ARDEN REALTY INC
Form 10-K
March 14, 2005

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Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2004

OR

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

For the transition period from to

Commission File Number 1-12193

ARDEN REALTY, INC.

(Exact name of registrant as specified in its charter)

Maryland	95-4578533
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11601 Wilshire Boulevard, 4th Floor

Los Angeles, California 90025-1740
(Address and zip code of principal executive offices)

Registrant s telephone number, including area code: (310) 966-2600

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

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

Indicate by checkmark 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 x No o

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 the 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. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes x No o

The aggregate market value of the shares of common stock held by non-affiliates was approximately $1.9 billion based on the closing price on the New York Stock Exchange for such shares on June 30, 2004.

The number of the Registrant s shares of common stock outstanding was 66,364,703 as of March 10, 2005.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates information by reference from the definitive Proxy Statement for the 2005 Annual Meeting of Stockholders.

ARDEN REALTY, INC.

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PART I

Forward-Looking Statements

This Form 10-K, including the documents incorporated herein by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act pertaining to, among other things, our future results of operations, cash available for distribution, acquisitions, lease renewals, property development, property renovation, capital requirements and general business, industry and economic conditions applicable to us. Also, documents we subsequently file with the SEC and incorporated herein by reference will contain forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of the risk factors set forth below and the matters set forth or incorporated in this Form 10-K generally. We caution you, however, that this list of factors may not be exhaustive, particularly with respect to future filings.

ITEM 1. *Business*

(a) GENERAL

The terms Arden Realty , us , we and our as used in this report refer to Arden Realty, Inc. We were incorporated in Maryland in May 1996 and completed our initial public offering in October 1996. Commencing with our taxable year ended December 31, 1996, we have operated and qualified as a real estate investment trust, or REIT, for federal income tax purposes. We are a self-administered and self-managed REIT that owns, manages, leases, develops, renovates and acquires commercial properties located in Southern California. We are the sole general partner of Arden Realty Limited Partnership, or the Operating Partnership, and as of December 31, 2004, we owned approximately 97.5% of the Operating Partnership s common partnership units. We conduct substantially all of our operations through the Operating Partnership and its consolidated subsidiaries.

(b) INDUSTRY SEGMENTS

We are currently involved primarily in one industry segment, the operation of commercial real estate located in Southern California. The financial information contained in this report relates primarily to this industry segment.

(c) DESCRIPTION OF BUSINESS

We are a full-service real estate organization managed by 6 senior executive officers who have experience in the real estate industry ranging from 14 to 35 years and who collectively have an average of 20 years of experience. We perform all property management, construction management, accounting, finance and acquisition and disposition activities and a majority of our leasing transactions for our portfolio with our staff of approximately 300 employees.

As of December 31, 2004, we were Southern California s largest publicly traded office landlord as measured by total net rentable square feet owned. As of December 31, 2004, our portfolio of primarily suburban office properties consisted of 120 properties and 197 buildings containing approximately 18.2 million net rentable square feet and our operating portfolio was 91.2% occupied.

Portfolio Management

We perform all portfolio management activities, including on-site property management, management of all lease negotiations, construction management of tenant improvements or tenant build-outs, property renovations and capital expenditures for our portfolio. We directly manage these activities from approximately 40 management offices located throughout our portfolio. The activities of these management offices are supervised by four regional offices with oversight by our corporate office to ensure consistent application of our operating policies and procedures. Each regional office is strategically located within the Southern California submarkets where our properties are located and is managed by a regional First Vice President who is

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responsible for supervising the day-to-day activities of our management offices. Each regional office is staffed with leasing, property management, building engineering, construction and information systems specialists, referred to as our Regional Service Teams. By maintaining a regionally focused organizational structure led by seasoned managers, we are able to quickly respond to our tenants needs and market opportunities.

All of our management and regional offices are networked with our corporate office and have access to the Internet and our e-mail, accounting and lease management systems. Our accounting and lease management systems employ the latest technology and allow both corporate and field personnel access to tenant and prospective tenant-related information to enhance responsiveness and communication of marketing and leasing activity for each property.

We currently lease approximately 59% of our portfolio s net rentable space using our in-house staff. We employ outside brokers who are monitored by our Regional Service Teams for the remainder of our net rentable space. Our in-house leasing program allows us to closely monitor rental rates and lease terms for new and renewal leases and reduce third-party leasing commissions.

Business Strategies

Our primary business strategy is to actively manage our portfolio to achieve gains in rental rates and occupancy, control operating expenses and maximize income from ancillary operations and services. When market conditions permit, we may also selectively develop, renovate or acquire new properties in submarkets that add value and fit strategically into our portfolio. We may also sell existing properties and use the net proceeds to repay outstanding indebtedness or place into investments that we believe will generate higher long-term value.

Through our corporate office and regional offices, we implement our business strategies by:

- using integrated decision making to provide proactive solutions to the space needs of tenants in the markets where we have extensive real estate expertise and relationships;
- emphasizing quality service, tenant satisfaction and retention;
- employing intensive property marketing and leasing programs; and
- implementing cost control management techniques and systems that capitalize on economies of scale and concentration arising from the size and geographic focus of our portfolio and our technical expertise in reducing energy consumption expenses.

We believe the implementation of these operating practices has been instrumental in maximizing the operating results of our portfolio.

Integrated Decision Making

We use a multidisciplinary approach to our decision making by having our regional management, leasing, construction management, acquisition, disposition and finance teams coordinate their activities to enhance responsiveness to market opportunities and to provide proactive solutions to the space needs of tenants in the submarkets where we have extensive real estate and technical expertise. This integrated approach permits us to analyze the specific requirements of existing and prospective tenants and the economic terms and costs for each transaction on a timely and efficient basis. We are therefore able to commit to leasing, development, acquisition or disposition terms quickly, which facilitates an efficient completion of lease negotiation and tenant build-out, shorter vacancy periods after lease expirations and the timely completion of development, acquisition or disposition transactions.

Quality Service and Tenant Satisfaction

We strive to provide quality service through our multidisciplinary operating approach resulting in timely responses to our tenants needs. Our seasoned Regional Service Teams interact and resolve issues relating to tenant satisfaction and day-to-day operations. For portfolio-wide operational and administrative functions, our corporate office provides support to all regional offices and provides immediate response for critical operational issues. We believe providing quality service leads to enhanced tenant retention.

Proactive Marketing and Leasing

The concentration of many of our properties within particular office submarkets and our relationships with a broad array of businesses and outside brokers enables us to pursue proactive marketing and leasing strategies, to effectively monitor the demand for office space in our existing submarkets, to efficiently identify the office space requirements of existing and prospective tenants and to offer tenants a variety of space alternatives across our portfolio.

Cost Control and Operating Efficiencies

The size and geographic focus of our portfolio provides us with the opportunity to enhance portfolio value by controlling operating costs. We seek to capitalize on the economies of scale and concentration which result from the geographic focus of our portfolio through the ownership and management of multiple properties within particular submarkets and the maintenance of standardized processes and systems for cost control at each of our properties. These cost controls and operating efficiencies allowed us to achieve a 67.3% ratio of property operating results to total property revenues in 2004.

Operating Strategies

Based on our geographic focus in Southern California, experience in the local real estate markets and our evaluation of current market conditions, we believe the following key factors provide us with opportunities to maximize returns:

- the broad diversification and balance of the Southern California economy and our tenant base minimizes our dependence on any one industry segment or limited group of tenants;
- the relative resiliency of the Southern California real estate market, as measured by lower vacancy rates compared to the national average and a lower decline in rental rates in our key submarkets than the average decreases in rates reported for the nation since the beginning of the office real estate sector downturn in 2001; and
- the limited construction of new office properties in the Southern California region due to substantial building construction limitations and a minimal amount of developable land in many key submarkets.

Internal Operating Strategy

We believe that opportunities exist to increase cash flow from our existing portfolio. We intend to pursue this internal growth by:

- stabilizing occupancy throughout our portfolio and increasing rental rates, as market conditions permit;
- maintaining or increasing the retention rate of expiring leases;
- capitalizing on economies of scale and concentration due to the size and geographic focus of our portfolio;
- controlling operating expenses through active cost control management techniques and systems; and
- sourcing new and innovative revenue streams while providing high quality services to our tenants.

Stabilizing Occupancy and Increasing Rental Rates

Various published reports noted that Southern California achieved approximately 6.7 million square feet of positive net absorption in 2004 with average rental rates increasing approximately 3-4%. Our in-house leasing teams, working with outside leasing brokers, continuously monitor each market to identify strong prospective tenants who are in need of new or additional space. We also strive to be responsive to the needs of existing tenants through our on-site management staff and by providing alternatives within our portfolio to

accommodate their changing space requirements. We strive to achieve growth in rental revenues by negotiating annual or mid-term increases in rental rates in a majority of our leases.

Retaining Existing Tenants

We also seek to retain our existing tenants when leases expire. Retention of existing tenants reduces the costs of lease rollover by eliminating the down-time required to find a replacement tenant and reducing build-out costs required for new tenants. We believe that we have been successful in attracting and retaining a diverse tenant base by actively managing our properties with an emphasis on tenant satisfaction and retention. During 2004, we retained approximately 64% of our leases that were scheduled to expire.

Capitalizing on Economies of Scale and Concentration

In order to capitalize on economies of scale and concentration arising from the size and geographic focus of our portfolio, each of our Regional Service Teams is responsible for several properties, which spreads administrative and maintenance costs over those properties and reduces per square foot expenses. In addition, contracting in bulk for parking operations, construction materials, building services and supplies on a portfolio-wide basis also reduces our overall operating expenses.

Cost Control Management Techniques and Systems

We plan to continue controlling our operating expenses through active management at all of our properties. We focus on cost control in various areas of our operations. We continuously monitor the operating performance of our properties and employ energy-enhancing purchasing and expense recovery technologies when appropriate. These system enhancements include:

- lighting retrofits;
- replacement of inefficient heating, ventilation and air conditioning systems;
- computer-driven energy management systems that monitor and react to the climatic requirements of individual properties;
- automated and roving security systems that allow us to provide security services to our tenants at a lower cost;
- online competitive bid purchasing of supplies, building materials and construction services;
- enhancement of billing systems, which enables us to more efficiently recover operating expenses from our tenants; and
- on-going preventive maintenance programs to operate our building systems efficiently, thereby reducing operating costs.

Sourcing Additional Revenue While Providing High Quality Services to Tenants

We operate one of the most energy efficient office portfolios in the country. We have invested in energy enhancement programs within our portfolio with the aim of reducing energy consumption, enhancing efficiency and lowering operating costs. We also participate annually in the Environmental Protection Agency s, or the EPA, Energy Star Program. This program involves top commercial real estate landlords throughout the United States and rigorous bench-marking procedures that track individual building energy efficiency. Currently, of the 906 total Energy Star designated office buildings awarded nationally during 2004, 125 were awarded in California; of those, we had 62 EPA Energy Star Certified buildings in our portfolio.

We have formed a taxable REIT subsidiary, Next>edge, to market our expertise in energy solutions and facilities management. Next>edge has begun to assist companies in increasing their energy efficiency and reducing costs by employing the latest technologies and the most energy-efficient operational strategies developed to date. These technologies include lighting, heating, ventilation and air conditioning retrofits, energy management system installations, on-site distributed generation and cogeneration projects and solar energy systems.

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External Operating Strategy

We believe in the diversity and balance of the Southern California economy and commercial real estate market, and we intend to continue to focus our resources primarily in this region. We have assembled a management team that has extensive experience and knowledge in this market which we believe provides us with a competitive advantage in identifying and capitalizing on selective development, renovation and acquisition opportunities.

Subject to capital availability and market conditions, our approach is to seek development, renovation and acquisition opportunities in markets where we have an existing presence and where the following conditions exist:

- low vacancy rates;
- opportunities for rising rents due to employment growth and population movements;
- a minimal amount of developable land; and
- significant barriers to entry due to constraints on new development, including strict entitlement processes, height and density restrictions or other governmental requirements.

Competition

We compete with other owners of office properties to attract tenants to our properties, to acquire new properties and to obtain suitable land for development. Ownership of competing properties is currently diversified among many different types, from publicly traded companies and institutional investors, including other REITs, to small enterprises and individual owners. No one owner or group of owners currently dominate or significantly influence the markets in which we operate. See Risk Factors Competition affects occupancy levels, rents and the cost of land which could adversely affect our revenues.

California Electric Utility Deregulation

Problems associated with deregulation of the electric industry in California have resulted in significantly higher costs in some areas over the past few seasons. All of our properties are currently located in areas served by utilities that either produce their own electricity, or that have procured long-term, fixed-rate contracts with commercial electrical providers. While we have no information suggesting that any future service interruptions are expected, we believe that higher utility costs may continue as price increases are allowed by the California Public Utility Commission or other regulatory agencies.

Approximately 26% of our properties and 19% of the total rentable square footage of our portfolio are subject to leases that require our tenants to pay all utility costs and the remainder provide that our tenants will reimburse us for utility costs in excess of a base year amount. See Risk Factors Rising energy costs and power outages in California may have an adverse effect on our operations and revenue.

We are also working with other companies to provide our properties with new applications of distributed generation, or on-site energy systems, such as solar photovoltaic panels, micro-turbine units, natural gas reciprocating engines, fuel cells and other green power alternatives. Lastly, we maintain ongoing communication with our tenants to assist them in ways to lower consumption in their workplace.

Employees

As of December 31, 2004, we had approximately 300 full-time employees that perform all of our property and construction management, accounting, finance, acquisition and disposition activities and a majority of our leasing transactions.

Available Information

We file with the Securities and Exchange Commission, or SEC, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, proxy

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statements and registration statements. The public may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may also obtain public information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site at www.sec.gov that contains reports, proxy and information regarding registrants, including us, that file electronically. This annual report on Form 10-K and other periodic and current reports, and amendments to those reports, filed or furnished with the SEC, are also available, free of charge, by viewing the SEC filings available in the Investor Information section of our website at www.ardenrealty.com as soon as reasonably practicable after we file or furnish them with the SEC.

(d) FOREIGN OPERATIONS

We do not engage in any foreign operations or derive any revenue from foreign sources.

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ITEM 2. ***Properties***

Existing Portfolio

Our portfolio consists of 120 primarily office properties, containing approximately 18.2 million net rentable square feet that individually range from approximately 12,000 to 600,000 net rentable square feet. Of the 120 properties currently in service in our portfolio, 119, or 99%, are office properties. All of our properties are located in Southern California and most are in suburban areas in close proximity to main thoroughfares. We believe that our properties are located within desirable and established business communities and are well maintained. Our properties offer an array of amenities including high-speed internet access, security, parking, conference facilities, on-site management, food services and health clubs.

Following is a summary of our property portfolio as of December 31, 2004:

	Number of Properties(1)		Number of Buildings(1)		Approximate Net Rentable Square Feet(1)		Property Operating Results(2),(3) For the Year Ended December 31, 2004	
Location	**Total**	**% of Total**	**Total**	**% of Total**	**Total**	**% of Total**	**Total**	**% of Total**
							($000 s and unaudited)	
Los Angeles County								
West(4)	30	25%	32	16%	5,044,621	28%	$107,688	39%
North	28	23%	44	22%	3,468,768	19%	44,962	16%
South	13	11%	17	9%	2,851,215	15%	37,052	14%
Subtotal	71	59%	93	47%	11,364,604	62%	189,702	69%
Orange County	20	17%	51	26%	3,255,079	18%	39,602	14%
San Diego County	23	19%	35	18%	2,695,678	15%	36,418	13%
Ventura/ Kern Counties	6	5%	17	9%	795,299	4%	9,831	4%
Subtotal	120	100%	196	100%	18,110,660	99%	$275,553	100%
Renovation Building(5)			1		99,119	1%	5	
Total	120	100%	197	100%	18,209,779	100%	$275,558	100%

(1) Includes one property with approximately 167,000 net rentable square feet held for disposition.

(2) Property Operating Results is a non-GAAP measure of performance. Property Operating Results is used by investors and our management to evaluate and compare the performance of our office properties and to determine trends in earnings and to compute the fair value of our properties as it is not affected by (1) the cost of funds of the property owner, (2) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with Generally Accepted Accounting Principles, or GAAP, or (3) general and administrative expenses and other specific costs such as permanent impairments to carrying costs. The cost of funds is eliminated from net income because it is specific to the particular financing capabilities and constraints of the owner. The cost of funds is also eliminated because it is dependent on historical interest rates and other costs of capital as well as past decisions made by us regarding the appropriate mix of capital which may have changed or may change in the future. Depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets are eliminated because they may not accurately represent the actual change in value in our office properties that result from use of the properties or changes in market

conditions. While certain aspects of real property do decline in value over time in a manner that is reasonably captured by depreciation and amortization, the value of the properties as a whole have historically increased or decreased in value as a result of changes in overall economic conditions instead of from actual use of the property or the passage of time. Gains and losses from the sale of real property vary from property to property and are affected by market conditions at the time of sale which will usually change from period to period. These gains and losses can create distortions when comparing one period to another or when comparing our operating results to the operating results of other real estate companies that have not made similarly timed purchases or sales. We believe that eliminating these costs from net income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred in operating our office properties as well as trends in occupancy rates, rental rates and operating costs.

However, the usefulness of Property Operating Results is limited because it excludes general and administrative costs, interest expense, interest income, depreciation and amortization expense and gains or losses from the sale of properties, changes in value in our real estate properties that result from use or permanent impairment to carrying costs as stipulated by GAAP, the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, all of which are significant economic costs. Property Operating Results may fail to capture significant trends in these components of net income which further limits its usefulness.

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Property Operating Results is a measure of the operating performance of our office properties but does not measure our performance as a whole. Property Operating Results is therefore not a substitute for net income as computed in accordance with GAAP. This measure should be analyzed in conjunction with net income computed in accordance with GAAP and discussions elsewhere in Management s Discussion and Analysis of Financial Condition and Results of Operations regarding the components of net income that are eliminated in the calculation of Property Operating Results. Other companies may use different methods for calculating Property Operating Results or similarly entitled measures and, accordingly, our Property Operating Results may not be comparable to similarly entitled measures reported by other companies that do not define the measure exactly as we do.

The following is a reconciliation of Property Operating Results to net income computed in accordance with GAAP (in thousands):

	Year Ended December 31,		
	2004	**2003**	**2002**
Net Income	$ 73,775	$ 58,509	$ 70,175
Add:			
General and administrative expense	19,503	16,931	12,581
Interest expense	88,856	93,093	87,827
Depreciation and amortization	121,687	111,952	100,317
Minority interest	5,255	5,375	5,816
Interest and other loss	508	401	
Impairment on investment in securities	2,700		
Less:			
Interest and other income			(2,063)
Gain on sale of discontinued properties	(30,473)	(5,937)	
Discontinued operations, net of minority interest	(6,253)	(12,538)	(15,570)
Gain on sale of operating properties			(1,967)
Property Operating Results	$275,558	$267,786	$257,116

(3) Excludes the operating results of two properties sold during the first quarter of 2004, one property sold during the third quarter of 2004, nine properties sold during the fourth quarter of 2004 and one property classified as held for disposition. The operating results for these properties are reported as part of discontinued operations in our consolidated statements of income.

(4) Includes a retail property with approximately 37,000 net rentable square feet.

(5) Comprised of one building in a business park containing a total of four buildings. After completion of the renovation, the total square footage of this building will expand to 130,000 square feet.

The following is a summary of our occupancy and in-place rents as of December 31, 2004:

			Annualized Base Rent Per Leased Square Foot(1)	
Location	**Percent Occupied**	**Percent Leased**	**Portfolio Total**	**Full Service Gross Leases(2)**
Los Angeles County				
West	93.5%	94.8%	$27.80	$27.81
North	91.9%	94.7%	22.26	22.96
South	89.5%	91.0%	19.03	20.15
Subtotal/ Weighted Average	92.0%	93.8%	23.96	24.67
Orange County	90.0%	91.3%	18.69	22.31
San Diego County	87.8%	88.5%	19.87	24.26
Ventura/ Kern Counties	95.0%	96.1%	18.84	19.61

Subtotal/ Weighted Average	91.2%	92.7%	22.21	24.08
Renovation Building		100.0%	17.40	
Total/ Weighted Average	90.5%	92.7%	$22.18	$24.08

(1) Based on monthly contractual base rent under existing leases as of December 31, 2004, multiplied by 12 and divided by leased net rentable square feet; for those leases where rent has not yet commenced or which are in a free rent period, the first month in which rent is to be received is used to determine annualized base rent.

(2) Excludes 31 properties and approximately 3.5 million square feet under triple net and modified gross leases.

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Renovation Summary

The following table summarizes information about the building under renovation as of December 31, 2004:

Building	Square Feet	Costs Incurred To Date	Estimated Total Cost(1)	Percent Leased	Estimated Construction Completion Date	Estimated Year 1 Stabilized Cash Property Operating Results(2)	Estimated Year 1 Annual Cash Yield	Estimated Year 1 Annual GAAP Yield(3)
		(in thousands)	(in thousands)			(in thousands)		
22745 Savi Ranch Parkway	130,000	$ 7,659	$ 9,705	100%	1st Qtr 2005	$ 1,881	9.6%	11.2%

(1) Estimated total cost includes capital expenditures, tenant improvements, leasing commissions and carrying costs during renovation.

(2) We consider stabilized Cash Property Operating Results to be the rental revenues from the property less the operating expenses of the property on a cash basis before deducting financing costs (interest and principal payments) after the property is at least 95% leased. Property Operating Results are discussed in greater detail in Note (2) to the Existing Portfolio summary table above.

(3) Estimated Year 1 Annual GAAP Yield includes an adjustment for straight-line rents.

This renovation was completed on February 15, 2005.

In addition to the renovation building above, we have preliminary architectural designs completed for an additional 475,000 net rentable square feet of office space at the Howard Hughes Center in Los Angeles, California. We also have construction entitlements at the Howard Hughes Center for up to 600 hotel rooms. Build-to-suit projects consist of properties constructed to the tenant s specifications in return for the tenant s long-term commitment to the property. We do not intend to commence construction on any additional build-to-suit or multi-tenant projects at the Howard Hughes Center until development plans and budgets are finalized with terms allowing us to achieve yields commensurate with the project s development risk.

In addition to our development at the Howard Hughes Center, we have completed preliminary designs and are marketing an approximately 170,000 net rentable square foot build-to-suit office building at our Long Beach Airport Business Park. We also have a 5-acre developable land parcel in Torrance, California that we intend to market for a build-to-suit building. We currently do not intend to commence construction on these projects until build-to-suit tenant leases are signed with terms allowing us to achieve yields commensurate with the project s development risk.

We expect to finance our development/renovation activities over the next 24 months through net cash provided by operating activities, proceeds from asset sales, proceeds from our lines of credit or other secured borrowings.

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Dispositions

The following table summarizes our disposition activity during 2004:

Property	County	Submarket	Date of Sale	Property Type	Square Feet	Gross Sales Price
						($000 s)
Tower Plaza Retail	Riverside	Temecula	February 4, 2004	Retail	133,481	$ 17,050
Univision 5999 Center Drive	Los Angeles	Culver City/Fox Hills	March 16, 2004	Office	161,650	52,500
10251 Vista Sorrento	San Diego	Sorrento Mesa	August 24, 2004	Office	69,386	9,250
Waples Tech Center	San Diego	Sorrento Mesa	December 29, 2004	Office	28,119	(A)
Morehouse Center	San Diego	Sorrento Mesa	December 29, 2004	Office	181,207	(A)
91 Freeway Center	Los Angeles	Artesia	December 29, 2004	Office	93,277	(A)
Norwalk	Los Angeles	Norwalk	December 29, 2004	Office	122,175	(A)
1501 Hughes Way	Los Angeles	Suburban Long Beach	December 29, 2004	Office	77,060	(A)
3901 Via Oro	Los Angeles	Suburban Long Beach	December 29, 2004	Office	53,195	(A)
Glendale Corporate Center	Los Angeles	Glendale	December 29, 2004	Office	108,209	(A)
Whittier	Los Angeles	Whittier	December 29, 2004	Office	135,415	(A)
South Bay Tech	Los Angeles	190th Corridor	December 29, 2004	Office	104,815	(A)
Sub-total					1,267,989	78,800
(A) Portfolio sale						126,000
					1,267,989	$ 204,800

Acquisitions

The following table summarizes our acquisition activity during 2004:

Property	County	Submarket	Date of Purchase	Property Type	Square Feet	Gross Purchase Price
						($000 s)
Homestore	Los Angeles	Westlake Village	October 4, 2004	Office	137,762	$ 32,300
Warner Corporate Center	Los Angeles	Woodland Hills	October 11, 2004	Office	253,000	64,500

390,762	$96,800

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The following table presents specific information regarding our 120 properties as of December 31, 2004:

Property Name	Major Area	Submarket	Year(s) Built/ Renovated	Approximate Net Rentable Square Feet	Percentage of Total Portfolio Net Rentable Square Feet	Percent Leased	Annualized Base Rent ($000s)	Number of Leases	Annualized Base Rent per Leased Net Rentable Square Feet(1)
Los Angeles County									
Los Angeles West									
145 South Fairfax	Hollywood/Wilshire Corridor	Miracle Mile	1984	54,398	0.3%	95.5%	$ 1,032	13	$ 19.86
6100 Wilshire	Hollywood/Wilshire Corridor	Miracle Mile	1986	202,675	1.1	100.0	5,051	57	24.43
120 S. Spalding	West Los Angeles	Beverly Hills Triangle	1984	64,877	0.4	97.5	2,700	15	42.67
8383 Wilshire	West Los Angeles	Beverly Hills	1971/93	424,588	2.3	91.7	10,100	134	25.93
9100 Wilshire	West Los Angeles	Beverly Hills	1971/90	328,697	1.8	92.7	8,300	76	27.25
9665 Wilshire	West Los Angeles	Beverly Hills Triangle	1972/92-93	159,645	0.9	100.0	6,140	24	38.34
Beverly Atrium	West Los Angeles	Beverly Hills	1989	59,582	0.3	96.6	1,718	15	29.85
Wilshire Pacific Plaza	West Los Angeles	Brentwood	1976/87	101,229	0.6	99.6	2,561	43	25.39
World Savings Center(2)	West Los Angeles	Brentwood	1983	473,581	2.6	86.4	12,440	54	30.41
10350 Santa Monica	West Los Angeles	West Los Angeles	1979	42,696	0.2	92.5	902	17	22.84
10351 Santa Monica	West Los Angeles	West Los Angeles	1984	96,899	0.5	87.3	1,998	14	23.63
Century Park Center	West Los Angeles	West Los Angeles	1972/94	235,178	1.3	100.0	5,606	98	23.33
400 Corporate Pointe	West Los Angeles	Culver City/Fox Hills	1987	165,487	0.9	85.9	2,732	19	19.23
600 Corporate Pointe	West Los Angeles	Culver City/Fox Hills	1989	275,113	1.5	95.1	5,523	19	21.10
6060 Center Drive	West Los Angeles	Culver City/Fox Hills	1999	256,665	1.4	99.1	8,280	8	32.55
6080 Center Drive	West Los Angeles	Culver City/Fox Hills	2001	286,568	1.6	93.2	9,643	15	36.11
6100 Center Drive	West Los Angeles	Culver City/Fox Hills	2002	284,798	1.6	99.4	7,278	24	25.72
Bristol Plaza	West Los Angeles	Culver City/Fox Hills	1982	84,033	0.5	95.3	1,640	28	20.47
Howard Hughes Spectrum Club	West Los Angeles	Culver City/Fox Hills	1993	36,959	0.2	100.0	967	1	26.16
Howard Hughes Tower	West Los Angeles	Culver City/Fox Hills	1987	316,014	1.7	87.0	7,541	33	27.44
Northpoint	West Los Angeles	Culver City/Fox Hills	1991	105,145	0.6	94.1	2,638	7	26.67
1919 Santa Monica	West Los Angeles	Santa Monica	1991	43,766	0.2	85.2	947	7	25.41
2001 Wilshire Blvd.	West Los Angeles	Santa Monica	1980	99,565	0.5	100.0	2,805	23	27.47
2730 Wilshire	West Los Angeles	Santa Monica	1985	55,531	0.3	100.0	1,553	26	27.57
2800 28th Street	West Los Angeles	Santa Monica	1979	106,481	0.6	95.9	2,456	42	24.06
10780 Santa Monica	West Los Angeles	West Los Angeles	1984	93,211	0.5	97.0	2,193	33	24.26
1950 Sawtelle	West Los Angeles	West Los Angeles	1988/95	104,171	0.6	98.0	2,367	42	23.17
11075 Santa Monica	West Los Angeles		1983	35,996	0.2	99.1	877	8	24.57

		West Los Angeles							
Westwood Center	West Los Angeles	Westwood	1965/2000	314,366	1.7	99.6	11,366	45	36.30
Westwood Terrace	West Los Angeles	West Los Angeles	1988	136,707	0.8	98.3	3,549	22	26.41

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Property Name	Major Area	Submarket	Year(s) Built/ Renovated	Approximate Net Rentable Square Feet	Percentage of Total Portfolio Net Rentable Square Feet	Percent Leased	Annualized Base Rent ($000s)	Number of Leases	Annualized Base Rent per Leased Net Rentable Square Feet(1)
Subtotal/Weighted Average Los Angeles West				5,044,621	27.7%	94.8%	$ 132,903	962	$ 27.80
Los Angeles North									
303 Glenoaks	Glendale/Tri-Cities	Burbank	1983/96	177,898	1.0%	99.4%	$ 4,028	28	$ 22.78
333 N. Glenoaks	Glendale/Tri-Cities	Burbank	1978	82,939	0.5	98.0	1,921	17	23.62
601 S. Glenoaks	Glendale/Tri-Cities	Burbank	1990	74,745	0.4	87.4	1,206	18	18.45
Burbank Executive Plaza	Glendale/Tri-Cities	Burbank	1983	63,320	0.3	99.0	1,437	19	22.92
425 West Broadway	Glendale/Tri-Cities	Glendale	1984	72,317	0.4	94.9	1,456	14	21.21
535 N. Brand Blvd.	Glendale/Tri-Cities	Glendale	1973/92/99	109,104	0.6	96.6	2,233	44	21.19
5161 Lankershim	Glendale/Tri-Cities	North Hollywood	1985/97	180,940	1.0	99.4	3,964	9	22.05
70 South Lake	Glendale/Tri-Cities	Pasadena	1982/94	101,236	0.5	99.9	2,627	19	25.97
150 East Colorado Boulevard	Glendale/Tri-Cities	Pasadena	1979/97	61,657	0.3	100.0	1,447	20	23.47
299 N. Euclid	Glendale/Tri-Cities	Pasadena	1983	74,573	0.4	100.0	1,890	4	25.30
Calabasas Commerce Center	San Fernando Valley	Calabasas	1990	126,771	0.7	100.0	2,323	12	18.32
Calabasas Tech	San Fernando Valley	Calabasas	1990/2001	283,692	1.5	90.3	4,837	17	18.89
16000 Ventura	San Fernando Valley	Encino	1980/96	175,275	1.0	93.2	3,628	45	22.21
15250 Ventura	San Fernando Valley	Sherman Oaks	1970/90-91	112,142	0.6	93.1	2,438	41	23.35
Noble Professional Center	San Fernando Valley	Sherman Oaks	1985/93	52,599	0.3	92.8	1,129	18	23.11
Sunset Pointe Plaza	San Fernando Valley	Valencia	1988	59,186	0.3	99.7	1,500	27	25.42
Tourney Pointe	San Fernando Valley	Valencia	1985/98-2000	219,673	1.2	92.1	4,196	38	20.74
Homestore	San Fernando Valley	Westlake Village	2000	137,762	0.8	100.0	3,036	1	22.04
Westlake 5601 Lindero	San Fernando Valley	Westlake Village	1989	106,144	0.6	95.3	1,894	5	18.73
Clarendon Crest	San Fernando Valley	Woodland Hills	1990	43,222	0.2	97.9	887	18	20.95
Warner Corporate Center	San Fernando Valley	Woodland Hills	1988	253,000	1.4	98.9	6,433	34	25.71
Woodland Hills	San Fernando Valley	Woodland Hills	1972/95	229,616	1.3	93.0	4,874	73	22.82
Los Angeles Corporate Center	San Gabriel Valley	Monterey Park	1984/86	389,615	2.1	90.6	7,552	45	21.40
Conejo Business Center	Ventura	Newbury Park/Thousand Oaks	1991	69,425	0.4	92.9	1,375	29	21.32
	Ventura		1998	61,000	0.3	97.3	1,564	10	26.36

Hillside Corporate Center		Newbury Park/Thousand Oaks								
Marin Corporate Center	Ventura	Newbury Park/Thousand Oaks	1986	51,776	0.3	64.9		778	27	23.14
Westlake Gardens	Ventura	Westlake Village	1998	50,267	0.3	94.0		1,288	19	27.27
Westlake Gardens II	Ventura	Westlake Village	1999	48,874	0.3	93.1		1,229	4	27.02
Subtotal/ Weighted Average Los Angeles North				3,468,768	19.0%	94.7%	$	73,170	655	$ 22.26
Los Angeles South										
South Bay Centre	South Bay	190th Corridor	1984	204,197	1.1%	100.0%	$	4,150	36	$ 20.30
Pacific Gateway	South Bay	190th Corridor	1982/90	225,805	1.2	97.4		4,617	40	20.99
Gateway Towers	South Bay	190th Corridor	1984/86	433,545	2.4	95.3		9,448	74	22.88

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Property Name	Major Area	Submarket	Year(s) Built/ Renovated	Approximate Net Rentable Square Feet	Percentage of Total Portfolio Net Rentable Square Feet	Percent Leased	Annualized Base Rent ($000s)	Number of Leases	Annualized Base Rent per Leased Net Rentable Square Feet(1)
100 West Broadway	South Bay	Downtown Long Beach	1987/96	191,371	1.1	68.8	2,537	39	19.26
Oceangate Tower	South Bay	Downtown Long Beach	1971/93-94	218,554	1.2	79.7	3,067	40	17.62
Continental Grand Plaza	South Bay	El Segundo	1986	237,494	1.3	93.6	5,310	37	23.90
Grand Avenue Plaza	South Bay	El Segundo	1980	82,872	0.5	88.2	1,334	16	18.26
5200 West Century	South Bay	LAX	1982/98-99	312,700	1.7	93.0	5,325	30	18.30
Skyview Center	South Bay	LAX	1981/87/95	398,261	2.2	81.6	5,175	53	15.92
Long Beach Airport Bldg D(2)	South Bay	Suburban Long Beach	1987/95	121,610	0.7	100.0	1,211	1	9.96
Long Beach Airport Bldg F & G(2)	South Bay	Suburban Long Beach	1987/95	150,403	0.8	100.0	1,354	1	9.00
5000 East Spring(2)	South Bay	Suburban Long Beach	1989/95	168,967	0.9	96.9	3,693	44	22.55
Mariner Court	South Bay	Torrance	1989	105,436	0.6	98.7	2,150	38	20.67
Subtotal/ Weighted Average Los Angeles South				2,851,215	15.7%	91.0%	$ 49,371	449	$ 19.03
Orange County									
1370 Valley Vista	LA Central	Diamond Bar	1988	81,962	0.4%	100.0%	$ 1,814	13	$ 21.39
Anaheim City Centre(2)	Orange County	Central County	1986/91	177,266	1.0	100.0	3,569	27	19.72
City Centre I	Orange County	Central County	1985/97	141,903	0.8	100.0	2,849	33	19.85
Orange Financial Center	Orange County	Central County	1985/95	307,920	1.7	94.4	6,522	38	22.43
Fountain Valley City Centre	Orange County	Greater Airport	1982	303,267	1.7	63.4	4,591	18	23.86
Fountain Valley Plaza	Orange County	Greater Airport	1982	107,313	0.6	37.9	843	4	20.73
Irvine Corporate Center	Orange County	Greater Airport	1980/88	126,781	0.7	100.0	1,446	5	11.34
Newport Irvine Center	Orange County	Greater Airport	1981/97	75,184	0.4	88.6	1,642	28	24.65
South Coast Executive Center	Orange County	Greater Airport	1979/97	61,292	0.3	94.3	1,068	25	18.48
Von Karman Corporate Center	Orange County	Greater Airport	1981/84	452,378	2.5	86.8	8,419	31	21.44
Centerpointe La Palma	Orange County	North County	1986/88/90	603,582	3.3	97.8	11,074	98	18.76
Savi Tech Center	Orange County	North County	1989	242,327	1.3	100.0	2,538	3	10.47
Yorba Linda Business Park	Orange County	North County	1988	165,710	0.9	98.3	1,483	60	9.10
Crown Cabot Financial Center	Orange County	South County	1989	174,222	1.0	97.4	4,829	41	28.46
5632 Bolsa	Orange County	West County	1987	21,568	0.1	100.0	184	1	8.52
5672 Bolsa	Orange County	West County	1987	12,110	0.1	100.0	103	1	8.52
5702 Bolsa	Orange County	West County	1987/97	27,731	0.1	100.0	227	2	8.17
5832 Bolsa	Orange County	West County	1985	49,355	0.3	100.0	829	1	16.80
		West 53,459	0.3	89.6	850	18	17.75		

Huntington Beach Plaza County	Orange County 1984/96

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Property Name	Major Area	Submarket	Year(s) Built/ Renovated	Approximate Net Rentable Square Feet	Percentage of Total Portfolio Net Rentable Square Feet	Percent Leased	Annualized Base Rent ($000s)	Number of Leases	Annualized Base Rent per Leased Net Rentable Square Feet(1)
Huntington Commerce Center	Orange County	West County	1987	69,749	0.4	98.4	638	23	9.29
Subtotal/ Weighted Average Orange County				3,255,079	17.9%	91.3%	$ 55,518	470	$ 18.69
San Diego County									
Carlsbad Corporate Center	San Diego County	Carlsbad	1996	129,000	0.7%	100.0%	$ 445	1	$ 3.45
Carmel Valley Center	San Diego County	Del Mar Heights	1987/89	109,518	0.6	93.8	3,410	17	33.20
701 B Street(2)	San Diego County	Downtown	1982/96	548,310	3.0	87.3	11,023	70	23.04
5120 Shoreham	San Diego County	Governor Park	1984	37,813	0.2	100.0	842	7	22.24
Governor Executive Centre	San Diego County	Governor Park	1988	52,828	0.3	85.1	1,175	10	26.12
Governor Executive Centre II	San Diego County	Governor Park	1989	101,433	0.6	100.0	3,006	17	29.64
Governor Park Plaza	San Diego County	Governor Park	1986	104,441	0.6	94.0	2,485	19	25.31
10180 Scripps Ranch	San Diego County	Scripps Ranch	1978/96	43,560	0.2	0	0	0	0
Activity Business Center	San Diego County	Miramar	1987	167,170	0.9	72.3	1,652	41	13.66
Balboa Corporate Center	San Diego County	Kearney Mesa	1990	70,987	0.4	75.8	777	2	14.44
Panorama Corporate Center	San Diego County	Kearney Mesa	1991	130,396	0.7	99.6	2,392	3	18.42
Ruffin Corporate Center	San Diego County	Kearney Mesa	1990	45,059	0.2	100.0	378	1	8.40
Skypark Office Plaza	San Diego County	Kearney Mesa	1986	203,946	1.1	96.9	4,423	24	22.39
Crossroads	San Diego County	Mission Valley	1979	134,477	0.7	65.8	2,093	8	23.64
Poway Industrial	San Diego County	Rancho Bernardo/Poway	1991/96	112,000	0.6	100.0	672	1	6.00
Bernardo Regency	San Diego County	Rancho Bernardo/Poway	1986	48,052	0.3	93.3	1,145	16	25.54
Carmel View Office Plaza	San Diego County	Rancho Bernardo/Poway	1985	77,672	0.4	84.1	1,497	16	22.92
Cymer Technology Center	San Diego County	Rancho Bernardo/Poway	1986	155,612	0.9	100.0	1,923	2	12.36
Foremost Professional Plaza	San Diego County	Rancho Bernardo/Poway	1992	60,311	0.3	73.6	1,113	29	25.06
Via Frontera	San Diego County	Rancho Bernardo/Poway	1982/97	77,920	0.4	100.0	914	6	11.60
Westridge	San Diego County	Sorrento Mesa	1984/96	48,955	0.3	82.4	551	3	13.65
Torreyana Science Park	San Diego County	Torrey Pines	1980/97	81,204	0.5	100.0	2,008	1	24.72
			1984	155,014	0.9	87.5	3,493	23	25.75

Genesee Executive Plaza	San Diego County	University Towne Centre						
Subtotal/ Weighted Average San Diego County			2,695,678	14.8%	88.5%	$ 47,417	317	$ 19.87

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Property Name	Submarket	Location	Year(s) Built/ Renovated	Approximate Net Rentable Square Feet	Percentage of Total Portfolio Net Rentable Square Feet	Percent Leased	Annualized Base Rent ($000s)	Number of Leases	Annualized Base Rent per Leased Net Rentable Square Feet(1)
Ventura & Kern Counties									
4900 California	Kern County	Bakersfield	1983	155,791	0.9%	95.6%	$ 2,385	23	$ 16.01
Parkway Center I	Kern County	Bakersfield	1992/95	61,289	0.3	90.8	1,038	11	18.64
Camarillo Business Park	Ventura	Camarillo	1984/97	154,298	0.8	97.5	3,134	29	20.83
1000 Town Center	Ventura	Oxnard	1989	108,508	0.6	99.8	2,379	10	21.96
Solar Drive Business Center	Ventura	Oxnard	1982	138,341	0.8	98.0	2,494	36	18.39
Center Promenade	Ventura	Ventura	1988	177,072	1.0	93.4	2,969	61	17.96
Subtotal/ Weighted Average Ventura & Kern Counties				795,299	4.4%	96.1%	$ 14,399	170	$ 18.84
Renovation Building									
Savi Tech Center(3)	Orange County	North County	1989	99,119	0.5%	100.0%	$ 2,262	1	$ 17.40
Portfolio Total/ Weighted Average				18,209,779	100.0%	92.7%	$ 375,040	3,024	$ 22.18

(1) Calculated as monthly contractual base rent under existing leases as of December 31, 2004, multiplied by 12 and divided by leased net rentable square feet, for those leases where rent has not yet commenced or which are in a free rent period, the first month in which rent is to be received is used to determine annualized base rent.

(2) We lease the land underlying these properties or their parking structures pursuant to long term ground leases.

(3) Comprised of one building in a business park containing a total of four buildings. After completion of the renovation, the total square footage of this building will expand to 130,000 square feet. The annualized base rent and the annualized base rent per leased net rentable square feet amounts are calculated based on the expanded square footage of 130,000 square feet.

Tenant Information

As of December 31, 2004, we had approximately 3,000 tenants with no one tenant representing more than 2.2% of the aggregate annualized base rent of our properties and only 2 tenants individually representing more than 1.0% of our aggregate annualized base rent. Our properties are leased to local, national and international companies engaged in a variety of businesses including financial services, entertainment, health care services, accounting, law, education, publishing and local, state and federal government entities.

Our leases are typically structured for terms of three to ten years. Leases typically contain provisions permitting tenants to renew expiring leases at prevailing market rates. Approximately 81% of our total rentable square footage is under full service gross leases under which tenants typically pay for all real estate taxes and operating expenses above those for an established base year or expense stop. Our remaining square footage is under triple net and modified gross leases. Triple net and modified gross leases are those where tenants pay not only base rent, but also some or all of real estate taxes and operating expenses of the leased property. Tenants generally reimburse us the full direct cost, without regard to a base year or expense stop, for use of lighting, heating and air conditioning during non-business hours, and for on-site monthly employee and visitor parking. We are generally responsible for structural repairs to our buildings.

The following table presents information as of December 31, 2004 derived from our ten largest tenants based on the percentage of aggregate portfolio annualized base rent:

Tenant	Number of Locations	Weighted Average Remaining Lease Term in Months	Percentage of Aggregate Portfolio Leased Square Feet	Percentage of Aggregate Portfolio Annualized Base Rent(1)	Net Rentable Square Feet	Annualized Base Rent (in thousands)
Vivendi Universal	2	64	1.38%	2.14%	231,681	$ 7,980
State of California	18	51	1.63	1.61	274,065	5,992
University of Phoenix	6	52	0.99	1.00	166,195	3,733
Ceridian Corporation	2	64	0.91	0.99	152,612	3,706
Atlantic Richfield	1	21	0.86	0.93	143,885	3,465
Pepperdine University	1	167	0.68	0.87	113,488	3,251
Homestore.com, Inc.	1	37	0.82	0.82	137,762	3,036
Walt Disney Pictures and Television	1	43	0.76	0.78	128,258	2,894
Haight, Brown & Bonesteel, LLP	2	77	0.38	0.73	63,262	2,736
Westfield Corporation	1	100	0.58	0.73	96,876	2,725
Total/ Weighted Average(2)	35	63	8.99%	10.60%	1,508,084	$39,518

(1) Annualized base rent is calculated as monthly contractual base rent under existing leases as of December 31, 2004, multiplied by 12; for those leases where rent has not yet commenced or which are in a free rent period, the first month in which rent is to be received is used to determine annualized base rent.

(2) The weighted average calculation is based on net rentable square footage leased by each tenant.

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The following table presents the diversification of the tenants occupying space in our portfolio by industry as of December 31, 2004:

North American Industrial Classification System Description (NAICS)	NAICS Code	Occupied Square Feet	Percentage of Total Occupied Portfolio
Professional, Scientific, and Technical Services	541	4,278,468	25.91%
Finance and Insurance	521-525	2,838,317	17.19
Information	511-519	1,625,403	9.84
Manufacturing	311-339	1,282,143	7.77
Health Care and Social Assistance	621-624	1,107,178	6.71
Educational Services	611	750,882	4.55
Administrative and Support and Waste Management and Remediation Services	561-562	742,831	4.50
Real Estate, Rental and Leasing	531-533	709,020	4.29
Public Administration	921-928	638,857	3.87
Wholesale Trade	423-425	564,150	3.42
Construction	236-238	334,098	2.02
Transportation and Warehousing	481-493	319,070	1.93
Other Services (except Public Administration)	811-814	295,987	1.79
Arts, Entertainment, and Recreation	711-713	287,027	1.74
Accommodation and Food Services	721-722	180,608	1.09
Retail Trade	441-454	112,738	0.68
Mining	211-213	41,291	0.25
Management of Companies and Enterprises	551	34,410	0.21
Utilities	221	8,975	0.05
Agriculture, Forestry, Fishing and Hunting	111-115	6,261	0.04
Other Uncategorized		352,346	2.15
Total Square Feet Occupied		16,510,060	100.00%

Lease Distribution

The following table presents information relating to the distribution of the leases for our 120 properties, based on leased net rentable square feet, as of December 31, 2004:

Square Feet Under Lease	Number of Leases	Percent of All Leases	Total Leased Square Feet	Percent of Aggregate Portfolio Leased Square Feet	Annualized Base Rent of Leases(1) (000 s)	Avg. Base Rent per Leased Square Foot	Percent of Aggregate Portfolio Annualized Base Rent
2,500 and under	1,490	49.29%	2,114,663	12.60%	$ 50,567	$ 23.91	12.42%
2,501 - 5,000	704	23.29	2,447,176	14.58	60,844	24.86	14.95
5,001 - 7,500	299	9.89	1,813,171	10.80	46,939	25.89	11.53
7,501 - 10,000	164	5.43	1,432,241	8.54	36,027	25.15	8.85
10,001 - 20,000	241	7.97	3,405,929	20.30	85,663	25.15	21.04
20,001 - 40,000	78	2.58	2,118,322	12.62	51,036	24.09	12.54
40,001 and over	47	1.55	3,451,173	20.56	76,002	22.02	18.67
Total/ Weighted Average	3,023	100.00%	16,782,675	100.00%	$ 407,078	$ 24.26	100.00%

(1) Base rent is determined as of the date of lease expiration, including all fixed contractual base rent increases; increases tied to indices such as the Consumer Price Index are not included.

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Lease Expirations

The following table presents a summary schedule of the total lease expirations for our 120 properties for leases in place at December 31, 2004. This table assumes that none of the tenants exercise renewal options or termination rights, if any, at or prior to the scheduled expirations:

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Aggregate Leased Square Feet	Annualized Base Rent of Expiring Leases(1) ($000s)	Average Annualized Base Rent per Square Foot of Expiring Leases	Percentage of Aggregate Portfolio Annualized Base Rent
Month-to-Month	113	499,517	2.98%	$ 8,878	$17.77	2.18%
Q1 2005	136	465,009	2.77	9,421	20.26	2.31
Q2 2005	160	623,578	3.72	13,792	22.12	3.39
Q3 2005	167	624,148	3.72	14,522	23.27	3.57
Q4 2005	188	802,859	4.78	17,347	21.61	4.26
2005 Sub-Total(2)	651	2,515,594	14.99	55,082	21.90	13.53
2006	596	2,513,849	14.98	59,551	23.69	14.63
2007	529	2,416,185	14.40	56,854	23.53	13.97
2008	392	2,355,397	14.03	58,662	24.91	14.41
2009	344	2,139,029	12.74	51,137	23.91	12.56
2010	159	1,615,217	9.62	39,338	24.35	9.66
2011	53	704,942	4.20	22,102	31.35	5.43
2012	54	855,313	5.10	20,291	23.72	4.98
2013	34	411,142	2.45	12,195	29.66	3.00
2014+	98	756,490	4.51	22,988	30.39	5.65
Total/ Weighted Average	3,023	16,782,675	100.00%	$407,078	$24.26	100.00%

(1) Base rent is determined as of the date of lease expiration, including all fixed contractual base rent increases; increases tied to indices such as the Consumer Price Index are not included.

(2) Excludes month-to-month leases.

ITEM 3. ***Legal Proceedings***

We are presently subject to various lawsuits, claims and proceedings arising in the ordinary course of business none of which if determined unfavorably to us is expected to have a material adverse effect on our cash flows, financial condition or results of operations during the year ended December 31, 2004.

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, 2004.

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PART II

ITEM 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common stock is traded on the New York Stock Exchange, or NYSE, under the symbol ARI. On March 10, 2005, the last reported sales price per share of common stock on the NYSE was $35.41 and there were approximately 226 registered holders of record of our common stock. The table below sets forth the quarterly high and low closing sales price per share of our common stock as reported on the NYSE and the cash dividends per share we declared with respect to each period.

	High	Low	Per Share Common Stock Dividends Declared
2003			
First Quarter	$23.69	$20.18	$0.505
Second Quarter	$26.23	$22.68	$0.505
Third Quarter	$27.92	$26.15	$0.505