KY	209,680
Production Drive	Florence, KY	50,729
Empire Drive	Florence, KY	199,440

Industrial Drive	Columbus, OH	225,433
Holton Drive	Florence, KY	268,525
Janitrol	Columbus, OH	240,000
Belden Avenue	Addison, IL	346,233
Pagemill & Dillworth	Dallas, TX	217,803
McDaniel Drive	Carrollton, TX	157,500
Shiloh Road	Garland, TX	192,720
N. Glenville Avenue	Richardson, TX	109,000
West Kiest	Dallas, TX	248,698
Valwood Parkway II	Carrollton, TX	254,209
72nd Avenue	Kent, WA	125,654
Wiegman Road	Hayward, CA	148,559
Yosemite Drive	Milpitas, CA	169,195
Laurelwood	Santa Clara, CA	155,500
Commerce	Fontana, CA	254,414
East Walnut Drive	City of Industry, CA	85,871
Jasmine Avenue	Fontana, CA	410,208
		-----
		5,499,926
		=====

</TABLE>

#### Basis of Presentation

The accompanying combined statements of revenues and certain expenses are not representative of the actual operations of the Portfolio for the periods presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Portfolio; however, the Company is not aware of any material factors relating to these Portfolio that would cause the reported

#### F-80 CABOT INDUSTRIAL PORTFOLIO

#### NOTES TO COMBINED STATEMENTS OF REVENUES AND CERTAIN EXPENSES (CONTINUED) (DOLLARS IN THOUSANDS)

financial information not to be indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Portfolio.

#### Revenue Recognition

All leases are classified as operating leases, and rental revenue is recognized on a straight-line basis over the terms of the leases.

#### Uses of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1997 and annually thereafter on non-cancelable operating leases in effect as of December 31, 1997.

<TABLE>  
<CAPTION>

	YEAR	AMOUNT
	----	-----
<S>		<C>
1998.....		\$16,476
1999.....		14,502
2000.....		11,336
2001.....		7,335
2002.....		5,514
Thereafter.....		14,353
		-----
Total.....		\$69,516
		=====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$2,641 and \$2,688 for the year ended December 31, 1996 and for the period from January 1, 1997 to December 30, 1997 (unaudited). Certain leases contain options to renew.

To the Owners of the  
AMB Contributed Properties:

We have audited the accompanying statement of revenues and certain expenses of Cabot Business Park for the year ended December 31, 1996. This financial statement is the responsibility of the management of the AMB Contributed Properties. Our responsibility is to express an opinion on this financial statement based on our audit.

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

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of AMB Property Corporation as described in Note 1 and is not intended to be a complete presentation of the revenues and expenses of Cabot Business Park.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of Cabot Business Park for the year ended December 31, 1996, in conformity with generally accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California,  
October 29, 1997

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CABOT BUSINESS PARK

STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1996 AND  
FOR THE PERIOD FROM JANUARY 1, 1997 TO SEPTEMBER 15, 1997 (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1996	1997
	-----	-----
		(UNAUDITED)
	<C>	<C>
REVENUES		
Rental revenues.....	\$ 6,399	\$ 4,730
Other income.....	2	4
	-----	-----
	6,401	4,734
CERTAIN EXPENSES		
Property operating expenses.....	500	342
Real estate taxes.....	783	553
	-----	-----
	1,283	895
	-----	-----
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$ 5,118	\$ 3,839
	=====	=====

</TABLE>

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

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CABOT BUSINESS PARK

NOTES TO STATEMENTS OF REVENUES  
AND CERTAIN EXPENSES  
(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Properties Acquired

The accompanying statements of revenues and certain expenses include the operations (see "Basis of Presentation" below) of Cabot Business Park (the "Property") acquired by the owners of the AMB Contributed Properties (the "Company") from an unrelated party on September 15, 1997 for an initial purchase price of \$64,108. The property is located in Mansfield, Massachusetts and includes 1,071,517 rentable square feet.



Basis of Presentation

The accompanying statements of revenues and certain expenses are not representative of the actual operations of the Property for the periods presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Property; however, the Company is not aware of any material factors relating to the Property that would cause the reported financial information not to be indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Property.

Revenue Recognition

All leases are classified as operating leases, and rental revenue is recognized on a straight-line basis over the terms of the leases.

Use of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1997 and annually thereafter on non-cancelable operating leases in effect as of December 31, 1996.

<TABLE>  
<CAPTION>

YEAR	AMOUNT
----	-----
1997.....	\$ 6,373
1998.....	5,608
1999.....	6,055
2000.....	6,165
2001.....	6,307
Thereafter.....	6,673
	-----
Total.....	\$37,181
	=====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$1,042 and \$774 for the year ended December 31, 1996 and for the period from January 1, 1997 to September 15, 1997 (unaudited). Certain leases contain options to renew.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Owners of the  
AMB Contributed Properties:

We have audited the accompanying statement of revenues and certain expenses of the Manhattan Village Shopping Center for the year ended December 31, 1996. This financial statement is the responsibility of the management of the AMB Contributed Properties. Our responsibility is to express an opinion on this financial statement based on our audit.

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

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of AMB Property Corporation as described in Note 1 and is not intended to be a complete presentation of the revenues and expenses of Manhattan Village Shopping Center.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Manhattan Village Shopping Center for the year ended December 31, 1996, in conformity with generally accounting principles.

San Francisco, California,  
October 17, 1997

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MANHATTAN VILLAGE SHOPPING CENTER

STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1996 AND  
FOR THE PERIOD FROM JANUARY 1, 1997 TO AUGUST 19, 1997 (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1996	1997
	-----	-----
		(UNAUDITED)
<S>	<C>	<C>
REVENUES		
Rental revenues.....	\$8,197	\$5,467
Other income.....	19	--
	-----	-----
	8,216	5,467
CERTAIN EXPENSES		
Property operating expenses.....	2,119	1,485
Real estate taxes.....	978	443
	-----	-----
	3,097	1,928
	-----	-----
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$5,119	\$3,539
	=====	=====

</TABLE>

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

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MANHATTAN VILLAGE SHOPPING CENTER

NOTES TO STATEMENTS OF REVENUES  
AND CERTAIN EXPENSES  
(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Properties Acquired

The accompanying statements of revenues and certain expenses include the operations of the Manhattan Village Shopping Center (the "Property") acquired by the owners of the AMB Contributed Properties (the "Company") from an unrelated party on August 19, 1997 for an initial purchase price of \$79,300. The Property is located in Manhattan Beach, California and includes 423,950 rentable square feet.

Basis of Presentation

The accompanying statements of revenues and certain expenses are not representative of the actual operations of the Property for the periods presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Property; however, the Company is not aware of any material factors relating to the Property that would cause the reported financial information not to be indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Property.

Revenue Recognition

All leases are classified as operating leases, and rental revenue is recognized on a straight-line basis over the terms of the leases.

Uses of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1997 and annually thereafter on non-cancelable operating leases in effect as of December

31, 1996.

<TABLE>  
<CAPTION>

YEAR	AMOUNT
----	-----
1997.....	\$ 6,546
1998.....	7,287
1999.....	8,566
2000.....	8,756
2001.....	9,005
Thereafter.....	20,473
	-----
Total.....	\$60,633
	=====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$2,502 and \$1,995 for the year ended December 31, 1996 and for the nine months ended August 19, 1997 (unaudited). Certain leases contain options to renew.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Owners of the  
AMB Contributed Properties:

We have audited the accompanying statement of revenues and certain expenses of the Wesleyan Plaza (as defined in Note 1) for the year ended December 31, 1996. This financial statement is the responsibility of management of the AMB Contributed Properties. Our responsibility is to express an opinion on this financial statement based on our audit.

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

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of AMB Property Corporation as described in Note 1 and is not intended to be a complete presentation of the revenues and expenses of Wesleyan Plaza.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Wesleyan Plaza for the year ended December 31, 1996, in conformity with generally accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California,  
October 17, 1997

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WESLAYAN PLAZA

STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1996 AND  
FOR THE PERIOD FROM JANUARY 1, 1997 TO SEPTEMBER 30, 1997 (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1996	1997
	-----	-----
		(UNAUDITED)
<S>	<C>	<C>
REVENUES		
Rental revenues.....	\$4,619	\$3,259
Other income.....	19	--
	-----	-----
	4,638	3,259
CERTAIN EXPENSES		
Property operating expenses.....	539	496
Real estate taxes.....	659	494
	-----	-----

	1,198	990
	-----	-----
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$3,440	\$2,269
	=====	=====

</TABLE>

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

NOTES TO STATEMENTS OF REVENUES  
AND CERTAIN EXPENSES  
(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Properties Acquired

The accompanying statements of revenues and certain expenses include the operations of Wesleyan Plaza (the "Property") acquired by the owners of the AMB Contributed Properties (the "Company") from an unrelated party, on September 30, 1997 for an initial purchase price of \$37,393. The Property is located in Houston, Texas, and includes 216,870 rentable square feet.

Basis of Presentation

The accompanying statements of revenues and certain expenses are not representative of the actual operations of the Property for the periods presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Property; however, the Company is not aware of any material factors relating to the Property that would cause the reported financial information not to be indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Property.

Revenue Recognition

All leases are classified as operating leases, and rental revenue is recognized on a straight-line basis over the terms of the leases.

Uses of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1997 and annually thereafter on non-cancelable operating leases in effect as of December 31, 1996.

<TABLE>  
<CAPTION>

	YEAR	AMOUNT
	----	-----
<S>		<C>
1997.....		\$ 3,576
1998.....		3,171
1999.....		2,168
2000.....		1,715
2001.....		1,213
Thereafter.....		5,956
		-----
Total.....		\$17,799
		=====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$864,584 and \$449,425 for the year ended December 31, 1996 and for the period from January 1, 1997 to December 30, 1997 (unaudited). Certain leases contain options to renew.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Owners of the  
AMB Contributed Properties:

We have audited the accompanying statement of revenues and certain expenses

of the Silicon Valley R&D Portfolio (as defined in Note 1) for the year ended December 31, 1996. This financial statement is the responsibility of the management of the AMB Contributed Properties. Our responsibility is to express an opinion on this financial statement based on our audit.

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

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of AMB Property Corporation as described in Note 1 and is not intended to be a complete presentation of the revenues and expenses of the Silicon Valley R&D Portfolio.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Silicon Valley R&D Portfolio for the year ended December 31, 1996, in conformity with generally accounting principles.

ARTHUR ANDERSEN LLP

San Francisco, California,  
October 17, 1997

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SILICON VALLEY R&D PORTFOLIO

STATEMENTS OF REVENUES AND CERTAIN EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1996 AND  
FOR THE PERIOD FROM JANUARY 1, 1997 TO SEPTEMBER 30, 1997 (UNAUDITED)  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	1996 -----	1997 ----- (UNAUDITED)
	<C>	<C>
REVENUES		
Rental revenues.....	\$2,546	\$2,958
Other income.....	2	--
	-----	-----
	2,548	2,958
CERTAIN EXPENSES		
Property operating expenses.....	306	190
Real estate taxes.....	199	121
	-----	-----
	505	311
	-----	-----
REVENUES IN EXCESS OF CERTAIN EXPENSES.....	\$2,043	\$2,647
	=====	=====

</TABLE>

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

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SILICON VALLEY R&D PORTFOLIO

NOTES TO STATEMENTS OF REVENUES  
AND CERTAIN EXPENSES  
(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PROPERTIES ACQUIRED

The accompanying statements of revenues and certain expenses include the operations of the Silicon Valley R&D Portfolio (the "Portfolio") acquired by the owners of the AMB Contributed Properties (the "Company") from an unrelated party on November 25, 1997 for an initial purchase price of \$29,850. The Portfolio is located throughout the greater San Jose, California area and includes 5 buildings comprising 287,228 rentable square feet.

Basis of Presentation

The accompanying statements of revenues and certain expenses are not representative of the actual operations of the Portfolio for the periods

presented. Certain expenses may not be comparable to the expenses expected to be incurred by the Company in the proposed future operations of the Portfolio; however, the Company is not aware of any material factors relating to these Portfolio that would cause the reported financial information not to be indicative of future operating results. Excluded expenses consist of interest, depreciation and amortization and other costs not directly related to the future operations of the Portfolio.

Revenue Recognition

All leases are classified as operating leases, and rental revenue is recognized on a straight-line basis over the terms of the leases.

Uses of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. LEASING ACTIVITY

The following is a schedule of future minimum rental revenues for 1997 and annually thereafter on non-cancelable operating leases in effect as of November 25, 1997.

<TABLE>  
<CAPTION>

YEAR	AMOUNT
----	-----
1997.....	\$ 2,175
1998.....	1,507
1999.....	1,404
2000.....	1,289
2001.....	629
Thereafter.....	156
	-----
Total.....	\$ 7,160
	=====

</TABLE>

In addition to minimum rental payments, tenants pay reimbursements for their pro rata share of specified operating expenses, which amounted to \$430 and \$501 for the year ended December 31, 1996 and for the nine months ended November 25, 1997 (unaudited). Certain leases contain options to renew.

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[AMB LOGO]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 31. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the fees and expenses in connection with the issuance and distribution of the securities being registered hereunder. Except for the SEC registration fee, all amounts are estimates.

	<C>
<S>	
SEC Registration Fee.....	\$ 50,888
Rating Agency Fees and Expenses.....	300,000
NYSE Fees and Expenses.....	100,000
Printing and Engraving Expenses.....	200,000
Legal Fees and Expenses.....	200,000
Accounting Fees and Expenses.....	75,000
Blue Sky Fees and Expenses.....	15,000
Miscellaneous Expenses.....	59,112
	-----
Total.....	\$1,000,000
	=====

</TABLE>

All of the costs identified above will be paid by the Company.

ITEM 32. SALES TO SPECIAL PARTIES

See Item 33.

#### ITEM 33. RECENT SALES OF UNREGISTERED SECURITIES

In connection with its formation, the Company issued 4,746,624 unregistered shares of Common Stock to AMB for a purchase price of \$21.00 per share. In connection with the Formation Transactions, the Company issued an aggregate of 69,963,529 shares of Common Stock in connection with the mergers of certain corporations, and the Operating Partnership issued 2,386,910 limited partnership Units in consideration for the contribution of certain Properties.

In January 1995, AMB issued 101,595 shares of its common stock to one of its officers, for total consideration of \$342,806, and in December 1996, it issued 101,595 shares of common stock to one of its officers, for total consideration of \$307,071.

All of the above sales were made to "accredited investors" as defined in Regulation D under the Securities Act in transactions not involving a public offering pursuant to Regulation D.

#### ITEM 34. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 2-418 of the MGCL permits a corporation to indemnify its directors and officers and certain other parties against judgments, penalties, fines, settlements, and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty; (ii) the director or officer actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. Indemnification may be made against judgments, penalties, fines, settlements and reasonable expenses actually incurred by the director or officer in connection with the proceeding; provided, however, that if the proceeding is one by or in the right of the corporation, indemnification may not be made with respect to any proceeding in which the director or officer has been adjudged to be liable to the corporation. In addition, a director or officer may not be indemnified with respect to any proceeding charging improper personal benefit to the director or officer, whether or not involving action in the director's or officer's official capacity, in which the director or officer was adjudged to be liable on the

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basis that personal benefit was received. The termination of any proceeding by conviction, or upon a plea of nolo contendere or its equivalent, or an entry of any order of probation prior to judgment, creates a rebuttable presumption that the director or officer did not meet the requisite standard of conduct required for indemnification to be permitted.

In addition, Section 2-418 of the MGCL requires that, unless prohibited by its charter, a corporation indemnify any director or officer who is made a party to any proceeding by reason of service in that capacity against reasonable expenses incurred by the director or officer in connection with the proceeding, in the event that the director or officer is successful, on the merits or otherwise, in the defense of the proceeding.

The Company's Charter and Bylaws provide in effect for the indemnification by the Company of the directors and officers of the Company to the fullest extent permitted by applicable law. The Company has purchased directors' and officers' liability insurance for the benefit of its directors and officers.

The Company has entered into indemnification agreements with each of its executive officers and directors. The indemnification agreements require, among other matters, that the Company indemnify its executive officers and directors to the fullest extent permitted by law and reimburse the executive officers and directors for all related expenses as incurred, subject to return if it is subsequently determined that indemnification is not permitted.

#### ITEM 35. TREATMENT OF PROCEEDS FROM STOCK BEING REGISTERED

Not applicable.

#### ITEM 36. FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES AND EXHIBITS

##### (a) (1) FINANCIAL STATEMENTS

Pro Forma Financial Information (Unaudited)

AMB Property Corporation

Pro forma condensed consolidated balance sheet as of March 31, 1998

Notes to pro forma condensed consolidated balance sheet

Pro forma condensed consolidated statement of operations for the three months ended March 31, 1998

Notes to pro forma condensed consolidated statement of operations

Pro forma condensed consolidated statement of operations for the year ended December 31, 1997

Notes to pro forma condensed consolidated statement of operations

#### Historical Financial Information

AMB Property Corporation -- March 31, 1998

Consolidated balance sheets as of December 31, 1997 and March 31, 1998 (unaudited)

Consolidated statements of operations for the three months ended March 31, 1997 and 1998 (unaudited)

Consolidated statements of cash flows for the three months ended March 31, 1997 and 1998 (unaudited)

Consolidated statements of stockholders' equity for the three months ended March 31, 1998 (unaudited)

Notes to consolidated financial statements (unaudited)

AMB Property Corporation -- December 31, 1996 and 1997

Report of independent public accountants

Consolidated balance sheets as of December 31, 1996 and 1997

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Consolidated statement of operations for the years ended December 31, 1995, 1996 and 1997, the nine months ended September 30, 1996 (unaudited) and the period from January 1, 1997 to November 25, 1997

Consolidated statement of stockholders' equity for the years ended December 31, 1995, 1996 and 1997

Consolidated statement of cash flows for the years ended December 31, 1995, 1996 and 1997

Notes to consolidated financial statements

AMB Contributed Properties -- December 31, 1995, 1996 and 1997

Report of independent public accountants

Combined balance sheets as of December 31, 1995 and 1996 and September 30, 1997 (unaudited)

Combined statements of operations for the years ended December 31, 1994, 1995 and 1996, the nine months ended September 30, 1996 (unaudited) and the period from January 1, 1997 to November 25, 1997 (unaudited)

Combined statements of owners' equity for the years ended December 31, 1994, 1995 and 1996 and the nine months ended September 30, 1997 (unaudited)

Combined statements of cash flows for the years ended December 31, 1994, 1995 and 1996, the nine months ended September 30, 1996 (unaudited) and the period from January 1, 1997 to November 25, 1997 (unaudited)

Notes to combined financial statements

The 1997 and 1998 Acquired Properties

#### Boston Industrial Portfolio

Report of independent public accountants

Combined statements of revenues and certain expenses for the year ended December 31, 1997 and for the period from January 1, 1998 to March 27, 1998



(unaudited)

Notes to combined statement of revenues and certain expenses

The Jamesburg Property

Report of independent public accountants

Statements of revenues and certain expenses for the year ended December 31, 1997 and for the period from January 1, 1998 to March 20, 1998 (unaudited)

Notes to statements of revenues and certain expenses

Orlando Central Park

Report of independent public accountants

Statements of revenues and certain expenses for the year ended December 31, 1997 and for the period from January 1, 1998 to March 24, 1998 (unaudited)

Notes to statements of revenues and certain expenses

Totem Lake Malls

Report of independent public accountants

Statements of revenues and certain expenses for the year ended December 31, 1997 and for the period from January 1, 1998 to March 6, 1998 (unaudited)

Notes to statements of revenues and certain expenses

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Dallas Warehouse Portfolio

Report of independent public accountants

Combined statements of revenues and certain expenses for the year ended December 31, 1997 and for the period from January 1, 1998 to March 31, 1998

Notes to combined statements of revenues and certain expenses

Twin Cities Office/Showroom Portfolio

-- Report of independent public accountants

-- Combined statements of revenues and certain expenses for the year ended December 31, 1997 and for the period from January 1, 1998 to March 31, 1998 (unaudited)

-- Notes to combined statements of revenues and certain expenses

Crysen Corridor Warehouse

-- Report of independent public accountants

-- Statements of revenues and certain expenses for the year ended December 31, 1997 and for the period from January 1, 1998 to March 31, 1998 (unaudited)

-- Notes to statements of revenues and certain expenses

Cabot Industrial Portfolio

Report of independent public accountants

Combined statements of revenues and certain expenses for the year ended

December 31, 1996 and the for period from January 1, 1997 to December 30, 1997 (unaudited)

Notes to Combined statements of revenue and certain expenses

Cabot Business Park

Report of independent public accountants

Statements of revenues and certain expenses for the year ended December 31, 1996 and for the period from January 1, 1997 to September 15, 1997 (unaudited)

Notes to statements of revenue and certain expenses

Manhattan Village Shopping Center

Report of independent public accountants

Statements of revenues and certain expenses for the year ended December 31, 1997 and for the period from January 1, 1997 to August 19, 1997 (unaudited)

Notes to statements of revenues and certain expenses

Weslayan Plaza

Report of independent public accountants

Statements of revenues and certain expenses for the year ended December 31, 1997 and for the period from January 1, 1997 to September 30, 1997 (unaudited)

Notes to statement of revenues and certain expenses

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Silicon Valley R&D Portfolio

Report of independent public accountants

Statements of revenues and certain expenses for the year ended December 31, 1996 and the period from January 1, 1997 to November 25, 1997 (unaudited)

Notes to statements of revenue and certain expenses

(a) (2) FINANCIAL STATEMENT SCHEDULE

Historical Financial Information -- AMB Property Corporation

Schedule III -- Historical Consolidated Real Estate and Accumulated Depreciation.

(b) Exhibits

<TABLE>  
<CAPTION>

EXHIBIT NUMBER ----- <C>	DESCRIPTION ----- <S>
*1.1	Form of Underwriting Agreement.
3.1	Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-11 (No. 333-35915)).
3.2	Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-11 (No. 333-35915)).
3.3	Articles Supplementary for the Series A Preferred Stock.
3.4	Specimen Stock Certificate of the % Series A Cumulative Redeemable Preferred Stock.
4.1	Indenture (the "Indenture") by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-11 (No. 333-49163)).
4.2	First Supplemental Indenture, by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
4.3	Second Supplemental Indenture, by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.3 to the Company's Registration

- 4.4 Statement on Form S-11 (No. 333-49163)).  
Third Supplemental Indenture, by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
- 4.5 Specimen of 7.10% Notes due 2008 (included in the First Supplemental Indenture incorporated by reference as Exhibit 4.2 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
- 4.6 Specimen of 7.50% Notes due 2018 (included in the Second Supplemental Indenture incorporated by reference as Exhibit 4.3 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
- 4.7 Specimen of 6.90% Reset Put Securities due 2015 (included in the Third Supplemental Indenture incorporated by reference as Exhibit 4.4 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
- 5.1 Form of Opinion of Ballard Spahr Andrews & Ingersoll.

</TABLE>

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<TABLE>  
<CAPTION>

EXHIBIT NUMBER -----	DESCRIPTION -----
<C>	<S>
*8.1	Opinion of Latham & Watkins.
*10.1	Second Amended and Restated Agreement of Limited Partnership of AMB Property, L.P.
10.2	Form of Registration Rights Agreement among the Registrant and the persons named therein. (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-11 (No. 333-35915))
10.3	Amended and Restated Credit Agreement, dated August 8, 1997 (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-11 (No. 333 -35915)).
10.4	Form of Employment Agreement between AMB Property Corporation and certain of its executive officers (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-11 (No. 333-35915)).
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10.6	Calculation Agency Agreement between the Operating Partnership and Morgan Stanley & Co. Incorporated (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
12.1	Statement regarding computation of ratios.
**21.1	Subsidiaries of the Registrant.
23.1	Consent of Ballard Spahr Andrews & Ingersoll (included in Exhibit 5.1 above).
*23.2	Consent of Latham & Watkins (included in Exhibit 8.1 above).
23.3	Consent of Arthur Andersen LLP.
**24.1	Power of Attorney.
**27.1	Financial Data Schedule.

</TABLE>

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\* To be filed by amendment.

\*\* Previously filed.

ITEM 37. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the provisions described under Item 34 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes:

(1) For purposes of determining any liability under the Act, the information omitted from the form of Prospectus filed as part of the Registration Statement in reliance upon Rule 430A and contained in the form of Prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of the Registration Statement as of the time it was declared effective.

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(2) For the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this Amendment No. 1 to this Registration Statement to be signed on its behalf by the undersigned thereunto duly authorized in the City of San Francisco, State of California, on the 13th day of July, 1998.

AMB PROPERTY CORPORATION

By: \*

-----  
Hamid R. Moghadam  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to this Registration Statement has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>  
<CAPTION>

SIGNATURE -----	TITLE -----	DATE ----
<S>	<C>	<C>
* ----- T. Robert Burke	Chairman of the Board and Director	July 13, 1998
* ----- Hamid R. Moghadam	President, Chief Executive Officer and Director (Principal Executive Officer)	July 13, 1998
----- Douglas D. Abbey	Chairman of Investment Committee and Director	July , 1998
* ----- S. Davis Carniglia	Chief Financial Officer (Principal Financial Officer)	July 13, 1998
----- /s/ MICHAEL A. COKE ----- Michael A. Coke	Vice President and Director of Financial Management Reporting (Principal Accounting Officer)	July 13, 1998
----- Daniel H. Case, III	Director	July , 1998
* -----	Director	July 13, 1998

-----  
Robert H. Edelstein, Ph.D.

\* ----- Director July 13, 1998

Lynn M. Sedway

----- Director July , 1998

-----  
Jeffrey L. Skelton, Ph.D.

\* ----- Director July 13, 1998

-----  
Thomas W. Tusher

\* ----- Director July 13, 1998

-----  
Caryl B. Welborn

</TABLE>

\*By: /s/ MICHAEL A. COKE

-----  
Michael A. Coke  
Attorney-in-Fact

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EXHIBIT INDEX

<TABLE>  
<CAPTION>

EXHIBIT NUMBER ----- <C>	DESCRIPTION ----- <S>
*1.1	Form of Underwriting Agreement.
3.1	Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-11 (No. 333-35915)).
3.2	Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-11 (No. 333-35915)).
3.3	Articles Supplementary for the Series A Preferred Stock.
3.4	Specimen Stock Certificate of the % Series A Cumulative Redeemable Preferred Stock.
4.1	Indenture (the "Indenture") by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-11 (No. 333-49163)).
4.2	First Supplemental Indenture, by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.2 of the Company's Registration Statement on Form S-11 (No. 333-49163)).
4.3	Second Supplemental Indenture, by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-11 (No. 333-49163)).
4.4	Third Supplemental Indenture, by and among the Operating Partnership, the Company and State Street Bank and Trust Company of California, N.A., as trustee (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S-11 (No. 333-49163)).
4.5	Specimen of 7.10% Notes due 2008 (included in the First Supplemental Indenture incorporated by reference as Exhibit 4.2 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
4.6	Specimen of 7.50% Notes due 2018 (included in the Second Supplemental Indenture incorporated by reference as Exhibit 4.3 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
4.7	Specimen of 6.90% Reset Put Securities due 2015 (included in the Third Supplemental Indenture incorporated by reference as Exhibit 4.4 to the Company's Registration Statement on Form S-11 (No. 333-49163)).
5.1	Form of Opinion of Ballard Spahr Andrews & Ingersoll.
*8.1	Opinion of Latham & Watkins.
*10.1	Second Amended and Restated Agreement of Limited Partnership of AMB Property, L.P.

- 10.2 Form of Registration Rights Agreement among the Registrant and the persons named therein. (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-11 (No. 333-35915))
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</TABLE>

<TABLE>  
<CAPTION>

EXHIBIT NUMBER -----	DESCRIPTION -----
<C>	<S>
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</TABLE>

- -----  
\* To be filed by amendment.

\*\* Previously filed.

## AMB PROPERTY CORPORATION

## ARTICLES SUPPLEMENTARY

ESTABLISHING AND FIXING THE RIGHTS AND  
PREFERENCES OF \_\_\_% 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 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 Company, 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 \_\_, 1998, adopted resolutions classifying and designating or confirming the designation and classification of) the aforesaid class of Preferred Stock as the \_\_\_% 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 \_\_\_% 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 \_\_\_% 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 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:

(1) DESIGNATION AND NUMBER. A class of Preferred Stock, designated the "\_\_\_% 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, 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 \_\_\_% of the \$25.00 liquidation preference per annum (equivalent to \$\_\_\_\_\_ 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 \_\_, 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, which shall be the 15th day of the preceding calendar month or such other date designated by the Board for the payment of dividends that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). 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.

(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,

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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

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the Series A Preferred Shares as to dividends and upon liquidation, dissolution and winding up of the Corporation).

(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.

(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.

(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.

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(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 \_\_, 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 \_\_, 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, 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

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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.).

(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 Company'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.

(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

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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 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 designation as to series until such shares are once more designated as part of a particular series 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.

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(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, 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 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 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 only when they 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 only they 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).

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(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 (the Series A Preferred Stock 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 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.

#### Section 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.

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"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 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 Company.

"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

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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.

"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.

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(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) 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).

(ii) If, prior to the Restriction Termination Date, any Transfer (whether or not such Transfer is the result of a transaction entered into through the facilities of the New York Stock Exchange ("NYSE")) 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 (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE) 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.

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(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

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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 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

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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 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(l) 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(l) 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

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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 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 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 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.

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(j) Legends. Each certificate for Series A Preferred Stock shall bear 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 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

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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 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

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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 NYSE. 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.

(8) If, for any taxable year, the Corporation elects to designate as "capital gain dividends" (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 all classes of stock (the "Total Dividends"), 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 paid or made available to the holders of the Series A Preferred Stock for the year bears to the Total Dividends.

(8) APPLICATION OF ARTICLE IV. The Series A Preferred Shares are subject to the provisions of Sections A through D, F and J of Article IV of the Charter

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

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

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

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

FIFTH: 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.

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 \_\_\_\_ day of July, 1998.

AMB PROPERTY CORPORATION

By: \_\_\_\_\_  
Hamid R. Moghadam  
President, Chief Executive Officer and Director

[SEAL]

ATTEST:

\_\_\_\_\_  
David S. Fries  
Secretary

Temporary Certificate - Exchangeable for Definitive Engraved Certificate When Ready for Delivery

[AMB LOGO]

\_\_\_\_\_% SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK

\_\_\_\_\_% SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK

AMB

INCORPORATED UNDER THE LAWS OF THE STATE OF MARYLAND

SEE REVERSE FOR IMPORTANT NOTICE ON TRANSFER RESTRICTIONS AND OTHER INFORMATION

CUSIP \_\_\_\_\_

THIS CERTIFIES THAT

IS THE RECORD HOLDER OF

FULLY PAID AND NONASSESSABLE SHARES OF THE \_\_\_\_\_% SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK, \$0.01 PAR VALUE PER SHARE, OF

AMB PROPERTY CORPORATION

(the "Corporation") transferable on the books of the Corporation by the holder hereof in person or by its duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued and shall be paid subject to all of the provisions of the charter of the Corporation (the "Charter") and the Bylaws of the Corporation and any amendments thereto. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be executed on its behalf by its duly authorized officers.

Date:

\_\_\_\_\_  
SECRETARY

\_\_\_\_\_  
PRESIDENT

[AMB SEAL]

TRANSFER AGENT AND REGISTRAR

BY: \_\_\_\_\_  
AUTHORIZED SIGNATURE

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 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.

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 OWNS SHARES OF



By \_\_\_\_\_  
THE SIGNATURE(S) SHOULD BE GUARANTEED  
BY AN ELIGIBLE GUARANTOR INSTITUTION  
(BANKS, STOCKBROKERS, SAVINGS AND LOAN  
ASSOCIATIONS AND CREDIT UNIONS WITH  
MEMBERSHIP IN AN APPROVED SIGNATURE  
GUARANTEE MEDALLION PROGRAM), PURSUANT TO  
S.E.C. RULE 17Ad-15

July \_\_, 1998

AMB Property Corporation  
505 Montgomery Street  
San Francisco, California 94111

Re: AMB Property Corporation  
Registration Statement on Form S-11  
(Registration Statement No. 333-52231)  
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Ladies and Gentlemen:

We have served as Maryland counsel to AMB Property Corporation, a Maryland corporation (the "Company"), in connection with certain matters of Maryland law arising out of the registration of 4,600,000 shares of % Series A Cumulative Redeemable Preferred Stock of the Company, par value \$.01 per share (including 600,000 shares of % Series A Cumulative Redeemable Preferred Stock which the underwriters have the option to purchase to cover over-allotments, if any) (the "Shares"), covered by the above-referenced Registration Statement (the "Registration Statement"), filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "1933 Act"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Registration Statement.

In connection with our representation of the Company, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The Registration Statement and the related form of prospectus included therein in the form in which it was transmitted to the Commission under the 1933 Act;

AMB Property Corporation  
July \_\_, 1998  
Page 2

2. The charter of the Company (the "Charter"), certified as of a recent date by the State Department of Assessments and Taxation of Maryland (the "SDAT");

3. The Bylaws of the Company, certified as of a recent date by an officer of the Company;

4. Resolutions adopted by the Board of Directors of the Company (the "Board") or a duly authorized committee thereof, relating to the sale, issuance and registration of the Shares, certified as of a recent date by an officer of the Company (the "Resolutions");

5. A certificate of the SDAT as to the good standing of the Company, dated as of a recent date;

6. A certificate executed by an officer of the Company, dated as of a recent date;

7. An unexecuted copy of Articles Supplementary for % Series A Cumulative Redeemable Preferred Stock of the Company (the "Articles Supplementary"), provided to us by Latham & Watkins, counsel to the Company; and

8. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth in this letter, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed, and so far as is known to us there are no facts inconsistent with, the following:

1. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding.

2. Each individual executing any of the Documents on behalf of a party

(other than the Company) is duly authorized to do so.

3. Each individual executing any of the Documents, whether on behalf of such individual or another person, is legally competent to do so.

AMB Property Corporation  
July \_\_, 1998  
Page 3

4. All Documents submitted to us as originals are authentic. The form and content of the Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all such Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All statements and information contained in the Documents are true and complete. There are no modifications of or amendments to the Documents, and there has been no waiver of any of the provisions of the Documents, by action or omission of the parties or otherwise.

5. The Articles Supplementary will be duly approved, executed and properly filed with and accepted for record by the SDAT prior to the sale or issuance of the Shares.

6. The form of certificate representing a share of % Series A Cumulative Redeemable Preferred Stock of the Company, when issued, will be in accordance with the Maryland General Corporation Law.

7. The issuance and certain terms of the Shares to be issued by the Company from time to time will be approved by the Board of Directors of the Company, or a duly authorized Committee thereof, in accordance with the Maryland General Corporation Law (with such approval referred to herein as the "Corporate Proceedings").

The phrase "known to us" is limited to the actual knowledge, without independent inquiry, of the lawyers at our firm who have performed legal services in connection with the issuance of this opinion.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

1. The Company is a corporation duly incorporated and existing under and by virtue of the laws of the State of Maryland and is in good standing with the SDAT.

2. Upon completion of the Corporate Proceedings relating to the Shares, the Shares will be duly authorized and, when and if delivered in accordance with the Resolutions and any other

AMB Property Corporation  
July \_\_, 1998  
Page 4

resolutions of the Board of Directors, or a duly authorized committee of the Board of Directors authorizing their issuance, will be validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the substantive laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to the applicability or effect of any federal or state securities laws, including the securities laws of the State of Maryland, or as to federal or state laws regarding fraudulent transfers. To the extent that any matter as to which our opinion is expressed herein would be governed by any jurisdiction other than the State of Maryland, we do not express any opinion on such matter.

We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you solely for your submission to the Commission as an exhibit to the Registration Statement.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of the name of our firm in the section entitled "Legal Matters" in the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the 1933 Act.

Very truly yours,





EXHIBIT 12.1

AMB PROPERTY CORPORATION  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 (IN THOUSANDS, EXCEPT RATIOS)

<TABLE>  
 <CAPTION>

	FOR THE YEARS ENDED DECEMBER 31,						
	1993	1994	1995	1996	1997 HISTORICAL (1)	1997 AS ADJUSTED (2)	1997 PRO FORMA (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<b>Earnings:</b>							
Income (loss) from operations before minority interests...	\$798	\$2,925	\$3,296	\$7,140	\$18,885	\$103,903	\$113,833
Interest expense.....	--	--	4	--	3,528	45,429	70,414
Amortization of capitalized interest.....	--	--	--	--	8	56	77
<b>Total earnings.....</b>	<b>\$798</b>	<b>\$2,925</b>	<b>\$3,300</b>	<b>\$7,140</b>	<b>\$22,421</b>	<b>\$149,388</b>	<b>\$184,324</b>
<b>Fixed charges:</b>							
Interest expense (4).....	\$ --	\$ --	\$ 4	\$ --	\$ 3,528	\$ 45,429	\$ 70,414
Capitalized interest (5).....	--	--	--	--	448	3,455	4,118
<b>Total fixed charges.....</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 4</b>	<b>\$ --</b>	<b>\$ 3,976</b>	<b>\$ 48,884</b>	<b>\$ 74,532</b>
<b>Series A Preferred</b>							
Stock dividends.....	--	--	--	--	--	--	8,500
<b>Total fixed charges and preferred stock dividends.....</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 4</b>	<b>\$ --</b>	<b>\$ 3,976</b>	<b>\$ 48,884</b>	<b>\$ 83,032</b>
<b>Ratio of earnings to fixed charges.....</b>	<b>N/A</b>	<b>N/A</b>	<b>825x</b>	<b>N/A</b>	<b>5.6x</b>	<b>3.1x</b>	<b>2.5x</b>
<b>Ratio of earnings to fixed charges and preferred stock dividends.....</b>	<b>N/A</b>	<b>N/A</b>	<b>825x</b>	<b>N/A</b>	<b>5.6x</b>	<b>3.1x</b>	<b>2.2x</b>

<CAPTION>

	FOR THE THREE MONTHS ENDED MARCH 31,		
	1997 HISTORICAL	1998 HISTORICAL	1998 PRO FORMA (3)
<S>	<C>	<C>	<C>
<b>Earnings:</b>			
Income (loss) from operations before minority interests...	\$1,239	\$29,188	\$32,421
Interest expense.....	--	11,841	17,379
Amortization of capitalized interest.....	--	24	77
<b>Total earnings.....</b>	<b>\$1,239</b>	<b>\$41,053</b>	<b>\$49,877</b>
<b>Fixed charges:</b>			
Interest expense (4).....	\$ --	\$11,841	\$17,379
Capitalized interest (5).....	--	1,253	1,253
<b>Total fixed charges.....</b>	<b>\$ --</b>	<b>\$13,094</b>	<b>\$18,632</b>
<b>Series A Preferred</b>			
Stock dividends.....	--	--	2,125
<b>Total fixed charges and preferred stock dividends.....</b>	<b>\$ --</b>	<b>\$13,094</b>	<b>\$20,757</b>
<b>Ratio of earnings to fixed charges.....</b>	<b>N/A</b>	<b>3.1x</b>	<b>2.7x</b>
<b>Ratio of earnings to fixed charges and preferred stock dividends.....</b>	<b>N/A</b>	<b>3.1x</b>	<b>2.4x</b>

</TABLE>

- -----

- (1) Historical ratio of earnings to fixed charges includes the results of the Predecessor for the period from January 1, 1997 through November 25, 1997, and the results of the Company subsequent to November 25, 1997, the date of acquisition by the Company.
- (2) As adjusted ratio of earnings to fixed charges has been prepared as if the Formation Transactions, the IPO and certain 1997 property acquisitions and dispositions had occurred on January 1, 1997.
- (3) Pro forma ratio of earnings to fixed charges has been prepared as if the 1998 property acquisitions and the Offering had occurred on January 1, 1997.
- (4) Includes amortization of debt premiums and deferred financing fees.
- (5) Historical capitalized interest represents construction interest incurred subsequent to November 25, 1997, the date of acquisition by the Company.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this Amendment No. 1 to the Registration Statement File No. 333-58107.

/s/ Arthur Andersen LLP

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ARTHUR ANDERSEN LLP

San Francisco, California

July 9, 1998