

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1999

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)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

04-2473675
(IRS Employer Id. Number)

800 Boylston Street
Boston, Massachusetts
(Address of Principal Executive Offices)

02199
(Zip Code)

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

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	New York Stock Exchange
Preferred Stock Purchase Rights	

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 14, 2000, the aggregate market value of the 65,414,409 shares of Common Stock held by non-affiliates of the Registrant was \$1,986,962,673 based upon the closing price of \$30.375 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 directors 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 14, 2000, there were 67,954,225 shares of Common Stock outstanding.

Certain information contained in the Registrant's Proxy Statement relating to its Annual Meeting of Stockholders to be held May 3, 2000 are incorporated by reference in Part III, Items 10, 11, 12 and 13.

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PART I

Item 1. Business

General

As used herein, the terms "we," "us," "our" or the "Company" refer to Boston Properties, Inc., a Delaware corporation organized in 1997, individually or together with its subsidiaries, including Boston Properties Limited Partnership, a Delaware limited partnership, and our predecessors. We are a fully integrated self-administered and self-managed real estate investment trust or "REIT" and one of the largest owners and developers of office properties in the United States, concentrated in the Northeast Corridor from Virginia to Greater Boston and in Greater San Francisco. We conduct substantially all our business through Boston Properties Limited Partnership. At December 31, 1999 we owned 136 properties, totaling 35.6 million net rentable square feet. Our properties then consisted of 123 office properties, comprised of 91 Class A office buildings and 32 properties supporting both office and technical uses, nine industrial properties, three hotels and one parking garage. We consider Class A office buildings 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.

We have a \$500 million unsecured line of credit with BankBoston, N.A., as agent, which expires in June 2000. As of March 14, 2000, \$304.0 million was outstanding under our unsecured line of credit. You should refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for additional information regarding our unsecured line of credit and our other outstanding indebtedness.

We are a full service real estate company, with substantial in-house expertise and resources in acquisitions, development, financing, construction management, property management, marketing, leasing, accounting, tax and legal services. As of December 31, 1999, we had over 600 employees. Our 19 senior officers, together with Mr. Zuckerman, Chairman of our board of directors, have an average of 24 years experience in the real estate industry and an average of 16 years tenure with us. Our principal executive office is located at 800 Boylston Street, Boston, Massachusetts 02199 and its telephone number is (617) 236-3300. In addition, we have regional offices at 401 9th Street, NW, Washington, D.C. 20024; 599 Lexington Avenue, New York, New York 10002; Four Embarcadero Center, San Francisco, California, 94111; and 502 Carnegie Center, Princeton, New Jersey 08540.

Boston Properties Limited Partnership

Boston Properties Limited Partnership, a Delaware limited partnership, is the entity through which we conduct substantially all of our business and own (either directly or through subsidiaries) substantially all of our assets. We are the sole general partner and, as of March 14, 2000, the owner of approximately 67.0% of the economic interests in Boston Properties Limited

Partnership. This structure is commonly referred to as an umbrella partnership REIT or UPREIT. Our general and limited partnership interests in Boston Properties Limited Partnership entitle us to share in cash distributions from, and in the profits and losses of, Boston Properties Limited Partnership in proportion to our percentage interest therein and entitle us to vote on all matters requiring a vote of the limited partners. The other partners of Boston Properties Limited Partnership are persons who contributed their direct or indirect interests in certain properties to Boston Properties Limited Partnership in exchange for common units of limited partnership interest in Boston Properties Limited Partnership or preferred units of limited partnership interest in Boston Properties Limited Partnership. Pursuant to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, as amended, unitholders may tender their common units of Boston Properties Limited Partnership for cash equal to the value of an equivalent number of shares of our common stock. In lieu of delivering cash, however, we may, at our option, choose to acquire any units so tendered by issuing common stock in exchange for the units. Our common stock will be exchanged for units on a one-for-one basis. This one-for-one exchange ratio may be adjusted to prevent dilution. We currently anticipate that we will elect to issue our common stock in connection with each such presentation for redemption rather than having Boston Properties Limited Partnership pay cash. With each such exchange or redemption, our percentage ownership in Boston Properties Limited Partnership will increase. In addition, whenever we issue shares of our common stock other than to acquire common units of Boston Properties Limited Partnership, we must contribute any net proceeds we receive to Boston Properties Limited Partnership and Boston Properties Limited Partnership must issue to us an equivalent number of common units of Boston Properties Limited Partnership.

Preferred units of Boston Properties Limited Partnership have the rights, preferences and other privileges (including the right to convert into common units of Boston Properties Limited Partnership) as are set forth in amendments to the limited partnership agreement of Boston Properties Limited Partnership. Boston Properties Limited Partnership currently has three series of its preferred units. The Series One preferred units have an aggregate liquidation preference of approximately \$85 million and bear a preferred distribution at a rate of 7.25% per annum, payable quarterly. Series One units are convertible into common units at the rate of \$38.25 per common unit at the holder's election at any time. We also have the right to convert into common units of Boston Properties Limited Partnership all or part of the Series One units on or after June 3, 2003, if our common stock at the time of our election is trading at a price of at least \$42.08 per share.

The Series Two and Series Three preferred units, which together have an aggregate liquidation preference of approximately \$311 million, have, between each other, similar economic terms. On and after December 31, 2002, such the Series Two and Series Three units will be convertible, at the holder's election, into common units at a conversion price of \$38.10 per common unit. Distributions on the Series Two and Series Three units are payable quarterly and generally accrue at rates of: 5.0% per annum through March 31, 1999; 5.5% through December 31, 1999; 5.625% through December 2000; 6.0% through December 31, 2001; 6.5% through December 31, 2002; 7.0% until May 12, 2009; and 6.0% thereafter. The terms of the Series Two and Series Three units provide that they may be redeemed for cash in six annual

tranches, beginning on May 12, 2009, at the election of us or the holders. We also have the right to convert into common units of Boston Properties Limited Partnership any Series Two and Series Three units that are not redeemed when they are entitled to redemption.

Recent Events

Recent Real Estate Acquisitions

On February 10, 1999, we closed on phase two of our acquisition of Embarcadero Center. Following this closing we owned all interests in the six buildings comprising 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 Series Two and Three preferred units having an aggregate value when issued of approximately \$286.4 million, cash of \$100.0 million from the proceeds of the sale of our Series A convertible redeemable preferred stock, and a draw down of approximately \$97.3 million on our unsecured line of credit.

On March 26, 1999, we acquired Sumner Square, an office complex located in Washington, D.C. containing approximately 204,000 square feet. We acquired Sumner Square from related parties for approximately \$32.6 million, which we funded through a draw down on our unsecured line of credit of approximately \$32.5 million and the issuance of approximately 3,252 common units of Boston Properties Limited Partnership valued when issued at approximately \$0.1 million. This acquisition was approved by a vote of our directors that did not have an interest in the transaction.

On April 30, 1999, we acquired 510 Carnegie Center, a 234,160 square-foot, Class A office building located in Princeton, New Jersey. This property is located within our existing Carnegie Center Portfolio. We acquired this property from related parties for approximately \$48.0 million, which we funded through the assumption of debt of approximately \$28.4 million, the issuance of 57,778 Series One preferred units of Boston Properties valued when issued at approximately \$2.0 million and cash of approximately \$17.6 million. This acquisition was approved by a vote of our directors that did not have an interest in the transaction.

On May 24, 1999, we acquired the remaining 50% interest in the development rights associated with 111 Huntington Avenue at The Prudential Center in Boston from a joint venture partner. We acquired these rights for approximately \$12.3 million, which we funded through the issuance of 343,077 shares of our common stock. On April 27, 1999, we commenced construction of an 890,000 square-foot office building at 111 Huntington Avenue.

On July 9, 1999, we acquired 206 Carnegie Center, a 161,763 square foot, Class A office property in Princeton, New Jersey. This property is located within our existing Carnegie Center Portfolio. We acquired this property from related parties for approximately \$27.0 million, which we funded with cash. This acquisition was approved by a vote of our directors that did not have an interest in the transaction.

On August 13, 1999, we acquired 302 Carnegie Center, a parcel of land in Princeton, New Jersey. This property is located within our existing Carnegie Center Portfolio. We acquired this property from related parties for approximately \$1.3 million, which we funded with cash. This acquisition was approved by a vote of our directors that did not have an interest in the transaction.

On August 16, 1999, we acquired the leasehold interest and ground rent credits in the 5 Times Square development site in New York City for approximately \$152.5 million, which we funded with a draw down from our unsecured line of credit. We have commenced construction of an approximately 1.1 million square foot, 38 story, Class A office tower at this site, which we have 100% pre-leased to Ernst & Young LLP.

On August 31, 1999, we acquired The Gateway, consisting of two Class A office buildings containing approximately 487,453 square feet, and two development parcels located in South San Francisco, California for approximately \$117.6 million. We funded this acquisition with a draw down of approximately \$113.1 million from our unsecured line of credit and our issuance of a \$4.5 million promissory note.

Recent Financing Activity

On May 24, 1999, we issued 343,077 unregistered shares of our common stock to acquire the remaining 50% interest in the development rights associated with 111 Huntington Avenue at The Prudential Center. At the time of issuance these shares were valued at an aggregate of approximately \$12.3 million.

On May 25, 1999, we completed a public offering of 4,000,000 shares of our common stock at a price per share of \$37.25. Our proceeds, net of underwriter's discount and offering costs, were approximately \$140.7 million.

Business and Growth Strategies

Business Strategy

Our primary business objective is to maximize growth in net cash available for distribution and to enhance the value of our portfolio in order to maximize total return to our stockholders. Our strategy to achieve this objective is: (i) to selectively acquire and develop properties in our existing markets, adjacent suburban markets and in new markets that present favorable opportunities; (ii) to maintain high lease renewal rates at rents that are at the high end of the markets in which our properties are located, and to continue to achieve high room rates and occupancy rates in our hotel properties; and (iii) to selectively provide fee-based development consulting and project management services to third parties.

Growth Strategies

External Growth

We believe that we are well positioned to realize significant growth through external asset development and acquisition. We believe that our development experience and our organizational depth positions us to continue to develop a range of property types, from single-story suburban office properties to high-rise urban developments, within budget and on schedule. Other factors that contribute to our competitive position include: (i) the significant increase in demand for new, high quality office space in our core market areas; (ii) our control of sites (including sites under contract or option to acquire) in our core markets that will support approximately 9.3 million square feet of new development through fee ownership, contract ownership, and joint venture relationships; (iii) our reputation gained through the stability and strength of our existing portfolio of properties; (iv) our relationships with leading national corporations and public institutions seeking new facilities and development services; (v) our relationships with nationally recognized financial institutions that provide capital to the real estate industry and (vi) the substantial amount of commercial real estate owned by domestic and foreign institutions, private investors, and corporations who are seeking to sell such assets in our market areas.

We have targeted four areas of development and acquisition as significant opportunities to execute our external growth strategy:

Acquire assets and portfolios of assets from institutions or individuals. We believe that due to our size, management strength and reputation we will be in an advantageous position to acquire portfolios of assets or individual properties from institutions or individuals. We may acquire some of these properties for cash, but we believe that we are particularly well positioned to appeal to sellers wishing to convert on a tax deferred basis their ownership of property to the ownership of equity in a diversified real estate operating company that offers liquidity through access to the public equity markets. In addition, we may pursue mergers with and acquisitions of compatible real estate firms. Our ability to offer units in Boston Properties Limited Partnership to sellers who would otherwise recognize a gain upon a sale of assets for cash or our common stock may facilitate this type of transaction on a tax-efficient basis.

Acquire existing underperforming assets and portfolios of assets. We continue to actively pursue opportunities to acquire existing buildings that, while currently generating income, are either underperforming the market due to poor management or are currently leased at below market rents with anticipated roll-over of space. These opportunities may include the acquisition of entire portfolios of properties. We believe that because of our in-depth market knowledge and development experience in each of our markets, our national reputation with brokers, financial institutions and others involved in the real estate market and our access to competitively-priced capital, we are well-positioned to identify and acquire existing, underperforming properties for competitive prices and to

add significant additional value to such properties through our effective marketing strategies and responsive property management program.

Pursue development and land acquisitions in selected submarkets. We believe that development of well-positioned office buildings and research and development properties is currently or will be justified in many of the submarkets in which we have a presence. We believe in acquiring land in response to market conditions that allow for the development of such land in the relatively near term. Over our 29 year history, we have established a successful record of carefully timing land acquisitions in submarkets where we can become one of the market leaders in establishing rent and other business terms. We believe that there are opportunities in our existing and other markets to acquire land with development potential at key locations in markets which are experiencing growth.

In the past, we have been particularly successful at acquiring sites or options to purchase sites that need governmental approvals before the announcement of development. Because of our development expertise, knowledge of the governmental approval process and reputation for quality development with local government approval bodies, we generally have been able to secure the permits necessary to allow development, thereby enabling us to profit from the increase in their value once the necessary permits have been obtained.

Provide third-party development management services. While our primary objective has been, and will continue to be, the development and acquisition of quality, income producing buildings to be held for long term ownership, a select amount of comprehensive project-level development management services for third parties will be an element of our continued growth and strategy. We believe that third-party development projects permit us to: (i) create relationships with major institutions and corporations that lead to new development opportunities; (ii) continue to enhance our reputation in our core markets; (iii) create opportunities to enter new markets and (iv) leverage our operating overhead.

Internal Growth

We believe that significant opportunities exist to increase cash flow from our existing properties because they are high quality properties in desirable locations in submarkets that, in general, are experiencing rising rents, low vacancy rates and increasing demand for office and industrial space. In addition, our properties are in markets where, in general, supply is limited by the lack of available sites and the difficulty of receiving the necessary approvals for development on vacant land. Our strategy for maximizing the benefits from these opportunities is two-fold: (1) to provide high quality property management services using our own employees in order to enhance tenant preferences for renewal, expansion and relocation in our properties, and (2) to achieve speed and transaction cost efficiency in replacing departing tenants through the use of in-house services for marketing, lease negotiation, and design and construction of tenant improvements. In addition, we believe that our hotel properties will add to our internal growth

because of their desirable locations in the downtown Boston and East Cambridge submarkets, which are experiencing high occupancy rates and continued growth in room rates, and their effective management by Marriott International, Inc., which has achieved high guest satisfaction while limiting increases in operating costs.

Cultivate existing submarkets. In choosing locations for our properties, we have paid particular attention to transportation and commuting patterns, physical environment, adjacency to established business centers, proximity to sources of business growth and other local factors. Substantially all of the square footage of our office properties are located in submarkets in Greater Boston, Greater Washington, D.C., midtown Manhattan, Greater San Francisco, Princeton/East Brunswick, New Jersey, Baltimore, Maryland, and Richmond, Virginia.

Many of these submarkets are experiencing increasing rents and as a result current market rates often exceed the rents being paid by our current tenants. We expect that leases expiring over the next three years in these submarkets will be renewed, or space re-let, at higher rents. Based on leases in place at December 31, 1999, leases with respect to 7.5% of our office properties and 30.5% of our industrial properties will expire in calendar year 2000. The actual rental rates at which available space will be re-let will depend on prevailing market factors at the time. We can give no assurance that we will re-let such space at an increased, or even at the then current, rental rate.

Directly manage properties to maximize the potential for tenant retention. We provide property management services ourselves, rather than contracting for this service, to maintain awareness of and responsiveness to tenant needs. We and our properties also benefit from cost efficiencies produced by an experienced work force attentive to preventive maintenance and energy management and from our continuing programs to assure that our property management personnel at all levels remain aware of their important role in tenant relations. We have long recognized that renewal of existing tenant leases, as opposed to tenant replacement, typically provides the best operating results, because renewals minimize transaction costs associated with marketing, leasing and tenant improvements and avoid interruptions in rental income during periods of vacancy and renovation of space.

Replace tenants quickly at best available market terms and lowest possible transaction costs. We believe that we have a competitive advantage in attracting new tenants and achieving rental rates at the higher end of our markets as a result of our well-located, well-designed and well-maintained properties, our reputation for high quality building services and responsiveness to tenants, and our ability to offer expansion and relocation alternatives within our submarkets. Our objective throughout this process is to obtain the highest possible rental terms and to achieve rent commencement for new tenancies as quickly as possible, and we believe that our use of in-house resources for marketing, leasing and tenant improvements continue to result in lower than average transaction costs.

The Hotel Properties

To assist in maintaining our status as a REIT, we lease our three hotel properties to ZL Hotel LLC. pursuant to a lease that entitles us to a percentage of the gross receipts of our hotel properties. Mr. Mortimer B. Zuckerman, the Chairman of our board of directors, and Edward H. Linde, our President and Chief Executive Officer, are the sole member-managers and have a 9.8% economic interest in ZL Hotel LLC; two unaffiliated public charities own the remaining 90.2% economic interest. Marriott International, Inc. manages our hotel properties under the Marriott name pursuant to a management agreement with ZL Hotel LLC. Under the REIT requirements, revenues from a hotel are not considered to be rental income for purposes of certain income tests, which a REIT must meet. Accordingly, in order to maintain our qualification as a REIT, we have entered into the participating leases with ZL Hotel LLC described above to provide revenue that qualifies as rental income under the REIT requirements.

Environmental Matters

Some of our 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 our 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 asbestos surveys. These environmental assessments have not revealed any environmental conditions that we believe will have a material adverse effect on our business, assets or results of operations, and we are not aware of any other environmental condition with respect to any of our properties which we believe would have such a material adverse effect.

On January 15, 1992, a property in Massachusetts was listed by the state regulatory authority as an unclassified Confirmed Disposal Site in connection with groundwater contamination. We 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, our 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 us for liability relief under recent statutory amendments. Although we believe 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, we will take any necessary further response actions.

An investigation at another property in Massachusetts identified groundwater contamination. We 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, our 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 us for liability relief under recent statutory amendments. Although we believe 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, we will take any necessary further response actions.

In February 1999, one of our affiliates acquired from Exxon Corporation a property in Massachusetts that was formerly used as a petroleum bulk storage and distribution facility and was known by the state regulatory authority to contain soil and groundwater contamination. We anticipate development of an office park on the property. Pursuant to the property acquisition agreement, Exxon has agreed to (1) bear the liability arising from releases or discharges of oil and hazardous substances which occurred at the site prior to our ownership, (2) continue remediating such releases and discharges as necessary and appropriate to comply with applicable requirements, and (3) indemnify our affiliate for certain losses arising from preexisting site conditions, including up to \$500,000 for the premium costs associated with construction-related management of contaminated soil not otherwise subject to remediation by Exxon. Any indemnity claim may be subject to various defenses. Our affiliate has engaged a specially licensed environmental consultant to perform necessary pre-construction assessment activities and to oversee the management of contaminated soil that may be disturbed in the course of construction.

We expect that any resolution of the environmental matters relating to the above will not have a material impact on our financial position, results of operations or liquidity.

Competition

We compete in the leasing of office and industrial space with a considerable number of other real estate companies, some of which may have greater marketing and financial resources. In addition, our hotel properties compete for guests with other hotels, some of which may have greater marketing and financial resources than are available to us and Marriott International, Inc.

Seasonality

Our hotel properties traditionally have experienced significant seasonality in their operating income, with weighted average net operating income by quarter over the three years 1997 through 1999 as follows:

First Quarter	Second Quarter	Third Quarter	Fourth Quarter
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13%	29%	32%	26%

Our other properties have not traditionally experienced significant seasonality.

RISK FACTORS

Set forth below are the risks that we believe are material to our stockholders. We refer to the shares of our common stock and the units of limited partnership interest in Boston Properties Limited Partnership together as our "securities," and the investors who own shares and/or units as our "securityholders." This section includes or refers to certain forward-looking statements. You should refer to the explanation of the qualifications and limitations on such forward-looking statements beginning on page 32.

We may be unable to manage effectively our rapid growth and expansion into new markets.

We have grown rapidly since our initial public offering in June 1997 and have entered or significantly expanded our real estate holdings in new markets. If we do not effectively manage our rapid growth, we may not be able to make expected distributions to our securityholders.

Our performance and value are subject to risks associated with our real estate assets.

Our economic performance and the value of our real estate assets, and consequently the value of our securities, are subject to the risk that if our office, industrial, and hotel properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our security holders will be adversely affected. The following factors, among others, may adversely affect the revenues generated by our office, industrial, and hotel properties:

- . downturns in the national and local economic climate;
- . competition from other office, industrial, hotel and other commercial buildings;
- . local real estate market conditions, such as oversupply or reduction in demand for office, industrial, hotel or other commercial space;
- . vacancies or inability to rent spaces on favorable terms; and
- . increased operating costs, including insurance premiums, utilities, and real estate taxes.

Significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs are generally not reduced when circumstances cause a reduction in revenues from a property.

We face risks associated with specific local market conditions.

Our current properties are located primarily in seven regional markets: Greater Boston; midtown Manhattan; Greater Washington, D.C.; Greater San Francisco; Princeton/East Brunswick, New Jersey; Richmond, Virginia; and Baltimore, Maryland. Local economic conditions in these markets may affect the ability of our tenants to make lease payments. The economic climate in each of these local markets may depend on a limited number of industries, and therefore a downturn in one of these industry sectors could adversely affect our performance in the affected market.

Our investment in property development may be more costly than anticipated.

We intend to continue to develop and substantially renovate office, industrial and hotel properties. Our development and construction activities may be exposed to the following risks:

- . we may be unable to proceed with the development of properties because we cannot obtain financing with favorable terms;
- . we may incur construction costs for a development project which exceed our original estimates due to increased materials, labor or other costs, which could make completion of the project uneconomical because we may not be able to increase rents to compensate for the increase in construction costs;
- . we may be unable to obtain, or face delays in obtaining, required zoning, land-use, building, occupancy, and other governmental permits and authorizations, which could result in increased costs and could require us to abandon our activities entirely with respect to a project;
- . we may abandon development opportunities after we begin to explore them and as a result we may fail to recover expenses already incurred;
- . we may expend funds on and devote management's time to projects which we do not complete;
- . we may be unable to complete construction and leasing of a property on schedule, resulting in increased debt service expense and construction or renovation costs;
- . we may lease developed properties at below expected rental rates; and
- . occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investment not being profitable.

Our use of joint ventures may limit our flexibility with jointly owned investments.

We intend to develop properties in joint ventures with other persons or entities when circumstances warrant the use of this structure. The use of a joint venture vehicle creates a risk of a dispute with our joint venturer's and a risk that we will have to acquire a joint venturer's interest in a development for a price at which or at a time when we would otherwise not purchase such interest. Our joint venture partners may have different objectives from us regarding the appropriate timing and pricing of any sale or refinancing of properties.

We face risks associated with property acquisitions.

Since our initial public offering, we have made large acquisitions of properties and portfolios of properties. We intend to continue to acquire properties and portfolios of properties, including large portfolios that could continue to significantly increase our size and alter our capital structure. Our acquisition activities and their success may be exposed to the following risks:

- . we may be unable to acquire a desired property because of competition from other well capitalized real estate investors, including both publicly traded real estate investment trusts and institutional investment funds;
- . even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;
- . even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price;
- . we may be unable to finance acquisitions on favorable terms;
- . acquired properties may fail to perform as we expected in analyzing our investments;
- . our estimates of the costs of repositioning or redeveloping acquired properties may be inaccurate;
- . acquired properties may be located in new markets where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and
- . we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations,

and as a result our results of operations and financial condition could be adversely affected.

We may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if liability were asserted against us based upon those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow. Unknown liabilities with respect to properties acquired might include:

- . liabilities for clean-up of undisclosed environmental contamination;
- . claims by tenants, vendors or other persons dealing with the former owners of the properties;
- . liabilities incurred in the ordinary course of business; and
- . claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Potential inability to renew leases or re-lease space.

We derive most of our income from rent received from our tenants. If a tenant experiences a downturn in its business, it may be unable to make timely rental payments. Also, when our tenants decide not to renew their leases, we may not be able to relet the space. Even if tenants decide to renew, the terms of renewals or new leases, including the cost of required renovations or concessions to tenants, may be less favorable than current lease terms. As a result, our cash flow could decrease and our ability to pay dividends to you could be adversely affected.

We face potential adverse effects from a tenant's bankruptcy.

The bankruptcy or insolvency of a major tenant may adversely affect the income produced by our properties. Although we have not experienced material losses from tenant bankruptcies in the past, our tenants could file for bankruptcy protection in the future. We cannot evict a tenant solely because of its bankruptcy. On the other hand, a bankruptcy court might authorize the tenant to reject and terminate its lease with us. In such case, our claim against the bankrupt tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and, even so, our claim for unpaid rent would likely not be paid in full. This shortfall could adversely affect our cash flow and results from operations.

We may have difficulty selling our properties limiting our flexibility.

Large and high quality office, industrial and hotel properties like the ones that we own can be hard to sell, especially if local market conditions are poor. This may limit our ability to

change our portfolio promptly in response to changes in economic or other conditions. In addition, federal tax laws limit our ability to sell properties that we have owned for fewer than four years, and this may affect our ability to sell properties without adversely affecting returns to our stockholders. These restrictions reduce our ability to respond to changes in the performance of our investments and could adversely affect our financial condition and results of operations.

Our properties face significant competition.

We face significant competition from developers, owners and operators of office, industrial and other commercial real estate. Substantially all of our properties face competition from similar properties in the same area. Such competition may effect our ability to attract and retain tenants and may reduce the rents we are able to charge. These competing properties may have vacancy rates higher than our properties, which may result in their owners being willing to make space available at lower prices than the space in our properties.

Because we own hotel properties, we face general risks associated with such properties.

We own three hotel properties. We lease these hotel properties to ZL Hotel LLC, in which Mortimer B. Zuckerman, Chairman of our board of directors, and Edward H. Linde, our President and Chief Executive Officer, are the sole member-managers and have a 9.8% economic interest; two unaffiliated public charities have a 90.2% economic interest in ZL Hotel LLC. Marriott International, Inc. manages these hotel properties under the Marriott(R) name pursuant to a management agreement with ZL Hotel LLC. ZL Hotel LLC pays us a percentage of the gross receipts that the hotel properties receive. Because the lease payments we receive are based on a participation in the gross receipts of the hotels, if the hotels do not generate sufficient receipts, our cash flow would be decreased, which could reduce the amount of cash available for distribution to our securityholders. The following factors, among others, are common to the hotel industry, and may reduce the receipts generated by our hotel properties:

- . our hotel properties compete for guests with other hotels, a number of which have greater marketing and financial resources than our hotel-operating business partners;
- . if there is an increase in operating costs resulting from inflation and other factors, our hotel-operating business partners may not be able to offset such increase by increasing room rates;
- . our hotel properties are subject to the fluctuating and seasonal demands of business travelers and tourism; and
- . our hotel properties are subject to general and local economic conditions that may affect demand for travel in general.

Compliance or failure to comply with the Americans with Disabilities Act and other similar laws could result in substantial costs.

The Americans with Disabilities Act generally requires that public buildings, including office buildings and hotels, be made accessible to disabled persons. Noncompliance could result in imposition of fines by the federal government or the award of damages to private litigants. If, pursuant to the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to our securityholders.

We may also incur significant costs complying with other regulations. Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We believe that our properties are currently in material compliance with all of these regulatory requirements. However, we do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results from operations.

Some potential losses are not covered by insurance.

We carry comprehensive liability, fire, flood, extended coverage and rental loss insurance, as applicable, on our properties. We believe our coverage is of the type and amount customarily obtained for or by an owner of similar properties. We believe all of our properties are adequately insured. However, there are certain types of losses, such as from wars or catastrophic acts of nature, for which we cannot obtain insurance or for which we cannot obtain insurance at a reasonable cost. In the event of an uninsured loss or a loss in excess of our insurance limits, we could lose both the revenues generated from the affected property and the capital we have invested in the affected property. We would, however, remain obligated to repay any mortgage indebtedness or other obligations related to the property. Any such loss could materially and adversely affect our business and financial condition and results of operations.

We carry earthquake insurance on our properties located in areas known to be subject to earthquakes in an amount and subject to deductions which we believe are commercially reasonable. However, the amount of our earthquake insurance coverage may not be sufficient to cover losses from earthquakes. In addition, we may discontinue earthquake insurance on some or all of our properties in the future if the premiums exceed our estimation of the value of the coverage discounted for the risk of loss. If we experience a loss which is uninsured or which exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future revenue from those properties. Moreover, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if the properties were irreparable.

Potential liability for environmental contamination could result in substantial costs.

Under federal, state and local environmental laws, we may be required to investigate and clean up the effects of releases of hazardous or toxic substances or petroleum products at our properties, regardless of our knowledge or responsibility, simply because of our current or past ownership or operation of the real estate. If unidentified environmental problems arise, we may have to make substantial payments which could adversely affect our cash flow and our ability to make distributions to our securityholders because:

- . as owner or operator we may have to pay for property damage and for investigation and clean-up costs incurred in connection with the contamination;
- . the law typically imposes clean-up responsibility and liability regardless of whether the owner or operator knew of or caused the contamination;
- . even if more than one person may be responsible for the contamination, each person who shares legal liability under the environmental laws may be held responsible for all of the clean-up costs; and
- . governmental entities and third parties may sue the owner or operator of a contaminated site for damages and costs.

These costs could be substantial and in extreme cases could exceed the value of the contaminated property. The presence of hazardous or toxic substances or petroleum products or the failure to properly remediate contamination may materially and adversely affect our ability to borrow against, sell or rent an affected property. In addition, applicable environmental laws create liens on contaminated sites in favor of the government for damages and costs it incurs in connection with a contamination.

Environmental laws also govern the presence, maintenance and removal of asbestos. Such laws require that owners or operators of buildings containing asbestos:

- . properly manage and maintain the asbestos;
- . notify and train those who may come into contact with asbestos; and
- . undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building.

Such laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Some of our properties are located in urban and industrial areas where fill or current or historic industrial uses of the areas have caused site contamination. Independent environmental consultants have conducted Phase I environmental site assessments at all of our properties. These assessments included, at a minimum, a visual inspection of the properties and the surrounding areas, an examination of current and historical uses of the properties and the surrounding areas and a review of relevant state, federal and historical documents. Where appropriate, on a property-by-property basis, these consultants have conducted additional testing, including sampling for asbestos, for lead in drinking water, for soil contamination where underground storage tanks are or were located or where other past site usages create a potential environmental problem, and for contamination in groundwater. Even though these environmental assessments have been conducted, there is still the risk that:

- . the environmental assessments and updates did not identify all potential environmental liabilities;
- . a prior owner created a material environmental condition that is not known to us or the independent consultants preparing the assessments;
- . new environmental liabilities have developed since the environmental assessments were conducted; and
- . future uses or conditions such as changes in applicable environmental laws and regulations could result in environmental liability for us.

We face risks associated with the use of debt to fund acquisitions and developments, including refinancing risk.

We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. We anticipate that only a small portion of the principal of our debt will be repaid prior to maturity. Therefore, we are likely to need to refinance at least a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of the existing debt. If principal payments due at maturity cannot be refinanced, extended or repaid with proceeds from other sources, such as new equity capital, our cash flow will not be sufficient to repay all maturing debt in years when significant "balloon" payments come due.

Rising interest rates would increase interest costs.

We currently have, and may incur more, indebtedness that bears interest at variable rates. Accordingly, if interest rates increase, so will our interest costs, which would adversely affect our cash flow, our ability to service debt and our ability to make distributions to our securityholders.

We have no corporate limitation on the amount of debt we can incur.

Our management and board of directors have discretion under our certificate of incorporation and bylaws to increase the amount of our outstanding debt. Our decisions with regard to the incurrence and maintenance of debt are based on available investment opportunities for which capital is required, the cost of debt in relation to such investment opportunities, whether secured or unsecured debt is available, the effect of additional debt on existing financial ratios and the maturity of the proposed new debt relative to maturities of existing debt. We could become more highly leveraged, resulting in increased debt service costs that could adversely affect our cash flow and the amount available for payment of dividends. If we increase our debt we may also increase the risk we will be unable to repay our debt.

Our financial covenants could adversely affect our financial condition.

The mortgages on our properties contain customary negative covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. In addition, our credit facilities contain certain customary restrictions, requirements and other limitations on our ability to incur indebtedness, including total debt to assets ratios, secured debt to total asset ratios, debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt which we must maintain. Our ability to borrow under our credit facilities is subject to compliance with our financial and other covenants. We rely on borrowings under our credit facilities to finance acquisitions and development activities and for working capital, and if we are unable to borrow under our credit facilities, or to refinance existing indebtedness our financial condition and results of operations would likely be adversely impacted. If we breach covenants in our debt agreements, the lender can declare a default and require us to repay the debt immediately and, if the debt is secured, can immediately take possession of the property securing the loan. In addition, our credit facilities are cross-defaulted to our other indebtedness, which would give the lenders under our credit facilities the right also to declare a default and require immediate repayment.

Our degree of leverage could limit our ability to obtain additional financing or affect the market price of our stock.

Debt to Market Capitalization Ratio is a measure of our total debt as a percentage of the aggregate of our total debt plus the market value of our outstanding common stock and interests in Boston Properties Limited Partnership. Our Debt to Market Capitalization Ratio was approximately 50.5% as of December 31, 1999. To the extent that our board of directors uses our Debt to Market Capitalization Ratio as a measure of appropriate leverage, the total amount of our debt could increase as our stock price increases, even if we may not have a corresponding increase in our ability to service or repay the debt. Our degree of leverage could affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes. Our degree of leverage could also make us more vulnerable to a downturn in business or the economy generally. There is a risk that changes in our Debt to Market Capitalization Ratio, which is in part a function of our stock price,

or our ratio of indebtedness to other measures of asset value used by financial analysts may have an adverse effect on the market price of our stock.

Further issuances of stock may be dilutive to current stockholders.

The interests of our existing stockholders could be diluted if additional equity securities are issued to finance future developments and acquisitions instead of incurring additional debt. Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity.

Failure to qualify as a real estate investment trust would cause us to be taxed as a corporation, which would substantially reduce funds available for payment of dividends.

If we fail to qualify as a real estate investment trust for federal income tax purposes, we will be taxed as a corporation. We believe that we are organized and qualified as a real estate investment trust, and intend to operate in a manner that will allow us to continue to qualify as a real estate investment trust. However, we cannot assure you that we are qualified as such, or that we will remain qualified as such in the future. This is because qualification as a real estate investment trust involves the application of highly technical and complex provisions of the Internal Revenue Code as to which there are only limited judicial and administrative interpretations, and involves the determination of facts and circumstances not entirely within our control. In addition, future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a real estate investment trust for federal income tax purposes or the federal income tax consequences of such qualification.

If we fail to qualify as a real estate investment trust we will face serious tax consequences that will substantially reduce the funds available for payment of dividends for each of the years involved because:

- . we would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- . we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes;
- . unless we are entitled to relief under statutory provisions, we could not elect to be subject to tax as a real estate investment trust for four taxable years following the year during which we were disqualified; and
- . all dividends will be subject to tax as ordinary income to the extent of our current and accumulated earnings and profits.

In addition, if we fail to qualify as a real estate investment trust, we will no longer be required to pay dividends. As a result of all these factors, our failure to qualify as a real estate investment trust could impair our ability to expand our business and raise capital, and would adversely affect the value of our common stock.

In order to maintain our real estate investment trust status, we may be forced to borrow funds on a short-term basis during unfavorable market conditions.

In order to maintain our real estate investment trust status, we may need to borrow funds on a short-term basis to meet the real estate investment trust distribution requirements, even if the then prevailing market conditions are not favorable for these borrowings. To qualify as a real estate investment trust, we generally must distribute to our stockholders at least 95% of our net taxable income each year, excluding capital gains. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which dividends paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. We may need short-term debt to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments.

Limits on changes in control may discourage takeover attempts beneficial to stockholders.

Provisions in our certificate of incorporation and bylaws, our shareholder rights agreement and the agreement of limited partnership of Boston Properties Limited Partnership, as well as provisions of the Internal Revenue Code and Delaware corporate law, may:

- . delay or prevent a change of control over us or a tender offer, even if they might be beneficial to our stockholders; and
- . limit our stockholders' opportunity to receive a potential premium for their shares of common stock over then-prevailing market prices.

Stock Ownership Limit

Primarily to facilitate maintenance of our qualification as a real estate investment trust, our corporate charter generally prohibits ownership, directly, indirectly or beneficially, by any single stockholder of more than 6.6% of the number of outstanding shares of any class or series of our equity stock. We refer to this limitation as the "ownership limit." Our board of directors may waive or modify the ownership limit with respect to one or more persons if it is satisfied that ownership in excess of this limit will not jeopardize our status as a real estate investment trust for federal income tax purposes. In addition, under our corporate charter each of Messrs. Zuckerman and Linde, along with their family and affiliates, as well as, in general, pension plans and mutual funds, may actually and beneficially own up to 15% of the number of outstanding shares of any class or series of our equity common stock. Shares owned in violation of the

ownership limit will be subject to the loss of rights to distributions and voting and other penalties. The ownership limit may have the effect of inhibiting or impeding a change in control.

Operating Partnership Agreement

We have agreed in the agreement of limited partnership of Boston Properties Limited Partnership not to engage in business combinations unless limited partners of Boston Properties Limited Partnership other than Boston Properties, Inc. receive, or have the opportunity to receive, the same consideration for their partnership interests as holders of our common stock in the transaction. If these limited partners do not receive such consideration, we cannot engage in the transaction unless 75% of these limited partners vote to approve the transaction. In addition, we have agreed in the partnership agreement that we will not consummate business combinations in which we received the approval of our stockholders unless these limited partners are also allowed to vote and the transaction would have been approved had these limited partners been able to vote as stockholders on the transaction. Therefore, if our stockholders approve a business combination that requires a vote of stockholders, the partnership agreement requires the following before we can consummate the transaction:

- . holders of interests in Boston Properties Limited Partnership (including Boston Properties, Inc.) must vote on the matter;
- . Boston Properties, Inc. must vote its partnership interests in the same proportion as our stockholders voted on the transaction; and
- . the result of the partners' vote must be such that had such vote been a vote of stockholders, the business combination would have been approved.

As a result of these provisions, a potential acquirer may be deterred from making an acquisition proposal and we may be prohibited by contract from engaging in a proposed business combination even though our stockholders approve of the combination.

Shareholder Rights Plan

We have adopted a shareholder rights plan. Under the terms of this agreement, we can in effect prevent a person or group from acquiring more than 15% of the outstanding shares of our common stock, because, unless we approve of the acquisition, after the person acquires more than 15% of our outstanding common stock, all other stockholders will have the right to purchase securities from us at a price that is less than their then fair market value, which would substantially reduce the value and influence of the stock owned by the acquiring person. Our board of directors can prevent the agreement from operating by approving of the transaction, which gives us significant power to approve or disapprove of the efforts of a person or group to acquire a large interest in our company.

We may change our policies without obtaining the approval of our stockholders.

Our operating and financial policies, including our policies with respect to acquisitions, growth, operations, indebtedness, capitalization and dividends, are determined by our board of directors. Accordingly, as a stockholder, you will have little direct control over these policies.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts of key personnel, particularly Mortimer B. Zuckerman, Chairman of our board of directors, and Edward H. Linde, our President and Chief Executive Officer. Among the reasons that Messrs. Zuckerman and Linde are important to our success is that each has a national reputation which attracts business and investment opportunities and assists us in negotiations with lenders. If we lost their services, our relationships with lenders, potential tenants and industry personnel would diminish.

Our other executive officers who serve as managers of our offices have strong regional reputations. Their reputations aid us in identifying opportunities, having opportunities brought to us, and negotiating with tenants and build-to-suit prospects. While we believe that we could find replacements for these key personnel, the loss of their services could materially and adversely effect our operations because of diminished relationships with lenders, prospective tenants and industry personnel.

Mr. Zuckerman has substantial outside business interests, including serving as Chairman of the board of directors of U.S. News & World Report, The New York Daily News and Applied Graphics Technologies, and serving as a member of the board of directors of Snyder Communications, Chase Manhattan Corporation National Advisory Board and Loews Cineplex. Such outside business interests could interfere with his ability to devote time to our business and affairs. Over the last twenty years, Mr. Zuckerman has devoted a significant portion, although not a majority, of his business time to the affairs of Boston Properties and its predecessors. We have no assurance that he will continue to devote any specific portion of his time to us, although at present, he has no commitments which would prevent him from maintaining his current level of involvement with our business.

Conflicts of interest exist with holders of interests in Boston Properties Limited Partnership.

Sales of properties and repayment of related indebtedness will have different effects on holders of interests in Boston Properties Limited Partnership than on our stockholders.

Some holders of interests in Boston Properties Limited Partnership, including Messrs. Zuckerman and Linde, would incur adverse tax consequences upon the sale of certain of our properties and on the repayment of related debt which differ from the tax consequences to us and our stockholders. Consequently, such holders of interests in Boston Properties Limited Partnership may have different objectives regarding the appropriate pricing and timing of any

such sale or repayment of debt. While we have exclusive authority under the agreement of limited partnership of Boston Properties Limited Partnership to determine when to refinance or repay debt or whether, when, and on what terms to sell a property, subject, in the case of certain properties, to the contractual commitments described below, any such decision would require the approval of our board of directors. As directors and executive officers, Messrs. Zuckerman and Linde have substantial influence with respect to any such decision. Their influence could be exercised in a manner inconsistent with the interests of some, or a majority, of our stockholders, including in a manner which could prevent completion of a sale of a property or the repayment of indebtedness.

Agreement not to sell some properties.

Under the terms of the agreement of limited partnership of Boston Properties Limited Partnership, we have agreed not to sell or otherwise transfer some of our properties, prior to specified dates, in any transaction that would trigger taxable income, without first obtaining the consent of Messrs. Zuckerman and Linde. However, we are not required to obtain their consent if, during the applicable period, each of them does not hold at least 30% of his original interests in Boston Properties Limited Partnership. In addition, we have entered into similar agreements with respect to other properties that we have acquired in exchange for interests in Boston Properties Limited Partnership. There are a total of 31 properties subject to these restrictions, and those 31 properties are estimated to have accounted for approximately 61% of our total revenue for the year ended December 31, 1999.

Boston Properties Limited Partnership has also entered into agreements providing Messrs. Zuckerman and Linde and others with the right to guarantee additional and/or substitute indebtedness in the event that certain other indebtedness is repaid or reduced.

The agreements described above may hinder actions that we may otherwise desire to take because we would be required to make payments to the beneficiaries of such agreements if we violate these agreements.

Messrs. Zuckerman and Linde will continue to engage in other activities.

Messrs. Zuckerman and Linde have a broad and varied range of investment interests. Either one could acquire an interest in a company which is not currently involved in real estate investment activities but which may acquire real property in the future. However, pursuant to Mr. Linde's employment agreement and Mr. Zuckerman's non-compete agreement, Messrs. Zuckerman and Linde will not, in general, have management control over such companies and, therefore, they may not be able to prevent one or more such companies from engaging in activities that are in competition with our activities.

Changes in market conditions could adversely affect the market price of our publicly traded securities.

As with other publicly traded equity securities, the value of our common stock depends on various market conditions which may change from time to time. Among the market conditions that may affect the value of our publicly traded securities are the following:

- . the extent of investor interest in us;
- . the general reputation of real estate investment trusts and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- . our financial performance; and
- . general stock and bond market conditions.

The market value of equity securities is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash dividends. Consequently, our equity securities, including our common stock, may trade at prices that are higher or lower than our net asset value per share of common stock. If our future earnings or cash dividends are less than expected, it is likely that the market price of our common stock will diminish.

Market interest rates may have an effect on the value of our publicly traded securities.

One of the factors that investors may consider important in deciding whether to buy or sell shares of a real estate investment trust is the dividend with respect to such real estate investment trust's shares as a percentage of the price of such shares, relative to market interest rates. If market interest rates go up, prospective purchasers of shares of a real estate investment trust may expect a higher distribution rate on our common stock. Higher market interest rates would not, however, result in more funds for us to distribute and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our publicly traded securities to go down.

The number of shares available for future sale could adversely affect the market price of our stock.

We have entered into a number of private placement transactions where shares of capital stock of Boston Properties, Inc. or interests in Boston Properties Limited Partnership were issued both at the time of our initial public offering and thereafter to owners of properties we acquired or to institutional investors. This stock, or stock issuable in exchange for such interests in Boston Properties Limited Partnership, may be sold in the public market over time pursuant to

registration rights. Additional stock reserved under our employee benefit and other incentive plans, including stock options, may also be sold in the public at some time in the future. Future sales of stock in the public securities markets could adversely affect the price of our stock. We cannot predict the effect the perception in the market that such sales may occur will have on the market price of our stock.

We did not obtain new owner's title insurance policies in connection with properties acquired during our initial public offering.

We acquired many of our properties from our predecessors at the completion of our initial public offering in June 1997. Before we acquired these properties each of them was insured by a title insurance policy. We did not, however, obtain new owner's title insurance policies in connection with the acquisition of such properties. Nevertheless, because in many instances we acquired these properties indirectly by acquiring ownership of the entity which owned the property and those owners remain in existence as our subsidiaries, some of these title insurance policies may continue to benefit us. Many of these title insurance policies may be for amounts less than the current values of the applicable properties. If there was a title defect related to any of these properties, or to any of the properties acquired at the time of our initial public offering, that is no longer covered by a title insurance policy, we could lose both our capital invested in and our anticipated profits from such property.

We have obtained title insurance policies for all properties that we have acquired after our initial public offering.

We face possible adverse changes in tax and environmental laws.

Generally, we pass through to our tenants costs resulting from increases in real estate taxes. However, we generally do not pass through to our tenants increases in income, service or transfer taxes. Similarly, changes in laws increasing the potential liability for environmental conditions existing on our properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures. These increased costs could adversely affect our financial condition and results of operations and the amount of cash available for payment of dividends.

Item 2. Properties

At December 31, 1999, our portfolio consisted of 136 properties totaling 35.6 million net rentable square feet, including 12 properties currently under development. Our properties consisted of 123 office properties, including 91 Class A office buildings and 32 properties that support both office and technical uses; nine industrial properties; three hotels, and one parking garage. In addition, we own or control an additional 42 parcels of land for future development. The following table sets forth information relating to the properties we owned at December 31, 1999:

Property Name	Location	Percent Ownership	Number of Buildings	Net Rentable Square Feet
Office Properties:				
Class A Office Properties:				
Embarcadero Center	San Francisco, CA	100.0%	6	3,651,524
Prudential Center	Boston, MA	100.0%	2	1,684,982
Carnegie Center	Princeton, NJ	100.0%	11	1,451,951
280 Park Avenue	New York, NY	100.0%	1	1,187,521
599 Lexington Avenue	New York, NY	100.0%	1	1,000,069
Riverfront Plaza	Richmond, VA	100.0%	1	895,496
875 Third Avenue	New York, NY	100.0%	1	688,264
Democracy Center	Bethesda, MD	100.0%	3	680,475
100 East Pratt Street	Baltimore, MD	100.0%	1	634,236
Metropolitan Square	Washington, DC	100.0%	1	582,194
Two Independence Square	Washington, DC	100.0%	1	579,665
Candler Building	Baltimore, MD	100.0%	1	539,470
Reservoir Place	Waltham, MA	100.0%	1	529,991
The Gateway	South San Francisco, CA	100.0%	2	487,453
One Tower Center	East Brunswick, NJ	100.0%	1	420,006
One Freedom Square	Reston, VA	25.0%	1	414,120
Capital Gallery	Washington, DC	100.0%	1	396,776
One Independence Square	Washington, DC	100.0%	1	337,794
One Reston Overlook	Reston, VA	25.0%	1	312,686
2300 N Street	Washington, DC	100.0%	1	276,930
NIMA Building	Reston, VA	100.0%	1	263,870
Reston Corporate Center	Reston, VA	100.0%	2	261,046
Lockheed Martin Building	Reston, VA	100.0%	1	255,244
200 West Street	Waltham, MA	100.0%	1	248,445
500 E Street, S.W.	Washington, DC	100.0%	1	244,268
One Cambridge Center	Cambridge, MA	100.0%	1	215,385
Sumner Square	Washington, DC	100.0%	1	209,320
University Place	Cambridge, MA	100.0%	1	195,282
1301 New York Avenue	Washington, DC	100.0%	1	177,249
Eight Cambridge Center	Cambridge, MA	100.0%	1	177,226
Newport Office Park	Quincy, MA	100.0%	1	168,829
Lexington Office Park	Lexington, MA	100.0%	2	167,277
191 Spring Street	Lexington, MA	100.0%	1	162,700
10 & 20 Burlington Mall Road	Burlington, MA	100.0%	2	156,416
Ten Cambridge Center	Cambridge, MA	100.0%	1	152,664
Two Reston Overlook	Reston, VA	25.0%	1	131,600
Waltham Office Center	Waltham, MA	100.0%	3	131,479
91 Hartwell Avenue	Lexington, MA	100.0%	1	122,135
Montvale Center	Gaithersburg, MD	75.0%	1	120,750
Three Cambridge Center	Cambridge, MA	100.0%	1	107,484
201 Spring Street	Lexington, MA	100.0%	1	102,500
The Arboretum	Reston, VA	100.0%	1	95,584
Bedford Business Park	Bedford, MA	100.0%	1	90,000
33 Hayden Avenue	Lexington, MA	100.0%	1	79,564
Eleven Cambridge Center	Cambridge, MA	100.0%	1	79,322
Decoverly Two	Rockville, MD	100.0%	1	77,747
Decoverly Three	Rockville, MD	100.0%	1	77,040
170 Tracer Lane	Waltham, MA	100.0%	1	73,258
32 Hartwell Avenue	Lexington, MA	100.0%	1	69,154
195 West Street	Waltham, MA	100.0%	1	63,500
100 Hayden Avenue	Lexington, MA	100.0%	1	55,924
181 Spring Street	Lexington, MA	100.0%	1	53,306
204 Second Avenue	Waltham, MA	100.0%	1	40,974
92 Hayden Avenue	Lexington, MA	100.0%	1	30,980
Retail Space:				
Prudential Center	Boston, MA	100.0%	1	465,483
Embarcadero Center	San Francisco, CA	100.0%	-	358,012
Subtotal for Class A Office Properties.....			79	22,232,620
R & D Properties:				
Bedford Business Park	Bedford, MA	100.0%	2	383,704
910 Clopper Road	Gaithersburg, MD	100.0%	1	180,758
Fullerton Square	Springfield, VA	100.0%	2	178,294
Hilltop Business Center	South San Francisco, CA	35.7%	9	144,391
7601 Boston Boulevard, Building Eight	Springfield, VA	100.0%	1	103,750

Property Name	Location	Percent Ownership	Number of Buildings	Net Rentable Square Feet	
7435 Boston Boulevard, Building One	Springfield, VA	100.0%	1	103,557	
8000 Grainger Court, Building Five	Springfield, VA	100.0%	1	90,465	
7700 Boston Boulevard, Building Twelve	Springfield, VA	100.0%	1	82,224	
7500 Boston Boulevard, Building Six	Springfield, VA	100.0%	1	79,971	
7501 Boston Boulevard, Building Seven	Springfield, VA	100.0%	1	75,756	
7600 Boston Boulevard, Building Nine	Springfield, VA	100.0%	1	69,832	
Fourteen Cambridge Center	Cambridge, MA	100.0%	1	67,362	
164 Lexington Road	Billerica, MA	100.0%	1	64,140	
7450 Boston Boulevard, Building Three	Springfield, VA	100.0%	1	60,827	
930 Clopper Road	Gaithersburg, MD	100.0%	1	59,838	
Sugarland Business Park Two	Herndon, VA	100.0%	1	59,215	
7374 Boston Boulevard, Building Four	Springfield, VA	100.0%	1	57,321	
Sugarland Business Park One	Herndon, VA	100.0%	1	52,797	
8000 Corporate Court, Building Eleven	Springfield, VA	100.0%	1	52,539	
7451 Boston Boulevard, Building Two	Springfield, VA	100.0%	1	47,001	
17 Hartwell Avenue	Lexington, MA	100.0%	1	30,000	
7375 Boston Boulevard, Building Ten	Springfield, VA	100.0%	1	28,780	
Subtotal for R & D Properties.....			32	2,072,522	
Subtotal for Office Properties.....			111	24,305,142	
Industrial Properties					
2391 West Winton Avenue	Hayward, CA	100.0%	1	220,213	
40-46 Harvard Street	Westwood, MA	100.0%	1	169,273	
38 Cabot Boulevard	Langhorne, PA	100.0%	1	161,000	
6201 Columbia Park Road, Building Two	Landover, MD	100.0%	1	100,337	
2000 South Club Drive, Building Three	Landover, MD	100.0%	1	83,608	
25-33 Dartmouth Street	Westwood, MA	100.0%	1	78,045	
1950 Stanford Court, Building One	Landover, MD	100.0%	1	53,250	
560 Forbes Boulevard	South San Francisco, CA	35.7%	1	40,000	
430 Rozzi Place	South San Francisco, CA	35.7%	1	20,000	
Subtotal for Industrial Properties.....			9	925,726	
Subtotal for In-service Class A Office, R&D and In120trial Properties.....			120	25,230,868	
Development Properties (Class A Office)					
Market Square North	Washington, D.C.	50.0%	1	409,843	
Orbital Sciences Phase 1	Dulles, VA	100.0%	2	185,028	
New Dominion Technology Park	Herndon, VA	100.0%	1	235,201	
111 Huntington	Boston, MA	100.0%	1	890,000	
Times Square 5	New York, NY	100.0%	1	1,099,154	
302 Carnegie Center	Princeton, NJ	100.0%	1	64,565	
Orbital Sciences Phase 2	Dulles, VA	100.0%	1	160,502	
140 Kendrick Street	Needham, MA	100.0%	3	381,000	
2600 Tower Oaks Boulevard	Rockville, MD	100.0%	1	178,216	
Subtotal for Development Properties.....			12	3,603,509	
Consolidated total for all Properties.....			132	28,834,377	
Hotel Properties:					
Long Wharf Marriott	Boston, MA	100.0%	1	420,000	402
Cambridge Center Marriott	Cambridge, MA	100.0%	1	330,400	431
Residence Inn by Marriott	Cambridge, MA	100.0%	1	187,474	221
Subtotal for Hotel Properties.....			3	937,874	1054
Garage Properties:					
Cambridge Center North Garage	Cambridge, MA	100.0%	1	332,442	
Structured Parking			-	5,518,779	
Subtotal for parking.....			1	5,851,221	
Total in-service and development properties			136	35,623,472	

Item 3. Legal Proceedings

Neither we, nor our affiliates, are presently subject to any material litigation or, to our knowledge, have any litigation been threatened against us or our affiliates other than routine actions and administrative proceedings substantially all of which are expected to be covered by liability or other insurance and in the aggregate are not expected to have a material adverse effect on our business or financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our stockholders during the fourth quarter of the year ended December 31, 1999.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock is listed on the New York Stock Exchange under the symbol "BXP". The high and low closing sales prices for the periods indicated in the table below were:

Quarter Ended -----	High ----	Low ---	Distributions -----
December 31, 1999	\$31 1/8	\$27 1/2	\$.450 (a)
September 30, 1999	35 5/8	30 5/16	.450
June 30, 1999	37 1/8	31 1/4	.425
March 31, 1999	37	28 3/4	.425
December 31, 1998	32 1/2	26 5/8	.425
September 30, 1998	34 11/16	23 7/8	.425
June 30, 1998	35 15/16	32 1/16	.405
March 31, 1998	35 7/8	32 1/2	.405
December 31, 1997	34 3/8	30	.405
September 30, 1997	33 1/4	26 5/8	.405
June 30, 1997	27 1/4	26 1/6	.035

(a) Paid on January 28, 2000 to stockholders of record on December 30, 1999.

At March 14, 2000, we had approximately 381 shareholders of record. This does not include beneficial owners for whom Cede & Co. or others act as nominee.

We have adopted a policy of paying regular quarterly distributions on our common stock and cash distributions have been paid on our common stock since our initial public offering.

In order to maintain our qualification as a REIT, we must make annual distributions to our shareholders of at least 95% of our taxable income (not including net capital gains). Distributions for Federal Income Tax purposes totaled \$2.08 per share in 1999 (\$1.30 of which was declared and paid during 1999). We intend that any dividend paid in respect of our common stock during the last quarter of each year will, if necessary, be adjusted to satisfy the REIT requirement that at least 95% of taxable income for such taxable year be distributed.

Item 6. Selected Financial Data

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

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

Selected Financial Data

(in thousands, except per share data)	The Company		
	Year ended December 31, 1999	Year ended December 31, 1998	Period from June 23, 1997 to December 31, 1997
Statement of Operations Information			
Total revenue	\$ 786,564	\$ 513,847	\$ 145,643
Expenses:			
Property	249,268	150,490	40,093
Hotel	-	-	-
General and administrative	29,455	22,504	6,689
Interest	205,410	124,860	38,264
Depreciation and amortization	120,059	75,418	21,719
Income (loss) before minority interests and joint venture income	182,372	140,575	38,878
Income from unconsolidated joint ventures	468	-	-
Minority interests	(69,531)	(41,982)	(11,652)
Income before gain on sale	113,309	98,593	27,226
Gain on sale of real estate, net of minority interest	6,467	-	-
Income (loss) before extraordinary items	119,776	98,593	27,226
Extraordinary gain (loss), net of minority interest	-	(5,481)	7,925
Net income (loss) before preferred dividend	119,776	93,112	35,151
Preferred dividend	(5,829)	-	-
Net income (loss) available to common shareholders	\$ 113,947	\$ 93,112	\$ 35,151
Basic earnings per share:			
Income before extraordinary items	\$ 1.72	\$ 1.62	\$ 0.70
Extraordinary gain (loss), net	-	(0.09)	0.21
Net income	\$ 1.72	\$ 1.53	\$ 0.91
Weighted average number of common shares outstanding	66,235	60,776	38,694
Diluted earnings per share:			
Income before extraordinary items	\$ 1.71	\$ 1.61	\$ 0.70
Extraordinary gain (loss), net	-	(0.09)	0.20
Net income	\$ 1.71	\$ 1.52	\$ 0.90
Weighted average number of common and common equivalent shares outstanding	66,776	61,308	39,108
Balance Sheet Information:			
Real estate, gross	\$ 5,612,258	\$ 4,917,193	\$ 1,796,500
Real estate, net	5,141,667	4,559,809	1,502,282
Cash	12,035	12,166	17,560
Total assets	5,434,772	5,235,087	1,672,521
Minority interests	781,962	1,079,234	100,636
Redeemable Preferred Stock	100,000	-	-
Total indebtedness	3,321,584	3,088,724	1,332,253
Stockholders' and owners' equity (deficit)	1,057,564	948,481	175,048
Other Information:			
Funds from Operations (1)	\$ 266,631	\$ 205,209	\$ 60,008
Funds from Operations (Company's share) (1)	196,101	153,045	42,258
Dividends per share	1.75	1.64	1.62 a
Cash flow provided by operating activities	303,366	215,287	46,146
Cash flow used in investing activities	(657,727)	(2,179,215)	(519,743)
Cash flow provided by (used in) financing activities	354,230	1,958,534	491,157

(in thousands, except per share data)	The Predecessor Group		
	Period from January 1, 1997 to June 22, 1997	Year ended December 31, 1996	1995
Statement of Operations Information			
Total revenue	\$ 129,818	\$ 269,933	\$ 248,725
Expenses:			
Property	27,032	58,195	55,421
Hotel	22,452	46,734	44,018
General and administrative	5,116	10,754	10,372
Interest	53,324	109,394	108,793
Depreciation and amortization	17,054	36,199	33,828
Income (loss) before minority interests and joint venture income	4,840	8,657	(3,707)
Income from unconsolidated joint ventures	-	-	-

Minority interests	(235)	(384)	(276)
Income before gain on sale	4,605	8,273	(3,983)
Gain on sale of real estate, net of minority interest	-	-	-
Income (loss) before extraordinary items	4,605	8,273	(3,983)
Extraordinary gain (loss), net of minority interest	-	(994)	-
Net income (loss) before preferred dividend	4,605	7,279	(3,983)
Preferred dividend	-	-	-
Net income (loss) available to common shareholders	<u>\$ 4,605</u>	<u>\$ 7,279</u>	<u>\$ (3,983)</u>
Basic earnings per share:			
Income before extraordinary items	-	-	-
Extraordinary gain (loss), net	-	-	-
Net income	-	-	-
Weighted average number of common shares outstanding	-	-	-
Diluted earnings per share:			
Income before extraordinary items	-	-	-
Extraordinary gain (loss), net	-	-	-
Net income	-	-	-
Weighted average number of common and common equivalent shares outstanding	-	-	-
Balance Sheet Information:			
Real estate, gross	-	\$ 1,035,571	\$ 1,012,324
Real estate, net	-	771,660	773,810
Cash	-	8,998	25,867
Total assets	-	896,511	922,786
Minority interests	-	-	-
Redeemable Preferred Stock	-	-	-
Total indebtedness	-	1,442,476	1,401,408
Stockholders' and owners' equity (deficit)	-	(576,632)	(506,653)
Other Information:			
Funds from Operations (1)	\$ 21,450	\$ 36,318	\$ 29,151
Funds from Operations (Company's share) (1)	-	-	-
Dividends per share	-	-	-
Cash flow provided by operating activities	25,090	55,907	29,092
Cash flow used in investing activities	(32,844)	(34,315)	(36,844)
Cash flow provided by (used in) financing activities	9,266	(38,461)	(12,670)

a - annualized

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

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

Funds from Operations

(in thousands)	The Company			
	Year ended December 31,		Period from	Period from
	1999	1998	June 23, 1997 to December 31, 1997	January 1, 1997 to June 22, 1997
Income (loss) before minority interests and joint venture income	\$ 182,372	\$ 140,575	\$ 38,878	\$ 4,840
Add:				
Real estate depreciation and amortization	119,583	74,649	21,417	16,808
Income from unconsolidated joint venture	468	-		
Less:				
Minority property partnership's share of Funds from Operations	(3,681)	(4,185)	(287)	(198)
Preferred dividends and distributions	(32,111)	(5,830)	-	-
Non-recurring item - significant lease termination fee	-	-	-	-
Funds from operations	\$ 266,631	\$ 205,209	\$ 60,008	\$ 21,450
Funds from operations available to common shareholders	\$ 196,101	\$ 153,045	\$ 42,258	-
Weighted average shares outstanding - basic	66,235	60,776	38,694	-
Weighted average shares outstanding - diluted	79,473	62,443	39,108	-

Reconciliation to Diluted Funds from Operations:

(in thousands)	For the year ended December 31, 1999		For the year ended December 31, 1998	
	Income (Numerator)	Shares (Denominator)	Income (Numerator)	Shares (Denominator)
Basic Funds from Operations	\$ 266,631	90,058	\$ 205,209	81,487
Effect of Dilutive Securities				
Convertible Preferred Units	26,428	10,360	2,819	1,135
Convertible Preferred Stock	5,834	2,337	-	-
Stock Options	-	541	-	532
Dilutive Funds from Operations	\$ 298,893	103,296	\$ 208,028	83,154
Company's share of Diluted Funds from Operations	\$ 229,961	79,473	\$ 156,215	62,443

The Predecessor Group

(in thousands)	Year ended December 31,	
	1996	1995

Income (loss) before minority interests and joint venture income	\$ 8,657	\$ (3,707)
Add:		
Real estate depreciation and amortization	35,643	33,240
Income from unconsolidated joint venture		
Less:		
Minority property partnership's share of Funds from Operations	(479)	(382)
Preferred dividends and distributions	-	-
Non-recurring item - significant lease termination fee	(7,503)	-
	-----	-----
Funds from operations	\$ 36,318	\$ 29,151
	=====	=====
Funds from operations available to common shareholders	-	-
	=====	=====
Weighted average shares outstanding - basic	-	-
	=====	=====
Weighted average shares outstanding - diluted	-	-
	=====	=====

Reconciliation to Diluted Funds from Operations:

	For the period from June 23, 1997 to December 31, 1997	

(in thousands)	Income (Numerator)	Shares (Denominator)

Basic Funds from Operations	\$ 60,008	54,950
Effect of Dilutive Securities		
Convertible Preferred Units	-	
Convertible Preferred Stock	-	
Stock Options	-	414
	-----	-----
Dilutive Funds from Operations	\$ 60,008	55,364
	=====	=====
Company's share of Diluted Funds from Operations	\$ 42,258	39,108
	=====	=====

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Forward-Looking Statements

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

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

- . we are subject to general risks affecting the real estate industry, such as the need to enter into new leases or renew leases on favorable terms to generate rental revenues, and dependence on our tenants' financial condition;
- . we may fail to identify, acquire, construct or develop additional properties; we may develop properties that do not produce a desired yield on invested capital; or we may fail to effectively integrate acquisitions of properties or portfolios of properties;
- . financing may not be available, or may not be available on favorable terms;
- . we need to make distributions to our stockholders for us to qualify as a real estate investment trust, and if we need to borrow the funds to make such distributions such borrowings may not be available on favorable terms;
- . we depend on the primary markets where our properties are located and these markets may be adversely affected by local economic and market conditions which are beyond our control;
- . we are subject to potential environmental liabilities;
- . we are subject to complex regulations relating to our status as a real estate investment trust and would be adversely affected if we failed to qualify as a real estate investment

trust; and

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

We caution you that, while forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. In addition, we disclaim any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Overview

We are one of the largest owners and developers of office and industrial properties in the United States, concentrated in the Northeast Corridor from Virginia to Greater Boston and in Greater San Francisco. We are a fully integrated self-administered and self-managed real estate investment trust or "REIT." We conduct substantially all our business through Boston Properties Limited Partnership. At December 31, 1999, we owned 136 properties totaling 35.6 million net rentable square feet, including 12 properties currently under development. Our properties consisted of 123 office properties, including 91 Class A office buildings and 32 properties that support both office and technical uses; nine industrial properties; three hotels, and one parking garage.

In 1999, we continued to identify and complete attractive acquisitions and development transactions. During 1999, we added 1.1 million net rentable square feet to our portfolio by completing acquisitions totaling approximately \$225.2 million and completing developments totaling approximately \$172.5 million. In addition, as of December 31, 1999, we had construction in progress representing a total anticipated investment of approximately \$1.1 billion and a total of approximately 3.6 million net rentable square feet.

We are focused on increasing the cash flow from our existing portfolio of properties by maintaining high occupancy levels and increasing effective rents. On the 2,418,392 square feet of second generation space renewed or re-leased during the year, new net rents were on average approximately 28.4% higher than the expiring net rents. At December 31 1999, our portfolio of office and industrial properties was 97.1% occupied.

We also continue to strengthen our balance sheet. In May 1999, we raised \$149.0 million in equity capital (before offering expenses) by completing an offering of our common stock. In 1999 we also issued shares of our common and preferred stock and common and preferred units in Boston Properties Limited Partnership that were valued when issued at \$114.4 million to acquire properties.

Results of Operations

The following discussion is based on our consolidated financial statements and the combined financial statements of our predecessor companies, as applicable, as of December 31, 1999, 1998 and for the years ended December 31, 1999, 1998, and 1997.

Since January 1, 1997, we have increased our total portfolio from 74 properties to 136 properties and from 10.9 million net rentable square feet to 35.6 million net rentable square feet. As a result of this rapid growth of our total portfolio, the financial data presented below shows significant changes in revenues and expenses from period to period. We do not believe our period to period financial data are comparable. Therefore, the comparison of operating results for the years ended December 1999, 1998 and 1997 show changes resulting from properties that we owned for all of both periods compared (which we refer to as our "Same Property Portfolio") and the changes attributable to our total portfolio.

Comparison of the year ended December 31, 1999 to the year ended December 31, 1998

The table below shows selected operating information for our total portfolio and the 76 buildings acquired or placed in service on or prior to January 1, 1998 (which comprise the Same Property Portfolio for the years ended December 31, 1999 and 1998).

(dollars in thousands)

(dollars in thousands)	Same Property Portfolio				Total Portfolio			
	1999	1998	Increase/ (Decrease)	% Change	1999	1998	Increase/ (Decrease)	% Change
Revenues:								
Rental Revenue	\$353,470	\$337,886	\$ 15,584	4.61%	\$765,417	\$487,577	\$277,840	56.98%
Development and management services	-	-	-	-	14,708	12,411	2,297	18.51%
Interest and other	-	-	-	-	6,439	13,859	(7,420)	-53.54%
Total revenue	353,470	337,886	15,584	4.61%	786,564	513,847	272,717	53.07%
Expenses:								
Operating	104,048	100,726	3,322	3.30%	249,268	150,490	98,778	65.64%
Net operating income	249,422	237,160	12,262	5.17%	537,296	363,357	173,939	47.87%
General and administrative	-	-	-	-	29,455	22,504	6,951	30.89%
Interest	-	-	-	-	205,410	124,860	80,550	64.51%
Depreciation and amortization	51,494	50,083	1,411	2.82%	120,059	75,418	44,641	59.19%
Income before minority interests and joint venture income	\$197,928	\$187,077	\$ 10,851	5.80%	\$182,372	\$140,575	\$ 41,797	29.73%

The increase in rental revenues in our Same Property Portfolio for these years is primarily a result of an overall increase in rental rates on new leases and rollovers, offset by a small decrease in occupancy from year to year and an increase in termination fees from \$0.7 million to \$2.3 million. The occupancy for our Same Property Portfolio decreased from 97.8% as of December 31, 1998 to 97.4% as of December 31, 1999. The increase in rental revenues in our total portfolio is a result of properties we acquired or placed-in-service after January 1, 1998.

The increase in development and management income on our total portfolio is a result of fees earned on new projects we began during the year, and increased fees on projects in process.

The decrease in interest and other income in our total portfolio is a result of less cash and cash equivalents on deposit during 1999. During 1998, our average cash balances were higher due to \$765.0 million of net proceeds received from the public offering of our common stock in January 1998.

Property operating expenses (real estate taxes, utilities, repairs and maintenance, cleaning and other property related expenses) in our Same Property Portfolio for these years increased mainly due to real estate taxes. Real estate taxes increased approximately \$1.0 million due to

higher property tax assessments. Small increases in other property-related expenses account for the remaining increase. Property operating expenses in our total portfolio increased mainly due to properties we acquired or placed-in-service after to January 1, 1998.

General and administrative expenses increased due to the significant increase in the size of our total portfolio since January 1, 1998. We hired additional employees as a result of acquisitions and incurred increased expenses due to our continuing to operate as a public company.

Interest expense for our total portfolio increased due to an increase in mortgage indebtedness and an increase in our use of our unsecured revolving line of credit.

Depreciation and amortization expenses for our Same Property Portfolio for these years increased as a result of capital and tenant improvements made during 1999. Depreciation and amortization expense for our total portfolio increased as a result of properties we acquired or placed-in-service after January 1, 1998 and related capital and tenant improvements.

Comparison of the year ended December 31, 1998 to the year ended December 31, 1997

The table below shows selected operating information for our total portfolio and the 67 buildings acquired or placed in service on or prior to January 1, 1997 (which comprise the Same Property Portfolio for the years ended December 31, 1998 and 1997.)

(dollars in thousands)

(dollars in thousands)	Same Property Portfolio				Total Portfolio			
	1998	1997	Increase/ (Decrease)	% Change	1998	1997	Increase/ (Decrease)	% Change
Revenues:								
Rental Revenue	\$226,846	\$209,442	\$ 17,404	8.31%	\$487,577	\$233,443	\$254,134	108.86%
Hotel Revenue	-	31,185	(31,185)	-100.00%	-	31,185	(31,185)	-100.00%
Development and management services	-	-	-	-	12,411	7,498	4,913	65.52%
Interest and other	-	-	-	-	13,859	3,335	10,524	315.56%
Total revenue	226,846	240,627	(13,781)	-5.73%	513,847	275,461	238,386	86.54%
Expenses:								
Operating	64,427	58,549	5,878	10.04%	150,490	67,125	83,365	124.19%
Hotel Operating	-	22,452	(22,452)	-100.00%	-	22,452	(22,452)	-100.00%
Net operating income	162,419	159,626	2,793	1.75%	363,357	185,884	177,473	95.48%
General and administrative	-	-	-	-	22,504	11,805	10,699	90.63%
Interest	-	-	-	-	124,860	91,588	33,272	36.33%
Depreciation and amortization	36,468	34,646	1,822	5.26%	75,418	38,773	36,645	94.51%
Income before minority interests and joint venture income	\$125,951	\$124,980	\$ 971	0.78%	\$140,575	\$ 43,718	\$ 96,857	221.55%

The increase in rental revenues in our Same Property Portfolio for these years is primarily a result of an overall increase in rental rates on new leases and rollovers and a small increase in occupancy from year to year offset by a decrease in termination fees from \$1.2 million to \$0.7 million. The occupancy for our Same Property Portfolio decreased from 97.5% as of December 31, 1997 to 97.1% as of December 31, 1998. The increase in our total portfolio is a result of the properties we acquired or placed-in-service after January 1, 1997.

The decrease in hotel revenues for our Same Property and our total portfolio is due to hotel revenues only being earned for the period from January 1, 1997 through June 22, 1997 as a

result of Boston Properties Limited Partnership entering into participating leases at the time of the initial public offering of our common stock in June 1997.

The increase in development and management income on our total portfolio is a result of fees earned on new projects we began during the year, and increased fees on projects in process.

The increase in interest and other income in our total portfolio is due to an increase in average cash and cash equivalents over the year due primarily to the \$765.0 million of net proceeds received from the second public offering of our common stock in January 1998.

Property operating expenses (real estate taxes, utilities, repairs and maintenance, cleaning and other property related expenses) in our Same Property Portfolio for these years increased mainly due to real estate taxes and repairs and maintenance. Real estate taxes increased approximately \$3.4 million due to higher property tax assessments. Property operating expenses in our total portfolio increased mainly due to properties we acquired or placed-in-service after January 1, 1997.

The decrease in hotel expenses for our Same Property Portfolio and our total portfolio is due to hotel expenses only being incurred for the period from January 1, 1997 through June 22, 1997 because we stopped managing our hotel properties as a result of Boston Properties Limited Partnership entering into participating leases at the time of the initial public offering of our common stock in June 1997.

General and administrative expenses increased primarily due to the hiring of additional employees as a result of the 1997 and 1998 acquisitions and our operating as a public company.

Interest expense for our total portfolio had a net increase as a result of interest expense resulting from us assuming and securing indebtedness on existing and acquired properties as well as interest expense resulting from continued drawdowns on our unsecured line of credit. This was offset by a decrease in interest expense resulting from the payoff of certain mortgage indebtedness during 1997 with proceeds from the initial public offering of our common stock.

Depreciation and amortization expenses for our Same Property Portfolio for these years increased as a result of capital and tenant improvements made during 1998. Depreciation and amortization expense for our total portfolio increased as a result of properties we acquired or placed-in-service after January 1, 1997 and capital and tenant improvements.

Liquidity and Capital Resources

Cash and cash equivalents were \$12.0 million and \$12.2 million at December 31, 1999 and December 31, 1998, respectively. The decrease is due to a \$1.5 billion decrease in net cash used in financing activities and a \$88.1 million increase in cash provided by operating activities, offset by an decrease in cash provided by investing activities of approximately \$1.6 billion. Net cash provided by operating activities was \$303.4 million for the year ended December 31, 1999 compared to \$215.3 million for the year ended December 31, 1998.

Net cash used for investing activities decreased from \$2.2 billion for the year ended December 31, 1998 to \$657.7 million for the year ended December 31, 1999. The cash used in the 1999 investing activities is due primarily to the following acquisitions of real estate assets:

Acquisitions and Developments

- . On February 10, 1999, we closed on phase two of our acquisition of Embarcadero Center. Following this closing we owned all interests in the six buildings comprising 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 6,213,131 Series Two and Three Preferred units of Boston Properties Limited Partnership having an aggregate value when issued of approximately \$286.4 million, cash of \$100.0 million from the proceeds of the sale of our Series A convertible redeemable preferred stock and a drawdown of approximately \$97.3 million on our unsecured line of credit. In connection with the above, the proceeds from the notes receivable of \$420.1 million were used to discharge the notes payable.
- . On March 26, 1999, we acquired Sumner Square, an office complex located in Washington, D.C. containing approximately 209,000 net rentable square feet. We acquired Sumner Square from related parties for approximately \$32.6 million, which we funded through a drawdown on our unsecured line of credit of approximately \$32.5 million and the issuance of approximately 3,252 common units of Boston Properties Limited Partnership valued when issued at approximately \$0.1 million. This acquisition was reviewed and approved by a vote of our directors that did not have an interest in the transaction.
- . On April 30, 1999, we acquired 510 Carnegie Center, a 234,160 square-foot, Class A office building located in Princeton, New Jersey under the terms of the original Carnegie Center contribution agreement dated June 30, 1998. This property is located within our existing Carnegie Center Portfolio. We acquired this property from a related party for approximately \$48.0 million, which we funded through the assumption of debt of approximately \$28.4 million, the issuance of 57,778 Series One preferred units of Boston Properties Limited Partnership valued when issued at approximately \$2.0 million and cash of approximately \$17.6 million. This acquisition was reviewed and approved by a vote of our directors that did not have an interest in the transaction.
- . On May 24, 1999, we acquired a joint venture partners' 50% interest in the development rights associated with 111 Huntington Avenue at the Prudential Center in Boston, Massachusetts for approximately \$12.3 million, which we funded through the issuance of 343,077 shares of our common stock. On April 27, 1999, we commenced construction of an 890,000 square-foot Class A office building at 111 Huntington Avenue.
- . On July 9, 1999, we acquired 206 Carnegie Center, a 161,763 square foot, Class A

office property in Princeton, New Jersey under the terms of the original Carnegie Center contribution agreement dated June 30, 1998. This property is located within our existing Carnegie Center Portfolio. We acquired this property from a related party for approximately \$27.0 million, which we funded with cash. This acquisition was reviewed and approved by a vote of our directors that did not have an interest in the transaction.

On August 16, 1999, we acquired the leasehold interest and related ground rent credits in the 5 Times Square development site in New York City for approximately \$152.5 million, which we funded with a drawdown from our unsecured line of credit. We have commenced construction of an approximately 1.1 million square foot, 38-story, Class A office tower at this site, which is currently 100% pre-leased to Ernst & Young LLP.

On August 31, 1999, we acquired The Gateway, consisting of two Class A office buildings containing 487,453 net rentable square feet, and two development parcels located in South San Francisco, for approximately \$117.6 million. We funded the acquisition through a draw down of approximately \$113.1 million from our unsecured line of credit and our issuance of a \$4.5 million promissory note.

During 1999, we acquired additional land parcels in various existing regions for potential future developments for an aggregate of approximately \$18.2 million in cash.

We also funded various other development projects which were placed in service during 1999 or are currently underway. The total cash we invested in development projects during 1999 was approximately \$223.9 million. We placed eight Class A office buildings and one hotel in-service as a result of a total investment during 1999 of approximately \$81.9 million. We began or continued development on an additional twelve Class A office buildings and incurred approximately \$142.0 million of development costs during 1999.

Net cash provided by financing activities decreased from \$2.0 billion provided for the year ended December 31, 1998 to \$354.2 million for the year ended December 31, 1999. The cash provided by our 1999 financing activities is primarily attributable to the \$307.5 million in proceeds received from new mortgage notes and \$240.7 million in proceeds from the sale of common and preferred stock.

Recent Equity Financing

On May 25, 1999, we completed a public offering of 4,000,000 shares of our common stock at a price per share of \$37.25. Our proceeds, net of underwriter's discount and offering costs, were approximately \$140.7 million.

Market Risk

Market risk is the risk of loss from adverse changes in market prices and interest rates.

Our future earnings, cash flows and fair values relevant to financial instruments are dependent upon prevalent market rates. Our primary market risk results from our long-term indebtedness, which bears interest at fixed and variable rates. The fair value of our long-term debt obligation is affected by changes in the market interest rates. We manage our market risk by matching our projected cash inflows from operating activities, financing activities and investing activities with our projected cash outflows to fund debt payments, acquisitions, capital expenditures, including development projects, distributions and other cash requirements. Approximately 85% of our outstanding debt has fixed interest rates, which minimizes the interest rate risk until the maturity of such outstanding debt.

We were not a party to any hedging agreements with respect to our variable rate debt as of December 31, 1999. During January 2000, we entered into three hedging agreements with a major financial institution for a total amount of approximately \$450.0 million. The hedging agreements provide for a fixed interest rate when LIBOR floats between 0% and 5.80% or 5.00% and 5.60% and when LIBOR ranges from 6.35% and 7.95% for terms ranging from three to five years per the individual agreements. We will consider entering into additional hedging agreements with respect to all or a portion of our variable rate debt. We may borrow additional money with variable rates in the future. Increases in interest rates could increase our interest expense, which could affect cash flow and our ability to service our debt. As a result of the hedging agreements, decreases in interest rates could increase our interest expense as compared to the underlying variable rate debt and could force us to make payments to unwind such agreements.

Our future earnings are dependent upon prevalent market rates. At December 31, 1999, our variable rate debt outstanding was approximately \$500.9 million. At December 31, 1999, the average interest rate on our variable rate debt was approximately 7.61%. If market rates of interest on our variable rate were to increase by ten percent (approximately 76 basis points), our interest expense would increase (taking the hedging agreements into consideration) which would decrease our future cash flows by approximately \$0.9 million.

These amounts were determined solely by considering the impact of hypothetical interest rates on our financial instruments. Due to the uncertainty of specific actions we may undertake to minimize possible effects. These analyses assume no changes in our financial structure.

Capitalization

At December 31, 1999, our total consolidated debt was approximately \$3.3 billion. At December 31, 1999, our outstanding consolidated debt consisted of approximately \$366.0 million under our unsecured line of credit, and approximately \$3.0 billion of mortgage indebtedness. The weighted average rate of our consolidated indebtedness was 7.14% and the weighted average maturity was approximately 5.5 years.

Our total market capitalization was approximately \$6.6 billion at December 31, 1999. Total capitalization was calculated using the December 31, 1999 closing stock price of \$31.125 and includes the following: (1) 23,809,811 units of Boston Properties Limited Partnership (excluding those held by Boston Properties, Inc.), (2) an aggregate of 10,375,937 Series One,

Two and Three Preferred Units (assuming all are converted to common units of Boston Properties Limited Partnership), (3) 2,624,672 shares of preferred stock (assuming all are converted into shares of our common stock), and (4) our consolidated debt. Our total consolidated debt represented approximately 50.5% of our total market capitalization. We utilize our unsecured line of credit primarily to finance acquisitions of additional properties, for working capital purposes, and to fund the development of properties. Boston Properties, Inc. guaranteed our unsecured line of credit, which is a non-recourse obligation of Boston Properties Limited Partnership. Our ability to borrow under our unsecured line of credit is subject to our compliance with a number of customary financial and other covenants on an ongoing basis, including: (i) loan-to-value ratio against the total borrowing base not to exceed 55%, (ii) a loan-to-value ratio against the total secured borrowing base not to exceed 55%, (iii) debt service coverage ratio of 1.40 for the borrowing base and 1.50 for us as a whole for full fixed charges, (iv) a leverage ratio not to exceed 60%, (v) an interest rate applicable to any amounts drawn under our unsecured line of credit for LIBOR based loans shall be equal to a floating rate based on a spread over LIBOR equal to 90 to 120 basis points, depending on our applicable leverage ratio, but can increase to 140 basis points if the total fixed charge ratio excluding capitalized interest falls below 1.75 but not lower than 1.50, (vi) limitations on additional indebtedness and stockholders distributions, and (vii) a minimum net worth requirement.

At December 31, 1999, we had the ability to borrow an additional \$107.8 million under our unsecured line of credit. As of March 14, 2000 there was \$304.0 million outstanding under our unsecured line of credit.

We are currently negotiating for an extension on our unsecured line of credit which expires in June 2000. The extension is expected to be completed on or before March 31, 2000, although we cannot make any assurances in this regard.

The following table sets forth certain information regarding our mortgage debt at December 31, 1999:

Properties -----	Interest Rate -----	Principal Amount ----- (in thousands)	Maturity Date -----
Prudential Center	6.72%	295,431	July 1, 2008
599 Lexington Avenue	7.00%	225,000(1)	July 19, 2005
280 Park Avenue	7.00%	220,000(2)	September 11, 2002
Embarcadero Center One	6.70%	158,278	December 10, 2008
Embarcadero Center Two	6.70%	158,278	December 10, 2008
Embarcadero Center Four	6.79%	157,270	February 1, 2008
875 Third Ave	8.00%	152,956(3)	December 31, 2002
Embarcadero Center Three	6.40%	148,144	January 1, 2007
Two Independence Square	8.00%	118,330(4)	February 27, 2003
Riverfront Plaza	6.61%	117,891	January 21, 2008
Democracy Center	7.05%	109,070	April 9, 2009
Metropolitan Square	6.75%	105,119(5)	June 1, 2000
Embarcadero Center West Tower	6.50%	98,786	January 1, 2006

100 East Pratt Street	6.73%	93,361	November 1, 2008
Reservoir Place	6.88%	75,665(6)	November 1, 2006
One Independence Square	8.12%	75,372(4)	August 21, 2001
The Gateway	7.20%	75,000(7)	September 30, 2000
2300 N Street	6.88%	66,000	August 3, 2003
Capital Gallery	8.24%	58,172	August 15, 2006
Ten Cambridge Center and North Garage	7.57%	40,000	March 29, 2000
10 and 20 Burlington Mall Road	8.33%	37,000(8)	October 1, 2001
1301 New York Avenue	(9)	33,542	August 15, 2009
Eight Cambridge Center	7.73%	28,822	July 15, 2010
510 Carnegie Center	7.39%	27,918	January 1, 2008
Lockheed Martin Building	6.61%	26,784	June 1, 2008
University Place	6.94%	25,788	August 1, 2021
Reston Corporate Center	6.56%	25,283	May 1, 2008
191 Spring Street	8.50%	23,140	September 1, 2006
Bedford Business Park	8.50%	22,212	December 10, 2008
NIMA Building	6.51%	21,906	June 1, 2008
212 Carnegie Center	7.25%	20,641	December 31, 2000
Sumner Square	7.69%	20,410(10)	April 22, 2004
202 Carnegie Center	7.25%	19,194	December 31, 2000
214 Carnegie Center	8.19%	13,376(11)	October 31, 2000
111 Huntington Avenue (12)	8.20%	13,144	September 27, 2002
New Dominion Technology Park (13)	7.19%	9,962	August 1, 2000
Orbital Sciences (14)	7.95%	9,418	August 19, 2002
101 Carnegie Center	7.66%	8,626	April 1, 2006
Montvale Center	8.59%	7,678	December 1, 2006
Newport Office Park	8.13%	6,199	July 1, 2001
Hilltop Business Center	6.81%	5,891	March 1, 2019
201 Carnegie Center	7.08%	527	February 1, 2010
Total		\$2,955,584	

- (1) At maturity the lender has the option to purchase a 33.33% interest in this property in exchange for the cancellation of the principal balance of \$225.0 million.
- (2) Outstanding principal of \$213,000 bears interest at a fixed rate of 7.00%. The remaining \$7,000 bears interest at a floating rate equal to LIBOR + 1.00%.
- (3) The principal amount and interest rate shown have been adjusted to reflect the fair value of the note. The stated principal balance at December 31, 1999 was \$150,000 and the interest rate was 8.75%.
- (4) The principal amount and interest rate shown have been adjusted to reflect the effective rates on the loans. The stated principal balances at December 31, 1999 were \$118,344 and \$75,438, respectively. The stated interest rates are 8.50% and continue at such rates through the loan expiration.
- (5) The principal amount and interest rate shown have been adjusted to reflect the fair value of the note. The stated principal balance at December 31, 1999 was \$104,040 and interest rate was 9.13%.
- (6) The principal amount and interest rate shown have been adjusted to reflect the fair value of the note. The stated principal balance at December 31, 1999 was \$66,118 and the interest rate was 9.09%.
- (7) Outstanding principal bears interest at a floating rate equal to LIBOR + 1.60%.
- (8) Includes outstanding indebtedness secured by 91 Hartwell Avenue and 92 and 100 Hayden Avenue.
- (9) Includes outstanding principal in the amounts of \$20,000, \$9,000 and \$4,542 which bear interest at fixed rates of 6.70%, 8.54% and 6.75%, respectively.
- (10) Outstanding principal bears interest at a floating rate equal to LIBOR + 1.50%
- (11) The principal amount and interest rate shown have been adjusted to reflect the effective rate on the loan. The stated

principal balance at December 31, 1999 was \$13,350 and the interest rate was 8.15%.

- (12) Total construction loan in the amount of \$203.0 million at a variable rate of LIBOR + 2.00%.
- (13) Total construction loan in the amount of \$48.6 million at a variable rate of LIBOR + 1.60%.
- (14) Total construction loan in the amount of \$27.0 million at a variable rate of LIBOR + 1.65%.

We have determined that our estimated cash flows and available sources of liquidity are adequate to meet our liquidity needs for the next twelve months. We believe that our principal liquidity needs for the next twelve months are to fund normal recurring expenses, debt service requirements and the minimum distribution required to maintain our REIT qualifications under the Internal Revenue Code of 1986, as amended. We believe that these needs will be fully funded from cash flows provided by our operating activities.

We expect to meet liquidity requirements for periods beyond twelve months for the costs of development, property acquisitions, scheduled debt maturities, major renovations, expansions and other non-recurring capital improvements through the issuance of additional common and preferred units of Boston Properties Limited Partnership and equity securities of Boston Properties, Inc., construction loans, the incurrence of long-term secured and unsecured indebtedness, income from operations and sales of real estate. In addition, we may finance the development, redevelopment or acquisition of additional properties by using our unsecured line of credit.

Rental revenues, operating expense reimbursement income from tenants, and income from the operations of our majority-owned affiliate, Boston Properties Management, Inc. are our principal sources of capital used to pay our operating expenses, debt service and recurring capital expenditures. We seek to increase income from our existing properties by maintaining quality standards for our properties that promote high occupancy rates and permit increases in rental rates while reducing tenant turnover and controlling operating expenses. Boston Properties Management, Inc.'s sole source of income are fees generated by its office and industrial real estate management, leasing, development and construction businesses. Consequently, we believe our revenues will continue to provide the necessary funds for our operating expenses, debt service and recurring capital expenditures.

During the year ended December 31, 1999, we paid or declared quarterly dividends totaling \$1.75 per common share (consisting of \$.425 related to each of the quarters ended March 31, 1999 and June 30, 1999 and \$.45 related to each of the quarters ended September 30, 1999 and December 31, 1999). We intend to continue paying dividends quarterly. We expect to use cash flows from operating activities to fund dividends to stockholders.

Funds from Operations

The White Paper on Funds from Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts in March 1995 defines funds from operations as net income (loss) (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. During 1999, the National Association of Real Estate

Investment Trusts clarified the definition of funds from operations to include non-recurring events, except for those that are defined as "extraordinary items" under accounting principles generally accepted in the United States and gains and losses from sales of depreciable operating properties. This clarification is effective for periods ending subsequent to January 1, 2000. We will adopt this definition for the quarter ending March 31, 2000. We believe that funds from operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of our ability to incur and service debt, to make capital expenditures and to fund other cash needs. We compute funds from operations in accordance with standards established by the National Association of Real Estate Investment Trusts which may not be comparable to funds from operations reported by other REITs that do not define the term in accordance with the current National Association of Real Estate Investment Trusts definition or that interpret the current National Association of Real Estate Investment Trusts definition differently. Funds from operations does not represent cash generated from operating activities determined in accordance with accounting principles generally accepted in the United States and should not be considered as an alternative to net income (determined in accordance with accounting principles generally accepted in the United States) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions.

Environmental Matters

Some of our 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 our 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 asbestos surveys. These environmental assessments have not revealed any environmental conditions that we believe will have a material adverse effect on our business, assets or results of operations, and we are not aware of any other environmental condition with respect to any of our properties which we believe would have such a material adverse effect.

On January 15, 1992, a property in Massachusetts was listed by the state regulatory authority as an unclassified Confirmed Disposal Site in connection with groundwater contamination. We 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, our 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 us for liability relief under recent statutory amendments. Although we believe 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, we will take any necessary further response actions.

An investigation at another property in Massachusetts identified groundwater

contamination. We 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, our 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 us for liability relief under recent statutory amendments. Although we believe 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, we will take any necessary further response actions.

In February 1999, one of our affiliates acquired from Exxon Corporation a property in Massachusetts that was formerly used as a petroleum bulk storage and distribution facility and was known by the state regulatory authority to contain soil and groundwater contamination. We anticipate development of an office park on the property. Pursuant to the property acquisition agreement, Exxon has agreed to (1) bear the liability arising from releases or discharges of oil and hazardous substances which occurred at the site prior to our ownership, (2) continue remediating such releases and discharges as necessary and appropriate to comply with applicable requirements, and (3) indemnify our affiliate for certain losses arising from preexisting site conditions, including up to \$500,000 for the premium costs associated with construction-related management of contaminated soil not otherwise subject to remediation by Exxon. Any indemnity claim may be subject to various defenses. Our affiliate has engaged a specially licensed environmental consultant to perform necessary pre-construction assessment activities and to oversee the management of contaminated soil that may be disturbed in the course of construction.

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

Year 2000 Compliance

The Year 2000 issue relates to how computer systems and programs will recognize and process dates after the year 1999. Most computer systems and programs, which use two digits to specify a year, if not modified prior are unable to distinguish between the year 1900 and the year 2000. This could result in system failures or miscalculations that could result in disruptions of normal business operations. The Year 2000 issue can also affect embedded technology systems and programs of a building such as elevator, security, energy, fire and safety systems. The Year 2000 issue affects virtually all companies and organizations.

In March 1998, we formed a Year 2000 project team consisting of our personnel. Our team includes a coordinator for property management in each of our regions and a representative from our legal, risk management and information systems operations. Our project team conducts monthly meetings to coordinate a common work plan, to share information and to review the progress of activities in each region.

Our Year 2000 project reviewed our compliance risks for computer information and building systems in three phases.

Phase I targeted the discovery of issues, prepared an inventory of all our building and internal systems and conducted an initial assessment of risks. We sent correspondence to vendors, including equipment manufacturers, service providers, maintenance and utility companies, requesting letters regarding Year 2000 compliance for specific systems. We received responses from all vendors that we sent a request.

In Phase I, we sent correspondence to tenants highlighting the Year 2000 issue and provided a general statement of our progress. We did not survey our tenant base; other than our largest tenant (the General Services Administration), as no single tenant represented more than 5% of our annual revenues. Due to our large tenant base, our success is not closely tied to one particular tenant. As a result, we do not believe there should be a material adverse effect on our financial condition and results of operations if a limited number of our tenants were unable to pay rent on a timely basis due to Year 2000 related problems.

Phase II began in September 1998 and was largely completed by June 1999. It consisted of the following:

- . Continued assessment of risks, including follow up with vendor responses that we did not believe were adequate
- . Remediation of identified compliance problems
- . Testing of building systems

Our Year 2000 project team adopted a test protocol and procedure. Our property managers, working with service vendors, conducted tests of building systems. By June 1999, successful tests were carried out and documented for critical building systems at each of our properties, with the exception of buildings where the tenant took full responsibility for specific building systems per the lease. Buildings where tenants took full responsibility for building systems are typically industrial or research and development properties and include 17 Hartwell Avenue in Lexington, Massachusetts, Fourteen Cambridge Center in Cambridge, Massachusetts, Virginia 95 Office Park in Springfield, Virginia, Hilltop Business Center in South San Francisco, California, 2391 West Winton Avenue in Hayward, California and 560 Forbes Boulevard in South San Francisco, California.

As a result of our assessment and testing, we found building-card access, energy management and garage access systems to commonly require remediation. All remediation work for building systems was completed by October 1999.

Upgrades to desktop computers and internal networks throughout the organization combined with the replacement of the electronic mail and the accounting systems during 1998 addressed Year 2000 compliance issues with core operating systems. We conducted tests of several internal systems and components to validate vendor certifications.

Phase III began in July 1999 and included preparation of a contingency plan for each of our properties. We used a standard planning document on all of our properties. We assessed the security and support requirements of tenants for the night and weekend of December 31, 1999

and then provided for such requirements with on-site staffing presence at each of our properties, except the properties where the tenant took full responsibility for building systems under the lease. Most systems supporting the operation of a building can revert to manual operation if necessary.

We experienced no disruptions in services during the night or weekend of December 31, 1999. We did respond to minor problems with the automatic scheduling component of an energy management system at three buildings in Washington, D.C. The systems were all from the same manufacturer. After a reset procedure, the systems resumed working properly, but we have decided to replace them in the near future at an estimated cost of \$15,000 per building.

We hosted Year 2000 information sessions for our tenants in several locations that included presentations by our representatives and outside utilities such as Con Edison in New York, Boston Edison, Bell Atlantic, Pacific Gas & Electric and the San Francisco Police Department.

All work was performed by our current employees. No third parties were used during this process nor have we hired an employee specifically for Year 2000 issues, and as a result, the personnel costs incurred relate only to internal payroll costs.

The total costs associated with the Year 2000 issue were not material to our financial position. The cost of remediation efforts was approximately \$1.2 million, excluding costs for all internal personnel working on the project. We have incurred 100% of these costs. In most cases, the upgrade of non-compliant systems represented an acceleration of a planned replacement date.

The discussion above regarding our Year 2000 project contains forward-looking statements within the meaning of federal securities laws. Our assessment of the impact of the Year 2000 issue may prove to be inaccurate due to a number of factors which cannot be determined with certainty, including the receipt of inaccurate compliance certification from third party vendors, inaccurate testing or assessments by our personnel of our equipment or systems, and inaccurate projections of the cost of remediation and/or replacement of affected equipment and systems. Our failure to adequately remediate or replace affected equipment or systems due to the factors cited above or for other reasons, a material increase in the actual cost of such remediation or replacement, or a failure by a third party vendor to remediate Year 2000 problems in systems that are vital to the operation of our properties or financial systems, could cause a material disruption to our business and adversely affect our results of operations and financial condition.

Newly Issued Accounting Standard

During 1999, the Financial Standards Board issued Statements of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of the Statement of Financial Accounting Standards No. 133". This statement amended Financial Accounting Standards No. 133 by deferring the effective date to fiscal quarters of all fiscal years beginning after June 15, 2000.

We will adopt issued Statements of Financial Accounting Standards No. 137 for the fiscal year ended December 31, 2001 and do not believe it will have a material impact on our financial statements.

Inflation

Substantially all of our leases provide for separate real estate tax and operating expense escalations over a base amount. In addition, many of our leases provide for fixed base rent increases or indexed increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases described above.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

Approximately \$2.8 billion of our long-term debt bears interest at fixed rates, and therefore the fair value of these instruments is affected by changes in the market interest rates. The following table presents principal cash flows based upon maturity dates of the debt obligations and the related weighted-average interest rates by expected maturity dates for the fixed rate debt. The interest rate on the variable rate debt as of December 31, 1999 ranged from LIBOR plus 1.00% to LIBOR plus 2.00%.

	Mortgage debt, including current portion (in thousands)							Total	Fair
	2000	2001	2002	2003	2004	2005+			
Fixed Rate.....	\$ 228,582	150,010	387,770	212,874	32,935	1,808,479	\$2,820,650	\$2,820,650	
Average Interest Rate.....	7.10%	7.94%	7.37%	7.53%	6.89%	6.86%	7.06%	-	
Variable Rate.....	\$ 84,963	-	29,561	-	20,410	-	\$ 134,934	\$ 134,934	

Item 8. Financial Statements and Supplementary Data

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information concerning our directors and executive officers required by Item 10 shall be included in the Proxy Statement to be filed relating to the 2000 Annual Meeting of our stockholders and is incorporated herein by reference.

Item 11. Executive Compensation

The information concerning our executive compensation required by Item 11 shall be included in the Proxy Statement to be filed relating to the 2000 Annual Meeting of our stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Beneficial Owners and Management

The information concerning our directors and executive officers required by Item 12 shall be included in the Proxy Statement to be filed relating to the 2000 Annual Meeting of our stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The information concerning our directors and executive officers required by Item 13 shall be included in the Proxy Statement to be filed relating to the 2000 Annual Meeting of our stockholders and is incorporated herein by reference.

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 58 of this Form 10-K.

(b) Reports on Form 8-K

We filed a report on Form 8-K on January 12, 1998 which included information regarding Item 5. We filed this Form 8-K in connection with our press release regarding the potential acquisition of The Prudential Center.

We filed a report on Form 8-K on January 26, 1998 which included information regarding Item 5. We filed this Form 8-K in connection with our press release regarding our fourth quarter 1997 earnings.

We filed a report on Form 8-K on February 6, 1998 which included information regarding Item 2, 5 and 7. We included in Item 7 pro forma information and exhibits. We filed this Form 8-K in connection with our acquisition of Riverfront Plaza and the Mulligan/Griffin Portfolio.

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

We filed a report on Form 8-K 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. We included in Item 7 pro forma information and exhibits. We filed this Form 8-K in connection with our acquisition of the Carnegie Center portfolio.

We filed a report on Form 8-K 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. We included in Item 7 pro forma information and exhibits. We filed this Form 8-K in connection with our acquisition of The Prudential Center.

We filed a report on Form 8-K 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. We included in Item 7 pro forma information and exhibits. We filed this Form 8-K in connection with our acquisition of Metropolitan Square.

We filed a report on Form 8-K on October 27, 1998 which included information regarding Item 5. We filed this Form 8-K in connection with our press release regarding our

third quarter 1998 earnings and information presented to investors and analysts.

We filed a report on Form 8-K 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. We included in Item 7 pro forma information and exhibits. We filed this Form 8-K in connection with our acquisition of Embarcadero Center.

We filed a report on Form 8-K on January 27, 1999 which included information regarding Item 5. We filed this Form 8-K in connection with our press release regarding our fourth quarter 1998 earnings.

(c) Exhibits

Exhibit No.	Description
-----	-----

- | | |
|------|--|
| 3.1 | Form of Amended and Restated Certificate of Incorporation of Boston Properties, Inc. (2) |
| 3.2 | Form of Amended and Restated Bylaws of Boston Properties, Inc. (2) |
| 3.3 | Amendment No. 1 to Amended and Restated By-Laws of Boston Properties, Inc. |
| 4.1 | Form of Shareholder Rights Agreement dated as of June , 1997 between Boston Properties, Inc. 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 Boston Properties Limited 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 Boston Properties Limited Partnership. (6) |
| 10.3 | Certificate of Designations for the Series Two Preferred Units, dated November 12, 1998, constituting an amendment to the Second Amendment and Restated Agreement of Limited Partnership of Boston Properties Limited 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 Boston Properties Limited Partnership. (9) |
| 10.5 | 1997 Stock Option and Incentive Plan (2) |
| 10.6 | Form of Noncompetition Agreement between Boston Properties, Inc. and Mortimer B. Zuckerman (2) |
| 10.7 | Form of Employment and Noncompetition Agreement between Boston Properties, Inc. and Edward H. Linde. (2) |
| 10.8 | Form of Employment Agreement between Boston Properties, Inc. and certain executive officers (2) |

- 10.9 Form of Indemnification Agreement between Boston Properties, Inc. and each of its directors and executive officers (2)
- 10.10 Omnibus Option Agreement by and among Boston Properties Limited 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 Boston Properties, Inc. 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 Sumner 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)
- 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 Boston Properties Limited Partnership and Mortimer B. Zuckerman and Edward H. Linde (2)

- 10.29 Compensation Agreement between Boston Properties, Inc. 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 Boston Properties Limited Partnership, Boston Properties, Inc. and Kenvic Associates (5)
- 10.31 Lock-Up and Registration Rights Agreement dated November 21, 1997 by and among Boston Properties Limited Partnership, Boston Properties, Inc. and Kenvic Associates (1)
- 10.32 Agreement dated November 21, 1997 by and between Boston Properties Limited Partnership, Boston Properties, Inc. and Kenvic Associates (1)
- 10.33 Note and Mortgage Modification and Spreader Agreement between John Hancock, as lender, and Boston Properties Limited Partnership, as borrower (1)
- 10.34 Agreement between Bankers Trust Company, as seller, and Boston Properties Limited Partnership, as borrower, dated September 11, 1997 (3)
- 10.35 Term loan agreement between Chase Manhattan Bank, as lender, and Boston Properties Limited Partnership, as borrower, dated September 11, 1997 (4)
- 10.36 Swap Transaction Agreement between the Chase Manhattan Bank and Boston Properties, Inc. dated November 4, 1997 (3)
- 10.37 Interest Guarantee and Agreement between Chase Manhattan Bank, as lender, and Boston Properties Limited Partnership, as borrower, dated September 11, 1997 (4)
- 10.38 Net Cash Flow Shortfall Guarantee and Agreement between Chase Manhattan Bank, as lender, and Boston Properties Limited Partnership, as borrower, dated September 11, 1997 (4)
- 10.39 Hazardous Material Guaranty and Indemnification Agreement between Chase Manhattan Bank, as lender, and Boston Properties Limited 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 Boston Properties Limited Partnership, as buyer, dated October 20, 1997 (4)
- 10.41 First Amendment to Revolving Credit Agreement dated July 29, 1997 by and among Boston Properties, Inc., BankBoston, N.A., and the subsidiaries of Boston Properties, Inc. and lending institutions named therein (5)
- 10.42 Second Amendment to Revolving Credit Agreement dated July 30, 1997 by and among Boston Properties, Inc., BankBoston, N.A., and the subsidiaries of Boston Properties, Inc. and lending institutions named therein (5)
- 10.43 Third Amendment to Revolving Credit Agreement dated September 11, 1997 by and among Boston Properties, Inc., BankBoston, N.A., and the subsidiaries of Boston Properties, Inc. and lending institutions named therein (5)
- 10.44 Fourth Amendment to Revolving Credit Agreement dated October 31, 1997 by and among Boston Properties, Inc., BankBoston, N.A., and the subsidiaries of Boston Properties, Inc. and lending institutions named therein (5)
- 10.45 Environmental Indemnity and Agreement made by Boston Properties Limited Partnership in favor of John Hancock Mutual Life Insurance Company (1)
- 10.46 Indemnification Agreement made by Boston Properties Limited Partnership in favor of John Hancock Mutual Life Insurance Company (1)

- 10.47 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 Boston Properties Limited Partnership, Boston Properties LLC and the Contributors named therein. (1)
- 10.52 Promissory Note dated January , 1998 between Boston Properties Limited 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 Boston Properties, Inc., Boston Properties Limited Partnership, and the parties named therein as Landis Parties. (6)
- 10.56 Contribution Agreement, dated June 30, 1998, by and among Boston Properties, Inc., Boston Properties Limited 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 Boston Properties, Inc., Boston Properties Limited 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 Boston Properties, Inc.. (6)
- 10.59 Agreement Regarding Directorship, dated as of June 30, 1998, by and between Boston Properties, Inc. and Alan B. Landis. (6)
- 10.60 Purchase and Sale Agreement, dated May 7, 1998, by and between Prudential and Boston Properties Limited Partnership. (7)
- 10.61 Contribution Agreement, dated as of May 7, 1998, by and between Prudential and Boston Properties Limited 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 Boston Properties, Inc., Boston Properties Limited Partnership, Embarcadero Center

- Investors Partnership and the partners in Embarcadero Center Investors Partnership listed on Exhibit A thereto. (9)
- 10.67 Contribution Agreement, dated as of November 12, 1998, by and among Boston Properties, Inc., Boston Properties Limited Partnership, Three Embarcadero Center West and the partners in Three Embarcadero Center West listed on Exhibit A thereto. (9)
- 10.68 Three Embarcadero Center West Redemption Agreement, dated as of November 12, 1998, by and among Three Embarcadero Center West, Boston Properties Limited Partnership, BP EC West LLC, Prudential, PIC Realty Corporation and Prudential Realty Securities II, Inc.(9)
- 10.69 Three Embarcadero Center West Property Contribution Agreement, dated as of November 12, 1998, by and among Three Embarcadero Center West, Prudential, PIC Realty Corporation, Prudential Realty Securities II, Inc., Boston Properties Limited Partnership, Boston Properties, Inc. and BP EC West LLC. (9)
- 10.70 Registration Rights and Lock-Up Agreement, dated November 12, 1998, by and among Boston Properties, Inc., Boston Properties Limited 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, as managing general partner, BP EC1 Holdings LLC, as non-managing general partner, and PIC Realty Corporation, 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, as non-managing general partner, and PIC Realty Corporation, 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 Boston Properties LLC, as managing general partner, BP EC3 Holdings 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 Boston Properties LLC, as managing general partner, BP EC4 Holdings 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. and One Embarcadero Center Venture. (9)
- 10.76 Note Purchase Agreement, dated as of November 12, 1998, by and between Prudential Realty Securities, Inc. and Embarcadero Center Associates. (9)
- 10.77 Note Purchase Agreement, dated November 12, 1998, by and between Prudential Realty Securities, Inc. and Three Embarcadero Center Venture. (9)
- 10.78 Note Purchase Agreement, dated November 12, 1998, by and between Prudential Realty Securities, Inc. and Four Embarcadero Center Venture. (9)
- 10.79 Redemption Agreement, dated as of November 12, 1998, by and among One Embarcadero Center Venture, Boston Properties LLC, BP EC1 Holdings LLC and PIC Realty Corporation. (9)

- 10.80 Redemption Agreement, dated as of November 12, 1998, by and among Embarcadero Center Associates, Boston Properties LLC, BP EC2 Holdings LLC and PIC Realty Corporation. (9)
- 10.81 Redemption Agreement, dated as of November 12, 1998, by and among Three Embarcadero Center Venture, Boston Properties LLC, BP EC3 Holdings LLC and Prudential. (9)
- 10.82 Redemption Agreement, dated as of November 12, 1998, by and among Four Embarcadero Center Venture, Boston Properties LLC, BP EC4 Holdings 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)
- 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 Boston Properties, Inc. and Prudential. (9)
- 21.1 Schedule of Subsidiaries of Boston Properties, Inc. (1)
- 23.1 Consent of PricewaterhouseCoopers LLP, Independent Accountants
- 27.1 Financial Data Schedule

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

Date

By: /s/ David. G. Gaw

March 24, 2000

David G. Gaw
Chief Financial Officer

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 24, 2000

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. Particof

Alan J. Particof
Director

By: /s/ Ivan G. Seidenberg

Ivan G. Seidenberg
Director

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated financial statements and the financial statement schedule listed in the accompanying index present fairly, in all material respects, (i) the financial position of Boston Properties, Inc. (the "Company") at December 31, 1999 and 1998, the results of operations and cash flows for the years ended December 31, 1999 and 1998 and for the period from June 23, 1997 to December 31, 1997, and (ii) as described in Note 1, the combined statement of operations and cash flow for the period from January 1, 1997 to June 22, 1997 of the Boston Properties Predecessor Group in conformity with accounting principles generally accepted in the United States. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial statement schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial statement schedule, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Boston, Massachusetts
January 26, 2000, except for
Note 20 as to which the date
is March 1, 2000

BOSTON PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 1999	December 31, 1998
	-----	-----
	(in thousands, except share amounts)	
ASSETS		
Real estate:	\$ 5,612,258	\$ 4,917,193
Less: accumulated depreciation	(470,591)	(357,384)
	-----	-----
Total real estate	5,141,667	4,559,809
Cash and cash equivalents	12,035	12,166
Notes receivable	-	420,143
Escrows	40,254	19,014
Tenant and other receivables, net of allowance for doubtful accounts of \$3,254 and \$1,226, respectively	28,362	40,830
Accrued rental income, net of allowance of \$3,300 and \$2,700, respectively	82,228	64,251
Deferred charges, net	50,899	46,029
Prepaid expenses and other assets	42,912	26,058
Investments in unconsolidated joint ventures	36,415	46,787
	-----	-----
Total assets	\$ 5,434,772	\$ 5,235,087
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	\$ 2,955,584	\$ 2,653,581
Notes payable	-	420,143
Unsecured line of credit	366,000	15,000
Accounts payable and accrued expenses	66,780	42,897
Dividends and distributions payable	50,114	40,494
Accrued interest payable	8,486	7,307
Other liabilities	48,282	27,950
	-----	-----
Total liabilities	3,495,246	3,207,372
	-----	-----
Commitments and contingencies	-	-
	-----	-----
Minority interests	781,962	1,079,234
	-----	-----
Series A Convertible Redeemable Preferred Stock, liquidation preference \$50.00 per share, 2,000,000 shares issued and outstanding	100,000	-
	-----	-----
Stockholders' equity:		
Excess stock, \$.01 par value, 150,000,000 shares authorized, none issued or outstanding	-	-
Common stock, \$.01 par value, 250,000,000 shares authorized, 67,910,434 and 63,527,819 issued and outstanding in 1999 and 1998, respectively	679	635
Additional paid-in capital	1,067,778	955,711
Dividends in excess of earnings	(10,893)	(7,865)
	-----	-----
Total stockholders' equity	1,057,564	948,481
	-----	-----
Total liabilities and stockholders' equity	\$ 5,434,772	\$ 5,235,087
	=====	=====

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	
	For the year ended December 31,		Period from	Period from
	1999	1998	June 23, 1997 to December 31, 1997	January 1, 1997 to June 22, 1997
(in thousands, except for per share amounts)				
Revenue				
Rental:				
Base rent	\$ 646,924	\$ 419,756	\$ 126,401	\$ 80,122
Recoveries from tenants	72,742	48,718	12,564	10,283
Parking and other	45,751	19,103	676	3,397
Total rental revenue	765,417	487,577	139,641	93,802
Hotel	-	-	-	31,185
Development and management services	14,708	12,411	3,813	3,685
Interest and other	6,439	13,859	2,189	1,146
Total revenue	786,564	513,847	145,643	129,818
Expenses				
Operating - rental	249,268	150,490	40,093	27,032
Operating - hotel	-	-	-	22,452
General and administrative	29,455	22,504	6,689	5,116
Interest	205,410	124,860	38,264	53,324
Depreciation and amortization	120,059	75,418	21,719	17,054
Total expenses	604,192	373,272	106,765	124,978
Income before minority interests and joint venture income	182,372	140,575	38,878	4,840
Minority interests in property partnerships	(4,614)	(2,554)	(215)	(235)
Income from unconsolidated joint ventures	468	-	-	-
Income before minority interest in Operating Partnership	178,226	138,021	38,663	4,605
Minority interest in Operating Partnership	(64,917)	(39,428)	(11,437)	-
Income before gain on sale	113,309	98,593	27,226	4,605
Gain on sale of real estate, net of minority interest	6,467	-	-	-
Income before extraordinary item	119,776	98,593	27,226	4,605
Extraordinary gain (loss), net of minority interest	-	(5,481)	7,925	-
Net income before preferred dividend	119,776	93,112	35,151	4,605
Preferred dividend	(5,829)	-	-	-
Net income available to common shareholders	\$ 113,947	\$ 93,112	\$ 35,151	\$ 4,605
Basic earnings per share:				
Income before extraordinary items	\$ 1.72	\$ 1.62	\$ 0.70	-
Extraordinary gain (loss), net	-	(0.09)	0.21	-
Net income available to common shareholders	\$ 1.72	\$ 1.53	\$ 0.91	-
Weighted average number of common shares outstanding	66,235	60,776	38,694	-
Diluted earnings per share:				
Income before extraordinary items	\$ 1.71	\$ 1.61	\$ 0.70	-
Extraordinary gain (loss), net	-	(0.09)	0.20	-
Net income available to common shareholders	\$ 1.71	\$ 1.52	\$ 0.90	-
Weighted average number of common and common equivalent shares outstanding	66,776	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 OWNERS' 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, 1997					\$ (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 adjustments			(\$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 Stock 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
Sale of Common Stock net of Offering costs	4,000	40	140,648			140,688
Unregistered Common Stock issued	343	4	12,321			12,325
Conversion of operating partnership units to common stock	10	-	260			260
Allocation of minority interest			(41,965)			(41,965)
Net income for the year				113,947		113,947
Dividends declared				(116,975)		(116,975)
Shares issued pursuant to stock purchase plan	5	-	181			181
Stock options exercised	24	-	622			622
Stockholders' Equity, December 31, 1999	67,910	\$ 679	\$1,067,778	\$ (10,893)	\$ -	\$1,057,564

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

BOSTON PROPERTIES, INC. AND BOSTON PROPERTIES PREDECESSOR GROUP
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

	The Company		The Predecessor	
	For the year ended December 31,		Period from	Period from
	1999	1998	June 23, 1997 to December 31, 1997	January 1, 1997 to June 22, 1997
	(in thousands)			
Cash flows from operating activities:				
Net income before preferred dividend	\$ 119,776	\$ 93,112	\$ 35,151	\$ 4,605
Adjustments to reconcile net income before preferred dividend to net cash provided by operating activities:				
Depreciation and amortization	120,059	75,418	21,719	17,054
Non-cash portion of interest expense	2,364	247	547	1,497
Gain on sale of real estate	(8,736)	-	-	-
Extraordinary loss (gain)	-	7,743	(11,216)	-
Income from unconsolidated joint ventures	(468)	-	-	-
Minority interests	67,186	38,760	7,659	-
Change in assets and liabilities:				
Escrows	(21,240)	(4,836)	11,429	(136)
Tenant and other receivables, net	12,468	(16,372)	(5,295)	(7,114)
Accrued rental income, net	(17,977)	(9,061)	(5,694)	(291)
Prepaid expenses and other assets	(10,354)	(5,833)	(14,330)	(1,494)
Accounts payable and accrued expenses	23,277	19,075	5,611	5,220
Accrued interest payable	1,179	726	(5,107)	2,021
Other liabilities	15,832	16,308	5,672	3,728
Total adjustments	183,590	122,175	10,995	20,485
Net cash provided by operating activities	303,366	215,287	46,146	25,090
Cash flows from investing activities:				
Acquisitions/additions to real estate	(663,841)	(1,697,449)	(526,890)	(27,721)
Tenant leasing costs	(11,329)	(17,979)	(2,793)	(2,550)
Investments in joint ventures	10,840	(43,644)	(570)	(2,573)
Net proceeds from sale of real estate	13,103	-	-	-
Investment in equity securities	(6,500)	-	-	-
Notes receivable	-	(420,143)	-	-
Cash from contributed assets	-	-	10,510	-
Net cash used in investing activities	(657,727)	(2,179,215)	(519,743)	(32,844)
Cash flows from financing activities:				
Net proceeds from sales of common and preferred stock	240,688	819,103	839,209	-
Owners' contributions	-	-	-	9,330
Owners' distributions	-	-	-	(32,125)
Borrowings on unsecured line of credit	696,000	322,000	233,000	-
Repayment of unsecured line of credit	(345,000)	(540,000)	-	-
Repayments of mortgage notes	(33,362)	(159,714)	(712,338)	(3,799)
Proceeds from mortgage notes	307,525	1,226,717	220,000	-
Accounts receivable - affiliate	-	-	-	(804)
Accounts payable - affiliate	-	-	(19,983)	19,983
Proceeds from (repayment of) notes payable	(328,143)	420,143	(38,833)	16,716
Dividends and distributions	(181,493)	(127,307)	(17,026)	-
Proceeds from exercise of stock options	622	-	-	-
Proceeds from employee stock purchase plan	181	-	-	-
Deferred financing and other costs	(2,788)	(2,408)	(12,872)	(35)
Net cash provided by financing activities	354,230	1,958,534	491,157	9,266
Net increase (decrease) in cash	(131)	(5,394)	17,560	1,512
Cash and cash equivalents, beginning of period	12,166	17,560	-	8,998
Cash and cash equivalents, end of period	\$ 12,035	\$ 12,166	\$ 17,560	\$ 10,510
Supplemental disclosures:				
Cash paid for interest	\$ 218,820	\$ 46,422	\$ 36,783	\$ 50,917
Interest capitalized	\$ 16,953	\$ 6,933	\$ 1,168	\$ 1,111
Non-cash investing and financing activities:				
Additions to real estate included in accounts payable	\$ 606	\$ 6,198	\$ 201	\$ 2,750
Mortgage notes payable assumed in connection with acquisitions	\$ 28,331	\$ 496,926	\$ 180,000	-
Issuance of minority interest in connection with acquisitions	\$ 2,063	\$ 941,318	\$ 28,000	-
Dividends and distributions declared but not paid	\$ 50,114	\$ 40,494	\$ 22,539	-
Notes receivable assigned in connection with an acquisition	\$ 420,143	-	-	-
Notes payable assigned in connection with an acquisition	\$ 92,000	-	-	-

Common stock issued in connection with acquisition	\$ 12,325	\$ 5,000	\$ 16	-
	=====	=====	=====	
Conversion of Operating Partnership Units to Common Stock	\$ 260	\$ 250	-	-
	=====	=====	=====	

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

BOSTON PROPERTIES, INC. AND BOSTON PROPERTIES
PREDECESSOR GROUP

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1. Organization and Basis of Presentation

Organization

Boston Properties, Inc. (the "Company"), a Delaware corporation, is a self-administered and self-managed real estate investment trust ("REIT"). Boston Properties, Inc. is the sole general partner of Boston Properties Limited Partnership (the "Operating Partnership") and at December 31, 1999, owned an approximate 67.36% general and limited partnership interest in the Operating Partnership. Partnership interests in the operating partnership are denominated as "common units of partnership interest" (also referred to as "OP Units") or "preferred units of partnership interest" (also referred to as "Preferred Units"). All references to OP Units and Preferred Units exclude such units held by the Company. A holder of an OP Unit may present such OP Unit to the Operating Partnership for redemption at any time (subject to restrictions agreed upon at the issuance of OP Units to particular holders that may restrict such right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, the Operating Partnership must redeem such OP Unit for cash equal to the then value of a share of common stock of the Company ("Common Stock"), except that, the Company may, at its election, in lieu of a cash redemption, acquire such OP Unit for one share of Common Stock. Because the number of shares of Common Stock outstanding at all times equals the number of OP Units that the Company owns, one share of Common Stock is generally the economic equivalent of one OP Unit, and the quarterly distribution that may be paid to the holder of an OP Unit equals the quarterly dividend that may be paid to the holder of a share of Common Stock. Each series of Preferred Units bear a distribution that is set in accordance with an amendment to the partnership agreement of the Operating Partnership. Preferred Units may also be convertible into OP Units at the election of the holder thereof or the Company, subject to the terms of such Preferred Units.

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

Properties

At December 31, 1999, the Company owned a portfolio of 136 commercial real estate properties (121 properties at December 31, 1998) (the "Properties") aggregating more than 35.6 million net rentable square feet (including 12 properties currently under development totaling approximately 3.6 million net rentable square feet). The Properties consist of 123 office properties, including 91 Class A office properties and 32 Research and Development properties; nine industrial properties; three hotels, and one parking garage. In addition, the Company owns or controls 42 parcels of land totaling 472 acres (which will support approximately 9.3 million net rentable square feet of development) and structured parking for 15,556 vehicles containing approximately 5.5 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

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modernized to compete with newer buildings. The Company considers Research and Development properties to be properties that 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, its majority-owned Operating Partnership, and subsidiaries. The financial statements reflect the properties acquired at their historical basis of accounting 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.

2. Summary of 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 include the purchase price of property, legal fees and acquisition costs. The cost of buildings under development include 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 and improvements	10 to 40 years
Tenant improvements	Shorter of useful life or terms of related lease
Furniture, fixtures, and equipment	5 to 7 years

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Cash and Cash Equivalents

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

Escrows

Escrows include amounts established pursuant to various agreements for security deposits, property taxes, insurance and other costs.

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 that approximates the effective interest method and are included with interest expense. Fully amortized deferred charges are removed from the books upon the expiration of the lease or maturity of the debt.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets include investments in common stock and warrants of two communications companies totaling approximately \$14.5 million. These securities have been recorded at cost as they are not considered marketable under Statement of Financial Accounting Standards No.115.

Offering Costs

Underwriting commissions and offering costs 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 100% ordinary income for federal income tax purposes for the year ended December 31, 1999 and 1998.

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 \$17,044, \$18,510 and \$5,985 for the years ended December 31, 1999, 1998 and 1997, 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

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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.

The estimated fair value of warrants received in conjunction with communications license agreements are recognized over the effective term of the license agreement (10 years).

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, conversion of the minority interests in the Operating Partnership and conversion of the Preferred Stock of the Company.

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. These estimates include such items as depreciation, allowances for doubtful accounts and accrued rents. 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 that approximate their estimated fair values based upon the remaining maturities for certain debt and interest rates for debt with similar terms and remaining maturities. The fair value of these financial instruments were not materially different from their carrying or contract values.

Income Taxes

The Company has elected to be 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

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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 three 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, 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 net difference between the tax basis and the reported amounts of the Company's assets and liabilities is approximately \$1,247,000 and \$988,000 as of December 31, 1999 and 1998, respectively.

The Predecessor 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'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.

3. Real Estate

Real estate consisted of the following at December 31, :

	1999	1998
	-----	-----
Land	\$ 956,222	\$ 926,862
Buildings and improvements	3,962,789	3,628,212
Tenant improvements	186,878	134,973
Furniture, fixtures and equipment	38,537	35,710
Developments in process	467,832	191,436
	-----	-----
Total	5,612,258	4,917,193
Less: Accumulated depreciation	(470,591)	(357,384)
	-----	-----
	\$5,141,667	\$4,559,809
	=====	=====

4. Deferred Charges

Deferred charges consisted of the following at December 31, :

	1999	1998
	-----	-----
Leasing costs	\$ 69,530	\$ 58,803

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Financing costs	31,120	28,128
	-----	-----
	100,650	86,931
Less: Accumulated amortization	(49,751)	(40,902)
	-----	-----
	\$ 50,899	\$ 46,029
	=====	=====

5. Investments in Unconsolidated Joint Ventures

The investments in unconsolidated joint ventures represents (i) a 25% interest in an entity which owns and operates two office buildings in Reston, VA, (ii) a 25% interest in an entity which owns and operates one office building in Reston, VA and (iii) a 50% interest in an entity which owns and operates one residential building and is developing one office building in Washington, DC. The Company also serves as development manager for these joint ventures. These investments are accounted for under the equity method. Under the equity method of accounting the net equity investment of the Company is reflected on the consolidated balance sheets.

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

Balance Sheets	December 31,	
	1999	1998
	-----	-----
Real estate and development in process, net	\$236,995	\$172,417
Other assets	10,473	10,032
	-----	-----
Total assets	\$247,468	\$182,449
	=====	=====
Mortgage and construction loans payable	\$164,185	\$ 55,638
Other liabilities	6,770	20,595
Partners' equity	76,513	106,216
	-----	-----
Total liabilities and partners' equity	\$247,468	\$182,449
	-----	-----
Company's share of equity	\$ 36,415	\$ 46,787
	=====	=====

Statement of Operations (1)

	Year ended December 31, 1999

Total revenue	\$12,836
Total expenses	10,383

Net income	\$ 2,453

Company's share of net income	\$ 468
	=====

(1) The in-service joint ventures commenced operations during 1999.

6. Mortgage Notes Payable

Mortgage notes payable comprise various loans at December 31, 1999 and 1998, respectively, 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

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through August 1, 2021. Interest rates on fixed rate mortgage notes payable aggregating approximately \$2,807,075 and \$2,623,847 at December 31, 1999 and 1998, respectively, range from 6.40% to 8.59% (averaging 7.06% and 7.05% at December 31, 1999 and 1998, respectively). Variable rate mortgage notes payable were approximately \$102,410 and \$11,417 at December 31, 1999 and 1998, respectively, with rates ranging from 1.0% above the London Interbank Offered Rate ("LIBOR") (5.82% and 5.06% at December 31, 1999 and 1998, respectively) to 1.6% above the LIBOR. Construction loans payable were approximately \$32,524 and \$0 at December 31, 1999 and 1998, respectively, with rates ranging from 1.6% above the LIBOR to 2.0% above LIBOR. Construction loans payable were approximately \$32,524 and \$0 at December 31, 1999 and 1998, respectively, with rates ranging from 1.6% above LIBOR to 2.0% above LIBOR.

The interest rates related to the mortgage notes payable for three properties aggregating approximately \$207,132 and \$209,987 at December 31, 1999 and 1998, respectively, 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 on three properties aggregating approximately \$320,110 and \$320,484 at December 31, 1999 and 1998, respectively, have been accounted for at their fair value. The impact of using these methods decreased interest expense \$4,742 and \$2,656 and increased interest expense \$547 for the years ended December 31, 1999, 1998 and 1997, respectively. The cumulative liability related to these adjustments is \$13,575 and \$18,317 at December 31, 1999 and 1998, respectively, and is included in mortgage notes payable.

Combined aggregate principal payments of mortgage notes payable at December 31, 1999 are as follows:

2000	\$313,545
2001	150,010
2002	417,331
2003	212,874
2004	53,345

7. Unsecured Line of Credit

As of December 31, 1999, 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 \$366,000 and \$15,000 at December 31, 1999 and 1998, respectively. The weighted average balance outstanding was approximately \$256,685 and \$68,293 during the year ended December 31, 1999 and 1998, respectively. The weighted average interest rate on amounts outstanding was approximately 6.50% and 6.64% during the year ended December 31, 1999 and 1998, respectively. The

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weighted average applicable interest rate under the Unsecured Line of Credit at December 31, 1999 was 7.53%.

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

8. Commitments and Contingencies

Concentrations of Credit Risk

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

Legal Matters

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

Environmental Matters

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 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.

On January 15, 1992, a property in Massachusetts was listed by the state regulatory authority as an unclassified Confirmed Disposal Site in connection with 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 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

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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.

In February 1999, an affiliate of the Company, acquired from Exxon Corporation a property in Massachusetts that was formerly used as a petroleum bulk storage and distribution facility and was known by the state regulatory authority to contain soil and groundwater contamination. The Company anticipates development of an office park on the property. Pursuant to the property acquisition agreement, Exxon has agreed to (1) bear the liability arising from releases or discharges of oil and hazardous substances which occurred at the site prior to the Company's ownership, (2) continue remediating such releases and discharges as necessary and appropriate to comply with applicable requirements, and (3) indemnify the purchaser for certain losses arising from preexisting site conditions, including up to \$500,000 for the premium costs associated with construction-related management of contaminated soil not otherwise subject to remediation by Exxon. Any indemnity claim may be subject to various defenses. The affiliate has engaged a specially licensed environmental consultant to perform necessary pre-construction assessment activities and to oversee the management of contaminated soil that may be disturbed in the course of construction.

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 \$759,501 and \$94,300 at December 31, 1999 and 1998, respectively.

Sale of Property

The Operating Partnership Agreement provides that, until June 23, 2007, the Operating Partnership may not sell or otherwise transfer four designated properties in a taxable transaction without the prior written consent of the Chairman and Chief Executive Officer. In connection with the acquisition or contribution of 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

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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 OP Units.

9. Minority Interests

Minority interests in the Company relate to the interest in the Operating Partnership and interests in a property partnership not owned by the Company. As of December 31, 1999, the minority interest in the Operating Partnership consisted of 23,809,811 OP Units and 8,713,131 Preferred Units held by parties other than the Company.

The Preferred Units at December 31, 1999 consist of 2,500,000 Series One Preferred Units of limited partnership in the Operating Partnership (the "Series One Preferred Units"); which bear a preferred distribution of 7.25% per annum on a liquidation preference of \$34.00 per unit and are convertible into OP Units at a rate of \$38.25 per Preferred Unit; and 6,213,131 Series Two and Three Preferred Units of limited partnership in the Operating Partnership (the "Series Two and Three Preferred Units"), which bear a preferred distribution at an increasing rate, ranging from 5.00% to 7.00% per annum on a liquidation preference of \$50.00 per unit and are convertible into OP Units at a rate of \$38.10 per Preferred Unit. The preferred distribution is recognized on a straight-line basis using the effective interest method.

10. Redeemable Preferred Stock and Stockholders' Equity

On January 26, 1998, the Company completed a follow-on public offering of 23,000,000 shares of 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.

On February 10, 1999, the Company issued 2,000,000 shares of Series A Convertible Redeemable Preferred Stock (the "Preferred Stock") for \$100.0 million. The Preferred Stock bears a preferred dividend at an increasing rate, ranging from 5.00% to 7.00% per annum on a liquidation preference of \$50.00 per share and are convertible into Common Stock at a rate of \$38.10 per share. The preferred dividend is recognized on a straight-line basis using the effective interest method. These shares of Preferred Stock are not classified as equity as in certain instances they are redeemable for cash at the election of the holder after May 12, 2009 or are convertible into shares of Common Stock at the election of the holder after December 31, 2002.

On May 24, 1999, the Company issued 343,077 unregistered shares of Common Stock for approximately \$12.3 million, in connection with its acquisition of the remaining 50% interest in the development rights associated with 111 Huntington Avenue at the Prudential Center.

On May 25, 1999, the Company completed an offering of 4,000,000 shares of Common Stock at a price per share of \$37.25. The proceeds to the Company, net of underwriter's discount and offering costs, were approximately \$140.7 million.

As of December 31, 1999, the Company had 67,910,434 shares of Common Stock and 2,000,000 shares of Preferred Stock outstanding.

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11. Future Minimum Rents

The Properties are leased to tenants under net operating leases with initial term expiration dates ranging from 2000 to 2029. The future minimum lease payments to be received (excluding operating expense reimbursements) by the Company as of December 31, 1999, under non-cancelable operating leases, which expire on various dates through 2029, are as follows:

Years ending December 31,
(in thousands)

2000	\$635,204
2001	599,237
2002	539,212
2003	474,853
2004	415,046
Thereafter	945,678

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

Location	(in thousands)
Greater Boston	\$ 707,039
Greater Washington, DC	1,315,187
New Jersey and Pennsylvania	175,152
Midtown Manhattan	696,788
Greater San Francisco	715,064

No one tenant represented more than 10.0% of the Company's total rental income for the years ended December 31, 1999 and 1998. One tenant represented 13.3% of the Company's total rental income for the year ended December 31, 1997.

12. Segment Reporting

In 1998, the Company adopted Statement of Financial Accounting Standards 131 ("SFAS 131"), "Disclosures about Segments of an Enterprise and Related Information". SFAS 131 supersedes SFAS 14, Financial Reporting for Segments of a Business Enterprise, replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. SFAS 131 also requires disclosures about product and services, geographic areas, and major customers. The adoption of SFAS 131 did not affect results of operations or financial position but did affect the disclosure of segment information.

The Company has determined that its reportable segments are those that are based on the

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Company's method of internal reporting, which classifies its operations by both geographic area and property type. The Company's reportable segments by geographic area are: Greater Boston, Greater Washington, DC, 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 reportable segment is not reported, since the Company does not use this measure to assess performance: therefore, the depreciation and amortization expenses are not allocated among segments. Development and management services revenues, interest and other revenues, general and administrative expenses and interest expense are not included in operating income, as the internal reporting addresses these on a corporate level.

Information by Geographic Area and Property Type:
For the year ended December 31, 1999:

	Greater Boston	Greater Washington, DC	Midtown Manhattan	Greater San Francisco	New Jersey and Pennsylvania	Total
Rental Revenues:						
Class A	\$159,661	\$202,323	\$136,814	\$158,127	\$41,852	\$698,777
R&D	5,892	18,727	0	1,672	0	26,291
Industrial	1,671	1,433	0	1,220	675	4,999
Hotels	32,902	0	0	0	0	32,902
Garage	2,448	0	0	0	0	2,448
Total	202,574	222,483	136,814	161,019	42,527	765,417
% of Grand Totals	26.47%	29.06%	17.87%	21.04%	5.56%	100.00%
Rental Expenses:						
Class A	62,676	55,346	46,938	59,076	12,695	236,731
R&D	1,744	3,568	0	381	0	5,693
Industrial	506	450	0	215	83	1,254
Hotels	4,773	0	0	0	0	4,773
Garage	817	0	0	0	0	817
Total	70,516	59,364	46,938	59,672	12,778	249,268
% of Grand Totals	28.28%	23.82%	18.83%	23.94%	5.13%	100.00%
Net Operating Income	\$132,058	\$163,119	\$ 89,876	\$101,347	\$29,749	\$516,149
% of Grand Totals	25.59%	31.60%	17.41%	19.64%	5.76%	100.00%

For the year ended December 31, 1998:

	Greater Boston	Greater Washington, DC	Midtown Manhattan	Greater San Francisco	New Jersey and Pennsylvania	Total
Rental Revenues:						
Class A	\$ 94,284	\$169,882	\$129,644	\$18,914	\$17,407	\$430,131
R&D	5,955	17,121	0	1,502	0	24,578
Industrial	1,611	1,431	0	1,349	789	5,180
Hotels	25,944	0	0	0	0	25,944
Garage	1,744	0	0	0	0	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%

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Rental Expenses:						
Class A	36,591	45,156	44,787	7,099	5,663	139,296
R&D	1,808	3,644	0	395	0	5,847
Industrial	525	316	0	305	107	1,253
Hotels	3,562	0	0	0	0	3,562
Garage	532	0	0	0	0	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%

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

	Greater Boston	Greater Washington, DC	Midtown Manhattan	Greater San Francisco	New Jersey and Pennsylvania	Total
Rental Revenues:						
Class A	\$42,082	\$87,688	\$67,350	0	0	\$197,120
R&D	5,420	7,848	0	\$1,314	0	14,582
Industrial	1,685	1,450	0	1,082	\$ 829	5,046
Hotels	14,611	0	0	0	0	14,611
Garage	2,084	0	0	0	0	2,084
Predecessor Hotel Revenues	31,185	0	0	0	0	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%
Rental Expenses:						
Class A	13,445	23,659	23,341	0	0	60,445
R&D	1,398	1,415	0	452	0	3,265
Industrial	531	324	0	183	105	1,143
Hotels	1,737	0	0	0	0	1,737
Garage	535	0	0	0	0	535
Predecessor Hotel Expenses	22,452	0	0	0	0	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%	100.00%
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 and joint venture income:

	1999	1998	1997 (1)
Net operating income	\$516,149	\$337,087	\$175,051
Add:			
Development and management services	14,708	12,411	7,498
Interest and other	6,439	13,859	3,335
Less:			
General and administrative	29,455	22,504	11,805
Interest expense	205,410	124,860	91,588
Depreciation and amortization	120,059	75,418	38,773

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Income before minority interests and joint venture income	\$182,372 =====	\$140,575 =====	\$ 43,718 =====
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(1) Includes operations of the Company and the Predecessor Group

13. Gain on Sale of Real Estate and Extraordinary Items

The Company realized a gain of \$6.5 million (net of minority interest share of approximately \$2.2 million) from the sale to an unrelated third party of Eight Arlington Street, a 30,526 square foot office property located in Boston, Massachusetts which was previously the Company's headquarters. The gross cash proceeds from the sale were \$10.25 million.

The Company incurred an extraordinary loss of \$7.7 million (net of minority interest share of approximately \$2.2 million) for the year ended December 31, 1998 primarily related to fees incurred in connection with the repayment of certain mortgage notes payable in connection with a property acquisition.

Certain mortgage indebtedness aggregating approximately \$707.1 million was repaid in conjunction with the Company's initial public offering in June 1997. These repayments, along with the payment of certain related prepayment penalties, the write-off of the related previously capitalized deferred financing costs and the extinguishment of the excess of the mortgage note payable balance over the principal payment necessitated by this 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.

14. Earnings Per Share

Earnings per share is computed as follows:

	For the year ended December 31, 1999		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	-----	-----	-----
Basic Earnings Per Share:			
Income available to common shareholders	\$113,947	66,235	\$1.72
Effect of Dilutive Securities:			
Stock Options	-	541	(.01)
	-----	-----	-----
Diluted Earnings Per Share:			
Income available to common shareholders	\$113,947	66,776	\$1.71
	=====	=====	=====

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	For the year ended December 31, 1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	-----	-----	-----
Basic Earnings Per Share:			
Income available to common shareholders	\$ 93,112	60,776	\$1.53
Effect of Dilutive Securities:			
Stock Options	-	532	(.01)
Diluted Earnings Per Share:			
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 Per Share:			
Income available to common shareholders	\$ 35,151	38,694	\$.91
Effect of Dilutive Securities:			
Stock Options	-	414	(.01)
Diluted Earnings Per Share:			
Income available to common shareholders	\$ 35,151	39,108	\$.90
	=====		

15. Employee Benefit Plan

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

The Plan provides that matching employer contributions are to be determined at the discretion of the Company. Until the recent amendment, the Company matched 200% of the first 2% of pay (utilizing pay that is not in excess of \$100). The Company's and the Predecessor's matching contribution for the years ended December 31, 1999, 1998 and 1997 was \$889, \$583 and \$403, respectively.

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Participants are immediately vested in their pre-tax and after-tax contributions. Until the recent amendment, participants vested in the Company's and the Predecessor's matching contributions and earnings thereon over a five-year period.

In November 1999, the Company amended the Plan by increasing the Company's matching contribution to 200% of the first 3% from 200% of the first 2% of participant's pay contributed and by eliminating the vesting requirement. The effective date of these changes is January 1, 2000.

16. Stock Option and Incentive Plan

The Company has established a stock option and incentive plan for the purpose of attracting and retaining qualified executives and rewarding them for superior performance in achieving the Company's business goals and enhancing stockholder value. In conjunction with the Company's initial public offering in June 1997, the Company granted options with respect to 2,290,000 shares of Common Stock 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 such option is 10 years from the date of grant. In general, one-third of each of the options granted to officers and 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 plan as described above. 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 SFAS 123 is optional; however, pro forma disclosure as if the Company adopted the cost recognition requirements under SFAS 123 in 1997 are presented below. The Company did not record any compensation expense under APB 25.

A summary of the status of the Company's stock options as of December 31, 1999 and 1998 and changes during the years ended December 31, 1999 and 1998 are presented below:

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

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Granted	1,777,408	\$33.20
Exercised	(24,023)	\$25.87
Canceled	(35,877)	\$33.38
	-----	-----
Outstanding at December 31, 1999	7,555,458	\$31.20
	=====	=====

The per share weighted average fair value of options granted during the year was \$3.98 and \$5.49 for the years ended December 31, 1999 and 1998, respectively. The per share fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for grants in 1999 and 1998.

	1999	1998
	-----	-----
Dividend yield	6.08%	4.80%
Expected life of option	6 Years	6 Years
Risk-free interest rate	5.07%	5.58%
Expected stock price volatility	20%	20%

The following table summarizes information about stock options outstanding at December 31, 1999:

Range of Exercise Prices	Options Outstanding		Options Exercisable		
	Number Outstanding at 12/31/99	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/99	Weighted Average Exercise Price
\$25.00 - \$36.81	7,555,458	8.50	\$31.20	1,328,955	\$33.26

The compensation cost under SFAS 123 for the stock performance-based plan would have been \$10,443 and \$6,847 in 1999 and 1998, respectively. Had compensation cost for the Company's grants for stock-based compensation plans been determined consistent with SFAS 123, the Company's net income, and net income per common share for 1999 and 1998 would approximate the pro forma amounts below:

	1999	1998
	----	----
Net income	\$103,504	\$86,265
Net income per common share - basic	\$ 1.56	\$ 1.42
Net income per common share - diluted	\$ 1.55	\$ 1.41

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

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17. Employee Stock Purchase Plan

The Company adopted the 1999 Non-Qualified Employee Stock Purchase Plan (the "Stock Purchase Plan") to encourage the ownership by eligible employees of the Company's Common Stock. The Stock Purchase Plan became effective on January 1, 1999 with an aggregate maximum of 250,000 shares of Common Stock available for issuance. The Stock Purchase Plan provides for eligible employees to purchase at the end of the biannual purchase periods shares of Common Stock for 85% of the average closing price during the valuation period, as defined. The Company issued 5,115 shares under the Stock Purchase Plan as of December 31, 1999. No shares were issued as of December 31, 1998.

18. Selected Interim Financial Information (unaudited)

	1999 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
Total revenues	\$187,640	\$191,640	\$202,137	\$205,147
Income before minority interest in Operating Partnership	41,485	45,410	45,270	46,061
Income before gain on sale	25,773	28,905	29,022	29,609
Net income available to common shareholders	24,934	27,223	27,418	34,372
Income before gain on sale per share				
- - basic	.39	.42	.40	.41
Income before gain on sale per share				
- - diluted	.39	.41	.40	.41

19. Pro Forma Financial Information (unaudited)

The following Pro Forma Condensed Statements of Income for the years ended December 31, 1999 and 1998 are presented as if the Company's initial public offering and related formation transactions and the property acquisitions had occurred at January 1, 1998. There were no material property acquisitions during 1999. As a result, the table below presents actual results for the year ended December 31, 1999. 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, 1998, or to project results for any future period.

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Pro Forma Condensed Statements of Income (unaudited)

	Year ended December 31,	
	1999	1998
	----	----
Revenues	\$786,564	\$704,012
Net income available to common shareholders	113,947	100,383
Net income before extraordinary items	119,776	105,864
Basic earnings per share (before extra-ordinary item)	1.72	1.67
Diluted earnings per share (before extra-ordinary item)	1.71	1.65

20. Subsequent Events

On January 12, 2000, the Company purchased their joint venture partner's 75% interest in One and Two Reston Overlook in Reston, Virginia for approximately \$15.2 million in cash.

On January 26, 2000, the Company obtained construction financing totaling \$420.0 million collateralized by the 5 Times Square development project in New York City. Such financing bears interest at a rate equal to Libor + 2.00% and matures in January 2003.

In January 2000, the Company entered into three interest rate swap agreements with a major financial institutions totaling \$450.0 million.

On March 1, 2000, the Company acquired three Class A office buildings totaling approximately 400,000 square feet at Carnegie Center in Princeton, New Jersey under the terms of the original Carnegie Center contribution agreements dated June 30, 1998. The properties were acquired from a related party for approximately \$66.5 million, which was funded through the assumption of debt of approximately \$49.0 million and the issuance of 577,817 OP Units valued at approximately \$17.5 million. The acquisition was reviewed and approved by a vote of the independent directors.

Boston Properties, Inc.
Schedule 3 - Real Estate and Accumulated Depreciation
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(dollars in thousands)

Property Name	Type	Location	Encumbrances	Land	Building	Costs Capitalized Subsequent to Acquisition
Embarcadero Center	Office	San Francisco, CA	\$ 720,756	\$211,297	\$ 996,442	\$ 22,437
Prudential Center	Office	Boston, MA	308,575	77,850	443,180	126,987
Carnegie Center	Office	Princeton, NJ	90,282	87,219	286,979	6,595
280 Park Avenue	Office	New York, NY	220,000	125,288	201,115	26,202
599 Lexington Avenue	Office	New York, NY	225,000	81,040	100,507	71,425
875 Third Avenue	Office	New York, NY	152,956	74,880	139,151	5,443
Metropolitan Square	Office	Washington, DC	105,119	35,000	151,709	10,913
Riverfront Plaza	Office	Richmond, VA	117,891	18,000	156,733	2,247
100 East Pratt Street	Office	Baltimore, MD	93,361	27,562	109,662	2,176
The Gateway	Office	San Francisco, CA	75,000	21,516	86,395	10,242
Reservoir Place	Office	Waltham, MA	75,665	18,207	88,018	2,671
Democracy Center	Office	Bethesda, MD	109,070	12,550	50,015	23,881
Two Independence Square	Office	Washington, DC	118,330	14,053	59,883	9,065
NIMA Building	Office	Reston, VA	21,906	10,567	67,431	2
Lockheed Martin Building	Office	Reston, VA	26,784	10,210	58,884	-
Candler Building	Office	Baltimore, MD	-	12,500	48,734	1,351
One Independence Square	Office	Washington, DC	75,372	9,356	33,701	17,402
2300 N Street	Office	Washington, DC	66,000	16,509	22,415	13,115
Reston Corporate Center	Office	Reston, VA	25,283	9,135	41,398	631
191 Spring Street	Office	Lexington, MA	23,140	2,850	27,166	18,743
Capital Gallery	Office	Washington, DC	58,172	4,725	29,560	12,770
1301 New York Avenue	Office	Washington, DC	33,542	9,250	18,750	16,234
200 West Street	Office	Waltham, MA	-	13,119	27,121	2,877
University Place	Office	Cambridge, MA	25,788	-	37,091	383
500 E Street	Office	Washington, DC	-	109	22,420	11,346
Sumner Square	Office	Washington, DC	20,410	624	28,745	1,178
One Cambridge Center	Office	Cambridge, MA	-	134	25,110	4,223
Cambridge Center Eight	Office	Cambridge, MA	28,822	921	25,042	-
Newport Office Park	Office	Quincy, MA	6,199	3,500	18,208	22
Ten Cambridge Center	Office	Cambridge, MA	40,000	1,299	12,943	4,428
910 Clopper Road	Office	Gaithersburg, MD	-	2,000	15,448	105
Bedford Business Park	Office	Bedford, MA	22,212	534	3,403	13,012
10 and 20 Burlington Mall Road	Office	Burlington, MA	16,613	930	6,928	8,821
201 Spring Street	Office	Lexington, MA	-	1,134	11,712	3,637

Property Name	Land and Improvements	Building and Improvements	Development and Construction in Progress	Total	Accumulated Depreciation
Embarcadero Center	\$ 212,151	\$ 1,018,025	\$ -	\$1,230,176	\$ 29,195
Prudential Center	77,850	464,278	105,889	648,017	17,192
Carnegie Center	87,480	289,860	3,453	380,793	9,078
280 Park Avenue	125,288	227,317	-	352,605	13,704
599 Lexington Avenue	81,040	171,932	-	252,972	75,205
875 Third Avenue	74,880	144,594	-	219,474	7,292
Metropolitan Square	35,000	162,622	-	197,622	5,686
Riverfront Plaza	18,000	158,980	-	176,980	7,698
100 East Pratt Street	27,562	111,838	-	139,400	6,448
The Gateway	21,621	86,455	10,077	118,153	722
Reservoir Place	18,207	90,689	-	108,896	2,637
Democracy Center	13,689	72,757	-	86,446	26,679
Two Independence Square	15,039	67,962	-	83,001	14,891
NIMA Building	10,567	67,433	-	78,000	3,231
Lockheed Martin Building	10,210	58,884	-	69,094	2,821
Candler Building	12,500	50,085	-	62,585	1,775
One Independence Square	9,634	50,825	-	60,459	15,149
2300 N Street	16,509	35,530	-	52,039	11,973
Reston Corporate Center	9,135	42,029	-	51,164	1,987
191 Spring Street	2,850	45,909	-	48,759	13,491
Capital Gallery	4,730	42,325	-	47,055	18,924
1301 New York Avenue	9,250	34,780	204	44,234	813
200 West Street	13,119	29,998	-	43,117	348
University Place	-	37,474	-	37,474	1,409
500 E Street	1,569	32,306	-	33,875	14,241
Sumner Square	624	29,923	-	30,547	537
One Cambridge Center	134	29,333	-	29,467	10,980
Cambridge Center Eight	921	25,042	-	25,963	359
Newport Office Park	3,500	18,230	-	21,730	1,138
Ten Cambridge Center	1,868	16,802	-	18,670	7,044
910 Clopper Road	2,000	15,553	-	17,553	741
Bedford Business Park	534	16,415	-	16,949	7,855
10 and 20 Burlington Mall Road	939	15,740	-	16,679	6,168
201 Spring Street	1,134	15,349	-	16,483	1,008

Property Name	Year(s) Built/ Renovated	Depreciable Lives (Years)
Embarcadero Center	1924/1989	(1)
Prudential Center	1965/1993	(1)
Carnegie Center	1983-1999	(1)
280 Park Avenue	1968/95-96	(1)
599 Lexington Avenue	1986	(1)
875 Third Avenue	1982	(1)
Metropolitan Square	1982/1986	(1)
Riverfront Plaza	1990	(1)
100 East Pratt Street	1975/1991	(1)
The Gateway	1984/1986	(1)
Reservoir Place	1955/1987	(1)
Democracy Center	1985-88/94-96	(1)
Two Independence Square	1992	(1)
NIMA Building	1987/1988	(1)
Lockheed Martin Building	1987/1988	(1)
Candler Building	1911/1990	(1)
One Independence Square	1991	(1)
2300 N Street	1986	(1)
Reston Corporate Center	1984	(1)
191 Spring Street	1971/1995	(1)
Capital Gallery	1981	(1)
1301 New York Avenue	1983/1998	(1)
200 West Street	1999	(1)
University Place	1985	(1)
500 E Street	1987	(1)
Sumner Square	1985	(1)
One Cambridge Center	1987	(1)
Cambridge Center Eight	1999	(1)
Newport Office Park	1988	(1)
Ten Cambridge Center	1990	(1)
910 Clopper Road	1982	(1)
Bedford Business Park	1980	(1)
10 and 20 Burlington Mall Road	1984-1989/95-96	(1)
201 Spring Street	1997	(1)

Boston Properties, Inc.
Schedule 3 - Real Estate and Accumulated Depreciation
December 31, 1999
(dollars in thousands)

Property Name	Type	Location	Encumbrances	Land	Building	Costs Capitalized Subsequent to Acquisition
Montvale Center	Office	Gaithersburg, MD	7,678	1,574	9,786	4,301
Fullerton Square	Office	Springfield, VA	-	3,045	11,522	553
Arboretum	Office	Reston, VA	-	2,850	9,025	2,398
Three Cambridge Center	Office	Cambridge, MA	-	174	12,200	1,006
Lexington Office Park	Office	Lexington, MA	-	998	1,426	10,655
Sugarland Business Park	Office	Herndon, VA	-	1,569	5,955	4,102
Discoverly Three	Office	Rockville, MD	-	2,220	9,044	8
Discoverly Two	Office	Rockville, MD	-	1,994	8,814	50
181 Spring Street	Office	Lexington, MA	-	1,066	9,520	105
7700 Boston Boulevard, Building Twelve	Office	Springfield, VA	-	1,105	1,042	8,046
7501 Boston Boulevard, Building Seven	Office	Springfield, VA	-	665	878	8,402
91 Hartwell Avenue	Office	Lexington, MA	11,322	784	6,464	2,420
195 West Street	Office	Waltham, MA	-	1,611	6,652	621
92-100 Hayden Avenue	Office	Lexington, MA	9,065	594	6,748	915
Waltham Office Center	Office	Waltham, MA	-	422	2,719	4,840
930 Clopper Road	Office	Gaithersburg, MD	-	1,200	6,506	-
Eleven Cambridge Center	Office	Cambridge, MA	-	121	5,535	1,568
170 Tracer Lane	Office	Waltham, MA	-	398	4,601	1,306
7435 Boston Boulevard, Building One	Office	Springfield, VA	-	392	3,822	2,069
7450 Boston Boulevard, Building Three	Office	Springfield, VA	-	1,165	4,681	266
8000 Grainger Court, Building Five	Office	Springfield, VA	-	366	4,282	996
Fourteen Cambridge Center	Office	Cambridge, MA	-	110	4,483	569
32 Hartwell Avenue	Office	Lexington, MA	-	168	1,943	2,724
7600 Boston Boulevard, Building Nine	Office	Springfield, VA	-	127	2,839	1,683
7601 Boston Boulevard, Building Eight	Office	Springfield, VA	-	200	878	3,505
7500 Boston Boulevard, Building Six	Office	Springfield, VA	-	138	3,749	289
33 Hayden Avenue	Office	Lexington, MA	-	266	3,234	115
7375 Boston Boulevard, Building Ten	Office	Springfield, VA	-	23	2,685	630
8000 Corporate Court, Building Eleven	Office	Springfield, VA	-	136	3,071	92
7451 Boston Boulevard, Building Two	Office	Springfield, VA	-	249	1,542	1,449
204 Second Avenue	Office	Waltham, MA	-	37	2,402	710
7374 Boston Boulevard, Building Four	Office	Springfield, VA	-	241	1,605	433
164 Lexington Road	Office	Billerica, MA	-	592	1,370	131
Hilltop Business Center	Office	San Francisco, CA	5,891	53	492	423
17 Hartwell Avenue	Office	Lexington, MA	-	26	150	596

Property Name	Land and Improvements	Building and Improvements	Development and Construction in Progress	Total	Accumulated Depreciation
Montvale Center	2,399	13,262	-	15,661	4,880
Fullerton Square	3,045	12,075	-	15,120	553
Arboretum	2,850	11,423	-	14,273	284
Three Cambridge Center	174	13,206	-	13,380	4,054
Lexington Office Park	1,072	12,007	-	13,079	5,137
Sugarland Business Park	1,569	10,057	-	11,626	1,045
Discoverly Three	2,220	9,052	-	11,272	359
Discoverly Two	1,994	8,864	-	10,858	425
181 Spring Street	1,066	9,520	105	10,691	-
7700 Boston Boulevard, Building Twelve	1,105	9,088	-	10,193	500
7501 Boston Boulevard, Building Seven	665	9,280	-	9,945	539
91 Hartwell Avenue	784	8,884	-	9,668	3,575
195 West Street	1,611	7,273	-	8,884	1,900
92-100 Hayden Avenue	594	7,663	-	8,257	3,229
Waltham Office Center	425	7,556	-	7,981	3,313
930 Clopper Road	1,200	6,506	-	7,706	312
Eleven Cambridge Center	121	7,103	-	7,224	2,879
170 Tracer Lane	418	5,887	-	6,305	3,135
7435 Boston Boulevard, Building One	486	5,797	-	6,283	2,443
7450 Boston Boulevard, Building Three	1,165	4,947	-	6,112	183
8000 Grainger Court, Building Five	453	5,191	-	5,644	1,976
Fourteen Cambridge Center	110	5,052	-	5,162	1,941
32 Hartwell Avenue	168	4,667	-	4,835	3,145
7600 Boston Boulevard, Building Nine	189	4,460	-	4,649	1,752
7601 Boston Boulevard, Building Eight	378	4,205	-	4,583	1,601
7500 Boston Boulevard, Building Six	273	3,903	-	4,176	1,490
33 Hayden Avenue	266	3,349	-	3,615	1,616
7375 Boston Boulevard, Building Ten	47	3,291	-	3,338	1,121
8000 Corporate Court, Building Eleven	214	3,085	-	3,299	906
7451 Boston Boulevard, Building Two	535	2,705	-	3,240	1,948
204 Second Avenue	37	3,112	-	3,149	1,538
7374 Boston Boulevard, Building Four	303	1,976	-	2,279	832
164 Lexington Road	592	1,501	-	2,093	156
Hilltop Business Center	54	914	-	968	426
17 Hartwell Avenue	26	746	-	772	521

Property Name	Year(s) Built/ Renovated	Depreciable Lives (Years)
Montvale Center	1987	(1)
Fullerton Square	1987	(1)
Arboretum	1999	(1)
Three Cambridge Center	1987	(1)
Lexington Office Park	1982	(1)
Sugarland Business Park	1986/1997	(1)
Decoverly Three	1989	(1)
Decoverly Two	1987	(1)
181 Spring Street	1999	(1)
7700 Boston Boulevard, Building Twelve	1997	(1)
7501 Boston Boulevard, Building Seven	1997	(1)
91 Hartwell Avenue	1985	(1)
195 West Street	1990	(1)
92-100 Hayden Avenue	1985	(1)
Waltham Office Center	1968-1970/87-88	(1)
930 Clopper Road	1989	(1)
Eleven Cambridge Center	1984	(1)
170 Tracer Lane	1980	(1)
7435 Boston Boulevard, Building One	1982	(1)
7450 Boston Boulevard, Building Three	1987	(1)
8000 Grainger Court, Building Five	1984	(1)
Fourteen Cambridge Center	1983	(1)
32 Hartwell Avenue	1968-1979/1987	(1)
7600 Boston Boulevard, Building Nine	1987	(1)
7601 Boston Boulevard, Building Eight	1986	(1)
7500 Boston Boulevard, Building Six	1985	(1)
33 Hayden Avenue	1979	(1)
7375 Boston Boulevard, Building Ten	1988	(1)
8000 Corporate Court, Building Eleven	1989	(1)
7451 Boston Boulevard, Building Two	1982	(1)
204 Second Avenue	1981/1993	(1)
7374 Boston Boulevard, Building Four	1984	(1)
164 Lexington Road	1982	(1)
Hilltop Business Center	early 1970's	(1)
17 Hartwell Avenue	1968	(1)

Boston Properties, Inc.
Schedule 3 - Real Estate and Accumulated Depreciation
December 31, 1999
(dollars in thousands)

Property Name	Type	Location	Encumbrances	Land	Building	Costs Capitalized Subsequent to Acquisition
6201 Columbia Park Road, Building Two	Industrial	Landover, MD	-	505	2,746	1,193
38 Cabot Boulevard	Industrial	Bucks County, PA	-	329	1,238	2,537
40-46 Harvard Street	Industrial	Westwood, MA	-	351	1,782	1,327
2000 South Club Drive, Building Three	Industrial	Landover, MD	-	465	2,125	740
25-33 Dartmouth Street	Industrial	Westwood, MA	-	273	1,596	495
1950 Stanford Court, Building One	Industrial	Landover, MD	-	269	1,554	270
2391 West Winton Avenue	Industrial	Hayward, CA	-	182	1,217	606
430 Rozzi Place	Industrial	San Francisco, CA	-	24	217	119
560 Forbes Boulevard	Industrial	San Francisco, CA	-	48	435	262
Cambridge Center Marriott	Hotel	Cambridge, MA	-	478	37,918	7,235
Long Wharf Marriott	Hotel	Boston, MA	-	1,752	31,904	8,818
Residence Inn by Marriott	Hotel	Cambridge, MA	-	847	27,296	75
Cambridge Center North Garage	Garage	Cambridge, MA	-	1,163	11,633	97
Times Square	Development	New York, NY	-	-	-	186,996
140 Kendrick Street	Development	Needham, MA	-	-	-	33,256
Tower Oaks	Development	Rockville, MD	-	-	-	28,906
Orbital Sciences	Development	Dulles, VA	9,418	-	-	19,715
New Dominion Tech Park	Development	Herndon, VA	9,962	-	-	18,537
Washingtonian North	Development	Gaithersburg, MD	-	-	-	16,571
Stony Brook	Development	Waltham, MA	-	-	-	10,066
Broad Run Business Park	Development	Loudon County, VA	-	-	-	5,883
12050 Sunset Hills Road	Development	Reston, VA	-	-	-	5,444
Discoverly Seven	Development	Rockville, MD	-	-	-	5,264
12280 Sunrise Valley Drive	Development	Reston, VA	-	-	-	3,850
Cambridge Master Plan	Development	Cambridge, MA	-	-	-	2,876
Andover Tech Center	Development	Andover, MA	-	-	-	2,499
Discoverly Six	Development	Rockville, MD	-	-	-	2,471
Discoverly Five	Development	Rockville, MD	-	-	-	1,788
Discoverly Four	Development	Rockville, MD	-	-	-	1,770
Virginia Master Plan	Development	Springfield, VA	-	-	-	1,632
Seven Cambridge Center	Development	Cambridge, MA	-	-	-	819
Maryland Master Plan	Development	Springfield, VA	-	-	-	506
			-----	-----	-----	-----
			\$ 2,955,584	\$947,233	\$3,735,325	\$ 891,163
			=====	=====	=====	=====

Property Name	Land and Improvements	Building and Improvements	Development and Construction in Progress	Total	Accumulated Depreciation
6201 Columbia Park Road, Building Two	960	3,484	-	4,444	1,515
38 Cabot Boulevard	329	3,775	-	4,104	2,495
40-46 Harvard Street	351	3,109	-	3,460	2,980
2000 South Club Drive, Building Three	859	2,471	-	3,330	917
25-33 Dartmouth Street	273	2,091	-	2,364	1,454
1950 Stanford Court, Building One	350	1,743	-	2,093	593
2391 West Winton Avenue	182	1,823	-	2,005	1,036
430 Rozzi Place	48	697	-	745	328
560 Forbes Boulevard	24	336	-	360	159
Cambridge Center Marriott	478	45,153	-	45,631	13,950
Long Wharf Marriott	1,752	40,722	-	42,474	17,784
Residence Inn by Marriott	847	27,371	-	28,218	601
Cambridge Center North Garage	1,163	11,730	-	12,893	3,018
Times Square	-	-	186,996	186,996	-
140 Kendrick Street	-	-	33,256	33,256	-
Tower Oaks	-	-	28,906	28,906	-
Orbital Sciences	-	-	19,715	19,715	-
New Dominion Tech Park	-	-	18,537	18,537	-
Washingtonian North	-	-	16,571	16,571	-
Stony Brook	-	-	10,066	10,066	-
Broad Run Business Park	-	-	5,883	5,883	-
12050 Sunset Hills Road	-	106	5,338	5,444	-
Discoverly Seven	-	-	5,264	5,264	-
12280 Sunrise Valley Drive	-	-	3,850	3,850	-
Cambridge Master Plan	-	-	2,876	2,876	-
Andover Tech Center	-	-	2,499	2,499	-
Discoverly Six	-	-	2,471	2,471	-
Discoverly Five	-	-	1,788	1,788	-
Discoverly Four	-	-	1,770	1,770	-
Virginia Master Plan	-	175	1,457	1,632	175
Seven Cambridge Center	-	-	819	819	-
Maryland Master Plan	464	-	42	506	-
	-----	-----	-----	-----	-----
	\$ 956,222	\$ 4,149,667	\$ 467,832	\$5,573,721	\$ 445,138
	=====	=====	=====	=====	=====

Property Name	Year(s) Built/ Renovated	Depreciable Lives (Years)
6201 Columbia Park Road, Building Two	1986	(1)
38 Cabot Boulevard	1972/1984	(1)
40-46 Harvard Street	1967/1996	(1)
2000 South Club Drive, Building Three	1988	(1)
25-33 Dartmouth Street	1966/1996	(1)
1950 Stanford Court, Building One	1986	(1)
2391 West Winton Avenue	1974	(1)
430 Rozzi Place	early 1970's	(1)
560 Forbes Boulevard	early 1970's	(1)
Cambridge Center Marriott	1986	(1)
Long Wharf Marriott	1982	(1)
Residence Inn by Marriott	1999	(1)
Cambridge Center North Garage	1990	(1)
Times Square	Various	N/A
140 Kendrick Street	Various	N/A
Tower Oaks	Various	N/A
Orbital Sciences	Various	N/A
New Dominion Tech Park	Various	N/A
Washingtonian North	Various	N/A
Stony Brook	Various	N/A
Broad Run Business Park	Various	N/A
12050 Sunset Hills Road	Various	N/A
Discoverly Seven	Various	N/A
12280 Sunrise Valley Drive	Various	N/A
Cambridge Master Plan	Various	N/A
Andover Tech Center	Various	N/A
Discoverly Six	Various	N/A
Discoverly Five	Various	N/A
Discoverly Four	Various	N/A
Virginia Master Plan	Various	N/A
Seven Cambridge Center	Various	N/A
Maryland Master Plan	Various	N/A

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

(2) The aggregate cost and accumulated depreciation for tax purposes was approximately \$4,300,000 and \$543,000, respectively.

Boston Properties, Inc.
Real Estate and Accumulated Depreciation
December 31, 1999
(dollars in thousands)

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

	1999 -----	1998 -----	1997 -----
Real Estate:			
Balance at the beginning of the year	\$4,881,483	\$1,754,780	\$1,001,537
Additions to and improvements of real estate	694,033	3,129,121	754,185
Write-off of fully depreciated assets	(1,795)	(2,418)	(942)
Balance at the end of the year	----- \$5,573,721 =====	----- \$4,881,483 =====	----- \$1,754,780 =====
Accumulated Depreciation:			
Balance at the beginning of the year	\$ 336,165	\$ 266,987	\$ 238,469
Depreciation expense	110,768	71,596	29,460
Write-off of fully depreciated assets	(1,795)	(2,418)	(942)
Balance at the end of the year	----- \$ 445,138 =====	----- \$ 336,165 =====	----- \$ 266,987 =====

AMENDMENT NO. 1 TO AMENDED AND RESTATED BY-LAWS
OF
BOSTON PROPERTIES, INC.

Pursuant to a vote of the Board of Directors of Boston Properties, Inc., adopted at a meeting held on January 24, 2000, Section 2.6 of Article II of the Amended and Restated By-laws of Boston Properties, Inc. is hereby deleted in its entirety and replaced with the following:

"2.6 Voting and Proxies. Stock holders shall have one vote for each share of stock entitled to vote owned by them of record according to the stock transfer books of the Corporation, unless otherwise provided by law or by the Certificate. Stockholders may vote either (i) in person, (ii) by written proxy or (iii) by an electronic transmission permitted by (s)212(c) of the Delaware General Corporation Law ("DGCL"). No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission permitted by (s)212(c) of the DGCL may be substituted for or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission. Proxies shall be filed in accordance with the procedures established for the meeting of stockholders. Except as otherwise limited therein or as otherwise provided by law, proxies authorizing a person to vote at a specific meeting shall entitle the persons authorized thereby to vote at any adjournment of such meeting, but they shall not be valid after final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by or on behalf of any one of them unless at or prior to the exercise of the proxy the Corporation receives a specific written notice to the contrary from any one of them. A proxy purporting to be executed by or on behalf of a stockholder shall be deemed valid, and the burden of proving invalidity shall rest on the challenger."

Adopted and effective as of January 24, 2000

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, 333-70765, 333-80513, 333-81355, 333-83859, 333-83861, 333-83863, 333-83867, 333-83869, 333-86585, and 333-91425) and on Forms S-8 (File Numbers 333-52845 and 333-70321) of our report dated January 26, 2000, except for Note 20, for which the date is March 1, 2000, on our audits of the consolidated financial statements of Boston Properties, Inc. as of December 31, 1999 and 1998, and for the years ended December 31, 1999 and 1998 and the period from June 23, 1997 to December 31, 1997 and our audit of the combined financial statements of the Boston Properties Predecessor Group for the period from January 1, 1997 to June 22, 1997, which is included in the Annual Report on Form 10-K filed on March 24, 2000.

March 24, 2000

YEAR			
	DEC-31-1999		
	JAN-01-1999		
	DEC-31-1999		
		12,035	
		0	
		28,362	
		3,254	
		0	
		0	
		5,612,258	
		120,059	
		5,434,772	
		0	
		0	0
		100,000	
		679	
3,495,246		1,056,885	
		765,417	
		786,564	0
		0	
		0	
		0	
		205,410	
		0	
		0	
		113,309	
		6,467	
		(5,829)	
		0	
		113,947	
		1.72	
		1.71	