Boston Properties Completes the Acquisitions of 540 Madison Avenue and Two Grand Central Tower

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BOSTON, Aug. 12 /PRNewswire-FirstCall/ -- Boston Properties, Inc. (NYSE: BXP), a real estate investment trust, announced today that it has completed the acquisitions of 540 Madison Avenue and Two Grand Central Tower in New York City from affiliates of Macklowe Properties for an aggregate purchase price of approximately $705 million, including $309.9 million of assumed indebtedness.

Each acquisition was completed through a joint venture among Boston Properties, US Real Estate Opportunities I, L.P., which is a partnership managed by Goldman Sachs, and Meraas Capital LLC, a Dubai-based private equity firm. Boston Properties has a 60% interest in each venture and will provide customary property management and leasing services for the venture. Boston Properties expects to account for its investment in each joint venture under the equity method of accounting rather than on a consolidated basis.

The debt that was assumed as part of the transactions consists of the following:

540 Madison Avenue

- two secured loans having an aggregate principal amount of $119.9 million and a weighted-average fixed interest rate of 5.20% per annum, each of which matures in July 2013

Two Grand Central Tower

- a $190 million secured loan having a fixed per annum interest rate of 5.10%, which matures in July 2010.

Boston Properties expects to complete shortly the previously announced acquisition of 125 West 55th Street, also located in New York City, through a joint venture in which the Company will own a 60% interest. The purchase price for 125 West 55th Street is approximately $444.0 million, including the assumption of an aggregate principal amount of $263.5 million of secured and mezzanine loans having a weighted-average fixed interest rate of 6.31% per annum, all of which mature in March 2010. The closing of this acquisition is subject to customary conditions and termination rights for transactions of this type. There can be no assurance that the closing will occur on the terms currently contemplated or at all.

Boston Properties projects (1) its share of the 2009 Unleveraged Cash Return, including fee income, from 540 Madison Avenue, Two Grand Central Tower and 125 West 55th Street to be approximately 5.8% and (2) its share of the properties' 2009 Unleveraged FFO Return, including fee income, to be approximately 7.3% - 7.6%. The calculation of the projected returns and related disclosures are presented on the accompanying table entitled "Projected 2008 and 2009 Returns on Acquisitions." The projections are based on current information and assumptions regarding these properties (including the completion of the acquisition of 125 West 55th Street) and are forward-looking statements within the meaning of the federal securities laws. Actual results may differ materially to the extent that our current information or assumptions prove incorrect or as a result of the risks and uncertainties described below.

540 Madison Avenue is a 39-story building located at Madison Avenue at 55th Street that contains approximately 292,000 rentable square feet. Two Grand Central Tower is a 44-story mid-block tower that runs from 44th to 45th Street between Lexington and Third Avenue and contains approximately 664,000 rentable square feet. 125 West 55th Street is a 23-story building, spanning from 55th to 56th Streets between Avenue of the Americas and Seventh Avenue, which contains approximately 591,000 rentable square feet.

This press release contains forward-looking statements within the meaning of the federal securities laws. You can identify these statements by our use of the words "expects," "plans," "estimates," "projects," "intends," "believes" and similar expressions that do not relate to historical matters. You should exercise caution in interpreting and relying on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond Boston Properties' control and could materially affect actual results, performance or achievements. These factors include, without limitation, the ability of our joint venture partners to satisfy their obligations, the ability to enter into new leases or renew leases on favorable terms, dependence on tenants' financial condition, the uncertainties of real estate development and acquisition activity, the ability to effectively integrate acquisitions, the costs and availability of financing, the effects of local economic and market conditions, the impact of newly adopted accounting principles on the Company's accounting policies and on period-to-period comparisons of financial results, regulatory changes and other risks and uncertainties detailed from time to time in the Company's filings with the Securities and Exchange Commission. Boston Properties does not undertake a duty to update or revise any forward-looking statement whether as a result of new information, future events or otherwise.

Boston Properties is a fully integrated, self-administered and self-managed real estate investment trust that develops, redevelops, acquires, manages, operates and owns a diverse portfolio consisting primarily of Class A office properties and one hotel. The Company is one of the largest owners and developers of Class A office properties in the United States, concentrated in five select markets - Boston, Midtown Manhattan, Washington, D.C., San Francisco, and Princeton, N.J. Visit the Company's web site at http://www.bostonproperties.com.

BOSTON PROPERTIES, INC.
PROJECTED 2008 AND 2009 RETURNS ON ACQUISITIONS
(dollars in thousands)

	540 Madison Avenue, Two Grand Central Tower & 125 West 55th Street			
	Fourth Quarter		Year 2009	
	Low	High	Low	High
Base rent and recoveries from tenants	$22,338	$22,338	$101,031	$101,031
Straight-line rent	1,215	1,215	3,070	3,070
Fair value lease revenue	4,400	5,400	14,100	17,300
Parking and other	583	583	2,392	2,392
Total rental revenue	28,536	29,536	120,593	123,793
Operating Expenses	10,412	10,412	42,234	42,234
Revenue less Operating Expenses	18,124	19,124	78,359	81,559
Interest expense	8,237	8,237	32,937	32,937
Fair value interest expense	1,800	1,500	7,100	5,800
Depreciation and amortization	15,800	13,000	51,200	45,200
Net loss	$(7,713)	$(3,613)	$(12,878)	$(2,378)
Add:				
Interest expense	8,237	8,237	32,937	32,937
Fair value interest expense	1,800	1,500	7,100	5,800
Depreciation and amortization	15,800	13,000	51,200	45,200
Unleveraged FFO (1)	$18,124	$19,124	$78,359	$81,559
Less:				
Straight-line rent	(1,215)	(1,215)	(3,070)	(3,070)
Fair value lease revenue	(4,400)	(5,400)	(14,100)	(17,300)
Unleveraged Cash	$12,509	$12,509	$61,189	$61,189
Purchase Price	$1,149,000			
Closing costs	5,340			
Total Unleveraged Investment	$1,154,340			
Unleveraged FFO Return (1)	7.1%	7.4%	7.3%	7.6%
Unleveraged Cash Return (2)	5.1%	5.1%	5.8%	5.8%

(1) Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), we calculate Funds from Operations, or "FFO," by adjusting net income (loss) (computed in accordance with GAAP, including non-recurring items) for gains (or losses) from sales of

properties, real estate related depreciation and amortization, and after adjustment for unconsolidated partnerships and joint ventures. FFO is a non-GAAP financial measure. Unleveraged FFO excludes, among other items, interest expense, which may vary depending on the level of corporate debt or property-specific debt. Unleveraged FFO Return is also a non-GAAP financial measure that is determined by dividing (A) the Company's share (60%) of Unleveraged FFO (based on the projected results for the three months ending December 31, 2008 (annualized) and the year ending December 31, 2009) plus the Company's share of fee income by (B) the Company's share of Total Unleveraged Investment. Management believes projected Unleveraged FFO Return is a useful measure in the real estate industry when determining the appropriate purchase price for a property or estimating a property's value. When evaluating acquisition opportunities, management considers, among other factors, projected Unleveraged FFO Return because it excludes, among other items, interest expense (which may vary depending on the level of corporate debt or property-specific debt), as well as depreciation and amortization expense (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates). Other factors that management considers include its cost of capital and available financing alternatives. Other companies may compute FFO, Unleveraged FFO and Unleveraged FFO Return differently and these are not indicators of a real estate asset's capacity to generate cash flow.

(2) Unleveraged Cash Return is a non-GAAP financial measure that is determined by dividing (A) the Company's share of Unleveraged Cash (based on the projected results for the three months ending December 31, 2008 (annualized) and the year ending December 31, 2009) plus the Company's share of fee income by (B) the Company's share of the Total Unleveraged Investment. Other real estate companies may calculate this return differently. Management believes that projected Unleveraged Cash Return is also a useful measure of a property's value when used in addition to Unleveraged FFO Return because, by eliminating the effect of straight-lining of rent and the SFAS No. 141 treatment of in-place above- and below-market leases, it enables an investor to assess the projected cash on cash return from the property over the forecasted period.

Management is presenting these projected returns and related calculations to assist investors in analyzing the Company's recent acquisition. Management does not intend to present this data for any other purpose, for any other period or for its other properties, and is not intending for these measures to otherwise provide information to investors about the Company's financial condition or results of operations. The Company does not undertake a duty to update any of these projections.

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