
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended December 31, 1998

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from to

Commission file number 1-13087

BOSTON PROPERTIES, INC.
(Exact name of Registrant as Specified in its Charter)

04-2473675

Delaware (State or Other Jurisdiction) (IRS Employer Id. Number)

of Incorporation or Organization)

8 Arlington Street (Zip Code)
Boston, Massachusetts
(Address of Principal Executive
Offices)

Registrant's telephone number, including area code: (617) 859-2600

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, Par Value \$.01	
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of March 26, 1999, the aggregate market value of the 60,956,365 Shares of Common Stock held by non-affiliates of the Registrant was \$1,889,647,315 based upon the closing price of \$31.00 on the New York Stock Exchange composite tape on such date. (For this computation, the Registrant has excluded the market value of all Shares of Common Stock reported as beneficially owned by executive officers and trustees of the Registrant; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the Registrant.) As of March 26, 1999, there were 63,540,106 Shares of Common Stock outstanding.

Certain information contained in the Company's Proxy Statement relating to its Annual Meeting of Stockholders to be held May 5, 1999 are incorporated by reference in Part III, Items 10, 11, 12 and 13.

Boston Properties, Inc. (the "Company") hereby amends Part II, Item 8 and Part IV, Item 14 of its Form 10-K dated December 31, 1998 filed with the Securities and Exchange Commission on March 31, 1999 to amend (1) page F-2 to include an opinion on the financial statement schedule and (2) amend the financial statement schedule. This amended annual report on Form 10-K/A does not reflect any change in the Company's reported consolidated financial condition or results of operations.

Item 8. Financial Statements and Supplementary Data

See "Index to Financial Statements" on page F-1 of this Form 10-K/A.

PART IV

ITEM 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K

(a) Financial Statements and Financial Statement Schedule

See "Index to Financial Statements" on page F-1 on this Form 10-K/A.

(b) Reports on Form 8-K

A report on Form 8-K was filed on January 12, 1998 which included information regarding Item 5. The Form 8-K was filed in connection with the Company's press release regarding the potential acquisition of The Prudential Center.

A report on Form 8-K was filed on January 26, 1998 which included information regarding Item 5. The Form 8-K was filed in connection with the Company's press release regarding the Company's fourth quarter 1997 earnings.

A report on Form 8-K was filed on February 6, 1998 which included information regarding Item 2, 5 and 7. Included in Item 7 was pro forma information and exhibits. The Form 8-K was filed in connection with the Company's acquisition of Riverfront Plaza and the Mulligan/Griffin Portfolio.

A report on Form 8-K was filed on June 9, 1998 which included information regarding Item 5. The Form 8-K was filed in connection with information presented to investors and analysts.

A report on Form 8-K was filed on July 15, 1998 (as amended by Form 8-K/A filed on August 25, 1998) which included information regarding Item 2, 5 and 7. Included in Item 7 was pro forma information and exhibits. The Form 8-K was filed in connection with the Company's acquisition of the Carnegie Center portfolio.

A report on Form 8-K was filed on July 17, 1998 (as amended by Form 8-K/A filed on August 25, 1998) which included information regarding Item 2, 5 and 7. Included in Item 7 was pro forma information and exhibits. The Form 8-K was filed in connection with the Company's acquisition of The Prudential Center.

A report on Form 8-K was filed on July 27, 1998 (as amended by Form 8-K/A filed on August 25, 1998) which included information regarding Item 2, 5 and 7. Included in Item 7 was pro forma information and exhibits. The Form 8-K was filed in connection with the Company's acquisition of Metropolitan Square.

A report on Form 8-K was filed on October 27, 1998 which included information regarding Item 5. The Form 8-K was filed in connection with the Company's press release regarding the Company's third quarter 1998 earnings and information presented to investors and analysts.

A report on Form 8-K was filed on November 25, 1998 (as amended by Form 8-K/A filed on January 26, 1999) which included information regarding Item 2, 5 and 7. Included in Item 7 was pro forma information and exhibits. The Form 8-K was filed in connection with the Company's acquisition of Embarcadero Center.

A report on Form 8-K was filed on January 27, 1999 which included information regarding Item 5. The Form 8-K was filed in connection with the Company's press release regarding the Company's fourth quarter 1998 earnings.

(c) Exhibits

Exhibit No. -----	Description -----
3.1	Form of Amended and Restated Certificate of Incorporation of the Company (2)
3.2	Form of Amended and Restated Bylaws of the Company (2)
4.1	Form of Shareholder Rights Agreement dated as of June , 1997 between the Company and BankBoston, N.A., as Rights Agent (2)
4.2	Form of Certificate of Designation for Series E Junior Participating Cumulative Preferred Stock, par value \$.01 per share (2)
4.3	Form of Certificate of Designations for the Series A Preferred Stock. (9)
4.4	Form of Common Stock Certificate (2)
10.1	Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, dated as of June 29, 1998. (6)
10.2	Certificate of Designations for the Series One Preferred Units, dated June 30, 1998, constituting an amendment to the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership. (6)
10.3	Certificate of Designations for the Series Two Preferred Units, dated November 12, 1998, constituting an amendment to the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership. (9)
10.4	Certificate of Designations for the Series Three Preferred Units, dated November 12, 1998, constituting an amendment to the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership. (9)
10.5	1997 Stock Option and Incentive Plan (2)
10.6	Form of Noncompetition Agreement between the Company and Mortimer B. Zuckerman (2)
10.7	Form of Employment and Noncompetition Agreement between the Company and Edward H. Linde. (2)
10.8	Form of Employment Agreement between the Company and certain executive officers (2)
10.9	Form of Indemnification Agreement between the Company and each of its directors and executive officers (2)
10.10	Omnibus Option Agreement by and among the Operating Partnership and the Grantors named therein dated as of April 9, 1997 (2)
10.11	Revolving Credit Agreement with BankBoston, N.A. (2)
10.12	Form of Registration Rights Agreement among the Company and the persons named therein (2)
10.13	Form of Lease Agreement dated as of June , 1997 between Edward H. Linde and Mortimer B. Zuckerman, as Trustees of Downtown Boston Properties Trust, and ZL Hotel LLC (2)
10.14	Form of Lease Agreement dated as of June , 1997 between Edward H. Linde and Mortimer B. Zuckerman, as Trustees of Two Cambridge Center Trust, and ZL Hotel LLC (2)
10.15	Option Agreement between Boston Properties Limited Partnership and Square 36 Properties Limited Partnership dated April 15, 1997 (2)
10.16	Form of Certificate of Incorporation of Boston Properties Management, Inc (2)
10.17	Form of By-laws of Boston Properties Management, Inc. (2)
10.18	Form of Limited Liability Agreement of ZL Hotel LLC (2)
10.19	Form of Option Agreement to Acquire the Property known as Summer Square(2)
10.20	Loan Modification Agreement between Lexreal Associates and Mitsui Seimei America Corporation relating to loan secured by 599 Lexington Avenue (2)
10.21	Loan Modification and Extension Agreement by and between Southwest Market Limited Partnership, a District of Columbia limited partnership, Mortimer B. Zuckerman and Edward H. Linde and the Sumitomo Bank, Limited, for One Independence Square, dated as of September 26, 1994 (2)

Exhibit No. -----	Description -----
10.22	Loan Modification and Extension Agreement by and among Southwest Market Limited Partnership, a District of Columbia limited partnership, Mortimer B. Zuckerman and Edward H. Linde and the Sumitomo Bank, Limited, for Two Independence Square, dated as of September 26, 1994 (2)
10.23	Construction Loan Agreement by and between the Sumitomo Bank, Limited and Southwest Market Limited Partnership, dated as of August 21, 1990 (2)
10.24	Construction Loan Agreement by and between the Sumitomo Bank, Limited and Southwest Market Limited Partnership for Two Independence Square, dated as of February 22, 1991 (2)
10.25	Consent and Loan Modification Agreement regarding One Independence Square between the Sumitomo Bank, Limited and Southwest Market Limited Partnership dated as of June, 1997 (2)
10.26	Consent and Loan Modification Agreement regarding Two Independence Square between the Sumitomo Bank, Limited and Southwest Market Limited Partnership dated as of June, 1997 (2)
10.27	Form of Amended and Restated Loan Agreement between Square 36 Office Joint Venture and the Sanwa Bank Limited dated as of June , 1997 (2)
10.28	Indemnification Agreement between the Operating Partnership and Mortimer B. Zuckerman and Edward H. Linde (2)
10.29	Compensation Agreement between the Company and Robert Selsam, dated as of August 10, 1995 relating to 90 Church Street (2)
10.30	Contribution Agreement dated September 2, 1997 by and among the Operating Partnership, the Company and Kenvic Associates (5)
10.31	Lock-Up and Registration Rights Agreement dated November 21, 1997 by and among the Operating Partnership, the Company and Kenvic Associates (1)
10.32	Agreement dated November 21, 1997 by and between the Operating Partnership, the Company and Kenvic Associates (1)
10.33	Note and Mortgage Modification and Spreader Agreement between John Hancock, as lender, and the Operating Partnership, as borrower (1)
10.34	Agreement between Bankers Trust Company, as seller, and the Operating Partnership, as borrower, dated September 11, 1997 (3)
10.35	Term loan agreement between Chase Manhattan Bank, as lender, and the Operating Partnership, as borrower, dated September 11, 1997 (4)
10.36	Swap Transaction Agreement between the Chase Manhattan Bank and the Company dated November 4, 1997 (3)
10.37	Interest Guarantee and Agreement between Chase Manhattan Bank, as lender, and the Operating Partnership, as borrower, dated September 11, 1997 (4)
10.38	Net Cash Flow Shortfall Guarantee and Agreement between Chase Manhattan Bank, as lender, and the Operating Partnership, as borrower, dated September 11, 1997 (4)
10.39	Hazardous Material Guaranty and Indemnification Agreement between Chase Manhattan Bank, as lender, and the Operating Partnership, as borrower, dated September 11, 1997 (4)
10.40	Amended and Restated Real Estate Purchase and Sale Contract between International Business Machines Corporation, as seller, and the Operating Partnership, as buyer, dated October 20, 1997 (4)
10.41	First Amendment to Revolving Credit Agreement dated July 29, 1997 by and among the Company, BankBoston, N.A., and the subsidiaries of the Company and lending institutions named therein (5)
10.42	Second Amendment to Revolving Credit Agreement dated July 30, 1997 by and among the Company, BankBoston, N.A., and the subsidiaries of the Company and lending institutions named therein (5)

Exhibit No. -----	Description -----
10.43	Third Amendment to Revolving Credit Agreement dated September 11, 1997 by and among the Company, BankBoston, N.A., and the subsidiaries of the Company and lending institutions named therein (5)
10.44	Fourth Amendment to Revolving Credit Agreement dated October 31, 1997 by and among the Company, BankBoston, N.A., and the subsidiaries of the Company and lending institutions named therein (5)
10.45	Environmental Indemnity and Agreement made by the Operating Partnership in favor of John Hancock Mutual Life Insurance Company (1)
10.46	Indemnification Agreement made by the Operating Partnership in favor of John Hancock Mutual Life Insurance Company (1)
10.47	Consolidation, Extension and Modification Agreement dated as of May 11, 1988 by and between Kenvic Associates and John Hancock Mutual Life Insurance Company (1)
10.48	Modification Agreement dated as of May 30, 1990 by and between Kenvic Associates and John Hancock Mutual Life Insurance Company (1)
10.49	Note and Mortgage Notification Agreement, dated July 23, 1992 by and between Kenvic Associates and John Hancock Mutual Life Insurance Company (2)
10.50	Note and Mortgage Modification and Spreader Agreement dated as of December 29, 1995 by and between Kenvic Associates and John Hancock Mutual Life Insurance Company (1)
10.51	Contribution Agreement dated November 26, 1997 the Operating Partnership, Boston Properties LLC and the Contributors named therein. (1)
10.52	Promissory Note dated January , 1998 between the Operating Partnership and Metropolitan Life Insurance Company (1)
10.53	Deed of Trust, Security Agreement and Fixture Filing dated January , 1998 (1)
10.54	Unsecured Indemnity Agreement dated January , 1998 (1)
10.55	Contribution and Conveyance Agreement concerning the Carnegie Portfolio, dated June 30, 1998 by and among the Company, the Operating Partnership, and the parties named therein as Landis Parties. (6)
10.56	Contribution Agreement, dated June 30, 1998, by and among the Company, the Operating Partnership, and the parties named therein as Landis Parties. (6)
10.57	Registration Rights and Lock-Up Agreement, dated June 30, 1998 by and among the Company, the Operating Partnership and the parties named therein as Holders. (6)
10.58	Non-Competition Agreement, dated as of June 30, 1998, by and between Alan B. Landis and the Company. (6)
10.59	Agreement Regarding Directorship, dated as of June 30, 1998, by and between the Company and Alan B. Landis. (6)
10.60	Purchase and Sale Agreement, dated May 7, 1998, by and between Prudential and the Operating Partnership. (7)
10.61	Contribution Agreement, dated as of May 7, 1998, by and between Prudential and the Operating Partnership. (7)
10.62	Registration Rights Agreement, dated as of July 2, 1998, by and among the Registrant, Strategic Value Investors II, LLC and Prudential. (7)
10.63	Contribution Agreement dated June 5, 1998, by and among Boston Properties Limited Partnership, Boston Properties LLC, Square 224 Associates and the Oliver Carr Company. (8)
10.64	Registration Rights and Lock-up Agreement, dated as of July 9, 1998, by and between Boston Properties, Inc. and Square 224 Associates. (8)
10.65	Purchase and Sale Agreement, dated as of November 12, 1998, by and between Two Embarcadero Center West and BP OFR LLC. (9)
10.66	Contribution Agreement, dated as of November 12, 1998, by and among the Company, The Operating Partnership, Embarcadero Center Investors Partnership ("ECIP") and the partners in ECIP listed on Exhibit A thereto. (9)

Exhibit No. -----	Description -----
10.67	Contribution Agreement, dated as of November 12, 1998, by and among the Company, the Operating Partnership, Three Embarcadero Center West ("Three ECW") and the partners in Three ECW listed on Exhibit A thereto. (9)
10.68	Three ECW Redemption Agreement, dated as of November 12, 1998, by and among Three ECW, the Operating Partnership, BP EC West LLC, Prudential, PIC Realty Corporation ("PIC") and Prudential Realty Securities II, Inc. ("PRS II").(9)
10.69	Three ECW Property Contribution Agreement, dated as of November 12, 1998, by and among Three ECW, Prudential, PIC, PRS II, the Operating Partnership, the Company and BP EC West LLC. (9)
10.70	Registration Rights and Lock-Up Agreement, dated November 12, 1998, by and among the Company, the Operating Partnership and the Holders named therein.(9)
10.71	Third Amended and Restated Partnership Agreement of One Embarcadero Center Venture, dated as of November 12, 1998, by and between Boston Properties LLC ("BPLLC"), as managing general partner, BP EC1 Holdings LLC ("BP EC1 LLC"), as non-managing general partner, and PIC, as non-managing general partner (9)
10.72	Third Amended and Restated Partnership Agreement of Embarcadero Center Associates, dated as of November 12, 1998, by and between BP LLC, as managing general partner, BP EC2 Holdings LLC ("BP EC2 LLC"), as non-managing general partner, and PIC, as non-managing general partner. (9)
10.73	Second Amended and Restated Partnership Agreement of Three Embarcadero Center Venture, dated as of November 12, 1998, by and between BPLLC, as managing general partner, BP EC3 Holdings LLC ("BP EC3 LLC"), as non-managing general partner, and Prudential, as non-managing general partner. (9)
10.74	Second Amended and Restated Partnership Agreement of Four Embarcadero Center Venture, dated as of November 12, 1998, by and between BPLLC, as managing general partner, BP EC4 Holdings LLC ("BP EC4 LLC"), as non-managing general partner, and Prudential, as non-managing general partner. (9)
10.75	Note Purchase Agreement, dated as of November 12, 1998, by and between Prudential Realty Securities, Inc. ("PRS") and One Embarcadero Center Venture. (9)
10.76	Note Purchase Agreement, dated as of November 12, 1998, by and between PRS and Embarcadero Center Associates. (9)
10.77	Note Purchase Agreement, dated November 12, 1998, by and between PRS and Three Embarcadero Center Venture. (9)
10.78	Note Purchase Agreement, dated November 12, 1998, by and between PRS and Four Embarcadero Center Venture. (9)
10.79	Redemption Agreement, dated as of November 12, 1998, by and among One Embarcadero Center Venture, BPLLC, BP EC1 LLC and PIC. (9)
10.80	Redemption Agreement, dated as of November 12, 1998, by and among Embarcadero Center Associates, BPLLC, BP EC2 LLC and PIC. (9)
10.81	Redemption Agreement, dated as of November 12, 1998, by and among Three Embarcadero Center Venture, BPLLC, BP EC3 LLC and Prudential. (9)
10.82	Redemption Agreement, dated as on November 12, 1998, by and among Four Embarcadero Center Venture, BPLLC, BP EC4 LLC and Prudential. (9)
10.83	Option and Put Agreement, dated as of November 12, 1998, by and between One Embarcadero Center Venture and Prudential. (9)
10.84	Option and Put Agreement, dated as of November 12, 1998, by and between Embarcadero Center Associates and Prudential. (9)
10.85	Option and Put Agreement, dated as of November 12, 1998, by and between Three Embarcadero Center Venture and Prudential. (9)

Exhibit No. -----	Description -----
10.86	Option and Put Agreement, dated as of November 12, 1998, by and between Four Embarcadero Center Venture and Prudential. (9)
10.87	Stock Purchase Agreement, dated as of September 28, 1998, by and between the Company and Prudential. (9)
21.1	Schedule of Subsidiaries of the Company (1)
23.1	Consent of PricewaterhouseCoopers LLP, Independent Accountants
27.1	Financial Data Schedule

-
- (1) Incorporated herein by reference to the Company's Registration Statement on Form S-11 (No. 333-41449)
 - (2) Incorporated herein by reference to the Company's Registration Statement on Form S-11 (No. 333-25279)
 - (3) Incorporated herein by reference to the Company's Current Report on Form 8-K filed on November 25, 1997
 - (4) Incorporated herein by reference to the Company's Current Report on Form 8-K/A filed on November 14, 1997
 - (5) Incorporated herein by reference to the Company's Current Report on Form 8-K filed on November 26, 1997
 - (6) Incorporated herein by reference to the Company's Current Report on Form 8-K filed on July 15, 1998.
 - (7) Incorporated herein by reference to the Company's Current Report on Form 8-K filed on July 17, 1998.
 - (8) Incorporated herein by reference to the Company's Current Report on Form 8-K filed on July 27, 1998.
 - (9) Incorporated herein by reference to the Company's Current Report on Form 8-K filed on November 25, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant, Boston Properties, Inc., has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BOSTON PROPERTIES, INC.

By: /s/ David G. Gaw

David G. Gaw
Chief Financial Officer

Date March 31, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

March 31, 1998

By: /s/ Mortimer B. Zuckerman

Mortimer B. Zuckerman
Chairman of the Board of Directors

By: /s/ Edward H. Linde

Edward H. Linde
President and Chief Executive
Officer

By: /s/ David G. Gaw

David G. Gaw
Chief Financial Officer

By: /s/ Alan J. Patricof

Alan J. Patricof
Director

By: /s/ Ivan G. Seidenberg

Ivan G. Seidenberg

By: /s/ Martin Turchin

Martin Turchin
Director

By: /s/ Alan B. Landis

Alan B. Landis
Director

By: /s/ Richard E. Salomon

Richard E. Salomon
Director

BOSTON PROPERTIES, INC. AND BOSTON PROPERTIES
PREDECESSOR GROUP
INDEX TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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All other schedules for which 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, (i) the financial position of Boston Properties, Inc. (the "Company") at December 31, 1998 and 1997, the results of operations and cash flows for the year ended December 31, 1998, and for the period from June 23, 1997 to December 31, 1997, and (ii) as described in Note 1, the combined statements of operations and cash flows, for the period from January 1, 1997 to June 22, 1997 and for the year ended December 31, 1996 of the Boston Properties Predecessor Group, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the opinion expressed above.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

January 24, 1999, except for Note 16, for which the date is February 10, 1999

BOSTON PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS

December 31, December 31,
1998 1997

(in thousands, except
share amounts)

ASSETS

Real estate:		
Less: accumulated depreciation.....	\$4,917,193	\$1,796,500
Total real estate.....	(357,384)	(294,218)
	-----	-----
	4,559,809	1,502,282
Cash and cash equivalents.....	12,166	17,560
Notes receivable.....	420,143	--
Escrows.....	19,014	14,178
Tenant and other receivables, net.....	40,830	24,458
Accrued rental income, net.....	64,251	55,190
Deferred charges, net.....	46,029	35,485
Prepaid expenses and other assets.....	26,058	20,225
Investments in joint ventures.....	46,787	3,143
	-----	-----
Total assets.....	\$5,235,087	\$1,672,521
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Mortgage notes payable.....	\$2,653,581	\$1,099,253
Notes payable.....	420,143	--
Unsecured line of credit.....	15,000	233,000
Accounts payable and accrued expenses.....	33,638	23,822
Dividends payable.....	40,494	22,539
Accrued interest payable.....	7,307	6,581
Other liabilities.....	37,209	11,642
	-----	-----
Total liabilities.....	3,207,372	1,396,837
	-----	-----
Commitments and contingencies.....	--	--
	-----	-----
Minority interests.....	1,079,234	100,636
	-----	-----
Stockholders' equity:		
Preferred stock, \$.01 par value, 50,000,000 shares authorized, none issued or outstanding.....	--	--
Excess stock, \$.01 par value, 150,000,000 shares authorized, none issued or outstanding.....	--	--
Common stock, \$.01 par value, 250,000,000 shares authorized, 63,527,819 and 38,694,041 issued and outstanding in 1998 and 1997, respectively.....	635	387
Additional paid-in capital.....	955,711	172,347
Dividends in excess of earnings.....	(7,865)	2,314
	-----	-----
Total stockholders' equity.....	948,481	175,048
	-----	-----
Total liabilities and stockholders' equity.....	\$5,235,087	\$1,672,521
	=====	=====

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

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	The Company		The Predecessor Group	
	Year ended December 31, 1998	Period from June 23, 1997 to December 31, 1997	Period from January 1, 1997 to June 22, 1997	Year ended December 31, 1996
Revenue				
Rental:				
Base rent.....	\$419,756	\$126,401	\$ 80,122	\$169,420
Recoveries from tenants.....	48,718	12,564	10,283	22,607
Parking and other....	19,103	676	3,397	2,979
	-----	-----	-----	-----
Total rental revenue.....	487,577	139,641	93,802	195,006
Hotel.....	--	--	31,185	65,678
Development and management services..	12,411	3,813	3,685	5,719
Interest and other....	13,859	2,189	1,146	3,530
	-----	-----	-----	-----
Total revenue.....	513,847	145,643	129,818	269,933
	-----	-----	-----	-----
Expenses				
Rental:				
Operating.....	80,894	19,591	13,650	29,823
Real estate taxes....	69,596	20,502	13,382	28,372
Hotel:				
Operating.....	--	--	20,938	43,634
Real estate taxes....	--	--	1,514	3,100
General and				
administrative.....	22,504	6,689	5,116	10,754
Interest.....	124,860	38,264	53,324	109,394
Depreciation and amortization.....	75,418	21,719	17,054	36,199
	-----	-----	-----	-----
Total expenses.....	373,272	106,765	124,978	261,276
	-----	-----	-----	-----
Income before minority interests.....	140,575	38,878	4,840	8,657
Minority interests.....	(41,982)	(11,652)	(235)	(384)
	-----	-----	-----	-----
Income before extraordinary items....	98,593	27,226	4,605	8,273
Extraordinary gain (loss) from early debt extinguishments, net...	(5,481)	7,925	--	(994)
	-----	-----	-----	-----
Net income.....	\$ 93,112	\$ 35,151	\$ 4,605	\$ 7,279
	=====	=====	=====	=====
Basic earnings per share:				
Income before extraordinary items..	\$ 1.62	\$ 0.70	--	--
Extraordinary gain (loss), net.....	(0.09)	0.21	--	--
	-----	-----	-----	-----
Net income.....	\$ 1.53	\$ 0.91	--	--
	=====	=====	-----	-----
Weighted average number of common shares outstanding...	60,776	38,694	--	--
Diluted earnings per share:				
Income before extraordinary items..	\$ 1.61	\$ 0.70	--	--
Extraordinary gain (loss), net.....	(0.09)	0.20	--	--
	-----	-----	-----	-----
Net income.....	\$ 1.52	\$ 0.90	--	--
	=====	=====	-----	-----
Weighted average number of common shares outstanding...	61,308	39,108	--	--

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

BOSTON PROPERTIES, INC. AND BOSTON PROPERTIES PREDECESSOR GROUP

CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' AND OWNER' EQUITY
(DEFICIT)
(in thousands)

	Common Stock		Additional Paid-in Capital	Dividends in excess of Earnings	Owners' Equity (Deficit)	Total
	Shares	Amount				
The Predecessor Group:						
Balance, January 1, 1996.....					\$(506,653)	\$(506,653)
Contributions.....					33,279	33,279
Net income for the year.....					7,279	7,279
Distributions and conversion of equity to note payable-- affiliate.....					(110,537)	(110,537)
Balance, December 31, 1996.....					(576,632)	(576,632)
Contributions.....					9,330	9,330
Net income for period January 1, 1997 through June 22, 1997.....					4,605	4,605
Distributions.....					(32,125)	(32,125)
Balance, June 22, 1997.....					(594,822)	(594,822)
The Company:						
Reclassification adjustment.....			(\$594,822)		594,822	--
Sale of Common Stock net of Offering costs.....	38,694	\$387	838,822			839,209
Stock issued in connection with property acquisition.....			16			16
Allocation of minority interest in Operating Partnership.....			(71,669)			(71,669)
Net income, June 23, 1997 to December 31, 1997.....				\$ 35,151		35,151
Dividends declared....				(32,837)		(32,837)
Stockholders' Equity, December 31, 1997....	38,694	387	172,347	2,314	--	175,048
Sale of Common Stock net of Offering costs.....	23,000	230	764,760			764,990
Unregistered Common Shares issued.....	1,823	18	58,819			58,837
Conversion of operating partnership units to common stock.....	10	--	250			250
Allocation of minority interest.....			(40,490)			(40,490)
Net income for the year.....				93,112		93,112
Dividends declared....				(103,291)		(103,291)
Stock options exercised.....	1	--	25			25
Stockholders' Equity, December 31, 1998....	63,528	\$635	\$ 955,711	\$ (7,865)	\$ --	\$ 948,481

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

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

	The Company		The Predecessor Group	
	Year ended December 31, 1998	Period from June 23, 1997 to December 31, 1997	Period from January 1, 1997 to June 22, 1997	Year ended December 31, 1996
Cash flows from				
operating activities:				
Net income.....	\$ 93,112	\$ 35,151	\$ 4,605	\$ 7,279
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization.....	75,418	21,719	17,054	36,199
Non-cash portion of interest expense.....	247	547	1,497	644
Extraordinary loss (gain) on early debt extinguishments.....	7,743	(11,216)	--	--
Minority interests....	38,760	7,659	--	--
Change in assets and liabilities:				
Escrows.....	(4,836)	11,429	(136)	2,242
Tenant and other receivables, net....	(16,372)	(5,295)	(7,114)	2,313
Accrued rental income.....	(9,061)	(5,694)	(291)	475
Prepaid expenses and other issues.....	(5,833)	(14,330)	(1,494)	2,777
Accounts payable and accrued expenses....	9,816	5,611	5,220	(572)
Accrued interest payable.....	726	(5,107)	2,021	579
Other liabilities.....	25,567	5,672	3,728	3,971
Total adjustments....	122,175	10,995	20,485	48,628
Net cash provided by operating activities.....	215,287	46,146	25,090	55,907
Cash flows from				
investing activities:				
Acquisitions to real estate and equipment..	(1,697,449)	(526,890)	(27,721)	(30,238)
Tenant leasing costs...	(17,979)	(2,793)	(2,550)	(4,077)
Investments in joint ventures.....	(43,644)	(570)	(2,573)	--
Notes receivable.....	(420,143)	--	--	--
Cash from contributed assets.....	--	10,510	--	--
Net cash used in investing activities.....	(2,179,215)	(519,743)	(32,844)	(34,315)
Cash flows from				
financing activities:				
Net proceeds from sales of common stock.....	819,103	839,209	--	--
Owners' contributions..	--	--	9,330	33,279
Owners' distributions..	--	--	(32,125)	(105,619)
Borrowings on unsecured line of credit.....	322,000	233,000	--	--
Repayment of unsecured line of credit.....	(540,000)	--	--	--
Repayments of mortgage notes.....	(159,714)	(712,338)	(3,799)	(93,695)
Proceeds from mortgage notes.....	1,226,717	220,000	--	117,269
Proceeds from notes payable.....	420,143	--	--	11,933
Accounts receivable-- affiliate.....	--	--	(804)	--
Accounts payable-- affiliate.....	--	(19,983)	19,983	--
Proceeds from (repayments of) notes payable--affiliate....	--	(38,833)	16,716	--
Dividends and distributions.....	(127,307)	(17,026)	--	--
Deferred financing and other costs.....	(2,408)	(12,872)	(35)	(1,628)

Net cash provided by financing activities.....	1,958,534	491,157	9,266	(38,461)
Net increase (decrease) in cash.....	(5,394)	17,560	1,512	(16,869)
Cash and cash equivalents, beginning of period.....	17,560	--	8,998	25,867
Cash and cash equivalents, end of period.....	\$ 12,166	\$ 17,560	\$ 10,510	\$ 8,998
Supplemental disclosures:				
Cash paid for interest.....	\$ 46,422	\$ 36,783	\$ 50,917	\$ 107,700
Interest capitalized...	\$ 6,933	\$ 1,168	\$ 1,111	\$ 366
Non-cash activities:				
Operating activity:				
Non-cash portion of interest expense....	\$ 247	\$ 547	\$ 1,497	644
Investing and Financing activities:				
Mortgage notes payable assumed in connection with acquisitions....	\$ 496,926	--	--	--
Issuance of minority interest in connection with acquisition.....	\$ 941,318	--	--	--
Common stock issued in connection with acquisition.....	\$ 5,000	--	--	--
Dividends and distributions declared but not paid.....	\$ 40,494	\$22,539	--	--
Conversion of owners' equity to notes payable--affiliate...	--	--	--	\$ 4,918

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

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
(dollars in thousands, except per share amounts)

1. Organization and Basis of Presentation

Organization

Boston Properties, Inc. (the "Company") is one of the largest owners and developers of office properties in the United States, with a significant presence in Greater Boston, Greater Washington, D.C., Greater San Francisco, Midtown Manhattan, Princeton/East Brunswick, New Jersey, Baltimore, Maryland, and Richmond, Virginia. The Company is a fully integrated self-administered and self-managed real estate investment trust ("REIT"). The Company was formed to succeed to the real estate development, redevelopment, acquisition, management, operating and leasing businesses association with the predecessor company founded by Mortimer B. Zuckerman and Edward H. Linde in 1970. The term "Predecessor Group" or "Predecessor" as used herein refers to the entities that owned interests in one or more properties that were contributed to the Company in connection with the Company's initial public offering in June 1997 (the "Initial Offering"). The term "Company" as used herein includes Boston Properties, Inc. and its subsidiaries on a consolidated basis (including Boston Properties Limited Partnership (the "Operating Partnership")).

On June 23, 1997, the Company commenced operations after completing an initial public offering of 36,110,000 common shares at a price per share of \$25.00 (including 4,710,000 shares issued as a result of the exercise of an over-allotment option by the underwriters). The proceeds to the Company, net of underwriters' discount and offering costs, were approximately \$839.2 million. Upon the completion of such offering, the Company succeeded to substantially all of the interests of the Predecessor in (i) a portfolio of office, industrial and hotel properties and (ii) the acquisition, property management, leasing, development and construction businesses of the Predecessor Group. The acquisition, property management, leasing, development and construction businesses are being carried out by the Operating Partnership and the Company's majority-owned affiliate, Boston Properties Management, Inc.

On January 26, 1998, the Company completed a second offering of 23,000,000 common shares at a price of \$35.125 per share (including 3,000,000 shares issued as a result of the exercise of an over-allotment option by the underwriters). The proceeds to the Company, net of underwriters' discount and offering costs were approximately \$765.0 million.

Properties

At December 31, 1998, the Company owned a portfolio of 121 commercial real estate properties (82 properties at December 31, 1997) (the "Properties") aggregating approximately 31.6 million square feet (including ten properties currently under development). The Properties consist of 108 office properties, including 76 Class A office properties and 32 Research and Development properties; nine industrial properties; three hotels; and one parking garage. In addition, the Company owns 21 parcels of land totaling 300.1 acres (which will support approximately 6.8 million square feet of development) and structured parking for 11,427 vehicles containing approximately 5.8 million square feet. The Company considers Class A office properties to be centrally located buildings that are professionally managed and maintained, 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 Research and Development properties to support office, research and development and other technical uses.

Basis of Presentation

The consolidated financial statements of the Company include all the accounts of the Company, Boston Properties Limited Partnership, and its subsidiaries. The financial statements reflect the properties acquired at

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
(dollars in thousands, except per share amounts)

their historical accounting basis to the extent of the acquisition of interests from the Predecessor Group's owners who continued as investors. The remaining interests acquired for cash from those owners of the Predecessor Group, who decided to sell their interests, have been accounted for as a purchase and the excess of the purchase price over the related historical cost basis was allocated to real estate. The combined financial statements of the Predecessor Group include interests in properties and the third party commercial real estate development, project management and property management business. The accompanying combined financial statements for the Predecessor Group have been presented on a combined basis due to the common ownership and management of the entities included in the Predecessor Group; therefore, its combined financial statements are presented for comparative purposes. All significant intercompany balances and transactions have been eliminated.

Investments in joint ventures where the Company does not have a controlling interest are accounted for under the equity method. Under the equity method of accounting the net equity investment of the Company in the joint ventures is reflected on the consolidated balance sheets.

2. Significant Accounting Policies

Real Estate

Real estate is stated at depreciated cost. The Company periodically reviews its properties to determine if its carrying costs will be recovered from future operating cash flows. Upon determination 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 includes the purchase price of property, legal fees and acquisition costs. The cost of buildings under development includes the capitalization of interest, property taxes and other costs incurred during the period of development. 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.....	10 to 40 years
Tenant improvements.....	Shorter of useful life or terms of related lease
Furniture, fixtures, and equipment....	5 to 7 years

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 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.

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
(dollars in thousands, except per share amounts)

Deferred Charges

Deferred charges include leasing costs and financing fees. Fees and costs incurred in the successful negotiation of leases, including brokerage, legal 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 which approximates the effective interest method and are included in interest expense. Fully amortized deferred charges are removed from the books upon the expiration of the lease or maturity of the debt.

Minority Interests

Minority Interests at December 31, 1998 represent minority interests in partially owned properties and minority holders' share in the Operating Partnership.

Offering Costs

Underwriting commissions and offering costs incurred in connection with the initial public offering and follow-on offering have been reflected as a reduction of additional paid-in capital.

Dividends

Earnings and profits, which will determine the taxability of dividends to shareholders, 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 approximately 85% and 59% ordinary income for federal income tax purposes for the year ended December 31, 1998 and the period from June 23, 1997 to December 31, 1997, respectively.

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 revenues by \$18,510 and \$5,985 and decreased revenues by \$475 for the years ended December 31, 1998, 1997 and 1996, respectively. 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.

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.

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

Interest Expense

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.

Earnings Per Share

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

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
(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 generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 which 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 values of these financial instruments were not materially different from their carrying or contract values.

Income Taxes

The Company has elected to be taxed 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 shareholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 95% of its annual 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 two in-service hotel properties, pursuant to a lease 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 ("CEO"), respectively, are the sole member-managers. Marriott International, Inc. manages these hotel properties under the Marriott name pursuant to a management agreement with the lessee. The Company has made similar arrangements with respect to a hotel property under development.

The net difference between the tax basis and the reported amounts of the Company's assets and liabilities is approximately \$987,789 and \$149,000 as of December 31, 1998 and 1997, respectively.

The Predecessor Group was not a legal entity subject to income taxes. No federal or state income taxes were applicable to the entities that managed and owned the properties; accordingly, no provision has been made for federal income taxes in the accompanying combined financial statements.

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

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
(dollars in thousands, except per share amounts)

Concentrations of Credit Risk

Management of the Company performs ongoing credit evaluations of the 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 revenues from any single tenant, the inability of that tenant to make its lease payments could have an adverse effect on the Company.

Segment Reporting

In 1998, the Company adopted Statement of Financial Accounting Standards 131 ("FAS 131"), "Disclosures about Segments of an Enterprise and Related Information." FAS 131 supersedes Statement of Financial Accounting Standards No. 14, "Financial Reporting for Segments of a Business Enterprise", replacing the "industry segment" approach with a "management" approach. The management approach designates the internal organization used by management for making operating decisions and assessing performance as the source of the Company's segments. FAS 131 also requires disclosures about product and services, geographic areas, and major customers. The adoption of FAS 131 did not affect results of operations or financial position of the Company.

3. Real Estate

Real estate consisted of the following at December 31, :

	1998	1997
	-----	-----
Land.....	\$ 926,862	\$ 403,022
Buildings and improvements.....	3,628,212	1,223,892
Tenant improvements.....	134,973	118,374
Furniture, fixtures and equipment.....	35,710	33,638
Developments in progress.....	191,436	17,574
	-----	-----
Total.....	4,917,193	1,796,500
Less: accumulated depreciation.....	(357,384)	(294,218)
	-----	-----
	\$4,559,809	\$1,502,282
	-----	-----

4. Deferred Charges

Deferred charges consisted of the following at December 31, :

	1998	1997
	-----	-----
Leasing costs.....	\$ 58,803	\$ 46,769
Financing costs.....	28,128	29,271
	-----	-----
	86,931	76,040
Less: accumulated amortization.....	(40,902)	(40,555)
	-----	-----
	\$ 46,029	\$ 35,485
	-----	-----

5. Investments in Joint Ventures

The investments in joint ventures represent (i) a 25% interest in a joint venture which is developing two office buildings in Reston, VA, (ii) a 25% interest in a joint venture which is developing one office building in Reston, VA and (iii) a 50% interest in a joint venture which is developing an office building in Washington,

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
(dollars in thousands, except per share amounts)

DC. The Company also serves as development manager for these joint ventures. Under the equity method of accounting the net equity investment is reflected on the consolidated balance sheets.

The combined summarized balance sheets of the joint ventures are as follows:

	1998	1997
	-----	-----
Balance Sheets:		
Land.....	\$ 43,550	\$ 8,167
Developments in progress.....	128,867	16,748
Other assets.....	10,032	1,192
	-----	-----
Total Assets.....	\$182,449	\$26,107
	-----	-----
Construction loans payable.....	\$ 55,638	\$ 6,969
Other liabilities.....	20,595	7,042
Partners' equity.....	106,216	12,096
	-----	-----
Total Liabilities and Partners' Equity.....	\$182,449	\$26,107
	-----	-----
Company's Share of Equity.....	\$ 46,787	\$ 3,143
	-----	-----

6. Mortgage Notes Payable

Mortgage notes payable comprise various loans at December 31, 1998 and 1997, each collateralized by a building and related land included in real estate assets. The mortgage notes payable are generally due in monthly installments and mature at various dates through February 1, 2010. Interest rates on fixed rate mortgage notes payable aggregating approximately \$2,623,847 and \$1,082,000 at December 31, 1998 and 1997, respectively, range from 6.40% to 8.59% (averaging 7.05% and 7.55% at December 31, 1998 and 1997, respectively). Variable rate mortgage notes payable were approximately \$11,417 and \$11,600 at December 31, 1998 and 1997, respectively, with rates ranging from 1.0% above the London Interbank Offered Rate ("LIBOR") (5.06% and 5.90% at December 31, 1998 and 1997, respectively) to 1.5% above the LIBOR rate.

The interest rates related to the mortgage notes payable for three properties aggregating approximately \$209,987 at December 31, 1998 and for two properties aggregating \$198,781 at December 31, 1997 are subject to periodic scheduled rate increases. Interest expense for these mortgage notes payable is computed using the effective interest method. Additionally, mortgage notes payable at December 31, 1998 on three properties in the amount of \$320,484 and a mortgage note payable on one property at December 31, 1997 totaling \$185,618 have been accounted for at their fair value. The impact of using these methods decreased interest expense \$2,656 and increased interest expense \$547 and \$1,347 for the years ended December 31, 1998, 1997 and 1996 respectively. The cumulative liability related to these adjustments is \$18,317 and \$6,430 at December 31, 1998 and 1997, respectively, and is included in mortgage notes payable.

Combined aggregate principal payments of mortgage notes payable at December 31, 1998 are as follows:

1999.....	\$ 26,940
2000.....	233,075
2001.....	146,059
2002.....	385,394
2003.....	206,853

Certain mortgage indebtedness aggregating approximately \$707.1 million was repaid in conjunction with the initial public offering. These repayments, along with (i) the payment of certain related repayment penalties,

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
(dollars in thousands, except per share amounts)

(ii) the write-off of the related previously capitalized deferred financing costs and (iii) the extinguishment of the excess of the mortgage not payable balance over the principal payment necessitated by an increasing rate loan being accounted for using the effective interest method, generated a gain of approximately \$7.9 million (net of minority interest share of approximately \$3.3 million), which has been reflected as an extraordinary gain during the period from June 23, 1997 through December 31, 1997 in the financial statements.

During 1998, the Company incurred an extraordinary loss primarily related to fees incurred in connection with the repayment of certain mortgages payable in connection with the Embarcadero Center acquisition.

7. Unsecured Line of Credit

As of December 31, 1998, the Company has an agreement for a \$500,000 unsecured revolving credit facility (the "Unsecured Line of Credit") maturing in June 2000. Outstanding balances under the Unsecured Line of Credit currently bear interest at a floating rate based on an increase over LIBOR from 90 to 120 basis points, depending upon the Company's applicable leverage ratio, or the lender's prime rate. The Unsecured Line of Credit requires monthly payments of interest only.

The outstanding balance of the Unsecured Line of Credit was \$15,000 and \$233,000 at December 31, 1998 and 1997, respectively. The weighted average balance outstanding was approximately \$68,293 and \$117,000 during the year ended December 31, 1998 and the period from June 23, 1997 through December 31, 1997, respectively. The weighted average interest rate on amounts outstanding was approximately 6.64% and 6.82% during the year ended December 31, 1998 and the period from June 23, 1997 through December 31, 1997. The applicable interest rate under the Unsecured Line of Credit at December 31, 1998 was 6.73%.

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. Leasing Activity

Future minimum lease payments (excluding operating expense reimbursements) as of December 31, 1998, under non-cancelable operating leases, which expire on various dates through 2029, are as follows:

Years ending December 31, -----	
1999.....	\$ 547,576
2000.....	511,158
2001.....	471,238
2002.....	411,966
2003.....	334,378
Thereafter.....	1,234,584

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

Location -----	
Greater Boston.....	\$ 584,318
Greater Washington D.C.....	1,273,401
Midtown Manhattan.....	913,636
Greater San Francisco.....	631,611
New Jersey and Pennsylvania.....	107,934

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
(dollars in thousands, except per share amounts)

No one tenant represented more than 10% of the Company's total rental income for the year ended December 31, 1998. One tenant represented 13.3% of the Company's total rental income for the year ended December 31, 1997.

9. Segment Reporting

The Company has determined that its 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 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, R&D, Industrial, Hotel, and Garage.

Asset information by 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. Interest income, management and development services, interest expense, and general and administrative expenses are not included in net operating, as the internal reporting addresses these on a corporate level.

Information by Geographic Area and Property Type:

For the year ended December 31, 1998:

	Greater Boston	Greater Washington, D.C.	Midtown Manhattan	Greater San Francisco	New Jersey and Pennsylvania	Grand Totals
Rental Revenues:						
Class A Office.....	\$ 94,284	\$ 169,882	\$ 129,644	\$ 18,914	\$17,407	\$430,131
R&D.....	5,955	17,121	--	1,502	--	24,578
Industrial.....	1,611	1,431	--	1,349	789	5,180
Hotels.....	25,944	--	--	--	--	25,944
Garage.....	1,744	--	--	--	--	1,744
Total.....	129,538	188,434	129,644	21,765	18,196	487,577
% of Grand Totals.....	26.57%	38.65%	26.59%	4.46%	3.73%	100.00%
Rental Expenses:						
Class A Office.....	36,591	45,156	44,787	7,099	5,663	139,296
R&D.....	1,808	3,644	--	395	--	5,847
Industrial.....	525	316	--	305	107	1,253
Hotels.....	3,562	--	--	--	--	3,562
Garage.....	532	--	--	--	--	532
Total.....	43,018	49,116	44,787	7,799	5,770	150,490
% of Grand Totals.....	28.59%	32.64%	29.76%	5.18%	3.83%	100.00%
Net Operating Income....	\$86,520	\$139,318	\$84,857	\$13,966	\$12,426	\$337,087
% of Grand Totals.....	25.67%	41.33%	25.17%	4.14%	3.69%	100.00%

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
(dollars in thousands, except per share amounts)

For the year ended December 31, 1997 (includes operations of the Company and the Predecessor):

	Greater Boston	Greater Washington, D.C.	Midtown Manhattan	Greater San Francisco	New Jersey and Pennsylvania	Grand Totals
Rental Revenues:						
Class A Office.....	\$42,082	\$87,688	\$67,350	--	--	\$197,120
R&D.....	5,420	7,848	--	\$1,314	--	14,582
Industrial.....	1,685	1,450	--	1,082	\$829	5,046
Hotels.....	14,611	--	--	--	--	14,611
Garage.....	2,084	--	--	--	--	2,084
Hotel Revenues.....	31,185	--	--	--	--	31,185
Total.....	97,067	96,986	67,350	2,396	829	264,628
% of Grand Totals.....	36.68%	36.65%	25.45%	0.91%	0.31%	100.00%
Operating Expenses:						
Class A Office.....	13,445	23,659	23,341	--	--	60,445
R&D.....	1,398	1,415	--	452	--	3,265
Industrial.....	531	324	--	183	105	1,143
Hotels.....	1,737	--	--	--	--	1,737
Garage.....	535	--	--	--	--	535
Hotel Expenses.....	22,452	--	--	--	--	22,452
Total.....	40,098	25,398	23,341	635	105	89,577
% of Grand Totals.....	44.76%	28.35%	26.06%	0.71%	0.12%	100%
Net Operating Income....	\$56,969	\$71,588	\$44,009	\$1,761	\$724	\$175,051
% of Grand Totals.....	32.54%	40.90%	25.14%	1.01%	0.41%	100.00%

The following is a reconciliation of net operating income to income before minority interests:

	1998	1997(/1/)
Net operating income.....	\$337,087	\$175,051
Add:		
Development and management services.....	12,411	7,498
Interest income.....	13,859	3,335
Less:		
General and administrative.....	(22,504)	(11,805)
Interest expense.....	(124,860)	(91,588)
Depreciation and amortization.....	(75,418)	(38,773)
Income before minority interests.....	\$140,575	\$43,718

(1) Includes operations of the Company and the Predecessor.

10. Employee Benefit Plan

Effective January 1, 1985, the Predecessor Group 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

BOSTON PROPERTIES, INC. AND
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NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
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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.

The Plan provides that matching employer contributions are to be determined at the discretion of the Company. The Company matches 200% of the first 2% of pay (utilizing pay that is not in excess of \$100). The cost to the Company and the Predecessor of this matching contribution for the year ended December 31, 1998, 1997 and 1996 was \$583, \$403 and \$359, respectively.

Participants are immediately vested in their pre-tax and after-tax contributions. Participants vest in the Company's and the Predecessor Group's matching contributions and earnings thereon over a five-year period.

11. Stock Option and Incentive Plan

The Company has established a stock option and incentive plan for the purpose of attracting and retaining qualified directors, officers and employees and rewarding them for superior performance in achieving the Company's business goals and enhancing stockholder value. In conjunction with the Initial Offering, the Company granted options with respect to 2,290,000 common shares to directors, officers and employees. All of such options were issued at an exercise price of \$25.00 per share. The term of each of option is 10 years from the date of grant. In general, one-third of each of the options granted to officers and the chairman of the board (the "Chairman") are exercisable on each of the third, fourth and fifth anniversary of the date of grant, respectively. One-third of the options granted to employees who are not officers will be exercisable on each of the first, second and third anniversary of the date of grant, respectively. Other than the options granted to the Chairman, one-half of the options granted to non-employee directors will be exercisable on each of the first and second anniversary of the date of grant, respectively.

The Company sponsors a share-based incentive compensation. The Company applies Accounting Principles Bulletin Opinion No. 25 ("APB 25") and related Interpretations in accounting for its plan. Statement of Financial Accounting Standards No.123 ("SFAS 123") was issued by the Financial Accounting Standards Board in 1995 and, if fully adopted, changes the methods for recognition of cost on plans similar to that of the Company. Adoption of FAS 123 is optional; however, pro forma disclosure as if the Company adopted the cost recognition requirements under FAS 123 are presented below. The Company did not record any expense under APB 25.

A summary of the status of the Company's stock options as of December 31, 1998 and 1997 and changes during the years ended December 31, 1998 and 1997 are presented below:

	Shares	Weighted Average Exercise Price
	-----	-----
Outstanding at June 23, 1997.....	2,290,000	\$25.00
Granted.....	--	--
Exercised.....	--	--
Cancelled.....	(5,900)	\$25.00
	-----	-----
Outstanding at December 31, 1997.....	2,284,100	\$25.00
Granted.....	3,621,663	\$34.13
Exercised.....	(1,034)	\$25.00
Cancelled.....	(66,779)	\$31.61
	-----	-----
Outstanding at December 31, 1998.....	5,837,950	\$30.58
	=====	=====

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(dollars in thousands, except per share amounts)

As of December 31, 1998, there were 9,127,602 shares authorized under the plan. The weighted average fair value of options granted during the year was \$5.49 and \$3.81 for the years ended December 31, 1998 and 1997, respectively. The fair value of each share 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 1998 and 1997:

	1998	1997
	----	----
Dividend yield.....	4.80%	6.26%
Expected life of option.....	6 years	6 years
Risk-free interest rate.....	5.58%	6.32%
Expected stock price volatility.....	20%	20%

The following table summarizes information about stock options outstanding at December 31, 1998:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 12/31/98	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/98	Weighted Average Exercise Price
\$25.00-- \$34.75	5,837,950	9.66	\$30.58	495,261	\$25.00

The compensation cost under SFAS 123 for the stock performance-based plan would have been \$6,847 and \$999 in 1998 and 1997, respectively. Had compensation cost for the Company's 1997 grants for stock-based compensation plans been determined consistent with FAS 123, the Company's net income, and net income per common share for 1998 would approximate the pro forma amounts below:

	1998	1997
	-----	-----
Net income.....	\$86,265	\$34,152
Net income per common share--basic.....	\$ 1.42	\$ 0.88
Net income per common share--diluted.....	\$ 1.41	\$ 0.87

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

12. Commitments and Contingencies

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

Some of the Properties are located in urban and industrial areas where fill or current or historical industrial uses of the areas have caused site contamination. With respect to all of the Properties, independent environmental consultants have been retained in the past to conduct or update Phase I environmental assessments (which generally do not involve invasive techniques such as soil or ground water sampling) and

BOSTON PROPERTIES, INC. AND
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NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
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asbestos surveys on all of the Properties. These environmental assessments have not revealed any 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 aware of any other environmental condition with respect to any of the Properties which the Company believes would have such a material adverse effect.

With respect to a property in Massachusetts, the Company received a Notice of Potential Responsibility from the state regulatory authority on January 9, 1997, related to groundwater contamination. In addition, the Company received a Notice of Downgradient Property Status Submittal from each of two third parties concerning alleged contamination at two downgradient properties. On January 15, 1997, the Company notified the state regulatory authority that the Company would cooperate with and monitor the tenant at the property (which investigated the matter and undertook remedial actions). That investigation identified the presence of hazardous substances in and near a catch basin along the property line. The tenant completed an Immediate Response Action at the site in April 1998. The Company expects the tenant will likewise take any additional necessary response actions. The lease with the tenant contains a provision pursuant to which the tenant indemnifies the Company against such liability.

On January 15, 1992, another property in Massachusetts was listed by the state regulatory authority as an unclassified Confirmed Disposal Site in connection with groundwater contamination. The Company has engaged a specially licensed environmental consultant to perform the necessary investigation and assessment and to prepare submittals to the state regulatory authority. On August 1, 1997, such consultant submitted to the state regulatory authority a Phase I--Limited Site Investigation Report and Downgradient Property Status Opinion. This Opinion concluded that the property qualifies for Downgradient Property Status under the state regulatory program, which eliminates certain deadlines for conducting response actions at a site and may qualify the Company for liability relief under recent statutory amendments. 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 such response actions, the Company will take any necessary further response actions.

An investigation at an additional property in Massachusetts identified groundwater contamination. The Company engaged a specially licensed environmental consultant to perform the necessary investigation and assessment and to prepare submittals to the state regulatory authority. On March 11, 1998, the consultant submitted to the state regulatory authority a Release Notification and Downgradient Property Status Opinion. This Opinion concluded that the property qualifies for Downgradient Property Status under the state regulatory program, which eliminates certain deadlines for conducting response actions at a site and may qualify the Company for liability relief under recent statutory amendments. 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 such response actions, the Company will take any necessary further response actions.

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

Development

The Company has entered into contracts for the construction and renovation of properties currently under development. Commitments under these arrangements totaled approximately \$94,300 and \$106,100 at December 31, 1998 and 1997, respectively.

BOSTON PROPERTIES, INC. AND
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NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
(dollars in thousands, except per share amounts)

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 the CEO. In connection with the acquisition or contribution of 31 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 a period ranging from June 2002 to November 2008. 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 original Operating Partnership units.

13. Earnings Per Share

Earnings per share is computed as follows:

	For the year ended December 31, 1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic Earnings:			
Income available to common shareholders...	\$93,112	60,776	\$1.53
Effect of Dilutive Securities:			
Stock Options.....	-----	532	(.01)
Diluted Earnings:			
Income available to common shareholders...	\$93,112	61,308	\$1.52
	=====	=====	=====

	For the period from June 23, 1997 to December 31, 1997		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic Earnings:			
Income available to common shareholders.....	\$ 35,151	38,694	\$.91
Effect of Dilutive Securities:			
Stock Options.....	-----	414	(.01)
Diluted Earnings:			
Income available to common shareholders.....	\$ 35,151	39,108	\$.90
	=====	=====	=====

14. Selected Interim Financial Information (unaudited)

	1998			
	Quarter Ended March 31,	Quarter Ended June 30,	Quarter Ended September 30,	Quarter Ended December 31,
Revenues.....	\$95,603	\$108,041	\$140,177	\$170,026
Income before minority interests.....	26,228	34,430	36,087	43,830
Income before extraordinary item....	19,631	26,357	25,341	27,271
Per share income before extraordinary item....	.36	.42	.40	.43
Net income.....	19,631	29,921	25,341	18,226
Basic earnings per share.....	.36	.48	.40	.29

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NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS--continued
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15. Pro Forma Financial Information

The following Pro Forma Condensed Statements of Income for the years ended December 31, 1998 and 1997 are presented as if the Initial Offering, the related formation transactions and the material property acquisitions subsequent to the Initial Offering had occurred on January 1, 1997. The pro forma information is based upon historical information and does not purport to present what actual results would have been had such transactions, in fact, occurred at January 1, 1997, or to project results for any future period.

Pro Forma Condensed Statements of Income:

	Years ended December 31,	
	1998	1997
	(Unaudited)	
Revenues.....	\$ 704,012	\$ 638,548
Expenses.....	\$ 535,825	\$ 522,700
Net income before extraordinary items.....	\$ 105,864	\$ 61,323
Basic earnings per share (before extra-ordinary items).....	\$ 1.67	\$.97
Diluted earnings per share (before extra-ordinary items).....	\$ 1.65	\$.96

16. Subsequent Events

On January 21, 1999, the Company entered into a binding agreement to acquire the leasehold interest in the remaining two development sites in New York City's Times Square for approximately \$312.25 million. The sites will support more than 2 million square feet of development.

On February 10, 1999, the Company closed on phase two of its acquisition of Embarcadero Center. As a result, the Company owns 100% of the six buildings comprising the Embarcadero Center. The total purchase price (including both phases one and two) of approximately \$1.2 billion was funded through the assumption or incurrence of \$730.0 million of mortgage financing, the issuance of Preferred Units having an aggregate value of approximately \$286.4 million, cash of \$100.0 million from the proceeds from the sale of the Company's Series A Convertible Redeemable Preferred Stock, and a draw down of approximately \$97.3 million on the Company's Unsecured Line of Credit.

In connection with the acquisition of Embarcadero Center, the proceeds from the notes receivable of \$420.1 million were used to discharge the notes payable.

BOSTON PROPERTIES, INC.

SCHEDULE 3--REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 1998

(dollars in thousands)

Property Name	Type	Location	Encumbrances	Land	Building	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Development and Construction in Progress	Total
280 Park Avenue.....	Office	New York, NY	220,000	125,288	201,115	11,690	125,288	212,805	--	338,093
599 Lexington Avenue.....	Office	New York, NY	225,000	81,040	100,507	71,487	81,040	171,994	--	253,034
Riverfront Plaza.....	Office	Richmond, VA	119,992	18,000	156,733	587	18,000	157,320	--	175,320
875 Third Avenue.....	Office	New York, NY	153,807	74,880	139,151	844	74,880	139,995	--	214,875
Democracy Center.....	Office	Bethesda, MD	--	12,550	50,015	20,278	13,695	69,148	--	82,843
100 East Pratt Street.....	Office	Baltimore, MD	94,371	27,562	109,662	1,032	27,562	110,694	--	138,256
Two Independence Square.....	Office	Washington, DC	120,252	14,053	59,883	9,016	15,039	67,913	--	82,952
Capital Gallery.....	Office	Washington, DC	59,103	4,725	29,560	12,417	4,730	41,972	--	46,702
One Independence Square.....	Office	Washington, DC	76,611	9,356	33,701	17,475	9,634	50,898	--	60,532
2300 N Street... Office	Office	Washington, DC	66,000	16,509	22,415	12,820	16,509	35,235	--	51,744
NIMA Building... Office	Office	Reston, VA	22,291	10,567	67,431	2	10,567	67,433	--	78,000
Reston Corporate Center.....	Office	Reston, VA	25,727	9,135	41,398	184	9,135	41,582	--	50,717
Lockheed Martin Building.....	Office	Reston, VA	27,249	10,210	58,884	0	10,210	58,884	--	69,094
500 E Street.... Office	Office	Washington, DC	--	109	22,420	11,027	1,569	31,987	--	33,556
One Cambridge Center.....	Office	Cambridge, MA	--	134	25,110	3,462	134	28,572	--	28,706
University Place.....	Office	Cambridge, MA	--	--	37,091	--	--	37,091	--	37,091
Newport Office Park.....	Office	Quincy, MA	6,499	3,500	18,208	2	3,500	18,210	--	21,710
Lexington Office Park.....	Office	Lexington, MA	--	998	1,426	10,368	1,072	11,720	--	12,792
191 Spring Street.....	Office	Lexington, MA	23,430	4,213	27,166	16,453	2,850	44,982	--	47,832
Ten Cambridge Center.....	Office	Cambridge, MA	40,000	1,299	12,943	4,428	1,868	16,802	--	18,670
10 and 20 Burlington Mall Road.....	Office	Burlington, MA	16,613	930	6,928	8,371	939	15,290	--	16,229
Waltham Office Center.....	Office	Waltham, MA	--	422	2,719	3,214	425	5,930	--	6,355
Montvale Center.....	Office	Gaithersburg, MD	7,792	1,574	9,786	3,881	2,399	12,842	--	15,241
91 Hartwell Avenue.....	Office	Lexington, MA	11,322	784	6,464	2,410	784	8,874	--	9,658
Three Cambridge Center.....	Office	Cambridge, MA	--	174	12,200	803	174	13,003	--	13,177
201 Spring Street.....	Office	Lexington, MA	--	2,695	11,712	2,632	2,695	14,344	--	17,039
Bedford Business Park.....	Office	Bedford, MA	22,667	534	3,403	12,936	534	16,339	--	16,873
Eleven Cambridge Center.....	Office	Cambridge, MA	--	121	5,535	504	121	6,039	--	6,160
33 Hayden Avenue.....	Office	Lexington, MA	--	266	3,234	76	266	3,310	--	3,576
Decoverly Two... Office	Office	Rockville, MD	--	1,994	8,814	46	1,994	8,860	--	10,854
Decoverly Three.....	Office	Rockville, MD	--	2,220	9,044	0	2,220	9,044	--	11,264
170 Tracer Lane.....	Office	Waltham, MA	--	398	4,601	1,288	418	5,869	--	6,287
32 Hartwell Avenue.....	Office	Lexington, MA	--	168	1,943	2,724	168	4,667	--	4,835

Property Name	Accumulated Depreciation	Year (s) Built/ Renovated	Depreciable Lives (Years)
---------------	--------------------------	---------------------------	---------------------------

280 Park Avenue.....	7,113	1968/95-96	(1)
599 Lexington Avenue.....	69,706	1986	(1)
Riverfront Plaza.....	3,679	1990	(1)
875 Third Avenue.....	3,768	1982	(1)
Democracy Center.....	23,628	1985-88/94-96	(1)
100 East Pratt			

Street.....	3,474	1975/1991	(1)
Two Independence Square.....	12,990	1992	(1)
Capital Gallery.....	17,246	1981	(1)
One Independence Square.....	13,277	1991	(1)
2300 N Street...	10,932	1986	(1)
NIMA Building...	1,545	1987/1988	(1)
Reston Corporate Center.....	948	1984	(1)
Lockheed Martin Building.....	1,349	1987/1988	(1)
500 E Street....	13,038	1987	(1)
One Cambridge Center.....	9,940	1987	(1)
University Place.....	479	1985	(1)
Newport Office Park.....	683	1988	(1)
Lexington Office Park.....	4,541	1982	(1)
191 Spring Street.....	11,905	1971/1995	(1)
Ten Cambridge Center.....	6,324	1990	(1)
10 and 20 Burlington Mall Road.....	5,567	1984-1989/95-96	(1)
Waltham Office Center.....	3,044	1968-1970/87-88	(1)
Montvale Center.....	3,465	1987	(1)
91 Hartwell Avenue.....	3,029	1985	(1)
Three Cambridge Center.....	3,887	1987	(1)
201 Spring Street.....	414	1997	(1)
Bedford Business Park.....	7,166	1980	(1)
Eleven Cambridge Center.....	2,430	1984	(1)
33 Hayden Avenue.....	1,531	1979	(1)
Discoverly Two...	202	1987	(1)
Discoverly Three.....	--	1989	(1)
170 Tracer Lane.....	2,804	1980	(1)
32 Hartwell Avenue.....	2,845	1968-1979/1987	(1)

BOSTON PROPERTIES, INC.

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December 31, 1998

(dollars in thousands)

Property Name	Type	Location	Encumbrances	Land	Building	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Development and Construction in Progress
195 West Street.....	Office	Waltham, MA	--	1,611	6,652	621	1,611	7,273	--
92-100 Hayden Avenue.....	Office	Lexington, MA	9,065	594	6,748	880	595	7,627	--
204 Second Avenue.....	Office	Waltham, MA	--	37	2,402	632	37	3,034	--
8 Arlington Street.....	Office	Boston, MA	--	90	1,988	61	90	2,049	--
Carnegie Center/Tower One.....	Office	New Jersey	63,693	70,146	216,061	43	70,146	216,104	--
Candler Building.....	Office	Baltimore, MD	--	12,500	48,734	4	12,500	48,738	--
Metropolitan Square.....	Office	Washington, DC	107,386	35,000	151,709	424	35,000	152,133	--
Prudential Center.....	Office	Boston, MA	298,686	131,850	443,180	9,083	131,850	449,584	2,679
Reservoir Place.....	Office	Waltham, MA	77,006	18,207	88,018	3	18,207	88,021	--
Embarcadero Center.....	Office	San Francisco, CA	729,637	211,297	996,442	--	211,297	996,422	--
910 Clopper Road.....	Office	Gaithersburg, MD	--	2,000	15,448	--	2,000	15,448	--
Fullerton Square.....	Office	Springfield, VA	--	3,045	11,522	--	3,045	11,522	--
7450 Boston Boulevard, Building Three..	Office	Springfield, VA	--	1,165	4,681	27	1,165	4,708	--
Hilltop Business Center.....	Office	San Francisco, CA	4,417	53	492	356	53	848	--
7435 Boston Boulevard, Building One....	Office	Springfield, VA	--	392	3,822	1,973	486	5,701	--
7601 Boston Boulevard, Building Eight..	Office	Springfield, VA	--	200	878	3,505	378	4,205	--
8000 Grainger Court, Building Five.....	Office	Springfield, VA	--	366	4,282	966	453	5,161	--
7700 Boston Boulevard, Building Twelve.....	Office	Springfield, VA	--	1,105	1,042	8,046	1,105	9,088	--
7500 Boston Boulevard, Building Six....	Office	Springfield, VA	--	138	3,749	244	273	3,858	--
7501 Boston Boulevard, Building Seven..	Office	Springfield, VA	--	665	878	8,407	665	9,285	--
7600 Boston Boulevard, Building Nine...	Office	Springfield, VA	--	127	2,839	1,540	189	4,317	--
Fourteen Cambridge Center.....	Office	Cambridge, MA	--	110	4,483	569	110	5,052	--
164 Lexington Road.....	Office	Billerica, MA	--	592	1,370	131	592	1,501	--
930 Clopper Road.....	Office	Gaithersburg, MD	--	1,200	6,506	--	1,200	6,506	--
Sugarland Building Two....	Office	Herndon, VA	--	834	3,216	1,463	834	4,679	--
7374 Boston Boulevard, Building Four...	Office	Springfield, VA	--	241	1,605	423	303	1,966	--
Sugarland Building One....	Office	Herndon, VA	--	735	2,739	2,577	735	5,316	--
8000 Corporate Court, Building Eleven.....	Office	Springfield, VA	--	136	3,071	109	214	3,096	6
7451 Boston Boulevard, Building Two....	Office	Springfield, VA	--	249	1,542	1,430	535	2,686	--
17 Hartwell Avenue.....	Office	Lexington, MA	--	26	150	596	26	746	--

Property Name	Total	Accumulated Depreciation	Year(s) Built/ Renovated	Depreciable Lives (Years)
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195 West Street.....	8,884	1,692	1990	(1)
92-100 Hayden Avenue.....	8,222	2,946	1985	(1)
204 Second Avenue.....	3,071	1,431	1981/1993	(1)
8 Arlington Street.....	2,139	2,032	1860-1920/1989	(1)
Carnegie Center/Tower One.....	286,250	2,700	1983-1998	(1)
Candler Building.....	61,238	545	1911/1990	(1)
Metropolitan Square.....	187,133	1,813	1982/1986	(1)
Prudential Center.....	584,113	5,537	1965/1993	(1)
Reservoir Place.....	106,228	379	1955/1987	(1)
Embarcadero Center.....	1,207,719	3,436	1924/1989	(1)
910 Clopper Road.....	17,448	354	1982	(1)
Fullerton Square.....	14,567	264	1987	(1)
7450 Boston Boulevard, Building Three..	5,873	63	1987	(1)
Hilltop Business Center.....	901	1,305	early 1970's	(1)
7435 Boston Boulevard, Building One....	6,187	2,075	1982	(1)
7601 Boston Boulevard, Building Eight..	4,583	1,491	1986	(1)
8000 Grainger Court, Building Five.....	5,614	1,735	1984	(1)
7700 Boston Boulevard, Building Twelve.....	10,193	273	1997	(1)
7500 Boston Boulevard, Building Six....	4,131	1,383	1985	(1)
7501 Boston Boulevard, Building Seven..	9,950	319	1997	(1)
7600 Boston Boulevard, Building Nine...	4,506	1,572	1987	(1)
Fourteen Cambridge Center.....	5,162	1,814	1983	(1)
164 Lexington Road.....	2,093	115	1982	(1)
930 Clopper Road.....	7,706	149	1989	(1)
Sugarland Building Two....	5,513	162	1986/1997	(1)
7374 Boston Boulevard, Building Four...	2,269	768	1984	(1)
Sugarland Building One....	6,051	321	1985/1997	(1)
8000 Corporate Court, Building Eleven.....	3,316	825	1989	(1)
7451 Boston Boulevard, Building Two....	3,221	1,717	1982	(1)
17 Hartwell Avenue.....	772	463	1968	(1)

BOSTON PROPERTIES, INC.

SCHEDULE 3--REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 1998
(dollars in thousands)

Property Name	Type	Location	Encumbrances	Land	Building	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Development and Construction in Progress
7375 Boston Boulevard, Building Ten....	Office	Springfield, VA	--	23	2,685	627	47	3,288	--
2391 West Winton Avenue.....	Industrial	Hayward, CA	--	182	1,217	606	182	1,823	--
40-46 Harvard Street.....	Industrial	Westwood, MA	--	351	1,782	1,327	351	3,109	--
38 Cabot Boulevard.....	Industrial	Bucks County, PA	--	329	1,238	2,037	329	3,275	--
6201 Columbia Park Road, Building Two....	Industrial	Landover, MD	--	505	2,746	1,146	960	3,437	--
2000 South Club Drive, Building Three.....	Industrial	Landover, MD	--	465	2,125	729	859	2,460	--
25-33 Dartmouth Street.....	Industrial	Westwood, MA	--	273	1,596	495	273	2,091	--
1950 Stanford Court, Building One.....	Industrial	Landover, MD	--	269	1,554	196	350	1,669	--
560 Forbes Boulevard.....	Industrial	San Francisco, CA	--	48	435	262	48	697	--
430 Rozzi Place.....	Industrial	San Francisco, CA	--	24	217	119	24	336	--
Long Wharf Marriott.....	Hotel	Boston, MA	--	1,752	31,904	8,535	1,752	40,439	--
Cambridge Center Marriott.....	Hotel	Cambridge, MA	--	478	37,918	4,018	478	41,936	--
Cambridge Center North Garage....	Garage	Cambridge, MA	--	1,163	11,633	8	1,163	11,641	--
1301 New York Ave.....	Development	Washington, DC	24,965	9,250	18,750	4,155	9,250	18,750	4,155
Cambridge Master Plan.....	Development	Cambridge, MA	--	--	--	3,542	1,117	4	2,421
Virginia Master Plan.....	Development	Springfield, VA	--	--	--	1,520	655	175	690
Maryland Master Plan.....	Development	Landover, MD	--	--	--	506	464	--	42
Cambridge Center Eight.....	Development	Cambridge, MA	--	--	--	15,937	1,046	--	14,891
181 Spring Street.....	Development	Lexington, MA	--	--	--	9,000	1,685	--	7,315
Residence Inn by Marriott.....	Development	Cambridge, MA	--	--	--	22,243	816	--	21,427
Andover Tech Center.....	Development	Andover, MA	--	--	--	5,299	4,300	--	999
200 West Street.....	Development	Waltham, MA	--	--	--	26,278	13,119	--	13,159
Decoverly Four..	Development	Rockville, MD	--	--	--	1,749	1,650	--	99
Decoverly Five..	Development	Rockville, MD	--	--	--	1,706	1,665	--	41
Decoverly Six... Decoverly	Development	Rockville, MD	--	--	--	2,028	1,979	--	49
Seven.....	Development	Rockville, MD	--	--	--	5,067	4,521	--	546
12050 Sunset Hills Road.....	Development	Reston, VA	--	--	--	5,415	4,714	--	701
12280 Sunrise Valley Drive....	Development	Reston, VA	--	--	--	3,824	3,593	--	231
Arboretum.....	Development	Reston, VA	--	--	--	10,369	2,850	--	7,519
Tower Oaks..... Washingtonian	Development	Rockville, MD	--	--	--	26,403	24,652	--	1,751
North.....	Development	Gaithersburg, MD	--	--	--	16,834	11,770	--	5,064
Broad Run Business Park...	Development	Loudon County, VA	--	--	--	5,641	5,457	--	184

Property Name	Total	Accumulated Depreciation	Year(s) Built/ Renovated	Depreciable Lives (Years)
7375 Boston Boulevard, Building Ten....	3,335	1,039	1988	(1)
2391 West Winton Avenue.....	2,005	972	1974	(1)
40-46 Harvard Street.....	3,460	2,724	1967/1996	(1)
38 Cabot Boulevard.....	3,604	2,410	1972/1984	(1)
6201 Columbia Park Road,				

Building Two.... 2000 South Club Drive, Building Three.....	4,397	981	1986	(1)
25-33 Dartmouth Street.....	3,319	848	1988	(1)
1950 Stanford Court, Building One.....	2,364	1,343	1966/1996	(1)
560 Forbes Boulevard.....	2,019	537	1986	(1)
430 Rozzi Place.....	745	874	early 1970's	(1)
Long Wharf Marriott.....	360	69	early 1970's	(1)
Cambridge Center Marriott.....	42,191	16,685	1982	(1)
Cambridge Center North Garage....	42,414	12,240	1986	(1)
1301 New York Ave.....	12,804	2,638	1990	(1)
Cambridge Master Plan.....	32,155	--	1983/1998	N/A
Virginia Master Plan.....	3,542	2	Various	N/A
Maryland Master Plan.....	1,520	175	Various	N/A
Cambridge Center Eight.....	506	--	Various	N/A
181 Spring Street.....	15,937	--	Various	N/A
Residence Inn by Marriott.....	9,000	--	Various	N/A
Andover Tech Center.....	22,243	--	1999	(1)
200 West Street.....	5,299	--	Various	N/A
Decoverly Four..	26,278	--	Various	N/A
Decoverly Five..	1,749	--	Various	N/A
Decoverly Six...	1,706	--	Various	N/A
Decoverly Seven.....	2,028	--	Various	N/A
12050 Sunset Hills Road.....	5,067	--	Various	N/A
12280 Sunrise Valley Drive....	5,415	--	Various	N/A
Arboretum.....	3,824	--	Various	N/A
Tower Oaks.....	10,369	--	Various	N/A
Washingtonian North.....	26,403	--	Various	N/A
Broad Run Business Park...	16,834	--	Various	N/A
	5,641	--	Various	N/A

BOSTON PROPERTIES, INC.

SCHEDULE 3--REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 1998

(dollars in thousands)

Property Name	Type	Location	Encumbrances	Land	Building	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Development and Construction in Progress
New Dominion Tech Park.....	Development	Herndon, VA	--	--	--	7,830	7,396	--	434
			\$2,653,581	\$946,231	\$3,453,231	\$482,021	\$1,045,628	\$3,751,452	\$84,403
			=====	=====	=====	=====	=====	=====	=====

Property Name	Total	Accumulated Depreciation	Year (s) Built/ Renovated	Depreciable Lives (Years)
New Dominion Tech Park.....	7,830	--	Various	N/A
	\$4,881,483	\$336,165		
	=====	=====		

(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 \$4,000,000 and \$411,000, respectively.

BOSTON PROPERTIES, INC.

REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 1998

(dollars in thousands)

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

	1998	1997	1996
	-----	-----	-----
Real Estate:			
Balance at the beginning of the year.....	\$1,754,780	\$1,001,537	\$ 979,493
Additions to and improvements of real estate.....	3,129,121	754,185	28,110
Write-off of fully depreciated assets..	(2,418)	(942)	(6,066)
	-----	-----	-----
Balance at the end of the year.....	\$4,881,483	\$1,754,780	\$1,001,537
	=====	=====	=====
Accumulated Depreciation:			
Balance at the beginning of the year.....	\$ 266,987	\$ 238,469	\$ 215,303
Depreciation expense.....	71,596	29,460	29,232
Write-off of fully depreciated assets..	(2,418)	(942)	(6,066)
	-----	-----	-----
Balance at the end of the year.....	\$ 336,165	\$ 266,987	\$ 238,469
	=====	=====	=====

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 333-60219, 333-61799, 333-68379, 333-69375 and 333-70765) and on Forms S-8 (File Numbers 333-52845 and 333-70321) of our report dated January 24, 1999, except for Note 16, for which the date is February 10, 1999, on our audits of the consolidated financial statements of Boston Properties, Inc. as of December 31, 1998 and 1997, and for the year ended December 31, 1998 and the period from June 23, 1997 to December 31, 1997 and our audits of the combined financial statements of the Boston Properties Predecessor Group for the period from January 1, 1997 to June 22, 1997 and for the year ended December 31, 1996, which is included in the Annual Report on Form 10-K filed on March 31, 1999 and on Form 10-K/A filed on April 5, 1999.

April 5, 1999

YEAR

	DEC-31-1998	
	JAN-01-1998	
	DEC-31-1998	12,166
		0
	40,830	0
		0
	0	4,917,193
	75,418	
	5,235,087	
	0	0
	0	0
		635
5,235,087	947,846	
	487,577	
	513,847	0
		0
	0	0
	124,860	0
		0
	98,593	0
	0	0
	(5,481)	0
	93,112	
	1.53	
	1.52	