Boston Properties Forms Joint Venture and Completes Acquisition of the General Motors Building

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BOSTON, June 10 /PRNewswire-FirstCall/ -- Boston Properties, Inc. (NYSE: BXP), a real estate investment trust, announced today that it has completed the previously announced acquisition of the General Motors Building in New York City from affiliates of Macklowe Properties for a purchase price of approximately $2.8 billion.

Occupying a full city block, offering nearly 2 million square feet of rentable area, and rising 50 stories and more than 750 feet on Fifth Avenue at the corner of Central Park and 59th Street, the General Motors Building enjoys unmatched prestige, convenience and breathtaking Central Park views. The property's stunning architecture and dominating location are the very definition of "Iconic" status. With the newly created flagship Apple Store defined by its signature glass cube entranceway and CBS Studios' daily live broadcast of the "Early Show," the General Motors Building has become one of the most renowned destination points in Manhattan.

Mortimer B. Zuckerman, Chairman of Boston Properties, commented that "This acquisition is consistent with our philosophy of acquiring and building office properties with outstanding design, construction and location and our belief that the best real estate performs very well in rising markets and, on a relative basis, even better in more challenging times. The addition of the General Motors Building in New York to our other iconic assets, such as the Prudential Center in Boston, Embarcadero Center in San Francisco, Freedom Square and South of Market in Reston, Virginia, and Citigroup Center, 399 Park Avenue, 599 Lexington Avenue and Times Square Tower in New York City, has resulted in what we believe to be the highest quality portfolio of Class A office buildings in the United States."

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

The purchase price consisted of approximately $890 million of cash, the issuance to the selling entity of 102,883 common units of limited partnership interest in Boston Properties Limited Partnership and the assumption of approximately $1.9 billion of secured and mezzanine loans having a weighted average fixed interest rate of 5.97% per annum, all of which mature in September 2017. In addition, the venture acquired the lenders' interest in a portion of the assumed mezzanine loans having an aggregate principal amount of $294 million and a stated interest rate of 6.02% for a purchase price of approximately $263 million in cash. Boston Properties expects that the acquired mezzanine loans will remain outstanding pending a decision to either sell them or retire them.

Boston Properties projects its share of the General Motors Building's 2009 Unleveraged Cash Return, including fee income, to be approximately 5.0% and its share of the property's 2009 Unleveraged FFO Return, including fee income, to be approximately 7.9% - 8.1%. In addition, Boston Properties estimates that current market rents are, on average, approximately twice the rents on in-place leases at the property. The calculation of the projected returns and related disclosures are presented on the accompanying table entitled "Projected 2008 and 2009 Returns on Acquisition." There can be no assurances that actual returns will not differ materially from these projections.

Boston Properties expects to consummate the previously announced acquisitions of 540 Madison Avenue, 125 West 55th Street and Two Grand Central Tower, also located in New York City, through one or more joint ventures with partners in which it owns a minority interest(s). Upon the closing of the General Motors Building, the deposit on these assets (which are in the form of letters of credit) was increased by an aggregate of $20 million, bringing the total remaining deposit to $75 million. The closings of the remaining acquisitions are expected to occur in multiple steps over the next few months and are subject to customary conditions and termination rights for transactions of this type. There can be no assurance that the closings will occur on the terms currently contemplated or at all.

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

Boston Properties will host a conference call on Thursday, June 12 at 10:00 AM Eastern Time, open to the general public, to discuss the acquisition of the General Motors Building and other related matters that may be of interest to investors. The number to call for this interactive teleconference is (800) 240-6709 (Domestic) or (303) 205-0044 (International); no passcode required. A replay of the conference call will be available through June 19, 2008, by dialing (800) 405-2236 (Domestic) or (303) 590-3000 (International) and entering the passcode 11115690. There will also be a live audio webcast of the call which may be accessed on the Company's website at www.bostonproperties.com in the Investor Relations section. Shortly after the call a replay of the webcast will be available on the Company's website, www.bostonproperties.com, in the Investor Relations section, and archived for up to twelve months following the call.

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

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

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

	The General Motors Building			
	Six Months 2008		Year 2009	
	Low	High	Low	High
Base rent and recoveries from tenants	$94,034	$94,034	$198,800	$198,800
Straight-line rent	4,954	4,954	8,849	8,849
Fair value lease revenue	36,000	40,000	74,000	80,000
Parking and other	3,539	3,539	7,023	7,023
Total rental revenue	138,527	142,527	288,672	294,672
Operating Expenses	36,374	36,374	74,826	74,826
Revenue less Operating Expenses	102,153	106,153	213,846	219,846

Interest expense (1)	70,440	70,440	136,470	136,470
Fair value interest expense	7,500	3,500	15,000	7,000
Depreciation and amortization	83,500	81,500	167,000	163,000
Net loss	$(59,287)	$(49,287)	$(104,624)	$(86,624)
Add:				
Interest expense (1)	70,440	70,440	136,470	136,470
Fair value interest expense	7,500	3,500	15,000	7,000
Depreciation and amortization	83,500	81,500	167,000	163,000
Unleveraged FFO (2)	$102,153	$106,153	$213,846	$219,846
Less:				
Straight-line rent	(4,954)	(4,954)	(8,849)	(8,849)
Fair value lease revenue	(36,000)	(40,000)	(74,000)	(80,000)
Unleveraged Cash	$61,199	$61,199	$130,997	$130,997
Purchase Price	$2,800,000			
Debt discount	(30,870)			
Closing costs	24,000			
Total Unleveraged Investment	$2,793,130			
Unleveraged FFO Return (2)	7.6%	7.8%	7.9%	8.1%
Unleveraged Cash Return (3)	4.6%	4.6%	5.0%	5.0%

(1) Projected interest expense includes interest on partner loans totaling $450 million, of which approximately $294 million has been projected to be refinanced with third-party debt in the fourth quarter of 2008.

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

(3) Unleveraged Cash Return is a non-GAAP financial measure that is determined by dividing (A) the Company's share (60%) of Unleveraged

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

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

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