

AMB Property Corporation Announces Second Quarter 2001 Results Highlights

PRNewswire

- Earnings per share (EPS) for the quarter were \$0.33, flat over the second quarter 2000, and \$0.82 for the first half of the year, an increase of 20.6% over the first half of 2000
- \$16.1 million non-cash charge taken against earnings and funds from operations (FFO) for impairment reserves on all of the company's equity investments in technology and e-commerce companies
- \$17.8 million of gains on \$61.6 million of property dispositions, which was not included in FFO
- Adjusted EPS (before gains and extraordinary and one-time items) for the quarter increased 3.1% over the second quarter of 2000 to \$0.33, and 3.0% over the first half of 2000 to \$0.68
- FFO per share, after non-cash charges of \$0.18 per share, decreased 25.9% from the second quarter 2000 to \$0.43, and decreased 11.5% from the first half of 2000 to \$1.00, after non-cash charges of \$0.23 per share
- Same store net operating income (NOI) growth was 6.8% for the quarter and 7.6% year-to-date
- Raised \$159 million of private capital commitments for AMB Institutional Alliance Fund II
- Reduced debt by \$56 million and repurchased 25,000 shares of common stock at \$22.80 per share

SAN FRANCISCO, July 9 [PRNewswire/](#) -- AMB Property Corporation today reported earnings per share (EPS) of \$0.33 for the second quarter 2001, flat over the second quarter of 2000. EPS for the first half of 2001 was \$0.82, an increase of 20.6% over the first half of 2000. Adjusted EPS (before gains and extraordinary and one-time items) was \$0.33 for the quarter, a 3.1% increase over the second quarter of 2000 and \$0.68 for the first six months, a 3.0% increase over the first six months of 2000.

Earnings growth for the quarter was positively impacted by \$17.8 million, or \$0.21 per share, of gains from asset dispositions, partially offset by non-cash charges of \$16.1 million, or \$0.18 per share, for impairment reserves on all of the company's private equity investments in technology and e-commerce companies, and a \$1.4 million, or \$0.02 per share, depreciation charge for capitalized lease costs related to leases with Webvan Group, Inc.

Earnings growth was also driven by continued strong operating performance at the company's industrial properties. Same store cash basis net operating income (NOI) growth was 6.8% with a 49.4% increase in same store base rents on lease renewals and rollovers during the quarter, and 71.2% tenant retention at the same store properties. Year-to-date same store NOI growth was 7.6%. Rent increases on renewals and rollovers during the quarter for the entire industrial portfolio were 38.5% and tenant retention was 72.6%. Occupancy was 95.9% at quarter-end, down 0.1% from the end of the first quarter.

Funds from operations (FFO) per fully diluted share were \$0.43 for the quarter, a decrease of 25.9% from the first quarter of 2000, and \$1.00 for the first half of the year, a decrease of 11.5% from the first half of 2000. Excluding the non-cash charges for impairment reserves, FFO per fully diluted share was \$0.61 for the quarter and \$1.23 for the first six months, reflecting an increase of

5.2% and 8.8%, respectively. FFO per share for the quarter was driven by \$0.06 of internal growth and \$0.01 of growth from investment management revenues, offset by a \$0.02 increase in general, administrative and other expenses and \$0.02 of dilution from property contributions and sales to co-investment joint ventures. Gains on asset dispositions were not included in FFO.

"During 1999 and 2000, AMB made equity investments in eight private technology and e-commerce companies. In order to reflect changes in market conditions, we decided to fully reserve against our remaining net investments in these companies and take the charge against earnings this quarter. We learned a great deal about the impact of technology on our business and that of our customers through these investments. We are disappointed that these equity investments did not meet our financial expectations, but we believe that we have now put these challenges behind us," stated Hamid R. Moghadam, chairman and chief executive officer of AMB.

"Turning to our operating results, the strength of AMB's investment strategy and business model shines during the slower parts of the real estate cycle. Our same store NOI growth remains strong at 7.6% year-to-date with stable occupancy. We continued to outperform the national industrial market supported by the strength of our infill locations, particularly our Bay Area assets. Focusing our investments on industrial distribution facilities in major hub markets and gateway cities reduces our exposure to excess supply and provides AMB with solid operating fundamentals and added opportunities for growth," continued Moghadam.

AMB's investment strategy focuses on High Throughput Distribution(TM) facilities in eight hub markets and gateway cities where the company believes there are significant growth opportunities. At quarter-end, properties in these markets accounted for 71.9% of AMB's annual revenues. Acquisitions during the quarter totaled \$71.9 million and 1.0 million square feet. AMB completed and stabilized two industrial development projects during the quarter, totaling 712,411 square feet for a total investment of \$42.3 million. The industrial development and renovation pipeline currently stands at \$254.2 million and consists of 4.5 million square feet, of which \$144.2 million, or 56.7%, has been funded.

Dispositions during the quarter totaled \$61.6 million and 1.3 million square feet, and included exiting the Nashville market. "We continue to sharpen our investment focus by opportunistically disposing of assets and redeploying the proceeds into properties that are more aligned with AMB's strategic direction. This quarter, we sold less-strategic assets and assets in non-core markets, recognizing \$17.8 million in gain on these sales," said W. Blake Baird, president of AMB.

During the quarter, AMB announced the initial closing of AMB Institutional Alliance Fund II, a multi-investor fund including 10 pension funds, foundations and endowments that have co-invested alongside AMB. The initial closing represented \$159 million of third party equity commitments, which amounts to a capitalization of approximately \$400 million for Fund II when combined with debt financings and AMB's equity investment. AMB will maintain a minimum equity ownership of 20% of the fund and expects that Fund II will utilize no more than 50% leverage. AMB will receive acquisition fees and priority distributions for portfolio management services, and may receive a promoted interest if certain return thresholds are met.

"We have executed well on expanding our private capital programs by raising \$284 million in third party private equity from co-investment partners in the first half of 2001, while keeping our common equity scarce," said Baird. Under a previously announced \$100 million stock repurchase program, the company repurchased 25,000 shares of common stock during the quarter at a price of \$22.80 per share, bringing the total repurchases under the program to \$27.9 million at an average price of \$18.98.

During the quarter, AMB reduced its share of total debt outstanding by \$56 million, finishing the quarter with no outstanding borrowings on its \$500 million unsecured credit facility and over \$175 million of cash on its balance sheet. AMB's share of total debt-to-total market capitalization declined from the first quarter of 2001 by 170 basis points to 36.2%. "We have significant financial capacity through both our balance sheet and private capital programs which gives us flexibility to take advantage of market opportunities in coming quarters," stated Guy F. Jaquier, executive vice president and chief investment officer.

AMB named one new senior vice president and five vice presidents, effective July 1, 2001. Andrew Singer was promoted to Senior Vice President - Transactions, Robert Adams was promoted to Vice President - Information Systems, David Buxbaum was promoted to Vice President - Regional Manager, Stephen Lekki was promoted to Vice President - Transactions, Victoria Robinson was promoted to Vice President - Investor Relations, and David Twist was promoted to Vice President - Research. In addition, AMB Investment Management promoted Alison Hill to Vice President - Investment Management. "We are pleased to recognize the success and contributions of these members of our leadership team and congratulate them in their new roles," said Moghadam.

Earlier today, Webvan Group, Inc. announced it has ceased operations in all markets and will pursue an orderly sale of its assets and business. As of June 30, 2001 Webvan had four leases totaling 843,970 square feet with AMB, accounting for \$3.6 million of annualized base rent and were current on all obligations as of June 30, 2001. Webvan was AMB's third largest customer at quarter-end and accounted for 0.8% of annualized base rents. As a result of this announcement and other previous announcements, AMB has taken a non-cash charge to depreciation totaling \$1.4 million for capitalized lease costs. In addition, AMB wrote-off \$1.4 million of straight-line rents receivable during the quarter; this amount did not affect earnings for the quarter because such expense was previously reserved. AMB expects to regain possession of all space and release it to new customers in subsequent quarters.

AMB will hold its second quarter 2001 conference call tomorrow, July 10, 2001 at 2:00 p.m. EDT (11:00 a.m. PDT). Stockholders and interested parties may access a webcast of the call through AMB's website at <http://www.amb.com/> or a broadcast of the call by dialing 719-457-2637, reservation code 691846. For those who are not able to listen to the live broadcast, a replay will be available for one week following the call through AMB's website at <http://www.amb.com/> or by dialing 719-457-0820, reservation code 691846.

AMB Property Corporation is one of the leading owners and operators of industrial real estate nationwide. As of June 30, 2001, AMB owned, managed and had renovation and development projects totaling 93.7 million square feet and 1,008 buildings in 26 metropolitan markets. AMB targets High Throughput Distribution(TM) properties -- industrial properties located in major distribution markets near airports, seaports and ground transportation systems. These HTD(TM) facilities are built for speed and benefit from barriers to entry due to their supply-constrained locations and proximity to large customer bases. AMB -- A tradition of nontraditional thinking(TM).

AMB's press releases are available on the company website at <http://www.amb.com/> or by contacting the Investor Relations department toll-free at 877-285-3111.

Consolidated Balance Sheets
(dollars in thousands)

As of	March 31,	December 31,
June 30,	2001	2000
2001		

Assets

Investments in real estate:

Total investments in properties	\$4,361,498	\$4,084,799	\$4,026,597
Accumulated depreciation	(213,923)	(202,188)	(177,467)
Net investments in properties	4,147,575	3,882,611	3,849,130
Investment in unconsolidated joint ventures	83,865	85,317	80,432
Properties held for divestiture, net	96,209	236,746	197,146
Net investments in real estate	4,327,649	4,204,674	4,126,708
Cash and cash equivalents	176,584	152,224	42,722
Mortgage receivables	92,250	121,297	115,969
Accounts receivable, net	68,982	67,482	69,874
Investments in affiliated companies (A)	--	47,285	35,731
Investments in other companies, net (B)	--	15,343	15,965
Other assets	56,700	29,839	18,657
Total assets	\$4,722,165	\$4,638,144	\$4,425,626

Liabilities and Stockholders' Equity

Secured debt	\$1,058,247	\$1,014,054	\$940,276
Unsecured senior debt securities	755,000	755,000	680,000
Unsecured credit facility	--	94,000	216,000
Alliance Fund II credit facility	98,100	--	--
Other liabilities	201,031	177,915	147,042
Total liabilities	2,112,378	2,040,969	1,983,318
Minority interests:			
Preferred units	342,966	342,911	318,053
Minority interests	476,937	457,372	356,325
Total minority interests	819,903	800,283	674,378
Stockholders' equity:			
Common stock	1,693,784	1,700,792	1,671,830
Preferred stock	96,100	96,100	96,100
Total stockholders' equity	1,789,884	1,796,892	1,767,930
Total liabilities and stockholders' equity	\$4,722,165	\$4,638,144	\$4,425,626

(A) On May 31, 2001 the Company acquired all of the voting stock of Headlands Realty Corporation and its Investment Management Division. The Company began consolidating Headlands Realty Corporation and its Investment Management Division for financial reporting purposes effective May 31, 2001.

(B) Net of impairment reserves totaling \$23.2 million at June 30, 2001, \$7.2 million at March 31, 2001 and \$2.5 million at December 31, 2000.

Consolidated Statements of Operations
(dollars in thousands, except share data)

	Quarters Ended June 30, 2001	Quarters Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Revenues				
Rental revenues (B)	\$139,535	\$110,597	\$275,336	\$218,863
Equity in earnings of unconsolidated joint ventures	1,255	1,317	2,729	2,559
Investment management income (A)	1,544	704	3,964	952
Interest and other income	3,692	861	8,831	1,428
Total revenues	146,026	113,479	290,860	223,802
Operating				

Expenses				
Property operating	33,640	25,088	66,560	50,061
Interest, including amortization (C)	30,206	20,002	61,758	40,344
Depreciation and amortization	27,323	22,631	54,177	41,823
General, administrative, and other (A)	9,201	5,984	17,384	11,335
Loss on investments in other companies	16,103	--	20,758	--
Total expenses	116,473	73,705	220,637	143,563
Income from operations	29,553	39,774	70,223	80,239
Minority interests:				
Preferred units	(7,345)	(5,962)	(14,203)	(11,572)
Minority interests	(9,629)	(4,221)	(15,768)	(8,021)
Total minority interests	(16,974)	(10,183)	(29,971)	(19,593)
Net income before gain from disposition of real estate	12,579	29,591	40,252	60,646
Gain from disposition of real estate, net of minority interests	17,792	416	34,559	405
Net income before extraordinary items	30,371	30,007	74,811	61,051
Extraordinary items	(438)	--	(438)	--
Net income	29,933	30,007	74,373	61,051
Preferred stock dividends	(2,125)	(2,125)	(4,250)	(4,250)
Net income available to common stockholders	\$27,808	\$27,882	\$70,123	\$56,801
Net income per common share:				
Basic	\$0.33	\$0.33	\$0.83	\$0.68
Diluted	\$0.33	\$0.33	\$0.82	\$0.68
Weighted average common shares:				
Basic	84,461,544	83,848,883	84,178,768	83,849,020
Diluted	85,378,727	84,125,277	85,078,751	83,994,238

(A) On May 31, 2001 the Company acquired all of the voting stock of Headlands Realty Corporation and its Investment Management Division. The Company began consolidating Headlands Realty Corporation and its Investment Management Division for financial reporting purposes effective May 31, 2001.

(B) Includes straight-line rents of \$2,141 and \$2,183 for the quarters

ended June 30, 2001 and 2000, respectively, and \$3,469 and \$5,343 for the six months ended June 30, 2001 and 2000, respectively.

(C) Net of capitalized interest of \$3,616 and \$4,179 for the quarters ended June 30, 2001 and 2000, respectively and \$7,198 and \$7,194 for the six months ended June 30, 2001 and 2000, respectively.

Consolidated Statements of Funds from Operations
(dollars in thousands, except share data)

	Quarters Ended		Six Months Ended	
	June 30,		June 30,	
	2001	2000	2001	2000
Income from operations	\$29,553	\$39,774	\$70,223	\$80,239
Real estate related depreciation and amortization:				
Total depreciation and amortization	27,323	22,631	54,177	41,823
FF& E Depreciation and ground lease amortization (A)	(492)	(231)	(973)	(634)
FFO attributable to minority interests (B)	(8,539)	(2,681)	(15,726)	(5,307)
Adjustments to derive FFO from unconsolidated JV's: (C)				
Company's share of net income	(1,255)	(1,317)	(2,729)	(2,559)
Company's share of FFO	2,133	1,811	4,253	3,547
Preferred stock dividends	(2,125)	(2,125)	(4,250)	(4,250)
Preferred units distributions	(7,345)	(5,962)	(14,203)	(11,572)
Funds from operations	\$39,253	\$51,900	\$90,772	\$101,287
FFO per common share and unit:				
Basic	\$0.44	\$0.58	\$1.01	\$1.13
Diluted (D)	\$0.43	\$0.58	\$1.00	\$1.13
Weighted average common shares and units:				

Basic 89,691,164 89,822,498 89,680,557 89,758,199

Diluted (D) 90,608,347 90,098,892 90,580,540 89,903,417

(A) Ground lease amortization represents the amortization of the Company's investments in ground leased properties, for which the Company does not have a purchase option.

(B) Represents FFO attributable to minority interests in consolidated joint ventures whose interests are not exchangeable into common stock. The minority interests' share of NOI for the quarters ended June 30, 2001 and 2000 was \$16,274 and \$5,379, respectively, and for the six months ended June 30, 2001 and 2000 was \$26,220 and \$10,141, respectively.

(C) AMB's share of NOI for the quarters ended June 30, 2001 and 2000 was \$2,263 and \$2,101, respectively, and for the six months ended June 30, 2001 and 2000 was \$5,081 and \$4,109, respectively.

(D) Includes the dilutive effect of stock options.

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SOURCE: AMB Properties Corporation

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