

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-13087

BOSTON PROPERTIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

04-2473675
(IRS EMPLOYER ID. NUMBER)

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

8 ARLINGTON STREET BOSTON,
MASSACHUSETTS
(ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES)

02116
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (617) 859-2600

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 the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

COMMON STOCK, PAR VALUE \$.01
(CLASS)

63,516,785
(OUTSTANDING ON AUGUST 14, 1998)

BOSTON PROPERTIES, INC.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 1998

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BOSTON PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS

	JUNE 30, 1998	DECEMBER 31, 1997
	-----	-----
	(UNAUDITED)	
	(IN THOUSANDS)	
ASSETS		

Real estate:	\$2,675,418	\$1,796,500
Less: accumulated depreciation.....	(319,414)	(294,218)
	-----	-----
Total real estate.....	2,356,004	1,502,282
Cash and cash equivalents.....	108,962	17,560
Escrows.....	17,833	14,178
Tenant and other receivables, net.....	24,767	24,458
Accrued rental income, net.....	62,773	55,190
Deferred charges, net.....	36,949	35,485
Prepaid expenses and other assets.....	22,921	20,225
Investment in joint ventures.....	7,674	3,143
	-----	-----
Total assets.....	\$2,637,883	\$1,672,521
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

Liabilities:		
Mortgage notes payable.....	\$1,327,575	\$1,099,253
Unsecured line of credit.....	--	233,000
Accounts payable and accrued expenses.....	62,120	23,822
Dividends payable.....	--	22,539
Accrued interest payable.....	3,276	6,581
Other liabilities.....	17,395	11,642
	-----	-----
Total liabilities.....	1,410,366	1,396,837
	-----	-----
Commitments and contingencies.....	--	--
	-----	-----
Minority interest in Operating Partnership.....	352,790	100,636
	-----	-----
Stockholders' equity:		
Preferred stock, \$.01 par value, 50,000,000 shares authorized, none issued or outstanding.....	--	--
Excess stock, \$.01 par value, 150,000,000 shares authorized, none issued or outstanding.....	--	--
Common stock, \$.01 par value, 250,000,000 shares authorized, 61,694,041 issued and outstanding.....	617	387
Additional paid-in capital.....	847,090	172,347
Earnings in excess of dividends.....	27,020	2,314
	-----	-----
Total stockholders' equity.....	874,727	175,048
	-----	-----
Total liabilities and stockholders' equity.....	\$2,637,883	\$1,672,521
	=====	=====

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

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

	THE COMPANY	PERIOD FROM JUNE 23, 1997 TO JUNE 30, 1997	THE PREDECESSOR GROUP PERIOD FROM JANUARY 1, 1997 TO JUNE 22, 1997
SIX MONTHS ENDED JUNE 30, 1998	JUNE 30, 1997	JUNE 30, 1997	JUNE 22, 1997
(UNAUDITED AND IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Revenue			
Rental:			
Base rent.....	\$167,075	\$ 4,459	\$ 80,122
Recoveries from tenants.....	19,362	487	10,283
Parking and other.....	2,706	55	3,397
	-----	-----	-----
Total rental revenue.....	189,143	5,001	93,802
Hotel operating.....	--	--	31,185
Development and management services.....	6,159	116	3,685
Interest and other.....	8,341	246	1,146
	-----	-----	-----
Total revenue.....	203,643	5,363	129,818
	-----	-----	-----
Expenses			
Rental:			
Operating.....	26,793	757	13,650
Real estate taxes.....	27,140	613	13,382
Hotel:			
Operating.....	--	--	20,938
Real estate taxes.....	--	--	1,514
General and administrative.....	10,621	247	5,116
Interest.....	48,743	1,371	53,324
Depreciation and amortization...	29,689	846	17,054
	-----	-----	-----
Total expenses.....	142,986	3,834	124,978
	-----	-----	-----
Income before minority interests..	60,657	1,529	4,840
Minority interest in property partnership.....	(229)	(9)	(235)
	-----	-----	-----
Income before minority interest in Operating Partnership.....	60,428	1,520	4,605
Minority interest in Operating Partnership.....	(14,440)	(446)	--
	-----	-----	-----
Income before extraordinary gain..	45,988	1,074	4,605
Extraordinary gain on early debt extinguishments, net.....	3,564	7,983	--
	-----	-----	-----
Net income.....	\$ 49,552	\$ 9,057	\$ 4,605
	=====	=====	=====
Basic earnings per share:			
Income before extraordinary gain.....	\$ 0.79	\$ 0.03	--
Extraordinary gain, net.....	0.06	0.20	--
	-----	-----	-----
Net income.....	\$ 0.85	\$ 0.23	--
	=====	=====	-----
Weighted average number of common shares outstanding.....			
	58,009	38,694	--
	=====	=====	-----
Diluted earnings per share:			
Income before extraordinary gain.....	\$ 0.79	\$ 0.03	--
Extraordinary gain, net.....	0.06	0.20	--
	-----	-----	-----
Net income.....	\$ 0.85	\$ 0.23	--
	=====	=====	-----
Weighted average number of common			

shares outstanding.....	58,613	38,831	--
	=====	=====	

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	PERIOD FROM JUNE 23, 1997 TO JUNE 30, 1997	THE PREDECESSOR GROUP PERIOD FROM APRIL 1, 1997 TO JUNE 22, 1997
	THREE MONTHS ENDED JUNE 30, 1998		
	(UNAUDITED AND IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Revenue			
Rental:			
Base rent.....	\$ 87,806	\$ 4,459	\$38,211
Recoveries from tenants.....	9,805	487	4,781
Parking and other.....	1,595	55	2,408
	-----	-----	-----
Total rental revenue.....	99,206	5,001	45,400
Hotel operating.....	--	--	18,389
Development and management services.....	4,383	116	1,872
Interest and other.....	4,452	246	702
	-----	-----	-----
Total revenue.....	108,041	5,363	66,363
	-----	-----	-----
Expenses			
Rental:			
Operating.....	13,794	757	6,542
Real estate taxes.....	13,609	613	6,485
Hotel:			
Operating.....	--	--	11,661
Real estate taxes.....	--	--	790
General and administrative.....	5,800	247	2,449
Interest.....	23,814	1,371	25,605
Depreciation and amortization.....	16,594	846	8,213
	-----	-----	-----
Total expenses.....	73,611	3,834	61,745
	-----	-----	-----
Income before minority interests....	34,430	1,529	4,618
Minority interest in property partnership.....	(106)	(9)	(109)
	-----	-----	-----
Income before minority interest in Operating Partnership.....	34,324	1,520	4,509
Minority interest in Operating Partnership.....	(7,967)	(446)	--
	-----	-----	-----
Income before extraordinary gain....	26,357	1,074	4,509
Extraordinary gain on early debt extinguishments, net.....	3,564	7,983	--
	-----	-----	-----
Net income.....	\$ 29,921	\$ 9,057	\$ 4,509
	=====	=====	=====
Basic earnings per share:			
Income before extraordinary gain...	\$ 0.42	\$ 0.03	--
Extraordinary gain, net.....	0.06	0.20	--
	-----	-----	-----
Net income.....	\$ 0.48	\$ 0.23	--
	=====	=====	-----
Weighted average number of common shares outstanding.....	61,694	38,694	--
	=====	=====	-----
Diluted earnings per share:			
Income before extraordinary gain...	\$ 0.42	\$ 0.03	--
Extraordinary gain, net.....	0.06	0.20	--
	-----	-----	-----
Net income.....	\$ 0.48	\$ 0.23	--
	=====	=====	-----
Weighted average number of common shares outstanding.....	62,284	38,831	--

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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 GROUP	
	SIX MONTHS ENDED JUNE 30, 1998	PERIOD FROM JUNE 23, 1997 TO JUNE 30, 1997	PERIOD FROM JANUARY 1, 1997 TO JUNE 22, 1997
	(UNAUDITED AND IN THOUSANDS)		
Cash flows from operating activities:			
Net income.....	\$ 49,552	\$ 9,057	\$ 4,605
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	29,689	846	17,054
Non-cash portion of interest expense.....	211	41	1,497
Extraordinary gain on early debt extinguishment.....	(4,641)	(11,298)	--
Minority interest in Operating Partnership.....	15,518	3,765	--
Change in assets and liabilities:			
Tenant and other receivables... Prepaid expenses and other assets.....	(309)	5,994	(7,114)
Escrows.....	(2,696)	(2,337)	(1,494)
Accrued rental income.....	(3,655)	--	--
Accounts payable and accrued expenses.....	(7,583)	(1)	(291)
Accrued interest payable.....	38,298	7,698	5,220
Other liabilities.....	(3,305)	(10,630)	2,021
	5,753	1,099	3,728
Total adjustments.....	67,280	(4,823)	20,621
Net cash provided by operating activities.....	116,832	4,234	25,226
Cash flows from investing activities:			
Acquisitions/additions to real estate.....	(543,430)	(24,936)	(27,721)
Tenant leasing costs.....	(6,087)	--	(2,550)
Investment in joint ventures...	(4,531)	--	(2,573)
Cash from contributed assets...	--	10,510	--
Net cash used in investing activities.....	(554,048)	(14,426)	(32,844)
Cash flows from financing activities:			
Net proceeds from sale of common stock.....	765,563	839,209	--
Owners' contributions.....	--	--	9,330
Owners' distributions.....	--	--	(30,565)
Repayment of Unsecured Line of Credit.....	(233,000)	--	--
Repayment of long term debt...	(142,327)	--	--
Proceeds from long term debt...	197,800	54,000	--
Repayments on mortgage notes...	(4,641)	(659,291)	(3,799)
Accounts payable--affiliate....	--	(13,519)	17,619
Proceeds from notes payable--affiliate.....	--	(28,843)	16,716
Dividends and distributions paid.....	(54,777)	--	--
Escrows.....	--	(31,966)	(136)
Deferred financing and other costs.....	--	(12,713)	(35)

Net cash provided by financing activities.....	528,618	146,877	9,130
Net increase in cash.....	91,402	136,685	1,512
Cash and cash equivalents, beginning of period.....	17,560	--	8,998
Cash and cash equivalents, end of period.....	\$ 108,962	\$ 136,685	\$ 10,510
Supplemental disclosures:			
Cash paid for interest.....	\$ 50,930	\$ 11,895	\$ 50,917
Interest capitalized.....	\$ 1,986	\$ 38	\$ 1,111
Non-cash activities:			
Operating activity:			
Non-cash portion of interest expense.....	\$ 211	\$ 41	\$ 1,497
Investing and Financing activities:			
Fair value of mortgage notes payable assumed in connection with acquisitions.....	\$ 118,251	--	--
Issuance of minority interest in connection with acquisitions	\$ 153,438	--	--

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

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(UNAUDITED)

1. ORGANIZATION

Boston Properties, Inc. was formed under the laws of the State of Delaware, to be 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 June 30, 1998, owned an approximately 76.43% general and limited partnership interest in the Operating Partnership. All references to the Company refer to Boston Properties, Inc. and its subsidiaries, including the Operating Partnership, collectively, unless the context otherwise requires.

The Company has been formed to succeed to substantially all of the interests of Boston Properties, Inc., a Massachusetts corporation, and its affiliates (the "Predecessor Group") in (i) a portfolio of office, industrial and hotel properties and (ii) the acquisition, property management, leasing, development and construction businesses of the Predecessor Group and its affiliates. The acquisition, property management, leasing, development and construction businesses are being carried out by the Operating Partnership and the Company's majority-owned affiliate, Boston Properties Management, Inc.

On June 23, 1997, the Company commenced operations after completing an initial public offering of 36,110,000 common shares (including 4,710,000 shares issued as a result of the exercise of an over-allotment option by the underwriters). The 36,110,000 shares of common stock were issued at a price per share of \$25.00, generating gross proceeds of \$902.8 million. The proceeds to the Company, net of underwriters' discount and offering costs, were approximately \$839.2 million.

On January 26, 1998, the Company completed a follow-on public offering of 23,000,000 common shares at a price of \$35.125 per share (including 3,000,000 shares issued as a result of the exercise of an over-allotment option by the underwriters). The proceeds to the Company, net of underwriters' discount and offering costs were approximately \$765.6 million.

As of June 30, 1998, the Company owned a portfolio of 108 commercial real estate properties (82 properties at December 31, 1997) (the "Properties") aggregating over 20 million square feet (including ten properties currently under development). The Properties consist of 95 office properties, including 64 Class A office properties and 31 Research and Development properties; nine industrial properties; three hotels; and one parking garage. The Company considers Class A office properties to be centrally located buildings that are professionally managed and maintained, attract high-quality tenants and command upper-tier rental rates, and that are modern structures or have been modernized to compete with newer buildings.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company include all the accounts of the Company, its majority-owned Operating Partnership, and its subsidiaries. The financial statements reflect the properties acquired at their historical accounting basis to the extent of the acquisition of interests from the Predecessor's owners who continued as investors. The remaining interests acquired for cash from those owners of the Predecessor 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; therefore, its combined financial statements are presented for comparative purposes. All significant intercompany balances and transactions have been eliminated. These financial statements should be read in conjunction with the Company's financial statements and notes thereto contained in the Company's annual report on Form 10-K for its fiscal year ended December 31, 1997.

The accompanying interim financial statements are unaudited; however, the financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in

BOSTON PROPERTIES, INC. AND
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(UNAUDITED)

conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements for these interim periods have been included. The results of operations for the interim periods are not necessarily indicative of the results to be obtained for other interim periods or for the full fiscal year.

3. NEWLY ISSUED ACCOUNTING STANDARDS

Financial Accounting Standards Board Statement No. 133 ("FAS 133") "Accounting for Derivative Instruments and Hedging Activities" is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999, although earlier application is encouraged. FAS 133 established standards related to the Company's financial risks associated with its activity as it relates to financial activities with respect to derivative instruments and hedging. The Company currently does not engage in and has no plans to engage in the practice of using financial derivative instruments and hedging activities. The Company does not believe that the implementation of FAS 133 will have a material impact on the Company's financial position or results of operations.

4. REAL ESTATE ACQUISITIONS DURING THE QUARTER ENDED JUNE 30, 1998

On April 1, 1998, the Company acquired a parcel of land in Reston, Virginia for cash of approximately \$2.6 million that is currently under development and will support an approximately 96,000 square foot Class A office property.

On April 2, 1998, the Company acquired six parcels of land in Dulles, Virginia consisting of approximately 91.1 improved acres for approximately \$5.4 million in cash that can support approximately 1.2 million square feet of development.

On May 28, 1998, the Company acquired approximately 84.2 acres of land in Rockville, Maryland known as Tower Oaks for approximately \$24.5 million. The acquisition was funded through the issuance of 592,916 units of limited partnership interest in the Operating Partnership ("OP Units") valued at approximately \$20.4 million and cash of approximately \$4.1 million. At anytime after May 29, 1999, each unit may be redeemed for either one share of common stock, or, at the option of the Company, cash equal to the fair market value of a share of common stock at the time of redemption. The land can support approximately 1.1 million square feet of development. The Company is currently developing one parcel into an approximately 185,000 square foot Class A office property.

On June 1, 1998, the Company acquired Decoverly III for cash of approximately \$11.1 million. Decoverly III is a 77,040 square foot, Class A office property located in Rockville, Maryland.

On June 16, 1998, the Company acquired 7450 Boston Boulevard for cash of approximately \$5.8 million. 7450 Boston Boulevard is a 60,537 square foot, Class A office property located in Springfield, Virginia.

On June 25, 1998, the Company acquired University Place for cash of approximately \$37.0 million. University Place is a 196,007 square foot, Class A office property located in Cambridge, Massachusetts.

On June 30, 1998, the Company acquired a portfolio of properties known as the Carnegie Center Portfolio and Tower Center One for approximately \$276.0 million. The portfolio consists of nine Class A office properties with approximately 1.3 million net rentable square feet located in Princeton and East Brunswick, New Jersey. The acquisition was funded through the assumption of debt of approximately \$64.4 million, the issuance of 2,442,222 preferred units of limited partnership (the "Preferred Units") in the Operating Partnership with a liquidation preference of \$34.0 per unit and an aggregate value of \$83.0 million, and cash of \$128.6 million. The

BOSTON PROPERTIES, INC. AND
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 (UNAUDITED)

Preferred Units bear a preferred distribution of 7.25% per annum and are convertible into common OP Units at a rate of \$38.25 per Preferred Unit. At anytime after July 10, 1999, any common OP Units issued upon conversion of such Preferred Units may be redeemed for either one share of common stock, or at the option of the Company, cash equal to the fair market value of a share of common stock at the time of redemption.

5. MORTGAGE NOTES PAYABLE

During the quarter, the Company repaid \$30.0 million of its \$180.0 million mortgage note payable related to 875 Third Avenue.

As a result of the acquisition of the Mulligan/Griffin portfolio, the Company repaid the total amounts outstanding under the related mortgages (approximately \$112.0 million). The prepayment resulted in a extraordinary gain of \$4.6 million. Additionally, the Company received proceeds in the amount of \$76.0 million on new financing secured by certain of the Mulligan/Griffin properties. The debt is comprised of three separate loans at fixed interest rates ranging from 6.51% to 6.61%. The new debt matures on May 1 and June 1, 2008, respectively.

6. MINORITY INTEREST IN OPERATING PARTNERSHIP

Minority interest in the Operating Partnership relates to the interest in the Operating Partnership that is not owned by the Company, which at June 30, 1998, amounted to approximately 23.57%.

7. STOCK OPTION AND INCENTIVE PLAN

As of June 30, 1998, the Company has outstanding options with respect to 6,227,470 common shares. An additional 1,384,198 common shares were reserved for issuance under the Company's stock option and incentive plan.

8. EARNINGS PER SHARE

FOR THE QUARTER ENDED JUNE 30, 1998

	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
--	-----------------------	-------------------------	---------------------

Basic Earnings Per Share:

Income available to common shareholders.....	\$29,921	61,694	\$0.48
--	----------	--------	--------

Effective of Dilutive Securities:

Stock Options.....	--	590	--
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Diluted Earnings Per Share:

Income available to common shareholders.....	\$29,921	62,284	\$0.48
	=====	=====	=====

9. UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The accompanying unaudited pro forma information for the three month and six month periods ended June 30, 1998 is presented as if the initial offering discussed in Note 1 had occurred on January 1, 1997. The pro forma information does not reflect adjustments related to the follow-on offering or new property acquisitions. This pro forma information is based upon the historical consolidated financial statements of the Company and the Predecessor Group and should be read in conjunction with the consolidated and combined financial statements and the notes thereto.

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 BOSTON PROPERTIES PREDECESSOR GROUP
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 (UNAUDITED)

This unaudited pro forma condensed information does not purport to represent what the actual results of operations, nor do they purport to predict the results of operations of future periods.

	THREE MONTHS ENDED 6/30/98 (ACTUAL)	THREE MONTHS ENDED 6/30/97 (PRO FORMA)	SIX MONTHS ENDED 6/30/98 (ACTUAL)	SIX MONTHS ENDED 6/30/97 (PRO FORMA)

(UNAUDITED)				
(IN THOUSANDS EXCEPT PER SHARE DATA)				
Total revenue.....	\$108,041	\$60,635	\$203,643	\$114,831
Net income.....	\$ 29,921	\$13,479	\$ 49,552	\$ 22,619
Basic earnings per share of common stock.....	\$ 0.48	\$ 0.35	\$ 0.85	\$.58
Weighted average number of shares of common stock outstanding.....	61,694	38,694	58,009	38,694

10. SUBSEQUENT EVENTS

On July 2, 1998, the Company acquired The Prudential Center, located in Boston, Massachusetts. The complex, consisting of two Class A office towers totaling approximately 1.7 million square feet, and a retail complex totaling approximately 475,000 square feet, was acquired for approximately \$519.0 million. Additionally, the Company paid \$27.0 million for a 50% interest in the rights to develop certain portions of The Prudential Center.

On July 2, 1998, the Company sold 1,675,846 shares of common stock to Strategic Value Investors II for an aggregate value of approximately \$55.5 million.

On July 10, 1998, the Company acquired Metropolitan Square, a 596,543 square foot, Class A office property in Washington, D.C. for approximately \$175.0 million.

On July 21, 1997, the Company acquired The Candler Building, a 550,183 square foot, Class A office property in Baltimore, Maryland for approximately \$63.0 million.

BOSTON PROPERTIES, INC. AND
BOSTON PROPERTIES PREDECESSOR GROUP

ITEM 2--MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report.

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations include certain forward-looking statements about the Company's business, revenues, expenditures and operating and capital requirements. In addition, forward-looking statements may be included in various other Company documents to be issued in the future and in various oral statements by Company representatives to security analysts and investors from time to time. Any such statements are subject to risks that could cause the actual results to vary materially. The risks and uncertainties associated with the forward-looking information include the strength of the commercial office and industrial real estate markets in which the Company operates, competitive market conditions, general economic growth, interest rates and capital market conditions. The Company discusses such risks in detail in its prospectus dated January 26, 1998 as filed with the Securities and Exchange Commission.

Results of Operations

COMPARISON OF SIX MONTHS ENDED JUNE 30, 1998 TO THE SIX MONTHS ENDED JUNE 30, 1997

For discussion purposes, the results of operations for the six months ended June 30, 1998 represent solely the operating results of the Company. The results of operations for the six months ended June 30, 1997 combine the operating results of the Boston Properties Predecessor Group for the period from January 1, 1997 to June 22, 1997 and the operating results of the Company for the period from June 23, 1997 to June 30, 1997. Consequently, the comparison of the periods provides only limited information regarding the operations of the Company.

Rental revenue increased \$90.3 million or 91.4% to \$189.1 million from \$98.8 million for the six months ended June 30, 1998 compared to the six months ended June 30, 1997. The increase is primarily due to rental revenue earned totaling approximately \$73.3 million on the properties acquired since the initial offering and from the participating leases to operate the hotels.

Hotel Operating revenue decreased \$31.2 million or 100.0% to \$0.0 from \$31.2 million for the six months ended June 30, 1998 compared to the six months ended June 30, 1997. Hotel revenue for the six months ended June 30, 1998 does not include any revenue as a result of the Operating Partnership entering into participating leases to operate the hotels.

Development and Management Services revenue increased \$2.4 million or 62.0% to \$6.2 million from \$3.8 million for the six months ended June 30, 1998 compared to the six months ended June 30, 1997 primarily as a result of leasing commissions of \$2.1 million earned on properties managed for a third party.

Interest and Other revenue increased \$6.9 million or 499.2% to \$8.3 million from \$1.4 million for the six months ended June 30, 1998 compared to the six months ended June 30, 1997 due to interest income earned on the proceeds from the follow-on offering.

Rental expenses increased \$25.5 million or 89.9% to \$53.9 million from \$28.4 million for the six months ended June 30, 1998 compared to the six months ended June 30, 1997 primarily as a result of approximately \$22.4 million of expenses related to property acquisitions.

Hotel expenses decreased \$22.5 million or 100.0% to \$0.0 from \$22.5 million for the six months ended June 30, 1998 compared to the six months ended June 30, 1997. There were no expenses during the six months ended June 30, 1998 as a result of the participating leases.

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General and Administrative expenses increased \$5.3 million or 98.0% to \$10.6 million from \$5.4 million for the six months ended June 30, 1998 compared to the six months ended June 30, 1997 primarily as a result of increased payroll costs associated with property acquisitions and costs associated with being a public company.

Interest expense decreased \$6.0 million or 10.9% to \$48.7 million from \$54.7 million for the six months ended June 30, 1998 compared to the six months ended June 30, 1997. This was a result of the payoff of certain mortgage indebtedness totaling approximately \$707.0 million with the proceeds from the initial offering offset by increases in mortgage indebtedness from property acquisitions resulting in approximately \$22.9 million of interest expense.

Depreciation and Amortization expense increased \$11.8 million or 65.9% to \$29.7 million from \$17.9 million for the six months ended June 30, 1998 compared to the six months ended June 30, 1997. This was primarily attributed to approximately \$10.2 million of depreciation expense related to property acquisitions since the initial offering.

As a result of the foregoing, income before minority interests increased \$54.3 million to \$60.7 million from \$6.4 million for the six months ended June 30, 1998 compared to the six months ended June 30, 1997.

COMPARISON OF THREE MONTHS ENDED JUNE 30, 1998 TO THE THREE MONTHS ENDED JUNE 30, 1997

For discussion purposes, the results of operations for the three months ended June 30, 1998 represent solely the operating results of the Company. The results of operations for the three months ended June 30, 1997 combine the operating results of the Boston Properties Predecessor Group for the period from April 1, 1997 to June 22, 1997 and the operating results of the Company for the period from June 23, 1997 to June 30, 1997. Consequently, the comparison of the periods provides only limited information regarding the operations of the Company.

Rental revenue increased \$48.8 million or 96.8% to \$99.2 million from \$50.4 million for the three months ended June 30, 1998 compared to the three months ended June 30, 1997. The increase is primarily due to rental revenue of approximately \$39.1 million earned on the properties acquired since the initial offering and from the participating leases to operate the hotels.

Hotel Operating revenue decreased \$18.4 million or 100.0% to \$0.0 from \$18.4 million for the three months ended June 30, 1998 compared to the three months ended June 30, 1997. Hotel revenue for the three months ended June 30, 1998 does not include any revenue as a result of the Operating Partnership entering into participating leases to operate the hotels.

Development and Management Services revenue increased \$2.4 million or 120.5% to \$4.4 million from \$2.0 million for the three months ended June 30, 1998 compared to the three months ended June 30, 1997 primarily as a result of leasing commissions of \$2.1 million earned on properties managed for a third party.

Interest and Other revenue increased \$3.5 million or 369.6% to \$4.5 million from \$0.9 million for the three months ended June 30, 1998 compared to the three months ended June 30, 1997 due to interest income earned on the proceeds from the follow-on offering.

Rental expenses increased \$13.0 million or 90.3% to \$27.4 million from \$14.4 million for the three months ended June 30, 1998 compared to the three months ended June 30, 1997 primarily due to rental expenses of approximately \$11.6 million incurred as a result of property acquisitions.

Hotel expenses decreased \$12.5 million or 100.0% to \$0.0 from \$12.5 million for the three months ended June 30, 1998 compared to the three months ended June 30, 1997. There were no expenses during the three months ended June 30, 1998 as a result of the participating leases.

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General and Administrative expenses increased \$3.1 million or 115.1% to \$5.8 million from \$2.7 million for the three months ended June 30, 1998 compared to the three months ended June 30, 1997 primarily as a result of increased payroll costs associated with property acquisitions and costs associated with being a public company.

Interest expense decreased \$3.2 million or 11.7% to \$23.8 million from \$27.0 million for the three months ended June 30, 1998 compared to the three months ended June 30, 1997. This was a result of the payoff of certain mortgage indebtedness totaling approximately \$707.0 million with the proceeds from the initial offering offset by increases in mortgage indebtedness from property acquisitions resulting in approximately \$11.3 million of interest expense.

Depreciation and Amortization expense increased \$7.5 million or 83.2% to \$16.6 million from \$9.1 million for the three months ended June 30, 1998 compared to the three months ended June 30, 1997. This was primarily attributed to depreciation expense of \$5.6 million related to property acquisitions since the initial offering.

As a result of the foregoing, income before minority interests increased \$28.3 million to \$34.4 million from \$6.1 million for the three months ended June 30, 1998 compared to the three months ended June 30, 1997.

Liquidity and Capital Resources

The Company's consolidated indebtedness at June 30, 1998 was \$1.3 billion at a weighted average interest rate of 7.4%. Based on the Company's total debt and equity market capitalization at June 30, 1998 of approximately \$4.2 billion, the Company's consolidated debt represents approximately 32.0% of its total debt and equity market capitalization.

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The following represents the outstanding principal balances due under the first mortgages at June 30, 1998:

PROPERTIES	INTEREST RATE	PRINCIPAL	MATURITY DATE

(IN THOUSANDS)			
599 Lexington Avenue	7.00%	\$ 225,000	July 19, 2005(1)
280 Park Avenue	7.00	220,000	September 11, 2002(2)
875 Third Avenue	8.00	155,067	December 31, 2002(3)
Two Independence Square	8.09	121,148	February 27, 2003(4)
Riverfront Plaza	6.61	120,992	January 21, 2008
One Independence Square	8.12	77,186	August 21, 2001(4)
2300 N Street	6.88	66,000	August 3, 2003
Capital Gallery	8.24	59,541	August 15, 2006
Ten Cambridge Center & North Garage	7.57	40,000	March 29, 2000
10 & 20 Burlington Mall Road	8.33	37,000	October 1, 2001(5)
The Lockheed Martin Building	6.61	27,462	June 1, 2008(6)
Reston Town Center Office Complex	6.56	25,932	May 1, 2008(6)
191 Spring Street	8.50	23,544	September 1, 2006
Bedford Business Park	8.50	22,881	December 10, 2008
The National Imagery & Mapping Agency Bldg.	6.51	22,468	June 1, 2008(6)
212 Carnegie Center	7.25	21,166	December 31, 2000(7)
202 Carnegie Center	7.25	19,686	December 31, 2000(7)
214 Carnegie Center	8.17	13,925	October 31, 2000(7), (8)
101 Carnegie Center	7.66	9,027	April 1, 2006(7)
Montvale Center	8.59	7,845	December 1, 2006
Newport Office Park	8.13	6,629	July 1, 2001
Hilltop Business Center	LIBOR + 1.50	4,500	December 15, 1998
201 Carnegie Center	7.08	576	February 1, 2010(7)

Total		\$1,327,575	
		=====	

-
- (1) At maturity the lender has the option to purchase a 33.33% interest in this Property in exchange for the cancellation of the loan indebtedness.
 - (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 has been adjusted to reflect the fair value of the note. The actual principal balance at June 30, 1998 was \$150,000 and the interest rate was 8.75%. During the three months ended June 30, 1998, the Company made a \$30,000 principal payment on this loan.
 - (4) The principal amount and interest rate shown has been adjusted to reflect the effective rates on the loans. The actual principal balances at June 30, 1998 were \$120,594 and \$76,938, respectively. The actual interest rates on the loans are 8.50%.
 - (5) Includes outstanding indebtedness secured by 91 Hartwell Avenue and 92 & 100 Hayden Avenue.
 - (6) These mortgage loans were partially repaid as part of the refinancing with a new lender during the quarter ended June 30, 1998.
 - (7) These mortgage loans were assumed by the Company through the acquisition of the Carnegie Center Portfolio.
 - (8) The interest rate shown has been adjusted to reflect the effective rates on the loans. The actual interest rate on the loans range from 7.90% to 8.40%.

BOSTON PROPERTIES, INC. AND
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Net cash provided by operating activities increased \$87.4 million to \$116.8 million for the six months ended June 30, 1998, when compared to the same period in 1997. The increase was primarily due to revenues received during the quarter ended June 30, 1998 from the properties acquired subsequent to June 30, 1997, as well as interest reductions as a result of the payoff of certain mortgage loans in connection with the initial public offering. This was offset by an increase in depreciation as a result of the property acquisitions. Net cash used in investing activities was \$554.0 million for the six months ended June 30, 1998 which resulted from property acquisitions during the period.

Net cash provided by financing activities for the six months ended June 30, 1998 was \$528.6 million, primarily as a result of proceeds received from the follow-on offering completed during January 1998. This was offset by repayments on the Unsecured Line of Credit as well as certain mortgage loans, in addition to proceeds received on new mortgage financing. Dividends paid during the six months also offset the proceeds from the follow-on offering.

The Company expects to meet its short-term liquidity requirements generally through its initial working capital and net cash provided by operations. The Company's operating properties and hotels require periodic investments of capital for tenant-related capital expenditures and for general capital improvements. For the three months ended June 30, 1998, the Company's recurring capital expenditures totaled \$796.

The Company expects to meet its long-term requirements for the funding of property development, property acquisitions and other non-recurring capital improvements through long-term secured and unsecured indebtedness (including the Unsecured Line of Credit) and the issuance of additional equity securities of the Company.

The Company has development projects currently in process, which require commitments to fund to completion. Commitments under these arrangements totaled \$260.7 million as of June 30, 1998. The Company expects to fund and has funded these commitments using available cash or the Unsecured Line of Credit. In addition, the Company has options to acquire land that require minimum deposits that the Company will fund using available cash or the Unsecured Line of Credit.

Funds from Operations

Management believes Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. The Company computes Funds from Operations in accordance with standards established by the White Paper on Funds from Operations approved by the Board of Governors of NAREIT in 1995, which may differ from the methodology for calculating Funds from Operations utilized by other equity REITs, and accordingly, may not be comparable to such other REITs. The White Paper defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Further, Funds from Operations does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions. The Company believes that in order to facilitate a clear understanding of the combined historical operating results of the Boston Properties Predecessor Group and the Company, Funds from Operations should be examined in conjunction with net income as presented in the consolidated and combined financial statements.

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The following table presents the Company's Funds from Operations for the three months ended June 30, 1998:

	THREE MONTHS ENDED JUNE 30, 1998
Income before minority interests.....	\$34,430
Add:	
Real estate depreciation and amortization.....	16,415
Less:	
Minority property partnership's share of Funds from Operations.....	(138)

Funds from Operations.....	\$50,707
	=====
Company's share.....	\$38,938
	=====

Inflation

The majority of the Company's tenant leases require tenants to pay most operating expenses, including real estate taxes and insurance, and increases in common area maintenance expenses, which reduces the Company's exposure to increases in costs and operating expenses resulting from inflation.

Newly Issued Accounting Standards

Financial Accounting Standards Board Statement No. 133 ("FAS 133") "Accounting for Derivative Instruments and Hedging Activities" is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999, although earlier application is encouraged. FAS 133 established standards related to the Company's financial risks associated with its activity as it relates to financial activities with respect to derivative instruments and hedging. The Company currently does not engage in and has no plans to engage in the practice of using financial derivative instruments and hedging activities. The Company does not believe that the implementation of FAS 133 will have a material impact on the Company's financial position or results of operations.

Year 2000 Compliance

The Year 2000 compliance issue concerns the inability of computerized information systems to accurately calculate, store or use a date after 1999. This could result in a system failure or miscalculations causing disruptions of operations. The Year 2000 issue affects virtually all companies and all organizations. The Company recognizes the importance of ensuring that its business operations are not disrupted as a result of Year 2000 related computer system and software issues.

The Company has conducted an assessment of its core internal and external computer information systems and is now taking the further necessary steps to understand the nature and extent of the work required to make its systems, in those situations in which the Company is required to do so, Year 2000 compliant. These steps may require the Company to modify, upgrade or replace some of its internal financial and operational systems. In addition, the Company is currently evaluating and assessing those computer systems that do not relate to information technology (such as systems designed to operate a building, which typically include embedded technology such as microcontrollers that may be harder to test, and may require complete replacement because they cannot be repaired), including, without limitation, its telecommunication systems, security systems (such as card-access door lock systems), energy management systems and elevator systems. Because this assessment is ongoing, the total cost of bringing all internal systems, equipment and operation into Year 2000 compliance has not been fully quantified. While these efforts involve additional costs, the Company believes, based on available information, that these costs will not have a material adverse effect on its business, financial condition or results

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of operations. While the Company believes it will be Year 2000 compliant by December 31, 1999, if these efforts are not completed on time or if the cost of updating or replacing the Company's information systems exceeds the Company's current estimates, the Year 2000 issue could have a material impact on the Company's ability to meet its financial and reporting requirements. The Company is currently evaluating the consequences of a potential failure to remediate these matters and is in the process of developing contingency plans regarding these matters. The Company currently believes that it will be in a position to make such an evaluation and have such plans by December 31, 1998, and that it will have completed its remedial measures and become Year 2000 compliant by December 31, 1999.

Further, no estimates can be made as to any potential adverse impact resulting from the failure of third-party service providers, (including, without limitation, its banks, its payroll processor and its telecommunications providers) vendors and tenants to prepare for the Year 2000. The Company is attempting to identify those risks as well as to receive compliance certificates from all third-parties that have a material impact on the Company's operations. Although the Company is in the process of working with such third-parties in order to attempt to eliminate its Year 2000 concerns the cost and timing of the third-party Year 2000 compliance is not within the Company's control and no assurance can be given with respect to the cost or timing of such efforts or the potential effects of any failure to comply.

To date, the Company has not expended significant funds to assess its Year 2000 issues, as the Company's evaluation of its Year 2000 concerns has been conducted by its own personnel at routine staffing levels and without any out-of-pocket expenses for consultants. The Company's evaluation has not been subject to any independent verification or review process. Because the Company is still evaluating the nature of its Year 2000 issues, the Company cannot yet estimate the amount of additional future expenditures on the Year 2000 problem, but currently believes that it will be able to do so by December 31, 1998.

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PART II. OTHER INFORMATION

ITEM 2--CHANGES IN SECURITIES

On May 28, 1998, the Company acquired Tower Oaks for consideration that included the issuance of 592,916 OP Units. Such OP Units were issued to six accredited investors in a transaction that was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of such Act. Under terms of the Operating Partnership's agreement of limited partnership and an agreement with the recipients of such OP Units, at any time after May 29, 1999 the Operating Partnership is obligated to redeem each such OP Unit at the request of the holder thereof for cash equal to the fair market value of a share of Common Stock at the time of such redemption, provided that the Company at its option may elect to acquire any such OP Unit presented for redemption for one share of Common Stock.

On June 30, 1998, the Company acquired a portfolio of properties known as The Carnegie Center and Tower Center One for consideration that included the issuance of 2,442,222 Series One Preferred Units of Limited Partnership of the Operating Partnership. Such Preferred Units were issued to 16 accredited investors in a transaction that was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of such Act and Regulation D thereunder. Under terms of the Operating Partnership's agreement of limited partnership and an agreement with the recipients of such OP Units, at any time after July 10, 1999 the Operating Partnership is obligated to redeem each such common OP Unit at the request of the holder thereof for cash equal to the fair market value of a share of Common Stock at the time of such redemption, provided that the Company at its option may elect to acquire any such common OP Unit presented for redemption for one share of Common Stock.

ITEM 4--SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its annual meeting of stockholders on May 6, 1998. The stockholders voted to elect Mortimer B. Zuckerman as a Class I Director of the Company to serve until 2001. 54,662,907 votes were cast for the election of Mr. Zuckerman and 112,653 votes were withheld. Alan J. Patricof and Martin Turchin will continue to serve as Class II Directors until their present terms expire in 1999 and their successors are duly elected. Edward H. Linde and Ivan G. Seidenberg will continue as Class III Directors until their present terms expire in 2000 and their successors are duly elected.

The Stockholders also voted to ratify the Board of Directors' selection of PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending December 31, 1998. 54,695,916 votes were cast for, 23,677 votes were cast against, and 55,967 votes abstained from this proposal.

ITEM 6--EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NUMBER -----	DESCRIPTION -----
27.1	Financial Data Schedule

(b) Reports on Form 8-K

A Form 8-K dated June 9, 1998 was filed with the Securities and Exchange Commission to report under Item 3 of such report certain information to be presented to investors throughout the week of June 9, 1998.

A Form 8-K dated June 30, 1998 was filed with the Securities and Exchange Commission to report under Item 5 of such report that the Company had acquired a portfolio of properties in Princeton and East Brunswick, New Jersey.

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A Form 8-K dated July 2, 1998 was filed with the Securities and Exchange Commission to report under Item 5 of such report that the Company had acquired the Prudential Center in Boston, Massachusetts.

A Form 8-K dated July 10, 1998 was filed with the Securities and Exchange Commission to report under Item 5 of such report that the Company had acquired Metropolitan Square in Washington, D.C.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED THEREUNTO DULY AUTHORIZED.

BOSTON PROPERTIES, INC.

/s/ David G. Gaw

David G. Gaw,
Chief Financial Officer
(Duly authorized officer and
principal financial officer)

August 14, 1998

3-MOS

	DEC-31-1998	APR-01-1998	JUN-30-1998
			108,962
			0
		24,767	0
			0
	244,930		
		2,356,004	
	14,855		
	2,637,883		
	0		0
	0		0
		617	
		874,110	
2,637,883		99,206	
	108,041		0
		0	
	73,611		
		0	
	23,814		
		0	
		0	
	26,357		
		0	
	3,564		0
	29,921		
	.48		
	.48		