SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
NOVEMBER 15, 2002

BOSTON PROPERTIES, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	1-13087	04-2473675
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

111 HUNTINGTON AVENUE, SUITE 300
BOSTON, MASSACHUSETTS 02199-7610
(Address of principal executive offices and zip code)

(617) 236-3300
(Registrant's telephone number, including area code)

ITEM 5. OTHER EVENTS.

The Company is re-issuing in an updated format its historical financial statements in connection with the adoption of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). During 2002, the Company sold certain properties and in compliance with SFAS 144 has reported revenue, expenses and gain on sale from these properties as discontinued operations for each period presented in its quarterly reports filed since the date of the sale (including the comparable period of the prior year). Under SEC requirements for transitional disclosure, the same reclassification as discontinued operations required by SFAS 144 following the sale of properties is required for previously issued annual financial statements for each of the three years shown in the Company's last annual report on Form 10-K, if those financials are incorporated by reference in subsequent filings with the SEC made under the Securities Act of 1933, as amended, even though those financial statements relate to periods prior to the date of the sale. This reclassification has no effect on the Company's reported net income available to common shareholders or funds from operations ("FFO"). The Company elected to re-issue these historical financial statements at this time in preparation for the issuance of pro-forma financial statements giving effect to the acquisition of 399 Park Avenue, which the Company is required to file on Form 8-K. This Report on Form 8-K updates Items 6, 7 and 8 of the Company's Form 10-K to reflect those properties sold during 2002 as discontinued operations. All other items of the Form 10-K remain unchanged. No attempt has been made to update matters in the Form 10-K except to the extent expressly provided above.

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Exhibits

EXHIBIT NO.

23.1 Consent of Independent Accountants

99.1 Revised financial information for the years ended December 31, 2001, 2000 and 1999 for the adoption of SFAS No.144 - Discontinued Operations

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 15, 2002

BOSTON PROPERTIES, INC.

By: /s/ Douglas T. Linde

Name: Douglas T. Linde
Title: Chief Financial Officer

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Boston Properties, Inc. on Forms S-3 (File Numbers, 333-36142, 333-39114, 333-40618, 333-51024, 333-58694, 333-60219, 333-61799, 333-64902, 333-68379, 333-69375, 333-70765, 333-80513, 333-81355, 333-82498, 333-83859, 333-83861, 333-83863, 333-83867, 333-83869, 333-86585, and 333-91425) and on Forms S-8 (File Numbers 333-52845, 333-54550, 333-70321, and 333-81824) of our report dated January 25, 2002, except for Notes 20 and 21, as to which the date is November 14, 2002, relating to the financial statements and financial statement schedule, which appears in this Form 8-K.

November 14, 2002

Exhibit 99.1

SELECTED FINANCIAL DATA

The following sets forth the selected financial and operating data for Boston Properties, Inc., and Boston Properties Limited Partnership, together with their subsidiaries on a historical consolidated basis and for our predecessor business on a historical combined basis. The following data should be read in conjunction with the financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K.

Historical operating results for Boston Properties, Inc., and Boston Properties Limited Partnership, together with their subsidiaries and for our predecessor business, including net income, may not be comparable to our future operating results.

THE PREDECESSOR THE COMPANY GROUP ---------------------------------- ---------------------------------- --- ---------------- FOR THE YEAR ENDED DECEMBER 31, PERIOD FROM PERIOD FROM ---------------------- ----------------------------- JUNE 23, 1997 TO JANUARY 1, 1997 2001 2000 1999 1998 DECEMBER 31, 1997 TO JUNE 22, 1997 ----------- ----- ----- ---------- ---------- ----- ------------ --------------- (IN THOUSANDS, EXCEPT PER SHARE DATA) Statement of Operations Information Total revenue....................... $ 1,028,251 $ 874,858 $ 782,022 $ 510,191 $ 144,961 $129,410 ------- ---- ---------- ---------- ------- ---- ---------- -------- Expenses: Operating......................... 311,371 263,914 248,546 149,830 40,010 26,967 Hotel............................. -- -- -- -- -- 22,452 General and administrative......... 38,312 35,659 29,455 22,504 6,689 5,116 Interest.......................... 223,389 217,064 205,410 124,793 38,161 53,132 Depreciation and amortization...... 149,348 132,330 119,311 74,701 21,564 16,924 Loss on investments in securities...................... 6,500 -- -- -- -- -- ----------- - --------- --------- ---------- - --------- -------- Income before income from unconsolidated joint ventures, net derivative losses and minority interests............... 299,331 225,891 179,300 138,363 38,537 4,819 Income from unconsolidated joint ventures......................... 4,186 1,758 468 -- -- -- Net derivative losses............. (26,488) -- -- -- -- Minority interests................ (73,747) (76,242) (68,718) (41,419) (11,551) (235) ---------- - ---------- ---------- ---------- - --------- -------- Income before gain (loss) on sale of real estate.................. 203,282 151,407 111,050 96,944 26,986 4,584 Gain (loss) on sale of real estate, net of minority interest......... 9,089 (234) 6,467 -- -- -- ---------- ------- --- ---------- ---------- ------- --- -------- Income before

discontinued
operations.......................
212,371 151,173 117,517 96,944
26,986 4,584 Discontinued
operations, net of minority
interest................ 2,428
2,159 2,259 1,649 240 21 ---------
-- ---------- ---------- ---------
-- ---------- -------- Income
before extraordinary
items............................
214,799 153,332 119,776 98,593
27,226 4,605 Extraordinary gain
(loss), net of minority
interest................ -- (334)
-- (5,481) 7,925 -- ----------- --
-------- ---------- ----------- --
-------- -------- Income before
cumulative effect of a change in
accounting
principle........................
214,799 152,998 119,776 93,112
35,151 4,605 Cumulative effect of
a change in accounting principle,
net of minority
interest................ (6,767) -
- -- -- -- -- ---------- --------
-- ---------- ---------- --------
-- -------- Net income before
preferred
dividend.........................
208,032 152,998 119,776 93,112
35,151 4,605 Preferred
dividend................. (6,592)
(6,572) (5,829) -- -- -- ---------
-- ---------- ---------- ---------
-- ---------- -------- Net income
available to common
shareholders.....................
$ 201,440 $ 146,426 $ 113,947 $
93,112 $ 35,151 $ 4,605 ----------
- ---------- ---------- ----------
- ---------- -------- Basic
earnings per share: Income before
discontinued operations,
extraordinary items and cumulative
effect of a change in accounting
principle..................... $
2.28 $ 2.02 $ 1.69 $ 1.59 $ 0.69
Discontinued operations, net of
minority interest.............
0.03 0.03 0.03 0.03 0.01
Extraordinary gain (loss), net of
minority interest.............. --
-- -- (0.09) 0.21 Cumulative
effect of a change in accounting
principle, net of minority
interest.............. (0.07) -- -
- -- -- ---------- ---------- ---
------- ---------- ---------- Net
income...................... $
2.24 $ 2.05 $ 1.72 $ 1.53 $ 0.91 -
---------- ---------- ---------- -
---------- ---------- Weighted
average number of common shares
outstanding............. 90,002
71,424 66,235 60,776 38,694

THE PREDECESSOR THE COMPANY GROUP

--- ---------------- FOR THE YEAR
ENDED DECEMBER 31, PERIOD FROM
PERIOD FROM ----------------------
----------------------------- JUNE
23, 1997 TO JANUARY 1, 1997 2001
2000 1999 1998 DECEMBER 31, 1997

TO JUNE 22, 1997 ----------- -----
----- ---------- ---------- -----
------------ --------------- (IN
THOUSANDS, EXCEPT PER SHARE DATA)
Diluted earnings per share: Income
before discontinued operations,
extraordinary items and cumulative
effect of a change in accounting
principle..................... $
2.23 $ 1.98 $ 1.68 $ 1.58 $ 0.69
Discontinued operations, net of
minority interest.............
0.03 0.03 0.03 0.03 0.01
Extraordinary gain (loss), net of
minority interest.............. --
-- -- (0.09) 0.20 Cumulative
effect of a change in accounting
principle, net of minority
interest.............. (0.07) -- -
- -- -- ---------- ---------- ---
------- ---------- ---------- Net
income...................... $
2.19 $ 2.01 $ 1.71 $ 1.52 $ 0.90 -
---------- ---------- ---------- -
---------- ---------- Weighted
average number of common and
common equivalent shares
outstanding...................
92,200 72,741 66,776 61,308 39,108
Balance Sheet Information: Real
estate, gross................. $
7,457,906 $6,112,779 $5,609,424 $
4,917,193 $1,796,500 -- Real
estate, net...................
6,738,052 5,526,060 5,138,833
4,559,809 1,502,282 --
Cash...............................
98,067 280,957 12,035 12,166
17,560 -- Total
assets......................
7,253,510 6,226,470 5,434,772
5,235,087 1,672,521 -- Total
indebtedness................
4,314,942 3,414,891 3,321,584
3,088,724 1,332,253 -- Minority
interests................. 844,740
877,715 781,962 -- -- --
Convertible Redeemable Preferred
Stock..........................
100,000 100,000 100,000 -- -- --
Stockholders' and owners' equity
(deficit).......................
1,754,073 1,647,727 1,057,564
948,481 175,048 -- Other
Information: Funds from
operations, as
adjusted(1).....................
$ 337,823 $ 247,371 $ 196,101 $
153,045 $ 42,258 -- Dividends per
share................ 2.27 2.04
1.75 1.64 1.62a -- Cash flow
provided by operating
activities......................
419,403 329,474 290,027 215,287
46,146 25,090 Cash flow used in
investing
activities......................
(1,303,622) (563,173) (641,554)
(2,179,215) (519,743) (32,844)
Cash flow provided by financing
activities......................
701,329 502,621 351,396 1,958,534
491,157 9,266 Total square feet at
end of year... 40,718 37,926
35,621 31,077 16,101 -- Occupancy
rate at end of year...... 95.3%
98.9% 98.4% 97.1% 98.4% --

- ------------------------------

a--annualized

(1) The White Paper on Funds from Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts in March 1995 defines funds from operations as net income (loss) (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. During 1999, the National Association of Real Estate Investment Trusts clarified the definition of funds from operations to include non-recurring events, except for those that are defined as "extraordinary items" under accounting principles generally accepted in the United States of America and gains and losses from sales of depreciable operating properties. This clarification is effective for periods ending subsequent to January 1, 2000. We adopted this definition for the quarters ended on or after March 31, 2000. We believe that funds from operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of our ability to incur and service debt, to make capital expenditures and to fund other cash needs. We compute funds from operations in accordance with standards established by the National Association of Real Estate Investment Trusts which may not be comparable to funds from operations reported by other REITs that do not define the term in accordance with the current National Association of Real Estate Investment Trusts definition or that interpret the current National Association of Real Estate Investment Trusts definition differently. In addition to Funds from Operations (as defined by the National Association of Real Estate Investment Trusts), we also disclose Funds from Operations after certain supplemental adjustments. Funds from Operations does not represent cash generated from operating activities determined in accordance with accounting principles generally accepted in the United States of America and should not be considered as an alternative to net income (determined in accordance with accounting principles generally accepted in the United States of America) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions. For a reconciliation of income to funds from operations see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Funds from Operations."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the selected financial data and the historical consolidated and combined financial statements and related notes thereto.

FORWARD LOOKING STATEMENTS

Statements made under the caption "Risk Factors," elsewhere in this Form 10-K, in our press releases, and in oral statements we make by or with the approval of our authorized executives contain "forward-looking statements" within the meaning of federal securities laws. When we use the words "anticipate," "assume," "believe," "estimate," "expect," "intend" and other similar expressions, they generally identify forward-looking statements. Forward-looking statements include, for example, statements relating to acquisitions and related financial information, development activities, business strategy and prospects, future capital expenditures, sources and availability of capital, environmental and other regulations, and competition.

You should exercise caution in interpreting and relying on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and could materially affect our actual results, performance or achievements. Some of the factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, the following:

- we are subject to general risks affecting the real estate industry, such as the need to enter into new leases or renew leases on favorable terms to generate rental revenues, and dependence on our tenants' financial condition;

- we may fail to identify, acquire, construct or develop additional properties; we may develop properties that do not produce a desired yield on invested capital; or we may fail to effectively integrate acquisitions of properties or portfolios of properties;

- financing may not be available, or may not be available on favorable terms;

- we need to make distributions to our stockholders for us to qualify as a real estate investment trust, and if we need to borrow the funds to make such distributions such borrowings may not be available on favorable terms;

- we depend on the primary markets where our properties are located and these markets may be adversely affected by local economic and market conditions which are beyond our control;

- we are subject to potential environmental liabilities;

- we are subject to complex regulations relating to our status as a real estate investment trust and would be adversely affected if we failed to qualify as a real estate investment trust; and

- market interest rates could adversely affect the market prices for our common stock, as well as our performance and cash flow.

We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

OVERVIEW

We are a fully integrated, self-administered and self-managed real estate investment trust or "REIT" and are one of the largest owners and developers of office and industrial properties in the United States. Our properties are concentrated in four core markets--Boston, Washington, D.C.,

midtown Manhattan and San Francisco. We conduct substantially all of our business through Boston Properties Limited Partnership. At December 31, 2001, we owned 147 properties totaling 40.7 million net rentable square feet. The properties consisted of 139 office properties, including 107 Class A office buildings and 32 properties that support both office and technical uses, including twelve properties under construction, five industrial properties, and three hotels.

In 2001, we continued to identify and complete acquisitions and development transactions. During 2001, we added 2.6 million net rentable square feet to our portfolio by completing an acquisition totaling approximately $755.0 million and completing developments totaling approximately $168.0 million. In addition, as of December 31, 2001, we had construction in progress representing a total anticipated investment of approximately $1.8 billion and a total of approximately 4.9 million net rentable square feet.

We are focused on increasing the cash flow from our existing portfolio of properties by maintaining high occupancy levels and increasing effective rents. On the 2.7 million net rentable square feet of second generation space renewed or re-leased during the year, new net rents were on average approximately 49.2% higher than the expiring net rents. At December 31 2001, our in-service portfolio was 95.3% occupied.

RESULTS OF OPERATIONS

The following discussion is based on our Consolidated Financial Statements for the years ended December 31, 2001, 2000 and 1999.

We receive income primarily from rental revenue from our office, hotel, parking and industrial properties, including reimbursements from certain tenants for certain operating costs.

From January 1, 1999 through December 31, 2001, we increased our total portfolio of properties from 121 properties to 147 properties and from 31.6 million net rentable square feet to 40.7 million net rentable square feet. As a result of this rapid growth of our total portfolio, the financial data presented below shows significant changes in revenues and expenses from period to period and we do not believe our period to period financial data are comparable. Therefore, the comparison of operating results for the years ended December 31, 2001, 2000 and 1999 show changes resulting from properties that we owned for each period compared (we refer to this comparison as our "Same Property Portfolio" for the applicable period) and the changes attributable to our total portfolio.

Effective January 1, 2002, we adopted the provisions of Statement of Financial Accounting Standards No. 144 ("SFAS No. 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 extends the reporting requirements of discontinued operations to include components of an entity that have either been disposed of or are classified as held for sale. During the nine months ended September 30, 2002, we disposed of five office/technical properties in Springfield, Virginia consisting of approximately 374,680 square feet. The operating results of these properties have been reclassified as discontinued operations in the consolidated statements of operations for each of the three years in the period ended December 31, 2001 included herein.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2001 TO THE YEAR ENDED DECEMBER 31, 2000

The table below shows selected operating information for our total portfolio and the 109 buildings acquired or placed in service on or prior to January 1, 2000 and that remained in the total portfolio

through September 30, 2002 (which constitute the Same Property Portfolio for the years ended December 31, 2001 and 2000). The table below does not reflect the results of operations of the properties sold during 2002 as the results of operations have been reclassified as discontinued operations.

	SAME PROPERTY PORTFOLIO				TOTAL PORTFOLIO			
	2001	2000	INCREASE/ (DECREASE)	% CHANGE	2001	2000	INCREASE/ (DECREASE)	% CHANGE
	(DOLLARS IN THOUSANDS)							
Revenue:								
Rental..........................	$887,734	$817,216	$70,518	8.63%	$1,002,878	$854,463	$148,415	17.37%
Development and management services.....................	--	--	--	--	13,190	11,837	1,353	11.43%
Interest and other..............	--	--	--	--	12,183	8,558	3,625	42.36%
Total revenue................	887,734	817,216	70,518	8.63%	1,028,251	874,858	153,393	17.53%
Expenses:								
Operating.......................	278,311	254,711	23,600	9.27%	311,371	263,914	47,457	17.98%
General and administrative......	--	--	--	--	38,312	35,659	2,653	7.44%
Interest........................	--	--	--	--	223,389	217,064	6,325	2.91%
Depreciation and amortization...	130,183	126,859	3,324	2.62%	149,348	132,330	17,018	12.86%
Loss on investments in securities...................	--	--	--	--	6,500	--	6,500	--
Total expenses...............	408,494	381,570	26,924	7.06%	728,920	648,967	79,953	12.32%
Income before net derivative losses, minority								

interest in property partnerships and income from unconsolidated joint ventures................ $479,240 $435,646 $43,594 10.01% $ 299,331 $225,891 $ 73,440 32.51% ======== ======== ======= ===== ========== ======== ======== =====

The increase in rental revenue in our Same Property Portfolio is primarily a result of an overall increase in rental rates on new leases and rollovers, an increase in reimbursable operating expenses as well as an increase in termination fees and early surrender income offset by a decrease in occupancy from year to year. Rental revenue is comprised of base rent, including termination fees and early surrender income, recoveries from tenants and parking and other. Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Accrued rental income represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements. Straight line rent for the year ended December 31, 2001 was $27.8 million compared to $12.9 million for the year ended December 31, 2000. Termination fees and early surrender income increased from $3.7 million for the year ended December 31, 2000 to $21.6 million for the year ended December 31, 2001. Included in the $21.6 million is $12.4 million related to the early surrender of space of a tenant at 875 Third Avenue, of which approximately $9.2 million has been received to date. We expect to receive the remaining amount on a monthly basis through July 2002. The occupancy for our Same Property Portfolio decreased from 98.9% as of December 31, 2000 to 95.8% as of December 31, 2001. Additional increases in rental revenues in our total portfolio are primarily the result of rental revenues earned on properties we acquired or placed in service after January 1, 2000 offset by a decrease in overall occupancy from 98.9% to 95.3%.

The Company has not recognized $0.4 million of rental revenue during the year ended December 31, 2001, related to a tenant who has filed for bankruptcy. Although the tenant vacated the space during 2001, the rental payments, to the extent the space is not re-let, are guaranteed by a third party. Revenue of approximately $0.2 million per month relating to this space will be recognized, when and if, collection is reasonably assured.

The increase in development and management services income in our total portfolio is mainly due to an increase in development and management income earned on contracts starting in 2001 and 2000 and an increase of approximately $0.4 million of work order profits earned on the entire portfolio. This was offset by certain management and development contracts ending in 2000 and some reductions in charges for management fees.

The increase in interest and other income in our total portfolio is primarily due to more interest earned as a result of higher average cash balances in 2001 resulting from the remaining proceeds from the public offering in October 2000 offset by lower interest rates.

Property operating expenses (real estate taxes, utilities, repairs and maintenance, cleaning and other property-related expenses) in our Same Property Portfolio increased mainly due to increases in real estate taxes of $6.0 million, or 2.3%, and increases in utilities of $7.4 million, or 2.9%. Most office leases include reimbursement for these operating expenses. The increase in real estate taxes was primarily due to higher property tax assessments. Small increases in the other property operating expenses account for the remaining difference. Additional increases in property operating expenses in our total portfolio were due to properties we acquired or placed in service after January 1, 2000.

General and administrative expenses in our total portfolio increased mainly due to an overall increase in payroll due to an increase in the overall size of our total portfolio and the number of employees since January 1, 2000 as well as salary increases to employees. We wrote off $1.4 million of abandoned projects in 2001 compared to a $0.7 million write-off in 2000. In addition, the 2001 expense does not include $3.0 million that was included in the prior year related to the departure of two senior employees.

Interest expense for our total portfolio increased as a result of having a higher average outstanding debt balance as compared to the prior period. Our debt outstanding at December 31, 2001 was approximately $4.3 billion, compared to $3.4 billion at December 31, 2000. This was partially offset by a decrease in our weighted average interest rates over the year from 7.37% at December 31, 2000 to 6.57% at December 31, 2001.

Costs directly related to the development of rental properties are capitalized. Capitalized development costs include interest, wages, property taxes, insurance and other project costs incurred during the period of development. Capitalized wages for the years ended December 31, 2001 and 2000 were $6.5 million and $5.0 million, respectively. These costs are not included in the general and administrative expenses discussed above. Interest capitalized for the years ended December 31, 2001 and 2000 was $59.3 million and $37.7 million, respectively. These costs are not included in the interest expense discussed above.

Depreciation and amortization expense for our Same Property Portfolio increased as a result of capital and tenant improvements made during 2001. Additional increases in depreciation and amortization expense for our total portfolio were mainly due to the properties we acquired or placed in service after January 1, 2000 and related capital and tenant improvements.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2000 TO THE YEAR ENDED DECEMBER 31, 1999

The table below shows selected operating information for our total portfolio and the 102 buildings acquired or placed in service on or prior to January 1, 1999 and that remained in the total portfolio

through December 31, 2000 and excluding properties sold during 2002 (which constitute the Same Property Portfolio for the years ended December 31, 2000 and 1999). The table below does not reflect the results of operations of the properties sold during 2002 as the results of operations have been reclassified as discontinued operations.

	SAME PROPERTY PORTFOLIO				TOTAL PORTFOLIO			
(DOLLARS IN THOUSANDS)	2000	1999	INCREASE/ (DECREASE)	% CHANGE	2000	1999	INCREASE/ (DECREASE)	% CHANGE
Revenue:								
Rental	$761,662	$713,112	$48,550	6.81%	$854,463	$760,875	$93,588	12.30%
Development and management services	--	--	--	--	11,837	14,708	(2,871)	-19.52%
Interest and other	--	--	--	--	8,558	6,439	2,119	32.91%
Total revenue	761,662	713,112	48,550	6.81%	874,858	782,022	92,836	11.87%
Expenses:								
Operating	236,320	229,456	6,864	2.99%	263,914	248,546	15,368	6.18%
General and administrative	--	--	--	--	35,659	29,455	6,204	21.06%
Interest	--	--	--	--	217,064	205,410	11,654	5.67%
Depreciation and amortization	117,043	111,715	5,328	4.77%	132,330	119,311	13,019	10.91%
Total expenses	353,363	341,171	12,192	3.57%	648,967	602,722	46,245	7.67%
Income before net derivative losses, minority interest in property								

partnerships and income from unconsolidated joint ventures..... $408,299 $371,941 $36,358 9.78% $225,891 $179,300 $46,591 25.98% ======== ======== ======= ==== ======== ======== ======= ======

The increase in rental revenue in our Same Property Portfolio is primarily a result of an overall increase in rental rates on new leases and rollovers, an increase in reimbursable operating expenses, in addition to an increase in occupancy from year to year and an increase in termination fees from $2.3 million to $3.3 million. Rental revenue is comprised of base rent, including termination fees, recoveries from tenants and parking and other. Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements. Straight line rent for the year ended December 31, 2000 was $12.9 million compared to $16.8 million for the year ended December 31, 1999. The occupancy for our Same Property Portfolio increased from 97.4% as of December 31, 1999 to 98.8% as of December 31, 2000. The additional increases in rental revenues in our total portfolio are primarily the result of rental revenues earned on properties we acquired or placed in service after January 1, 1999.

The decrease in development and management services income in the total portfolio is mainly due to contracts expiring during 1999 and 2000.

The increase in interest and other income in the total portfolio is a result of interest earned on proceeds received from the public offering of our common stock in October 2000 which resulted in higher average cash balances for the year ended December 31, 2000.

Property operating expenses (real estate taxes, utilities, repairs and maintenance, cleaning and other property-related expenses) in our Same Property Portfolio increased mainly due to increases in real estate taxes of $4.0 million, or 4.2%. Most office leases include reimbursement for these operating expenses. Small increases in other property operating expenses account for the balance of the increase. Additional increases in property operating expenses in our total portfolio were mainly due to properties we acquired or placed-in-service after January 1, 1999 as well as increases in other property-related expenses.

General and administrative expenses increased due to increases in the overall size of our total portfolio since January 1, 1999. In addition, we incurred a $3.0 million charge related to the departure of two senior employees, which included a non-cash charge of approximately $2.0 million.

Interest expense for our total portfolio increased due to net increase in mortgage indebtedness and increased amounts outstanding under our unsecured revolving line of credit with Fleet National Bank, as agent, from $3.3 billion to $3.4 billion.

Costs directly related to the development of rental properties are capitalized. Capitalized development costs include interest, wages, property taxes, insurance and other project costs incurred during the period of development. Capitalized wages for the years ended December 31, 2000 and 1999 were $5.0 million and $3.2 million, respectively. These costs are not included in the general and administrative expenses discussed above. Interest capitalized for the years ended December 31, 2000 and 1999 was $37.7 million and $17.0 million, respectively.

Depreciation and amortization expense for our Same Property Portfolio increased as a result of capital and tenant improvements made during 2000. Additional increases in depreciation and amortization expense for our total portfolio were due to properties we acquired or placed in service after January 1, 2000 and related capital and tenant improvements.

FUNDS FROM OPERATIONS

Pursuant to the National Association of Real Estate Investment Trusts revised definition of Funds from Operations, we calculate Funds From Operations by adjusting net income (loss) (computed in accordance with accounting principles generally accepted in the United States of America, including non-recurring items), for gains (or losses) from debt restructuring and sales of properties (except gains and losses from sales of depreciable operating properties), real estate related depreciation and amortization and unconsolidated partnerships and joint ventures. We consider Funds from Operations, after supplemental adjustments, one measure of REIT performance. We believe that Funds From Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of our ability to incur and service debt, to make capital expenditures and to fund other cash needs. We compute Funds From Operations in accordance with standards established by the National Association of Real Estate Investment Trusts which may not be comparable to Funds From Operations reported by other REITs that do not define the term in accordance with the current National Association of Real Estate Investment Trusts definition or that interpret the current National Association of Real Estate Investment Trusts definition differently. In addition to Funds from Operations (as defined by the National Association of Real Estate Investment Trusts), we also disclose Funds from Operations after certain supplemental adjustments. Funds From Operations does not represent cash generated from operating activities determined in accordance with accounting principles generally accepted in the United States of America and should not be considered as an alternative to net income (determined in accordance with accounting principles generally accepted in the United States of America) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

Our funds from operations for the respective periods is calculated as follows:

	THE COMPANY					THE PREDECESSOR GROUP
	YEAR ENDED DECEMBER 31,				PERIOD FROM JUNE 23, 1997 TO DECEMBER 31, 1997	PERIOD FROM JANUARY 1, 1997 TO JUNE 22, 1997
	2001	2000	1999	1998		
	(IN THOUSANDS)					
Income before net derivative losses, minority interests and income from unconsolidated joint ventures	$299,331	$225,891	$179,300	$138,363	$38,537	$ 4,819
Add: Real estate depreciation and amortization	153,550	134,386	119,583	74,649	21,417	16,808
Income from discontinued operations	2,989	2,888	3,072	2,212	341	21
Income from unconsolidated joint ventures	4,186	1,758	468	--		
Less: Net derivative losses	(26,488)	--	--	--	--	
Minority property partnerships' share of funds from operations	(2,322)	(1,061)	(3,681)	(4,185)	(287)	(198)
Preferred dividends and distributions	(33,312)	(32,994)	(32,111)	(5,830)	--	--
Funds from operations	397,934	330,868	266,631	205,209	60,008	21,450
Add (subtract): Net derivative losses(1)	26,488	--	--	--	--	--
Early surrender lease adjustment(2)	(8,518)	--	--	--	--	--
Funds from operations before net derivative losses and after early surrender lease adjustment	$415,904	$330,868	$266,631	$205,209	$60,008	$21,450
Funds from operations available to common stockholders before net derivative losses and after early surrender lease						

adjustment................................
$337,823 $247,371 $196,101 $153,045
$42,258 -- ======== ======== ========
======== ======= ======= Weighted average
shares outstanding--basic... 90,002 71,424
66,235 60,776 38,694 -- ======== ========
======== ======== ======= =======

- ------------------------------

(1) Expense recognized for adjustment to fair value related to SFAS 133.

(2) Represents the remaining payment expected to be received from a previous tenant relating to the early surrender of space.

FOR THE YEAR ENDED FOR THE
YEAR ENDED FOR THE YEAR ENDED
DECEMBER 31, 2001 DECEMBER 31,
2000 DECEMBER 31, 1999 -------
-------------------- --------
-------------------- ---------
------------------- INCOME
SHARES/UNITS INCOME
SHARES/UNITS INCOME
SHARES/UNITS (NUMERATOR)
(DENOMINATOR) (NUMERATOR)
(DENOMINATOR) (NUMERATOR)
(DENOMINATOR) ------------ ---
---------- ----------- ------
------- ----------- ---------
---- (IN THOUSANDS) Basic
Funds from Operations before
net derivative losses and
after early surrender lease
adjustment....................
$415,904 110,803 $330,868
95,532 $266,631 90,058 Effect
of Dilutive Securities
Convertible Preferred
Units.... 26,720 11,012 26,422
10,393 26,428 10,360
Convertible Preferred
Stock.... 6,592 2,625 6,572
2,625 5,834 2,337 Stock
Options and other........ --
1,547 -- 1,280 -- 541 --------
------- -------- ------- -----
--- ------- Diluted Funds from
Operations before net
derivative losses and after
early surrender lease
adjustment....................
$449,216 125,987 $363,862
109,830 $298,893 103,296
======== ======= ========
======= ======== =======
Diluted Funds from Operations
available to common
stockholders before net
derivative losses and after
early surrender lease
adjustment....................
$375,046 105,185 $283,994
85,723 $229,961 79,473
======== ======= ========
======= ======== =======

FOR THE PERIOD FROM FOR THE YEAR ENDED JUNE
23, 1997 TO DECEMBER 31, 1998 DECEMBER 31,
1997 -------------------------- ----------
----------------- INCOME SHARES/UNITS INCOME
SHARES/UNITS (NUMERATOR) (DENOMINATOR)
(NUMERATOR) (DENOMINATOR) ------------ ------
------- ----------- ------------ (IN
THOUSANDS) Basic Funds from
Operations..........................

$205,209 81,487 $60,008 54,950 Effect of Dilutive Securities Convertible Preferred Units......................... 2,819 1,135 -- -- Convertible Preferred Stock......................... -- -- -- -- Stock Options.. -- 532 -- 414 -------- ------ ------- ------ Diluted Funds from Operations........................ $208,028 83,154 $60,008 55,364 ======== ====== ======= ====== Company's share of Diluted Funds from Operations...... $156,215 62,443 $42,258 39,108 ======== ====== ======= ======

BOSTON PROPERTIES, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

All other schedules for which a provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Boston Properties, Inc.:

In our opinion, the accompanying consolidated financial statements and the financial statement schedule listed in the accompanying index present fairly, in all material respects, the financial position of Boston Properties, Inc. (the "Company") at December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial statement schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial statement schedule, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 19 to the consolidated financial statements, the Company, on January 1, 2001, adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted. Also, as discussed in Note 20 to the consolidated financial statements, in 2002 the Company adopted the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

Boston, Massachusetts
January 25, 2002, except for Notes 20 and 21,
as to which the date is November 14, 2002

BOSTON PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS, EXCEPT FOR SHARE AMOUNTS)	
ASSETS		
Real estate	$7,457,906	$6,112,779
Less: accumulated depreciation	(719,854)	(586,719)
Total real estate	6,738,052	5,526,060
Cash and cash equivalents	98,067	280,957
Escrows	23,000	85,561
Investments in securities	4,297	7,012
Tenant and other receivables (net of allowance for doubtful accounts of $2,394 and $2,112, respectively)	43,546	26,852
Accrued rental income (net of allowance of $3,300 and $3,300, respectively)	119,494	91,684
Deferred charges, net	107,573	77,319
Prepaid expenses and other assets	20,996	41,154
Investments in unconsolidated joint ventures	98,485	89,871
Total assets	$7,253,510	$6,226,470
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes and bonds payable	$4,314,942	$3,414,891
Accounts payable and accrued expenses	81,108	57,338
Dividends and distributions payable	79,561	71,274
Interest rate contracts	11,147	--
Accrued interest payable	9,080	5,599
Other liabilities	58,859	51,926
Total liabilities	4,554,697	3,601,028
Commitments and contingencies	--	--
Minority interests	844,740	877,715
Series A Convertible Redeemable Preferred Stock, liquidation preference $50.00 per share, 2,000,000 shares issued and outstanding	100,000	100,000
Stockholders' equity:		
Excess stock, $.01 par value, 150,000,000 shares authorized, none issued or outstanding	--	--
Common stock, $.01 par value, 250,000,000 shares authorized, 90,780,591 and 86,630,089 issued and outstanding in 2001 and 2000, respectively	908	866
Additional paid-in capital	1,789,521	1,673,349
Dividends in excess of earnings	(17,669)	(13,895)
Treasury common stock, at cost	(2,722)	--
Unearned compensation	(2,097)	(848)
Accumulated other comprehensive loss	(13,868)	(11,745)
Total stockholders' equity	1,754,073	1,647,727
Total liabilities and stockholders' equity	$7,253,510	$6,226,470

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

BOSTON PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, ------------------------
------- 2001* 2000* 1999* ---------- -------- --------
(IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS) Revenue
Rental: Base
rent... $
843,854 $711,744 $643,174 Recoveries from
tenants................................. 107,025 91,827
71,950 Parking and
other...................................... 51,999
50,892 45,751 ---------- -------- -------- Total rental
revenue................................. 1,002,878
854,463 760,875 Development and management
services...................... 13,190 11,837 14,708
Interest and
other....................................... 12,183
8,558 6,439 ---------- -------- -------- Total
revenue.......................................
1,028,251 874,858 782,022 ---------- -------- --------
Expenses
Operating..
311,371 263,914 248,546 General and
administrative.............................. 38,312
35,659 29,455
Interest...
223,389 217,064 205,410 Depreciation and
amortization............................ 149,348 132,330
119,311 Loss on investments in
securities......................... 6,500 -- -- ---------
- -------- -------- Total
expenses..................................... 728,920
648,967 602,722 ---------- -------- -------- Income
before net derivative losses, minority interests in
property partnerships, income from unconsolidated joint
ventures, minority interest in Operating Partnership,
gain (loss) on sale of real estate, discontinued
operations, extraordinary items, cumulative effect of a
change in accounting principle and preferred
dividend............... 299,331 225,891 179,300 Net
derivative losses.....................................
(26,488) -- -- Minority interests in property
partnerships................ 1,085 (932) (4,614) Income
from unconsolidated joint ventures..................
4,186 1,758 468 ---------- -------- -------- Income
before minority interest in Operating Partnership, gain
(loss) on sale of real estate, discontinued operations,
extraordinary items, cumulative effect of a change in
accounting principle and preferred dividend..... 278,114
226,717 175,154 Minority interest in Operating
Partnership................. (74,832) (75,310) (64,104)
---------- -------- -------- Income before gain (loss) on
sale of real estate, discontinued operations,
extraordinary items, cumulative effect of a change in
accounting principle and preferred
dividend...
203,282 151,407 111,050 Gain (loss) on sale of real
estate, net of minority
interest...
9,089 (234) 6,467 ---------- -------- -------- Income
before discontinued operations, extraordinary items,
cumulative effect of a change in accounting principle and
preferred
dividend...................................... 212,371
151,173 117,517 Discontinued operations, net of minority
interest........... 2,428 2,159 2,259 ---------- --------
-------- Income before extraordinary items, cumulative
effect of a change in accounting principle and preferred
dividend..... 214,799 153,332 119,776 Extraordinary
items, net of minority interest.............. -- (334) -
- ---------- -------- -------- Income before cumulative
effect of a change in accounting principle and preferred
dividend......................... 214,799 152,998
119,776 Cumulative effect of a change in accounting
principle, net of minority
interest.................................... (6,767) --
-- ---------- -------- -------- Net income before

preferred dividend........................ 208,032 152,998 119,776 Preferred dividend.. (6,592) (6,572) (5,829) ---------- -------- -------- Net income available to common shareholders................. $ 201,440 $146,426 $113,947 ========== ======== ========

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, -------------------------------- 2001* 2000* 1999* ---------- -------- -------- (IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS) Basic earnings per share: Income available to common shareholders before discontinued operations, extraordinary items and cumulative effect of a change in accounting principle... $ 2.28 $ 2.02 $ 1.69 Discontinued operations, net of minority interest......... 0.03 0.03 0.03 Extraordinary items, net of minority interest............ -- -- -- Cumulative effect of a change in accounting principle, net of minority interest.................................... (0.07) -- -- ---------- -------- -------- Net income available to common shareholders............... $ 2.24 $ 2.05 $ 1.72 ========== ======== ======== Weighted average number of common shares outstanding...... 90,002 71,424 66,235 ========== ======== ======== Diluted earnings per share: Income available to common shareholders before discontinued operations, extraordinary items and cumulative effect of a change in accounting principle... $ 2.23 $ 1.98 $ 1.68 Discontinued operations, net of minority interest......... 0.03 0.03 0.03 Extraordinary items, net of minority interest............ -- -- -- Cumulative effect of a change in accounting principle, net of minority interest.................................... (0.07) -- -- ---------- -------- -------- Net income available to common shareholders............... $ 2.19 $ 2.01 $ 1.71 ========== ======== ======== Weighted average number of common and common equivalent shares outstanding..................................... 92,200 72,741 66,776 ========== ======== ========

* Reclassified as described in Note 20.

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(IN THOUSANDS)

ACCUMULATED COMMON STOCK ADDITIONAL DIVIDENDS TREASURY OTHER ------------------- PAID-IN IN EXCESS OF STOCK, UNEARNED COMPREHENSIVE SHARES AMOUNT CAPITAL EARNINGS AT COST COMPENSATION LOSS -------- -------- ---------- ----------- -------- ------------ ------------- Stockholders' Equity, December 31, 1998......... 63,528 $635 $ 955,711 $ (7,865) Sale of Common Stock net of offering costs............ 4,000 40 140,648 Unregistered Common Stock issued.................... 343 4 12,321 Conversion of operating partnership units to Common Stock.............. 10 -- 260 Allocation of minority interest.................. (41,965) Net income for the year..... 113,947 Dividends declared.......... (116,975) Shares issued pursuant to stock purchase plan....... 5 -- 181 Stock options exercised..... 24 -- 622 ------ ---- ---------- --------- ------- ------- --------- Stockholders' Equity, December 31, 1999......... 67,910 679 1,067,778 (10,893) Sale of Common Stock net of offering costs............ 17,110 171 633,591 Unregistered Common Stock issued.................... 439 4 18,156 Conversion of operating partnership units to Common Stock.............. 614 6 20,239 Allocation of minority interest.................. (85,809) Net income for the year..... 146,426 Dividends declared.......... (149,428) Shares issued pursuant to stock purchase plan....... 11 -- 374 Stock options exercised..... 511 5 17,961 Issuance of restricted stock..................... 35 1 1,059 $(1,060) Amortization of restricted stock award............... 212 Unrealized holding losses... $(11,745) ------ ---- ---------- --------- ------- ------- -------- Stockholders' Equity, December 31, 2000......... 86,630 866 1,673,349 (13,895) (848) (11,745) Conversion of operating partnership units to Common Stock.............. 3,765 38 149,588 Allocation of minority interest.................. (47,852) Net income for the year..... 201,440 Dividends declared.......... (205,214) Shares issued pursuant to stock purchase plan....... 8 --

213 Stock options exercised..... 412 4
12,396 Treasury stock, at cost..... (79) $(2,722)
Issuance of restricted stock.....................
45 1,827 (1,827)
Amortization of restricted stock award............... 578
Other comprehensive losses, net........................
(2,123) ------ ---- ----- ----- --------- ------- ------- --------
Stockholders' Equity, December 31,
2001......... 90,781 $908 $1,789,521 $ (17,669) $(2,722) $(2,097) $(13,868) ====== ==== ========== ========= ======= ======= ========
TOTAL ----------
Stockholders' Equity, December 31,
1998......... $ 948,481
Sale of Common Stock net of offering costs............ 140,688
Unregistered Common Stock issued....................
12,325 Conversion of operating partnership units to Common Stock.............. 260
Allocation of minority interest..................
(41,965) Net income for the year..... 113,947
Dividends declared..........
(116,975) Shares issued pursuant to stock purchase plan....... 181
Stock options exercised..... 622 ------ ---- Stockholders' Equity, December 31,
1999......... 1,057,564
Sale of Common Stock net of offering costs............ 633,762
Unregistered Common Stock issued....................
18,160 Conversion of operating partnership units to Common Stock..............
20,245 Allocation of minority interest..................
(85,809) Net income for the year..... 146,426
Dividends declared..........
(149,428) Shares issued pursuant to stock purchase plan....... 374
Stock options exercised..... 17,966
Issuance of restricted stock.....................
-- Amortization of restricted stock award............... 212
Unrealized holding losses... (11,745) ------ ---- Stockholders' Equity, December 31,

2000......... 1,647,727 Conversion of operating partnership units to Common Stock.............. 149,626 Allocation of minority interest.................. (47,852) Net income for the year..... 201,440 Dividends declared.......... (205,214) Shares issued pursuant to stock purchase plan....... 213 Stock options exercised..... 12,400 Treasury stock, at cost..... (2,722) Issuance of restricted stock..................... -- Amortization of restricted stock award............... 578 Other comprehensive losses, net....................... (2,123) ---------- Stockholders' Equity, December 31, 2001......... $1,754,073 ==========

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

BOSTON PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, ---------------------- ---------- 2001 2000 1999 --------- --------- --------- (IN THOUSANDS) Net income.. $208,032 $152,998 $119,776 Other comprehensive loss: Realized loss on investments in securities included in net income available to common shareholders................ 6,500 -- -- Unrealized gains (losses) on investments in securities: Unrealized holding losses arising during the period..... (1,608) (11,745) -- Less: reclassification adjustment for the cumulative effect of a change in accounting principle included in net income available to common shareholders........... 6,853 -- -- Unrealized derivative losses: Transition adjustment of interest rate contracts........ (11,414) -- -- Effective portion of interest rate contracts........... (2,454) -- -- -- ------ -------- -------- Other comprehensive loss.................................. (2,123) (11,745) -- -------- -------- -------- Comprehensive income...................................... $205,909 $141,253 $119,776 ======== ======== ========

The accompanying notes are an integral part of these financial statements

BOSTON PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, -------------------- -------------- 2001 2000 1999 ---------- --------- - -------- (IN THOUSANDS) Cash flows from operating activities: Net income before preferred dividend................... $ 208,032 $ 152,998 $ 119,776 Adjustments to reconcile net income before preferred dividend to net cash provided by operating

activities: Depreciation and
amortization......................... 150,163 133,150
120,059 Non-cash portion of interest
expense.................. 3,937 3,693 2,364 Non-cash
compensation expense......................... 578
2,170 -- Loss on investments in
securities.................... 6,500 -- -- Non-cash
portion of derivative losses................ (2,473)
-- -- Minority interest in property
partnerships............ (1,085) 932 4,614 Earnings
in excess of distributions from unconsolidated joint
ventures...................... (1,451) 90 504
Minority interest in Operating
Partnership............ 75,878 75,860 67,186 Loss
(gain) on sales of real estate..................
(11,239) 314 (8,736) Extraordinary
loss.................................... -- 433 --
Cumulative effect of a change in accounting
principle...
8,432 -- -- Change in assets and liabilities:
Escrows...
4,951 12,303 (21,240) Tenant and other receivables,
net.................... (16,694) 1,407 12,571
Accrued rental income,
net........................... (27,961) (14,509)
(17,977) Prepaid expenses and other
assets.................... 10,154 (2,792) (14,040)
Accounts payable and accrued
expenses................. 29,265 (14,300) 19,264
Interest rate
contracts.............................. (2,541) -- -
- Accrued interest
payable.............................. 3,481 (2,887)
1,179 Other
liabilities....................................
8,580 1,644 15,832 Tenant leasing
costs.................................. (27,104)
(21,032) (11,329) ----------- --------- ---------
Total adjustments..................................
211,371 176,476 170,251 ----------- --------- -------
-- Net cash provided by operating
activities........... 419,403 329,474 290,027 -------
---- --------- --------- Cash flows from investing
activities: Acquisitions/additions to real
estate................... (1,322,565) (615,006)
(657,922) Investments in unconsolidated joint
ventures............ (7,163) (16,582) 9,765 Net
proceeds from the sales of real estate.............
26,106 70,712 13,103 Investments in
securities.............................. -- (2,297)
(6,500) ----------- --------- --------- Net cash used
in investing activities............... (1,303,622)
(563,173) (641,554) ----------- --------- ---------

The accompanying notes are an integral part of these financial statements

BOSTON PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, -----------------------
----------- 2001 2000 1999 ---------- --------- -------
-- (IN THOUSANDS) Cash flows from financing activities:
Net proceeds from the issuance of common
stock............ -- 633,762 240,688 Borrowings on
unsecured line of credit................... 111,200
184,000 696,000 Repayments of unsecured line of
credit................... (111,200) (550,000)
(345,000) Repayments of mortgage
notes.............................. (229,021) (525,241)
(33,362) Proceeds from mortgage
notes............................ 1,128,534 976,390
307,525 Bonds payable proceeds released from
escrow.............. 57,610 -- -- Repayments of notes
payable.............................. -- -- (328,143)
Dividends and
distributions.............................. (276,538)
(209,723) (181,493) Proceeds from stock

transactions......................... 12,665 16,382
803 Purchase of treasury common
stock........................ (2,722) -- -- Net
contributions from minority interest holder...........
37,539 -- -- Deferred financing
costs.................................. (26,738)
(22,949) (5,622) ---------- --------- --------- Net
cash provided by financing activities...............
701,329 502,621 351,396 ---------- --------- ---------
Net increase (decrease) in cash and cash
equivalents........ (182,890) 268,922 (131) Cash and
cash equivalents, beginning of period.............
280,957 12,035 12,166 ---------- --------- ---------
Cash and cash equivalents, end of
period.................... $ 98,067 $ 280,957 $ 12,035
========== ========= ========= Supplemental
disclosures: Cash paid for
interest.................................... $ 275,263
$ 253,971 $ 218,820 ========== ========= =========
Interest
capitalized...................................... $
59,292 $ 37,713 $ 16,953 ========== ========= =========
Non-cash investing and financing activities: Additions
to real estate included in accounts payable..... $
5,547 $ 4,858 $ 606 ========== ========= =========
Mortgage notes payable assumed in connection with the
acquisition of real
estate............................. $ -- $ 117,831 $
28,331 ========== ========= ========= Mortgage notes
payable assigned in connection with the sale of real
estate.................................... $ -- $
166,547 $ -- ========== ========= ========= Bonds
payable proceeds escrowed.......................... $
-- $ 57,610 $ -- ========== ========= =========
Issuance of minority interest in connection with the
acquisition of real
estate............................. $ -- $ 44,712 $
2,063 ========== ========= ========= Dividends and
distributions declared but not paid......... $ 79,561 $
71,274 $ 50,114 ========== ========= ========= Notes
receivable assigned in connection with an
acquisition...
$ -- $ -- $ 420,143 ========== ========= =========
Notes payable assigned in connection with an
acquisition...
$ -- $ -- $ 92,000 ========== ========= =========
Common stock issued in connection with an acquisition
of real
estate... $ -
- $ 2,660 $ 825 ========== ========= ========= Common
stock issued in connection with an acquisition of
minority
interest...................................... $ -- $
15,500 $ 11,500 ========== ========= =========
Conversions of Minority Interest to Stockholders'
Equity..
$ 119,604 $ 20,245 $ 260 ========== ========= =========
Basis adjustment in connection with conversions of
Minority Interest to Stockholders'
Equity............... $ 33,927 $ -- $ -- ==========
========= ========= Real estate contributed to joint
ventures................. $ -- $ 36,999 $ -- ==========
========= ========= Issuance of restricted shares to
employees............... $ 1,827 $ 1,060 $ --
========== ========= ========= Unrealized loss related
to investments in securities...... $ 1,608 $ 11,745 $ -
- ========== ========= =========

The accompanying notes are an integral part of these financial statements

BOSTON PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Boston Properties, Inc. (the "Company"), a Delaware corporation, is a self-administered and self-managed real estate investment trust ("REIT"). Boston Properties, Inc. is the sole general partner of Boston Properties Limited Partnership (the "Operating Partnership") and at December 31, 2001, owned an approximate 75.0% general and limited partnership interest in the Operating Partnership. Partnership interests in the Operating Partnership are denominated as "common units of partnership interest" (also referred to as "OP Units") or "preferred units of partnership interest" (also referred to as "Preferred Units"). All references to OP Units and Preferred Units exclude such units held by the Company. A holder of an OP Unit may present such OP Unit to the Operating Partnership for redemption at any time (subject to restrictions agreed upon at the issuance of OP Units to particular holders that may restrict such right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, the Operating Partnership must redeem such OP Unit for cash equal to the then value of a share of common stock of the Company ("Common Stock"), except that the Company may, at its election, in lieu of a cash redemption, acquire such OP Unit for one share of Common Stock. Because the number of shares of Common Stock outstanding at all times equals the number of OP Units that the Company owns, one share of Common Stock is generally the economic equivalent of one OP Unit, and the quarterly distribution that may be paid to the holder of an OP Unit equals the quarterly dividend that may be paid to the holder of a share of Common Stock. Each series of Preferred Units bears a distribution that is set in accordance with an amendment to the partnership agreement of the Operating Partnership. Preferred Units may also be convertible into OP Units at the election of the holder thereof or the Company, subject to the terms of such Preferred Units.

All references to the Company hereafter refer to Boston Properties, Inc. and its subsidiaries, including the Operating Partnership, collectively, unless the context otherwise requires.

PROPERTIES

At December 31, 2001, the Company owned a portfolio of 147 commercial real estate properties (145 properties at December 31, 2000) (the "Properties") aggregating more than 40.7 million net rentable square feet (including 12 properties under construction totaling approximately 4.9 million net rentable square feet). The Properties consist of 139 office properties, including 107 Class A office properties and 32 Office/Technical properties; five industrial properties; three hotels; and structured parking for 17,645 vehicles containing approximately 6.0 million square feet. In addition, the Company owns or controls 44 parcels of land totaling 568.6 acres (which will support approximately 9.7 million net rentable square feet of development). The Company considers Class A office properties to be centrally located buildings that are professionally managed and maintained, that attract high-quality tenants and command upper-tier rental rates, and that are modern structures or have been modernized to compete with newer buildings. The Company considers Office/Technical properties to be properties that support office, research and development and other technical uses.

1. ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

BASIS OF PRESENTATION

The consolidated financial statements of the Company include all the accounts of the Company, its majority-owned Operating Partnership, and subsidiaries. All significant intercompany balances and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REAL ESTATE

Real estate is stated at depreciated cost. The Company periodically reviews its properties to determine if their carrying amounts will be recovered from future operating cash flows. If the Company determines that an impairment has occurred, those assets shall be reduced to fair value. No such impairment losses have been recognized to date.

The cost of buildings and improvements include the purchase price of property, legal fees and acquisition costs.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

The costs of land and buildings under development include specifically identifiable costs. The capitalized costs include pre-construction costs essential to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. Interest costs capitalized for the years ended December 31, 2001, 2000 and 1999 were $59.3 million, $37.7 million and $17.0 million, respectively. Salaries and related costs capitalized for the years ended December 31, 2001, 2000 and 1999 were $6.5 million, $5.0 million and $3.2 million, respectively.

The acquisitions of minority interests for shares of the Company's Common Stock are recorded under the purchase method with assets acquired reflected at the fair market value of the Company's Common Stock on the date of acquisition. The acquisition amounts are allocated to real estate based on their estimated fair values.

Expenditures for repairs and maintenance are charged to operations as incurred. Significant betterments are capitalized. When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in net income or loss for the period.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Land improvements....................	25 to 40 years
Buildings and improvements...........	10 to 40 years
Tenant improvements..................	Shorter of useful life or terms of related lease
Furniture, fixtures, and equipment...	3 to 7 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and investments with maturities of three months or less from the date of purchase. The majority of the Company's cash and cash equivalents are held at major commercial banks. The Company has not experienced any losses to date on its invested cash.

ESCROWS

Escrows include amounts established pursuant to various agreements for security deposits, property taxes, insurance and other costs. At December 31, 2000, proceeds of $57.6 million from the permanent financing of a development property had been deposited into an escrow account and recorded in mortgage notes and bonds payable until the completion of construction on the development property, at which time the construction loan was repaid and the proceeds were made available to the Company.

INVESTMENTS IN SECURITIES

The Company accounts for investments in securities of publicly traded companies in accordance with Statement of Financial Accounting Standard ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Investments" and has classified the securities as available-for-sale. Investments in securities of non-publicly traded companies are recorded at cost, as they are not considered marketable under SFAS 115. During the year ended December 31, 2001, the Company realized a loss totaling $6.5 million related to the write-down of securities of two publicly traded telecommunications companies. The Company determined that the decline in the fair value of these securities was other than temporary as defined by SFAS No. 115. As of December 31, 2000, the fair value of the investments in common stocks and warrants was approximately $7.0 million and the gross unrealized holding loss of approximately $11.7 million was included in accumulated other comprehensive loss on the consolidated balance sheets.

DEFERRED CHARGES

Deferred charges include leasing costs and financing fees. Fees and costs incurred in the successful negotiation of leases, including brokerage, legal, leasing employee salaries and other costs have been deferred and are being amortized on a straight-line basis over the terms of the respective leases. Fees and costs incurred to obtain long-term financing have been deferred and are being amortized over the terms of the respective loans on a basis that approximates the effective interest method and are included with interest expense. Unamortized financing and leasing costs are charged to expense upon the early repayment of financing or upon the early termination of the lease. Fully amortized deferred charges are removed from the books upon the expiration of the lease or maturity of the debt.

INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

The Company accounts for its investments in joint ventures, which it does not control, using the equity method of accounting. Under the equity method of accounting, the net equity investment of the Company is reflected on the consolidated balance sheets, and the Company's share of net income or loss from the joint ventures is included on the consolidated statements of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company serves as the development manager for the joint ventures currently under development. The profit on development fees received from joint ventures is recognized to the extent attributable to the outside interests in the joint ventures.

OFFERING COSTS

Underwriting commissions and offering costs have been reflected as a reduction of additional paid-in capital.

DIVIDENDS

Earnings and profits, which determine the taxability of dividends to stockholders, will differ from income reported for financial reporting purposes due to the differences for federal income tax purposes primarily in the estimated useful lives used to compute depreciation. Dividends declared represented 100% ordinary income for federal income tax purposes for the years ended December 31, 2001, 2000 and 1999.

REVENUE RECOGNITION

Base rental revenue is reported on a straight-line basis over the terms of the respective leases. The impact of the straight-line rent adjustment increased revenue by $27.8 million, $12.9 million and $16.8 million for the years ended December 31, 2001, 2000 and 1999, respectively. Accrued rental income represents rental income earned in excess of rent payments received pursuant to the terms of the individual lease agreements, net of an allowance for doubtful accounts.

Property operating cost reimbursements due from tenants for common area maintenance, real estate taxes and other recoverable costs are recognized in the period the expenses are incurred.

Development fees are recognized ratably over the period of development. Management fees are recognized as revenue as they are earned.

The estimated fair value of warrants received in conjunction with communications license agreements are recognized over the ten-year effective terms of the license agreements.

The Company recognizes gains from sales of real estate at the time of sale using the full accrual method, provided that various criteria related to the terms of the transactions and any subsequent involvement by us with the properties sold are met. If the criteria are not met, the Company defers the gains and recognizes them when the criteria are met or using the installment or cost recovery methods, as appropriate under the circumstances.

INTEREST EXPENSE AND INTEREST RATE PROTECTION AGREEMENTS

Interest expense on fixed rate debt with predetermined periodic rate increases is computed using the effective interest method over the terms of the respective loans.

The Company has entered into certain interest rate protection agreements to reduce the impact of changes in interest rates on its variable rate debt. The fair value of these agreements is reflected on the Consolidated Balance Sheets. Changes in the fair value of these agreements are recorded in the

Consolidated Statements of Operations to the extent the agreements are not effective for accounting purposes.

EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of shares of Common Stock outstanding during the year. Diluted EPS reflects the potential dilution that could occur from shares issuable through stock-based compensation including stock options, conversion of the minority interests in the Operating Partnership and conversion of the preferred stock of the Company.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, escrows, receivables, accounts payable, accrued expenses and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments. Mortgage notes payable have aggregate carrying values that approximate their estimated fair values based upon the remaining maturities for certain debt and interest rates for debt with similar terms and remaining maturities. The fair value of these financial instruments were not materially different from their carrying or contract values.

INCOME TAXES

The Company has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ended December 31, 1997. As a result, the Company generally will not be subject to federal corporate income tax on its taxable income that is distributed to its stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual taxable income. The Company's policy is to distribute 100% of its taxable income. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements.

To assist the Company in maintaining its status as a REIT, the Company leases its three in-service hotel properties, pursuant to leases with a participation in the gross receipts of such hotel properties, to a lessee ("ZL Hotel LLC") in which Messrs. Zuckerman and Linde, the Chairman of the Board and Chief Executive Officer, respectively, are the sole member-managers. Marriott International, Inc. manages these hotel properties under the Marriott-Registered Trademark- name pursuant to management agreements with the lessee. Rental revenue from these leases totaled approximately $31.3 million, $38.1 million and $32.1 million for the years ended December 31, 2001, 2000 and 1999, respectively.

The net difference between the tax basis and the reported amounts of the Company's assets and liabilities is approximately $1.2 billion as of December 31, 2001 and 2000.

Certain entities included in the Company's consolidated financial statements are subject to District of Columbia franchise taxes. Franchise taxes are recorded as operating expenses in the accompanying consolidated financial statements.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

RECLASSIFICATIONS

Certain prior-year balances have been reclassified in order to conform to current-year presentation.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. These estimates include such items as depreciation and allowances for doubtful accounts. Actual results could differ from those estimates.

3. REAL ESTATE

Real estate consisted of the following at December 31:

	2001	2000
Land	$1,194,050	$ 965,140
Land held for future development	182,672	107,005
Buildings and improvements	4,640,684	3,939,857
Tenant improvements	264,658	225,305
Furniture, fixtures and equipment	66,540	57,994
Development in process	1,109,302	817,478
Total	7,457,906	6,112,779
Less: Accumulated depreciation	(719,854)	(586,719)
	$6,738,052	$5,526,060

4. DEFERRED CHARGES

Deferred charges consisted of the following at December 31:

	2001	2000
Leasing costs	$114,811	$ 88,681
Financing costs	74,394	51,453
	189,205	140,134
Less: Accumulated amortization	(81,632)	(62,815)
	$107,573	$ 77,319

5. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

The investments in unconsolidated joint ventures consists of the following:

ENTITY	PROPERTY	LOCATION	% OWNERSHIP
One Freedom Square LLC	One Freedom Square	Reston, VA	25%(1)
Square 407 LP	Market Square North	Washington, D.C.	50%
The Metropolitan Square Associates LLC	Metropolitan Square	Washington, D.C.	51%
BP 140 Kendrick Street LLC	140 Kendrick Street	Needham, MA	25%(1)
BP/CRF 265 Franklin Street Holdings	265 Franklin Street		

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

LLC		Boston, MA	35%
Discovery Square LLC	Discovery Square (2)	Reston, VA	50%
BP/CRF 901 New York Avenue LLC	901 New York Avenue(3)	Washington, D.C.	25%(1)
Two Freedom Square LLC	Two Freedom Square (2)	Reston, VA	50%

- ------------------------

(1) Ownership can increase based on certain return hurdles

(2) Property is currently under development

(3) Land held for development

The combined summarized financial information of the unconsolidated joint ventures is as follows:

BALANCE SHEETS	DECEMBER 31, 2001	DECEMBER 31, 2000
Real estate and development in process, net	$720,568	$640,688
Other assets	40,670	30,919
Total assets	$761,238	$671,607
Mortgage and construction loans payable	$507,865	$446,520
Other liabilities	16,497	10,904
Partners' equity	236,876	214,183
Total liabilities and partners' equity	$761,238	$671,607
Company's share of equity	$ 98,485	$ 89,871

STATEMENTS OF OPERATIONS	YEAR ENDED DECEMBER 31, 2001	2000	1999
Total revenue	$80,813	$42,754	$12,836
Expenses			
Operating	23,024	12,479	3,298
Interest	32,434	17,697	3,777
Depreciation and amortization	13,557	7,802	3,308
Total expenses	69,015	37,978	10,383
Net income	$11,798	$ 4,776	$ 2,453
Company's share of net income	$ 4,186	$ 1,758	$ 468

6. MORTGAGE NOTES AND BONDS PAYABLE

The Company had outstanding mortgage notes and bonds payable totaling $4.3 billion and $3.4 billion as of December 31, 2001 and 2000, respectively, each collateralized by one or more buildings and related land included in real estate assets. The mortgage notes payable are generally due in monthly installments and mature at various dates through August 1, 2021.

Fixed rate mortgage notes and bonds payable totaled approximately $3.4 billion and $3.0 billion at December 31, 2001 and 2000, respectively, with interest rates ranging from 6.40% to 9.65% (averaging 7.27% and 7.21% at December 31, 2001 and 2000, respectively).

Variable rate mortgage notes payable (including construction loans payable) totaled approximately $866.0 million and $404.1 million at December 31, 2001 and 2000, respectively, with interest rates ranging from 1.60% above the London Interbank Offered Rate ("LIBOR") (1.87% and 6.57% at December 31, 2001 and 2000, respectively) to 2.00% above LIBOR.

At December 31, 2001, the Company was a party to hedge contracts totaling $150.0 million. The hedging agreements provide for a fixed interest rate when LIBOR is less than 5.76% and when LIBOR is between 6.35% and 7.45% and between 7.51% and 9.00% for terms ranging from three to five years per the individual hedging agreements.

Mortgage notes payable aggregating approximately $115.1 million and $190.5 million at December 31, 2001 and 2000, respectively, are subject to periodic scheduled interest rate increases. Interest expense for these mortgage notes payable is computed using the effective interest method. Mortgage notes payable aggregating approximately $220.7 million and $224.8 million at December 31, 2001 and 2000, respectively, have been accounted for at their fair value on the date the mortgage loans were assumed. The impact of using these accounting methods decreased interest expense by $1.7 million, $3.6 million and $4.7 million for the years ended December 31, 2001, 2000 and 1999, respectively. The cumulative liability related to these accounting methods was $7.9 million and $9.6 million at December 31, 2001 and 2000, respectively, and is included in mortgage notes and bonds payable.

Combined aggregate principal payments of mortgage notes and bonds payable at December 31, 2001 are as follows:

	(IN THOUSANDS)
2002	$ 282,139
2003	809,695
2004	306,567
2005	277,880
2006	284,516
Thereafter	2,354,145

7. UNSECURED LINE OF CREDIT

As of December 31, 2001, the Company had an agreement for a $605.0 million unsecured revolving credit facility (the "Unsecured Line of Credit") maturing in March 2003. Outstanding balances under the Unsecured Line of Credit currently bear interest at a floating rate based on an increase over Eurodollar from 105 to 170 basis points or an increase over the lender's prime rate from

7. UNSECURED LINE OF CREDIT (CONTINUED)

zero to 75 basis points, depending upon the Company's applicable leverage ratio. The Unsecured Line of Credit requires payments of interest only.

There were no outstanding balances on the Unsecured Line of Credit at December 31, 2001 and 2000. The weighted-average balance outstanding was approximately $11.3 million and $233.1 million during the year ended December 31, 2001 and 2000, respectively. The weighted-average interest rate on amounts outstanding was approximately 5.49% and 7.65% during the year ended December 31, 2001 and 2000, respectively.

The Company's ability to borrow under the Unsecured Line of Credit is subject to the Company's ongoing compliance with a number of financial and other covenants, including, but not limited to, maintaining a certain ratio of secured indebtedness to total asset value, as defined.

8. COMMITMENTS AND CONTINGENCIES

CONCENTRATIONS OF CREDIT RISK

Management of the Company performs ongoing credit evaluations of tenants and may require tenants to provide some form of credit support such as corporate guarantees and/or other financial guarantees. Although the Company's properties are geographically diverse and the tenants operate in a variety of industries, to the extent the Company has a significant concentration of rental revenue from any single tenant, the inability of that tenant to make its lease payments could have an adverse effect on the Company.

LEGAL MATTERS

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of the Company.

ENVIRONMENTAL MATTERS

It is the Company's policy to retain independent environmental consultants to conduct or update Phase I environmental assessments (which generally do not involve invasive techniques such as soil or ground water sampling) and asbestos surveys with respect to its properties. These pre-purchase environmental assessments have not revealed environmental conditions that the Company believes will have a material adverse effect on its business, assets or results of operations, and the Company is not otherwise aware of environmental conditions with respect to its properties which it believes would have such a material adverse effect. However, from time to time pre-existing environmental conditions at its properties have required environmental testing and/or regulatory filings.

In February 1999, one of the Company's affiliates acquired from Exxon Corporation a property in Massachusetts that was formerly used as a petroleum bulk storage and distribution facility and was known by the state regulatory authority to contain soil and groundwater contamination. The Company recently completed development of an office park on the property. The Company's affiliate engaged a specially licensed environmental consultant to oversee the management of contaminated soil and

8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

groundwater that was disturbed in the course of construction. Pursuant to the property acquisition agreement, Exxon agreed to (1) bear the liability arising from releases or discharges of oil and hazardous substances which occurred at the site prior to the Company's ownership, (2) continue remediating such releases and discharges as necessary and appropriate to comply with applicable requirements, and (3) indemnify the Company's affiliate for certain losses arising from preexisting site conditions. Any indemnity claim may be subject to various defenses.

Environmental investigations at two of the Company's properties in Massachusetts have identified groundwater contamination migrating from off-site source properties. In both cases the Company engaged a specially licensed environmental consultant to perform the necessary investigations and assessments and to prepare submittals to the state regulatory authority, including Downgradient Property Status Opinions. These Opinions concluded that the properties qualify for Downgradient Property Status under the state regulatory program, which eliminates certain deadlines for conducting response actions at a site. The Company also believes that these properties qualify for liability relief under certain statutory amendments regarding upgradient releases. Although the Company believes that the current or former owners of the upgradient source properties may ultimately be responsible for some or all of the costs of addressing the identified groundwater contamination, the Company will take necessary further response actions (if any are required). No such additional response actions are anticipated at this time.

One of the Company's affiliates recently acquired a property in Massachusetts where historic groundwater contamination was identified prior to acquisition. The Company engaged a specially licensed environmental consultant to perform investigations and to prepare necessary submittals to the state regulatory authority. The environmental consultant has concluded that

(1) certain identified groundwater contaminants are migrating to the subject property from an off-site source property and (2) certain other detected contaminants are likely related to a historic release on the subject property. The consultant has recommended filing a Downgradient Property Status Opinion (described above) with respect to contamination migrating from off-site and conducting additional investigations, including the installation of off-site monitoring wells, to determine the nature and extent of contamination potentially associated with the historic use of the subject property. The Company's affiliate has authorized such additional investigations and will take necessary further response actions (if any are required).

Some of the Company's properties and certain properties owned by its affiliates are located in urban, industrial and other previously developed areas where fill or current or historical uses of the areas have caused site contamination. Accordingly, it is sometimes necessary to institute special soil and/or groundwater handling procedures in connection with construction and other property operations in order to achieve regulatory closure and ensure that contaminated materials are addressed in an appropriate manner. In these situations it is the Company's practice to investigate the nature and extent of detected contamination and estimate the costs of required response actions and special handling procedures. The Company then uses this information as part of its decision-making process with respect to the acquisition and/or development of the property. For example, the Company recently acquired a parcel in Massachusetts, formerly used as a quarry/asphalt batching facility, which it may develop in the future. Pre-purchase testing indicated that the site contains relatively low levels of certain contaminants. The Company anticipates that this contamination will be addressed in concert

8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

with future construction activities. When appropriate, the Company expects to file a plan detailing such activities with the state regulatory authority and to submit it for public review and comment pursuant to the state regulatory authority's public information process.

The Company expects that resolution of the environmental matters relating to the above will not have a material impact on its financial position, results of operations or liquidity.

DEVELOPMENT

The Company has twelve properties currently under construction. Commitments to complete these projects totaled approximately $672.3 million and $677.7 million at December 31, 2001 and 2000, respectively. Of the remaining commitment, $657.0 of the costs will be covered under its existing construction loans.

SALE OF PROPERTY

The Operating Partnership Agreement provides that, until June 23, 2007, the Operating Partnership may not sell or otherwise transfer four designated properties in a taxable transaction without the prior written consent of the Chairman and Chief Executive Officer. In connection with the acquisition or contribution of 32 other Properties, the Company entered into similar agreements for the benefit of the selling or contributing parties which specifically state the Company will not sell or otherwise transfer the Properties in a taxable transaction until specified dates ranging from June 2002 to April 2016. The Operating Partnership is not required to obtain the consent from a party protected thereby if such party does not continue to hold at least a specified percentage of such party's OP Units issued in connection with such acquisition or contribution.

9. MINORITY INTERESTS

Minority interests relate to the interest in the Operating Partnership not owned by the Company and interests in property partnerships not owned by the Company. As of December 31, 2001, the minority interest in the Operating Partnership consisted of 20,212,776 OP Units and 9,346,033 Preferred Units held by parties other than the Company.

On April 25, 2001, the Company acquired Citigroup Center through a venture with a private real estate investment company. This venture is consolidated with the financial results of the Company because the Company exercises control over the entity that owns the property. The equity interest in the venture that is not owned by the Company, totaling approximately $34.4 million at December 31, 2001, is included in Minority Interests on the accompanying Consolidated Balance Sheet. The minority interest holder's share of income for Citigroup Center is reflective of the Company's preferential return on and of its capital.

The Preferred Units at December 31, 2001 consist of 2,486,026 Series One Preferred Units of limited partnership in the Operating Partnership (the "Series One Preferred Units"), which bear a preferred distribution of 7.25% per annum on a liquidation preference of $34.00 per unit and are convertible into OP Units at a rate of $38.25 per Preferred Unit; 6,213,131 Series Two and Three Preferred Units of limited partnership in the Operating Partnership (the "Series Two and Three Preferred Units"), which bear a preferred distribution at an increasing rate, ranging from 5.00% to

9. MINORITY INTERESTS (CONTINUED)

7.00% per annum on a liquidation preference of $50.00 per unit and will be convertible into OP Units after December 31, 2002 at a rate of $38.10 per Preferred Unit; and 650,876 Series Z Preferred Units, which bear distributions at a rate ranging from zero to the distribution rate of an OP Unit, with a liquidation preference of $37.25 per unit and are convertible into OP Units at a rate equal to the greater of (1) one-for-one or (2) $37.25 divided by the fair market value of an OP Unit on the earlier of (1) the date of each such conversion or (2) the date on which the Company registers the Common Stock that may be issued in exchange for any OP Units issued upon such conversion. Distributions to holders of Preferred Units are recognized on a straight-line basis that approximates the effective interest method.

10. REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

As of December 31, 2001, the Company had 90,780,591 shares of Common Stock and 2,000,000 shares of Series A Convertible Redeemable Preferred Stock (the "Preferred Stock") outstanding. The Preferred Stock bears a preferred dividend at an increasing rate, ranging from 5.00% to 7.00% per annum on a liquidation preference of $50.00 per share and will be convertible into Common Stock after December 31, 2002 at a rate of $38.10 per share. The preferred dividend is recognized on a straight-line basis that approximates the effective interest method. These shares of Preferred Stock are not classified as equity in certain instances as they are convertible into shares of Common Stock at the election of the holder after December 31, 2002 or are redeemable for cash at the election of the holder in six annual tranches commencing on May 12, 2009.

On September 14, 2001, the Board of Directors of the Company authorized a stock repurchase program under which the Company is permitted to purchase up to $100 million of the Company's outstanding Common Stock. As of December 31, 2001, the Company had repurchased 78,900 shares of Common Stock for an aggregate cost of approximately $2.7 million.

11. FUTURE MINIMUM RENTS

The Properties are leased to tenants under net operating leases with initial term expiration dates ranging from 2002 to 2029. The future minimum lease payments to be received (excluding operating expense reimbursements) by the Company as of December 31, 2001 (excluding properties sold during 2002), under non-cancelable operating leases (including leases for properties under development), which expire on various dates through 2029, are as follows:

YEARS ENDING DECEMBER 31,	(IN THOUSANDS)
2002	$ 918,435
2003	938,176
2004	917,959
2005	840,564
2006	743,294
Thereafter	4,840,639

11. FUTURE MINIMUM RENTS (CONTINUED)

The geographic concentration of the future minimum lease payments to be received is detailed as follows:

LOCATION	(IN THOUSANDS)
Midtown Manhattan	$4,739,448
Greater Washington, D.C.	1,611,025
Greater Boston	1,598,361
Greater San Francisco	900,526
New Jersey and Pennsylvania	349,707

No one tenant represented more than 10.0% of the Company's total rental revenue for the years ended December 31, 2001, 2000 and 1999.

12. SEGMENT REPORTING

The Company has determined that its reportable segments are those that are based on the Company's method of internal reporting, which classifies its operations by both geographic area and property type. The Company's reportable segments by geographic area are: Greater Boston, Greater Washington, D.C., Midtown Manhattan, Greater San Francisco, and New Jersey and Pennsylvania. Segments by property type include: Class A Office, Office/Technical, Industrial and Hotel.

Asset information by reportable segment is not reported, since the Company does not use this measure to assess performance; therefore, the depreciation and amortization expenses are not allocated among segments. Development and management services revenue, interest and other revenue, general and administrative expenses and interest expense are not included in operating income, as the internal reporting addresses these on a corporate level.

12. SEGMENT REPORTING (CONTINUED)

Information by Geographic Area and Property Type:
For the year ended December 31, 2001:

	GREATER BOSTON	GREATER WASHINGTON, D.C.	MIDTOWN MANHATTAN	GREATER SAN FRANCISCO	NEW JERSEY AND PENNSYLVANIA	TOTAL
Rental Revenue: Class A	$220,126	$223,865	$222,490	$213,378	$62,357	$ 942,216
Office/Technical	7,837	14,420	--	2,019	--	24,276
Industrial	1,199	677	--	1,456	724	4,056
Hotels	32,330	--	--	--	--	32,330

------- -------- -------- -
------- ------- ----------
Total.....................
261,492 238,962 222,490
216,853 63,081 1,002,878 %
of Grand
Totals............. 26.07%
23.83% 22.19% 21.62% 6.29%
100.00% Rental Expenses:
Class
A.....................
76,472 58,164 70,360 74,358
20,493 299,847
Office/Technical...........
1,871 2,470 -- 354 -- 4,695
Industrial.................
425 260 -- 241 122 1,048
Hotels.....................
5,781 -- -- -- -- 5,781 ---
----- -------- -------- ---
----- ------- ----------
Total.....................
84,549 60,894 70,360 74,953
20,615 311,371 % of Grand
Totals............. 27.15%
19.57% 22.60% 24.07% 6.61%
100.00% -------- -------- -
------- -------- ------- --
-------- Net operating
income.......... $176,943
$178,068 $152,130 $141,900
$42,466 $ 691,507 ========
======== ======== ========
======= ========== % of
Grand Totals.............
25.59% 25.74% 22.00% 20.53%
6.14% 100.00%

For the year ended December 31, 2000:

GREATER NEW JERSEY GREATER
WASHINGTON, MIDTOWN GREATER
SAN AND BOSTON D.C.
MANHATTAN FRANCISCO
PENNSYLVANIA TOTAL --------
----------- --------- ------
----- ----------- ---------
Rental Revenue: Class
A......................
$190,900 $212,512 $141,400
$182,657 $59,442 $ 786,911
Office/Technical............
5,912 15,367 -- 1,851 --
23,130
Industrial..................
1,921 1,348 -- 1,736 714
5,719
Hotels......................
38,703 -- -- -- -- 38,703 --
------ -------- -------- ---
----- ------- ---------
Total......................
237,436 229,227 141,400
186,244 60,156 854,463 % of
Grand Totals.............
27.78% 26.83% 16.55% 21.80%
7.04% 100.00% Rental
Expenses: Class
A......................
67,704 56,078 47,537 62,940
18,255 252,514
Office/Technical............
2,315 2,711 -- 334 -- 5,360
Industrial..................
553 452 -- 224 117 1,346
Hotels......................
4,694 -- -- -- -- 4,694 ----
---- -------- -------- -----
--- ------- ---------
Total......................

75,266 59,241 47,537 63,498
18,372 263,914 % of Grand
Totals.............. 28.52%
22.45% 18.01% 24.06% 6.96%
100.00% -------- -------- --
------ -------- ------- ----
----- Net operating
income........... $162,170
$169,986 $ 93,863 $122,746
$41,784 $ 590,549 ========
======== ======== ========
======= ========= % of Grand
Totals.............. 27.46%
28.78% 15.89% 20.79% 7.08%
100.00%

12. SEGMENT REPORTING (CONTINUED)

For the year ended December 31, 1999:

GREATER NEW JERSEY GREATER
WASHINGTON, MIDTOWN GREATER
SAN AND BOSTON D.C.
MANHATTAN FRANCISCO
PENNSYLVANIA TOTAL --------
----------- --------- ------
----- ----------- ---------
Rental Revenue: Class
A......................
$162,109 $202,323 $136,814
$158,127 $41,852 $ 701,225
Office/Technical............
5,892 14,185 -- 1,672 --
21,749
Industrial..................
1,671 1,433 -- 1,220 675
4,999
Hotels......................
32,902 -- -- -- -- 32,902 --
------ -------- -------- ---
----- ------- ---------
Total......................
202,574 217,941 136,814
161,019 42,527 760,875 % of
Grand Totals..............
26.63% 28.64% 17.98% 21.16%
5.59% 100.00% Rental
Expenses: Class
A......................
63,493 55,346 46,938 59,076
12,695 237,548
Office/Technical............
1,744 2,846 -- 381 -- 4,971
Industrial..................
506 450 -- 215 83 1,254
Hotels......................
4,773 -- -- -- -- 4,773 ----
---- -------- -------- -----
--- ------- ---------
Total......................
70,516 58,642 46,938 59,672
12,778 248,546 % of Grand
Totals.............. 28.37%
23.59% 18.89% 24.01% 5.14%
100.00% -------- -------- --
------ -------- ------- ----
----- Net operating
income........... $132,058
$159,299 $ 89,876 $101,347
$29,749 $ 512,329 ========
======== ======== ========
======= ========= % of Grand

Totals.............. 25.78%
31.09% 17.54% 19.78% 5.81%
100.00%

The following is a reconciliation of net operating income to income before net derivative losses, minority interests and income from unconsolidated joint ventures:

2001 2000 1999 -------- -------- -------- Net
operating
income.......................................
$691,507 $590,549 $512,329 Add: Development and
management services......................
13,190 11,837 14,708 Interest and
other..
12,183 8,558 6,439 Less: General and
administrative...............................
38,312 35,659 29,455 Interest
expense...
223,389 217,064 205,410 Depreciation and
amortization...........................
149,348 132,330 119,311 Loss on investments in
securities........................ 6,500 -- --
-------- -------- -------- Income before net
derivative losses, minority interests and income
from unconsolidated joint
ventures................ $299,331 $225,891
$179,300 ======== ======== ========

13. GAIN ON SALE OF REAL ESTATE AND EXTRAORDINARY ITEMS

The Company realized a gain of $9.1 million (net of minority interest share of $2.1 million) for the year ended December 31, 2001 related to the sales of various properties. The Company realized a loss of $0.2 million (net of minority interest share of $0.1 million) for the year ended December 31, 2000 related to the sales of various properties. The Company realized a gain of $6.5 million (net of minority interest share of $2.2 million) for the year ended December 31, 1999 from the sale of a property.

The Company incurred an extraordinary loss of $0.3 million (net of minority interest share of $0.1 million) for the year ended December 31, 2000 from the write-off of unamortized deferred financing costs related to the early extinguishment of a mortgage note payable.

14. EARNINGS PER SHARE

Earnings per share is computed as follows:

FOR THE YEAR ENDED DECEMBER 31, 2001

-- INCOME SHARES PER SHARE
(NUMERATOR) (DENOMINATOR) AMOUNT ----
------- ------------ --------- Basic
Earnings Per Share: Income available
to common
stockholders.................
$201,440 90,002 $2.24 Effect of
Dilutive Securities: Stock Options
and
other.................................
244 2,198 (.05) -------- ------ -----
Diluted Earnings Per Share: Income
available to common
stockholders.................
$201,684 92,200 $2.19 ======== ======
=====

FOR THE YEAR ENDED DECEMBER 31, 2000

-- INCOME SHARES PER SHARE

(NUMERATOR) (DENOMINATOR) AMOUNT ---- ------- ------------ --------- Basic Earnings Per Share: Income available to common stockholders................. $146,426 71,424 $2.05 Effect of Dilutive Securities: Stock Options and other................................. -- 1,317 (.04) -------- ------ ----- Diluted Earnings Per Share: Income available to common stockholders................. $146,426 72,741 $2.01 ======== ====== =====

FOR THE YEAR ENDED DECEMBER 31, 1999 ------------ -------------------------- INCOME SHARES PER SHARE (NUMERATOR) (DENOMINATOR) AMOUNT ---------- - ------------ --------- Basic Earnings Per Share: Income available to common stockholders................. $113,947 66,235 $1.72 Effect of Dilutive Securities: Stock Options.. -- 541 (.01) -------- ------ ----- Diluted Earnings Per Share: Income available to common stockholders................. $113,947 66,776 $1.71 ======== ====== =====

15. EMPLOYEE BENEFIT PLAN

Effective January 1, 1985, the predecessor of the Company adopted a 401(k) Savings Plan (the "Plan") for its employees. Under the Plan, as amended, employees as defined, are eligible to participate in the Plan after they have completed three months of service. In addition, participants may elect to make an after-tax contribution of up to 10% of their wages. Upon formation, the Company adopted the Plan and the terms of the Plan.

In November 1999, the Company amended the Plan by increasing the Company's matching contribution to 200% of the first 3% from 200% of the first 2% of participant's pay contributed (utilizing pay that is not in excess of $100) and by eliminating the vesting requirement. The effective date of these changes was January 1, 2000.

The Plan provides that matching employer contributions are to be determined at the discretion of the Company. The Company's matching contribution for the years ended December 31, 2001, 2000 and 1999 was $1.8 million, $1.7 million and $0.9 million, respectively.

16. STOCK OPTION AND INCENTIVE PLAN AND STOCK PURCHASE PLAN

The Company has established a stock option and incentive plan for the purpose of attracting and retaining qualified executives and rewarding them for superior performance in achieving the Company's business goals and enhancing stockholder value.

Under the plan, the number of shares available for option grant is 14,699,162 shares plus as of the first day of each calendar quarter after January 1, 2000, 9.5% of any net increase since the first day of the preceding calendar quarter in the total number of shares of Common Stock outstanding, on a fully converted basis (excluding Preferred Stock). At December 31, 2001, the number of shares available for option grants under the plan was 4,673,521. The strike price on the shares granted is equal to the market price of the Company's Common Stock on the grant date. Shares granted under the plan vest over two, three or five years. The term of each option is ten years from the date of grant.

The Company issued 44,842 and 34,822 shares of restricted stock during the years ended December 31, 2001 and 2000, respectively. There was no restricted stock issued prior to the year 2000. The shares of restricted stock were valued at approximately $1.8 million ($40.75 per share) and $1.1 million ($30.4375 per share) for the years ended December 31, 2001 and 2000, respectively. The restricted stock vests over a five-year period, with one-fifth of the shares vesting each year and has been recognized net of amortization as unearned compensation on the consolidated balance sheets. Compensation expense related to the restricted stock totaled $0.6 million and $0.2 million for the years ended December 31, 2001 and 2000, respectively. There was no compensation expense related to restricted stock during the year ended December 31, 1999.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

16. STOCK OPTION AND INCENTIVE PLAN AND STOCK PURCHASE PLAN (CONTINUED)

A summary of the status of the Company's stock options as of December 31, 2001, 2000 and 1999 and changes during the years ended December 31, 2001, 2000 and 1999 are presented below:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at January 1, 1999	5,837,950	$30.58
Granted	1,777,408	$33.20
Exercised	(24,023)	$25.87
Canceled	(35,877)	$33.38
Outstanding at December 31, 1999	7,555,458	$31.20
Granted	1,072,750	$30.60
Exercised	(511,281)	$30.59
Canceled	(15,245)	$33.20
Outstanding at December 31, 2000	8,101,682	$31.15
Granted	3,247,250	$41.60
Exercised	(406,371)	$30.40
Canceled	(35,003)	$33.60
Outstanding at December 31, 2001	10,907,558	$34.28

The per share weighted-average fair value of options granted was $5.01, $3.79 and $3.98 for the years ended December 31, 2001, 2000 and 1999, respectively. The per share fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for grants in 2001, 2000 and 1999.

	2001	2000	1999
Dividend yield	5.72%	6.90%	6.08%
Expected life of option	6 Years	6 Years	6 Years
Risk-free interest rate	5.13%	6.51%	5.07%
Expected stock price volatility	20%	20%	20%

The following table summarizes information about stock options outstanding at December 31, 2001:

OPTIONS OUTSTANDING
OPTIONS EXERCISABLE

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT 12/31/01	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/31/01	WEIGHTED-AVERAGE EXERCISE PRICE
$25.00 - $36.81......	7,665,308	6.46 Years	$31.19	4,999,346	$31.37
$39.07 - $42.12......	3,242,250	9.08 Years	$41.59	--	--

In addition, the Company had 3,397,714 and 1,328,955 options exercisable at weighted-average exercise prices of $32.11 and 33.26 at December 31, 2000 and 1999, respectively.

16. STOCK OPTION AND INCENTIVE PLAN AND STOCK PURCHASE PLAN (CONTINUED)

The Company adopted the 1999 Non-Qualified Employee Stock Purchase Plan (the "Stock Purchase Plan") to encourage the ownership of Common Stock by eligible employees. The Stock Purchase Plan became effective on January 1, 1999 with an aggregate maximum of 250,000 shares of Common Stock available for issuance. The Stock Purchase Plan provides for eligible employees to purchase at the end of the biannual purchase periods shares of Common Stock for 85% of the average closing price during the valuation period, as defined. The Company issued 8,538, 11,105 and 5,115 shares with the weighted average fair value of the purchase right equal to $36.02 per share, $28.15 per share and $30.24 per share under the Stock Purchase Plan as of December 31, 2001, 2000 and 1999, respectively.

The Company applies Accounting Practice Bulletin 25 and related interpretations in accounting for its stock option and stock purchase plan. Accordingly, no compensation cost has been recognized.

The compensation cost under SFAS 123 for the stock performance-based plan would have been $11.7 million, $12.0 million and $10.5 million for the years ended December 31, 2001, 2000 and 1999, respectively. Had compensation cost for the Company's grants for stock-based compensation plans been determined consistent with SFAS 123, the Company's net income, and net income per common share for 2001, 2000 and 1999 would approximate the pro forma amounts below:

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	2001	2000	1999
Net income	$189,786	$134,386	$103,481
Net income per common share--basic	$ 2.11	$ 1.88	$ 1.56
Net income per common share--diluted	$ 2.06	$ 1.85	$ 1.55

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts. SFAS 123 does not apply to future anticipated awards.

17. SELECTED INTERIM FINANCIAL INFORMATION (UNAUDITED)

	2001 QUARTER ENDED			
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
Total revenue	$232,246	$255,083	$275,959	$264,963
Income before minority interest in Operating Partnership	67,650	66,214	71,381	72,869
Income before extraordinary items	54,017	50,686	53,168	56,928
Net income available to common stockholders	45,607	49,038	51,515	55,280
Income before extraordinary items per share--basic	.59	.54	.57	.61
Income before extraordinary items per share--diluted	.57	.53	.56	.60

	2000 QUARTER ENDED			
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,
Total revenue	$209,121	$216,121	$222,228	$227,388
Income before minority interest in Operating Partnership	49,473	55,716	57,666	63,862
Income before extraordinary items	32,620	37,327	38,173	45,212
Net income available to common stockholders	30,977	35,684	36,530	43,235
Income before extraordinary items per share--basic	.46	.52	.53	.54
Income before extraordinary items per share--diluted	.45	.51	.52	.53

18. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The accompanying unaudited pro forma information for the years ended December 31, 2001 and 2000 is presented as if the follow-on offering of 17,110,000 shares of Common Stock issued on October 31, 2000 and the acquisition of Citigroup Center on April 25, 2001 had occurred on January 1, 2000. This pro forma information is based upon the historical consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes thereto.

18. PRO FORMA FINANCIAL INFORMATION (UNAUDITED) (CONTINUED)

This unaudited pro forma information does not purport to represent what the actual results of operations of the Company would have been had the above occurred, nor do they purport to predict the results of operations of future periods.

	YEAR ENDED DECEMBER 31,	
PRO FORMA	2001	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Total revenue	$1,060,053	$970,346
Income before cumulative effect of a change in accounting principle	$ 209,707	$163,720
Net income available to common stockholders	$ 202,940	$163,720
Basic earnings per share:		
Income before cumulative effect of a change in accounting principle	$ 2.33	$ 1.85
Net income available to common stockholders	$ 2.25	$ 1.85
Weighted average number of common shares outstanding	90,002	88,534
Diluted earnings per share:		
Income before cumulative effect of a change in accounting principle	$ 2.27	$ 1.82
Net income available to common stockholders	$ 2.20	$ 1.82
Weighted average number of common and common equivalent shares outstanding	92,200	89,851

19. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 137 and SFAS No. 138 ("SFAS No. 133"), as of January 1, 2001. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires the recognition of all derivative instruments as assets or liabilities in the Company's consolidated balance sheets at fair value. Changes in the fair value of derivative instruments that are not designated as hedges or that do not meet the hedge accounting criteria in SFAS No. 133 are required to be reported through earnings. For derivatives designated as hedging instruments in qualifying cash flow hedges, the effective portion of changes in fair value of the derivatives are recognized in accumulated other comprehensive income (loss) until the forecasted transactions occur and the ineffective portions are recognized in earnings.

On the date that the Company enters into a derivative contract, it designates the derivative as (1) a hedge of the variability of cash flows that are to be received or paid in connection with a recognized liability (a "cash flow" hedge), or (2) an instrument that is held for non-hedging purposes (a "non-hedging" instrument). Changes in the fair value of a derivative that is highly effective as--and that is designated and qualifies as--a cash flow hedge, to the extent that the hedge is effective, are recorded in other comprehensive income, until earnings are affected by the hedged transaction (i.e. until periodic settlements of a variable-rate liability are recorded in earnings). Any hedge

19. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (CONTINUED)

ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed the variability in the cash flows of the forecasted transaction) is recorded in current-period earnings. Changes in the fair value of non-hedging instruments are reported in current-period earnings.

The Company occasionally purchases a financial instrument in which a derivative instrument is "embedded." Upon purchasing the financial instrument, the Company assesses whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the remaining component of the financial instrument (i.e., the host contract) and whether a separate, non-embedded instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. When it is determined that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract, carried at fair value, and designated as either (1) a fair-value or cash flow hedge or (2) a trading or non-hedging derivative instrument. However, if the entire contract were to be measured at fair value, with changes in fair value reported in current earnings, or if the Company could not reliably identify and measure the embedded derivative for purposes of separating that derivative from its host contract, the entire contract would be carried on the balance sheet at fair value and not be designated as a hedging instrument. Pursuant to SFAS No. 137, the Company has selected January 1, 1999 as the transition date for embedded derivatives.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to (1) specific assets and liabilities on the balance sheet or (2) forecasted transactions. The Company also assesses and documents, both at the hedging instrument's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows associated with the hedged items. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, the Company discontinues hedge accounting prospectively, as discussed below.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item; (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When the Company discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remains in accumulated other comprehensive income and is reclassified into earnings when the forecasted transaction affects earnings. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair value on the balance sheet, recognizing changes in the fair value in current-period earnings.

19. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (CONTINUED)

The Company entered into interest rate protection agreements during 2000, generally for the purpose of fixing interest rates on variable rate construction loans in order to reduce the budgeted interest costs on the Company's development projects, which would translate into higher returns on investment as the development projects come on-line. These interest rate protection agreements expire at varying dates through February 2005. Other derivatives are not linked to specific assets or liabilities but are used by the Company to manage risk of the overall portfolio. Amounts included in accumulated other comprehensive income related to the effective portion of cash flow hedges will be reclassified into earnings over the estimated life of the constructed asset. No material amounts are expected to be reclassified within the next twelve months.

Upon adoption of SFAS No. 133, the Company recorded an asset of approximately $0.2 million (included in prepaid expenses and other assets) and recorded a liability of approximately $11.4 million for the fair values of these agreements. The offset for these entries was to a cumulative effect of a change in accounting principle and accumulated other comprehensive loss, respectively.

Finally, the Company wrote-off deferred charges of approximately $1.6 million as a cumulative effect of a change in accounting principle.

The Company's derivatives also include investments in warrants to purchase shares of common stock of other companies. Based on the terms of the warrant agreements, the warrants meet the definition of a derivative and accordingly must be marked to fair value through earnings. The Company had been recording the warrants at fair value through accumulated other comprehensive loss as available-for-sale securities under SFAS No. 115. Upon adoption of SFAS No. 133, the Company reclassified approximately $6.9 million, the fair value of the warrants, from accumulated other comprehensive loss to a cumulative effect of a change in accounting principle.

For the year ended December 31, 2001, the Company recorded derivative gains (losses) of approximately ($29.0) million, $3.6 million and ($1.1) million through earnings, which represented the total ineffectiveness of all cash flow hedges and other non-hedging instruments, the changes in value of the embedded derivatives and the change in value of the warrants, respectively. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness, except for the time value of option contracts. During 2001, the Company paid the fair value of the swap arrangement and two hedge contracts that were entered into during 2000 and part of 2001 in order to terminate the contracts. In addition, the Company recorded unrealized derivative losses through other comprehensive income of approximately $2.5 million related to the effective portion of an interest rate swap agreement.

20. DISCONTINUED OPERATIONS

In October 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes FASB SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and the accounting and reporting provisions for disposals of a segment of a business as addressed in APB Opinion No. 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and addresses various

20. DISCONTINUED OPERATIONS (CONTINUED)

implementation issues of SFAS No. 121. In addition, SFAS No. 144 extends the reporting requirements of discontinued operations to include components of an entity that have either been disposed of or are classified as held for sale. The Company adopted SFAS No. 144 as of January 1, 2002.

On March 4, 2002 the Company disposed of Fullerton Square consisting of two office/technical properties totaling 179,453 net rentable square feet in Springfield, Virginia. In addition, the Company disposed of 7600, 7700 and 7702 Boston Boulevard consisting of three office/technical properties totaling approximately 195,227 net rentable square feet in Springfield, Virginia.

The Company's adoption of SFAS No. 144 resulted in the presentation of the net operating results of these properties sold during 2002, as discontinued operations for all periods presented. The adoption of SFAS No. 144 did not have an impact on net income available to common shareholders. SFAS No. 144 only resulted in the reclassification of the operating results of the properties sold during 2002 within the consolidated statements of operations for the years ended December 31, 2001, 2000 and 1999.

21. SUBSEQUENT EVENT

On September 25, 2002, the Company acquired 399 Park Avenue, a 1.68 million square foot building in New York City for approximately $1.06 billion. The acquisition was funded with an unsecured bridge loan totaling $1.0 billion, maturing in September 2003, and cash of approximately $60.0 million.

BOSTON PROPERTIES, INC.
SCHEDULE 3--REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 2001
(DOLLARS IN THOUSANDS)

COSTS CAPITALIZED
ORIGINAL
SUBSEQUENT -------

TO LAND AND
PROPERTY NAME TYPE
LOCATION
ENCUMBRANCES LAND
BUILDING
ACQUISITION
IMPROVEMENTS - ---
---------- -------
----- -----------
------ -----------
- ---------- -----
----- -----------

Embarcadero
Center... Office
San Francisco, CA
$ 701,245 $
211,297 $ 996,442
$ 57,448 $ 212,149
Prudential
Center.... Office
Boston, MA 472,423
77,850 443,180
391,227 50,539
Citigroup
Center..... Office
New York, NY
522,044 241,600
494,782 446
241,600 Carnegie
Center......
Office Princeton,
NJ 152,500 101,772
349,089 14,718
109,691 280 Park
Avenue......
Office New York,
NY 267,789 125,288
201,115 34,642
125,288 599
Lexington
Avenue.............
Office New York,
NY 225,000 81,040
100,507 71,456
81,040 875 Third
Avenue..... Office
New York, NY
148,796 74,880
139,151 16,824
74,880 Riverfront
Plaza..... Office
Richmond, VA
113,250 18,000
156,733 956 18,274
Gateway
Center.......
Office San
Francisco, CA
89,184 21,516
86,395 49,398
22,290 100 East
Pratt
Street.............
Office Baltimore,
MD 90,375 27,562
109,662 2,556
27,562 Reservoir
Place...... Office
Waltham, MA 71,935
18,207 88,018
7,979 18,515
Democracy
Center..... Office
Bethesda, MD

106,002 12,550
50,015 26,318
13,689 Two
Independence
Square.............
Office Washington,
DC 115,093 14,053
59,883 9,292
15,039 One and Two
Reston
Overlook...........
Office Reston, VA
67,485 16,456
66,192 21 16,456
NIMA
Building........
Office Reston, VA
21,056 10,567
67,431 118 10,567
Lockheed Martin
Building...........
Office Reston, VA
25,759 10,210
58,884 -- 10,210
Candler
Building.....
Office Baltimore,
MD -- 12,500
48,734 1,343
12,555 One
Independence
Square.............
Office Washington,
DC 75,000 9,356
33,701 17,448
9,634 Orbital
Sciences.....
Office Dulles, VA
49,231 5,702
51,082 357 5,702
2300 N
Street........
Office Washington,
DC 66,000 16,509
22,415 13,479
16,509 Reston
Corporate
Center.............
Office Reston, VA
24,303 9,135
41,398 632 9,135
New Dominion
Technology Park,
One................
Office Herndon, VA
57,610 3,880
43,227 -- 3,880
Capital
Gallery......
Office Washington,
DC 56,064 4,725
29,560 15,257
4,730 191 Spring
Street.... Office
Lexington, MA
22,480 2,850
27,166 18,783
2,850 1301 New
York
Avenue.............
Office Washington,
DC 31,669 9,250
18,750 17,533
9,250 200 West
Street......
Office Waltham, MA
-- 16,148 24,983
(18) 16,148
University
Place..... Office
Cambridge, MA

24,679 -- 37,091
2,486 27 Sumner
Square........
Office Washington,
DC 30,183 624
28,745 8,943 958
2600 Tower Oaks
Boulevard..........
Office Rockville,
MD 27,318 4,243
31,125 -- 4,243
DEVELOPMENT LAND
AND BUILDING AND
HELD FOR
CONSTRUCTION
ACCUMULATED
YEAR(S) BUILT/
DEPRECIABLE
PROPERTY NAME
IMPROVEMENTS
DEVELOPMENT IN
PROGRESS TOTAL
DEPRECIATION
RENOVATED LIVES
(YEARS) - --------
----- -----------
----------- ------
------ ----------
------------ -----
---------- -------
------ Embarcadero
Center...
$1,053,038 $ -- $
-- $1,265,187 $
85,363 1924/1989
(1) Prudential
Center.... 522,165
38,521 301,032
912,257 44,027
1965/1993 (1)
Citigroup
Center.....
495,228 -- --
736,828 8,444
1977/1997 (1)
Carnegie
Center......
355,888 -- --
465,579 26,868
1983-1999 (1) 280
Park Avenue......
235,757 -- --
361,045 27,891
1968/95-96 (1) 599
Lexington
Avenue.............
171,963 -- --
253,003 84,552
1986 (1) 875 Third
Avenue.....
155,975 -- --
230,855 14,475
1982 (1)
Riverfront
Plaza..... 157,415
-- -- 175,689
15,636 1990 (1)
Gateway
Center.......
88,683 4,233
42,103 157,309
5,203 1984/1986
(1) 100 East Pratt
Street............
112,218 -- --
139,780 12,470
1975/1991 (1)
Reservoir
Place...... 95,689
-- -- 114,204
8,022 1955/1987

(1) Democracy
Center..... 75,194
-- -- 88,883
31,524 1985-88/94-
96 (1) Two
Independence
Square.............
68,189 -- --
83,228 18,693 1992
(1) One and Two
Reston
Overlook...........
66,213 -- --
82,669 4,381 1999
(1) NIMA
Building........
67,549 -- --
78,116 6,602
1987/1988 (1)
Lockheed Martin
Building...........
58,884 -- --
69,094 5,765
1987/1988 (1)
Candler
Building.....
50,022 -- --
62,577 4,238
1911/1990 (1) One
Independence
Square.............
50,871 -- --
60,505 18,758 1991
(1) Orbital
Sciences.....
51,439 -- --
57,141 1,811
2000/2001 (1) 2300
N Street........
35,894 -- --
52,403 14,240 1986
(1) Reston
Corporate
Center.............
42,030 -- --
51,165 4,222 1984
(1) New Dominion
Technology Park,
One................
43,227 -- --
47,107 1,299 2001
(1) Capital
Gallery......
44,812 -- --
49,542 22,886 1981
(1) 191 Spring
Street.... 45,949
-- -- 48,799
16,695 1971/1995
(1) 1301 New York
Avenue.............
36,283 -- --
45,533 3,059
1983/1998 (1) 200
West Street......
24,965 -- --
41,113 2,461 1999
(1) University
Place..... 39,550
-- -- 39,577 3,352
1985 (1) Sumner
Square........
37,354 -- --
38,312 2,829 1985
(1) 2600 Tower
Oaks
Boulevard..........
31,125 -- --
35,368 561 2001
(1)

COSTS CAPITALIZED
ORIGINAL
SUBSEQUENT -------

TO LAND AND
PROPERTY NAME TYPE
LOCATION
ENCUMBRANCES LAND
BUILDING
ACQUISITION
IMPROVEMENTS - ---
---------- -------
----- -----------
------ -----------
- ---------- -----
----- ----------
----------- 500 E
Street.........
Office Washington,
DC $ -- $ 109 $
22,420 $ 12,074 $
1,569 Quorum
Office Park...
Office Chelmsford,
MA 27,295 3,076
30,443 -- 3,076
One Cambridge
Center.............
Office Cambridge,
MA -- 134 25,110
8,111 134 Eight
Cambridge
Center.............
Office Cambridge,
MA 27,988 921
25,042 36 850
Bedford Business
Park...............
Office Bedford, MA
21,178 534 3,403
18,494 534 Ten
Cambridge
Center.............
Office Cambridge,
MA 35,226 1,299
12,943 7,637 1,868
Newport Office
Park.. Office
Quincy, MA --
3,500 18,208 66
3,500 201 Spring
Street.... Office
Lexington, MA --
2,849 15,303 70
2,849 10 and 20
Burlington Mall
Road..........
Office Burlington,
MA 21,921 930
6,928 9,707 938
Montvale
Center......
Office
Gaithersburg, MD
7,418 1,574 9,786
4,771 2,399 40
Shattuck Road.....
Office Andover, MA
14,822 709 14,740
-- 709 Fullerton
Square..... Office
Springfield, VA --
3,045 11,522 761
3,045 The
Arboretum........
Office Reston, VA
-- 2,850 9,025

2,380 2,850
Lexington Office
Park...............
Office Lexington,
MA -- 998 1,426
11,459 1,073 Three
Cambridge
Center.............
Office Cambridge,
MA -- 174 12,200
1,301 174 181
Spring Street....
Office Lexington,
MA -- 1,066 9,520
1,970 1,066
Sugarland Business
Park...............
Office Herndon, VA
-- 1,569 5,955
4,194 1,569
Decoverly
Three...... Office
Rockville, MD --
2,650 8,465 313
2,650 Decoverly
Two........ Office
Rockville, MD --
1,994 8,814 94
1,994 7700 Boston
Boulevard,
Building
Twelve.............
Office
Springfield, VA --
1,105 9,077 186
1,105 7501 Boston
Boulevard,
Building
Seven..............
Office
Springfield, VA --
665 9,273 9 665 91
Hartwell Avenue...
Office Lexington,
MA 17,936 784
6,464 2,446 784
92-100 Hayden
Avenue.............
Office Lexington,
MA -- 594 6,748
2,265 594 Waltham
Office
Center.............
Office Waltham, MA
-- 422 2,719 5,799
425 195 West
Street......
Office Waltham, MA
-- 1,611 6,652 658
1,611 Eleven
Cambridge
Center.............
Office Cambridge,
MA -- 121 5,535
2,399 121 170
Tracer Lane......
Office Waltham, MA
-- 398 4,601 1,693
418 7435 Boston
Boulevard,
Building
One................
Office
Springfield, VA --
392 3,822 2,304
486 7450 Boston
Boulevard,
Building
Three..............
Office
Springfield, VA --

1,165 4,681 277
1,327
DEVELOPMENT LAND
AND BUILDING AND
HELD FOR
CONSTRUCTION
ACCUMULATED
YEAR(S) BUILT/
DEPRECIABLE
PROPERTY NAME
IMPROVEMENTS
DEVELOPMENT IN
PROGRESS TOTAL
DEPRECIATION
RENOVATED LIVES
(YEARS) - --------
----- -----------
----------- ------
------ ----------
----------- -----
---------- -------
------ 500 E
Street......... $
33,034 $ -- $ -- $
34,603 $ 16,256
1987 (1) Quorum
Office Park...
30,443 -- --
33,519 287 2001
(1) One Cambridge
Center.............
33,221 -- --
33,355 13,047 1987
(1) Eight
Cambridge
Center.............
25,149 -- --
25,999 1,616 1999
(1) Bedford
Business
Park...............
21,897 -- --
22,431 9,667 1980
(1) Ten Cambridge
Center.............
20,011 -- --
21,879 8,033 1990
(1) Newport Office
Park.. 18,274 -- -
- 21,774 2,052
1988 (1) 201
Spring Street....
15,373 -- --
18,222 2,233 1997
(1) 10 and 20
Burlington Mall
Road..........
16,627 -- --
17,565 7,446 1984-
1989/95-96 (1)
Montvale
Center......
13,732 -- --
16,131 5,940 1987
(1) 40 Shattuck
Road..... 14,740 -
- -- 15,449 173
2001 (1) Fullerton
Square..... 12,283
-- -- 15,328 1,223
1987 (1) The
Arboretum........
11,405 -- --
14,255 1,134 1999
(1) Lexington
Office
Park...............
12,810 -- --
13,883 6,253 1982
(1) Three
Cambridge

Center............. 13,501 -- -- 13,675 5,008 1987 (1) 181 Spring Street.... 11,490 -- -- 12,556 606 1999 (1) Sugarland Business Park............... 10,149 -- -- 11,718 1,995 1986/1997 (1) Decoverly Three...... 8,778 -- -- 11,428 773 1989 (1) Decoverly Two........ 8,908 -- -- 10,902 886 1987 (1) 7700 Boston Boulevard, Building Twelve............ 9,263 -- -- 10,368 1,130 1997 (1) 7501 Boston Boulevard, Building Seven.............. 9,282 -- -- 9,947 1,005 1997 (1) 91 Hartwell Avenue... 8,910 -- -- 9,694 4,506 1985 (1) 92-100 Hayden Avenue............ 9,013 -- -- 9,607 4,046 1985 (1) Waltham Office Center............ 8,515 -- -- 8,940 4,338 1968-1970/87-88 (1) 195 West Street...... 7,310 -- -- 8,921 2,368 1990 (1) Eleven Cambridge Center............ 7,934 -- -- 8,055 3,334 1984 (1) 170 Tracer Lane...... 6,274 -- -- 6,692 3,992 1980 (1) 7435 Boston Boulevard, Building One................ 6,032 -- -- 6,518 3,253 1982 (1) 7450 Boston Boulevard, Building Three.............. 4,796 -- -- 6,123 501 1987 (1)

COSTS CAPITALIZED ORIGINAL SUBSEQUENT ------- ---------------- TO LAND AND PROPERTY NAME TYPE LOCATION ENCUMBRANCES LAND BUILDING ACQUISITION IMPROVEMENTS - --- ---------- ------- ----- -----------

------ ----------
- ---------- -----
----- -----------
------------ 8000
Grainger Court,
Building
Five...... Office
Springfield, VA $
-- $ 366 $ 4,282 $
1,250 $ 453
Fourteen Cambridge
Center.............
Office Cambridge,
MA -- 110 4,483
569 110 32
Hartwell Avenue...
Office Lexington,
MA -- 168 1,943
2,893 168 7600
Boston Boulevard,
Building
Nine...............
Office
Springfield, VA --
127 2,839 1,738
189 7601 Boston
Boulevard,
Building
Eight..............
Office
Springfield, VA --
200 878 3,506 378
7500 Boston
Boulevard,
Building
Six................
Office
Springfield, VA --
138 3,749 485 273
33 Hayden
Avenue..... Office
Lexington, MA --
266 3,234 476 266
8000 Corporate
Court, Building
Eleven.... Office
Springfield, VA --
136 3,071 405 504
7375 Boston
Boulevard,
Building
Ten................
Office
Springfield, VA --
23 2,685 715 47
7451 Boston
Boulevard,
Building
Two................
Office
Springfield, VA --
249 1,542 1,547
535 204 Second
Avenue.... Office
Waltham, MA -- 37
2,402 812 37 7374
Boston Boulevard,
Building
Four...............
Office
Springfield, VA --
241 1,605 440 303
Hilltop Business
Center.............
Office San
Francisco, CA
5,588 53 492 1,640
109 164 Lexington
Road... Office
Billerica, MA --
592 1,370 132 592

17 Hartwell
Avenue... Office
Lexington, MA --
26 150 587 26 38
Cabot Boulevard...
Industrial
Langhorne, PA --
329 1,238 2,608
329 40-46 Harvard
Street.............
Industrial
Westwood, MA --
351 1,782 1,327
351 2391 West
Winton
Avenue.............
Industrial
Hayward, CA -- 182
1,217 615 182 430
Rozzi Place......
Industrial San
Francisco, CA -- 9
217 33 9 560
Forbes
Boulevard..........
Industrial San
Francisco, CA -- 9
120 -- 9 Cambridge
Center
Marriott...........
Hotel Cambridge,
MA -- 478 37,918
8,621 478 Long
Wharf Marriott..
Hotel Boston, MA -
- 1,752 31,904
9,574 1,708
Residence Inn by
Marriott...........
Hotel Cambridge,
MA -- 2,307 22,732
(99) 2,039
Cambridge Center
North
Garage.......
Garage Cambridge,
MA -- 1,163 11,633
204 1,162 Five
Times Square....
Development New
York, NY 289,179 -
- -- 409,324 --
Times Square
Tower...
Development New
York, NY 145,472 -
- -- 234,058 --
Waltham/Weston
Corporate
Center...
Development
Waltham, MA 46,446
-- -- 54,799 --
Weston Corporate
Center.............
Development
Weston, MA -- -- -
- 20,895 -- Broad
Run Business Park,
Building E...
Development Loudon
County, VA -- -- -
- 11,703 --
DEVELOPMENT LAND
AND BUILDING AND
HELD FOR
CONSTRUCTION
ACCUMULATED
YEAR(S) BUILT/
DEPRECIABLE
PROPERTY NAME

IMPROVEMENTS DEVELOPMENT IN PROGRESS TOTAL DEPRECIATION RENOVATED LIVES (YEARS) - ------------- ----------------------- ------------- ---------- ------------ --------------- ------------- 8000 Grainger Court, Building Five...... $ 5,445 $ -- $ -- $ 5,898 $ 2,283 1984 (1) Fourteen Cambridge Center............. 5,052 -- -- 5,162 2,194 1983 (1) 32 Hartwell Avenue... 4,836 -- -- 5,004 3,780 1968-1979/1987 (1) 7600 Boston Boulevard, Building Nine............... 4,515 -- -- 4,704 2,136 1987 (1) 7601 Boston Boulevard, Building Eight.............. 4,206 -- -- 4,584 1,821 1986 (1) 7500 Boston Boulevard, Building Six................ 4,099 -- -- 4,372 1,710 1985 (1) 33 Hayden Avenue..... 3,710 -- -- 3,976 1,805 1979 (1) 8000 Corporate Court, Building Eleven.... 3,108 -- -- 3,612 1,062 1989 (1) 7375 Boston Boulevard, Building Ten................ 3,376 -- -- 3,423 1,292 1988 (1) 7451 Boston Boulevard, Building Two................ 2,803 -- -- 3,338 2,147 1982 (1) 204 Second Avenue.... 3,214 -- -- 3,251 1,755 1981/1993 (1) 7374 Boston Boulevard, Building Four............... 1,983 -- -- 2,286 947 1984 (1) Hilltop Business Center............. 2,076 -- -- 2,185 1,023 early 1970's (1) 164 Lexington Road... 1,502 -- -- 2,094 240 1982 (1) 17 Hartwell Avenue... 737 -- -- 763 640 1968 (1) 38 Cabot

Boulevard... 3,846 -- -- 4,175 2,708 1972/1984 (1) 40-46 Harvard Street............. 3,109 -- -- 3,460 3,101 1967/1996 (1) 2391 West Winton Avenue............. 1,832 -- -- 2,014 1,169 1974 (1) 430 Rozzi Place...... 250 -- -- 259 79 early 1970's (1) 560 Forbes Boulevard.......... 120 -- -- 129 77 early 1970's (1) Cambridge Center Marriott........... 46,539 -- -- 47,017 16,472 1986 (1) Long Wharf Marriott.. 41,522 -- -- 43,230 20,057 1982 (1) Residence Inn by Marriott........... 22,901 -- -- 24,940 1,355 1999 (1) Cambridge Center North Garage....... 11,838 -- -- 13,000 3,640 1990 (1) Five Times Square.... -- -- 409,324 409,324 -- Various N/A Times Square Tower... -- -- 234,058 234,058 -- Various N/A Waltham/Weston Corporate Center... -- -- 54,799 54,799 -- Various N/A Weston Corporate Center............. -- -- 20,895 20,895 -- Various N/A Broad Run Business Park, Building E... -- -- 11,703 11,703 -- Various N/A

COSTS CAPITALIZED ORIGINAL SUBSEQUENT ------------------------- TO PROPERTY NAME TYPE LOCATION ENCUMBRANCES LAND BUILDING ACQUISITION - ------------- ------------ ------------ ----- ------------ ---------- ---------- --- -----------

One Preserve Parkway............ Development Rockville, MD $ -- $ -- $ -- $ 10,660 12050 Sunset Hills

Road...............
Development
Reston, VA -- -- -
- 6,472 Decoverly
Seven......
Development
Rockville, MD -- -
- -- 5,290 New
Dominion
Technology Park,
Two................
Development
Herndon, VA -- --
-- 3,934 Decoverly
Six........
Development
Rockville, MD -- -
- -- 3,798 ITT
Educational
Services
Building...........
Development
Springfield, VA --
-- -- 3,767
Autometric
Expansion..........
Development
Springfield, VA --
-- -- 1,467 Plaza
at Almaden.....
Land San Jose, CA
-- -- -- 35,676
Tower Oaks Master
Plan...............
Land Rockville, MD
-- -- -- 25,999
Washingtonian
North..............
Land Gaithersburg,
MD -- -- -- 17,406
77 4th
Avenue........
Land Waltham, MA -
- -- -- 14,272
Reston
Eastgate......
Land Reston, VA --
-- -- 8,693 Crane
Meadow.........
Land Marlborough,
MA -- -- -- 8,521
Reston
Gateway.......
Land Reston, VA --
-- -- 7,216 Broad
Run Business
Park...............
Land Loudon
County, VA -- -- -
- 6,733 599 Van
Buren
Street.............
Land Herndon, VA -
- -- -- 4,020
12280 Sunrise
Valley
Drive..............
Land Reston, VA --
-- -- 3,975
Decoverly
Five....... Land
Rockville, MD -- -
- -- 1,827
Decoverly
Four....... Land
Rockville, MD -- -
- -- 1,801
Cambridge Master
Plan...............
Land Cambridge, MA
-- -- -- 1,649 30

Shattuck Road.....
Land Andover, MA -
- -- -- 1,110
Seven Cambridge
Center.............
Land Cambridge, MA
-- -- -- 956
Virginia Master
Plan...............
Land Springfield,
VA -- -- -- 64 ---
------- ----------
---------- -------
--- $4,314,942
$1,204,320
$4,359,767
$1,827,279
==========
==========
==========
==========
DEVELOPMENT LAND
AND LAND AND
BUILDING AND HELD
FOR CONSTRUCTION
ACCUMULATED
PROPERTY NAME
IMPROVEMENTS
IMPROVEMENTS
DEVELOPMENT IN
PROGRESS TOTAL
DEPRECIATION - ---
---------- -------
----- -----------
---------- ------
------ ----------
------------ One
Preserve
Parkway...........
$ -- $ -- $ -- $
10,660 $ 10,660 $
-- 12050 Sunset
Hills
Road...............
-- -- -- 6,472
6,472 -- Decoverly
Seven...... -- --
-- 5,290 5,290 --
New Dominion
Technology Park,
Two................
-- -- -- 3,934
3,934 -- Decoverly
Six........ -- --
-- 3,798 3,798 --
ITT Educational
Services
Building...........
-- -- -- 3,767
3,767 --
Autometric
Expansion..........
-- -- -- 1,467
1,467 -- Plaza at
Almaden..... -- --
35,676 -- 35,676 -
- Tower Oaks
Master
Plan..............
-- -- 25,999 --
25,999 --
Washingtonian
North.............
-- -- 17,406 --
17,406 -- 77 4th
Avenue........ --
-- 14,272 --
14,272 -- Reston
Eastgate...... --
-- 8,693 -- 8,693
-- Crane

Meadow......... --
-- 8,521 -- 8,521
-- Reston
Gateway....... --
-- 7,216 -- 7,216
-- Broad Run
Business
Park...............
-- -- 6,733 --
6,733 -- 599 Van
Buren
Street.............
-- -- 4,020 --
4,020 -- 12280
Sunrise Valley
Drive..............
-- -- 3,975 --
3,975 -- Decoverly
Five....... -- --
1,827 -- 1,827 --
Decoverly
Four....... -- --
1,801 -- 1,801 --
Cambridge Master
Plan...............
-- -- 1,649 --
1,649 -- 30
Shattuck Road.....
-- -- 1,110 --
1,110 -- Seven
Cambridge
Center.............
-- -- 956 -- 956 -
- Virginia Master
Plan...............
-- -- 64 -- 64 --
---------- -------
--- -------- -----
----- ---------- -
------- $1,194,050
$4,905,342
$182,672
$1,109,302
$7,391,366
$682,921
==========
==========
========
==========
==========
========
YEAR(S) BUILT/
DEPRECIABLE
PROPERTY NAME
RENOVATED LIVES
(YEARS) - --------
----- -----------
--- ------------
One Preserve
Parkway............
Various N/A 12050
Sunset Hills
Road...............
Various N/A
Decoverly
Seven......
Various N/A New
Dominion
Technology Park,
Two................
Various N/A
Decoverly
Six........
Various N/A ITT
Educational
Services
Building...........
Various N/A
Autometric
Expansion..........
Various N/A Plaza

at Almaden.....
Various N/A Tower
Oaks Master
Plan...............
Various N/A
Washingtonian
North.............
Various N/A 77 4th
Avenue........
Various N/A Reston
Eastgate......
Various N/A Crane
Meadow.........
Various N/A Reston
Gateway.......
Various N/A Broad
Run Business
Park...............
Various N/A 599
Van Buren
Street............
Various N/A 12280
Sunrise Valley
Drive.............
Various N/A
Decoverly
Five.......
Various N/A
Decoverly
Four.......
Various N/A
Cambridge Master
Plan...............
Various N/A 30
Shattuck Road.....
Various N/A Seven
Cambridge
Center............
Various N/A
Virginia Master
Plan...............
Various N/A

- ---------------------------------

(1) Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to 40 years.

(2) The aggregate cost and accumulated depreciation for tax purposes was approximately $6.4 billion and $0.9 billion, respectively.

BOSTON PROPERTIES, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2001
(DOLLARS IN THOUSANDS)

A summary of activity for real estate and accumulated depreciation is as follows:

2001 2000 1999 ---------- ---------- --
-------- Real Estate: Balance at the
beginning of the
year.................. $6,054,785
$5,570,887 $4,881,483 Additions to and
improvements of real estate.........
1,357,543 759,540 691,199 Assets sold
and written-
off........................ (20,962)
(275,642) (1,795) ---------- ----------
---------- Balance at the end of the
year.........................
$7,391,366 $6,054,785 $5,570,887
========== ========= ==========
Accumulated Depreciation: Balance at
the beginning of the
year.................. $ 553,264 $
445,138 $ 336,165 Depreciation
expense................................
134,019 118,748 110,768 Assets sold and

written-off.......................... (4,362) (10,622) (1,795) ---------- ---------- ---------- Balance at the end of the year........................ $ 682,921 $ 553,264 $ 445,138 ========== ========== ==========