News Release Archive

AMB Property Corporation Announces 2002 Second Quarter Results; Now Expensing Fair Value of Stock Options

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SAN FRANCISCO

AMB Property Corporation , a leading owner and operator of industrial real estate, today reported second quarter 2002 results. Earnings per share were $0.31 for the quarter, reflecting a 6.1% decrease over the same period in 2001. The Company's industrial portfolio continued to outperform the national industrial market: AMB's industrial assets, located predominantly in infill submarkets of major hub and gateway distribution markets, were 94.4% leased as of June 30, 2002, unchanged from the prior quarter end. The Company also began expensing stock options on its income statement rather than the typical dislcosure in the footnotes to financial statements.

Performance & Operating Highlights

AMB reported earnings per share (EPS) for the second quarter of $0.31, which included $0.03 per share of gains on dispositions of real estate. Second quarter 2002 EPS reflects a 6.1% decrease from second quarter 2001 EPS of $0.33, which included $0.02 per share of net gains from real estate dispositions and non-cash charges for impairment reserves for the Company's private equity investments which were fully written off in 2001. EPS for the first half of 2002 was $0.65, including $0.03 per share of gains on dispositions of real estate, reflecting a 20.7% decrease over EPS for the first half of 2001 of $0.82, which included $0.16 per share of net gains.

Industrial occupancy remained unchanged from the end of the first quarter at 94.4%, down 10 bps from year-end 2001 and down 140 bps from second quarter 2001. The Company grew same store cash basis net operating income by 1.0%, slightly below expectations, while same store GAAP basis net operating income was down 0.5%. The primary drivers of the decrease in 2002 earnings from 2001 earnings were: lower net gains, slightly lower same store GAAP net operating income and net disposition activity over the last six quarters as a result of the Company's focus on long term results. Tenant retention for the quarter was 75.1%, while rents on renewals and rollovers declined by 0.4% as the Company continued to focus on occupancy.

"Our results for the first six months reflect solid progress in a difficult operating environment. Of note, the last of the spaces vacated by bankrupt tenant Webvan Group, Inc. in 2001 was leased during the quarter, reflecting a better than anticipated lease-up time which highlights the strong demand for infill product even in a difficult market environment. However, leasing activity across the portfolio was not as strong as we expected it to be in the second quarter," commented Chairman and CEO, Hamid R. Moghadam. Mr. Moghadam continued, "Nonetheless, we continue to expect national occupancies in industrial real estate to improve in the second half of this year with rent growth to follow in 2003. As we have stated before, improvements in the industrial market will take some time to positively impact our earnings. We now expect same store growth for the year will be between 1-2%, below our prior expectation of 2.5%."

Investment Activity

Acquisitions during the quarter totaled five transactions with an aggregate value of $121.9 million and 2.0 million square feet. The Company expanded its on-tarmac presence with the purchase of the leasehold interest in a 285,000 square foot air cargo distribution center at Washington Dulles International Airport for a total acquisition price of $41.9 million. The facility, with over 500,000 square feet of aircraft ramp, is leased to FedEx, United Airlines, Air France and Lufthansa.

AMB and Mexico-based Strategic Alliance Partner (TM) G. Accion jointly closed their first investment during the second quarter to develop a distribution center for the Mexico operations of a major, international consumer products company. AMB's first international project, scheduled for completion in December 2002, is located in the San Martin Obispo Industrial Park within the Cuautitlan submarket of Mexico City.

"We are pleased to announce our first project in Mexico which better allows us to serve our targeted global customers," said W. Blake Baird, President. "Mexico is a logical place to begin our international expansion efforts because of its large domestic and international export markets, its growth in manufacturing and proximity to the United States. Cuautitlan is a preferred submarket for international distribution companies because of its proximity to the 22 million residents of Mexico City and the NAFTA highway, linking Mexico to the U.S.," further explained Mr. Baird.

AMB completed and stabilized three industrial development projects during the quarter, totaling 343,000 square feet for a total estimated investment of $15.8 million. The industrial development and renovation pipeline currently stands at $163.6 million and consists of 3.5 million square feet, of which $102.3 million, or 63%, has been funded and 69% is preleased.

During the quarter, the Company sold one industrial building totaling 484,000 square feet for a price of $12.1 million. In addition, the Company sold $76.9 million of industrial assets, totaling 1.9 million square feet, to the AMB-SGP joint venture, the Company's co-investment partnership with an affiliate of GIC Real Estate, the real estate investment subsidiary of the Government of Singapore.

Mr. Baird summarized, "While our full-year acquisition volume is on track, it will be more back-end loaded than we originally anticipated. Given the transaction environment, our disposition activity including contributions to joint ventures, will more likely than not exceed our previous expectations. This combination will lead to some short term dilution in favor of longer term results."

Accounting for Stock Options

During the quarter, AMB began expensing the fair value of options granted under the Company's stock option plan. The Company will record the expense over the option vesting period, using the fair value at the date of grant. The accounting treatment has been adopted on a prospective basis and is applied to all options granted on January 1, 2002 or later. The Company currently anticipates the 2002 full-year expense to be $0.01 per share.

"We use options to attract and compensate talented employees and directors and further align their interest with our shareholders. Consistent with our goal of ever improving disclosure and transparency, we feel the cost of stock options is better reflected on our income statement, rather than the typical footnote disclosure," explained Mr. Moghadam.

Governance

Daniel H. Case III, Chairman of JP Morgan H&Q and an AMB Director, passed away on Wednesday, June 26, 2002 after a 15-month battle with brain cancer. AMB recognizes with gratitude Mr. Case's contributions as a member of AMB's Board of Directors since the Company's IPO in 1997. The Board will seek to fill his position with an independent director of equal knowledge, insight and enthusiasm but does not expect to find this person easily or quickly.

Mr. Moghadam stated, "Dan's contributions to AMB were unique and substantial. As a leader, he represented all those personal and professional values to which we can only aspire. His insights, judgment and integrity were unparalleled; we will miss him greatly. Our deepest sympathies are with his family." AMB has made a contribution in Dan's honor to ABC2, a non-profit organization dedicated to accelerating the discovery of a cure for brain cancer which was founded by Dan, his brother Steve and their families (http://www.abc2.org/).

Beginning this quarter, AMB is voluntarily adopting the new SEC financial statement certification requirements. Hamid R. Moghadam, W. Blake Baird and Michael A. Coke will certify the Company's financial statements.

Supplemental Reporting Measure

AMB reported second quarter 2002 Funds from Operations (FFO) of $0.60 per share, representing a 39.5% increase over second quarter 2001 FFO of $0.43 per share, which included non-cash charges for impairment reserves of $0.18 per share. FFO per share for the first half of 2002 was $1.21, up 21.0% from the first half of 2001 of $1.00, which included non-cash charges of $0.23 per share. In accordance with the standards established by NAREIT, gains and losses from asset dispositions held for investment are not included in FFO.

Conference Call

AMB will host a conference call to discuss its second quarter 2002 results tomorrow at 11:00 AM PDT/ 2:00 PM EDT. Stockholders and interested parties may listen to a live broadcast of the call by dialing 719-457-2645 and using reservation code 137677. The conference call can also be accessed through the Internet on AMB's website at http://www.amb.com/; please visit the website at least fifteen minutes early to register, download and install any necessary audio software. For those who are not able to listen to the live broadcast, replays will be available shortly after the call until July 23, 2002 via telephone by dialing 719-457-0820 with reservation code 137677 and until August 5, 2002 on the Company's website.

AMB Property Corporation is a leading owner and operator of industrial real estate in North America. As of June 30, 2002 AMB owned, managed and had renovation and development projects totaling 96.6 million square feet and 1,037 buildings in 27 markets. AMB invests in industrial properties located predominantly in infill submarkets of major hub and gateway distribution markets. The Company's portfolio is comprised of High Throughput Distribution(R) facilities -- industrial properties built for speed and located near airports, seaports and ground transportation systems.

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, future leasing activities, acquisition opportunities 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, changes in real estate and zoning laws, risks of doing business internationally 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 March 31, 2002.

Consolidated Balance Sheets
(dollars in thousands)

	As of June 30, 2002	March 31, 2002	December 31, 2001
Assets			
Investments in real estate:			
Total investments in properties	$4,732,321	$4,566,951	$4,530,711
Accumulated depreciation	(311,058)	(289,701)	(265,653)
Net investments in properties	4,421,263	4,277,250	4,265,058
Investment in unconsolidated joint ventures	64,083	71,137	71,097
Properties held for divestiture, net	133,934	139,370	157,174
Net investments in real estate	4,619,280	4,487,757	4,493,329
Cash and cash equivalents	119,287	99,492	81,732
Mortgage receivables	87,175	87,214	87,214
Accounts receivable, net	80,366	75,399	70,794
Other assets	31,172	31,261	27,824
Total assets	$4,937,280	$4,781,123	$4,760,893
Liabilities and Stockholders' Equity			
Secured debt	$1,352,218	$1,229,433	$1,220,164
Unsecured senior debt securities	800,000	800,000	780,000
Unsecured credit facility	--	--	12,000
Alliance Fund II credit facility	52,000	116,000	123,500
Other liabilities	162,629	155,568	138,601
Total liabilities	2,366,847	2,301,001	2,274,265
Minority interests:			
Preferred units	315,847	275,987	275,987
Minority interests	508,577	455,428	458,299
Total minority interests	824,424	731,415	734,286
Stockholders' equity:			
Common stock	1,649,909	1,652,607	1,656,242
Preferred stock	96,100	96,100	96,100
Total stockholders' equity	1,746,009	1,748,707	1,752,342
Total liabilities and stockholders' equity	$4,937,280	$4,781,123	$4,760,893

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

	For the Quarters Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Revenues				
Rental revenues (A)	$149,741	$139,535	$301,982	$275,336
Equity in earnings of unconsolidated joint ventures	1,638	1,255	3,121	2,729
Investment management income	3,114	1,544	5,702	3,964
Interest and other income	3,330	3,692	7,312	8,831
Total revenues	157,823	146,026	318,117	290,860
Expenses				
Property operating	36,843	33,640	73,912	66,560
Interest, including amortization (B)	37,217	30,206	73,268	61,758
Depreciation and amortization	31,972	27,323	61,647	54,177
General, administrative, and other (C)	10,762	9,201	21,831	17,384
Loss on investments in other companies	--	16,103	--	20,758
Total expenses	116,794	116,473	230,658	220,637
Income before minority interests and gains	41,029	29,553	87,459	70,223
Minority interests' share of income:				
Preferred units	(6,510)	(7,345)	(12,367)	(14,203)
Minority interests	(8,869)	(9,629)	(18,635)	(15,768)
Total minority interests	(15,379)	(16,974)	(31,002)	(29,971)
Gains from disposition of real estate, net of minority interests	2,768	17,792	2,480	34,559
Net income before discontinued operations and extraordinary items	28,418	30,371	58,937	74,811
Discontinued operations	484	--	484	--
Extraordinary items (early debt extinguishments)	(52)	(438)	(268)	(438)
Net income	28,850	29,933	59,153	74,373
Preferred stock dividends	(2,125)	(2,125)	(4,250)	(4,250)
Net income available to common stockholders	$26,725	$27,808	$54,903	$70,123
Net income per common share:				
Basic	$0.32	$0.33	$0.66	$0.83
Diluted	$0.31	$0.33	$0.65	$0.82
Weighted average common shares:				
Basic	83,710,208	84,461,544	83,626,889	84,178,768
Diluted	85,529,416	85,378,727	85,120,197	85,078,751

(A) Includes straight-line rents of $2,786 and $2,141 for the quarters ended June 30, 2002 and 2001, respectively, and $6,747 and $3,466 for the six months ended June 30, 2002 and 2001, respectively.
(B) Net of capitalized interest of $1,633 and $3,616 for the quarters ended June 30, 2002 and 2001, respectively, and $3,424 and $7,198 for the six months ended June 30, 2002 and 2001, respectively.
(C) Includes share-based plans expense of $0.2 million for the quarter ended June 30, 2002, and $0.4 million for the six months ended June 30, 2002, related to the adoption of SFAS 123.

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

	For the Quarters Ended June 30, 2002	2001	For the Six Months Ended June 30, 2002	2001
Income before minority interests and gains	$41,029	$29,553	$87,459	$70,223
Real estate related depreciation and amortization:				
Total depreciation and amortization	31,972	27,323	61,647	54,177
FF& E depreciation and ground lease amortization (A)	(519)	(492)	(1,193)	(973)
Discontinued operations	484	--	484	--
FFO attributable to minority interests (B)	(11,274)	(8,539)	(24,118)	(15,726)
Adjustments to derive FFO from unconsolidated JV's: (C)				
Company's share of net income	(1,638)	(1,255)	(3,121)	(2,729)
Company's share of FFO	2,700	2,133	4,829	4,253
Preferred stock dividends	(2,125)	(2,125)	(4,250)	(4,250)
Preferred units distributions	(6,510)	(7,345)	(12,367)	(14,203)
Funds from operations	$54,119	$39,253	$109,370	$90,772
FFO per common share and unit:				
Basic	$0.61	$0.44	$1.23	$1.01
Diluted	$0.60	$0.43	$1.21	$1.00
Weighted average common shares and units:				
Basic	88,643,124	89,691,164	88,562,012	89,680,557
Diluted	90,462,332	90,608,347	90,055,320	90,580,540

(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 cash basis NOI was $19,657 and $16,274 for the quarters ended June 30, 2002 and 2001, respectively, and $39,392 and $26,220 for the six months ended June 30, 2002 and 2001, respectively.
(C) AMB's share of NOI was $3,063 and $2,263 for the quarters ended June 30, 2002 and 2001, and $5,707 and $5,801 for the six months ended June 30, 2002, and 2001, respectively.

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SOURCE: AMB Property Corporation

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