

## **AMB Property Corporation Announces Third Quarter 2001 Results Highlights**

PRNewswire

- Earnings per share (EPS) for the quarter were \$0.34, reflecting a 12.8% decline from the third quarter 2000; year-to-date EPS increased 10.4% to \$1.17
- Adjusted EPS (before gains and extraordinary and one-time items) increased 6.3% from the third quarter of 2000 to \$0.34
- Funds from operations (FFO) per share increased 6.8% from the third quarter 2000 to \$0.63
- Same store net operating income (NOI) growth was 6.7% for the quarter and 7.2% year-to-date
- Occupancy was 96.6% in the industrial portfolio, up from 95.9% at June 30, 2001
- Industrial acquisitions totaled \$118.1 million and dispositions totaled \$97.3 million including \$57.2 million of retail assets
- Repurchased 1.0 million shares of common stock
- AMB Institutional Alliance Fund II announces \$195 million of third party equity commitments

SAN FRANCISCO, Oct. 8 /PRNewswire/ -- AMB Property Corporation today reported earnings per share (EPS) of \$0.34 for the third quarter 2001, a 12.8% decline from the third quarter of 2000. Adjusted EPS (before gains and extraordinary and one-time items) was \$0.34 for the quarter, reflecting a 6.3% increase over the third quarter of 2000. Year-to-date EPS increased 10.4% to \$1.17 and adjusted EPS increased 5.1% to \$1.03.

"I am very pleased with our strong results in this difficult operating environment. Our overall same store net operating income grew by 6.7% compared to the third quarter of 2000. Our top eight hub and gateway markets, which account for 72.7% of our total revenues, outperformed our entire portfolio with 9.6% same store NOI growth. Our strategy of focusing on the supply constrained submarkets of our hub and gateway markets helped us achieve portfolio-wide occupancy of 96.6% and increase rents by 14.4%. The San Francisco Bay Area came in as our strongest market with an overall occupancy of 99.0%," stated Hamid Moghadam, chairman & chief executive officer. "As we have said before, we anticipate that it will become increasingly difficult to continue to produce operating results at this level, however we will continue to work hard to outperform on a relative basis."

Earnings growth for the quarter was positively impacted by the sale of a value-added conversion project by AMB's subsidiary, Headlands Realty, of \$1.3 million. Gains on dispositions of operating properties of \$8.8 million was offset by unrealized losses taken against two retail assets held for sale totaling \$10.0 million. In the third quarter 2000, AMB recognized gains of \$5.8 million. Growth in earnings before gains and extraordinary and one-time items was driven by continued strong operating performance at the company's industrial properties. Same store cash basis NOI growth was 6.7% with a 16.8% increase in same store base rents on lease renewals and rollovers during the quarter, and 65.7% tenant retention at the same store properties. Year-to-date same store NOI growth was 7.2%. Rent increases on renewals and rollovers during the quarter for the entire industrial portfolio were 14.4% and tenant retention was 68.4%. Occupancy for the industrial portfolio was 96.6%, up from 95.9% at the end of the second quarter. The eight hub and gateway markets had occupancy of 97.0%.

Funds from operations (FFO) per fully diluted share were \$0.63, including \$0.01 per share of gains from Headlands Realty, and reflecting an increase of 6.8% over the third quarter of 2000. Excluding these gains FFO per share was \$0.61, an increase of 3.4% over 2000. FFO growth for the quarter was offset by \$0.04 from dilution of dispositions and contributions to co-investment ventures earlier in 2001. Year-to-date FFO per share decreased 4.1% to \$1.64, negatively impacted by non-cash charges for impairment reserves of \$0.23 per share. Excluding the charges, year-to-date FFO per share increased 9.4% to \$1.87.

"Since the beginning of the year, AMB has continued to build liquidity by raising private equity capital, disposing of non-core assets and opportunistically raising long-term capital which has resulted in a reduction of our debt-to-book capitalization ratio by 170 basis points," stated W. Blake Baird, president. "It is important to be well positioned with a strong balance sheet in an economic downturn, and we believe this liquidity, including more than \$250 million of cash on hand, will enable AMB to execute on opportunities in both the real estate and capital markets."

In the third quarter, AMB purchased 16 industrial buildings totaling 1.7 million square feet for \$118.1 million and disposed of \$97.3 million of non-core assets, including the largest remaining retail asset for \$52.9 million. Industrial development completions totaled 336,000 square feet for \$26.8 million, and retail development

deliveries totaled 229,000 square feet for \$38.9 million. The remaining industrial development commitments through 2003 total \$204.6 million, down \$49.6 million since the second quarter, and are 43% pre-leased with 67% of the total estimated investment funded. AMB's development commitments represent only 4.2% of total assets.

AMB Institutional Alliance Fund II, a multi-investor fund including pension funds, foundations, endowments and private individuals that co-invest alongside AMB, announced an additional \$36 million of private equity capital commitments subsequent to June 30, 2001, bringing the expected total capitalization of Fund II to \$487 million when combined with debt financings and AMB's 20% equity investment. Fund II had \$136 million invested in operating properties at September 30, 2001.

During the quarter, AMB issued \$40 million of fixed rate perpetual preferred units at a coupon of 7.95% and sold \$25 million of 10-year notes at a fixed rate of 6.75%. At the end of the quarter, AMB had no outstanding borrowings on its \$500 million line of credit. AMB repurchased 1.0 million shares of its common stock for \$24.7 million. Under the company's previously announced \$100 million share repurchase program, AMB has repurchased a total of 2.5 million common shares in the open market for \$52.6 million.

AMB will hold its third quarter 2001 conference call tomorrow, October 9, 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 719-457-2629 reservation code 562797. 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 562797.

AMB Property Corporation is one of the leading owners and operators of industrial real estate nationwide. As of September 30, 2001, AMB owned, managed and had renovation and development projects totaling 92.6 million square feet and 996 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.

This press release contains forward-looking statements about business strategy and future plans, which are made pursuant to the safe-harbor provisions of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements involve numerous risks and uncertainties and should not be relied upon as predictions of future events. The events or circumstances reflected in our forward-looking statements might not occur. In particular, a number of factors could cause AMB's actual results to differ materially from those anticipated, including, among other things, defaults on or non-renewal of leases by tenants, increased interest rates and operating costs, AMB's failure to obtain necessary outside financing, difficulties in identifying properties to acquire and in effecting acquisitions, AMB's failure to successfully integrate acquired properties and operations, AMB's failure to timely reinvest proceeds from any such dispositions, risks and uncertainties affecting property development and construction (including construction delays, cost overruns, AMB's inability to obtain necessary permits and public opposition to these activities), AMB's failure to qualify and maintain its status as a real estate investment trust under the Internal Revenue Code, environmental uncertainties, risks related to natural disasters, financial market fluctuations, risks arising from the California energy shortage, changes in real estate and zoning laws and increases in real property tax rates. AMB's success also depends upon economic trends generally, including interest rates, income tax laws, governmental regulation, legislation and population changes. For further information on these and other factors that could impact AMB and the statements contained herein, reference should be made to AMB's filings with the Securities and Exchange Commission, including AMB's quarterly report on Form 10-Q for the quarter ended June 30, 2001.

Consolidated Balance Sheets  
(dollars in thousands)

As of

September 30, June 30, March 31, December 31,  
2001 2001 2001 2000

Assets				
Investments in real estate:				
Total investments				
in properties	\$4,433,847	\$4,361,498	\$4,084,799	\$4,026,597
Accumulated depreciation	(239,144)	(213,923)	(202,188)	(177,467)
Net investments				
in properties	4,194,703	4,147,575	3,882,611	3,849,130

Investment in unconsolidated joint ventures	85,707	83,865	85,317	80,432
Properties held for divestiture, net	106,054	96,209	236,746	197,146
Net investments in real estate	4,386,464	4,327,649	4,204,674	4,126,708
Cash and cash equivalents	256,872	176,584	152,224	42,722
Mortgage receivables	92,232	92,250	121,297	115,969
Accounts receivable, net	68,811	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	27,245	56,700	29,839	18,657
Total assets	\$4,831,624	\$4,722,165	\$4,638,144	\$4,425,626

Liabilities and Stockholders' Equity				
Secured debt	\$1,102,801	\$1,058,247	\$1,014,054	\$940,276
Unsecured senior debt securities	780,000	755,000	755,000	680,000
Unsecured credit facility	--	--	94,000	216,000
Alliance Fund II credit facility	125,000	98,100	--	--
Other liabilities	197,377	201,031	177,915	147,042
Total liabilities	2,205,178	2,112,378	2,040,969	1,983,318
Minority interests:				
Preferred units	381,834	342,966	342,911	318,053
Minority interests	477,224	476,937	457,372	356,325
Total minority interests	859,058	819,903	800,283	674,378
Stockholders' equity:				
Common stock	1,671,288	1,693,784	1,700,792	1,671,830
Preferred stock	96,100	96,100	96,100	96,100
Total stockholders' equity	1,767,388	1,789,884	1,796,892	1,767,930
Total liabilities and stockholders' equity	\$4,831,624	\$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 September 30, 2001, and 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)

	For the Quarters Ended		For the Nine Months Ended	
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000
Revenues				
Rental revenues (A)	\$146,089	\$118,493	\$421,425	\$337,356
Equity in earnings of unconsolidated joint ventures	1,636	1,447	4,365	4,006
Investment management income (B)	2,340	940	8,022	2,160
Interest and other income	5,392	491	12,505	1,651
Total revenues	155,457	121,371	446,317	345,173
Operating Expenses				
Property operating Interest, including amortization (C)	35,349	27,394	101,909	77,455
Depreciation and	32,996	22,562	94,754	62,906

amortization (D)	38,961	23,312	93,138	65,135
General, administrative, and other (B)	8,796	5,987	26,180	17,322
Loss on investments in other companies	--	--	20,758	--
Total expenses	116,102	79,255	336,739	222,818
Income from operations	39,355	42,116	109,578	122,355
Minority interests:				
Preferred units	(7,423)	(6,206)	(21,626)	(17,778)
Minority interests	(10,556)	(6,879)	(26,324)	(14,899)
Total minority interests	(17,979)	(13,085)	(47,950)	(32,677)
Net income before gain from disposition of real estate	21,376	29,031	61,628	89,678
Gains on developments held for sale	1,341	--	1,341	--
Gain from disposition of real estate, net of minority interests	8,773	5,815	43,332	6,220
Net income before extraordinary items	31,490	34,846	106,301	95,898
Extraordinary items (early debt extinguishments)	87	--	(351)	--
Net income	31,577	34,846	105,950	95,898
Preferred stock dividends	(2,125)	(2,125)	(6,375)	(6,375)
Net income available to common stockholders	\$29,452	\$32,721	\$99,575	\$89,523
Net income per common share:				
Basic	\$0.35	\$0.39	\$1.18	\$1.07
Diluted	\$0.34	\$0.39	\$1.17	\$1.06
Weighted average common shares:				
Basic	84,395,107	84,115,613	84,135,158	83,937,884
Diluted	85,644,840	84,725,109	85,097,692	84,237,861

(A) Includes straight-line rents of \$4,113 and \$1,815 for the quarters and \$7,579 and \$7,158 for nine months ended September 30, 2001 and 2000, respectively.

(B) 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.

(C) Net of capitalized interest of \$3,616 and \$4,330 for the quarters and \$10,814 and \$11,524 for the nine months ended September 30, 2001 and 2000, respectively.

(D) Includes unrealized losses on assets held for sale of \$10.0 million for the quarter and nine months ended September 30, 2001.

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

	For the Quarters Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
Income from operations	\$39,355	\$42,116	\$109,578	\$122,355
Gains on developments held for sale	1,341	--	1,341	--
Real estate related depreciation and amortization:				
Total depreciation and amortization	38,961	23,312	93,138	65,135
FF& E Depreciation and ground lease amortization (A)	(483)	(223)	(1,456)	(857)
FFO attributable to minority interests (B)	(13,393)	(4,262)	(29,119)	(9,569)

Adjustments to derive FFO from unconsolidated JV's: (C)					
Company's share of net income	(1,636)	(1,447)	(4,365)	(4,006)	
Company's share of FFO	2,235	1,941	6,488	5,488	
Preferred stock dividends	(2,125)	(2,125)	(6,375)	(6,375)	
Preferred units distributions	(7,423)	(6,206)	(21,626)	(17,778)	
Funds from operations	\$56,832	\$53,106	\$147,604	\$154,393	

FFO per common share and unit:					
Basic	\$0.63	\$0.59	\$1.65	\$1.72	
Diluted (D)	\$0.63	\$0.59	\$1.64	\$1.71	

Weighted average common shares and units:					
Basic	89,550,154	89,898,511	89,300,512	89,804,970	
Diluted (D)	90,799,887	90,508,007	90,263,046	90,104,947	

- (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 interest's share of NOI for the quarters ended September 30, 2001 and 2000, was \$18,203 and \$6,796, respectively, and for the nine months ended September 30, 2001 and 2000, was \$44,423 and \$16,937, respectively.
- (C) AMB's share of NOI for the quarters ended September 30, 2001 and 2000, was \$2,743 and \$2,231, respectively, and for the nine months ended September 30, 2001 and 2000, was \$7,824 and \$6,340, respectively.
- (D) Includes the dilutive effect of stock options.

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SOURCE: AMB Property Corporation

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