

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 2

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 JURISDICTION OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

</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

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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.

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
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20.	Security Ownership of Certain Beneficial Owners and Management.....	Principal Stockholders
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22.	Executive Compensation.....	Management

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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
27.	Financial Statements and Information.....	Index to Financial Statements
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 LOGO  
% SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK  
(\$0.01 par value per share)  
(Liquidation Preference \$25.00 Per Share)  
-----

DIVIDENDS ON THE % SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK, \$0.01 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.  
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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).....	\$	\$	\$

</TABLE>

- 
- (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 Corporation and its subsidiaries, including AMB Property, L.P. (the "Operating Partnership") and its subsidiaries and, with respect to the period prior to the Company's initial public offering, the AMB Predecessors (as defined). Capitalized terms shall have the meanings set forth herein and in the Glossary beginning on page 128.

#### THE COMPANY

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 (the "Properties"), comprised of 126 industrial properties (the "Industrial Properties") and 37 retail properties (the "Retail Properties") located in 28 markets throughout the United States (including eight Industrial Properties acquired since March 31, 1998). 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. 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 its initial public offering on November 26, 1997 (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.

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The following tables set forth certain summary information with respect to the Properties owned as of March 31, 1998 and excludes (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, all of which were acquired subsequent to March 31, 1998.

INDUSTRIAL PROPERTIES

<TABLE>  
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REGION	NUMBER OF PROPERTIES	NUMBER OF BUILDINGS	RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL INDUSTRIAL SQUARE FEET	PERCENTAGE LEASED	ANNUALIZED BASE RENT (000S) (1)	PERCENTAGE OF ANNUALIZED BASE RENT
Eastern.....	27	68	8,729,347	19.9%	92.7%	\$ 33,435	18.7%
Midwestern.....	28	92	11,199,515	25.5	93.0	39,075	21.9
Southern.....	30	114	11,262,975	25.6	95.2	45,096	25.3
Western.....	33	141	12,772,141	29.0	96.8	60,809	34.1
Total/Weighted Average...	118	415	43,963,978	100.0%	94.6%	\$178,415	100.0%

</TABLE>

RETAIL PROPERTIES

<TABLE>  
<CAPTION>

REGION	NUMBER OF PROPERTIES	NUMBER OF CENTERS	RENTABLE SQUARE FEET	PERCENTAGE OF TOTAL RETAIL SQUARE FEET	PERCENTAGE LEASED	ANNUALIZED BASE RENT (000S) (1)	PERCENTAGE OF ANNUALIZED BASE RENT
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

<TABLE>  
<CAPTION>

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.

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#### 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

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 acquiror 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

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.

- 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.

#### 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

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:

#### [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)	(2)	(3)	(4)	(5)	(6)	(7)
1993	1994	1995	1996	1997	1997	1997	1997
					(UNAUDITED)	(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA:							
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
OTHER DATA:							



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%

&lt;CAPTION&gt;

AS OF AND FOR THE  
THREE MONTHS ENDED MARCH 31,

	COMPANY		
	PREDECESSOR	HISTORICAL	PRO FORMA
	(1)		(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.

<TABLE>  
<CAPTION>

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



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."

#### 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 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 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 certain Executive Officers have entered 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 -- Employment Agreements."

#### 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.

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## 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.

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YEAR	HIGH	LOW	DISTRIBUTION
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<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	--

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.

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	HISTORICAL	PRE-OFFERING PRO FORMA	PRO FORMA
	-----	-----	-----
<S>	<C>	<C>	<C>
	(DOLLARS IN THOUSANDS)		
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)
<S>	<C>	<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
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%

- (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.

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(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.

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

OPERATING PARTNERSHIP AND AMB CONTRIBUTED PROPERTIES  
SELECTED FINANCIAL AND OTHER DATA  
(IN THOUSANDS EXCEPT PERCENTAGES AND NUMBER OF PROPERTIES)

<TABLE>  
<CAPTION>

AS OF AND FOR THE YEARS ENDED DECEMBER 31,								
PRO FORMA (4)	AMB CONTRIBUTED PROPERTIES (1)					OPERATING PARTNERSHIP		
	1993	1994	1995	1996	1997	HISTORICAL (2)	AS ADJUSTED (3)	
1997						1997	1997	
								(UNAUDITED)
(UNAUDITED)	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA:								
Total revenues.....	\$ 24,398	\$ 51,682	\$ 108,249	\$ 167,953	\$ 208,608	\$ 27,110	\$ 284,674	\$
341,132								
Income from operations before minority interests.....	6,871	13,753	32,519	54,865	58,068	9,291	103,903	
113,833								
BALANCE SHEET DATA:								
Investments in real estate at cost.....	\$323,230	\$666,672	\$1,018,681	\$1,616,091		\$2,442,999		
Total assets.....	326,586	721,131	1,117,181	1,622,559		2,506,255		
Secured debt(5).....	100,496	201,959	254,067	522,634		535,652		
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,			
	AMB CONTRIBUTED PROPERTIES (1)	OPERATING PARTNERSHIP	
		HISTORICAL	PRO FORMA (4)
	1997	1998	1998
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>
OPERATING DATA:			
Total revenues.....	\$ 54,749	\$ 75,785	\$ 88,839
Income from operations before minority 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 Company or the Operating Partnership (including issuances of Units in the Operating Partnership) and cash flows provided by

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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.

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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.

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#### BUSINESS AND PROPERTIES

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
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
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>

TOTAL PROPERTIES			
REGION	NUMBER OF PROPERTIES	RENTABLE SQUARE FEET	% OF TOTAL
<S>	<C>	<C>	<C>
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
<S>	<C>	<C>
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.

SQ. FT. (000S) (1)  
 MARKET

*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 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>
EASTERN						
	Baltimore/Washington, D.C.					
100.0%	Brightseat Road.....	Landover	1	1990	121,785	0.3%
100.0	Patuxent.....	Jessup	2	1981	147,383	0.3
23.1	Pennsy Drive.....	Landover	1	1998R	359,477	0.8
100.0	Preston Court.....	Jessup	1	1988	178,880	0.4
100.0	Santa Barbara Court.....	Elkridge	1	1978	166,820	0.4
Boston						
100.0	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
83.7	Cabot Business Park.....	Mansfield	13	1970	1,102,429	2.5
100.0	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
Cincinnati (5)						
100.0	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
0.0	Production Drive.....	Florence	1	1975	50,729	0.1
Northern New Jersey						
84.1	Dock's Corner.....	South Brunswick	1	1996	554,521	1.3
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
Philadelphia						
98.7	Mid-Atlantic Business Center.....	West Deptford	13	1979R	779,594	1.8
Wilmington						
100.0	Boulden.....	Wilmington	3	1986	266,141	0.6
	Eastern Region Total/Weighted		68		8,729,347	19.9%
92.7%	Average.....					

<CAPTION>

ANNUALIZED

REGION/MARKET/PROPERTY	ANNUALIZED BASE RENT (2) (000S)	PERCENTAGE OF ANNUALIZED BASE RENT	NUMBER OF LEASES	BASE RENT PER LEASED SQUARE FOOT (3)
<S>	<C>	<C>	<C>	<C>
<b>EASTERN</b>				
Baltimore/Washington, D.C.				
Brightseat Road.....	\$ 581	0.3%	2	\$4.77
Patuxent.....	654	0.4	8	4.44
Pennsy 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 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>
<b>MIDWESTERN</b>						
Chicago						
100.0%	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
	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
100.0	Janitrol.....	Columbus	1	1989	240,000	0.5
86.7	Minneapolis Braemar Business Center.....	Minneapolis	2	1982	108,091	0.2
100.0	Corporate Square.....	Eagan	6	1992R	526,490	1.3
92.6	Edenvale Business Center.....	Eden Prairie	1	1982	85,818	0.2
98.1	Mendota Heights (6).....	Mendota Heights	1	1998D	150,394	0.3
72.8	Minneapolis Distribution	Minneapolis,	5	1997R	1,032,994	2.3
99.5	Portfolio.....	Edina				
100.0	Minneapolis Industrial	Plymouth	4	1985R	514,546	1.2
100.0	Portfolio IV.....	Brooklyn Center	6	1997	499,673	1.1
100.0	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
100.0	Round Lake Business Center....	Arden Hills	1	1982	74,265	0.2
93.2	Shady Oak.....	Eden Prairie	1	1980R	104,243	0.2
100.0	Twin Cities.....	New Hope, Mendota	2	1980	600,464	1.4
100.0						
	Midwestern Region Total/Weighted		92		11,199,515	25.5%
93.0%	Average.....					
	SOUTHERN					
	Atlanta					
100.0%	Amwiler-Gwinnett Industrial	Gwinnett County	9	1996	792,686	1.8%
	Portfolio.....					
96.2	Atlanta South.....	Clayton County	9	1994	624,135	1.4
96.7	Norcross/Brookhollow	Gwinnett County	4	1996	322,399	0.7
	Portfolio.....					
85.1	Southfield.....	Gwinnett County	8	1990	780,623	1.8
n/a	Suwanee Creek Distribution	Atlanta	n/a	1998D	n/a	n/a
	Center(7).....					
	Austin					
100.0	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>
MIDWESTERN				
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	1,090	0.6	3	3.51

Portfolio(4).....					
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	3,798	2.1	25	3.70	
Portfolio.....					
Minneapolis Industrial	1,876	1.1	16	3.65	
Portfolio IV.....					
Minneapolis Industrial	1,594	0.9	16	3.19	
Portfolio V.....					
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	\$ 39,075	21.9%	269	\$3.75	
Average.....	-----	-----	-----		
SOUTHERN					
Atlanta					
Amwiler-Gwinnett Industrial	\$ 2,974	1.7%	26	\$3.75	
Portfolio.....					
Atlanta South.....	3,037	1.7	26	5.06	
Norcross/Brookhollow	1,663	0.9	20	5.34	
Portfolio.....					
Southfield.....	2,762	1.5	32	4.16	
Suwanee Creek Distribution	n/a	n/a	n/a	n/a	
Center(7).....					
Austin					
Metric Center(4).....	4,809	2.7	22	6.54	

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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>	<C>
Dallas/Fort Worth						
DFW Air Cargo Facility(7)....	Dallas	n/a	1998D	n/a	n/a	
n/a						
Dallas Industrial Portfolio...	Dallas, Arlington	18	1986	1,066,098	2.4	
95.1						
Lincoln Industrial Center....	Carrollton	1	1980	93,718	0.2	
100.0						
Lonestar.....	Dallas, Irving,	7	1993	911,375	2.1	
96.7						
	Grand Prairie					
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	
100.0						
Houston						
Houston Industrial	Houston	5	1986	464,696	1.1	

95.1	Portfolio.....					
	Memphis					
	Corporate Park.....	Memphis	6	1987	658,322	1.4
100.0	Hickory Hill.....	Memphis	1	1979	200,000	0.5
100.0	Miami					
	Beacon Industrial Park.....	Miami	8	1995	785,251	1.8
98.1	Blue Lagoon.....	Miami	2	1994	325,611	0.6
100.0	Brittania Business Park.....	Riviera Beach	2	1988	258,578	0.6
97.1	Orlando					
	Chancellor(4).....	Orlando	1	1996R	201,600	0.5
100.0	Chancellor Square.....	Orlando	3	1982	141,778	0.3
67.3	Presidents Drive.....	Orlando	3	1979	378,379	0.9
62.9	Presidents Drive II.....	Orlando	3	1984	302,400	0.7
100.0	Sand Lake Service Center.....	Orlando	6	1972	400,591	0.9
82.2	Viscount.....	Orlando	1	1972	114,846	0.3
100.0						
	Southern Region Total/Weighted		---		-----	-----
	95.2%		114		11,262,975	25.6%
	Average.....		---		-----	-----
	WESTERN					
	Los Angeles					
	Anaheim Industrial.....	Anaheim	1	1980	161,500	0.4%
100.0%	Artesia Industrial	Compton	27	1984	2,496,465	5.7
100.0	Portfolio.....					
	Commerce.....	Fontana	1	1990	254,414	0.6
0.0	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	Carson, Norwalk	6	1980	818,191	1.9
100.0	Portfolio.....					
	Systematics.....	Walnut	1	1981	66,387	0.2
100.0	Orange County					
	Northpointe Commerce.....	Fullerton	2	1992	119,445	0.3
100.0	Stadium Business Park.....	Anaheim	9	1995R	282,492	0.6
97.3						

<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	1,408	0.8	17	3.18
Portfolio.....				
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>

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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>	<C>
Portland						
Cascade Business Park.....	Tigard	4	1995	159,411	0.4	
89.4						
Wilsonville.....	Portland	1	1979	516,693	1.2	
100.0						
Sacramento						
Hewlett Packard Distribution.....	Roseville	1	1994	182,437	0.4	
100.0						
San Diego						
Activity Distribution Center.....	San Diego	4	1991	252,318	0.6	
100.0						
San Francisco Bay Area						
Acer Distribution Center.....	San Jose	1	1974	196,643	0.4	
100.0						
Alvarado Business Center.....	San Leandro	10	1986	695,070	1.5	
98.3						
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	
100.0						
Laurelwood.....	Santa Clara	2	1981	155,500	0.4	
66.6						
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,					

Region/Market/Property	Year	Base Rent (000s)	Leases	Annualized Base Rent Per Square Foot	Weighted Average
South Bay Industrial	1990	1,011,781	8	2.3	100.0
Weigman Road	1990	148,559	1	0.3	100.0
Yosemite Drive	1983	169,195	1	0.4	100.0
Zanker/Charcot Industrial	1993R	301,064	5	0.7	97.2
Seattle Harvest Business Park	1986	191,841	3	0.4	100.0
Kent Centre	1993	267,967	4	0.6	100.0
Kingsport Industrial Park	1994R	951,056	7	2.2	99.9
Northwest Distribution Center	1980	325,625	3	0.6	88.5
Western Region Total/Weighted Average		12,772,141	141	29.0	96.8
TOTAL/WEIGHTED AVERAGE		43,963,978	415	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)
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:

<TABLE>	<C>	<C>
<S>		
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.
</TABLE>		

#### 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>					
	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)
YEAR OF LEASE EXPIRATION						
-----	-----	-----	-----	-----	-----	-----
<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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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)

<S>	<C>
Within 3 miles of AMB Retail Center	50000
All MSAs	42000
Total U.S.	37000

(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)

(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

(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

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.

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>

TOTAL			LEASED ANCHOR RENTABLE	LEASED NON-ANCHOR RENTABLE	AVAILABLE RENTABLE
RENTABLE	REGION/MARKET/PROPERTY	LOCATION	SQUARE FEET	SQUARE FEET	SQUARE FEET
SQUARE FEET		YEAR BUILT/ RENOVATED(1)			
<S>	<C>	<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..... 205,917	Plymouth	1991	151,757	54,160	0
-----					
Midwestern Total/Weighted Average... 710,833			565,640	137,887	7,306
-----					
SOUTHERN					
Atlanta					
Woodlawn Point Shopping Center..... 97,899	Cobb County	1993	68,499	29,400	0
<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 Rainbow Foods
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

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<TABLE>  
<CAPTION>

TOTAL	RENTABLE	RENTABLE	YEAR BUILT/ RENOVATED (1)	LEASED ANCHOR RENTABLE SQUARE FEET	LEASED NON- ANCHOR RENTABLE SQUARE FEET	AVAILABLE RENTABLE SQUARE FEET
-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Houston						
Randall's Austin Parkway..... 111,675	Sugarland	1993		90,650	21,025	0
Randall's Commons Memorial..... 110,195	Houston	1993		75,689	31,002	3,504
Randall's Dairy Ashford..... 135,935	Houston	1993		115,360	20,575	0
Randall's Woodway Collection.... 110,689	Houston	1993		65,108	27,507	18,074

Wesleyan Plaza.....	Houston	1986R	216,870	116,521	22,859
356,250					
Miami					
Kendall Mall(6).....	Miami	1995R	194,550	89,505	15,527
299,582					
Northridge Plaza(6)(7).....	Ft. Lauderdale	1998R	124,650	51,064	15,493
191,207					
Palm Aire(6)(7).....	Pompano Beach	1997R	33,100	25,748	101,054
159,902					
Shoppes at Lago Mar.....	Miami	1995	42,323	31,693	9,092
83,108					
Springs Gate(8).....	Coral Springs	n/a	n/a	n/a	n/a
n/a					
The Plaza at Delray(6).....	Delray Beach	1996R	216,883	50,438	33,288
300,609					
-----			-----	-----	-----
Southern Total/Weighted Average.....			1,243,682	494,478	218,891
1,957,051			-----	-----	-----
-----					
WESTERN					
Denver					
Applewood Village Shopping					
Center.....	Wheat Ridge	1994R	265,663	85,013	2,547
353,223					
Arapahoe Village Shopping					
Center.....	Boulder	1989R	85,530	73,707	0
159,237					
Los Angeles					
Granada Village.....	Granada Hills	1996R	124,638	88,328	11,817
224,783					
Manhattan Village Shopping					
Center.....	Manhattan Beach	1992R	225,791	188,467	9,692
423,950					
Twin Oaks Shopping Center.....	Agoura Hills	1996R	58,475	43,924	0
102,399					

<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>
Houston					
Randall's Austin Parkway.....	100.0	1,093	12	9.79	Randall's
Randall's Commons Memorial.....	96.8	947	15	8.88	Sears Hardware
Randall's Dairy Ashford.....	100.0	1,283	12	9.44	Randall's
Randall's Woodway Collection....	83.7	1,206	12	13.02	Walgreen's
Wesleyan Plaza.....	93.6	3,760	46	11.28	Randall's
Miami					
Kendall Mall(6).....	94.8	3,734	46	13.15	Eckerd
Northridge Plaza(6)(7).....	91.9	1,362	21	7.75	Randall's
Palm Aire(6)(7).....	36.8	436	15	7.41	Upton's
Shoppes at Lago Mar.....	89.1	879	17	11.88	Target
Springs Gate(8).....	n/a	n/a	n/a	n/a	Publix
The Plaza at Delray(6).....	88.9	3,249	35	12.15	Eckerd
		-----	-----		Winn-Dixie
					Publix
					n/a
					Home Place
					Regal Cinema
Southern Total/Weighted Average.....	88.8%	\$19,143	249	\$11.01	
		-----	-----		
WESTERN					
Denver					
Applewood Village Shopping					
Center.....	99.3%	\$ 2,865	41	\$ 8.17	Wal-Mart Stores
Arapahoe Village Shopping					King Soopers
Center.....	100.0	1,840	25	11.56	Safeway
Los Angeles					So-Fro Fabrics
Granada Village.....	94.7	2,820	38	13.24	Hughes Market
Manhattan Village Shopping					TJ Maxx
Center.....	97.7	6,492	88	15.67	Macy's

Twin Oaks Shopping Center.....	100.0	1,100	24	10.74	Fry's Electronics Ralph's Rite Aid
--------------------------------	-------	-------	----	-------	--

</TABLE>

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<TABLE>  
<CAPTION>

TOTAL		YEAR BUILT/ RENOVATED(1)	LEASED ANCHOR RENTABLE SQUARE FEET	LEASED NON- ANCHOR RENTABLE SQUARE FEET	AVAILABLE RENTABLE SQUARE FEET
RENTABLE	REGION/MARKET/PROPERTY	LOCATION	FEET	FEET	SQUARE FEET
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Reno					
Southwest Pavilion(7).....	Reno	1997E	47,140	25,206	4,411
76,757					
San Diego					
La Jolla Village S.C.(5).....	La Jolla	1989R	67,238	95,142	2,572
164,952					
Rancho San Diego Village S.C....	La Mesa	1994R	39,777	58,282	13,393
111,452					
Santa Barbara					
Five Points Shopping Center.....	Santa Barbara	1996	97,189	47,295	0
144,484					
San Francisco Bay Area					
Bayhill Shopping Center.....	San Bruno	1997R	59,221	57,775	5,045
122,041					
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					
Aurora Marketplace.....	Edmonds	1991	74,113	32,837	0
106,950					
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

Property Name	Percentage	Aggregate Rentable Square Feet	Number of Properties	Annualized Base Rent (000s)	Primary Tenants
Pleasant Hill Shopping Center...	100.0	2,374	12	10.16	UCSF 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 Average	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.

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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)
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.

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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	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>

-----



- (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>
Industrial Properties:					
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
Retail Properties:					
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

</TABLE>

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>
Industrial Properties:				
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
Retail Properties:				
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

</TABLE>

- -----

(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.

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#### 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>
Industrial Properties:				
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
Retail Properties:				
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

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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

## 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 -- Putable/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

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>	<C>	<C>	<C>	<C>
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>	<C>	<C>	<C>	<C>
Hartwell Avenue/Braintree Industrial/ Stoughton Industrial(2).....				
Stoughton Industrial.....	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...	7.01	8,577	838	04/01/06
Pacific Business Center.....	8.59	9,820	1,003	08/01/06
Chicago Industrial.....	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...	7.68	5,608	514	01/01/07
Mendota Heights.....	8.50	668	57	06/18/07
Ardenwood Corporate Park.....	7.84	9,950	883	09/01/07
Stoughton Industrial.....	8.13	1,207	142	09/30/07
Brockton Industrial.....	9.00	6,680	723	12/31/07
Minneapolis Industrial Portfolio V.....	8.88	7,279	1,053	12/01/08
Secured Facility-Industrial(5).....	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

</TABLE>

65

<TABLE>  
<CAPTION>

PROPERTY	INTEREST RATE AT MARCH 31, 1998	NOTE BALANCE AT MARCH 31, 1998 (000S)	ANNUAL DEBT 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

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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

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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

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

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

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.

## 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:

NAME	AGE	POSITION
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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

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.

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

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>

STOCK BONUS NAME AND PRINCIPAL POSITION (2)	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		(3)
	1997 SALARY (\$ (1))	1997 BONUS (\$ (2))	OTHER ANNUAL COMPENSATION (\$)	RESTRICTED STOCK AWARD(S) (2)	SECURITIES UNDERLYING OPTIONS GRANTED IN 1997 (#) (4)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
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	

- (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.

REALIZABLE VALUE	INDIVIDUAL GRANTS (1)				POTENTIAL
	PERCENT OF	TOTAL OPTIONS	EXERCISE	EXPIRATION	
RATES	PERCENT OF	TOTAL OPTIONS	EXERCISE	EXPIRATION	AT ASSUMED ANNUAL
SHARE	NUMBER OF SHARES OF	GRANTED TO	PRICE PER SHARE	DATE	OF COMMON
FOR	COMMON STOCK	EMPLOYEES IN			PRICE APPRECIATION
(000S)	UNDERLYING OPTIONS	FISCAL YEAR (3)			OPTION TERM (2)
	GRANTED (#)				
10%					5%



<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
T. Robert Burke..... 7,531	225,000	7.2%	\$21.00	11/25/07	\$2,972		\$
Hamid R. Moghadam.... 16,735	500,000	16.0%	21.00	11/25/07	6,605		
Douglas D. Abbey..... 8,368	250,000	8.0%	21.00	11/25/07	3,303		
S. Davis Carniglia... 4,351	130,000	4.2%	21.00	11/25/07	1,717		
Craig A. Severance... 4,351	130,000	4.2%	21.00	11/25/07	1,717		
John H. Diserens..... 4,351	130,000	4.2%	21.00	11/25/07	1,717		

- (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>

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

- (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. On July 14, 1998, the Compensation Committee elected not to extend the employment agreement for each such Executive Officer at the expiration of the initial term. Upon the

termination of the employment agreements, all such Executive Officers will be employed on an at-will basis on terms to be determined by the Compensation Committee. The Company presently expects to adopt a policy or enter into agreements which will provide such Executive Officers with certain benefits in the event of a change of control of the Company. Prior to termination of the employment agreements, such agreements will continue to provide for annual base compensation with the amount of any bonus to be determined by the Compensation

Committee, based on certain performance 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. Upon termination of the employment agreements, the Executive Officers subject to such employment agreements will enter into non-competition agreements on the same terms as the non-competition provisions contained in the employment agreements.

#### 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

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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.

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

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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 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.

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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.

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".

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#### 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

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."

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. Edelman, 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. 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 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

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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 (each a "Dividend Record Date"), which shall be a 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 the applicable payment 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 Charter 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

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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), depository shares in respect of any of the foregoing, interests, participations, or other ownership interests (however designated) and any rights (other than debt securities

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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 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.

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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 to serve for a one-year term (or until such director's term of office terminates as set forth below). 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 re-vesting 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

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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.

#### 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 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.

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

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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 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.

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#### 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.

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#### 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 also applicable to 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

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.

#### 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

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

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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.

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#### 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

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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.

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

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

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

"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

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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.

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 supplemented by the Articles Supplementary filed with the State Department of Assessments and Taxation of Maryland establishing the terms of the Series A Preferred Stock, and as further supplemented, and as amended or restated, 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, par value \$.01 per share, 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 its subsidiaries 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

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Preferred Stock and Units (not owned by the Company) plus the Company's total consolidated debt and its pro rata share of unconsolidated debt.

"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.

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"Individual Account Investors" means certain individual account investors, each of which has assets under management with AMB pursuant to an investment advisory agreement.

"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.

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"Operating Partnership" means AMB Property, L.P., a Delaware limited partnership of which the Company is the general partner.

"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.

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"Regulations" means regulations issued by the United States Department of Labor, effective as of March 13, 1987.

"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.

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"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 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>  
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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:

OTHER PROPERTIES	BOSTON INDUSTRIAL PORTFOLIO	JAMESBURG PROPERTY	ORLANDO CENTRAL PARK	TOTEM LAKE MALLS	DALLAS WAREHOUSE PORTFOLIO	TWIN CITIES OFFICE SHOWROOM	CRYSEN CORRIDOR WAREHOUSE	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Rental and other revenues.....	\$2,853	\$1,466	\$ 804	\$ 758	\$1,053	\$1,011	\$124	
Real estate taxes and property operating expenses..... (989)	(108)	(543)	(260)	(277)	(221)	(384)	(31)	
Pro forma effect.....	\$2,745	\$ 923	\$ 544	\$ 481	\$ 832	\$ 627	\$ 93	

<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>  
<CAPTION>

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
	=====

</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.

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>

	AMB CONTRIBUTED COMPANY (1)	AMB PROPERTY PROPERTIES (2)	1997 PROPERTY ACQUISITIONS (3)	1997 PROPERTY DISPOSITIONS (4)	IPO AND FORMATION TRANSACTIONS (5)
1997 AS ADJUSTED					
	-----	-----	-----	-----	-----
<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..... (4,395)	(657)	(884)	(296)	--	(2,558)	
-----	-----	-----	-----	-----	-----	
Net income..... 99,508	18,228	57,184	36,619	(965)	(11,558)	
Preferred Stock Dividends.... --	--	--	--	--		
-----	-----	-----	-----	-----	-----	
Net income available to common stockholders..... 99,508	\$ 18,228	\$ 57,184	\$36,619	\$ (965)	\$ (11,558)	\$
=====	=====	=====	=====	=====	=====	
Net income per share						
Basic..... 1.16	\$ 1.39					\$
=====	=====					
Diluted..... 1.16	\$ 1.38					\$
=====	=====					
Weighted average shares outstanding						
Basic..... 85,874,513	13,140,218					
=====	=====					
Diluted..... 86,156,556	13,168,036					
=====	=====					

<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>	
<C>							
Rental revenues..... 47,554	\$22,995	\$4,734	\$ 5,467	\$3,259	\$2,958	\$ 8,141	\$
Real estate taxes and property operating expenses..... (10,815)	(4,775)	(895)	(1,928)	(990)	(311)	(1,916)	
-----	-----	-----	-----	-----	-----	-----	
Pro forma effect..... 36,739	\$18,220	\$3,839	\$ 3,539	\$2,269	\$2,647	\$ 6,225	\$
=====	=====	=====	=====	=====	=====	=====	

</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 the 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:

<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
	=====



<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

F-15  
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>  
<S>

<C>

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.

F-17

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
<S>	<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."

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>		<C>
<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>

<C>

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>	<C>
<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
</TABLE>	

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		
	UNITS	AMOUNT	UNITS	AMOUNT	TOTAL
	-----	-----	-----	-----	-----
<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>					

F-25

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>

	1996	1997
	-----	-----
<S>	<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.

F-27

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.

F-28

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)



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:

<TABLE>	<C>
<S>	
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.

### F-32 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:

<S>	<C>
1998.....	\$ 19,390
1999.....	9,666
2000.....	11,862
2001.....	35,654
2002.....	43,967
Thereafter.....	396,827
	-----
	\$517,366
	=====

</TABLE>

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AMB PROPERTY CORPORATION

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

5. LEASING ACTIVITY

Future minimum rental income due under noncancelable leases in effect at December 31, 1997 with tenants is as follows:

<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	YEAR ENDED
	DECEMBER 31,	DECEMBER 31,
	1996	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):

<TABLE>		<C>
<S>		
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	
</TABLE>		

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):

<TABLE>					
<CAPTION>					
	GENERAL PARTNER		LIMITED PARTNERS		
	UNITS	AMOUNT	UNITS	AMOUNT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
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
	=====	=====	=====	=====	=====
</TABLE>					

SCHEDULE III

CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION  
AS OF DECEMBER 31, 1997

<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>
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	--	7,906	23,757	--	75
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	LAND	BUILDING	TOTAL COSTS (2)	ACCUMULATED DEPRECIATION	YEAR OF CONSTRUCTION OR ACQUISITION	DEPRECIABLE LIFE (YEARS)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
72nd Avenue.....	\$ 1,298	\$ 4,008	\$ 5,306	\$ 9	1997	5-40
Acer Distribution Center... Activity Distribution Center.....	3,146	9,479	12,625	22	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
Boulden.....	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

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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>

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<TABLE>  
<CAPTION>

PROPERTY	LOCATION	TYPE	ENCUMBRANCES (1)	INITIAL COST TO COMPANY		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	
				LAND	BUILDING	LAND	BUILDING
				<C>	<C>	<C>	<C>
<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

</TABLE>

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<TABLE>  
<CAPTION>

PROPERTY	LOCATION	TYPE	ENCUMBRANCES (1)	COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION			
				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>

(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

## 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 (UNAUDITED)	AS ADJUSTED (UNAUDITED)
<S>	<C>	<C>	<C>	<C>
ASSETS				
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
	=====	=====	=====	=====
LIABILITIES AND OWNERS' EQUITY				
Debt:				
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.

## 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 SEPTEMBER 30,	JANUARY 1, 1997 TO NOVEMBER 25, 1997
1994	1995	1996	1996	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>

<S>	OWNERS' EQUITY	NOTE RECEIVABLE FROM OWNER	TOTAL
<C>	<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	JANUARY 1,
	1994	1995	1996	ENDED SEPTEMBER 30, 1996	1997 TO NOVEMBER 25, 1997
				(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
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)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
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 -----
<S>	<C>	<C>
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:

<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:

<TABLE> <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>	<C>
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	JANUARY 1,
	1994	1995	1996	ENDED SEPTEMBER 30, 1996	1997 TO NOVEMBER 25, 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.

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 combined statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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.

PROPERTY NAME	LOCATION	RENTABLE SQUARE FEET
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.

F-58  
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.

	<C>
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.

F-59

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 statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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

F-60

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)
	<C>	<C>
<S>		
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.

F-61

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>	
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 statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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

F-63

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.

F-64

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.

<TABLE>		
<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.

F-65

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 statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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
	-----	-----
<S>	<C>	<C>
REVENUES		(UNAUDITED)
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.

<TABLE>		
<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.

F-68

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 statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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

F-69

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>

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

F-70

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.

F-71

### 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 combined statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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

F-72

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)
<S>	<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.

F-73

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.

F-74

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 statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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)
<S>	<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.

F-76

CRYSN 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.

F-77

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 combined statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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)
<S>	<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.

## 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.

PROPERTY NAME	LOCATION	RENTABLE SQUARE FEET
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

&lt;/TABLE&gt;

## 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

## 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.

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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 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 statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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)
<S>	<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
	----	-----
<S>		<C>
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.

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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 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 statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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.

ARTHUR ANDERSEN LLP

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 -----
<S>		<C>
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.

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 statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a

test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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.

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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 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 statement of revenues and certain expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues and certain expenses. 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 statement of revenues and certain expenses 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

## SILICON VALLEY R&amp;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)

	1996	1997
	-----	-----
		(UNAUDITED)
<S>	<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
	=====	=====

&lt;/TABLE&gt;

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

## SILICON VALLEY R&amp;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

<S>	<C>
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.

<TABLE> <S>	<C>
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

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 -----	DESCRIPTION -----
<C>	<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	Form of 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)).
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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	Opinion of Ballard Spahr Andrews & Ingersoll, LLP.

</TABLE>

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8.1	Opinion of Latham & Watkins.
10.1	Form of 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)).

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- \*\*12.1 Statement regarding computation of ratios.
- \*\*21.1 Subsidiaries of the Registrant.
- 23.1 Consent of Ballard Spahr Andrews & Ingersoll, LLP (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>

- - - - -  
 \* 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. 2 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 16th 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 16, 1998
* ----- Hamid R. Moghadam	President, Chief Executive Officer and Director (Principal Executive Officer)	July 16, 1998
- ----- Douglas D. Abbey	Chairman of Investment Committee and Director	July , 1998
* ----- S. Davis Carniglia	Chief Financial Officer (Principal Financial Officer)	July 16, 1998
- ----- /s/ MICHAEL A. COKE ----- Michael A. Coke	Vice President and Director of Financial Management Reporting (Principal Accounting Officer)	July 16, 1998
- ----- Daniel H. Case, III	Director	July , 1998
* ----- Robert H. Edelstein, Ph.D.	Director	July 16, 1998
* ----- Lynn M. Sedway	Director	July 16, 1998
- ----- Jeffrey L. Skelton, Ph.D.	Director	July , 1998
* ----- Thomas W. Tusher	Director	July 16, 1998
* ----- Caryl B. Welborn	Director	July 16, 1998

<TABLE>  
<S>

<C>  
\*By: /s/ MICHAEL A. COKE

-----  
Michael A. Coke  
Attorney-in-Fact

</TABLE>

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EXHIBIT INDEX

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**24.1	Power of Attorney.
**27.1	Financial Data Schedule.

</TABLE>

\*\* Previously filed.

4,000,000 SHARES

AMB PROPERTY CORPORATION

SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK,  
PAR VALUE \$.01 PER SHARE

UNDERWRITING AGREEMENT

JULY , 1998

July , 1998

Morgan Stanley & Co. Incorporated  
A.G. Edwards & Sons, Inc.  
Merrill Lynch, Pierce, Fenner & Smith Incorporated  
PaineWebber Incorporated  
Smith Barney Inc.  
c/o Morgan Stanley & Co. Incorporated  
1585 Broadway  
New York, New York 10036

Dear Sirs and Mesdames:

AMB Property Corporation, a Maryland corporation (the "COMPANY"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "UNDERWRITERS") 4,000,000 shares of its \_\_\_% Series A Cumulative Redeemable Preferred Stock, par value \$.01 per share (the "FIRM SHARES"). The Company also proposes to issue and sell to the several Underwriters not more than an additional 600,000 shares of its \_\_\_% Series A Cumulative Redeemable Preferred Stock, par value \$.01 per share (the "ADDITIONAL SHARES") if and to the extent that you, as representatives of the offering (the "REPRESENTATIVES"), shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of preferred stock granted to the Underwriters in Section 2 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "SHARES".

The Company has filed with the Securities and Exchange Commission (the "COMMISSION") a registration statement on Form S-11 (File No. 333-58107) relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "SECURITIES Act"), is hereinafter referred to as the "REGISTRATION STATEMENT"; the prospectus in the form first used to confirm sales of Shares is hereinafter referred to as the "PROSPECTUS." If the Company has filed an abbreviated registration statement to register additional shares of \_\_\_% Series A Cumulative Redeemable Preferred Stock pursuant to Rule 462(b) under the Securities Act (the "RULE 462 REGISTRATION STATEMENT"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement.

1. REPRESENTATIONS AND WARRANTIES. The Company and the Operating Partnership, jointly and severally, represent and warrant to and agree with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or, to the knowledge of the Company, threatened by the Commission.

(b) (i) The Registration Statement, when it became effective,

did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph 1(b) do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein, which are (i) the legend on the inside front cover page of the Prospectus with respect to stabilizing activity and (ii) the allocation table, and the \_\_\_\_\_ and \_\_\_\_\_ paragraphs under the caption "Underwriters" contained in the Prospectus.

(c) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maryland, and has all power and authority necessary to own, lease and operate its properties and to conduct the businesses in which it is engaged or proposes to engage as described in the Prospectus and to enter into and perform its obligations under this Agreement. The Company is duly qualified or registered as a foreign corporation and is in good standing in California and is in good standing in each other jurisdiction in which such qualification or registration is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or be registered or to be in good standing in such other jurisdiction would not result in a material adverse effect on the consolidated financial position, results of operations or business of the Company, the Operating Partnership and each subsidiary of the Company set forth on Schedule II hereto (each, a "SUBSIDIARY," and, collectively, the "SUBSIDIARIES"), taken as a whole (a "MATERIAL ADVERSE EFFECT").

(d) The Operating Partnership is a limited partnership duly formed and existing under and by virtue of the laws of the State of Delaware and is in good standing under the Delaware Revised Uniform Limited Partnership Act with partnership power and authority to own, lease and operate its properties, to conduct the business in which it is engaged or proposes to engage as described in the Prospectus and to enter into and perform its obligations under this Agreement. The Operating Partnership is duly qualified or registered as a foreign partnership and is in good standing in California and is in good standing in each other jurisdiction in which such qualification or registration is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or be registered or to be in good standing in such other jurisdiction would not have Material Adverse Effect. The Company is the sole

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general partner of the Operating Partnership and owns the percentage interest in the Operating Partnership as set forth in the Prospectus.

(e) Each Subsidiary has been, as the case may be, duly incorporated or organized, is validly existing as a partnership, corporation, limited liability company or real estate investment trust in good standing under the laws of its respective jurisdiction of organization, has the corporate, partnership or other power and authority to own its property and to conduct its business as described in the Prospectus. Each Subsidiary is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect; all of the issued shares of capital stock or other ownership interests of each Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and, except as set forth in the Prospectus, are owned directly or indirectly by the Company or the Operating Partnership, free and clear of all liens, encumbrances, equities or claims. The Company has no subsidiaries other than the Subsidiaries and the joint venture entities listed on Schedule III hereto.

(f) Each of the joint venture partnerships or limited liability companies listed on Schedule III hereto (the "JOINT VENTURES") has been duly formed and is validly existing as a limited

partnership or limited liability company in good standing under the laws of its state of organization, with power and authority to own, lease and operate its properties and to conduct the business in which it is engaged. Each Joint Venture is duly qualified or registered as a foreign limited partnership or limited liability company to transact business in each jurisdiction in which such qualification or registration is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or be registered would not have a Material Adverse Effect. The Company, the Operating Partnership or a Subsidiary owns the partnership or other equity interest in each of the Joint Ventures as set forth on Schedule III hereto (the "JOINT VENTURE Interests"), and each of the Joint Venture Interests is validly issued and fully paid and free and clear of any security interest, mortgage, pledge, lien encumbrance, claim or equity.

(g) This Agreement has been duly authorized, executed and delivered by the Company and the Operating Partnership and constitutes the valid and binding agreement of the Company and the Operating Partnership, enforceable against them in accordance with its terms; provided, however, that the enforceability of this Agreement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally.

(h) The Company has an authorized capitalization as set forth in the Prospectus, and the authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

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(i) All of the issued and outstanding units of the Operating Partnership (the "UNITS") have been duly and validly authorized and issued and conform to the description thereof contained in the Prospectus. The Units owned by the Company are owned directly by the Company, free and clear of all liens, encumbrances, equities or claims.

(j) The Shares have been duly authorized and classified for issuance and sale to the Underwriters pursuant to this Agreement. On or prior to the Closing Date, the Company will have executed and filed Articles Supplementary ("ARTICLES SUPPLEMENTARY") to its Articles of Incorporation establishing the terms of the Shares with the State Department of Assessments and Taxation of Maryland (the "SDAT") and, when the Shares are duly paid for and certificates therefor are duly countersigned and delivered as provided herein, the Shares will be validly issued, fully paid and nonassessable. The issuance of the Shares is not subject to preemptive or similar rights.

(k) The execution, delivery and performance of this Agreement by the Company and the Operating Partnership and the consummation of the transactions contemplated hereby will not (A) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, joint venture agreement, partnership agreement, limited liability company agreement or any other agreement or instrument to which the Company, the Operating Partnership or any Subsidiary is a party or by which the Company, the Operating Partnership or any Subsidiary is bound or to which any of the property or assets of the Company, the Operating Partnership or any Subsidiary is subject, except for such breach or violation which would not, singly or in the aggregate, have a Material Adverse Effect, (B) result in any violation of the provisions of the charter, by-laws, certificate of limited partnership, partnership agreement or other organizational documents of the Company, the Operating Partnership or any Subsidiary, as the case may be, or (C) result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company, the Operating Partnership or any Subsidiary, except where such noncompliance or violation of any such statute, order, rule or regulation would not, singly or in the aggregate, have a Material Adverse Effect. No consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body is required for the execution, delivery and performance of this Agreement by the Company and the Operating Partnership and the consummation of the transactions contemplated hereby, except for (i) the registration of the Shares under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), and applicable state and foreign securities laws in connection with the purchase and distribution of the Shares by the Underwriters and (ii) consents, approvals, authorizations, orders, filings or registrations that will be completed on or prior to the Closing Date.

(l) There are no legal or governmental proceedings pending or,

to the knowledge of the Company and the Operating Partnership, threatened, to which the Company, the Operating Partnership or any Subsidiary is a party or to which any of the

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properties of the Company, the Operating Partnership or any Subsidiary are subject that are required to be described in the Registration Statement or the Prospectus and are not so described, or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(m) Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(n) None of the Company, the Operating Partnership or any Subsidiary is, and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, none will be, an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(o) Other than as set forth in the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement.

(p) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement). Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus: (i) the Company, the Operating Partnership and the Subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction not in the ordinary course of business; (ii) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock; (iii) the Operating Partnership has not purchased any of its outstanding Units, nor declared, paid or otherwise made any dividend or distribution of any kind on its Units; and (iv) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company, the Operating Partnership or the Subsidiaries, except in each case as described in or contemplated by the Prospectus.

(q) Except as otherwise disclosed in the Prospectus:

(i) the Company has good and marketable fee simple title to the land underlying the Properties (as defined in the Prospectus) and good and marketable title to the improvements thereon, other than those improvements located on land which the Company acts as the ground lessor, as disclosed in the Prospectus (the "TENANT OWNED IMPROVEMENTS"), and all other assets that are required for the effective operation of such Properties in the manner in which they currently are

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operated, subject, however, to existing mortgages on such Properties, to utility easements serving such Properties and other immaterial easements, reciprocal easement agreements and licenses, to liens of ad valorem taxes and other assessments not delinquent as of the Closing Date, to zoning and similar governmental land use matters affecting such Properties that are consistent with the current uses of such Properties, to matters of title not adversely affecting marketability of title to such Properties, other material statutory liens not due and payable as of the Closing Date, title matters that may be material in character, amount or extent but which do not materially detract from the value, or interfere with the use of, the Properties or otherwise materially impair the business operations being conducted or proposed to be conducted thereon, service marks and trade names used in connection with such Properties, ownership by others of certain items of

equipment and other items of personal property that are not material to the conduct of business operations at such Properties and ownership of improvements pursuant to certain valid, existing and enforceable ground leases;

(ii) with respect to the Properties held through Joint Ventures (the "JOINT VENTURE PROPERTIES"), the Joint Ventures that currently own such Properties have good and marketable fee simple title to the land underlying such Properties and good and marketable title to the improvements thereon, other than the Tenant Owned Improvements, and all other assets that are required for the effective operation of such Properties in the manner in which they currently are operated, subject to the exceptions set forth in clause (i) above;

(iii) all liens, charges, encumbrances, claims, or restrictions on or affecting any of the Properties or the assets of the Company which are required to be disclosed in the Prospectus are disclosed therein;

(iv) neither the Company nor any tenant of any of the Properties is in default under any of the leases pursuant to which the Company, as lessor, leases its Property (and neither the Company nor the Operating Partnership knows of any event which, but for the passage of time or the giving of notice, or both, would constitute a default under any of such leases) other than such defaults that would not result in a Material Adverse Effect;

(v) any real property and buildings held under lease by the Company, the Operating Partnership or the Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company, the Operating Partnership or the Subsidiaries, in each case except as described in or contemplated by the Prospectus;

(vi) no person has an option or right of first refusal to purchase all or part of any Property or any interest therein which is material to the Company;

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(vii) each of the Properties complies with all applicable codes, laws and regulations (including, without limitation, building and zoning codes, laws and regulations and laws relating to access to the Properties), except if and to the extent disclosed in the Prospectus and except for such failures to comply that would not individually or in the aggregate result in a Material Adverse Effect;

(viii) neither of the Operating Partnership or the Company has knowledge of any pending or threatened condemnation proceedings, zoning change, or other similar proceeding or action that will in any manner affect the size of, use of, improvements on, construction on or access to any of the Properties, except such proceedings or actions that would not have a Material Adverse Effect; and

(ix) the ground leases identified in the Prospectus are in full force and effect, and the Company, the Operating Partnership and the Subsidiaries and, to the knowledge of the Company and the Operating Partnership, the Joint Ventures or other named lessees under such leases (A) are not in default in respect of any of the terms or provisions of such leases, other than any such defaults which would not, singly or in the aggregate, have a Material Adverse Effect and (B) have not received notice of the assertion of any claim by anyone adverse to such person's or entity's rights as lessees under such leases, or affecting or questioning such person's or entity's right to the continued possession or use of the Property under such leases or of a default under such leases.

(r) Except as disclosed in the Prospectus:

(i) each Property, including, without limitation, the Environment (as defined below) associated with such Property, is free of any Hazardous Substance (as defined below) in violation of any Environmental Law (as defined below) applicable to such Property, except for Hazardous Substances that would not result in a Material Adverse Effect;



(ii) none of the Company, the Operating Partnership or any Subsidiary has caused or suffered to occur any Release (as defined below) of any Hazardous Substance into the Environment on, in, under or from any Property in violation of any Environmental Law applicable to such Property, other than such Releases which, singly or in the aggregate, do not require significant remediation, and no condition exists on, in, under or, to the knowledge of the Company and the Operating Partnership, adjacent to any Property that could result in the incurrence of liabilities or any violations of any Environmental Law applicable to such Property, give rise to the imposition of any Lien (as defined below) under any Environmental Law, or cause or constitute a health, safety or environmental hazard to any property, person or entity, except in each case that would not, singly or in the aggregate, have a Material Adverse Effect;

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(iii) none of the Company, the Operating Partnership or any Subsidiary is engaged, and neither the Company, the Operating Partnership nor any Subsidiary intends to engage in any manufacturing or any other similar operations at the Properties that (A) require the use, handling, transportation, storage, treatment or disposal of any Hazardous Substance (other than cleaning solvents and similar materials and other than insecticides and herbicides or other Hazardous Substances that are used in the ordinary course of operating the Properties and in compliance with all applicable Environmental Laws) or (B) require permits or are otherwise regulated pursuant to any Environmental Law;

(iv) neither the Company, the Operating Partnership nor any Subsidiary has received any written notice of a claim under or pursuant to any Environmental Law applicable to a Property or under common law pertaining to Hazardous Substances on or originating from any Property, except for any such claims which would not, singly or in the aggregate, have a Material Adverse Effect;

(v) neither the Company, the Operating Partnership nor any Subsidiary has received any written notice from any Governmental Authority (as defined below) claiming any violation of any Environmental Law applicable to a Property that is uncured or unremediated as of the date hereof, except for any such violations which would not, singly or in the aggregate, have a Material Adverse Effect;

(vi) (A) no Property is included or, to the knowledge of the Company and the Operating Partnership, proposed for inclusion on the National Priorities List issued pursuant to CERCLA (as defined below) by the United States Environmental Protection Agency (the "EPA"); (B) to the knowledge of the Company and the Operating Partnership, no Property (1) is included or proposed for inclusion on the Comprehensive Environmental Response, Compensation and Liability Information System database maintained by the EPA, (2) has otherwise been identified by the EPA as a potential CERCLA removal, remedial or response site or (3) is included or proposed for inclusion on any similar list of potentially contaminated sites pursuant to any other applicable Environmental Law; (C) nor has the Company, the Operating Partnership or any Subsidiary received any written notice from the EPA or any other Governmental Authority proposing the inclusion of any Property on such list set forth in (A) and (B) above;

(vii) the Company, the Operating Partnership and the Subsidiaries (i) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (ii) are in compliance with all terms and conditions of any such permit, license or approval, except in each case where such noncompliance, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a Material Adverse Effect; and

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(viii) there are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a Material Adverse Effect.

As used herein: "HAZARDOUS SUBSTANCE" shall include, without limitation, any hazardous substance, hazardous waste, toxic or dangerous substance, pollutant, solid waste or similarly designated materials, including, without limitation, oil, petroleum or any petroleum-derived substance or waste, asbestos or asbestos-containing materials, PCBs, pesticides, explosives, radioactive materials, dioxins, urea formaldehyde insulation or any constituent of any such substance, pollutant or waste, including any such substance, pollutant or waste identified or regulated under any Environmental Law (including, without limitation, materials listed in the United States Department of Transportation Optional Hazardous Material Table, 49 C.F.R. Section 172.101, as heretofore amended, or in the EPA's List of Hazardous Substances and Reportable Quantities, 40 C.F.R. Part 302, as heretofore amended); "Environment" shall mean any surface water, drinking water, ground water, land surface, subsurface strata, river sediment, buildings, structures, and ambient, workplace and indoor air; "ENVIRONMENTAL LAW" shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Section 9601 et seq.) ("CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended (42 U.S.C. Section 6901, et seq.), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.), the Clean Water Act, as amended (33 U.S.C. Section 1251, et seq.), the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601, et seq.), the Occupational Safety and Health Act of 1970, as amended (29 U.S.C. Section 651, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Section 1801, et seq.), and all other applicable federal, state and local laws, ordinances, regulations, rules, orders, decisions and permits relating to the protection of the environment or of human health from environmental effects; "GOVERNMENTAL AUTHORITY" shall mean any federal, state or local governmental office, agency or authority having the duty or authority to promulgate, implement or enforce any Environmental Law; "LIEN" shall mean, with respect to any Property, any mortgage, deed of trust, pledge, security interest, lien, encumbrance, penalty, fine, charge, assessment, judgment or other liability in, on or affecting such Property; and "RELEASE" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, emanating or disposing of any Hazardous Substance into the Environment, including, without limitation, the abandonment or discard of barrels, containers, tanks (including, without limitation, underground storage tanks) or other receptacles containing or previously containing any Hazardous Substance or any release, emission, discharge or similar term, as those terms are defined or used in any Environmental Law.

(s) Arthur Andersen LLP, who have certified certain financial statements in the Registration Statement, whose report appears in the Prospectus, are independent

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public accountants as required by the Securities Act and the rules and regulations of the Commission thereunder during the periods covered by the financial statements on which they reported contained in the Prospectus.

(t) The Company, the Operating Partnership and each of the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; none of the Company, the Operating Partnership nor any Subsidiary has been refused any insurance coverage sought or applied for; and none of the Company, the Operating Partnership nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not materially and adversely affect the condition, financial or otherwise, or the earnings, business or operations of the Company, the Operating Partnership and the Subsidiaries, taken as a whole, except as described in or contemplated by the Prospectus.

(u) The Company, the Operating Partnership and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and none

of the Company, the Operating Partnership nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect, except as described in or contemplated by the Prospectus.

(v) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(w) The Company has complied with all provisions of Section 517.075, Florida Statutes relating to doing business with the Government of Cuba (the "CUBA ACT") or with any person or affiliate located in Cuba.

(x) Each of the Company, the Operating Partnership, the Subsidiaries, AMB Institutional Realty Advisors, Inc. ("AMBIRA"), AMB Current Income Fund, Inc. ("CIF"), AMB Value Added Fund, Inc. ("VAF") and AMB Western Properties Fund-I ("WPF," and collectively with AMBIRA, CIF and VAF, the "PREDECESSOR ENTITIES") has filed, when due, all federal, state and local returns for Taxes (as defined below) which have been required to be filed; all such returns were prepared in the manner required by applicable law and were true, correct and complete in all material respects; and the

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Company, the Operating Partnership, the Subsidiaries and the Predecessor Entities have paid all Taxes reported as due in such returns and have paid any other material Taxes for which they may be liable, to the extent that any of the foregoing is due and payable, except, in all cases, for any Tax that is being contested in good faith (and except in any case in which the failure to so file or pay would not have a Material Adverse Effect). No audit, inquiry, investigation or similar proceeding with respect to Taxes is currently pending or threatened against the Company or any of its assets with respect to which it may be liable for the payment of Taxes, an adverse outcome of which would have a Material Adverse Effect. As used in the above paragraph, the term "TAX" or "TAXES" shall include all United States federal, state, local and foreign taxes, assessments or other governmental charges (whether imposed directly or through withholding), including any interest, penalties and additions to taxes applicable thereto.

(y) The financial statements (including the notes thereto) included in the Registration Statement and the Prospectus present fairly the financial position of the respective entity or entities presented therein at the respective dates indicated and the results of their operations for the respective periods specified, and except as otherwise stated in the Registration Statement, said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis. The supporting schedules included in the Registration Statement present fairly the information required to be stated therein. The financial information and data included in the Registration Statement and the Prospectus present fairly the information included therein and have been prepared on a basis consistent with that of the books and records of the respective entities presented therein. Pro forma financial information included in the Prospectus has been prepared in accordance with the applicable requirements of Rules 11-01 and 11-02 of Regulation S-X under the 1933 Act, and the necessary pro forma adjustments have been properly applied to the historical amounts in the compilation of such information, and, in management's opinion, the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

(z) No relationship, direct or indirect, exists between or among the Operating Partnership or the Company on the one hand, and the directors, officers, stockholders (in the case of the Company), limited partners (in the case of the Operating Partnership), customers or suppliers of the Operating Partnership or the Company on the other hand, which is required to be described in the Prospectus which is not so described.

(aa) The Company and the Operating Partnership are in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Operating Partnership or the Company would have any liability; neither the Company nor the Operating Partnership has incurred and does not expect to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan"

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or (ii) Sections 412 or 4971 of the Code including the regulations and published interpretations thereunder; each "pension plan" for which the Operating Partnership or the Company would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification; and each "pension plan" for which the Company, the Operating Partnership or any of their affiliates has any liability or with respect to which the Company, the Operating Partnership or any of their affiliates is a disqualified person (as defined in the Code) or party-in-interest (as defined in ERISA) has not been a party to any "prohibited transaction" (as defined in ERISA and the Code), except for such noncompliance, reportable events, liabilities, or failures to qualify that would not have a Material Adverse Effect.

(bb) Neither the Company nor the Operating Partnership, nor any director, officer, agent, employee or other person associated with or acting on behalf of the Operating Partnership or the Company, has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(cc) The Company, the Operating Partnership and the Subsidiaries are currently in compliance with all presently applicable provisions of the Americans with Disabilities Act, except for such noncompliance which would not, singly or in the aggregate, have a Material Adverse Effect, and no failure of the Company, the Operating Partnership or any Subsidiary to comply with all presently applicable provisions of the Americans with Disabilities Act would have a Material Adverse Effect.

(dd) Beginning with its taxable year ended December 31, 1997, the Company has been and is organized to qualify as a "real estate investment trust" under the Internal Revenue Code of 1986, as amended (the "CODE"), and the Company's assets, income and its method of operation has at all times enabled it, and its proposed assets, income and method of operation will enable it, to meet the requirements for qualification and taxation as a "real estate investment trust" under the Code.

(ee) Neither the Company, the Operating Partnership nor any Subsidiary, nor any of their directors, officers or controlling persons, has taken or will take, directly or indirectly, any action designed to cause or result under the Exchange Act, or otherwise in, or which has constituted or which reasonably might be expected to constitute, the unlawful stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

2. AGREEMENTS TO SELL AND PURCHASE. The Company hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties

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herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company the respective numbers of Firm Shares set forth in Schedule I hereto opposite its name at \$\_\_\_\_\_ a share (the "PURCHASE PRICE") plus accrued dividends, if any, to the Closing Date.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have a one-time right to purchase, severally and not jointly, up to 600,000 Additional

Shares at the Purchase Price plus accrued dividends, if any, to the Closing Date. If you, on behalf of the Underwriters, elect to exercise such option, you shall so notify the Company in writing not later than 30 days after the date of this Agreement, which notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Such date may be the same as the Closing Date (as defined below) but not earlier than the Closing Date nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

The Company hereby agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 30 days after the date of the 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 Cumulative Redeemable Preferred Stock (the "SERIES A PREFERRED STOCK"), any other equity securities of the Company which are substantially similar to the Series A Preferred Stock or any securities convertible into or exercisable or exchangeable for Series A Preferred Stock or such substantially similar equity securities 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 the Series A Preferred Stock or any other equity securities of the Company which are substantially similar to the Series A Preferred Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Series A Preferred Stock or such other securities, in cash or otherwise. The restrictions described in the foregoing sentence shall not apply to the Shares to be sold hereunder.

3. TERMS OF PUBLIC OFFERING. The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Company is further advised by you that the Shares are to be offered to the public initially at \$25.00 a share (the "PUBLIC OFFERING PRICE") plus accrued dividends, if any, to the Closing Date, and to certain dealers selected by you at a price that represents a concession not in excess of \$.\_\_\_ a share under the Public Offering Price, and that any Underwriter may allow,

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and such dealers may reallow, a concession, not in excess of \$.\_\_\_ a share, to any Underwriter or to certain other dealers.

4. PAYMENT AND DELIVERY. Payment for the Firm Shares shall be made to the Company in federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 A.M., New York City time, on July \_\_\_, 1998, or at such other time on the same or such other date, not later than July \_\_\_, 1998, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "CLOSING DATE."

Payment for any Additional Shares shall be made to the Company in federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 A.M., New York City time, on the date specified in the notice described in Section 2 or at such other time on the same or on such other date, in any event not later than August \_\_\_, 1998, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "OPTION CLOSING DATE."

Certificates for the Firm Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and Additional Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

5. CONDITIONS TO THE UNDERWRITERS' OBLIGATIONS. The obligations of the Company to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than 5:30 P.M. (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded the Company, the Operating Partnership, any of their respective securities or in the rating outlook for either of them by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act; and

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(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company, the Operating Partnership and the Subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company on behalf of the Company and in the Company's capacity as general partner of the Operating Partnership, to the effect set forth in clause (a)(i) above and to the effect that the representations and warranties of the Company and the Operating Partnership contained in this Agreement are true and correct as of the Closing Date and that the Company and the Operating Partnership have complied with all of the agreements and satisfied all of the conditions on their part to be performed or satisfied hereunder on or before the Closing Date. The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion of Latham & Watkins, outside counsel for the Company, dated the Closing Date, to the effect that:

(i) the Operating Partnership is a limited partnership duly formed and existing under and by virtue of the laws of the State of Delaware and, based solely upon the certificates of public officials, is in good standing under the Delaware Revised Uniform Limited Partnership Act, with partnership power and authority to own, lease and operate its properties, to conduct the business in which it is engaged or proposes to engage as described in the Prospectus and to enter into and perform its obligations under the Underwriting Agreement. Based solely upon the certificates of public officials, the Operating Partnership is duly qualified or registered as a foreign partnership and is in good standing in each jurisdiction listed on Exhibit A-1 to such opinion. The Operating Partnership is duly qualified or registered as a foreign partnership but is not in good standing in each jurisdiction listed on Exhibit A-2 to such opinion, if any. The Company is the sole general partner of the Operating Partnership and, assuming the due authorization by the Company, in its capacity as the sole general partner of the Operating Partnership, and assuming the valuation of the property and other assets contributed by the partners to the Operating Partnership as set forth in Exhibit A to the Partnership Agreement, owns outstanding partnership interests in the Operating Partnership as set forth in the Prospectus;

(ii) based solely upon the certificates of public officials, the Company is duly qualified to transact business and is in good standing in each jurisdiction

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listed on Exhibit B-1 to such opinion. The Company is duly qualified or registered as a foreign corporation but is not in good standing in each jurisdiction listed on Exhibit B-2 to such opinion, if any;

(iii) each of AMB Property II, L.P., a Delaware

limited partnership ("AMB Property II"), and Long Gate, LLC, a Delaware limited liability company ("Long Gate," and together with AMB Property II, the "Subsidiaries"), has been duly incorporated, is validly existing as a partnership, corporation or limited liability company in good standing under the laws of its respective jurisdiction of organization, has the corporate, partnership or other power and authority to own its property and to conduct its business as described in the Prospectus. Each Subsidiary is duly qualified to transact business and is in good standing in each jurisdiction listed on Exhibit C-1 to such opinion. The Subsidiaries are duly qualified or registered as a foreign partnership or limited liability company (as applicable) but are not in good standing in each jurisdiction listed on Exhibit C-2 to such opinion, if any. To such counsel's knowledge, each of the partnership or member agreements of the Subsidiaries (as applicable) is in full force and effect;

(iv) the issued and outstanding Units of the Operating Partnership have been, assuming the due authorization by the Company in its capacity as the sole general partner of the Operating Partnership, duly authorized for issuance by the Operating Partnership to the holders thereof and are validly issued and conform to the description thereof contained in the Prospectus. The Units owned by the Company are owned of record directly by the Company, to the best of such counsel's knowledge in reliance upon a UCC lien search in the State of Delaware and an officers' certificate, free and clear of all liens, encumbrances, equities or claims;

(v) the execution, delivery and performance of this Agreement by the Company and the Operating Partnership and the consummation of the transactions contemplated hereby (A) will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any of the documents set forth on Schedule IV hereto as of the Closing Date, except for any such conflicts, breaches or violations which are not, singly or in the aggregate, material, (B) will not result in any violation of the provisions of the charter, by-laws, certificate of limited partnership, partnership agreement or other organizational documents of the Company, the Operating Partnership or any Subsidiary, as the case may be and (C) will not, to the best of such counsel's knowledge, result in any violation of federal securities laws, California law and the General Corporation Law of the State of Delaware. Except for the registration of the Shares under the Securities Act, such consents, approvals, authorizations, registrations and qualifications as may be required under the Exchange Act, and applicable state Blue Sky and foreign securities laws in connection with the purchase and distribution of the Shares by the Underwriters and such other consents, approvals, authorizations, registrations and qualifications which if not

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obtained would not, singly or in the aggregate, have a Material Adverse Effect, no consent, approval, authorization or order of, or filing or registration with, any federal or California court or governmental agency or body is required under the covered laws by the Company, the Operating Partnership or any Subsidiary for the execution, delivery and performance of this Agreement by the Company and the Operating Partnership and the consummation of the transactions contemplated hereby;

(vi) the Underwriting Agreement has been duly authorized, executed and delivered by the Operating Partnership (assuming due authorization by the Company in its capacity as the sole general partner of the Operating Partnership) and is a valid and binding agreement of the Operating Partnership and the Company;

(vii) the statements (A) in the Prospectus under the captions "Federal Income Tax Consequences," "ERISA Considerations" and "Underwriters" and (B) in the Registration Statement in Items 33 and 34, in each case insofar as such statements constitute summaries of the legal matters referred to therein, have been reviewed by such counsel and are accurate in all material respects in each case insofar as such statements constitute summaries of the documents or proceedings referred to therein, and such statements fairly present the information called for with respect to such documents and proceedings and fairly summarize the matters

referred to therein;

(viii) based solely upon the representations of the Company contained in this Agreement and the certificate of an officer of the Company, such counsel does not know of any legal or governmental proceedings pending or threatened to which the Company, the Operating Partnership or any Subsidiary is a party or to which any of the properties of the Company, the Operating Partnership or any Subsidiary is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required. To the best knowledge of such counsel, all descriptions in the Registration Statement of contracts and other documents to which the Company, the Operating Partnership or any Subsidiary is a party fairly present the information called for with respect to such documents and fairly summarize the matters referred to therein;

(ix) none of the Company, the Operating Partnership or any Subsidiary is, and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, none will be, an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

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(x) commencing with the Company's taxable year ended December 31, 1997, the Company has been organized and operated in conformity with the requirements for qualification and taxation as a "real estate investment trust" under the Code, and the Company's present and contemplated operations, assets and income will enable it to meet the requirements for qualification and taxation as a "real estate investment trust" under the Code;

(xi) the Operating Partnership is and will be treated as a partnership for federal income tax purposes; and

(xii) such counsel is of the opinion that the Registration Statement and Prospectus (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any opinion) comply as to form in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(d) The Underwriters shall have received on the Closing Date an opinion of Ballard Spahr Andrews & Ingersoll, LLP, special Maryland counsel for the Company, dated the Closing Date, to the effect that:

(i) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maryland;

(ii) the Company has the requisite corporate power and corporate authority to own its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement;

(iii) the Company has duly executed and filed the Articles Supplementary with the State Department of Assessments and Taxation of Maryland (the "SDAT");

(iv) the Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, against payment of the agreed consideration, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights arising by operation of the Maryland General Corporation Law (the "MGCL") or under the charter or bylaws of the Company or any agreement or other instrument known to such counsel;

(v) the execution and delivery by the Company, in its individual capacity and in its capacity as the general partner of the Operating Partnership, of this Agreement, have been duly authorized by all necessary corporate action required under the charter and bylaws of the Company and the MGCL; and this Agreement has been duly executed and, to such counsel's



knowledge, delivered by the Company in its individual capacity and in its capacity as the general partner of the Operating Partnership;

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(vi) the execution, delivery and performance of this Agreement by the Company, in its individual capacity and in its capacity as the general partner of the Operating Partnership, and the consummation of the transactions contemplated hereby: (A) will not contravene any provision of the MGCL, (B) will not result in any violation of the provisions of the charter or by-laws of the Company; and (C) will not, to the best of such counsel's knowledge, result in any violation of any order, rule, regulation or decree of any court or governmental agency or authority of the State of Maryland issued under or pursuant to the MGCL and applicable to the properties, assets or businesses owned directly or indirectly by the Company;

(vii) no consent, approval, authorization, order of or qualification with any court or governmental agency or authority of the State of Maryland is required to be obtained by the Company, the Operating Partnership or any Subsidiary under the MGCL in connection with the offering, issuance or sale of the Shares to the Underwriters under this Agreement, except for such as have been obtained;

(viii) the form of certificate used to evidence the Shares is in due and proper form and complies in all material respects with all applicable statutory requirements under the laws of the State of Maryland;

(ix) the information in the Prospectus under the caption "Description of Capital Stock" (except for the information under the subsection thereof entitled "Restrictions on Ownership and Transfer"), to the extent to which it constitutes matters of Maryland corporate law, summaries of legal matters, documents or proceedings, or legal conclusions under Maryland corporate law, has been reviewed by such counsel and is correct in all material respects, and the information under "Description of Capital Stock--Restrictions on Ownership and Transfer," to the extent that it constitutes a summary of the provisions of the Company's charter, has been reviewed by such counsel and is correct in all material respects.

(e) The Underwriters shall have received on the Closing Date an opinion of Gibson, Dunn & Crutcher LLP, counsel for the Underwriters, dated the Closing Date, in form and substance satisfactory to the Underwriters.

With respect to Section 5(c)(xii), Latham & Watkins may state that its opinion and belief are based upon (i) its participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified, and (ii) representations of the Company, the Operating Partnership and the Subsidiaries as to factual matters.

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The opinions of Latham & Watkins and Ballard Spahr Andrews & Ingersoll, LLP described in paragraph (c) and (d) above shall be rendered to the Underwriters at the request of the Company and shall so state therein.

(f) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Arthur Andersen LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus; provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company and the Operating Partnership, the due authorization and issuance of the Additional Shares and other matters related to the issuance of

the Additional Shares.

6. COVENANTS OF THE COMPANY. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a) The Company will advise the Representatives promptly of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the institution of any proceedings for that purpose, and will use its best efforts to prevent the issuance of any such stop order and to obtain as soon as possible the lifting thereof, if issued. The Company will advise the Representatives promptly of any request by the Commission for any amendment of or supplement to the Registration Statement or the Prospectus or for additional information, and will not at any time file any amendment to the Registration Statement or supplement to the Prospectus which shall not previously have been submitted to the Representatives a reasonable time prior to the proposed filing or use thereof or to which the Representatives shall reasonably object or which is not in compliance with the Securities Act and the rules and regulations thereunder. The Company will advise you promptly when the Prospectus has been filed pursuant to Rule 424(b) of the Securities Act.

(b) To furnish to you, without charge, six signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 A.M. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 6(c) below, as many copies of the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(c) If, during such period after the first date of the public offering of the Shares, in the opinion of counsel for the Underwriters, the Prospectus is required by law

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to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading when the Prospectus is delivered to a purchaser, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances under which they were made, be misleading when the Prospectus is delivered to a purchaser, or so that the Prospectus, as amended or supplemented, will comply with law.

(d) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws and real estate syndication laws of such jurisdictions as you shall reasonably request.

(e) To make generally available to the Company's security holders and to you as soon as practicable an earnings statement covering the twelve-month period beginning after the effective date of the Registration Statement that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(f) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of counsel for the Company and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing

any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 6(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the National Association of Securities Dealers, Inc., if any, (v) any fees charged by the rating agencies for the rating of the Shares, (vi) all fees and

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expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Shares, (vii) all costs and expenses incident to listing the Shares on the New York Stock Exchange, (viii) the cost of printing certificates representing the Shares, (ix) the fees and expenses of any transfer agent, registrar or depository in connection with the issuance of the Shares, (x) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and, with the prior approval of the Company, the cost of any aircraft chartered in connection with the road show and (xi) all other costs and expenses incident to the performance of the obligations of the Company and the Operating Partnership hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 7 entitled "Indemnity and Contribution" and the last paragraph of Section 9 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

(g) The Company will use the net proceeds received by it from the sale of the Shares sold by it in the manner specified in the Prospectus under the caption "Use of Proceeds."

(h) The Shares will be listed on the New York Stock Exchange (the "NYSE") on or prior to the date hereof, and the Company shall use its best efforts to maintain the listing of such Shares on the NYSE.

(i) Except for the authorization of actions permitted to be taken by the underwriters as contemplated herein or in the Prospectus, neither the Company nor the Operating Partnership will (i) take, directly or indirectly, any action designed to cause or to result in, or that might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares, (ii) sell, bid for or purchase the Shares or pay any person any compensation for soliciting purchases of the Shares or (iii) pay or agree to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

(j) In accordance with the provisions of the Cuba Act, if applicable, and without limitation to the provisions of Section 7 hereof, the Company and the Operating Partnership will indemnify each Underwriter against any and all losses, claims, damages, liabilities and expenses (including attorneys' fees) arising out of or based upon any violation by the Company of the Cuba Act.

7. INDEMNITY AND CONTRIBUTION. (a) The Company and the Operating Partnership, jointly and severally, agree to indemnify and hold harmless each Underwriter and each person, if

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any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the

statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein and set forth in Section 1(b) hereof; provided, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased Shares, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Shares to such person, and if the Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities, unless such failure is the result of noncompliance by the Company with Section 6(b) hereof.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company and the Company, the Operating Partnership's directors, its officers who sign the Registration Statement and each person, if any, who controls the Company or the Operating Partnership within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnities from the Company and the Operating Partnership to such Underwriter, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 7(a) or 7(b), such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the

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indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by Morgan Stanley & Co. Incorporated, in the case of parties indemnified pursuant to Section 7(a), and by the Company or the Operating Partnership, in the case of parties indemnified pursuant to Section 7(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party in writing to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 60 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of each indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent the indemnification provided for in Section 7(a) or 7(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or

liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Operating Partnership on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Operating Partnership on the one hand and of the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Operating Partnership on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company and the Operating Partnership on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things,

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whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Operating Partnership or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(e) The Company, the Operating Partnership and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 7(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 7 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 7 and the representations, warranties and other statements of the Company and the Operating Partnership contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter or by or on behalf of the Company or the Company, the Operating Partnership's officers or directors or any person controlling the Company or the Operating Partnership and (iii) acceptance of and payment for any of the Shares.

8. TERMINATION. This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and (b) in the case of any of the events specified in clauses (a) (i) through (iv), such event, singly or together with any other such event, makes it, in

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your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

9. EFFECTIVENESS; DEFAULTING UNDERWRITERS. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or the Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; provided that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 9 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased, and arrangements satisfactory to you and the Company for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on the Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase Additional Shares or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company or the Operating Partnership to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company or the Operating Partnership shall be unable to perform their obligations under this Agreement, the Company and the Operating Partnership will, jointly and severally, reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

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10. COUNTERPARTS. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

11. APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

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12. HEADINGS. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Very truly yours,

AMB PROPERTY CORPORATION

By:

-----  
Name:  
Title:

AMB PROPERTY, L.P.

By: AMB PROPERTY CORPORATION,

its General Partner

By: \_\_\_\_\_  
Name:  
Title:

Accepted as of the date hereof

MORGAN STANLEY & CO. INCORPORATED  
A.G. EDWARDS & SONS, INC.  
MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED  
PAINWEBBER INCORPORATED  
SMITH BARNEY INC.

Acting severally on behalf of themselves  
and the several Underwriters named in  
Schedule I hereto.

By Morgan Stanley & Co. Incorporated

By: \_\_\_\_\_  
Michael M. Fusco, Vice President

<TABLE>  
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SCHEDULE I

UNDERWRITERS

UNDERWRITER -----	NUMBER OF FIRM SHARES TO BE PURCHASED -----
Morgan Stanley & Co. Incorporated.....	
A.G. Edwards & Sons, Inc.....	
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
PaineWebber Incorporated.....	
Smith Barney Inc.....	
 Total Firm Shares.....	 4,000,000 =====

</TABLE>

SCHEDULE II

SUBSIDIARIES OF THE COMPANY

- AMB Property II, L.P.
- AMB Property Holding Corporation
- Long Gate LLC
- AMB Investment Management, Inc.
- AMB Investment Management Limited Partnership

SCHEDULE III

JOINT VENTURES

NAME OF JOINT VENTURE	OWNERSHIP INTEREST IN JOINT VENTURE
American Beauty General	50.0001% G.P. Interest
CH-VAF Orlando Joint Venture	90% G.P. Interest
Dark Starr Limited Partnership	50.0001% L.P. Interest
Fairway Drive Venture LLC	70.00% Member Interest
Hamilton Lakes/AMB CIF	50% L.P. Interest
Met Phase I 95, Ltd.	87.15% L.P. Interest
St. Stephen Limited Partnership	50.0001% L.P. Interest
Met 4/12, Ltd.	87.15% L.P. Interest
Manhattan Village, LLC	90.00% Member Interest
AMB/ERIE, L.P.	50.0005% G.P. Interest
Sugar Magnolia L.L.C. (formerly AMB-TC OCP FL 2000 L.L.C.)	95% Member Interest
Elk Grove Village Industrial Park, Ltd.	56.0617% Beneficial L.P. Interest
Terrapin Station Limited Partnership	50.0001% L.P. Interest
Keep Your Day Job, LLC	90% Member Interest
AMB-TC Southriver Park NJ L.L.C.	95% Member Interest

#### SCHEDULE IV

#### CERTAIN MATERIAL CONTRACTS

1. All agreements filed as Exhibits (including by incorporation by reference) to the Company's Registration Statements on Form S-11 (Files No. 333-35915 and 333-49163).
2. All joint venture agreements documenting the interests of the Company, the Operating Partnership or one of their subsidiaries in the Joint Ventures listed on Schedule III hereto.
3. The loan agreements and other documents governing the \$500 million Credit Facility with Morgan Guaranty Trust Company of New York.
4. The loan agreements and other documents governing the \$73 million CIF secured credit facility that bears interest at a fixed rate of 7.53%.



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

SECOND: Pursuant to the authority conferred upon the Committee as aforesaid, the Committee has on July \_\_, 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 (and which, upon any restatement of the Charter, may be made a part of Article IV thereof, with any necessary or appropriate changes to the numeration or lettering of the sections of subsections hereof):

(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, if, when and as authorized by the Board, out of funds legally available for the payment of dividends, cumulative preferential cash dividends at the rate of \_\_\_% 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 (each a "Dividend Record Date"), which shall be the date designated by the Board for the payment of dividends that is not more than 30 nor less than 10 days prior to the applicable payment date therefor. Any dividend payable on the Series A Preferred Shares for any partial dividend period shall be prorated and computed on the basis of a 360-day year consisting of twelve 30-day months. Notwithstanding any provision to the contrary contained herein, each outstanding share of Series A Preferred Stock shall be entitled to receive, and shall receive, a dividend with respect to any Dividend Record Date equal to the dividend paid with respect to each other share of Series A Preferred Stock which is outstanding on such date.

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

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

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

#### (4) LIQUIDATION PREFERENCE.

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

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

(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)), depository 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 or comparable Charter provisions with respect to the other classes or series of the Corporation's stock).

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

(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 further designation as to series or class until such shares are once more designated as part of a particular series or class by the Board.

(6) VOTING RIGHTS.

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

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

declared and a sum sufficient for the payment thereof set aside for payment in full.

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

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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 (such 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 Corporation.

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

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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 or limited liability companies) from such tenant would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code or comparable provisions of state law).

(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(1) of these Articles Supplementary) shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of

its shareholders by preservation of the Corporation's status as a REIT.

(h) Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Section 7 of these Articles Supplementary, including any definition contained in Section 7(a), the Board of Directors shall have the power to determine the application of the provisions of this Section 7 with respect to any situation based on the facts known to it (subject, however, to the provisions of Section 7(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 in the opinion of the Board of Directors to ascertain that no individual's Beneficial Ownership of such shares of Series A Preferred Stock will violate Section 7(b)(i)(A) or that any such violation will not cause the Corporation to fail to qualify as a REIT under the Code, and that any violation of such representations or undertaking (or other action which is contrary to the restrictions contained in Section 7(b) of these Articles Supplementary) or attempted violation will result in such Series A Preferred Stock being transferred to a Trust in accordance with Section 7(b)(ii) of these Articles Supplementary.

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

(iii) Prior to granting any exception pursuant to Section 7(i)(i) or (ii) of these Articles Supplementary, the Board of Directors may require a ruling from the Internal Revenue Service, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

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

CLASS OF STOCK

"THE CORPORATION IS AUTHORIZED TO ISSUE CAPITAL STOCK OF MORE THAN ONE CLASS, CONSISTING OF COMMON STOCK AND ONE OR MORE CLASSES OF PREFERRED STOCK. THE BOARD OF DIRECTORS IS AUTHORIZED TO DETERMINE THE

PREFERENCES, LIMITATIONS AND RELATIVE RIGHTS OF ANY CLASS OF PREFERRED STOCK BEFORE THE ISSUANCE OF SHARES OF SUCH CLASS OF PREFERRED STOCK. THE CORPORATION WILL FURNISH, WITHOUT CHARGE, TO ANY STOCKHOLDER MAKING A WRITTEN REQUEST THEREFOR, A COPY OF THE CORPORATION'S CHARTER AND A WRITTEN STATEMENT OF THE DESIGNATIONS, RELATIVE RIGHTS, PREFERENCES, CONVERSION OR OTHER RIGHTS, VOTING POWERS, RESTRICTIONS, LIMITATIONS AS TO DIVIDENDS AND OTHER DISTRIBUTIONS, QUALIFICATIONS AND TERMS AND CONDITIONS OF REDEMPTION OF THE STOCK OF EACH CLASS WHICH THE CORPORATION HAS THE AUTHORITY TO ISSUE AND, IF THE CORPORATION IS AUTHORIZED TO ISSUE ANY PREFERRED OR SPECIAL CLASS IN SERIES, (i) THE DIFFERENCES IN THE RELATIVE RIGHTS AND PREFERENCES BETWEEN THE SHARES OF EACH SERIES TO THE EXTENT SET, AND (ii) THE AUTHORITY OF THE BOARD OF DIRECTORS TO SET SUCH RIGHTS AND PREFERENCES OF SUBSEQUENT SERIES. REQUESTS FOR SUCH WRITTEN STATEMENT MAY BE DIRECTED TO THE SECRETARY OF THE CORPORATION AT ITS PRINCIPAL OFFICE."

#### RESTRICTION ON OWNERSHIP AND TRANSFER

"THE SHARES OF SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON BENEFICIAL AND CONSTRUCTIVE OWNERSHIP AND TRANSFER FOR THE PURPOSE OF THE CORPORATION'S MAINTENANCE OF ITS STATUS AS A REAL ESTATE INVESTMENT TRUST UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). SUBJECT TO CERTAIN FURTHER RESTRICTIONS AND EXCEPT AS EXPRESSLY PROVIDED IN THE ARTICLES SUPPLEMENTARY FOR THE SERIES A PREFERRED STOCK, (i) NO PERSON MAY BENEFICIALLY OWN SHARES OF THE CORPORATION'S SERIES A PREFERRED STOCK IN EXCESS OF 9.8% (BY VALUE OR BY NUMBER OF SHARES, WHICHEVER IS MORE RESTRICTIVE) OF THE OUTSTANDING SERIES A PREFERRED STOCK OF THE CORPORATION; (ii) NO PERSON MAY CONSTRUCTIVELY OWN SHARES OF THE

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

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

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

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

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

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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.

If this certificate represents shares of preferred stock, the following restrictions shall apply:

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



FOR VALUE RECEIVED, \_\_\_\_\_ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ Shares  
of the Series A Preferred Stock represented by the within Certificate, and do  
hereby irrevocably constitute and appoint

\_\_\_\_\_ Attorney  
to transfer the said stock on the books of the within named Corporation with  
full power of substitution in the premises.

Dated \_\_\_\_\_

X \_\_\_\_\_

X \_\_\_\_\_

NOTICE THE SIGNATURE(S) TO THIS ASSIGNMENT  
MUST CORRESPOND WITH THE NAME(S) AS  
WRITTEN UPON THE FACE OF THE  
CERTIFICATE IN EVERY PARTICULAR,  
WITHOUT ALTERATION OR ENLARGEMENT OR  
ANY CHANGE WHATEVER

Signature(s) guaranteed

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 17, 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 17, 1998  
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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 17, 1998  
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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 17, 1998  
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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,



[Letterhead of Latham & Watkins]

July 17, 1998

AMB Property Corporation  
505 Montgomery Street  
San Francisco, California 94111

Re: Registration Statement of AMB Property Corporation (File No. 333-58107)  
Federal Income Tax Consequences

Ladies and Gentlemen:

We have acted as tax counsel to AMB Property Corporation, a Maryland corporation (the "Company"), in connection with its sale of up to 4,600,000 shares of Series A Preferred Stock of the Company pursuant to a registration statement on Form S-11 under the Securities Act of 1933, filed with the Securities and Exchange Commission on June 30, 1998 (file number 333-58107), as amended as of the date hereof (including each document incorporated by reference therein, the "Registration Statement").

You have requested our opinion concerning certain of the Federal income tax consequences to the Company and the purchasers of the securities described above in connection with the sale described above. This opinion is based on various facts and assumptions, including the facts set forth in the Registration Statement concerning the business, properties and governing documents of the Company and AMB Property, L.P. (the "Operating Partnership"), and their subsidiaries. We have also been furnished with, and with your consent have relied upon, certain representations made by the Company and the Operating Partnership with respect to certain factual matters through a certificate of an officer of the Company (the "Officer's Certificate"). With respect to matters of Maryland law, we

AMB Property Corporation  
July 17, 1998  
Page 2

have relied upon the opinion of Ballard Spahr Andrews & Ingersoll, counsel for the Company, dated July 17, 1998.

In our capacity as tax counsel to the Company, we have made such legal and factual examinations and inquiries, including an examination of originals or copies certified or otherwise identified to our satisfaction of such documents, corporate records and other instruments as we have deemed necessary or appropriate for purposes of this opinion. In our examination, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures thereon, the legal capacity of natural persons executing such documents and the conformity to authentic original documents of all documents submitted to us as copies.

We are opining herein as to the effect on the subject transaction only of the Federal income tax laws of the United States and we express no opinion with respect to the applicability thereto, or the effect thereon, of other Federal laws, the laws of any state or other jurisdiction or as to any matters of municipal law or the laws of any other local agencies within any state.

Based on such facts, assumptions and representations, it is our opinion that the statements in the Registration Statement set forth under the caption "Federal Income Tax Consequences," to the extent that such statements constitute matters of law, summaries of legal matters or legal conclusions, are an accurate summary of the material Federal income tax consequences of the Offering, and we hereby confirm the opinions set forth therein.

No opinion is expressed as to any matter not discussed herein.

This opinion is rendered to you as of the date of this letter,

and we undertake no obligation to update this opinion subsequent to the date hereof. This opinion is based on various statutory provisions, regulations promulgated thereunder and interpretations thereof by the Internal Revenue Service and the courts having jurisdiction over such matters, all of which are subject to change either prospectively or retroactively. Also, any variation or difference in the facts from those set forth in the representations described above, including in the Registration Statement or the Officer's Certificate, may affect the conclusions stated herein. Moreover, the Company's qualification and taxation as a real estate investment trust 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, 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 operation for any one taxable year will satisfy such requirements.

This opinion is rendered to you, and is for your use in connection with the transactions set forth in the Registration Statement.

AMB Property Corporation  
July 17, 1998  
Page 3

This opinion may not be relied upon by you for any other purpose, or furnished to, quoted to, or relied upon by any other person, firm or corporation, for any purpose, without our prior written consent. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Registration Statement.

Very truly yours,

/s/ LATHAM & WATKINS

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SECOND AMENDED AND RESTATED  
 AGREEMENT OF LIMITED PARTNERSHIP  
 OF  
 AMB PROPERTY, L.P.

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SECOND AMENDED AND RESTATED  
AGREEMENT OF LIMITED PARTNERSHIP  
OF  
AMB PROPERTY, L.P.

THIS SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP, dated as of July \_\_, 1998, is entered into by and among AMB Property Corporation, a Maryland corporation (the "Company"), as the General Partner, and the Persons whose names are set forth on Exhibit A attached hereto, as the Limited Partners (the "Existing Limited Partners"), together with any other Persons who become Partners in the Partnership as provided herein.

WHEREAS, the General Partner and the Existing Limited Partners are parties to that certain Amended and Restated Agreement of Limited Partnership, dated November 21, 1997, as amended;

WHEREAS, in connection with the public offering and sale of Series A Cumulative Redeemable Preferred Stock, par value \$.01 per share (the "Series A Preferred Shares") of the General Partner, the General Partner deems it to be in the best interest of the Partnership to authorize for issuance Series A Cumulative Redeemable Preferred Units of the Partnership (the "Series A Preferred Units");

WHEREAS, pursuant to Section 4.3.C of the Partnership Agreement, the General Partner may, in its sole and absolute discretion subject to Delaware law, in connection with any Capital Contribution, issue additional Partnership Interests in one or more classes, or one or more series of any such classes, with such designations, preferences and relative, participating, optional or other special rights, powers, and duties, including rights, powers, and duties senior to then existing Limited Partnership Interests; and

WHEREAS, on the date hereof, the General Partner, in connection with the public offering of its Series A Preferred Stock, has made a Capital Contribution of cash to the Partnership in exchange for which the General Partner shall receive Series A Preferred Units in the Partnership, in each case in the amounts set forth in Exhibit A, with the rights, preferences, exchange and other rights, voting powers and restrictions, limitations as to distributions, qualifications and terms and conditions as set forth herein.

NOW, THEREFORE, for good and adequate consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1.  
DEFINED TERMS AND RULES OF CONSTRUCTION

Section 1.1. Definitions

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Act" means the Delaware Revised Uniform Limited Partnership Act, as it may be amended from time to time, and any successor to such statute.

"Additional Funds" shall have the meaning set forth in Section 4.3.A.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 12.2 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

- (i) decrease such deficit by any amounts which such Partner is obligated to restore pursuant to this Agreement or is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Regulations



Sections 1.704-2(i)(5) and 1.704-2(g); and

- (ii) increase such deficit by the items described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjustment Date" shall have the meaning set forth in Section 4.3.E.

"Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with such Person.

"Agreed Value" means (i) in the case of any Contributed Property set forth in Exhibit A and as of the time of its contribution to the Partnership, the Agreed Value of such property as set forth in Exhibit A; (ii) in the case of any Contributed Property not set forth in Exhibit A and as of the time of its contribution to the Partnership, the fair market value of such property or other consideration as determined by the General Partner, reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed; and (iii) in the case of any property distributed to a Partner by the Partnership, the fair market value of such property as determined by the General Partner at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such

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distribution or to which such property is subject at the time of the distribution as determined under Section 752 of the Code and the Regulations thereunder.

"Agreement" means this Second Amended and Restated Agreement of Limited Partnership, as it may be amended, modified, supplemented or restated from time to time.

"Appraisal" means with respect to any assets, the opinion of an independent third party experienced in the valuation of similar assets, selected by the General Partner in good faith; such opinion may be in the form of an opinion by such independent third party that the value for such asset as set by the General Partner is fair, from a financial point of view, to the Partnership.

"Assignee" means a Person to whom one or more Partnership Units have been transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5.

"Available Cash" means, with respect to any period for which such calculation is being made, (i) the sum of:

- (a) the Partnership's Net Income or Net Loss (as the case may be) for such period,

- (b) Depreciation and all other noncash charges deducted in determining Net Income or Net Loss for such period,

- (c) the amount of any reduction in reserves of the Partnership referred to in clause (ii)(f) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

- (d) the excess of the net proceeds from the sale, exchange, disposition, or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from any such sale, exchange, disposition, or refinancing during such period (excluding Terminating Capital Transactions), and

- (e) all other cash received by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

- (ii) less the sum of:

- (a) all principal debt payments made during such period by the Partnership,

(b) capital expenditures made by the Partnership during such period,

(c) investments in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clauses (ii) (a) or (b),

(d) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period,

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(e) any amount included in determining Net Income or Net Loss for such period that was not received by the Partnership during such period,

(f) the amount of any increase in reserves established during such period which the General Partner determines are necessary or appropriate in its sole and absolute discretion, and

(g) the amount of any working capital accounts and other cash or similar balances which the General Partner determines to be necessary or appropriate in its sole and absolute discretion.

Notwithstanding the foregoing, Available Cash shall not include any cash received or reductions in reserves, or take into account any disbursements made or reserves established, after commencement of the dissolution and liquidation of the Partnership.

"Board of Directors" means the Board of Directors of the General Partner.

"Business Day" means each day, other than a Saturday or a Sunday, which is not a day on which banking institutions in Los Angeles, California or New York, New York are authorized or required by law, regulation or executive order to close.

"Capital Account" means, with respect to any Partner, the Capital Account maintained for such Partner in accordance with the following provisions:

(i) To each Partner's Capital Account there shall be added such Partner's Capital Contributions, such Partner's share of Net Income and any items in the nature of income or gain which are specially allocated pursuant to Section 6.3, and the amount of any Partnership liabilities assumed by such Partner or which are secured by any property distributed to such Partner.

(ii) From each Partner's Capital Account there shall be subtracted the amount of cash and the Gross Asset Value of any property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses which are specially allocated pursuant to Section 6.3 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or which are secured by any property contributed by such Partner to the Partnership.

(iii) In the event any interest in the Partnership is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

(iv) In determining the amount of any liability for purposes of subsections (i) and (ii) hereof, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

(v) The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Sections 1.704-1(b) and 1.704-2, and shall be interpreted and applied in a manner consistent with

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such Regulations. In the event the General Partner shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Partnership, the General Partner, or the Limited Partners) are computed in order to comply with such Regulations, the General Partner may

make such modification; provided that, it is not likely to have a material effect on the amounts distributable to any Person pursuant to Article 13 of this Agreement upon the dissolution of the Partnership. The General Partner also shall (a) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q) and (b) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"Capital Contribution" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any property (other than money) contributed to the Partnership by such Partner.

"Cash Amount" means, with respect to any Partnership Units subject to a Redemption, an amount of cash equal to the Deemed Partnership Interest Value attributable to such Partnership Units.

"Certificate" means the Certificate of Limited Partnership relating to the Partnership filed in the office of the Secretary of State of Delaware, as amended from time to time in accordance with the terms hereof and the Act.

"Charter" means the Company's Articles of Incorporation as of November 24, 1997, as amended by the Articles Supplementary filed with the Maryland Department of Assessments and Taxation on July \_\_, 1998, and as further amended or restated from time to time.

"Code" means the Internal Revenue Code of 1986, as amended from time to time or any successor statute thereto, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Common Unit" means each Partnership Unit that is not entitled to any preference with respect to any other Partnership Unit as to distribution or voluntary or involuntary liquidation, dissolution or winding up of the Partnership.

"Consent" means the consent to, approval of, or vote on a proposed action by a Partner given in accordance with Article 14 hereof.

"Consent of the Limited Partners" means the Consent of a Majority in Interest of the Limited Partners which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and may be given or withheld by a Majority in Interest of the Limited Partners, unless otherwise expressly provided herein, in their sole and absolute discretion.

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"Consent of the Partners" means the Consent of Partners holding Percentage Interests that in the aggregate are equal to or greater than a majority of the aggregate Percentage Interests of all Partners which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and may be given or withheld by such Partners, in their sole and absolute discretion.

"Constructively Own" means ownership under the constructive ownership rules described in Exhibit C.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or, to the extent provided in applicable regulations, deemed contributed by the Partnership on termination and reconstitution thereof pursuant to Section 708 of the Code).

"Debt" means, as to any Person, as of any date of determination: (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services; (ii) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Person; (iii) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof; and (iv) lease obligations of such Person which, in accordance with generally accepted accounting principles, should be capitalized.

"Deemed Partnership Interest Value" means, as of any date with respect to any class of Partnership Interests, the Deemed Value of the

Partnership Interests of such class multiplied by the applicable Partner's Percentage Interest of such class.

"Deemed Value of the Partnership Interests" means, as of any date with respect to any class or series of Partnership Interests, (i) the total number of Partnership Units of the General Partner in such class or series of Partnership Interests (as provided for in Sections 4.1 and 4.3.C) issued and outstanding as of the close of business on such date multiplied by the Fair Market Value determined as of such date of a share of capital stock of the General Partner which corresponds to such class or series of Partnership Interests; (ii) divided by the Percentage Interest of the General Partner in such class or series of Partnership Interests on such date; provided, that if no outstanding shares of capital stock of the General Partner correspond to a class of series of Partnership Interests, the Deemed Value of the Partnership Interests with respect to such class or series shall be equal to an amount reasonably determined by the General Partner.

"Depreciation" means, for each fiscal year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for Federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the Federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, that if the

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Federal income tax depreciation, amortization or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the General Partner.

"Effective Date" means the date of closing of the initial public offering of REIT Shares upon which date contributions set forth on Exhibit A shall become effective.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Escrow Agreements" means one or more of the agreements between the Company, the Partnership and one or more of the Performance Investors, dated as of the closing of the date of the initial public offering of the common stock of the General Partner, pursuant to which the Performance Investors have deposited their Performance Shares in escrow for possible transfer to the General Partner or the Partnership (as applicable).

"Excess Performance Capital" means, with respect to a Performance Partner, an amount equal to the number of Partnership Units held by such Performance Partner, multiplied by the excess of (i) the Capital Account per Partnership Unit for such Performance Partner; over (ii) the Capital Account per Partnership Unit for a Limited Partner which is not a PLP or a Performance Partner. For purposes of (ii) above, it shall be assumed that the Limited Partner has no special arrangements with the Partnership, other than as set forth in this Agreement, which would cause its Capital Account per Partnership Unit to be different from the Capital Account per Partnership Unit of other Limited Partners who are not Performance Partners or PLPs. If the Partner described in (ii) above does not exist, the amount used for purposes of (ii) shall be the projected Capital Account balance per Partnership Unit for such Partner, determined in the reasonable discretion of the General Partner.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

"Fair Market Value" means, with respect to any share of capital stock of the General Partner, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the date with respect to which "Fair Market Value" must be determined hereunder or, if such date is not a Business Day, the immediately preceding Business Day. The market price for each such trading day shall be (i) if such shares are listed or admitted to trading on any securities exchange or the Nasdaq National Market, the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day, (ii) if such shares are not listed or admitted to trading on any securities exchange or the Nasdaq National Market, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the General Partner or (iii) if such shares are not listed or admitted to trading on any securities exchange or the Nasdaq National Market and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or if there shall be no bid and asked

prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more

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than ten (10) days prior to the date in question) for which prices have been so reported; provided, that if there are no bid and asked prices reported during the ten (10) days prior to the date in question, the Fair Market Value of such shares shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate. In the event the REIT Shares Amount for such shares includes rights that a holder of such shares would be entitled to receive, then the Fair Market Value of such rights shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate; provided, that in connection with determining the Deemed Value of the Partnership Interests for purposes of determining the number of additional Partnership Units issuable upon a Capital Contribution funded by an underwritten public offering of shares of capital stock of the General Partner, the Fair Market Value of such shares shall be the public offering price per share of such class of capital stock sold. Notwithstanding the foregoing, the General Partner in its reasonable discretion may use a different "Fair Market Value" for purposes of making the determinations under subparagraph (ii) of the definition of "Gross Asset Value" and Section 4.3.E. in connection with the contribution of Property to the Partnership by a third-party, provided such value shall be based upon the value per REIT Share (or per Partnership Unit) agreed upon by the General Partner and such third-party for purposes of such contribution.

"Funding Debt" means the incurrence of any Debt by or on behalf of the General Partner for the purpose of providing funds to the Partnership.

"General Partner" means the Company or its successors as general partner of the Partnership.

"General Partner Interest" means a Partnership Interest held by the General Partner. A General Partner Interest may be expressed as a number of Partnership Units.

"General Partner Loan" shall have the meaning set forth in Section 4.3.B.

"General Partner Payment" shall have the meaning set forth in Section 15.11.

"Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for Federal income tax purposes, except as follows:

(i) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset, as determined by the contributing Partner and the General Partner (as set forth on Exhibit A attached hereto, as such Exhibit may be amended from time to time); provided, that if the contributing Partner is the General Partner then, except with respect to the General Partner's initial Capital Contribution which shall be determined as set forth on Exhibit A, or capital contributions of cash, REIT Shares or other shares of capital stock of the General Partner, the determination of the fair market value of the contributed asset shall be determined by (a) the price paid by the General Partner if the asset is acquired by the General Partner contemporaneously with its contribution to the Partnership or (b) by Appraisal if otherwise acquired by the General Partner.

(ii) Immediately prior to the times listed below, the Gross Asset Values of all Partnership assets shall be adjusted to equal their respective gross fair market values, as

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determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that for such purpose, the net value of all of the Partnership assets, in the aggregate, shall be equal to the Deemed Value of the Partnership Interests of all classes of Partnership Interests then outstanding, regardless of the method of valuation adopted by the General Partner:

- (a) the acquisition of an additional interest in the Partnership by a new or existing Partner in exchange for more than a de minimis Capital Contribution, if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

- (b) the distribution by the Partnership to a Partner of more than a de minimis amount of Partnership property as consideration for an interest in the Partnership if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership; the Partners agree that such an adjustment is appropriate when the Partnership effects a Redemption;
- (c) the liquidation of the Partnership within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g);
- (d) the issuance of Performance Units; and
- (e) at such other times as the General Partner shall reasonably determine necessary or advisable in order to comply with Regulations Sections 1.704-1(b) and 1.704-2.

(iii) The Gross Asset Value of any Partnership asset distributed to a Partner shall be the gross fair market value of such asset on the date of distribution as determined by the distributee and the General Partner; provided, that if the distributee is the General Partner, or if the distributee and the General Partner cannot agree on such a determination, by Appraisal.

(iv) The Gross Asset Values of Partnership assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m); provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph (iv) to the extent that the General Partner reasonably determines that an adjustment pursuant to subparagraph (ii) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (iv).

(v) If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subparagraph (i), (ii) or (iv), such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

"Holder" means either the Partner or Assignee owning a Partnership Unit.

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"Immediate Family" means, with respect to any natural Person, such natural Person's estate or heirs or current spouse or former spouse, parents, parents-in-law, children, siblings and grandchildren and any trust or estate, all of the beneficiaries of which consist of such Person or such Person's spouse, former spouse, parents, parents-in-law, children, siblings or grandchildren.

"IMS" means AMB Investment Management, Inc., a Maryland corporation, and any of its direct or indirect subsidiaries.

"Incapacity" or "Incapacitated" means: (i) as to any individual Partner, death, total physical disability or entry by a court of competent jurisdiction adjudicating him or her incompetent to manage his or her Person or his or her estate; (ii) as to any corporation which is a Partner, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any partnership which is a Partner, the dissolution and commencement of winding up of the partnership; (iv) as to any estate which is a Partner, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust which is a Partner, the termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any

proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred and twenty (120) days after the commencement thereof, (g) the appointment without the Partner's consent or acquiescence of a trustee, receiver or liquidator has not been vacated or stayed within ninety (90) days of such appointment or (h) an appointment referred to in clause (g) is not vacated within ninety (90) days after the expiration of any such stay.

"Indemnitee" means (i) any Person subject to a claim or demand or made or threatened to be made a party to, or involved or threatened to be involved in, an action, suit or proceeding by reason of his or her status as (a) the General Partner or (b) a director, officer, employee or agent of the Partnership or the General Partner and (ii) such other Persons (including Affiliates of the General Partner or the Partnership) as the General Partner may designate from time to time, in its sole and absolute discretion.

"IRS" means the Internal Revenue Service, which administers the internal revenue laws of the United States.

"Junior Units" shall have the meaning set forth in Section 16.2.D hereof.

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"Limited Partner" means any Person (including any PLP) named as a Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Limited Partnership Interest" means a Partnership Interest of a Limited Partner representing a fractional part of the Partnership Interests of all Limited Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Limited Partnership Interest may be expressed as a number of Partnership Units.

"Liquidating Events" shall have the meaning set forth in Section 13.1.

"Liquidator" shall have the meaning set forth in Section 13.2.A.

"Majority in Interest of the Limited Partners" means Limited Partners (other than the General Partner, any Limited Partner 50% or more of whose equity is owned, directly or indirectly, by the General Partner) holding Percentage Interests that in the aggregate are greater than fifty percent (50%) of the aggregate Percentage Interests of all Limited Partners (other than the General Partner, any Limited Partner 50% or more of whose equity is owned, directly or indirectly, by the General Partner).

"Majority in Interest of Partners" means Partners holding Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all Partners.

"Net Income" or "Net Loss" means for each fiscal year of the Partnership, an amount equal to the Partnership's taxable income or loss for such fiscal year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) Any income of the Partnership that is exempt from Federal income tax and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition of Net Income or Net Loss shall be added to such taxable income or loss;

(ii) Any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition of Net Income or Net Loss shall be subtracted from such taxable income or loss;

(iii) In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (iii) of the definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Income or Net Loss; in the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (ii) of the definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of

all Partnership assets in a Terminating Capital Transaction for purposes of computing Net Income or Net Loss as set forth in Section 6.2.B.3, subject to Section 6.3; any Net Loss arising under this subparagraph (iii) shall be allocated to the Partners as set forth in Section 6.2.A, subject to Section 6.3;

(iv) Gain or loss resulting from any disposition of property with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

(v) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year;

(vi) To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Partner's interest in the Partnership, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Income or Net Loss; and

(vii) Notwithstanding any other provision of this definition of Net Income or Net Loss, any items which are specially allocated pursuant to Section 6.3 shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss, or deduction available to be specially allocated pursuant to Section 6.3 shall be determined by applying rules analogous to those set forth in this definition of Net Income or Net Loss.

"New Securities" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase REIT Shares or other shares of capital stock of the General Partner, excluding grants under any Stock Incentive Plan or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

"Nonrecourse Deductions" shall have the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

"Nonrecourse Liability" shall have the meaning set forth in Regulations Section 1.752-1(a)(2).

"Notice of Redemption" means the Notice of Redemption substantially in the form of Exhibit B to this Agreement.

"Offering Costs" means the aggregate amounts expended by the General Partner which related to the organization of the Partnership and the General Partner, or to the initial public offering or subsequent offerings of REIT Shares or other shares of capital stock of the

General Partner, the net proceeds of which were used to make a contribution to the Partnership, in each case to the extent such expenses of the General Partner were not reimbursed by the Partnership.

"Parity Preferred Unit" means any class or series of Partnership Interests of the Partnership now or hereafter authorized, issued or outstanding expressly designated by the Partnership to rank on a parity with the Series A Preferred Units with respect to distributions or rights upon voluntary or involuntary liquidation, winding up or dissolution of the Partnership, or both, as the context may require.

"Partner" means a General Partner or a Limited Partner, and "Partners" means the General Partner and the Limited Partners.

"Partner Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

"Partner Nonrecourse Debt" shall have the meaning set forth in Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Deductions" shall have the meaning set forth in Regulations Section 1.704-2(i)(2), and the amount of Partner



Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

"Partnership" means the limited partnership formed under the Act and pursuant to this Agreement, and any successor thereto.

"Partnership Interest" means, an ownership interest in the Partnership of either a Limited Partner or the General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. There may be one or more classes of Partnership Interests as provided in Section 4.3. A Partnership Interest may be expressed as a number of Partnership Units. Unless otherwise expressly provided for by the General Partner at the time of the original issuance of any Partnership Interests, all Partnership Interests (whether of a Limited Partner or a General Partner) shall be of the same class. The Partnership Interest represented by the Common Units (including Performance Units) and the Series A Preferred Units are the only Partnership Interests and are separate classes of Partnership Interest for all purposes of this Agreement.

"Partnership Minimum Gain" shall have the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"Partnership Record Date" means the record date established by the General Partner for the distribution of Available Cash with respect to Common Units pursuant to Section

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5.1 which record date shall be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"Partnership Unit" means, with respect to any class of Partnership Interest, a fractional, undivided share of such class of Partnership Interest issued pursuant to Sections 4.1 and 4.3 (including Performance Units). The ownership of Partnership Units may be evidenced by a certificate for units substantially in the form of Exhibit D-1 or D-2 hereto or as the General Partner may determine with respect to any class of Partnership Units issued from time to time under Sections 4.1 and 4.3.

"Partnership Year" means the fiscal year of the Partnership, which shall be the calendar year.

"Percentage Interest" means, as to a Partner holding a class of Partnership Interests, its interest in the Partnership as determined by dividing the Partnership Units of such class owned by such Partner by the total number of Partnership Units of such class then outstanding as specified in Exhibit A attached hereto, as such Exhibit may be amended from time to time. If the Partnership issues more than one class of Partnership Interest, the interest in the Partnership among the classes of Partnership Interests shall be determined as set forth in the amendment to the Partnership Agreement setting forth the rights and privileges of such additional classes of Partnership Interest, if any, as contemplated by Section 4.3.C.

"Performance Amount" means, with respect to a PLP on a specified date, (i) in the case of a Redemption, a number of Performance Units equal to (a) the amount of such PLP's Capital Account balance immediately following the revaluation of the Partnership's assets as of such date pursuant to the definitions of "Gross Asset Value" (paragraph (ii) therein) and "Net Income" (paragraph (iii) therein), divided by (b) the Fair Market Value of a REIT Share; and (ii) in the case of an exchange of Performance Units for the REIT Shares Amount, the same number of Performance Units as determined pursuant to subparagraph (i) above.

"Performance Investors" means shareholders of the General Partner and Limited Partners who are parties to one or more of the Escrow Agreements.

"Performance Partners" means Partners which had the number of their Partnership Units reduced pursuant to Section 4.3.F.

"Performance Shares" means a portion of the REIT Shares or Partnership Units issued to the Performance Investors which were escrowed pursuant to the Escrow Agreements for possible transfer to the General Partner or the Partnership (as applicable), the applicable number of which for each Performance Investor is described in the applicable Escrow Agreement.

"Performance Units" means those Partnership Units issued

pursuant to Section 4.3.F.

"Permitted Reason" means a termination of employment by reason of death, disability, termination by the employer without "cause," or termination by a Person of their employment for "good reason." For purposes of this definition, "cause" shall mean (i) gross

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negligence or willful misconduct, (ii) breach by the Person of the covenant not to compete provided in their employment agreement during the one year period following the closing of the initial public offering of common stock of the General Partner, (iii) fraud or other conduct against the material best interests of the General Partner, the Partnership or their subsidiaries, or (iv) conviction of a felony if such conviction has a material adverse effect on the General Partner, the Partnership or their subsidiaries. For purposes of this definition, "good reason" means (a) a substantial adverse change in the nature or scope of a Person's responsibilities or authority under the Person's employment agreement, or (b) an uncured breach by the employer of any of its material obligations under such employment agreement.

"Person" means an individual or a corporation, partnership, limited liability company, trust, unincorporated organization, association or other entity.

"Plan Asset Regulation" means the regulations promulgated by the United States Department of Labor in Title 29, Code of Federal Regulations, Part 2510, Section 101-3, and any successor regulations thereto.

"Pledge" shall have the meaning set forth in Section 11.3.A.

"PLP" means at any time, any Person who then owns one or more Performance Units, including Performance Units which have not vested.

"Preferred Capital" means a Capital Account balance equal to the product of (i) the number of Series A Preferred Units then held by the General Partner multiplied by (ii) the sum of \$25 and any Preferred Distribution Shortfall per Series A Preferred Unit.

"Preferred Distribution Shortfall" shall have the meaning given to such term in Section 5.1 hereof.

"Preferred Partner" means a Partner holding any series of Preferred Units.

"Preferred Share" means a share of the General Partner's preferred stock, par value \$.01 per share, with such rights, priorities and preferences as shall be designated by the Board of Directors in accordance with the Charter.

"Preferred Unit" means a Partnership Unit representing a Partnership Interest, with such rights, priorities and preferences as shall be designated by the General Partner pursuant to Section 4.3.C hereof.

"Priority Return" shall mean, an amount equal to [ %] per annum, on an amount equal to \$25 per Series A Preferred Unit then outstanding (equivalent to \$ \_\_\_ per annum). Such amount shall be determined on a daily basis computed on the basis of a 360-day year of twelve 30-day months (or actual days for any month which is shorter than a full monthly period), cumulative from July \_\_, 1998 to the extent not distributed for any given distribution period pursuant to Sections 5.1 and 16.2 hereof. Notwithstanding the foregoing, distributions on the Series A Preferred Units will accrue

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whether or not the terms and provisions of any agreement of the Partnership at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series A Preferred Units will accumulate as of the Preferred Unit Distribution Payment Date on which they first become payable.

"Properties" means such interests in real property and personal property including without limitation, fee interests, interests in ground leases, interests in joint ventures, interests in mortgages, and Debt instruments as the Partnership may hold from time to time.

"Qualified REIT Subsidiary" means any Subsidiary of the General Partner that is a "qualified REIT subsidiary" within the meaning of Section 856(i) of the Code.

"Qualified Transferee" means an "Accredited Investor" as defined in Rule 501 promulgated under the Securities Act.

"Redemption" shall have the meaning set forth in Section 8.6.A.

"Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Regulatory Allocations" shall have the meaning set forth in Section 6.3.A(viii).

"REIT" means a real estate investment trust under Sections 856 through 860 of the Code.

"REIT Requirements" shall have the meaning set forth in Section 5.1.

"REIT Share" means a share of common stock, par value \$.01 per share, of the General Partner.

"REIT Shares Amount" means, as of any date, an aggregate number of REIT Shares equal to the number of Tendered Units, or in the case of Section 11.2.B, all Units, as adjusted pursuant to Section 7.5 (in the event the General Partner acquires material assets, other than on behalf of the Partnership) and for stock dividends and distributions, stock splits and subdivisions, reverse stock splits and combinations, distributions of rights, warrants or options, and distributions of evidences of indebtedness or assets relating to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

"Series A Articles Supplementary" means the Articles Supplementary of the General Partner in connection with its Series A Preferred Shares, as filed with the Maryland Department of Revenue and Taxation on July \_\_, 1998.

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"Series A Preferred Share" means a share of [ %] Series A Cumulative Redeemable Preferred Stock, par value \$.01 per share, liquidation preference \$25 per share, of the General Partner.

"Series A Preferred Units" means the Partnership's [ %] Series A Cumulative Redeemable Partnership Units.

"Series A Preferred Unit Distribution Payment Date" shall have the meaning set forth in Section 16.2.A hereof.

"Specified Redemption Date" means the day of receipt by the General Partner of a Notice of Redemption.

"Stock Incentive Plan" means any stock incentive plan of the General Partner.

"Subsidiary" shall mean, with respect to any person, any corporation, partnership, limited liability company, joint venture or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests, is owned, directly or indirectly, by such person.

"Subsidiary Partnership" means any partnership or limited liability company that is a Subsidiary of the Partnership.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.4.

"Surviving Partnership" shall have the meaning set forth in Section 11.2.C.

"Tax Items" shall have the meaning set forth in Section 6.4.A.

"Tenant" means any tenant from which the General Partner derives rent either directly or indirectly through partnerships, including the Partnership.

"Tendered Units" shall have the meaning set forth in Section 8.6.A.

"Tendering Partner" shall have the meaning set forth in Section 8.6.A.

"Terminating Capital Transaction" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership.

"Termination Transaction" shall have the meaning set forth in Section 11.2.B.

Section 1.2. Rules of Construction

Unless otherwise indicated, all references herein to "REIT," "REIT Requirements," "REIT Shares" and "REIT Shares Amount" with respect to the General Partner shall apply only with reference to the Company.

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ARTICLE 2.  
ORGANIZATIONAL MATTERS

Section 2.1. Organization

The Partnership is a limited partnership formed pursuant to the provisions of the Act and upon the terms and conditions set forth in this Agreement. Except as expressly provided herein, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2. Name

The name of the Partnership is AMB Property, L.P. The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3. Resident Agent; Principal Office

The name and address of the resident agent of the Partnership in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801. The address of the principal office of the Partnership in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801 at such address. The principal office of the Partnership is located at 505 Montgomery Street, San Francisco, California 94111, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

Section 2.4. Power of Attorney

A. Each Limited Partner and each Assignee constitutes and appoints the General Partner, any Liquidator, and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

- (i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices: (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the Limited Partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership

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may conduct business or own property; (b) all

instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner or any Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Articles 11, 12 and 13 or the Capital Contribution of any Partner; and (e) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of Partnership Interests; and

- (ii) execute, swear to, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner or any Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Partners hereunder or is consistent with the terms of this Agreement or appropriate or necessary, in the sole discretion of the General Partner or any Liquidator, to effectuate the terms or intent of this Agreement.

Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Article 14 or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, in recognition of the fact that each of the Partners will be relying upon the power of the General Partner and any Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Units and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or any Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the General Partner or any Liquidator, taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or any Liquidator, within fifteen (15) days after receipt of the General Partner's or Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator, as the case may be, deems necessary to effectuate this Agreement and the purposes of the Partnership.

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#### Section 2.5. Term

The term of the Partnership commenced on October 15, 1997 and shall continue until December 31, 2096 unless it is dissolved sooner pursuant to the provisions of Article 13 or as otherwise provided by law.

#### Section 2.6. Number of Partners

Without the consent of the General Partner which may be given or withheld in its sole discretion, the Partnership shall not at any time have more than one hundred (100) partners (including as partners those persons indirectly owning an interest in the Partnership through a partnership, limited liability company, S corporation or grantor trust (such entity, a "flow through entity"), but only if substantially all of the value of such person's interest in the flow through entity is attributable to the flow through entity's interest (direct or indirect) in the Partnership).

### ARTICLE 3. PURPOSE

#### Section 3.1. Purpose and Business

The purpose and nature of the business to be conducted by the Partnership is (i) to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act; provided, however, that such

business shall be limited to and conducted in such a manner as to permit the General Partner at all times to be classified as a REIT for Federal income tax purposes, unless the General Partner ceases to qualify as a REIT for reasons other than the conduct of the business of the Partnership, (ii) to enter into any partnership, joint venture or other similar arrangement to engage in any of the foregoing or to own interests in any entity engaged, directly or indirectly, in any of the foregoing and (iii) to do anything necessary or incidental to the foregoing. In connection with the foregoing, and without limiting the General Partner's right in its sole discretion to cease qualifying as a REIT, the Partners acknowledge that the General Partner's current status as a REIT inures to the benefit of all the Partners and not solely the General Partner.

### Section 3.2. Powers

The Partnership is empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership, including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, borrow money and issue evidences of indebtedness, whether or not secured by mortgage, deed of trust, pledge or other lien, acquire and develop real property, and manage, lease, sell, transfer and dispose of real property; provided, however, not withstanding anything to the contrary in this Agreement, the Partnership shall not take, or refrain from taking, any action which, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any taxes under Section 857 or Section 4981 of the Code or (iii) could violate any law

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or regulation of any governmental body or agency having jurisdiction over the General Partner or its securities, unless any such action (or inaction) under the foregoing clauses (i), (ii) or (iii) shall have been specifically consented to by the General Partner in writing.

### Section 3.3. Partnership Only for Purposes Specified

The Partnership shall be a partnership only for the purposes specified in Section 3.1, and this Agreement shall not be deemed to create a partnership among the Partners with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1. Except as otherwise provided in this Agreement, no Partner shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Partnership, its properties or any other Partner. No Partner, in its capacity as a Partner under this Agreement, shall be responsible or liable for any indebtedness or obligation of another Partner, nor shall the Partnership be responsible or liable for any indebtedness or obligation of any Partner, incurred either before or after the execution and delivery of this Agreement by such Partner, except as to those responsibilities, liabilities, indebtedness or obligations incurred pursuant to and as limited by the terms of this Agreement and the Act.

### Section 3.4. Representations and Warranties by the Parties

A. Each Partner that is an individual represents and warrants to each other Partner that (i) such Partner has in the case of any Person other than an individual, the power and authority, and in the case of an individual, the legal capacity, to enter into this Agreement and perform such Partner's obligations hereunder, (ii) the consummation of the transactions contemplated by this Agreement to be performed by such Partner will not result in a breach or violation of, or a default under, any agreement by which such Partner or any of such Partner's property is or are bound, or any statute, regulation, order or other law to which such Partner is subject, (iii) such Partner is neither a "foreign person" within the meaning of Section 1445(f) of the Code nor a "foreign partner" within the meaning of Section 1446(e) of the Code and (iv) this Agreement has been duly executed and delivered by such Partner and is binding upon, and enforceable against, such Partner in accordance with its terms.

B. Each Partner that is not an individual represents and warrants to each other Partner that (i) its execution and delivery of this Agreement and all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary action, including without limitation, that of its general partner(s), committee(s), trustee(s), beneficiaries, directors and/or stockholder(s), as the case may be, as required, (ii) the consummation of such transactions shall not result in a breach or violation of, or a default under, its certificate of limited partnership, partnership agreement, trust agreement, limited liability company operating agreement, charter or by-laws, as the case may be, any agreement by which such Partner or any of such Partner's properties or any of its partners, beneficiaries, trustees or stockholders, as the case may be, is or are bound, or

any statute, regulation, order or other law to which such Partner or any of its partners, trustees, beneficiaries or stockholders, as the case may be, is or are subject, (iii) such Partner is neither a "foreign person" within the meaning of Section 1445(f) of the Code nor a "foreign partner" within the meaning of Section 1446(e) of the Code and (iv) this

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Agreement has been duly executed and delivered by such Partner and is binding upon, and enforceable against, such Partner in accordance with its terms.

C. Each Partner represents, warrants and agrees that it has acquired and continues to hold its interest in the Partnership for its own account for investment only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof, nor with a view toward selling or otherwise distributing such interest or any part thereof at any particular time or under any predetermined circumstances. Each Partner further represents and warrants that it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself, particularly real estate investments, and that it has a sufficiently high net worth that it does not anticipate a need for the funds it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment.

D. Each Partner further represents, warrants and agrees as follows:

(i) Except as provided in Exhibit E, at any time such Partner actually or constructively owns a 25% or greater capital interest or profits interest in the Partnership, it does not and will not, without the prior written consent of the General Partner, actually own or Constructively Own (a) with respect to any Tenant that is a corporation, any stock of such Tenant and (b) with respect to any Tenant that is not a corporation, any interests in either the assets or net profits of such Tenant.

(ii) Except as provided in Exhibit F, at any time such Partner actually or constructively owns a 25% or greater capital interest or profits interest in the Partnership, it does not, and agrees that it will not without the prior written consent of the General Partner, actually own or Constructively Own, any stock in the General Partner, other than any REIT Shares or other shares of capital stock of the General Partner such Partner may acquire (a) as a result of an exchange of Tendered Units pursuant to Section 8.6 or (b) upon the exercise of options granted or delivery of REIT Shares pursuant to any Stock Incentive Plan, in each case subject to the ownership limitations set forth in the General Partner's Charter.

(iii) Upon request of the General Partner, it will disclose to the General Partner the amount of REIT Shares or other shares of capital stock of the General Partner that it actually owns or Constructively Owns.

(iv) It understands that if, for any reason, (a) the representations, warranties or agreements set forth in Section 3.4.D(i) or (ii) are violated or (b) the Partnership's actual or Constructive Ownership of the REIT Shares or other shares of capital stock of the General Partner violates the limitations set forth in the Charter, then (x) some or all of the Redemption rights of the Partners may become non-exercisable, and (y) some or all of the REIT Shares owned by the Partners may be automatically transferred to a trust for the benefit of a charitable beneficiary, as provided in the Charter.

E. The representations and warranties contained in Sections 3.4.A, 3.4.B, 3.4.C and 3.4.D shall survive the execution and delivery of this Agreement by each Partner and the dissolution and winding up of the Partnership.

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F. Each Partner hereby acknowledges that no representations as to potential profit, cash flows, funds from operations or yield, if any, in respect of the Partnership or the General Partner have been made by any Partner or any employee or representative or Affiliate of any Partner, and that projections and any other information, including, without limitation, financial and descriptive information and documentation, which may have been in any manner submitted to such Partner shall not constitute any representation or warranty of any kind or nature, express or implied.

#### Section 3.5. Certain ERISA Matters

Each Partner acknowledges that the Partnership is intended to qualify as a "real estate operating company" (as such term is defined in the

Plan Asset Regulation). The General Partner will use its reasonable best efforts to structure the investments in, relationships with and conduct with respect to Properties and any other assets of the Partnership so that the Partnership will be a "real estate operating company" (as such term is defined in the Plan Asset Regulation).

ARTICLE 4.  
CAPITAL CONTRIBUTIONS

Section 4.1. Capital Contributions of the Partners

At the time of their respective execution of this Agreement, the Partners shall make or shall have made Capital Contributions as set forth in Exhibit A to this Agreement. The Partners shall own Partnership Units of the class and in the amounts set forth in Exhibit A and shall have a Percentage Interest in the Partnership as set forth in Exhibit A, which Percentage Interest shall be adjusted in Exhibit A from time to time by the General Partner to the extent necessary to accurately reflect exchanges, redemptions, Capital Contributions, the issuance of additional Partnership Units (including the issuance of Performance Units pursuant to Section 4.3.F) or similar events having an effect on a Partner's Percentage Interest. Except as required by law or as otherwise provided in Sections 4.3, 4.4 and 10.5, no Partner shall be required or permitted to make any additional Capital Contributions or loans to the Partnership. Unless otherwise specified by the General Partner at the time of the creation of any class of Partnership Interests, the corresponding class of capital stock for any Partnership Units issued shall be REIT Shares.

Section 4.2. Loans by Third Parties

Subject to Section 4.3, the Partnership may incur Debt, or enter into other similar credit, guarantee, financing or refinancing arrangements for any purpose (including, without limitation, in connection with any further acquisition of Properties) with any Person that is not the General Partner upon such terms as the General Partner determines appropriate; provided, that the Partnership shall not incur any Debt that is recourse to the General Partner, except to the extent otherwise agreed to by the General Partner in its sole discretion.

Section 4.3. Additional Funding and Capital Contributions

A. General. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("Additional Funds") for the acquisition

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of additional Properties or for such other Partnership purposes as the General Partner may determine. Additional Funds may be raised by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.3. No Person shall have any preemptive, preferential or similar right or rights to subscribe for or acquire any Partnership Interest, except as set forth in this Section 4.3.

B. General Partner Loans. The General Partner may enter into a Funding Debt, including, without limitation, Funding Debt that is convertible into REIT Shares, and lend the Additional Funds to the Partnership (a "General Partner Loan"); provided, however, that the General Partner shall not be obligated to lend the net proceeds of any Funding Debt to the Partnership in a manner that would be inconsistent with the General Partner's ability to remain qualified as a REIT. If the General Partner enters into such a Funding Debt, the General Partner Loan will consist of the net proceeds from such Funding Debt and will be on comparable terms and conditions, including interest rate, repayment schedule and costs and expenses, as shall be applicable with respect to or incurred in connection with such Funding Debt.

C. Issuance of Additional Partnership Interests. The General Partner may raise all or any portion of the Additional Funds by accepting additional Capital Contributions of cash. The General Partner may also accept additional Capital Contributions of real property or other non-cash assets. In connection with any such additional Capital Contributions (of cash or property), the General Partner is hereby authorized to cause the Partnership from time to time to issue to Partners (including the General Partner) or other Persons (including, without limitation, in connection with the contribution of property to the Partnership) additional Partnership Units or other Partnership Interests in one or more classes, or one or more series of any of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers, and duties, including rights, powers, and duties senior to then existing Limited Partnership Interests, all as shall be determined by the General Partner in its sole and absolute discretion subject to Delaware law, and as set forth by amendment to this Agreement, including without limitation: (i) the allocations of items of Partnership income, gain, loss, deduction, and credit to such class or series of Partnership Interests; (ii) the right of each such class or series of Partnership Interests to share in Partnership



distributions; (iii) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; and (iv) the right to vote, including, without limitation, the limited partner approval rights set forth in Section 11.2.A; provided, that no such additional Partnership Units or other Partnership Interests shall be issued to the General Partner unless either (a) the additional Partnership Interests are issued in connection with the grant, award, or issuance of shares of the General Partner pursuant to Section 4.3.D below, which shares have designations, preferences, and other rights (except voting rights) such that the economic interests attributable to such shares are substantially similar to the designations, preferences and other rights of the additional Partnership Interests issued to the General Partner in accordance with this Section 4.3.C or (b) the additional Partnership Interests are issued to all Partners holding Partnership Interests in the same class in proportion to their respective Percentage Interests in such class. In the event that the Partnership issues additional Partnership Interests pursuant to this Section 4.3.C, the General Partner shall make such revisions to this Agreement (including but not limited to the revisions described in Sections 5.4, 6.2.C, and 8.6) as it determines are necessary to reflect the issuance of such additional Partnership Interests.

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D. Issuance of REIT Shares or Other Securities by the General Partner. The General Partner shall not issue any additional REIT Shares (other than REIT Shares issued pursuant to Section 8.6 or pursuant to a dividend or distribution (including any stock split) of REIT Shares to all of its stockholders or all of its stockholders who hold a class of stock of the General Partner), other shares of capital stock of the General Partner or New Securities unless the General Partner shall make a Capital Contribution of the net proceeds (including, without limitation, cash and Properties) from the issuance of such additional REIT Shares, other shares of capital stock or New Securities, as the case may be, and from the exercise of the rights contained in such additional New Securities, as the case may be. The General Partner's Capital Account shall be increased by the amount of cash or the value of Properties so contributed.

E. Percentage Interest Adjustments in the Case of Capital Contributions for Partnership Units. Upon the acceptance of additional Capital Contributions in exchange for any class or series of Partnership Units, the Percentage Interest related thereto shall be equal to a fraction, the numerator of which is equal to the amount of cash and the Agreed Value of the Properties contributed as of the Business Day immediately preceding the date on which the additional Capital Contributions are made (an "Adjustment Date") and the denominator of which is equal to the sum of (i) the Deemed Value of the Partnership Interests of such class or series (computed as of the Business Day immediately preceding the Adjustment Date) plus (ii) the aggregate amount of cash and the Agreed Value of the Property contributed to the Partnership on such Adjustment Date in respect of such class or series of Partnership Interests. The Percentage Interest of each other Partner holding Partnership Interests of such class or series not making a full pro rata Capital Contribution shall be adjusted to equal a fraction, the numerator of which is equal to the sum of (i) the Deemed Partnership Interest Value of such Limited Partner in respect of such class or series (computed as of the Business Day immediately preceding the Adjustment Date) plus (ii) the amount of cash and the Agreed Value of the Property contributed by such Partner to the Partnership in respect of such class or series as of such Adjustment Date, and the denominator of which is equal to the sum of (a) the Deemed Value of the Partnership Interests of such class (computed as of the Business Day immediately preceding the Adjustment Date), plus (b) the aggregate amount of cash and the Agreed Value of the Property contributed to the Partnership on such Adjustment Date in respect of such class or series. Notwithstanding the foregoing, solely for purposes of calculating a Partner's Percentage Interest pursuant to this Section 4.3.E, (i) in the case of cash Capital Contributions by the General Partner, such Capital Contributions will be deemed to equal the cash contributed by the General Partner plus, in the case of cash contributions funded by an offering of REIT Shares or other shares of capital stock of the General Partner, the offering costs attributable to the cash contributed to the Partnership, and (ii) in the case of the contribution of Properties (or any portion thereof) by the General Partner which were acquired by the General Partner in exchange for REIT Shares immediately prior to such contribution, the General Partner shall be issued a number of Partnership Units equal to the number of REIT Shares issued by the General Partner in exchange for such Properties, the Partnership Units held by the other Partners shall not be adjusted, and the Partners' Percentage Interests shall be adjusted accordingly. The General Partner shall promptly give each Partner written notice of its Percentage Interest, as adjusted.

F. Issuance of Performance Units to the PLPs. Performance Investors may be required pursuant to the terms of the Escrow Agreements to transfer all or a portion of their Performance Shares to the General Partner or the Partnership (as applicable). To the extent

Performance Shares (i.e., REIT Shares) are transferred by Performance Investors to the General Partner pursuant to the Escrow Agreements, the number of Partnership Units held by the General Partner shall be automatically reduced by such amount on such date. To the extent Performance Shares (i.e., Partnership Units) are transferred by Performance Investors to the Partnership pursuant the Escrow Agreements, the number of Partnership Units held by each such Performance Investor shall be automatically reduced by such amount on such date. To the extent the Partnership Units held by the General Partner or Performance Investors are reduced as set forth in the preceding two sentences, the Partnership shall immediately issue an equal number of Performance Units to the Persons listed on Schedule G-1 and Schedule G-2 to Exhibit G in accordance with the allocations set forth on Exhibit G. The adjustments in the number of Partnership Units held by the Performance Partners and the PLPs set forth above shall have no effect on each such Partners' Capital Account in the Partnership (except with respect to subsequent allocations of items of Partnership income, gain, loss, deduction, and credit made to such Partners and possibly with respect to the reissuance of a Performance Unit subsequent to its forfeiture by a PLP) and no PLP shall have an obligation to make a contribution to the capital of the Partnership in connection with the issuance of Performance Units.

#### Section 4.4. Stock Incentive Plan

If at any time or from time to time the General Partner sells or issues REIT Shares pursuant to any Stock Incentive Plan, the General Partner shall contribute any proceeds therefrom to the Partnership as an additional Capital Contribution and shall receive an amount of additional Partnership Units equal to the number of REIT Shares so sold or issued. The General Partner's Capital Account shall be increased by the amount of cash so contributed.

#### Section 4.5. No Preemptive Rights

Except to the extent expressly granted by the Partnership pursuant to another agreement, no Person shall have any preemptive, preferential or other similar right with respect to (i) additional Capital Contributions or loans to the Partnership or (ii) issuance or sale of any Partnership Units or other Partnership Interests.

#### Section 4.6. Other Contribution Provisions

In the event that any Partner is admitted to the Partnership and is given (or is treated as having received) a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such Partner in cash, and the Partner had contributed such cash to the capital of the Partnership. In addition, with the consent of the General Partner, in its sole discretion, one or more Limited Partners may enter into contribution agreements with the Partnership which have the effect of providing a guarantee of certain obligations of the Partnership.

### ARTICLE 5. DISTRIBUTIONS

#### Section 5.1. Requirement and Characterization of Distributions

The General Partner shall cause the Partnership to distribute all, or such portion as the General Partner may in its discretion determine, Available Cash generated by the Partnership (i) first, to the extent that the amount of cash distributed with respect to any Partnership Interests that are entitled to any preference in distribution for any prior distribution period was less than the required distribution for such outstanding Partnership Interests for such prior distribution period, and to the extent such deficiency has not been subsequently distributed pursuant to this Section 5.1 (a "Preferred Distribution Shortfall"), in accordance with the rights of such class of Partnership Interests (and within such class, pro rata in proportion to the respective Percentage Interests on the applicable record date) and to the Partners who are Partners on the applicable record date with respect to such distribution, (ii) second, with respect to any Partnership Interests that are entitled to any preference in distribution, in accordance with the rights of such class of Partnership Interests (and within such class, pro rata in proportion to the respective Percentage Interests on the applicable record date) and (iii) third, with respect to Partnership Interests that are not entitled to any preference in distribution, pro rata to each such class on a quarterly basis and in accordance with the terms of such class to Partners who are Partners of such class on the Partnership Record Date with respect to such distribution (and within each such class, pro rata in proportion with the respective Percentage Interests on such Partnership Record Date). Unless otherwise expressly provided for in Article 16 with respect to the Series A Preferred Units and in an

agreement, if any, at the time a new class of Partnership Interests is created in accordance with Article 4, no Partnership Interest shall be entitled to a distribution in preference to any other Partnership Interest. The General Partner shall take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with its qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner, for so long as the General Partner has determined to qualify as a REIT, to pay stockholder dividends that will (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations ("REIT Requirements") and (b) except to the extent otherwise determined by the General Partner, avoid any Federal income or excise tax liability of the General Partner.

#### Section 5.2. Distributions in Kind

Except as expressly provided herein, no right is given to any Partner to demand and receive property other than cash. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind to the Partners of Partnership assets, and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 10.

#### Section 5.3. Distributions Upon Liquidation

Proceeds from a Terminating Transaction shall be distributed to the Partners in accordance with Section 13.2.

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#### Section 5.4. Distributions to Reflect Issuance of Additional Partnership Interests

In the event that the Partnership issues additional Partnership Interests (other than Performance Units, which shall receive distributions as set forth in Section 5.1) to the General Partner or any Additional Limited Partner pursuant to Section 4.3.C or 4.4, the General Partner shall make such revisions to this Article 5 as it determines are necessary to reflect the issuance of such additional Partnership Interests. In the absence of any agreement to the contrary, an Additional Limited Partner shall be entitled to the distributions set forth in Section 5.1 (without regard to this Section 5.4) with respect to the quarter during which the closing of its contribution to the Partnership occurs, multiplied by a fraction the numerator of which is the number of days from and after the date of such closing through the end of the applicable quarter, and the denominator of which is the total number of days in such quarter.

#### Section 5.5 Character of PLP Distributions

Distributions to each PLP pursuant to this Agreement shall be advances or drawings of money or property against such Partner's distributive share of Net Income (or items thereof) as described in Treasury Regulation Section 1.731-1(a)(1)(ii).

### ARTICLE 6. ALLOCATIONS

#### Section 6.1. Timing and Amount of Allocations of Net Income and Net Loss

Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each fiscal year of the Partnership as of the end of each such year. Subject to the other provisions of this Article 6, an allocation to a Partner of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

#### Section 6.2. General Allocations

A. In General. Except as otherwise provided in this Article 6, Net Income and Net Loss allocable with respect to a class of Partnership Interests, shall be allocated to each of the Partners holding such class of Partnership Interests in accordance with their respective Percentage Interest of such class.

B.1. Net Income. Except as provided in Section 6.2.B.3, Net Income for any Partnership Year shall be allocated in the following manner and order of priority:

- (a) First, 100% to the General Partner in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to the General Partner pursuant to Section 6.2.B.2(c) for all prior Partnership Years minus the cumulative Net Income allocated to the

General Partner pursuant to this Section 6.2.B.1(a) for all prior Partnership Years;

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- (b) Second, 100% to the General Partner in respect of the Series A Preferred Units in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to the Series A Preferred Units pursuant to Section 6.2.B.2(b) for all prior Partnership Years minus the cumulative Net Income allocated to the Series A Preferred Units pursuant to this Section 6.2.B.1(b) for all prior Partnership Years;
- (c) Third, 100% to the General Partner and the Limited Partners in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to each such Partner pursuant to Section 6.2.B.2(a) for all prior Partnership Years minus the cumulative Net Income allocated to each Partner pursuant to this Section 6.2.B.1(c) for all prior Partnership Years;
- (d) Fourth, 100% to the General Partner in respect of the Series A Preferred Units until the General Partner has been allocated an amount equal to the remainder, if any, of (i) the cumulative Priority Return to the last day of the current Partnership Year or to the date of redemption, to the extent Series A Preferred Units are redeemed during such year, minus (ii) the cumulative Net Income allocated to the General Partner pursuant to this Section 6.2.B.1(d) for all prior Partnership Years;
- (e) Fifth, 100% to the General Partner and the Limited Partners in accordance with their respective Percentage Interests in the Common Units.

B.2. Net Losses. Except as provided in Section 6.2.B.3, Net Losses for any Partnership Year shall be allocated in the following manner and order of priority:

- (a) First, 100% to the General Partner and the Limited Partners in accordance with their respective Percentage Interests in the Common Units (to the extent consistent with this Section 6.2.B.2(a)) until the Adjusted Capital Account (ignoring for this purpose any amounts the General Partner is deemed obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(2) and ignoring the General Partner's Preferred Capital) of each such Partner is zero;
- (b) Second, 100% to the General Partner until the Adjusted Capital Account of the General Partner is zero; and
- (c) Third, 100% to the General Partner.

B.3. Terminating Capital Transactions.

- (a) If no Performance Units are outstanding at the time of a Terminating Capital Transaction, any Net Income attributable to such Terminating Capital Transaction shall first be allocated to the General Partner in an amount equal to the Offering Costs, to the extent the General Partner's Capital Account has not previously been adjusted to account for such amounts.

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- (b) If Performance Units are outstanding at the time of a Terminating Capital Transaction --
  - (1) any Net Income attributable to such Terminating Capital Transaction shall be allocated as follows: such Net Income shall first be tentatively allocated solely as an interim step in calculating final allocations pursuant to this Section 6.2.B.3(b)(1), among the Partners in accordance with Section 6.2.B.3(a), Section 6.2.A and Section 6.2.B.1. Then the amount

so tentatively allocated to each Performance Partner, to the extent of each such Performance Partner's Excess Performance Capital, shall instead be allocated to the PLPs, pro rata to the number of Performance Units held by each PLP.

- (2) any Net Loss attributable to such Terminating Capital Transaction shall be allocated as follows: such Net Loss shall first be tentatively allocated, solely as an interim step in calculating final allocations pursuant to this Section 6.2.B.3(b)(2), among the Partners in accordance with Section 6.2.A and Section 6.2.B.2. Then the amount so tentatively allocated to the PLPs shall instead be allocated to the Performance Partners to the extent of the aggregate Excess Performance Capital of the Performance Partners. Any amounts so allocated away from the PLPs shall be done on a basis which is proportionate to each PLP's Performance Units. Any amounts so allocated to the Performance Partners shall be done on a basis which is proportionate to each Performance Partner's Excess Performance Capital.

C. Allocations to Reflect Issuance of Additional Partnership Interests. In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Section 4.3 or 4.4, the General Partner shall make such revisions to this Section 6.2 or to Section 12.2.B as it determines are necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to certain classes of Partnership Interests, subject to the terms of the Series A Preferred Units. In addition, for any quarter in which Performance Units were issued, Net Income and Net Loss relating to such units shall be allocated among (i) the PLPs who received such units and (ii) the Performance Partners who returned the corresponding Partnership Units to the Partnership, in accordance with any method selected by the General Partner which is permitted under Section 706 of the Code.

#### Section 6.3. Additional Allocation Provisions

Notwithstanding the foregoing provisions of this Article 6:

##### A. Regulatory Allocations.

(i) Minimum Gain Chargeback. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2, or any

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other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any fiscal year, each Partner shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.3.A(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulation Section 1.704-2(f) which shall be controlling in the event of a conflict between such Regulation and this Section 6.3.A(i).

(ii) Partner Minimum Gain Chargeback. Except as otherwise provided in Regulations Section 1.704-2(i)(4), and notwithstanding the provisions of Section 6.2, or any other provision of this Article 6 (except Section 6.3.A(i)), if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any fiscal year, each Partner who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the

previous sentence shall be made in proportion to the respective amounts required to be allocated to each General Partner and Limited Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2). This Section 6.3.A(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulation Section 1.704-2(i) which shall be controlling in the event of a conflict between such Regulation and this Section 6.3.A(ii).

(iii) Nonrecourse Deductions and Partner Nonrecourse Deductions. Any Nonrecourse Deductions for any fiscal year shall be specially allocated to the Partners in accordance with their respective Percentage Interest in Common Units. Any Partner Nonrecourse Deductions for any fiscal year shall be specially allocated to the Partner(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Sections 1.704-2(b)(4) and 1.704-2(i).

(iv) Qualified Income Offset. If any Partner unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to the Partner in an amount and manner sufficient to eliminate, to the extent required by such Regulations, the Adjusted Capital Account Deficit of the Partner as quickly as possible provided that an allocation pursuant to this Section 6.3.A(iv) shall be made if and only to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.3.A(iv) were not in the

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Agreement. It is intended that this Section 6.3.A(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations 1.704-1(b)(2)(ii)(d), which shall be controlling in the event of a conflict between such Regulations and this Section 6.3.A(iv).

(v) Gross Income Allocation. In the event any Partner has a deficit Capital Account at the end of any fiscal year which is in excess of the sum of (a) the amount (if any) such Partner is obligated to restore to the Partnership and (b) the amount such Partner is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Partner shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.3.A(v) shall be made if and only to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.3.A(v) and Section 6.3.A(iv) were not in the Agreement.

(vi) Limitation on Allocation of Net Loss. To the extent any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Partner, such allocation of Net Loss shall be reallocated among the other Partners in accordance with their respective Percentage Interests in Common Units, subject to the limitations of this Section 6.3.A(vi).

(vii) Section 754 Adjustment. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Partner in complete liquidation of his interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Partners in accordance with their interests in the Partnership in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Partners to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) Curative Allocation. The allocations set forth in Sections 6.3.A(i), (ii), (iii), (iv), (v), (vi), and (vii) (the "Regulatory Allocations") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of

Sections 6.1 and 6.2, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Partners so that, to the extent possible, the net amount of such allocations of other items and the Regulatory Allocations to each Partner shall be equal to the net amount that would have been allocated to each such Partner if the Regulatory Allocations had not occurred.

B. For purposes of determining a Partner's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-

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3(a)(3), each Partner's interest in Partnership profits shall be such Partner's Percentage Interest in Common Units.

#### Section 6.4. Tax Allocations

A. In General. Except as otherwise provided in this Section 6.4, for income tax purposes each item of income, gain, loss and deduction (collectively, "Tax Items") shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3.

#### B. Allocations Respecting Section 704(c) Revaluations.

Notwithstanding Section 6.4.A, Tax Items with respect to Partnership property that is contributed to the Partnership by a Partner shall be shared among the Partners for income tax purposes pursuant to Regulations promulgated under Section 704(c) of the Code, so as to take into account the variation, if any, between the basis of the property to the Partnership and its initial Gross Asset Value. With respect to Partnership property that is initially contributed to the Partnership upon its formation pursuant to Section 4.1, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Regulations Section 1.704-3(b). With respect to properties subsequently contributed to the Partnership, the Partnership shall account for such variation under any method approved under Section 704(c) of the Code and the applicable regulations as chosen by the General Partner. In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (ii) of the definition of Gross Asset Value (provided in Article 1), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Section 704(c) of the Code and the applicable regulations consistent with the requirements of Regulations Section 1.704-1(b)(2)(iv)(g) using any method approved under 704(c) of the Code and the applicable regulations as chosen by the General Partner.

### ARTICLE 7.

#### MANAGEMENT AND OPERATIONS OF BUSINESS

#### Section 7.1. Management

A. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership are exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. The General Partner may not be removed by the Limited Partners with or without cause, except with the consent of the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under the Act and other applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including Section 7.3, shall have full power and authority to do all things deemed necessary or desirable by it to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 and to effectuate the purposes set forth in Section 3.1, including, without limitation:

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- (i) the making of any expenditures, the lending or borrowing of money (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to its Partners in such amounts as will permit the General Partner (for so long as the General Partner has determined to qualify as a REIT) to avoid the payment of any Federal income tax (including, for this purpose, any excise tax pursuant to Section 4981 of the Code) and to make distributions to its stockholders sufficient to permit the General Partner to maintain REIT status), the assumption or guarantee

of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by mortgage, deed of trust or other lien or encumbrance on all or any of the Partnership's assets) and the incurring of any obligations it deems necessary for the conduct of the activities of the Partnership;

- (ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;
- (iii) subject to the provisions of Section 7.3.D, the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any assets of the Partnership or the merger or other combination of the Partnership with or into another entity;
- (iv) the mortgage, pledge, encumbrance or hypothecation of all or any assets of the Partnership, and the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms it sees fit, including, without limitation, the financing of the conduct or the operations of the General Partner or the Partnership, the lending of funds to other Persons (including, without limitation, the General Partner (if necessary to permit the financing or capitalization of a subsidiary of the General Partner or the Partnership) and any Subsidiaries of the Partnership) and the repayment of obligations of the Partnership, any of its Subsidiaries and any other Person in which it has an equity investment;
- (v) the negotiation, execution, and performance of any contracts, leases, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement;
- (vi) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement;
- (vii) the selection and dismissal of employees of the Partnership (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer"), and agents, outside attorneys,

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accountants, consultants and contractors of the Partnership, the determination of their compensation and other terms of employment or hiring, including waivers of conflicts of interest and the payment of their expenses and compensation out of the Partnership's assets;

- (viii) the maintenance of such insurance for the benefit of the Partnership and the Partners as it deems necessary or appropriate;
- (ix) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to any Subsidiary and any other Person in which it has an equity investment from time to time); provided that, as long as the General Partner has determined to continue to qualify as a REIT, the Partnership may not engage in any such formation, acquisition or contribution that would cause the General Partner to fail to qualify as a REIT;
- (x) the control of any matters affecting the rights and obligations of the Partnership, including the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation, and the



indemnification of any Person against liabilities and contingencies to the extent permitted by law;

- (xi) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Person (including, without limitation, contributing or loaning Partnership funds to, incurring indebtedness on behalf of, or guarantying the obligations of any such Persons);
- (xii) subject to the other provisions in this Agreement, the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as it may adopt; provided that, such methods are otherwise consistent with requirements of this Agreement;
- (xiii) the management, operation, leasing, landscaping, repair, alteration, demolition or improvement of any real property or improvements owned by the Partnership or any Subsidiary of the Partnership or any Person in which the Partnership has made a direct or indirect equity investment;
- (xiv) holding, managing, investing and reinvesting cash and other assets of the Partnership;
- (xv) the collection and receipt of revenues and income of the Partnership;
- (xvi) the exercise, directly or indirectly through any attorney-in-fact acting under a general or limited power of attorney, of any right, including the right to vote, appurtenant to any asset or investment held by the Partnership;

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- (xvii) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of or in connection with any Subsidiary of the Partnership or any other Person in which the Partnership has a direct or indirect interest, or jointly with any such Subsidiary or other Person;
- (xviii) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of any Person in which the Partnership does not have an interest, pursuant to contractual or other arrangements with such Person; and
- (xix) the making, execution and delivery of any and all deeds, leases, notes, deeds to secure debt, mortgages, deeds of trust, security agreements, conveyances, contracts, guarantees, warranties, indemnities, waivers, releases or legal instruments or other agreements in writing necessary or appropriate in the judgment of the General Partner for the accomplishment of any of the powers of the General Partner enumerated in this Agreement.

B. Each of the Limited Partners agrees that the General Partner is authorized to execute, deliver and perform the above-mentioned agreements and transactions on behalf of the Partnership without any further act, approval or vote of the partners, notwithstanding any other provisions of this Agreement (except as provided in Section 7.3), the Act or any applicable law, rule or regulation. The execution, delivery or performance by the General Partner or the Partnership of any agreement authorized or permitted under this Agreement shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement or of any duty stated or implied by law or equity.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance (including, without limitation, earthquake insurance) on the properties of the Partnership and (ii) liability insurance for the Indemnities hereunder.

D. At all times from and after the date hereof, the General Partner may cause the Partnership to establish and maintain working capital and other reserves in such amounts as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable from time to time.

E. In exercising its authority under this Agreement, the General Partner may, but other than as set forth in the following sentence and as expressly set forth in the agreements listed on Exhibit I hereto, shall be under no obligation to, take into account the tax consequences to any Partner (including the General Partner) of any action taken by the General Partner. The General Partner, on behalf of the Partnership, shall use commercially reasonable efforts to cooperate with the Limited Partners to minimize any taxes payable in connection with any sale, exchange or any other disposition of assets of the Partnership. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of an income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

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F. Except as otherwise provided herein, to the extent the duties of the General Partner require expenditures of funds to be paid to third parties, the General Partner shall not have any obligations hereunder except to the extent that Partnership funds are reasonably available to it for the performance of such duties, and nothing herein contained shall be deemed to authorize or require the General Partner, in its capacity as such, to expend its individual funds for payment to third parties or to undertake any individual liability or obligation on behalf of the Partnership.

#### Section 7.2. Certificate of Limited Partnership

To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware and to maintain the Partnership's qualification to do business as a foreign limited partnership in each other state, the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A(iv), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware, and any other state, or the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property.

#### Section 7.3. Restrictions on General Partner's Authority

A. The General Partner may not take any action in contravention of this Agreement, including, without limitation:

- (i) take any action that would make it impossible to carry on the ordinary business of the Partnership, except as otherwise provided in this Agreement;
- (ii) possess Partnership property, or assign any rights in specific Partnership property, for other than a Partnership purpose except as otherwise provided in this Agreement;
- (iii) admit a Person as a Partner, except as otherwise provided in this Agreement (including with respect to the PLPs, who shall become Partners upon their receipt of Performance Units);
- (iv) perform any act that would subject a Limited Partner to liability as a general partner in any jurisdiction or any other liability except as provided herein or under the Act; or
- (v) enter into any contract, mortgage, loan or other agreement that prohibits or restricts, or has the effect of prohibiting or restricting, the ability of a

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Limited Partner to exercise its rights to a Redemption in full, except with the written consent of such Limited Partner.

B. The General Partner shall not, without the prior Consent of the Partners (in addition to any Consent of the Limited Partners required by any

other provision hereof), undertake, on behalf of the Partnership, any of the following actions or enter into any transaction which would have the effect of such transactions:

- (i) except as provided in Section 7.3.D below, amend, modify or terminate this Agreement other than to reflect the admission, substitution, termination or withdrawal of partners pursuant to Article 12;
- (ii) make a general assignment for the benefit of creditors or appoint or acquiesce in the appointment of a custodian, receiver or trustee for all or any part of the assets of the Partnership;
- (iii) institute any proceeding for bankruptcy on behalf of the Partnership;
- (iv) confess a judgment against the Partnership; or
- (v) enter into a merger (including a triangular merger), consolidation or other combination of the Partnership with or into another entity.

C. Except in the case of a Liquidating Event pursuant to Section 13.1 (other than Section 13.1.F), the General Partner shall not, without the prior Consent of the Limited Partners, undertake, on behalf of the Partnership, any actions or enter into any transaction which would have the effect of a dissolution of the Partnership, including a sale, exchange, transfer or other disposition of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions.

D. Notwithstanding Sections 7.3.B and 7.3.C, but subject to Section 7.3.E, the General Partner shall have the power, without the Consent of the Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

- (i) to add to the obligations of the General Partner or surrender any right or power granted to the General Partner or any Affiliate of the General Partner for the benefit of the Limited Partners;
  - (ii) to reflect the issuance of additional Partnership Interests pursuant to Sections 4.3.C, 4.3.F and 4.4, or the admission, substitution, termination, reduction in Partnership Units or withdrawal of Partners in accordance with this Agreement (which may be effected through the replacement of Exhibit A with an amended Exhibit A);
  - (iii) to set forth or amend the designations, rights, powers, duties, and preferences of the holders of any additional Partnership Interests issued pursuant to Article 4;
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- (iv) to reflect a change that is of an inconsequential nature and does not adversely affect the Limited Partners in any material respect, or to cure any ambiguity in, correct or supplement any provision, or make other changes with respect to matters arising under, this Agreement that will not be inconsistent with law or with the provisions of this Agreement;
  - (v) to satisfy any requirements, conditions, or guidelines contained in any order, directive, opinion, ruling or regulation of a Federal, state or local agency or contained in Federal, state or local law.
  - (vi) to reflect such changes as are reasonably necessary for the General Partner to maintain its status as a REIT, including changes which may be necessitated due to a change in applicable law (or an authoritative interpretation thereof) or a ruling of the IRS; and
  - (vii) to modify, as set forth in the definition of "Capital Account," the manner in which Capital Accounts are computed.

The General Partner will provide notice to the Limited Partners when any action under this Section 7.3.D is taken.

E. Notwithstanding Sections 7.3.B, 7.3.C and 7.3.D, this Agreement shall not be amended, and no action may be taken by the General Partner, including in either case through merger or sale of assets of the Partnership or otherwise, without the Consent of each Partner adversely affected if such amendment or action would (i) convert a Limited Partner's interest in the Partnership into a general partner's interest (except as the result of the General Partner acquiring such interest), (ii) modify the limited liability of a Limited Partner, (iii) alter rights of the Partner to receive distributions pursuant to Article 5, Section 13.2.A(4) or Article 16 or the allocations specified in Article 6 (except as permitted pursuant to Section 4.3 and Section 7.3.D), (iv) alter or modify the rights to a Redemption or the REIT Shares Amount as set forth in Section 8.6, and related definitions hereof, or (v) amend this Section 7.3.E. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Section 7.3 without the Consent specified in such section. In addition, (a) Section 11.2 of this Agreement shall not be amended, and no action in contravention of Section 11.2 shall be taken, including in either case through merger or sale of assets of the Partnership or otherwise, without the Consent of the Limited Partners and (b) this Agreement shall not be amended, and no action shall be taken, including in either case through merger or sale of assets of the Partnership or otherwise, which would adversely affect the rights of the Persons set forth in Exhibit G to receive Performance Units as described herein.

F. Other than incident to a transaction pursuant to Sections 11.2.B or 11.2.C, the General Partner shall not undertake to dispose of any Partnership Property listed in Exhibit H in a taxable sale or taxable exchange prior to November 26, 2001 without the prior consent of each Limited Partner which contributed all or any portion of an interest in such Property to the Partnership, as set forth opposite each such Property on such Exhibit H.

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#### Section 7.4. Reimbursement of the General Partner

A. Except as provided in this Section 7.4 and elsewhere in this Agreement (including the provisions of Articles 5 and 6 regarding distributions, payments and allocations to which it may be entitled), the General Partner shall not be compensated for its services as general partner of the Partnership.

B. Subject to Section 15.11, the General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all expenses it incurs relating to the ownership of interests in and operation of, or for the benefit of, the Partnership. The Limited Partners acknowledge that the General Partner's sole business is the ownership of interests in and operation of the Partnership and that such expenses are incurred for the benefit of the Partnership; provided that, the General Partner shall not be reimbursed for expenses it incurs relating to the organization of the Partnership and the General Partner, or the initial public offering or subsequent offerings of REIT Shares, other shares of capital stock or Funding Debt by the General Partner, but shall be reimbursed for expenses it incurs with respect to any other issuance of additional Partnership Interests pursuant to the provisions hereof. Such reimbursements shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

C. If and to the extent any reimbursements to the General Partner pursuant to this Section 7.4 constitute gross income of the General Partner (as opposed to the repayment of advances made by the General Partner on behalf of the Partnership), such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

#### Section 7.5. Outside Activities of the General Partner

A. Except in connection with a transaction authorized in Section 11.2, without the Consent of the Limited Partners, the General Partner shall not, directly or indirectly, enter into or conduct any business, other than in connection with the ownership, acquisition and disposition of Partnership Interests as a General Partner and the management of the business of the 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 the same. Without the Consent of the Limited Partners, the General Partner shall not, directly or indirectly, participate in or otherwise acquire any interest in any real or personal property, except its General Partner Interest, its interest in any Subsidiary Partnership(s) (held directly or indirectly through a Qualified REIT Subsidiary) that the General Partner holds in order to maintain such Subsidiary Partnership's status as a partnership, and such bank accounts, similar instruments or other short-term investments as it deems necessary to carry out its responsibilities contemplated under this Agreement and the Charter. In the

event the General Partner desires to contribute cash to any Subsidiary Partnership to acquire or maintain an interest of 1% or less in the capital of such partnership, the General Partner may acquire such cash from the [Operating] Partnership in exchange for a reduction in the General Partner's OP Units, in an amount equal to the amount of such cash divided by the Fair Market Value of a REIT Share on the day such cash is received by the General Partner. Notwithstanding the foregoing, the General Partner may

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acquire Properties in exchange for REIT Shares, to the extent such Properties are immediately contributed by the General Partner to the Partnership, pursuant to the terms described in Section 4.3.E. Any Limited Partner Interests acquired by the General Partner, whether pursuant to exercise by a Limited Partner of its right of Redemption, or otherwise, shall be automatically converted into a General Partner Interest comprised of an identical number of Partnership Units with the same rights, priorities and preferences as the class or series so acquired. If, at any time, the General Partner acquires material assets (other than on behalf of the Partnership) the definition of "REIT Shares Amount" shall be adjusted, as reasonably agreed to by the General Partner and the other Limited Partners, to reflect the relative Fair Market Value of a share of capital stock of the General Partner relative to the Deemed Partnership Interest Value of the related Partnership Unit. The General Partner's General Partner Interest in the Partnership, its minority interest in any Subsidiary Partnership(s) (held directly or indirectly through a Qualified REIT Subsidiary) that the General Partner holds in order to maintain such Subsidiary Partnership's status as a partnership, and interests in such short-term liquid investments, bank accounts or similar instruments as the General Partner deems necessary to carry out its responsibilities contemplated under this Agreement and the Charter are interests which the General Partner is permitted to acquire and hold for purposes of this Section 7.5.A.

B. In the event the General Partner exercises its rights under the Charter to purchase REIT Shares or Preferred Shares, then the General Partner shall cause the Partnership to redeem from it a number of Partnership Units of the appropriate class as determined based on, in the case of REIT Shares, the REIT Shares Amount equal to the number of REIT Shares so purchased, or in the case of Preferred Shares an equal number of Preferred Units which correspond in ranking to the Preferred Shares so purchased, in each case on the same terms that the General Partner purchased such REIT Shares or Preferred Shares (as applicable).

#### Section 7.6. Contracts with Affiliates

A. Except as expressly permitted by this Agreement, the Partnership shall not, directly or indirectly, sell, transfer or convey any property to, or purchase any property from, or borrow funds from, or lend funds to, any Partner or any Affiliate of the Partnership that is not also a Subsidiary of the Partnership, except pursuant to transactions that are on terms that are fair and reasonable and no less favorable to the Partnership than would be obtained from an unaffiliated third party.

B. The General Partner, in its sole and absolute discretion and without the approval of the Limited Partners, may propose and adopt on behalf of the Partnership employee benefit plans funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership, the General Partner, or any of the Partnership's Subsidiaries. The General Partner also is expressly authorized to cause the Partnership to issue to it Partnership Units corresponding to REIT Shares issued by the General Partner pursuant to its Stock Incentive Plan or any similar or successor plan and to repurchase such Partnership Units from the General Partner to the extent necessary to permit the General Partner to repurchase such REIT Shares in accordance with such plan.

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#### Section 7.7. Indemnification

A. The Partnership shall indemnify an Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership as set forth in this Agreement in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established that: (i) the act or omission of the Indemnitee 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 Indemnitee actually received an improper personal benefit

in money, property or services; or (iii) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or any entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnitee acted in a manner contrary to that specified in this Section 7.7.A. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and any insurance proceeds from the liability policy covering the General Partner and any Indemnitee, and neither the General Partner nor any Limited Partner shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

B. Reasonable expenses incurred by an Indemnitee who is a party to a proceeding may be paid or reimbursed by the Partnership in advance of the final disposition of the proceeding upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in Section 7.7.A has been met and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity.

D. The Partnership may purchase and maintain insurance, on behalf of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by any such Person in connection

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with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute fines within the meaning of Section 7.7; and actions taken or omitted by the Indemnitee with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the Partnership.

F. In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

G. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

H. The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons. Any amendment, modification or repeal of this Section 7.7 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the Partnership's liability to any Indemnitee under this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

I. If and to the extent any reimbursements to the General Partner pursuant to this Section 7.7 constitute gross income of the General

Partner (as opposed to the repayment of advances made by the General Partner on behalf of the Partnership) such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

J. Any indemnification hereunder is subject to, and limited by, the provisions of Section 17-108 of the Act.

K. In the event the Partnership is made a party to any litigation or otherwise incurs any loss or expense as a result of or in connection with any Partner's personal obligations or liabilities unrelated to Partnership business, such Partner shall indemnify and reimburse the Partnership for all such loss and expense incurred, including legal fees, and the Partnership Interest of such Partner may be charged therefor. The liability of a Partner under this Section 7.7.K shall not be limited to such Partner's Partnership Interest, but shall be enforceable against such Partner personally.

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#### Section 7.8. Liability of the General Partner

A. Notwithstanding anything to the contrary set forth in this Agreement, none of the General Partner and any of its officers, directors, agents and employees shall be liable or accountable in damages or otherwise to the Partnership, any Partners or any Assignees, or their successors or assigns, for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or any act or omission if the General Partner acted in good faith.

B. The Limited Partners expressly acknowledge that the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively, that the General Partner is under no obligation to give priority to the separate interests of the Limited Partners or the General Partner's stockholders (including, without limitation, the tax consequences to Limited Partners or Assignees or to stockholders) in deciding whether to cause the Partnership to take (or decline to take) any actions and that the General Partner shall not be liable to the Partnership or to any Limited Partner for monetary damages for losses sustained, liabilities incurred, or benefits not derived by Limited Partners in connection with such decisions; provided, that the General Partner has acted in good faith.

C. Subject to its obligations and duties as General Partner set forth in Section 7.1.A, the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by it in good faith. In no event shall the liability of the General Partner and its officers, directors, agents and employees, to the Partnership and the Limited Partners under this Section 7.8 be greater than the Partnership Interest of the General Partner.

D. Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability of the General Partner and any of its officers, directors, agents and employees to the Partnership and the Limited Partners under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

#### Section 7.9. Other Matters Concerning the General Partner

A. The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

B. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which such General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

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C. The General Partner shall have the right, in respect of any

of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform all and every act and duty which is permitted or required to be done by the General Partner hereunder.

D. Notwithstanding any other provisions of this Agreement or any non-mandatory provision of the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order to protect the ability of the General Partner, for so long as the General Partner has determined to qualify as a REIT, to (i) continue to qualify as a REIT or (ii) avoid the General Partner incurring any taxes under Section 857 or Section 4981 of the Code is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

E. So long as the Company holds any interest in the Partnership (as either a General Partner or Limited Partner), the Company shall have "management rights" (as such term is defined in the Plan Asset Regulation) with respect to the Partnership and its Properties to the extent necessary to qualify the Company as a "venture capital operating company" (as such term is defined in the Plan Asset Regulation).

#### Section 7.10. Title to Partnership Assets

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partners, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be deemed held by the General Partner or such nominee or Affiliate for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use its best efforts to cause beneficial and record title to such assets to be vested in the Partnership as soon as reasonably practicable. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

#### Section 7.11. Reliance by Third Parties

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies which may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the

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General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

### ARTICLE 8. RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

#### Section 8.1. Limitation of Liability

The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement or under the Act.

#### Section 8.2. Management of Business



No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, general partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, general partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

#### Section 8.3. Outside Activities of Limited Partners

Subject to any agreements entered into by a Limited Partner or its Affiliates with the General Partner, Partnership or a Subsidiary, any Limited Partner and any officer, director, employee, agent, trustee, Affiliate or stockholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership or that are enhanced by the activities of the Partnership. Neither the Partnership nor any Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person, other than the Limited Partners benefiting from the business conducted by the General Partner, and such other Person shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures to the Partnership, any Limited Partner or any such other Person, even if such opportunity is of a character which, if

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presented to the Partnership, any Limited Partner or such other Person, could be taken by such other Person.

#### Section 8.4. Return of Capital

Except pursuant to the rights of Redemption set forth in Section 8.6, no Limited Partner shall be entitled to the withdrawal or return of his or her Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. Except as expressly set forth herein with respect to the rights, priorities and preferences of the Preferred Partners holding any series of Preferred Units, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions, or as otherwise expressly provided in this Agreement, as to profits, losses, distributions or credits.

#### Section 8.5. Rights of Limited Partners Relating to the Partnership

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C, each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon written demand with a statement of the purpose of such demand and at the Partnership's expense:

- (i) to obtain a copy of the most recent annual and quarterly reports filed with the Securities and Exchange Commission by the General Partner pursuant to the Exchange Act, and each communication sent to the stockholders of the General Partner;
- (ii) to obtain a copy of the Partnership's Federal, state and local income tax returns for each Partnership Year;
- (iii) to obtain a current list of the name and last known business, residence or mailing address of each Partner;
- (iv) to obtain a copy of this Agreement and the Certificate and all amendments thereto, together with executed copies of all powers of attorney pursuant to which this Agreement, the Certificate and all amendments thereto have been executed; and
- (v) to obtain true and full information regarding the amount of cash and a description and statement of any other property or services contributed by each

Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner.

B. The Partnership shall notify each Limited Partner in writing of any adjustment made in the calculation of the REIT Shares Amount within ten (10) Business Days of the date such change becomes effective.

C. Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners, for such period of time as the General

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Partner determines in its sole and absolute discretion to be reasonable, any information that (i) the General Partner believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or (ii) the Partnership or the General Partner is required by law or by agreements with unaffiliated third parties to keep confidential.

#### Section 8.6. Limited Partner Redemption Rights

A. On or after the date one year after the Effective Date, or on or after such later date as expressly provided in an agreement entered into between the Partnership and any Limited Partner, each Limited Partner shall have the right (subject to the terms and conditions set forth herein and in any other such agreement, as applicable) to require the Partnership to redeem all or a portion of the Partnership Units held by such Limited Partner (such Partnership Units being hereafter referred to as "Tendered Units") in exchange for the Cash Amount (a "Redemption"); provided, that the terms of such Partnership Units do not provide that such Partnership Units are not entitled to a right of Redemption. Unless otherwise expressly provided in this Agreement or a separate agreement entered into between the Partnership and the holders of such Partnership Units, all Partnership Units shall be entitled to a right of Redemption hereunder. Notwithstanding the foregoing, a PLP shall not have the right to require the Partnership to redeem, and the Partnership may not redeem, (i) a number of Performance Units held by such PLP in excess of the Performance Amount; or (ii) any Performance Units prior to the second anniversary of their issuance. Any Redemption shall be exercised pursuant to a Notice of Redemption delivered to the General Partner by the Limited Partner who is exercising the right (the "Tendering Partner"). The Cash Amount shall be delivered as a certified check payable to the Tendering Partner within ten (10) days of the Specified Redemption Date in accordance with the instructions set forth in the Notice of Redemption.

B. Notwithstanding Section 8.6.A above, if a Limited Partner has delivered to the General Partner a Notice of Redemption then the General Partner may, in its sole and absolute discretion, (subject to the limitations on ownership and transfer of REIT Shares set forth in Article IV.E of the Charter) elect to acquire some or all of the Tendered Units from the Tendering Partner in exchange for the REIT Shares Amount (as of the Specified Redemption Date) and, if the General Partner so elects, the Tendering Partner shall sell the Tendered Units to the General Partner in exchange for the REIT Shares Amount. In such event, the Tendering Partner shall have no right to cause the Partnership to redeem such Tendered Units. The General Partner shall promptly give such Tendering Partner written notice of its election, and the Tendering Partner may elect to withdraw its redemption request at any time prior to the acceptance of the Cash Amount or REIT Shares Amount by such Tendering Partner.

C. The REIT Shares Amount, if applicable, shall be delivered as duly authorized, validly issued, fully paid and nonassessable REIT Shares and, if applicable, free of any pledge, lien, encumbrance or restriction, other than those provided in the Charter, the Bylaws of the General Partner, the Securities Act, relevant state securities or blue sky laws and any applicable registration rights agreement with respect to such REIT Shares entered into by the Tendering Partner. The REIT Shares Amount shall be registered in the name and otherwise delivered as set forth in the Notice of Redemption. Notwithstanding any delay in such delivery (but subject to Section 8.6.E below), the Tendering Partner shall be deemed the owner of such

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REIT Shares for all purposes, including without limitation, rights to vote or consent, and receive dividends, as of the Specified Redemption Date.

D. Each Limited Partner covenants and agrees with the General Partner that all Tendered Units shall be delivered to the General Partner free and clear of all liens, claims and encumbrances whatsoever and should any such liens, claims and/or encumbrances exist or arise with respect to such Tendered Units, the General Partner shall be under no obligation to acquire the same. Each Limited Partner further agrees that, in the event any state or local property transfer tax is payable as a result of the transfer of its Tendered

Units to the General Partner (or its designee), such Limited Partner shall assume and pay such transfer tax.

E. Notwithstanding the provisions of Sections 8.6.A, 8.6.B, 8.6.C or any other provision of this Agreement, a Limited Partner (i) shall not be entitled to effect a Redemption for cash or an exchange for REIT Shares to the extent the ownership or right to acquire REIT Shares pursuant to such exchange by such Partner on the Specified Redemption Date would cause such Partner or any other Person, or, in the opinion of counsel selected by the General Partner, may cause such Partner or any other Person, to violate the restrictions on ownership and transfer of REIT Shares set forth in Article IV.E of the Charter and (ii) shall have no rights under this Agreement to acquire REIT Shares which would otherwise be prohibited under the Charter. To the extent any attempted Redemption or exchange for REIT Shares would be in violation of this Section 8.6.E, it shall be null and void ab initio and such Limited Partner shall not acquire any rights or economic interest in the cash otherwise payable upon such redemption or the REIT Shares otherwise issuable upon such exchange.

F. Notwithstanding anything herein to the contrary (but subject to Section 8.6.E above), with respect to any Redemption or exchange for REIT Shares pursuant to this Section 8.6:

- (i) All Partnership Units acquired by the General Partner pursuant thereto shall automatically, and without further action required, be converted into and deemed to be General Partner Interests comprised of the same number and class of Partnership Units.
- (ii) Without the consent of the General Partner, each Limited Partner may not effect a Redemption for less than 10,000 Partnership Units or, if the Limited Partner holds less than 10,000 Partnership Units, all of the Partnership Units held by such Limited Partner.
- (iii) Without the consent of the General Partner, each Limited Partner may not effect a Redemption during the period after the Partnership Record Date with respect to a distribution and before the record date established by the General Partner for a distribution to its common stockholders of some or all of its portion of such distribution.
- (iv) The consummation of any Redemption or exchange for REIT Shares shall be subject to the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

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- (v) Each Tendering Partner shall continue to own all Partnership Units subject to any Redemption or exchange for REIT Shares, and be treated as a Limited Partner with respect to such Partnership Units for all purposes of this Agreement, until such Partnership Units are transferred to the General Partner and paid for or exchanged as of the Specified Redemption Date. Until a Specified Redemption Date, the Tendering Partner shall have no rights as a stockholder of the General Partner with respect to such Tendering Partner's Partnership Units.

G. In the event that the Partnership issues additional Partnership Interests to any Additional Limited Partner pursuant to Section 4.3.C, the General Partner shall make such revisions to this Section 8.6 as it determines are necessary to reflect the issuance of such additional Partnership Interests.

#### ARTICLE 9.

##### BOOKS, RECORDS, ACCOUNTING AND REPORTS

###### Section 9.1. Records and Accounting

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 9.3. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the records so maintained are convertible into clearly legible written form

within a reasonable period of time. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

#### Section 9.2. Fiscal Year

The fiscal year of the Partnership shall be the calendar year.

#### Section 9.3. Reports

A. As soon as practicable, but in no event later than one hundred and five (105) days after the close of each Partnership Year, or such earlier date as they are filed with the Securities and Exchange Commission, the General Partner shall cause to be mailed to each Limited Partner as of the close of the Partnership Year, an annual report containing financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than forty-five (45) days after the close of each calendar quarter (except the last calendar quarter of each year), or such earlier date as they are filed with the Securities and Exchange Commission, the General Partner shall

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cause to be mailed to each Limited Partner as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership, or of the General Partner, if such statements are prepared solely on a consolidated basis with the General Partner, presented in accordance with the applicable law or regulation, or as the General Partner determines to be appropriate.

#### Section 9.4. Nondisclosure of Certain Information

Notwithstanding the provisions of Sections 9.1 and 9.3, the General Partner may keep confidential from the Limited Partners any information that the General Partner believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or which the Partnership is required by law or by agreements with unaffiliated third parties to keep confidential.

### ARTICLE 10. TAX MATTERS

#### Section 10.1. Preparation of Tax Returns

The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for Federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for Federal and state income tax reporting purposes. The Limited Partners shall promptly provide the General Partner with such information relating to the Contributed Properties contributed by such Partner to the Partnership on or after July \_\_, 1998, including tax basis and other relevant information, as may be reasonably requested by the General Partner from time to time.

#### Section 10.2. Tax Elections

Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including the election under Section 754 of the Code. The General Partner shall have the right to seek to revoke any such election (including without limitation, any election under Section 754 of the Code) upon the General Partner's determination in its sole and absolute discretion that such revocation is the best interests of the Partners.

#### Section 10.3. Tax Matters Partner

A. The General Partner shall be the "tax matters partner" of the Partnership for Federal income tax purposes. Pursuant to Section 6223(c) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Partnership, the tax matters partner shall furnish the IRS with the name, address and profit interest of each of the Limited Partners and Assignees; provided, however, that such information is provided to the Partnership by the Limited Partners and Assignees.

- B. The tax matters partner is authorized, but not required:
- (i) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (a) who (within the time prescribed pursuant to the Code and Regulations) files a statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner or (b) who is a "notice partner" (as defined in Section 6231 of the Code) or a member of a "notice group" (as defined in Section 6223(b)(2) of the Code);
  - (ii) in the event that a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a "final adjustment") is mailed to the tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the United States Claims Court, or the filing of a complaint for refund with the District Court of the United States for the district in which the Partnership's principal place of business is located;
  - (iii) to intervene in any action brought by any other Partner for judicial review of a final adjustment;
  - (iv) to file a request for an administrative adjustment with the IRS at any time and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;
  - (v) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Partner for tax purposes, or an item affected by such item; and
  - (vi) to take any other action on behalf of the Partners of the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the tax matters partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the tax matters partner and the provisions relating to indemnification of the General Partner set forth in Section 7.7 shall be fully applicable to the tax matters partner in its capacity as such.

C. The tax matters partner shall receive no compensation for its services. All third party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees) shall be borne by the Partnership. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the tax matters partner in discharging its duties hereunder, so long as the compensation paid by the Partnership for such services is reasonable.

#### Section 10.4. Organizational Expenses

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a sixty (60) month period as provided in Section 709 of the Code.

#### Section 10.5. Withholding

Each Limited Partner hereby authorizes the Partnership to

withhold from or pay on behalf of or with respect to such Limited Partner any amount of Federal, state, local, or foreign taxes that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Sections 1441, 1442, 1445 or 1446 of the Code. Any amount paid on behalf of or with respect to a Limited Partner shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within fifteen (15) days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution which would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the available funds of the Partnership which would, but for such payment, be distributed to the Limited Partner. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Limited Partner. Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 10.5. In the event that a Limited Partner fails to pay any amounts owed to the Partnership pursuant to this Section 10.5 when due, the General Partner may, in its sole and absolute discretion, elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner (including, without limitation, the right to receive distributions and the holding of a security interest in such Limited Partner's Partnership Interest). Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal, plus two percentage points (but not higher than the maximum lawful rate) from the date such amount is due (i.e., 15 days after demand) until such amount is paid in full. Each Limited Partner shall take such actions as the Partnership or the General Partner shall request in order to perfect or enforce the security interest created hereunder.

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ARTICLE 11.  
TRANSFERS AND WITHDRAWALS

Section 11.1. Transfer

A. The term "transfer," when used in this Article 11 with respect to a Partnership Interest, shall be deemed to refer to a transaction by which the General Partner purports to assign its General Partner Interest to another Person or by which a Limited Partner purports to assign its Limited Partnership Interest to another Person, and includes a sale, assignment, gift (outright or in trust), pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise. Except to the extent otherwise specified, the term "transfer" when used in this Article 11 does not include any Redemption or exchange for REIT Shares pursuant to Section 8.6. No part of the interest of a Limited Partner shall be subject to the claims of any creditor, any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered, except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void ab initio unless otherwise consented by the General Partner in its sole and absolute discretion.

Section 11.2. Transfer of General Partner's Partnership Interest

A. The General Partner shall not withdraw from the Partnership and shall not transfer all or any portion of its interest in the Partnership (whether by sale, statutory merger, consolidation, liquidation or otherwise) without the Consent of the Limited Partners which may be given or withheld by each such Limited Partner in its sole and absolute discretion, and only upon the admission of a successor General Partner pursuant to Section 12.1; provided, however, that, subject to Sections 11.2.B, 11.2.C, 11.2.D and 11.2.E, the General Partner may withdraw from the Partnership and transfer all of its interest upon the merger, consolidation or sale of substantially all of the assets of the General Partner without the consent of any Limited Partners. Upon any transfer of a Partnership Interest in accordance with the provisions of this Section 11.2, the transferee shall become a substitute General Partner for all purposes herein, and shall be vested with the powers and rights of the transferor General Partner, and shall be liable for all obligations and responsible for all duties of the General Partner, once such transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and

provisions of this Agreement with respect to the Partnership Interest so acquired. It is a condition to any transfer otherwise permitted hereunder that the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such transferred Partnership Interest, and no such transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor General Partner are assumed by a successor corporation by operation of law) shall relieve the transferor General Partner of its obligations under this Agreement without the Consent of the Partners, in their reasonable discretion. In the event the General Partner withdraws from the Partnership, or otherwise

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dissolves or terminates, or upon the Incapacity of the General Partner, all of the remaining Partners may elect to continue the Partnership business by selecting a substitute General Partner in accordance with the Act.

B. Neither the General Partner nor the 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 General Partner may not sell all or substantially all of its assets (each a "Termination Transaction") unless in connection with the Termination Transaction all holders of Partnership Units either will receive, or will have the right to elect to receive, for each Partnership Unit an amount of cash, securities or other property equal to the product of the REIT Share Amount and the greatest amount of cash, securities or other property paid to the holder of one REIT Share in consideration of one REIT Share pursuant to the Termination Transaction. If, in connection with the Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding REIT Shares, each holder of Partnership 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 rights to Redemption (as set forth in Section 8.6) and received REIT Shares in exchange for its Partnership Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer. The PLPs shall have the benefit of the foregoing provisions with respect to all of their Performance Units, notwithstanding the limitation set forth in Section 8.6.A on a PLPs ability to exercise its rights to a Redemption.

C. 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 Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Partnership (in each case, the "Surviving Partnership"); (ii) the holders of Partnership 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 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 Partnership Units regarding liquidation, Redemption and exchange as are set forth 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 Section 11.2.B; or (b) the right to redeem their Partnership Units for cash on terms equivalent to those in effect with respect to their Partnership Units 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 determination of relative fair market value of such securities and the REIT Shares.

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D. In connection with any transaction permitted by Section 11.2.B or 11.2.C the determination of relative fair market values and rights, preferences and privileges of the Limited Partners shall be reasonably determined by the General Partner's 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 Partnership Units than the relative values reflected in the terms of the Termination Transaction.

E. 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 REIT Shares are exchanged for consideration other than publicly traded common equity, the transfer or release of remaining Performance Shares pursuant to the Escrow Agreements, and resulting issuance of any Performance Units as set forth in Section 4.3.F.

### Section 11.3. Limited Partners' Rights to Transfer

A. Any Limited Partner may, at any time without the consent of the General Partner, (i) transfer all or any portion of its Partnership Interest to the General Partner, (ii) transfer all or any portion of its Partnership Interest to an Affiliate controlled thereby or to an Immediate Family member, subject to the provisions of Section 11.6, (iii) transfer all or any portion of its Partnership Interest to a trust for the benefit of a charitable beneficiary or to a charitable foundation, subject to the provisions of Section 11.6 and (iv) subject to the provisions of Section 11.6, (a) pledge (a "Pledge") all or any portion of its Partnership Interest to a lending institution, which is not an Affiliate of such Limited Partner, as collateral or security for a bona fide loan or other extension of credit, or (b) transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension of credit. In addition, each Limited Partner or Assignee (resulting from a transfer made pursuant to clauses (i)-(iv) of the preceding sentence) shall have the right to transfer all or any portion of its Partnership Interest, subject to the provisions of Section 11.6 and the satisfaction of each of the following conditions:

- (a) General Partner Right of First Refusal. The transferring Partner shall give written notice of the proposed transfer to the General Partner, which notice shall state (x) the identity of the proposed transferee and (y) the amount and type of consideration proposed to be received for the transferred Partnership Units. The General Partner shall have ten (10) days upon which to give the transferring Partner notice of its election to acquire the Partnership Units on the proposed terms. If it so elects, it shall purchase the Partnership Units on such terms within ten (10) days after giving notice of such election. If it does not so elect, the transferring Partner may transfer such Partnership Units to a third party, on economic terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.
- (b) Qualified Transferee. Any transfer of a Partnership Interest shall be made only to Qualified Transferees.

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It is a condition to any transfer otherwise permitted hereunder that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Limited Partner under this Agreement with respect to such transferred Partnership Interest and no such transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor Partner are assumed by a successor corporation by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the approval of the General Partner, in its reasonable discretion. Notwithstanding the foregoing, any transferee of any transferred Partnership Interest shall be subject to any and all ownership limitations contained in the Charter and to the representations set forth in Section 3.4.D. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Limited Partner, no transferee, whether by a voluntary transfer, by operation of law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 11.5.

B. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator, or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Limited Partner possessed to transfer all or any part of his or its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. The General Partner may prohibit any transfer otherwise permitted under this Section 11.3 by a Limited Partner of his or her Partnership Units if, in the opinion of legal counsel to the Partnership, such transfer would require the filing of a registration statement under the Securities Act by the Partnership or would otherwise violate any Federal or state securities laws or regulations applicable to the Partnership or the Partnership Unit.

D. No transfer by a Limited Partner of his or her Partnership Units (including any Redemption or exchange for REIT Shares pursuant to Section



8.6, or any other acquisition of Partnership Units by the General Partner or the Partnership) may be made to any person if (i) in the opinion of legal counsel for the Partnership, it could result in the Partnership being treated as an association taxable as a corporation or (ii) such transfer could be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code.

E. No transfer of any Partnership Units may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability, without the consent of the General Partner, in its sole and absolute discretion; provided, that as a condition to such consent, the lender will be required to enter into an arrangement with the Partnership and the General Partner to redeem or exchange for the REIT Shares Amount any Partnership Units in which a security interest is held simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code.

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F. No Limited Partner may withdraw from the Partnership except as a result of transfer, redemption or exchange of Partnership Units pursuant hereto.

G. No PLP (or any transferee described below) shall be entitled to transfer any Performance Units prior to the second anniversary of their issuance, without the consent of the General Partner, which may be given or withheld in its sole discretion; provided, however, no such consent shall be required under this Section 11.3.G (but subject to the other limitations of this Article 11) for a transfer of all or a portion of such Performance Units to an Affiliate, to Immediate Family Members, to a trust described in Section 11.3.A(iii), pursuant to a Pledge, or a transfer of such pledged units to such lending institution in connection with the exercise of remedies under such loan or extension of credit.

#### Section 11.4. Substituted Limited Partners

A. No Limited Partner shall have the right to substitute a transferee as a Limited Partner in his or her place (including any transferee permitted by Section 11.3 above). The General Partner shall, however, have the right to consent to the admission of a permitted transferee of the interest of a Limited Partner, as a Substituted Limited Partner, pursuant to this Section 11.4, which consent may be given or withheld by the General Partner in its sole and absolute discretion. The General Partner's failure or refusal to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or any Partner.

B. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement. The admission of any transferee as a Substituted Limited Partner shall be subject to the transferee executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement (including, without limitation, the provisions of Section 2.4 and such other documents or instruments as may be required to effect the admission, each in form and substance satisfactory to the General Partner) and the acknowledgment by such transferee that each of the representations and warranties set forth in Section 3.4 are true and correct with respect to such transferee as of the date of the transfer of the Partnership Interest to such transferee.

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

#### Section 11.5. Assignees

If the General Partner, in its sole and absolute discretion, does not consent to the admission of any permitted transferee under Section 11.3 as a Substituted Limited Partner, as described in Section 11.4, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses, gain and loss attributable to the Partnership Units assigned to such transferee, the rights to transfer the Partnership Units provided in this Article 11, the right of

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Redemption provided in Section 8.6, but shall not be deemed to be a holder of Partnership Units for any other purpose under this Agreement, and shall not be entitled to effect a Consent with respect to such Partnership Units on any matter presented to the Limited Partners for approval (such Consent remaining with the transferor Limited Partner). In the event any such transferee desires to make a further assignment of any such Partnership Units, such transferee shall be subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make an assignment of Partnership Units. Notwithstanding anything contained in this Agreement to the contrary, as a condition to becoming an Assignee, any prospective Assignee must first execute and deliver to the Partnership an acknowledgment that each of the representations and warranties set forth in Section 3.4 hereof are true and correct with respect to such prospective Assignee as of the date of the prospective assignment of the Partnership Interest to such prospective Assignee and will continue to be true to the extent required by such representations or warranties.

#### Section 11.6. General Provisions

A. No Limited Partner may withdraw from the Partnership other than as a result of (i) a permitted transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 and the transferee(s) of such Units being admitted to the Partnership as a Substituted Limited Partner(s) or (ii) pursuant to the exercise of its right of Redemption of all of such Limited Partner's Partnership Units under Section 8.6.

B. Any Limited Partner who shall transfer all of such Limited Partner's Partnership Units in a transfer permitted pursuant to this Article 11 where such transferee was admitted as a Substituted Limited Partner or pursuant to the exercise of its rights of Redemption of all of such Limited Partner's Partnership Units under Section 8.6 shall cease to be a Limited Partner.

C. Transfers pursuant to this Article 11 may only be made effective on the last day of the month set forth on the written instrument of transfer, unless the General Partner otherwise agrees.

D. If any Partnership Interest is transferred, assigned or redeemed during any quarterly segment of the Partnership's fiscal year in compliance with the provisions of this Article 11 or transferred or redeemed pursuant to Sections 8.6 or 16.4, on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items attributable to such Partnership Interest for such fiscal year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the fiscal year in accordance with Section 706(d) of the Code, using the interim closing of the books method. Except as otherwise required by Section 706(d) of the Code or as otherwise specified in this Agreement or as otherwise determined by the General Partner (to the extent consistent with Section 706(d) of the Code), solely for purposes of making such allocations, each of such items for the calendar month in which the transfer, assignment or redemption occurs shall be allocated among all the Partners and Assignees in a manner determined by the General Partner in its sole discretion.

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E. In addition to any other restrictions on transfer herein contained, including without limitation the provisions of this Article 11 and Section 2.6, in no event may any transfer or assignment of a Partnership Interest by any Partner (including by way of a Redemption) be made (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii) in violation of applicable law; (iii) of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) if in the opinion of legal counsel to the Partnership such transfer would cause a termination of the Partnership for Federal or state income tax purposes (except as a result of the Redemption or exchange for REIT Shares of all Partnership Units held by all Limited Partners or pursuant to a Termination Transaction expressly permitted under Section 11.2); (v) if in the opinion of counsel to the Partnership such transfer would cause the Partnership to cease to be classified as a partnership for Federal or state income tax purposes (except as a result of the Redemption or exchange for REIT Shares of all Partnership Units held by all Limited Partners); (vi) if such transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(c) of the Code); (vii) if such transfer would, in the opinion of counsel to the Partnership, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.2-101; (viii) if such transfer requires the registration of such Partnership Interest pursuant to any applicable Federal or state securities laws; (ix) if such transfer is effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within

the meaning of Section 7704 of the Code or such transfer causes the Partnership to become a "Publicly Traded Partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code; (x) if such transfer subjects the Partnership to be regulated under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or the Employee Retirement Income Security Act of 1974, each as amended; (xi) if the transferee or assignee of such Partnership Interest is unable to make the representations set forth in Section 3.4.D or such transfer could otherwise adversely affect the ability of the General Partner to remain qualified as a REIT; or (xii) if in the opinion of legal counsel for the Partnership such transfer would adversely affect the ability of the General Partner to continue to qualify as a REIT or subject the General Partner to any additional taxes under Section 857 or Section 4981 of the Code.

F. The General Partner shall monitor the transfers of interests in the Partnership (including any acquisition of Partnership Units by the Partnership or the General Partner) to determine (i) if such interests are being traded on an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code and (ii) whether such transfers of interests would result in the Partnership being unable to qualify for at least one of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other applicable guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code) (the "Safe Harbors"). The General Partner shall have authority to take any steps it determines are necessary or appropriate in its sole and absolute discretion to prevent any trading of interests which could cause the Partnership to become a "publicly traded partnership," or any recognition by the Partnership of such transfers to insure that at least one of the Safe Harbors is met.

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ARTICLE 12.  
ADMISSION OF PARTNERS

Section 12.1. Admission of Successor General Partner

A successor to all of the General Partner's General Partner Interest pursuant to Section 11.2 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective upon such transfer. Any such transferee shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission. In the case of such admission on any day other than the first day of a Partnership Year, all items attributable to the General Partner Interest for such Partnership Year shall be allocated between the transferring General Partner and such successor as provided in Article 11.

Section 12.2. Admission of Additional Limited Partners

A. A Person who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 and (ii) such other documents or instruments as may be required in the discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's sole and absolute discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the receipt of the Capital Contribution in respect of such Limited Partner, the documents set forth in this Section 12.2.A and the consent of the General Partner to such admission. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items allocable among Partners and Assignees for such Partnership Year shall be allocated among such Limited Partner and all other Partners and Assignees by taking into account their varying interests during the Partnership Year in accordance with Section 706(d) of the Code, using the interim closing of the books method. Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of an Additional Limited Partner occurs shall be allocated among all the Partners and Assignees, including such Additional Limited Partner, in a manner determined by the General Partner in its sole discretion.

Section 12.3. Amendment of Agreement and Certificate of Limited Partnership

For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4.

ARTICLE 13.  
DISSOLUTION AND LIQUIDATION

Section 13.1. Dissolution

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner (selected as described in Section 13.1.B below) shall continue the business of the Partnership. The Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following ("Liquidating Events"):

A. the expiration of its term as provided in Section 2.5;

B. an event of withdrawal of the General Partner, as defined in the Act, unless, within ninety (90) days after the withdrawal, all of the remaining Partners agree in writing, in their sole and absolute discretion, to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a substitute General Partner;

C. prior to December 31, 2096, an election to dissolve the Partnership made by the General Partner with the consent of Limited Partners who hold ninety percent (90%) of the outstanding Units held by Limited Partners;

D. subject to the provisions of Section 7.3.C, an election to dissolve the Partnership made by the General Partner in its sole and absolute discretion;

E. entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;

F. the sale or disposition of all or substantially all of the assets and properties of the Partnership; or

G. a final and non-appealable judgment is entered by a court of competent jurisdiction ruling that the General Partner is bankrupt or insolvent, or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any Federal or state bankruptcy or insolvency laws as now or hereafter in effect, unless prior to or at the time of the entry of such order or judgment a Majority in Interest of the remaining Limited Partners Consent in writing to continue the business of the Partnership and to

the appointment, effective as of a date prior to the date of such order or judgment, of a substitute General Partner.

Section 13.2. Winding Up

A. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner (or, in the event there is no remaining General Partner, any Person elected by a Majority in Interest of the Limited Partners (the "Liquidator")) shall be responsible for overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and assets and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the General Partner, include shares of stock of the General Partner) shall be applied and distributed in the following order:

- (i) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the Partners;

- (ii) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the General Partner;
- (iii) Third, to the payment and discharge of all of the Partnership's debts and liabilities to the other Partners; and
- (iv) The balance, if any, to the Partners in accordance with their Capital Account balances determined after giving effect to all contributions and distributions for all periods, and after taking into account all Capital Account adjustments for the Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(iv)).

The General Partner shall not receive any additional compensation for any services performed pursuant to this Article 13 other than reimbursement of its expenses as provided in Section 7.4.

B. Notwithstanding the provisions of Section 13.2.A which require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Partners as creditors) and/or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Partners, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable

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and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. The Partnership shall be terminated when any notes received in connection with any such sale or disposition referenced in Section 13.1.E above, or in connection with the liquidation of the Partnership have been paid and all of the cash or property available for application and distribution under this Agreement have been applied and distributed in accordance with this Agreement.

#### Section 13.3. Compliance with Timing Requirements of Regulations

In the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article 13 to the General Partner and Limited Partners who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2). If any Partner has a deficit balance in his or her Capital Account (after giving effect to all contributions, distributions and allocations for the taxable years, including the year during which such liquidation occurs), such Partner shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever, except to the extent otherwise agreed to by such Partner and the General Partner. In the discretion of the Liquidator or the General Partner, a pro rata portion of the distributions that would otherwise be made to the General Partner and Limited Partners pursuant to this Article 13 may be:

A. distributed to a trust established for the benefit of the General Partner and Limited Partners for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership. The assets of any such trust shall be distributed to the General Partner and Limited Partners from time to time, in the reasonable discretion of the Liquidator or the General Partner, in the same proportions and the amount distributed to such trust by the Partnership would otherwise have been distributed to the General Partner and Limited Partners pursuant to this Agreement; or

B. withheld to establish any reserves deemed necessary or

appropriate for any contingent or unforeseen liabilities or obligations of the Partnership; and to reflect the unrealized portion of any installment obligations owed to the Partnership; provided that, such withheld amounts shall be distributed to the General Partner and Limited Partners as soon as practicable.

#### Section 13.4. Deemed Distribution and Recontribution

Notwithstanding any other provision of this Article 13, in the event the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) but no Liquidating Event has occurred, the Partnership's property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged, and the Partnership's affairs shall not be wound up. Instead, the Partnership shall be deemed to have distributed the Partnership property in kind to the General Partner and Limited Partners, who shall be deemed to have assumed and taken such property subject to all Partnership liabilities, all in accordance with their respective

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Capital Accounts. Immediately thereafter, the General Partner and Limited Partners shall be deemed to have recontributed the Partnership property in kind to the Partnership, which shall be deemed to have assumed and taken such property subject to all such liabilities.

#### Section 13.5. Rights of Limited Partners

Except as otherwise provided in this Agreement, each Limited Partner shall look solely to the assets of the Partnership for the return of his Capital Contribution and shall have no right or power to demand or receive property from the General Partner. No Limited Partner shall have priority over any other Limited Partner as to the return of his Capital Contributions, distributions or allocations.

#### Section 13.6. Notice of Dissolution

In the event a Liquidating Event occurs or an event occurs that would, but for provisions of Section 13.1, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each of the Partners and to all other parties with whom the Partnership regularly conducts business (as determined in the discretion of the General Partner) and shall publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the discretion of the General Partner).

#### Section 13.7. Cancellation of Certificate of Limited Partnership

Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2, the Partnership shall be terminated and the Certificate and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

#### Section 13.8. Reasonable Time for Winding-Up

A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between the Partners during the period of liquidation.

#### Section 13.9. Waiver of Partition

Each Partner hereby waives any right to partition of the Partnership property.

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### ARTICLE 14. AMENDMENT OF PARTNERSHIP AGREEMENT; CONSENTS

#### Section 14.1. Amendments

A. The actions requiring consent or approval of the Partners or of the Limited Partners pursuant to this Agreement, including Section 7.3, or otherwise pursuant to applicable law, are subject to the procedures in this Article 14.

B. Amendments to this Agreement requiring the consent or approval of Limited Partners may be proposed by the General Partner or by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by Limited Partners. Following such proposal, the General Partner shall submit any proposed amendment to the Partners or of the Limited Partners, as applicable. The General Partner shall seek the written consent or approval of the Partners or of the Limited Partners on the proposed amendment or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. For purposes of obtaining a written consent, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a consent which is consistent with the General Partner's recommendation (if so recommended); provided that, an action shall become effective at such time as requisite consents are received even if prior to such specified time.

#### Section 14.2. Action by the Partners

A. Meetings of the Partners may be called by the General Partner and shall be called upon the receipt by the General Partner of a written request by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by the Limited Partners. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than seven days nor more than thirty (30) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Whenever the vote of the Percentage Interests of the Partners, or the Consent of the Partners or Consent of the Limited Partners is permitted or required under this Agreement, such vote or Consent may be given at a meeting of Partners or may be given in accordance with the procedure prescribed in Section 14.1.

B. Any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a written consent setting forth the action so taken is signed by the Percentage Interests as is expressly required by this Agreement for the action in question. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as a vote of the Percentage Interests of the Partners (expressly required by this Agreement). Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified.

C. Each Limited Partner may authorize any Person or Persons to act for him by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or his attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it.

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D. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate.

E. On matters on which Limited Partners are entitled to vote, each Limited Partner shall have a vote equal to the number of Partnership Units held.

### ARTICLE 15. GENERAL PROVISIONS

#### Section 15.1. Addresses and Notice

Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by certified first class United States mail, nationally recognized overnight delivery service or facsimile transmission to the Partner or Assignee at the address set forth in Exhibit A or such other address as the Partners shall notify the General Partner in writing.

#### Section 15.2. Titles and Captions

All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

#### Section 15.3. Pronouns and Plurals

Whenever the context may require, any pronoun used in this

Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

#### Section 15.4. Further Action

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

#### Section 15.5. Binding Effect

This Agreement shall be binding upon and inure to the benefit of the parties hereto including the Persons set forth in Exhibit G, and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

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#### Section 15.6. Creditors

Other than as expressly set forth herein with respect to Indemnitees, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

#### Section 15.7. Waiver

No failure or delay by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon any breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

#### Section 15.8. Counterparts

This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

#### Section 15.9. Applicable Law

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

#### Section 15.10. Invalidity of Provisions

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

#### Section 15.11. Limitation to Preserve REIT Status

To the extent that any amount paid or credited to the General Partner or its officers, directors, employees or agents pursuant to Section 7.4 or 7.7 would constitute gross income to the General Partner for purposes of Sections 856(c)(2) or 856(c)(3) of the Code (a "General Partner Payment") then, notwithstanding any other provision of this Agreement, the amount of such General Partner Payments for any fiscal year shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) 4.17% of the General Partner's total gross income (but not including the amount of any General Partner Payments) for the fiscal year which is described in subsections (A) through (H) of Section 856(c)(2) of the Code over (b) the amount of gross income (within the meaning of Section 856(c)(2) of the Code) derived by the General Partner from sources other than those described in subsections (A) through (H) of Section 856(c)(2) of the Code (but not including the amount of any General Partner Payments); or

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(ii) an amount equal to the excess, if any, of (a) 25% of the General Partner's total gross income (but not including the amount of any General Partner Payments) for the fiscal year which is described in subsections (A) through (I) of Section 856(c)(3) of the Code over (b) the amount of gross income (within the meaning of Section 856(c)(3) of the Code) derived by the General Partner from sources



other than those described in subsections (A) through (I) of Section 856(c)(3) of the Code (but not including the amount of any General Partner Payments);

provided, however, that General Partner Payments in excess of the amounts set forth in subparagraphs (i) and (ii) above may be made if the General Partner, as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts would not adversely affect the General Partner's ability to qualify as a REIT. To the extent General Partner Payments may not be made in a year due to the foregoing limitations, such General Partner Payments shall carry over and be treated as arising in the following year; provided, however, that such amounts shall not carry over for more than five years, and if not paid within such five year period, shall expire; provided, further, that (a) as General Partner Payments are made, such payments shall be applied first to carry over amounts outstanding, if any and (b) with respect to carry over amounts for more than one Partnership Year, such payments shall be applied to the earliest Partnership Year first.

#### Section 15.12. Entire Agreement

This Agreement (together with the agreements listed on Exhibit I hereto as to rights and obligations in respect of the Units held by the Limited Partners who are parties thereto, or their permitted transferees) contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and supersedes any other prior written or oral understandings or agreements among them with respect thereto.

#### Section 15.13. No Rights as Stockholders

Nothing contained in this Agreement shall be construed as conferring upon the holders of Partnership Units any rights whatsoever as stockholders of the General Partner, including without limitation any right to receive dividends or other distributions made to stockholders of the General Partner or to vote or to consent or to receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the General Partner or any other matter.

### ARTICLE 16. SERIES A PREFERRED UNITS

#### Section 16.1. Designation and Number

A series of Partnership Units in the Partnership designated as the [ %] Series A Cumulative Redeemable Preferred Units (the "Series A Preferred Units") is hereby established. The number Series A Preferred Units shall be [4,600,000].

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#### Section 16.2. Distributions

A. Payment of Distributions. Subject to the rights of holders of Parity Preferred Units as to the payment of distributions, pursuant to Section 5.1 hereof, the General Partner, as holder of the Series A Preferred Units, will be entitled to receive, when, as and if declared by the Partnership acting through the General Partner, out of Available Cash, cumulative preferential cash distributions in an amount equal to the Priority Return. Such distributions will be payable (A) quarterly in arrears, on the \_\_\_ day of March, June, September and December of each year and (B) in the event of a redemption of Series A Preferred Units, on the redemption date (each a "Preferred Unit Distribution Payment Date"), commencing on the first of such payment dates to occur following their original date of issuance. If any date on which distributions are to be made on the Series A Preferred Units is not a Business Day, then payment of the distribution to be made on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

B. No Distributions in Contravention of Agreements. No distribution on the Series A Preferred Units shall be authorized by the General Partner or made or set apart for payment by the Partnership at such time as the terms and provisions of any agreement of the Partnership or the General Partner, including any agreement relating to indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof, or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

C. Priority as to Distributions. (i) Except to the extent set forth in Section 16.2.C (ii), so long as any Series A Preferred Units are outstanding, no distribution of cash or other property shall be authorized,

declared, paid or set apart for payment on or with respect to any class or series of Partnership Interest of the Partnership ranking, as to distributions or voluntary or involuntary liquidation, dissolution or winding up of the Partnership, junior to the Series A Preferred Units (collectively, "Junior Units"), nor shall any Junior Units or Parity Preferred Units 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 Junior Units or Parity Preferred Units) by the Partnership (except by conversion into or exchange for other Junior Units or Parity Preferred Units) unless, in each case, full cumulative distributions have been or contemporaneously are authorized and paid or authorized and a sum sufficient for the payment thereof set apart for such payment on the Series A Preferred Units for all past distribution periods and the current distribution period. The foregoing sentence will not prohibit (a) distributions payable solely in Junior Units, (b) the exchange of Junior Units or Parity Preferred Units into Partnership Interests of the Partnership ranking junior to the Series A Preferred Units as to

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distributions, or (c) the redemption of Partnership Interests corresponding to REIT Series A Preferred Shares, Parity Preferred Stock with respect to distributions or Junior Stock to be purchased by the General Partner pursuant to the Charter to preserve the General Partner's status as a real estate investment trust, provided that such redemption shall be upon the same terms as the corresponding STOCK purchase pursuant to the Charter.

(ii) So long as distributions have not been paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Units and any other Parity Preferred Units, all distributions authorized and declared on the Series A Preferred Units and all classes or series of outstanding Parity Preferred Units shall be authorized and declared pro rata so that the amount of distributions authorized and declared per Series A Preferred Unit and such other classes or series of Parity Preferred Units shall in all cases bear to each other the same ratio that accrued distributions per Series A Preferred Unit and such other classes or series of Parity Preferred Units (which shall not include any accumulation in respect of unpaid distributions for prior distribution periods if such class or series of Parity Preferred Units do not have cumulative distribution rights) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any distributions or payments on Series A Preferred Shares which may be in arrears.

D. No Further Rights. The General Partner, as holder of the Series A Preferred Units, shall not be entitled to any distributions, whether payable in cash, other property or otherwise, in excess of the full cumulative distributions described herein. Any distribution payment made on the Series A Preferred Units shall first be credited against the earliest accrued but unpaid distribution due with respect to such Series A Preferred Units which remain payable.

#### Section 16.3. Liquidation Proceeds

A. Upon voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, distributions on the Series A Preferred Units shall be made in accordance with Article 13 of this Agreement.

B. Notice. Written notice of any such voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, 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 the General Partner pursuant to Section 13.6 hereof.

C. No Further Rights. After payment of the full amount of the liquidating distributions to which they are entitled, the General Partner, as holder of the Series A Preferred Units, will have no right or claim to any of the remaining assets of the Partnership.

D. Consolidation, Merger or Certain Other Transactions. None of a consolidation or merger of the Partnership with or into another entity, a merger of another entity with or into the Partnership, or a sale, lease, transfer or conveyance of all or substantially all of the Partnership's property or business shall be considered a liquidation, dissolution or winding up of the Partnership.

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#### Section 16.4. Redemption

A. Redemption. The Series A Preferred Units may not be redeemed prior to June \_\_, 2003. If, on or after such date, the General Partner elects to redeem any of the Series A Preferred Shares, the Partnership shall, on

the date set for redemption of such Series A Preferred Shares, redeem the number of Series A Preferred Units equal to the number of Series A Preferred Shares for which the General Partner has given notice of redemption pursuant to Section 5 of Article First of the Series A Articles Supplementary, at a redemption price, payable in cash, equal to the product of (i) the number of Series A Preferred Units being redeemed, and (ii) the sum of \$25 and the Preferred Distribution Shortfall per Series A Preferred Unit, if any.

B. Limitation on Redemption. The Redemption Price of the Series A Preferred Units (other than the portion thereof consisting of accumulated but unpaid distributions) is payable solely out of the sale proceeds of capital stock of the General Partner, which will be contributed by the General Partner to the Partnership as an additional capital contribution, or out of the sale of limited partner interests in the Partnership and from no other source. For purposes of the preceding sentence, "capital stock" means any equity securities (including Common Stock and Preferred Stock (as such terms are defined in the Charter)), depository shares, interests, participation 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. Payment of Accumulated Distributions. Immediately prior to any redemption of Series A Preferred Units, the Partnership shall pay, in cash, any accumulated and unpaid distributions on the Series A Preferred Units to be redeemed through the redemption date. Except as provided above, the Partnership will make no payment or allowance for unpaid distributions, whether or not in arrears, on Series A Preferred Units for which a notice of redemption has been given.

D. Procedures for Redemption. The following provisions set forth the procedures for Redemption:

(i) Notice of redemption will be given by the General Partner to the Partnership concurrently with the notice of the General Partner sent to the holders of its Series A Preferred Shares in connection with such redemption. Such notice shall state: (A) the redemption date; (B) the redemption price; (C) the number of Series A Preferred Units to be redeemed; (D) the place or places where the Series A Preferred Units are to be surrendered for payment of the redemption price; and (E) that distributions on the Series A Preferred Units to be redeemed will cease to accumulate on such redemption date. If less than all of the Series A Preferred Units are to be redeemed, the notice shall also specify the number of Series A Preferred Units to be redeemed.

(ii) On or after the redemption date, the General Partner shall present and surrender the certificates, if any, representing the Series A Preferred Units to the Partnership at the place designated in the notice of redemption and thereupon the redemption price of such Units (including all accumulated and unpaid distributions up to the redemption date) shall be paid to the General Partner and each surrendered Unit certificate, if any, shall be canceled. If

fewer than all the Units represented by any such certificate representing Series A Preferred Units are to be redeemed, a new certificate shall be issued representing the unredeemed shares.

(iii) From and after the redemption date (unless the Partnership defaults in payment of the redemption price), all distributions on the Series A Preferred Units designated for redemption in such notice shall cease to accumulate and all rights of the General Partner, except the right to receive the redemption price thereof (including all accumulated and unpaid distributions up to the redemption date), shall cease and terminate, and such Units shall not be deemed to be outstanding for any purpose whatsoever. At its election, the Partnership, prior to a redemption date, may irrevocably deposit the redemption price (including accumulated and unpaid distributions to the redemption date) of the Series A Preferred Units so called for redemption in trust for the General Partner with a bank or trust company, in which case the redemption notice to General Partner 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 the General Partner to surrender the certificates, if any, representing such Series A Preferred Units 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 distributions to the redemption date). Any monies so deposited which remain unclaimed by the General Partner at the end of two years after the redemption date shall be returned by such bank or trust company to the Partnership.

E. No Further Rights. Any Series A Preferred Units that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Units, without designation as to series until such shares are once more designated as part of a particular series by the

General Partner.

Section 16.5. Voting Rights

The General Partner shall not have any voting or consent rights in respect of its partnership interest represented by the Series A Preferred Units.

Section 16.6. Transfer Restrictions

The Series A Preferred Units shall not be transferable.

Section 16.7. No Conversion Rights

The Series A Preferred Units shall not be convertible into any other class or series of interest in the Partnership.

Section 16.8. No Sinking Fund

No sinking fund shall be established for the retirement or redemption of Series A Preferred Units.

(Signature Pages Follows)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

GENERAL PARTNER:

AMB PROPERTY CORPORATION,  
a Maryland corporation

By: \_\_\_\_\_  
S. Davis Carniglia  
Chief Financial Officer

EXHIBIT A

PARTNERS, CONTRIBUTIONS AND PARTNERSHIP INTERESTS

<TABLE>  
<CAPTION>

PARTNERSHIP NAME OF PARTNER INTEREST	PERCENTAGE	CASH CONTRIBUTIONS	AGREED VALUE OF CONTRIBUTED PROPERTY*	GROSS ASSET VALUE	TOTAL CONTRIBUTIONS	UNITS
----- -----		----- -----	----- -----	----- -----	----- -----	----- -----
<S> <C>		<C>	<C>	<C>	<C>	<C>
----- -----		----- -----	----- -----	----- -----	----- -----	----- -----
----- -----		----- -----	----- -----	----- -----	----- -----	----- -----
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----- -----		----- -----	----- -----	----- -----	----- -----	----- -----
----- -----		----- -----	----- -----	----- -----	----- -----	----- -----

Totals:

</TABLE>

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\*Net of Debt (if any)

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EXHIBIT B

NOTICE OF REDEMPTION

The undersigned hereby [irrevocably] (i) exchanges  
Limited Partnership Units in AMB Property, L.P. in accordance with

- -----  
the terms of the Limited Partnership Agreement of AMB Property, L.P. dated as of  
, as amended, and the rights of Redemption referred to therein,  
- -----

(ii) surrenders such Limited Partnership Units and all right, title and interest therein and (iii) directs that the cash (or, if applicable, REIT Shares) deliverable upon Redemption or exchange be delivered to the address specified below, and if applicable, that such REIT Shares be registered or placed in the name(s) and at the address(es) specified below.

Dated: \_\_\_\_\_  
Name of Limited Partner: \_\_\_\_\_

-----  
(Signature of Limited Partner)

-----  
(Street Address)

-----  
(City) (State) (Zip Code)

Signature Guaranteed by:  
-----

Issue REIT Shares in the name of:

Please insert social security or identifying number:

Address (if different than above):

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EXHIBIT C

CONSTRUCTIVE OWNERSHIP DEFINITION

The term "Constructively Owns" means ownership determined through the application of the constructive ownership rules of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. Generally, these rules provide the following:

a. an individual is considered as owning the Ownership Interest that is owned, actually or constructively, by or for his spouse, his children, his grandchildren, and his parents;

b. an Ownership Interest that is owned, actually or constructively, by or for a partnership, limited liability company or estate is considered as owned proportionately by its partners, members or beneficiaries;

c. an Ownership Interest that is owned, actually or constructively, by or for a trust is considered as owned by its beneficiaries in proportion to the actuarial interest of such beneficiaries (provided, however, that in the case of a "grantor trust" the Ownership Interest will be considered as owned by the grantors);

d. if ten percent (10%) or more in value of the stock in a corporation is owned, actually or constructively, by or for any person, such person shall be considered as owning the Ownership Interest that is owned, actually or constructively, by or for such corporation in that proportion which the value of the stock which such person so owns bears to the value of all the stock in such

corporation;

e. an Ownership Interest that is owned, actually or constructively, by or for a partner or member which actually or constructively owns a 25% or greater capital interest or profits interest in a partnership or limited liability company, or by or for a beneficiary of an estate or trust, shall be considered as owned by the partnership, limited liability company, estate, or trust (or, in the case of a grantor trust, the grantors);

f. if ten percent (10%) or more in value of the stock in a corporation is owned, actually or constructively, by or for any person, such corporation shall be considered as owning the Ownership Interest that is owned, actually or constructively, by or for such person;

g. if any person has an option to acquire an Ownership Interest (including an option to acquire an option or any one of a series of such options), such Ownership Interest shall be considered as owned by such person;

h. an Ownership Interest that is constructively owned by a person by reason of the application of the rules described in paragraphs (a) through (g) above shall, for purposes of applying paragraphs (a) through (g), be considered as actually owned by such person provided, however, that (i) an Ownership Interest constructively owned by an individual by reason of paragraph (a) shall not be considered as owned by him for purposes of again applying paragraph (a) in order to make another the constructive owner of such Ownership Interest, (ii) an Ownership Interest constructively owned by a partnership, estate, trust, or corporation by reason of the application of paragraphs (e) or (f) shall not be considered as owned by it for purposes of applying paragraphs (b), (c), or (d) in order to make another the constructive owner of such Ownership Interest, (iii) if an Ownership Interest may be considered as owned by an individual under paragraphs (a) or (g), it shall be considered as owned by him under paragraph (g) and (iv) for purposes of the above described rules, an S corporation shall be treated as a partnership and any stockholder of the S corporation shall be treated as a partner of such partnership except that this rule shall not apply for purposes of determining whether stock in the S corporation is constructively owned by any person.

i. For purposes of the above summary of the constructive ownership rules, the term "Ownership Interest" means the ownership of stock with respect to a corporation and, with respect to any other type of entity, the ownership of an interest in either its assets or net profits.

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EXHIBIT D-1

FORM OF PARTNERSHIP UNIT CERTIFICATE

CERTIFICATE FOR PARTNERSHIP UNITS OF

AMB PROPERTY, L.P.

No. \_\_\_\_\_ UNITS

AMB Property Corporation as the General Partner of AMB

Property, L.P., a Delaware limited partnership (the "Operating Partnership"), hereby certifies that \_\_\_\_\_ is a Limited Partner of the Operating Partnership whose Partnership Interests therein, as set forth in the Agreement of Limited Partnership of AMB Property, L.P., dated as of \_\_\_\_\_, 199\_\_ (as it may be amended, modified or supplemented from time to time in accordance with its terms, (the "Partnership Agreement")), under which the Operating Partnership is existing and as filed in the office of the Delaware [State Department of Assessments and Taxation] (copies of which are on file at the Operating Partnership's principal office at \_\_\_\_\_, represent \_\_\_\_\_ units of limited partnership interest in the Operating Partnership (the "Partnership Units").

THE PARTNERSHIP UNITS REPRESENTED BY THIS CERTIFICATE OR INSTRUMENT MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION COMPLIES WITH THE PROVISIONS OF THE PARTNERSHIP AGREEMENT (A COPY OF WHICH IS ON FILE WITH THE OPERATING PARTNERSHIP). EXCEPT AS OTHERWISE PROVIDED IN THE PARTNERSHIP AGREEMENT, NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE PARTNERSHIP UNITS REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR (B) IF THE OPERATING PARTNERSHIP HAS BEEN FURNISHED WITH A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER OF THE PARTNERSHIP UNITS REPRESENTED BY THIS CERTIFICATE THAT SUCH TRANSFER, SALE ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION IS EXEMPT FROM THE PROVISIONS OF SECTION 5 OF THE ACT AND THE RULES AND REGULATIONS IN EFFECT

THEREUNDER.

DATED: \_\_\_\_\_, 199\_\_.

AMB PROPERTY CORPORATION

General Partner of AMB  
Property, L.P.

ATTEST:

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

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

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EXHIBIT D-2

FORM OF PARTNERSHIP UNIT CERTIFICATE

CERTIFICATE FOR PERFORMANCE UNITS OF

AMB PROPERTY, L.P.

No. \_\_\_\_\_ UNITS

AMB Property Corporation as the General Partner of AMB

Property, L.P., a Delaware limited partnership (the "Operating Partnership"), hereby certifies that \_\_\_\_\_ is a Limited Partner of the Operating Partnership whose Partnership Interests therein, as set forth in the Agreement of Limited Partnership of AMB Property, L.P., dated as of \_\_\_\_\_, 199\_\_ (as it may be amended, modified or supplemented from time to time in accordance with its terms, (the "Partnership Agreement"), under which the Operating Partnership is existing and as filed in the office of the Delaware [State Department of Assessments and Taxation] (copies of which are on file at the Operating Partnership's principal office at \_\_\_\_\_, represent \_\_\_\_\_ performance units (as defined in the Partnership Agreement) of limited partnership interest in the Operating Partnership (the "Performance Units").

THE PERFORMANCE UNITS REPRESENTED BY THIS CERTIFICATE OR INSTRUMENT MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION COMPLIES WITH THE PROVISIONS OF THE PARTNERSHIP AGREEMENT (A COPY OF WHICH IS ON FILE WITH THE OPERATING PARTNERSHIP). EXCEPT AS OTHERWISE PROVIDED IN THE PARTNERSHIP AGREEMENT, NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE PERFORMANCE UNITS REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR (B) IF THE OPERATING PARTNERSHIP HAS BEEN FURNISHED WITH A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER OF THE PERFORMANCE UNITS REPRESENTED BY THIS CERTIFICATE THAT SUCH TRANSFER, SALE ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION IS EXEMPT FROM THE PROVISIONS OF SECTION 5 OF THE ACT AND THE RULES AND REGULATIONS IN EFFECT THEREUNDER.

DATED: \_\_\_\_\_, 199\_\_.

AMB PROPERTY CORPORATION

General Partner of AMB  
Property, L.P.

ATTEST:

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

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

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EXHIBIT E

SCHEDULE OF PARTNERS' OWNERSHIP

WITH RESPECT TO TENANTS

E-1

EXHIBIT F

SCHEDULE OF REIT SHARES

ACTUALLY OR CONSTRUCTIVELY OWNED BY 25% LIMITED PARTNERS

OTHER THAN THOSE ACQUIRED PURSUANT TO AN EXCHANGE

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EXHIBIT G

PERFORMANCE UNITS

Any Performance Units to be issued by the Partnership pursuant to Section 4.3.F. shall be issued to the following Persons in the following amounts:

1. The first 3,000,000 Performance Units to be issued shall be issued 90% to the "Old PLPs" (as defined below) and 10% to the "New PLPs" (as defined below).

2. Any Performance Units to be issued in excess of those set forth in paragraph 1. above shall be issued 80% to the Old PLPs and 20% to the New PLPs.

3. The Performance Units allocable to each group of PLPs pursuant to paragraphs 1. and 2. above shall be allocated among the PLPs within such group in accordance with each PLP's percentage interest as set forth in the definitions below.

4. The receipt of Performance Units by a PLP is subject to the following vesting requirements:

A. Any Person who is listed in the definition of Old PLP or New PLP and who does not remain employed, by one or more of the Partnership, the IMS or their affiliates, for at least one (1) year from the closing of the initial public offering of the common stock of the General Partner, other than Persons who cease to be so employed as a result of a Permitted Reason, shall have their name removed from such definition and such Person's percentage as set forth in such definition shall be transferred to the other Persons listed in such definition in proportion to their immediately preceding percentages.

B. Performance Units issued to a New PLP shall be subject to a vesting requirement pursuant to which a New PLP will have their ownership of Performance Units vest in 25% increments on each anniversary of such issuance, beginning on the first such anniversary and ending on the fourth such anniversary. In order for such portion of the Performance Units to vest on an anniversary, the New PLP must continue to be employed by one or more of the Partnership, the IMS or their affiliates on such anniversary (the "Employment Requirement"). In the event a New PLP ceases to meet the Employment Requirement, he or she shall immediately forfeit any Performance Units which have not previously vested. Notwithstanding the foregoing, (i) all Performance Units held by New PLPs meeting the Employment Requirement at the effective time of a Termination Transaction shall vest at such time; and (ii) the General Partner may, in its sole and absolute discretion, cause the immediate vesting of some or all of the Performance Units issued to one or more of the New PLPs

C. Any Performance Units forfeited pursuant to paragraph B. above shall be reissued by the Partnership to each of the Old PLPs and New PLPs in proportion to the number of Performance Units originally issued to each such PLP (including Performance Units then held by a New PLP which have not yet vested). Any Performance Units which are reissued to a New PLP pursuant to this paragraph 4.C. with respect to such New PLP'S Performance Units which have not yet vested (based on the percentage of such New PLP'S Performance Units that have not yet vested), shall be unvested performance units and shall vest or be

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forfeited in accordance with or at the same time as the Performance Units with respect to which such reissued Performance Units were acquired. Any other Performance Units which are reissued to a PLP pursuant to this paragraph 4.C. shall be fully vested upon such reissuance.

D. Units which have not vested may not be exchanged or redeemed (including pursuant to Section 8.6), sold or otherwise disposed of by a PLP.

E. If by January 31, 1999, 100% of the percentage interests allocable to the New PLPs have not been allocated (i.e., a portion of



such percentage interests continues to be allocable to "TBD"), any such unallocated percentage interests shall be reallocated on such date to the other Persons listed in such definition in proportion to their immediately preceding percentages.

#### Definitions

"Old PLPs" means the Persons set forth on Schedule G-1 attached hereto, with the percentage interest so indicated, as adjusted pursuant to paragraph 4.A. above.

"New PLPs" means the Persons set forth on Schedule G-2 attached hereto, with the percentage interest so indicated, as adjusted pursuant to paragraph 4.A. above.

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#### EXHIBIT H

##### PROPERTIES WITH RESTRICTIONS ON DISPOSITION

##### PURSUANT TO SECTION 7.3.F

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#### EXHIBIT I

##### SCHEDULE OF CERTAIN AGREEMENTS CONTAINING

##### LIMITATIONS ON GENERAL PARTNERS GENERAL AUTHORITY

1. Contribution Agreement, dated March 30, 1998, by and among AMB Property, L.P. and the other parties named therein.
2. AMB Property, L.P., First Amendment to Amended and Restated Agreement of Limited Partnership, dated as of March 30, 1998.
3. Contribution Agreement, dated March 31, 1998, by and among AMB Property, L.P. and Steve Liefschultz, Stephen M. Vincent, Alan Wilensky and Craig Gagnon.
4. AMB Property, L.P., Second Amendment to Amended and Restated Agreement of Limited Partnership, dated as of March 31, 1998.
5. Contribution Agreement, dated June 4, 1998, by and among AMB Property, L.P. and the other parties named therein.
6. AMB Property, L.P. Third Amendment to Amended and Restated Agreement of Limited Partnership, dated as of June 4, 1998.
7. Contribution Agreement, dated June 30, 1998, by and among AMB Property, L.P. and the other parties named therein.
8. AMB Property, L.P. Fourth Amendment to Amended and Restated Agreement of Limited Partnership, dated as of June 30, 1998.

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