CATELLUS DEVELOPMENT CORP
Form 10-K
March 27, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002	Commission file number 1-10622

CATELLUS DEVELOPMENT CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**94-2953477** (I.R.S. Employer Identification No.)

201 Mission Street

San Francisco, California 94105

(Address of principal executive offices and zip code)

Registrant s telephone number, including area code:

(415) 974-4500

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value per share	New York and Chicago Stock Exchanges,
	and Pacific Exchange
Preferred Share Purchase Rights	

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

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $1.746 million on March 10, 2003.

As of March 10, 2003, there were 87,275,712 issued and outstanding shares of the Registrant s Common Stock.

PART I

Item 1. Business

Catellus Development Corporation (Catellus or the Company) is a publicly traded real estate operating company with a significant portfolio of rental properties and developable land. Operations consist primarily of the management, acquisition, development, and sale of real estate. At December 31, 2002, we owned a significant portfolio of income producing properties, including approximately 37 million square feet of rental property, 32 million square feet of which is industrial space. Our rental properties provide us with a relatively consistent source of earnings. Additionally, Catellus owns a portfolio of developable land intended for future development activities. Our development activities provide cash flow through sales of land or the conversion of our developable land to property that is either added to our rental portfolio or sold to tenants, developers, or other users. We invest in new land to ensure our potential for growth.

We have four primary groups: (1) Asset Management, which provides management and leasing services for our rental portfolio; (2) Suburban Commercial, which acquires and develops suburban commercial business parks for our own rental portfolio or for sale to third parties; (3) Suburban Residential, which develops suburban residential communities and sells finished lots to homebuilders; and (4) Urban, which focuses on developing three large, urban mixed-use projects for our own rental portfolio or for sale to third parties.

Catellus was formed to conduct the non-railroad real estate activities of the Santa Fe Pacific Corporation and was spun off to stockholders effective in 1990. Our railroad heritage gave us a diverse base of developable properties located near transportation corridors in major western United States markets. This land has proven suitable for the development of a variety of product types, including industrial, retail, office, and residential. Over time, we have expanded our business by acquiring land suitable for primarily industrial development in many of the same suburban locations where we have an established presence.

Our principal office is located at 201 Mission Street, San Francisco, California 94105; our telephone number at that location is (415) 974-4500; and our website address is www.catellus.com. This annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports are available free of charge through our website as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission.

Recent Developments

On March 3, 2003, we announced that our Board of Directors (Board) has authorized us to restructure our business operations to qualify as a real estate investment trust (REIT), effective January 1, 2004, subject to stockholder and Board approvals. The Company has spent the past several years profitably transforming what was one of the country s largest land portfolios into predominantly industrial rental property and capital that has been reinvested back into our business. We are now embarking upon a transition period to restructure our operations and change our business strategy to focus increasingly on industrial development and reducing focus on other product types.

In anticipation of the REIT conversion, the Company will take steps during 2003 to better position its businesses for operation as a REIT. This will include looking for ways to operate more efficiently, consistent with a focus of new development on industrial product. We plan to continue our Urban mixed use projects that are underway, but do not plan to seek new ones. Since the Urban Group (*see* Urban Group below) will no longer be pursuing new activities, and given the considerable progress made on existing projects, it is anticipated that the scope of activities will be reduced, resulting in a reduction in work force over 2003 and 2004. The Urban Group projects will be operated in a taxable REIT subsidiary (TRS), and the Company expects to recycle surplus capital from the Urban Group projects through continuing development with greater emphasis on third party parcel sales, land leases, and joint ventures. During 2003, the Suburban Residential Group *(see* Suburban Residential Group below) projects will be positioned for sale and any remaining assets will be operated in a TRS.

We plan to present the REIT conversion to our shareholders for approval at our annual meeting, which is expected to be held in the third quarter of 2003. If the REIT conversion is consummated, Catellus will operate as an umbrella partnership real estate investment trust, with wholly owned taxable REIT subsidiaries. As part of the REIT conversion, we will provide to shareholders a one-time distribution of pre-REIT earnings and profits, in compliance with the requirements to elect REIT status. Furthermore, subject to final Board approval, we anticipate that we will begin paying a quarterly dividend commencing with a payment of $0.30 per common share for the third quarter of 2003. A copy of the press release announcing the REIT conversion and other relevant documents are available free of charge at the SEC s website (www.sec.gov) or can be obtained by directing a request to us at 201 Mission Street, Second Floor, San Francisco, California 94105, Attn.: Director of Investor Relations, or by telephone at (415) 974-4649, or email at InvestorRelations@catellus.com. We will soon file a preliminary proxy statement/prospectus with the Securities and Exchange Commission that will provide important information, including detailed risk factors, regarding the proposed transaction. There is no assurance that the proposed REIT conversion will be consummated or that the terms of the REIT conversion or the timing or effects thereof will not differ materially from those described in the press release and other relevant documents.

Property Portfolio

Rental Portfolio

Our income-producing portfolio is comprised of commercial rental property, ground leases and other properties, and interests in several joint ventures. We own 37 million square feet of commercial rental property of which 89.1% is industrial, 8.6% is office, and 2.3% is retail. Since the end of 1995, our portfolio has expanded by more than 22.9 million square feet (163%), primarily through our development activities. Approximately 35% of the rental property, by square footage, is located in Southern California, 19% in Northern California, 18% in Illinois, 11% in Texas, 7% in Colorado, 3% in Arizona, and 3% in Oregon, with the remaining 4% located in six other states. We also own approximately 8,000 acres of land subject to ground leases, approximately 755,000 square feet of other rent generating properties that are located at our urban development projects, the majority of which is projected to be converted to future redevelopment opportunities, and joint ventures interests in two hotels and two office buildings.

The following table provides information on our income-producing portfolio:

	Number of Buildings			Square Feet Owned			Net Book Value		
	December 31,			December 31,			December 31,		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
				(In thousands)			(In thousands)		
Rental Portfolio									
Industrial	196	187	198	32,944	27,594	26,251	$ 1,134,890	$ 943,340	$ 874,168
Office	32	27	24	3,164	2,442	1,625	409,339	297,707	205,179
Retail	22	19	21	868	864	880	100,882	96,263	94,085
Ground leases and other properties							139,886	138,708	79,950
Operating joint ventures							(10,920)	(13,026)	(16,092)
Subtotal	250	233	243	36,976	30,900	28,756	1,774,077	1,462,992	1,237,290
Accumulated depreciation							(366,772)	(325,130)	(287,039)

Total	$ 1,407,305	$ 1,137,862	$ 950,251

Developable Land Inventory

We have developable land capable of supporting up to an estimated 38.1 million square feet of commercial development and approximately 9,300 units of residential development as of December 31, 2002. Substantially all of our commercial and residential developable land is entitled. Approximately 67% of the total commercial development potential by square footage is located in California: San Francisco, Silicon Valley, San Francisco s East Bay area, Los Angeles County, Orange County, the Inland Empire (San Bernadino and Riverside counties), and the City of San Diego; approximately 14% in Texas; approximately 11% in Illinois; with the remaining 8% located in four other states. In terms of residential lots, approximately 59% of the residential land for potential development is located in Northern California, 18% is in Southern California, and 23% is in Colorado.

The following table summarizes the estimated development potential of our land inventory as of December 31, 2002:

	Commercial	Residential	Hotel
	(Square feet)	(Lots or units)	(Rooms)
Commercial	25,907,000		
Residential		5,789	
Urban	12,226,000	3,548	500
Total	38,133,000	9,337	500
Entitled	36,806,000	9,223	500
Entitlements/approvals in progress	1,327,000	114	

The following table shows the net book value of our developable land inventory for the years presented:

	Net Book Value		
	December 31,		
	2002	2001	2000
	(In thousands)		
Commercial	$ 171,924	$ 188,527	$ 174,329
Residential	52,850	52,108	64,479
Residential joint ventures	37,918	74,721	46,245
Urban	279,495	258,504	366,136
Subtotal	542,187	573,860	651,189
Accumulated depreciation	(10,699)	(9,888)	(15,819)
Total	$ 531,488	$ 563,972	$ 635,370

Asset Management Group

The Asset Management Group manages our rental portfolio of industrial, office, retail, ground lease properties, and operating of properties for joint ventures. The group provides the following services: (1) leasing and management services; (2) acquisition of properties for, and sale of certain rental properties from, our portfolio; and (3) management and disposition services for our other land holdings. The Asset Management Group provided ground lease management services for a third party before the contract expired in 2000.

The following table summarizes our rental portfolio property operating income by property type:

	Property Operating Income(1) Year Ended December 31,		
	2002	2001	2000
	(In thousands)		
Rental Portfolio			
Industrial	$ 125,744	$ 111,409	$ 98,831
Office	31,650	24,362	20,228
Retail	10,725	9,778	10,511
Ground leases	21,271	20,237	14,724
Other properties	6,488	6,432	7,196
Equity in earnings of operating joint ventures	8,277	8,833	9,809
Subtotal	204,155	181,051	161,299
Less: Discontinued operations	(486)	(1,816)	(2,267)
Total property operating income	$ 203,669	$ 179,235	$ 159,032

(1) Property operating income is rental revenue less property operating costs plus equity in earnings of operating joint ventures.

Building Portfolio

The following table summarizes our building portfolio, by year built, as of December 31, 2002:

	City	State	Rentable Square Feet	Year Built	Major Tenant	RSF Occupied	YR End Vacancy	Year-End Building Occupancy %
	Industrial Property:							
1	Minooka	IL	1,034,200	2002	Kellogg s USA, Inc.	1,034,200		100%
2	Ontario	CA	830,000	2002	Exel, Inc.	830,000		100%
3	Manteca	CA	608,860	2002	Ford Motor Company	608,860		100%
4	Ontario	CA	607,320	2002	Specialty Merchandise Corporation	607,320		100%
5	Rancho Cucamonga	CA	449,370	2002	Ford Motor Company	449,370		100%
6	Romeoville	IL	421,361	2002	APL Logistics Warehouse Mgmt. Svcs., Inc	421,361		100%
7	Grand Prairie	TX	398,364	2002	Lagasse Bros., Inc.	105,918	292,446	27%
8	Shepherdsville	KY	382,800	2002	APL Logistics Warehouse Mgmt. Svcs., Inc	193,800	189,000	51%
9	Denver	CO	314,978	2002	Ford Motor Company	200,689	114,289	64%
10	Ft Worth	TX	252,000	2002	Ford Motor Company	252,000		100%
11	Denver	CO	144,511	2002	Keebler Company	81,487	63,024	56%
12	Fremont	CA	105,700	2002	Tranax Technologies, Inc.	41,232	64,468	39%
13	Denver	CO	89,739	2002	Colorado Health Systems, Inc.	58,050	31,689	65%
14	Denver	CO	360,118	2001	Aspen Pet Products, Inc.	360,118		100%
15	Denver	CO	350,969	2001	United Stationers Supply Co.	350,969		100%

16	Woodridge	IL	167,529	2001	Metro Exhibit Corporation	167,529		100%
17	Denver	CO	161,511	2001	Loving-Kayman, LLC	161,511		100%
18	Rancho Cucamonga	CA	120,620	2001	Scripto-Tokai Corporation	120,620		100%
19	Fremont	CA	100,528	2001	Vacant		100,528	0%
20	Fremont	CA	65,332	2001	Vacant		65,332	0%
21	Woodridge	IL	513,674	2000	Prairie Packaging, Inc.	513,674		100%
22	Ontario	CA	504,530	2000	New Balance Athletic Shoe, Inc.	504,530		100%
23	Grand Prairie	TX	450,864	2000	Quaker Sales & Distribution, Inc.	450,864		100%

	City	State	Rentable Square Feet	Year Built	Major Tenant	RSF Occupied	YR End Vacancy	Year-End Building Occupancy %
24	Rancho Cucamonga	CA	443,190	2000	APL Logistics Warehouse Mgmt. Svcs., Inc	443,190		100%
25	Rancho Cucamonga	CA	441,970	2000	APL Logistics Warehouse Mgmt. Svcs., Inc	441,970		100%
26	Grand Prairie	TX	422,622	2000	APL Logistics Warehouse Mgmt. Svcs., Inc	422,622		100%
27	Ontario	CA	373,283	2000	The Hain Food Group	373,283		100%
28	Woodridge	IL	367,999	2000	Central American Distribution & Transpor	367,999		100%
29	Ontario	CA	359,996	2000	The Gillette Company	359,996		100%
30	Woodridge	IL	263,007	2000	Corporate Express Office Products, Inc.	211,949	51,058	81%
31	Oakland	CA	147,500	2000	United States Postal Service	147,500		100%
32	Rancho Cucamonga	CA	56,490	2000	Carpenter Technology Corporation	56,490		100%
33	Romeoville	IL	532,560	1999	The Gillette Co.	532,560		100%
34	Grand Prairie	TX	423,700	1999	APL Logistics Warehouse Mgmt. Svcs., Inc	423,700		100%
35	Romeoville	IL	402,266	1999	APL Logistics Warehouse Mgmt. Svcs., Inc	402,266		100%
36	Woodridge	IL	396,489	1999	Central American Warehouse Co.	396,489		100%
37	Woodridge	IL	351,799	1999	United States Intermodal Services, LLC	351,799		100%
38	Grand Prairie	TX	343,200	1999	APL Logistics Warehouse Mgmt. Svcs., Inc	343,200		100%
39	Fremont	CA	187,168	1999	Peripheral Computer Support	187,168		100%
40	Portland	OR	180,000	1999	Spicers, Inc.	180,000		100%
41	Louisville	KY	166,600	1999	Clark Material Handling Company	166,600		100%
42	Woodridge	IL	165,173	1999	Samuel Manu-Tech, Inc.	165,173		100%
43	Portland	OR	165,000	1999	Synetics Solutions, Inc.	165,000		100%
44	Denver	CO	156,139	1999	Marriott Distribution Services	156,139		100%
45	Woodridge	IL	114,591	1999	Packaging Consultants, Inc.	114,591		100%
46	Portland	OR	103,500	1999	Kinco International, Inc.	103,500		100%
47	Richmond	CA	88,845	1999	Kaiser Foundation Health Plan, Inc.	88,845		100%
48	Fremont	CA	60,000	1999	Fiberstars, Inc.	60,000		100%
49	Fremont	CA	53,395	1999	Sonic Manufacturing Technologies, Inc.	53,395		100%
50	Richmond	CA	42,500	1999	Kaiser Foundation Health Plan, Inc.	42,500		100%
51	Ontario	CA	526,408	1998	Sweetheart Holdings, Inc.	526,408		100%
52	Stockton	CA	500,199	1998	Kellogg s USA Inc.	500,199		100%
53	Denver	CO	325,999	1998	Quantum Logistics, Inc.	325,999		100%
54	Woodridge	IL	240,280	1998	APL Logistics Warehouse Mgmt. Svcs., Inc	240,280		100%
55	Industry	CA	183,855	1998	Liberty Glove, Inc.	183,855		100%
56	Oakland	CA	176,826	1998	Public Storage Pick-Up & Delivery, Inc.	176,826		100%
57	Woodridge	IL	158,871	1998	Rock-Tenn Converting Company	124,742	34,129	79%
58	Industry	CA	140,380	1998	Graybar Electric Company, Inc.	140,380		100%
59	Industry	CA	138,124	1998	Unipac Shipping Co./Continental Agency	138,124		100%
60	Denver	CO	129,442	1998	Callisto Corporation	129,442		100%
61	Industry	CA	109,448	1998	Playhut, Inc.	109,448		100%
62	Fremont	CA	102,626	1998	Mouse Systems	102,626		100%
63	Fremont	CA	476,177	1997	Office Depot, Inc.	476,177		100%
64	Aberdeen	MD	470,707	1997	Saks & Company	470,707		100%
65	Industry	CA	298,050	1997	Viewsonic Corporation	298,050		100%
66	Union City	CA	234,588	1997	Spicers Paper, Inc.	234,588		100%
67	Garland	TX	227,023	1997	Interceramic, Inc.	227,023		100%
68	Garland	TX	226,906	1997	Ascendant Solutions	226,906		100%
69	Ontario	CA	180,608	1997	Tyco Healthcare Group, LLP	180,608		100%
70	Fremont	CA	174,460	1997	Galgon Industries, Inc.	126,400	48,060	72%
71	Anaheim	CA	130,466	1997	Anixter Inc.	130,466		100%
72	Fremont	CA	127,452	1997	Victron, Inc.	127,452		100%
73	Ontario	CA	37,000	1997	Los Angeles Times Communications, LLC	37,000		100%

	City	State	Rentable Square Feet	Year Built	Major Tenant	RSF Occupied	YR End Vacancy	Year-End Building Occupancy %
74	Industry	CA	230,992	1996	Owens & Minor West, Inc.	230,992		100%
75	Ontario	CA	201,454	1996	McLane Company, Inc.	201,454		100%
76	Fremont	CA	158,400	1996	Home Depot USA, Inc.	158,400		100%
77	Oklahoma City	OK	124,905	1996	Pollock Investments Inc.	60,000	64,905	48%
78	Fremont	CA	114,948	1996	Menlo Logistics, Inc.	114,948		100%
79	Fremont	CA	94,080	1996	Galgon Industries, Inc.	58,368	35,712	62%
80	Vernon	CA	41,712	1996	Lucky Brand Dungarees, Inc.	41,712		100%
81	Vernon	CA	27,798	1996	Vacant		27,798	0%
82	Ontario	CA	300,136	1995	Dunlop Tire Corp.	300,136		100%
83	Santa Fe Springs	CA	100,000	1995	Spicers Paper, Inc.	100,000		100%
	Subtotal 1995-2002		**21,954,180**		**(83 buildings)**	**20,771,742**	**1,182,438**	**95%**
1	Grove City	OH	300,211	1994	Vista Packaging, Inc.	300,211		100%
2	Garland	TX	262,000	1994	Interceramic, Inc	262,000		100%
3	Fullerton	CA	100,000	1994	Adams Rite Aerospace, Inc.	100,000		100%
4	Anaheim	CA	17,575	1994	Los Angeles Times Communications LLC	17,575		100%
5	Grove City	OH	360,412	1993	McKesson Medical-Surgical Minnesota Inc.	331,052	29,360	92%
6	Grove City	OH	305,268	1993	McGraw Hill	305,268		100%
7	Woodridge	IL	261,400	1993	Dollar Tree Stores, Inc.	261,400		100%
8	Ontario	CA	149,406	1992	THMX Holdings, LLC	149,406		100%
9	Livermore	CA	148,440	1992	Owens & Minor West	148,440		100%
10	Woodridge	IL	148,416	1992	Multifoods Distribution Group, Inc.	148,416		100%
11	Anaheim	CA	130,595	1992	Micro Technology, Inc.	130,595		100%
12	Anaheim	CA	79,846	1992	Partition Installations, Inc.	79,846		100%
13	Vernon	CA	47,000	1992	John S. Dull & Associates, Inc.	47,000		100%
14	Anaheim	CA	36,800	1992	SCP Superior Acquisition Company, LLC.	36,800		100%
15	Anaheim	CA	26,200	1992	S-B Power Tool Company	26,200		100%
16	Industry	CA	449,049	1991	Circuit City Stores, Inc.	449,049		100%
17	Woodridge	IL	265,057	1991	Sportmart, Inc.	265,057		100%
18	Woodridge	IL	116,544	1991	Argo Turboserve Corporation	116,544		100%
19	Union City	CA	105,408	1991	Anixter Bros, Inc.	46,848	58,560	44%
20	Vernon	CA	49,250	1991	Brambles Info. Mgmt., Inc.	49,250		100%
21	Santa Fe Springs	CA	42,890	1991	Highlight Graphics	35,990	6,900	84%
22	Santa Fe Springs	CA	37,268	1991	Hotchkis Performance	37,268		100%
23	Santa Fe Springs	CA	31,638	1991	Polestar, Inc.	31,638		100%
24	Vernon	CA	30,840	1991	Monami Textile, Inc.	30,840		100%
25	Vernon	CA	30,840	1991	Alto Products	30,840		100%
26	Santa Fe Springs	CA	11,929	1991	Marinco Electric Inc.	7,994	3,935	67%
27	Santa Fe Springs	CA	11,045	1991	Dover Resources Inc	9,750	1,295	88%
28	Ontario	CA	412,944	1990	Cott Beverages USA, Inc.	412,944		100%
29	Santa Fe Springs	CA	237,814	1990	La Salle Paper Company, Inc.	237,814		100%
30	Garland	TX	200,000	1990	Sears Logistics Services, Inc.	200,000		100%
31	Tempe	AZ	165,646	1990	Vacant		165,646	0%
32	Ontario	CA	141,150	1990	H. Tedmori, Inc.	141,150		100%
33	Livermore	CA	131,128	1990	Nature Kist	131,128		100%
34	Union City	CA	116,993	1990	Tyco Printed Circuit Group LLP	116,993		100%
35	Vernon	CA	48,187	1990	Mister S	48,187		100%
36	Vernon	CA	26,923	1990	Barth and Dreyfuss Of California	26,923		100%
37	Vernon	CA	26,653	1990	Maruhana U.S.A., Corp.	26,653		100%
	Subtotal 1990-1994		**5,062,765**		**(37 buildings)**	**4,797,069**	**265,696**	**95%**
1	Stockton	CA	435,609	1989	Ralphs Grocery Co.	435,609		100%
2	Ontario	CA	405,864	1989	Exel Inc.	405,864		100%
3	Anaheim	CA	39,285	1989	V & M Restoration	39,285		100%
4	Anaheim	CA	28,185	1989	Shaxon Industries	28,185		100%
5	Santa Ana	CA	24,968	1989	Severn Trent Laboratories, Inc.	24,968		100%

6	Anaheim	CA	24,955	1989	Specification Seals Co.	24,955	100%

	City	State	Rentable Square Feet	Year Built	Major Tenant	RSF Occupied	YR End Vacancy	Year-End Building Occupancy %
7	Anaheim	CA	20,705	1989	Automation Products	20,705		100%
8	Phoenix	AZ	206,263	1988	Freeport Logistics Inc.	206,263		100%
9	Vernon	CA	137,307	1988	Pepboys Of California	137,307		100%
10	Tempe	AZ	133,291	1988	Eagle Global Logistics	133,291		100%
11	Carson	CA	133,240	1988	F.R.T. International, Inc.	133,240		100%
12	Carson	CA	118,545	1988	Expeditors International	118,545		100%
13	Union City	CA	115,200	1988	California Equipment Distributors, Inc.	115,200		100%
14	Livermore	CA	92,022	1988	Trans Western Polymers, Inc.	92,022		100%
15	Vernon	CA	85,349	1988	Rayem Investments, Inc.	85,205	144	100%
16	Union City	CA	82,944	1988	Orthopedic Systems, Inc.	82,944		100%
17	Union City	CA	77,760	1988	National Retail Transportation, Inc.	77,760		100%
18	Livermore	CA	76,800	1988	Trans Western Polymers, Inc.	76,800		100%
19	Tustin	CA	69,763	1988	Terumo Medical Corporation	69,763		100%
20	Tustin	CA	59,505	1988	GE Medical Systems Info Technologies, Inc	59,505		100%
21	Orange	CA	54,177	1988	Freedom Communications Inc.	54,177		100%
22	Santa Ana	CA	36,225	1988	Applied Industrial Technology, Inc.	36,225		100%
23	Los Angeles	CA	31,311	1988	Tanimura Distributing	31,311		100%
24	Rancho Cucamonga	CA	419,064	1987	Weingart Foundation	419,064		100%
25	Stockton	CA	314,392	1987	Ralphs Grocery Co.	314,392		100%
26	Phoenix	AZ	221,116	1987	Huhtamaki Plastics, Inc.	221,116		100%
27	Santa Fe Springs	CA	98,882	1987	Galleher Hardwood Company	98,882		100%
28	Union City	CA	88,704	1987	Am-Pac Tire Distribution, Inc.	88,704		100%
29	Union City	CA	86,496	1987	Logitech, Inc.	86,496		100%
30	Santa Fe Springs	CA	70,756	1987	Atlantic, Inc.	70,756		100%
21	Anaheim	CA	52,965	1987	Mintek Digital, Inc.	52,965		100%
32	Anaheim	CA	51,153	1987	Meiho Technology, Inc.	51,153		100%
33	Union City	CA	44,909	1987	Exp Pharmaceutical Waste Management, Inc	44,909		100%
34	Anaheim	CA	43,428	1987	United Media Services, Inc.	43,428		100%
35	Anaheim	CA	32,074	1987	Saint-Gobain Industrial Ceramics, Inc.	32,074		100%
36	Los Angeles	CA	30,104	1987	Tanimura Distributing	30,104		100%
37	La Mirada	CA	220,000	1986	Mohawk Industries, Inc.	220,000		100%
38	Union City	CA	126,144	1986	Runco International, Inc.	47,852	78,292	38%
39	Orange	CA	108,222	1986	Data Aire, Inc.	108,222		100%
40	Tempe	AZ	101,601	1986	Triumph / Stolper	101,601		100%
41	Tempe	AZ	93,366	1986	Southern Wine and Spirits	93,366		100%
42	Vernon	CA	77,184	1986	Jade Apparel, Inc.	77,184		100%
43	Tustin	CA	75,226	1986	Scan-Tron Corporation	75,226		100%
44	Orange	CA	42,918	1986	Mailing and Marketing, Inc.	42,918		100%
45	Orange	CA	35,000	1986	Cano Container Corporation	35,000		100%
46	Vernon	CA	28,875	1986	Master Knits USA, Inc.	28,875		100%
47	Fullerton	CA	50,000	1985	Sonic Air Systems, Inc.	50,000		100%
48	Anaheim	CA	20,769	1985	Fremont Investment & Loan	20,769		100%
	Subtotal 1985-1989		**5,022,621**		**(48 buildings)**	**4,944,185**	**78,436**	**98%**
1	Sacramento	CA	46,500	1983	Competition Parts Warehouse	46,500		100%
2	Sacramento	CA	21,976	1983	Competition Parts Warehouse	21,976		100%
3	Sacramento	CA	21,000	1983	American River Flood Control	21,000		100%
4	Sacramento	CA	21,000	1983	American River Flood Control	21,000		100%
5	Fullerton	CA	97,056	1980	Modular Systems Services, Inc.	97,056		100%
6	Vernon	CA	10,600	1980	U.S. Filter Distribution Group	10,600		100%
7	Phoenix	AZ	78,327	1976	Willey Brothers, Inc.	50,913	27,414	65%
8	Tustin	CA	65,910	1975	ADC Telecommunications, Inc.	65,910		100%
9	Houston	TX	57,058	1975	Insituform Technologies, Inc.	57,058		100%
10	San Diego	CA	32,905	1971	Michael Culleton	32,905		100%

	City	State	Rentable Square Feet	Year Built	Major Tenant	RSF Occupied	YR End Vacancy	Year-End Building Occupancy %
11	San Diego	CA	21,507	1971	Refrigeration Supplies Dist.	21,507		100%
12	San Diego	CA	18,001	1971	Ljungquist Enterprises, Inc.	18,001		100%
13	San Diego	CA	14,401	1971	Oceanus Press	14,401		100%
14	San Diego	CA	14,000	1971	California Board Sports	14,000		100%
15	San Diego	CA	12,822	1971	Transwestern Publishing	12,822		100%
16	San Diego	CA	12,801	1971	Aquatic Design System	12,801		100%
17	San Diego	CA	12,599	1971	Nico & Associates, Inc.	12,599		100%
18	San Diego	CA	11,200	1971	Insight Systems LLC	11,200		100%
19	San Diego	CA	9,928	1971	Vacant		9,928	0%
20	San Diego	CA	9,600	1971	Smalley & Company	9,600		100%
21	San Diego	CA	9,599	1971	Environmental Spray, Inc.	9,599		100%
22	San Diego	CA	8,400	1971	Taiwanese American Foundation	8,400		100%
23	Tustin	CA	39,600	1966	Action Wholesale Products, Inc.	39,600		100%
24	Phoenix	AZ	83,317	1950	Reliant Building Products, Inc	83,317		100%
25	Phoenix	AZ	40,495	1950	Reliant Building Products, Inc	40,495		100%
26	Vernon	CA	15,288	1940	A. Rudin, Inc.	15,288		100%
27	Vernon	CA	48,315	1937	Griffith Micro Science, Inc.	48,315		100%
28	Topeka	KS	70,266	1931	Capital Label, LLC	26,896	43,370	38%
	Subtotal Pre-1985		**904,471**		**(28 buildings)**	**823,759**	**80,712**	**91%**
	Total Industrial		**32,944,037**		**(196 buildings-Average Age 6.5 Years)**	**31,336,755**	**1607,282**	**95%**
	Office Property:							
1	San Francisco	CA	282,773	2002	The Gap, Inc.	282,773		100%
2	Westminster	CO	151,040	2002	CSG Systems, Inc.	87,468	63,572	58%
3	Glenview	IL	116,015	2002	AC Neilson Company	18,499	97,516	16%
4	Coppell	TX	101,844	2002	Washington Mutual Bank	101,844		100%
5	Westminster	CO	121,461	2001	American Skandia Life Assurance	121,461		100%
6	Woodridge	IL	97,964	1991	Argonne National Laboratory	97,964		100%
7	Anaheim	CA	94,086	1990	Fremont Investment & Loan	86,479	7,607	92%
8	Corona	CA	61,724	1990	Centex Real Estate Corp	60,013	1,711	97%
9	Santa Ana	CA	66,106	1989	County Of Orange	66,106		100%
10	Northridge	CA	56,964	1988	101 Communications LLC	56,964		100%
11	Northridge	CA	53,292	1988	Washington Mutual	53,292		100%
12	Northridge	CA	43,117	1988	Synergistic Systems Inc.	43,117		100%
13	San Jose	CA	70,903	1986	Aon Service Corporation	59,003	11,900	83%
14	San Jose	CA	69,956	1986	Puma Technology Inc.	69,956		100%
15	Northridge	CA	60,175	1986	Washington Mutual Bank	59,971	204	100%
16	Orange	CA	40,000	1986	Control Air Corporation	40,000		100%
17	San Jose	CA	77,092	1985	MCI Worldcom Communications, Inc.	70,924	6,168	92%
18	San Jose	CA	71,514	1985	Parametric Technology Corporation	63,261	8,253	88%
19	San Jose	CA	69,952	1985	Porter Novelli Inc.	65,924	4,028	94%
20	San Jose	CA	67,317	1985	MCI Worldcom Communications, Inc.	44,447	22,870	66%
	Subtotal 1985-2002		**1,773,295**		**(20 buildings)**	**1,549,466**	**223,829**	**87%**
1	Santa Ana	CA	52,133	1983	Nations Direct Lender & Ins.	45,938	6,195	88%
2	Portland	OR	56,934	1979	Anesthesiologists Assoc. Inc.	49,437	7,497	87%
3	Irving	TX	69,049	1978	General Motors Corporation	67,310	1,739	97%
4	Dallas	TX	473,090	1975	J. C. Penney Company, Inc.	434,582	38,508	92%
5	Dallas	TX	224,211	1975	J. C. Penney Company, Inc.	224,211		100%
6	Sacramento	CA	24,671	1975	Community Health Charities	9,931	14,740	40%
7	Sacramento	CA	11,542	1975	Cal Assoc. For Local Econ Dev.	11,542		100%
8	Sacramento	CA	7,987	1975	Law Offices Of W. Scott De Bie	5,946	2,041	74%
9	Sacramento	CA	53,696	1974	Volunteers Of America	41,173	12,523	77%
10	Newport Beach	CA	24,018	1972	Express Capital Lending	21,815	2,204	91%
11	Newport Beach	CA	22,727	1972	United Auto Credit Corporation	20,524	2,204	90%

12	Chicago	IL	370,263	1903	Skidmore, Owings & Merrill LLP	325,357	44,906	88%
	Subtotal Pre-1985		**1,390,321**		**(12 buildings)**	**1,257,765**	**132,556**	**90%**
	Total Office		**3,163,616**		**(32 buildings)**	**2,807,231**	**356,385**	**89%**

	City	State	Rentable Square Feet	Year Built	Major Tenant	RSF Occupied	YR End Vacancy	Year-End Building Occupancy %
	Retail Property:							
1	Tucson	AZ	51,242	2002	Fleming Companies, Inc.	51,242		100%
2	Tucson	AZ	12,414	2002	Curves for Women	3,505	8,909	28%
3	Tucson	AZ	5,840	2002	Ole Mexican Grille	3,450	2,390	59%
4	Tucson	AZ	4,950	2002	Top 10 Nails	1,950	3,000	39%
5	Emeryville	CA	23,923	2001	Michaels Stores, Inc.	23,923		100%
6	Emeryville	CA	117,000	1994	Home Depot USA, Inc.	117,000		100%
7	Emeryville	CA	102,501	1994	Home Depot USA, Inc.	102,501		100%
8	Emeryville	CA	96,954	1994	Sportmart, Inc.	96,954		100%
9	Emeryville	CA	59,195	1994	Pak N Save	59,195		100%
10	Emeryville	CA	4,897	1994	Mattress Discounters Corporation	4,897		100%
11	Emeryville	CA	3,561	1994	Designs CMAL Store Inc.	3,561		100%
12	Emeryville	CA	3,537	1994	Walker, Robin M. and Swarm, Ezel N.	3,537		100%
13	Anaheim	CA	12,307	1985	Auto Insurance Spclsts-L.B Inc	7,039	5,268	57%
14	Anaheim	CA	10,668	1985	Koosharem Corp	5,002	5,666	47%
	Subtotal 1985-2002		**508,989**		**(14 buildings)**	**483,756**	**25,233**	**95%**
1	Woodland Hills	CA	72,765	1973	Toys R Us Inc.	72,765		100%
2	Woodland Hills	CA	11,317	1973	Shelley S Stereo	11,317		100%
3	Denver	CO	99,627	1971	King Soopers Inc.	91,672	7,955	92%
4	Livermore	CA	69,224	1970	Lucky Stores, Inc	59,412	9,812	86%
5	Tustin	CA	39,600	1968	Micro Center	39,600		100%
6	Portland	OR	25,284	1968	Bank Of The West	15,186	10,098	60%
7	Portland	OR	11,998	1968	Hollywood Video	10,610	1,388	88%
8	Woodland Hills	CA	29,071	1965	Strouds The Linen Experts	28,927	144	100%
	Subtotal Pre-1985		**358,886**		**(8 buildings)**	**329,489**	**29,397**	**92%**
	Total Retail		**867,875**		**(22 buildings)**	**813,245**	**54,630**	**94%**
	Grand Total		**36,975,528**		**(250 buildings)**	**34,957,231**	**2,018,297**	**95%**

Building Occupancy

The rental buildings were 94.5% leased as of December 31, 2002. Sixty-two percent of the total square footage of the rental buildings in our portfolio was constructed between 1995 and 2002, 15% between 1990 and 1994, 16% between 1985 and 1989, and the remaining 7% prior to 1985. Our goal is to continually upgrade the quality of our portfolio; correspondingly, certain older buildings and other properties are likely to be sold over time.

Leasing. The following table summarizes our leasing statistics for our rental portfolio:

	As of December 31,		
	2002	**2001**	**2000**
	(Square feet in thousands)		

Industrial Buildings			
Square feet owned	32,944	27,594	26,251
Square feet leased	31,337	26,103	25,143
Percent leased	95.1%	94.6%	95.8%
Office Buildings			
Square feet owned	3,164	2,442	1,625
Square feet leased	2,807	2,260	1,513
Percent leased	88.7%	92.5%	93.1%
Retail Buildings			
Square feet owned	868	864	880
Square feet leased	813	820	856
Percent leased	93.7%	94.9%	97.3%
Total			
Square feet owned	36,976	30,900	28,756
Square feet leased	34,957	29,183	27,512
Percent leased	94.5%	94.4%	95.7%

Lease Expirations. The following table summarizes our lease expirations in our rental portfolio as of December 31, 2002:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	Thereafter
Percent	12.2%	10.5%	15.0%	9.0%	9.9%	2.5%	7.0%	6.5%	4.6%	22.8%
Square feet (in thousands)	4,252	3,673	5,249	3,156	3,461	874	2,430	2,270	1,602	7,990

Approximately 127,000 square feet of month-to-month leases are shown as expiring in 2003.

Rental Portfolio

Following is a discussion of our rental portfolio by property type:

Industrial Buildings

The following table summarizes the industrial buildings in our rental portfolio as of, or for, the year ended December 31, 2002:

	Number of Buildings	Square Feet	Revenues	Property Operating Costs	Property Operating Income
	(In thousands, except for number of buildings)				
Southern California	99	12,200	$ 62,952	$ 11,484	$ 51,468
Northern California	39	5,773	35,550	7,915	27,635
Illinois	18	5,921	25,799	6,873	18,926
Texas	11	3,264	11,995	2,872	9,123
Colorado	9	2,033	10,095	2,590	7,505
Arizona	9	1,123	4,042	1,901	2,141
Maryland	1	471	3,402	296	3,106
Ohio	3	966	2,960	567	2,393
Oregon	3	449	2,898	529	2,369
Kentucky	2	549	1,141	169	972
Other	2	195	302	196	106
Total	196	32,944	$ 161,136	$ 35,392	$ 125,744

The following table summarizes the lease expirations for our industrial buildings as of December 31, 2002:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	Thereafter
Percent	12.2%	10.4%	14.6%	9.4%	9.4%	2.1%	7.0%	7.1%	4.6%	23.2%
Square feet (in thousands)	3,838	3,258	4,560	2,961	2,935	645	2,184	2,239	1,450	7,267

Of the 3.8 million square feet of leased industrial space that is scheduled to expire in 2003, 46% is located in Southern California, 16% in Northern California, 16% in Ohio, 13% in Illinois, and the remaining 9% in three other states. Approximately 116,000 square feet of month-to-month leases are shown as expiring in 2003.

In 2002, we completed, and added to our rental portfolio 5.6 million square feet of industrial buildings. In addition, during the year, we purchased 0.4 million square feet and sold 0.7 million square feet of industrial buildings.

Office Buildings

The following table summarizes the office buildings in our rental portfolio as of, or for, the year ended December 31, 2002:

	Number of Buildings	Square Feet	Revenues	Property Operating Costs	Property Operating Income
	(In thousands, except for number of buildings)				
Northern California	11	808	$ 15,851	$ 4,550	$ 11,301
Southern California	11	574	9,250	4,273	4,977
Texas	4	868	11,153	5,337	5,816
Illinois	3	584	13,109	6,599	6,510
Colorado	2	273	4,486	1,860	2,626
Oregon	1	57	981	561	420
Totals	32	3,164	$ 54,830	$ 23,180	$ 31,650

The following table summarizes the lease expirations for our office buildings as of December 31, 2002:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	Thereafter
Percent	12.8%	10.8%	23.0%	4.6%	18.1%	6.4%	4.7%	0.0%	4.6%	15.0%
Square feet (in thousands)	359	304	644	130	508	181	132	1	128	420

Of the 359,000 square feet of leased office space scheduled to expire in 2003, 42% is located in Illinois, 32% in Northern California, and 18% in Southern California. Approximately 11,000 square feet of month-to-month leases are shown as expiring in 2003.

In 2002, we completed the development of and added to our rental portfolio four office buildings totaling 650,000 square feet and purchased one office building totaling 69,000 square feet.

Retail Buildings

The following table summarizes the retail buildings in our rental portfolio as of, or for, the year ended December 31, 2002:

Number	Square Feet	Revenues	Property	Property

	of Buildings			Operating Costs	Operating Income
		(In thousands, except for number of buildings)			
Northern California	9	481	$ 8,981	$ 2,783	$ 6,198
Southern California	6	176	3,816	965	2,851
Arizona	4	74	446	84	362
Oregon	2	37	565	247	318
Colorado	1	100	1,480	484	996
Totals	22	868	$ 15,288	$ 4,563	$ 10,725

The following table summarizes the lease expirations for our retail buildings as of December 31, 2002:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	Thereafter
Percent	6.8%	13.6%	5.5%	8.0%	2.2%	5.9%	14.0%	3.7%	3.0%	37.3%
Square feet (in thousands)	55	111	45	65	18	48	114	30	24	303

Of the 55,000 square feet of leased retail space scheduled to expire in 2003, 85% is located in Southern California and 15% is in Colorado. In 2002, we completed and added to our portfolio 72,000 square feet of retail buildings and sold an older 70,000 square foot retail building.

Ground Leases and Other Properties

Ground Leases

We own approximately 8,000 acres of ground leases, of which approximately 1,200 acres are being marketed for sale.

The following table summarizes our ground leases for the year ended December 31, 2002:

	Revenues	Property Operating Costs	Property Operating Income
		(In thousands)	
Southern California	$ 11,184	$ 1,279	$ 9,905
Northern California	8,121	633	7,488
Other states	5,800	1,922	3,878
Totals	$ 25,105	$ 3,834	$ 21,271

Other Properties

In addition to 37 million square feet of buildings in our rental portfolio, we also own other income generating properties at our Urban Group projects that we intend to convert to land development. As of December 31, 2002, our other property portfolio included 15 buildings aggregating approximately 755,000 square feet, that were 84.8% leased, and several parking lots. We expect that the level of income generated from this category will decline as development occurs over the next several years.

The following table summarizes our other property portfolio as of, or for, the year ended December 31, 2002:

	Number of Buildings	Square Feet [1]	Revenues	Property Operating Costs	Property Operating Income
		(In thousands, except for number of buildings)			
Northern California	10	628	$ 5,409	$ 1,164	$ 4,245
Southern California	5	127	6,039	3,796	2,243

Totals	15	755	$ 11,448	$ 4,960	$ 6,488

(1) Other properties are not included in the total square feet of rental portfolio.

Operating Joint Venture Portfolio

The Asset Management Group had direct or indirect equity interests in four joint ventures that owned rental properties during the year. The joint ventures provided us with cash distributions of $6.1 million and earnings of $8.3 million for the year ended December 31, 2002.

We owned joint venture interests in the following operating properties for the years presented.

	No. of Ventures	Size	Ownership Interest	Equity in Earnings Year Ended December 31, 2002	2001	2000
				(In thousands)		
Hotel[1]	3	1,937 rooms	25-50%	$ 8,213	$ 8,570	$ 9,835
Office	1	202,000 sq. ft.	67%	64	263	(26)
Total	4			$ 8,277	$ 8,833	$ 9,809

(1) Includes a hotel parking lot joint venture.

Sales

During 2002, we sold property from our rental portfolio. Of the sales revenue in 2002, approximately $11.7 million came from the sale to tenants of older buildings totaling 227,000 square feet; approximately $22.5 million from the sale to investors of buildings totaling 542,000 square feet that were built in the 1970s and 1980s; and approximately $9 million from the sale of approximately 1,100 acres of land subject to ground leases.

The following table summarizes the sales of our rental properties, before the adjustments for discontinued operations for the years presented:

	Year Ended December 31,		
	2002	**2001**	**2000**
		(In thousands)	
Total sales:			
Sales revenue	$ 43,184	$ 71,818	$ 89,323
Cost of sales	(14,256)	(30,744)	(46,410)
Gain on property sales	$ 28,928	$ 41,074	$ 42,913

See Management s Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K for more information regarding our sales activity.

Other Land Holdings

As of December 31, 2002, we own approximately 256,000 acres of land in the Southern California desert. The ownership of these desert properties is the result of historical land grants to our railroad predecessors. Because of its location, lack of contiguity among parcels, and other factors, much of this land is not currently suitable for traditional development activities. We have assessed the desert portfolio to explore the potential for agricultural, mineral, water, telecommunications, energy, and waste management uses for these properties and concluded that the land, although valuable, does not fit within our overall corporate strategy.

Since December 31, 1998, our portfolio of desert holdings has declined from approximately 784,000 to 256,000 acres, primarily as a result of sales activity. In 2000, we sold approximately 437,000 acres of desert holdings and 20,000 acres of severed mineral rights to the federal government, through an agreement with The Wildlands Conservancy (TWC), for $45.1 million. In late 2001, we amended our agreement with TWC to provide for additional, future sales of up to approximately 170,000 acres of desert land for approximately $13.6 million. We closed on the sale of approximately 94,000 acres of these lands to the federal government in 2002 at a price of $7.5 million. We anticipate closing on approximately 62,000 acres at a price of $5.0 million in March 2003 and on approximately 8,000 acres at a price of $0.7 million in June 2003. The closing of these sales would conclude our current agreement with TWC.

Upon completion of TWC related sales, we will own approximately 186,000 acres of desert land. We are currently in negotiations with the federal government regarding an option agreement that would cover the sale of up to 100,000 acres as mitigation for impacts on threatened and endangered species of the proposed expansion of a Department of Defense installation in the California desert. An additional 30,000 acres are contemplated for disposition through an exchange with the federal government. The remaining 56,000 acres are being marketed for sale to private parties on a portfolio and individual property basis.

We will continue to pursue sale, lease, and exchange opportunities involving public and private buyers, as well as other arrangements to maximize the value of this land. These transactions are often complicated and, therefore, may take a significant amount of time to complete. No binding agreements have been entered on any of the major dispositions of the remaining 186,000 acres and no assurance can be made that the dispositions will occur as outlined.

See Management s Discussion and Analysis of Financial Condition and Results of Operations Gain on Non-Strategic Asset Sales of this Form 10-K for information regarding the aggregate total of non-strategic asset sales.

Sales

The following table summarizes our sales of other land holdings for the periods presented:

	Year Ended December 31,		
	2002	2001	2000
	(In thousands)		
Sales	$ 8,373	$ 4,161	$ 50,759
Cost of sales	(1,109)	(252)	(4,480)
Gain	$ 7,264	$ 3,909	$ 46,279

Suburban Commercial Group

The Suburban Commercial Group develops suburban commercial business parks comprised of predominantly industrial buildings on land we have acquired or that is included in our historic portfolio. Our suburban commercial development activities include: (1) the acquisition and entitlement of commercial land sites; (2) the construction of predominantly industrial pre-leased buildings and non pre-leased buildings to be added to our rental portfolio, some of which may be subject to tenant purchase options; (3) the construction of predominantly industrial buildings on land we own, for sale to users; (4) the construction of predominantly industrial buildings for sale to investors; and (5) the sale of land to third parties for their own development. In certain instances, we have generated development and management fees from design-build services and construction management services.

In 2002, the Suburban Commercial Group commenced construction on 3.3 million square feet of commercial development. It completed approximately 6.1 million square feet of construction, all of which were added to our rental portfolio. As of December 31, 2002, the group had approximately 3.3 million square feet under construction, 1.9 million square feet of which are scheduled to be added to our rental portfolio upon completion, although certain of these properties may be sold.

Sales

During 2002, we sold improved land capable of supporting 3.8 million square feet of commercial development.

The following table summarizes sales of our commercial development properties in the periods presented:

	Year Ended December 31,		
	2002	2001	2000
		(In thousands)	
Sales	$ 52,966	$ 75,686	$ 68,951
Cost of sales	(42,689)	(50,896)	(52,415)
Gain on property sales	10,277	24,790	16,536
Equity in earnings of development joint ventures		9	13
Total gain on property sales	$ 10,277	$ 24,799	$ 16,549

The 2002 gain came from land sales to developers and other users in our suburban business parks.

See Management s Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K for more information regarding our sales activity.

Suburban Commercial Developable Land Inventory

Our existing developable land can support an estimated 25.9 million square feet of new development based upon current entitlements.

In 2002, we invested approximately $8 million in the acquisition of land capable of supporting approximately 3 million square feet of commercial development.

The following table summarizes our commercial developable land inventory activity by location as of, or for, the year ended December 31, 2002:

Region/State/City	Potential Development 12/31/01	Revisions/ Transfers (1)	Acquisitions	Ground Leases and Sales	Development	Potential Development 12/31/02	% of Total	Book Value
	(Square feet in thousands)							(000 s)
Southern California								
Rancho Cucamonga	812	(2)		(24)	(468)	318		$ 3,560
Ontario	2,016					2,016		3,609
Anaheim	44	13		(13)		44		2,810
Northridge	44			(44)				
Fontana (Kaiser)	7,563	(238)		(2,933)	(1,178)	3,214		29,997
Subtotal Southern California	10,479	(227)		(3,014)	(1,646)	5,592	22%	39,976
Northern California								
Alameda	1,300					1,300(2)		8,458
Richmond	89					89		833
Fremont	3,755	(84)		(37)		3,634		20,921
Stockton			2,000			2,000		2,571
Manteca	542	144				686		3,420
Subtotal Northern California	5,686	60	2,000	(37)		7,709	30%	36,203
Total in California	16,165	(167)	2,000	(3,051)	(1,646)	13,301	51%	76,179
Illinois								
Woodridge	976					976		7,678
Glenview	680			(243)		437(3)		(2,451)
Romeoville	448				(346)	102		(596)
Minooka	1,710		588			2,298(4)		5,595
Joliet	370					370		85
Subtotal Illinois	4,184		588	(243)	(346)	4,183	16%	10,311

Texas								
Coppell	1,120					1,120		12,914
Garland	983			(220)		763		2,312
Grand Prairie	814					814		2,599
Houston	1,969					1,969		1,254
Ft. Worth			356		(252)	104		1,425
Plano	368		35			403		1,171
Subtotal Texas	5,254		391	(220)	(252)	5,173	20%	21,675
Other								
Denver, CO	925			(145)	(171)	609		23,690
Westminster, CO	685					685		21,649
Oklahoma, OK	300					300		46
Louisville, KY	545					545		1,633
Gresham/Portland, OR	1,459			(148)	(200)	1,111		7,554
Subtotal Other	3,914			(293)	(371)	3,250	13%	54,572
Total Outside of California	13,352		979	(756)	(969)	12,606	49%	86,559
Total Entitlements	29,517	(167)	2,979	(3,807)	(2,615)	25,907	100.0%	162,737
Approvals in progess (included in total entitlements)	1,327					1,327		
Other								9,187
Total								$ 171,924

(1) Includes revisions to estimates of potential development or transfers of property between commercial development and other categories of property.

(2) *See* summary of Alameda, California project following this section.

(3) Included in this balance is 425,000 square feet that is under option.

(4) Excluded from this balance is approximately 4.8 million square feet that is under option.

The following is a brief summary of some of the significant suburban commercial development projects and development activities.

Pacific Commons, Fremont, California. This is one of our largest development projects and also one of the largest planned business parks in Silicon Valley. The project, which is adjacent to Interstate 880 sixteen miles north of San Jose, consists of 900 acres, of which approximately 375 acres are planned and an additional 8.3 million square feet have been designated for development. Since inception, we have developed, constructed, sold, or leased approximately 4.7 million square feet of R&D, light industrial, and warehouse properties at Pacific Commons. In 2002, we sold approximately 37,000 square feet, leaving 3.6 million square feet or 118.4 net acres available for future development.

Kaiser Commerce Center, Fontana, California. In 2000, one of our wholly owned subsidiaries acquired this former steel mill site in Fontana, California, located in the heart of one of the nation s most active distribution centers near the intersection of Interstates 15 and 10. The property is served by both Union Pacific and Burlington Northern Santa Fe railroads and is 6 miles from the Ontario International Airport. Plans for the development include a 9 million-square-foot industrial park. At, or as of, December 31, 2002, approximately 1.4 million square feet had been completed, 1.2 million square feet are under construction, and 2.9 million square feet had been sold, leaving approximately 3.2 million square feet, or 191.9 net acres, available for development.

Alameda, California. In 1998, we were selected by the city of Alameda, California, as the master developer for the former 145-acre U.S. Navy Fleet Industrial Supply Center, Alameda Annex, and the adjacent 70-acre portion of the former Alameda Naval Air Station. In June 2000, we were granted entitlements to develop up to 1.3 million square feet of office commercial space and approximately 500 single-family homes.

The commercial portion of the Alameda development is divided into six land purchase phases of approximately 14 acres each. Under the agreement, the city of Alameda must deliver the land with environmental remediation and demolition of existing structures completed, and the city of Alameda must build all backbone infrastructures. Until Alameda satisfies all of these obligations, Catellus is not obligated to purchase the land**.** Purchases are staged every two years, but can be delayed by poor market conditions like the ones we are currently experiencing**.** Catellus has not purchased any of the lots as of the end of 2002.

Robert Mueller Municipal Airport, Austin, Texas. In April 2002, we were selected by the City Council of Austin, Texas, as the master developer for the redevelopment of the Robert Mueller Municipal Airport in Austin. The 709-acre former airport site is located adjacent to Interstate 35 near the campus of the University of Texas and is less than three miles from the state capitol in downtown Austin. The site was decommissioned as Austin s primary passenger airport in May of 1999.

The Redevelopment and Reuse Plan for the Mueller Airport includes plans for 5 million square feet of commercial development and 4,000 residential units. Catellus is now engaged in exclusive negotiations with the city of Austin over a Development Agreement for the project.

Suburban Residential Group

The Suburban Residential Group develops large-scale suburban residential communities and sells finished lots to homebuilders. Property is either acquired directly or through a joint venture with a third party.

From 1996 through mid-2000, the Suburban Residential Group was actively involved in the merchant housing (homebuilding) business. Because of competitive forces and the high-volume, low-margin nature of the homebuilding industry, we determined that the homebuilding business was not part of our ongoing corporate strategy. As a result, we sold a majority of our merchant housing assets in July 2000, to a newly formed joint venture. In 2001, we sold our residual interest in the joint venture that bought the merchant housing assets.

The description of the business of Suburban Residential Group below is as of December 31, 2002. *See* Recent Developments above for a discussion of the effect of the proposed REIT conversion on the business of the Suburban Residential Group.

Sales

The following table summarizes the sale of residential development property, which includes lots and housing units. The sales shown below are for properties that we own, as well as consolidated joint ventures for the periods presented:

	Year Ended December 31,		
	2002	2001	2000
	(In thousands)		
Sales	$ 59,107	$ 48,507	$ 292,822
Cost of sales	(28,862)	(30,202)	(238,930)
Gain	$ 30,245	$ 18,305	$ 53,892

Unconsolidated Joint Venture Sales

We also participate in development joint venture projects in which we do not own a controlling interest and for which we recognize income using the equity method. For the year ending December 31, 2002, our interests in these development joint ventures provided us with cash distributions of $80.1 million and earnings of $29.2 million. The following table summarizes sales of our residential development property in these unconsolidated joint venture projects:

	Year Ended December 31,		
	2002	2001	2000
	(In thousands)		
Sales	$ 278,226	$ 215,402	$ 316,523
Cost of sales	(197,178)	(184,122)	(260,975)
Gain	81,048	31,280	55,548
Venture partners interest	(47,985)	(3,610)	(27,781)
Equity in earnings of unconsolidated joint ventures	$ 33,063	$ 27,670	$ 27,767

18

Suburban Residential Land Inventory

The following table summarizes our residential land inventory activity as of, or for, the year ending December 31, 2002:

	Total Lots/ Homes 1/1/02	Controlled/ Acquired	Home Closings	Lot Closings	Transfers & Adjustments	12/31/02	Ownership or Controlled Interest	Book Value
								(000 s)
Land Development (lots)								
Colorado								
Commerce City		2,149				2,149	100%	$ 10,430
Northern California								
Alameda	492				(7)	485	100%	2,260
Hercules	415			(456)	63	22	100%	1,997
Serrano Sacramento	2,182			(940)	(52)	1,190	50%	15,619
Parkway Sacramento	1,437			(822)	(77)	538	50%	11,570
Southern California								
Talega San Clemente	2,144			(772)	(146)	1,226	30%	6,896
West Bluffs Playa del Rey[1]	114					114	100%	34,973
Other [2]								3,190
Subtotal Land Development	6,784	2,149		(2,990)	(219)	5,724		86,935
Home Building (units)								
Southern California								
Talega Village San Clemente	183		(118)			65	50%	3,833
Subtotal Home Building Housing	183		(118)			65		3,833
Total Entitilements	6,967	2,149	(118)	(2,990)	(219)	5,789		$ 90,768
Approvals in progress (included in total entitlements)[1]	114					114		

(1) We have entitlements for this project; however, the entitlements are being challenged under the California Environmental Quality Act and the California Coastal Act.

(2) Included in Other is a 5-block parcel of land, which has not been subdivided.

The following is a brief summary of our most significant residential projects:

Talega, San Clemente, California. In 1997, we acquired an approximately one-third interest (later decreased to thirty percent) in a joint venture project that owns a 3,470-acre, 4,000-lot residential land development site in the Talega Valley in San Clemente, California. This master-planned project includes a variety of attached and detached homes; an 18-hole championship golf course; a seniors community; an elementary/middle school; community parks; and an 82-acre, 1.5 million-square-foot mixed-use commercial area. The partnership closed on the sale of 772 lots during 2002 leaving 1,226 lots to be developed and sold.

Serrano, El Dorado Hills, California. In 1998, we acquired a two-thirds interest (later decreased to fifty percent) in a 3,500-acre, 4,000-lot master planned community in El Dorado Hills, California, which is located 30 miles east of Sacramento, California. A significant amount of infrastructure was in place and approximately 800 lots were sold or developed prior to the acquisition of our interest in the project. The project includes a variety of attached and detached homes; an 18-hole executive golf course; a private 18-hole Championship Golf Course and Country Club; elementary, intermediate, and high schools; and a retail commercial area. The partnership closed on the sale of 940 lots during 2002 leaving 1,190 lots to be developed and sold.

Victoria By the Bay, Hercules, California. In 1997, Catellus participated in a joint venture that acquired the Pacific Refinery at Hercules, California. We entered into an agreement to provide entitlement services to the joint venture; in return for an option to buy the property after defined environmental remediation work was completed. The development has received approval for up to 880 residential units, a school, commercial space, and public parks. In 2001, we received a no further action letter from the Regional Water Quality Control Board (RWQCB), clearing the last significant hurdle prior to the sale of the remaining lots of this project. During 2002, the partnership closed on the sale of 456 lots leaving 22 residential lots and one commercial space to be sold.

The Parkway, Folsom, California. In June 2001, we acquired a 50% interest in the Parkway Venture, a 600-acre, master-planned community in Folsom, California, which is located 20 miles east of Sacramento, California. The development has received approvals for 1,600 units that will include a variety of single and multi-unit homes, a neighborhood retail commercial area, and wetlands. The partnership sold 822 lots during 2002 leaving approximately 538 multi-unit home lots to be developed and sold.

Alameda, California. In 1998, we were selected by the City of Alameda, California, as the master developer for the former 145-acre U.S. Navy Fleet Industrial Supply Center, Alameda Annex, and the adjacent 70-acre portion (East Housing) of the former Alameda Naval Air Station. In June of 2000, we were granted entitlements to develop up to approximately 500 single-family homes and up to 1.3 million square feet of office and research and development space on the site.

The residential development acreage will be purchased in phases commencing in the second quarter of 2003. A minimum of 75 single-family lots must be purchased annually. Under the agreement, the City of Alameda must deliver the land with environmental remediation and demolition of existing structures completed, and must build all backbone infrastructure. Under a separate agreement with the city of Alameda, we are performing these required duties for a fee.

Demolition of the East Housing structures commenced in February 2002. Construction of the first phase of backbone infrastructure improvements is planned to begin in April 2003. We anticipate the start of construction of the homes and associated site improvements in the third quarter of 2003.

Urban Group

The Urban Group focuses exclusively on three large, urban mixed-use projects that include development potential for residential, office, biotech, retail, and hotel product types.

As of December 31, 2002, we had 773,000 square feet of development under construction at Mission Bay in San Francisco, California, including a 695,000-square-foot mixed-use project, through an agreement with an unconsolidated joint venture, containing 595 residential units that comprise 568,000 square feet, and 127,000 square feet of retail/office space. In addition, we have under construction at Mission Bay a 78,000-square-foot mixed-use building containing 34 condominium units that comprise 45,000 square feet, and 33,000 square feet of office/retail space.

The description of the business of the Urban Group below is as of December 31, 2002. *See* Recent Developments above for a discussion of the effect of the proposed REIT conversion on the business of the Urban Group.

Sales

During 2002, we sold a 1.6-acre, 275-unit condominium site in San Diego, California, for $14.5 million.

The following table summarizes our sales of property in the periods presented:

	Year Ended December 31,		
	2002	2001	2000
	(In thousands)		
Sales	$ 14,500	$ 49,793	$
Cost of sales	(11,154)	(37,337)	
Gain	$ 3,346	$ 12,456	$

Urban Land Inventory

Our existing entitled Urban Group land inventory can support an estimated 12.2 million square feet of new development, more than 3,500 residential units, and a 500-room hotel. The chart below summarizes the estimated development potential of our current Urban Group development land inventory as of December 31, 2002:

	Office	Retail	Residential	Hotel	Book Value
	(Net Rentable Sq. Ft.)		(Units)	(Rooms)	(000 s)
Mission Bay (San Francisco, California)	4,537,000	548,000	3,263	500	$ 213,979
Union Station (Los Angeles, California)	5,175,000	675,000			55,344
Santa Fe Depot (San Diego, California)	1,021,000	270,000	285		10,172
Total	10,733,000	1,493,000	3,548	500	$ 279,495

Following is a summary of our Urban Group projects:

Mission Bay, San Francisco, California. This project encompasses approximately 300 acres adjacent to downtown San Francisco. Catellus is the primary owner of developable land in the project; other owners include the City and County of San Francisco (the City), the Port of San Francisco, and the Regents of the University of California for the benefit of the University of California, San Francisco (UCSF).

In the years leading up to 1999, we obtained entitlement and redevelopment plans for Mission Bay, and in 1999, we closed land transfers among the City, the Port of San Francisco, the California State Lands Commission, UCSF, and Catellus which resulted in the ownership described above. We also received regulatory approvals from the U.S. Army Corps of Engineers and the California Regional Water Quality Control Board in 2000. Additional permits and approvals are required for the development of individual projects at Mission Bay, including, for office projects, allocation (Proposition M Allocation) of square footage from a limited allowance of office space that the City permits to be developed at any given time.

The following table summarizes total development entitlements at Mission Bay. We retain ownership of a large portion of these entitlements, but portions of the entitlements belong to the City, a Catellus joint venture, or other third parties.

Total Mission Bay Entitlements

As of December 31, 2002

	Completed Construction		100% Catellus Owned	JV/Owned by Others	Total
	Catellus	Others			
Residential (units):					
Market Rate		229	3,110	961	4,300
Affordable		121	187	1,392	1,700
Total Residential		350	3,297	2,353	6,000
Commercial (rentable square feet):					
R&D, Biotech, and Office	283,000		4,537,000	180,000	5,000,000
Retail and Entertainment		22,000	581,000	167,000	770,000
Total Commercial	283,000	22,000	5,118,000	347,000	5,770,000
Other:					
UCSF Campus (gross square feet) [1]		434,000		2,216,000	2,650,000
Hotel (rooms)			500		500

Notes:

(1) Total entitlements for UCSF Campus are stated in gross square feet.

Mission Bay North, the 65-acre portion of Mission Bay, north of Mission Creek, is being developed adjacent to Pacific Bell Park (home of the San Francisco Giants baseball team). The San Francisco Redevelopment Agency completed construction of a 100-unit affordable housing project in September 2002, and AvalonBay Communities, Inc. commenced phased occupancy of a 250-unit apartment project in November 2002. We are proceeding with construction of a mixed-use project directly across from Pacific Bell Park, which was started in December 2001 and includes approximately 33,000 square feet of office/retail space and 34 condominium units. The Signature/Riding Group started construction of a 100-unit condominium project in June 2002 on a 1.0-acre site, which we sold to Signature/Riding in April 2001. Third & King Investors, LLC (a joint venture between Catellus Development Corporation and Federal Street Operating, LLC) is proceeding with the construction of a mixed-use project, that broke ground in September 2001 and includes 595 apartments, 127,000 square feet of office/retail space, and approximately 945 parking stalls.

Mission Bay South, the 238-acre portion of Mission Bay, south of Mission Creek, will be developed around UCSF s new 2.7 million-gross-square-foot biotech/research expansion campus. In accordance with agreements among Catellus, the Regents of the University of California, and the City, UCSF is locating its expansion campus on a portion of Mission Bay South. We donated approximately 18 acres and agreed to donate approximately 11 additional acres in the future for the campus, and the City has contributed or has agreed to contribute an additional 13.3 acres. Contractors selected by UCSF will build the UCSF campus. UCSF completed its first building, a 434,000-gross-square-foot research facility, in October 2002 and took occupancy of the building in January 2003. UCSF is proceeding on the construction of its second and third buildings, 172,000-gross-square-foot and 153,000-gross-square-foot biomedical research facilities, which broke ground in August 2001 and July 2002, respectively. Pile-driving activities for UCSF s fourth building, a 167,000-gross-square-foot community center, began in September 2002. In October 2002, we completed construction of a 283,000-square-foot office building, which is fully leased to the Gap, Inc. In addition, construction of a 180,000-square-footresearch facility by the Gladstone Institutes on a 1.37-acre site, which Catellus sold to Gladstone in March 2001, started in February 2003.

Approximately $63 million in Community Facility District bonds were issued in 2002 to finance the initial phases of public infrastructure at Mission Bay, and approximately $71 million of Community Facility District bonds were issued in 2001. Upon completion of the infrastructure improvements, the improvements will be transferred to the City. (*See* Note 15 of the accompanying notes to Consolidated Financial Statements in this Form 10-K.)

The following table summarizes commercial and residential development activities at Mission Bay. Because these activities require participation of a number of private parties and public agencies, scheduled development activities are subject to change:

Mission Bay Project

Schedule of Activity

As of December 31, 2002

	Commercial Development (in rentable square feet)				Residential Development (in units)			
Project	**Completed**	**Under Construction**	**In Planning**	**Total**	**Completed**	**Under Construction**	**In Planning**	**Total**
Catellus 100% Owned								
Office	283,000			283,000				
Condominiums/Retail		33,000		33,000		34		34
Total Catellus 100% Owned	283,000	33,000		316,000		34		34
Catellus Joint Venture								
Apartments/Retail		127,000		127,000		568		568
Affordable Housing						27		27
Total Catellus Joint Venture		127,000		127,000		595		595
Development by Others								
UCSF:								
Biotech	434,000	325,000		759,000				
Campus Center		167,000		167,000				
Total UCSF (1):	434,000	492,000		926,000				
Apartments/Retail	12,000		10,000	22,000	229		293	522
Condominiums						100		100
Affordable Housing/Retail	10,000			10,000	121		160	281
Biotech			180,000	180,000				
Total Development by Others:	456,000	492,000	190,000	1,138,000	350	100	453	903
Total Project	739,000	652,000	190,000	1,581,000	350	729	453	1,532

Notes:

(1) UCSF development activity square footage amounts reflect gross square feet.

Summary of our Urban Group projects continued

Union Station, Los Angeles, California. We own approximately 43 acres surrounding and including the historic Los Angeles Union Station. Located in downtown Los Angeles, Union Station is a transportation hub with commuter rail lines (Metrolink) serving the surrounding five-county region, Amtrak rail service, and Los Angeles subway and surface light rail systems operated by the Metropolitan Transportation Authority. In 1999, we completed a development plan intended to maximize the potential of the site given current and projected market conditions.

Santa Fe Depot, San Diego, California. This project encompasses approximately 15 acres near the waterfront in downtown San Diego, California, including the Santa Fe Depot train station. Amtrak, a commuter rail line (Coaster), and San Diego s expanding trolley system serve the site daily. In accordance with a Development Agreement executed with the City of San Diego, the site is currently entitled for a mixture of office, hotel, retail, and housing development. During 1999 we revised the plan to respond better to recovering markets in San Diego. In addition to two development sites (each 1.4 acres in size) that were sold in 2001, a 1.6-acre, 275-unit condominium site was sold in November 2002 for $14.5 million.

Other Items

Environmental Matters

For information about environmental matters, *see* Management s Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-K.

Competition

The real estate industry is generally fragmented and characterized by significant competition. Numerous developers, owners of industrial, office, and retail properties, and managers compete with us in seeking properties for acquisition, development, and management opportunities, tenants, and purchasers for homes, and for non-strategic assets. There are competitors in each area in which we operate that have greater capital resources than we. There can be no assurance that the existence of such competition will not have a material adverse effect on our business, operations, and cash flow.

Employees, Contractors, and Consultants

At December 31, 2002, we had 296 employees in our consolidated company. We engage third parties to manage multi-tenant properties and properties in locations that are not in close proximity to our regional or field offices. The Company s employees are not represented by a collective bargaining agreement, and management considers its relations with employees to be good. In addition, we engage outside consultants such as architects and design firms in connection with our pre-development activities. We also employ third-party contractors on development projects for infrastructure and building construction, and retain consultants to assist us in a variety of areas at the project and corporate levels.

Working with organized labor is a critical component of many of our projects. With the high volume of construction activity in many of our markets, labor shortages and costs could significantly influence the success of projects. In addition, organized labor often plays a key role in community organizations and discretionary land use decisions concerning entitlements.

Segments

For information about the Company s reportable segments, *see* Note 13 to the Notes to Consolidated Financial Statements attached to this Form 10-K.

Item 2. Properties

Our real estate projects are generally described in Item 1 above, which descriptions are incorporated in this Item by reference. Our principal executive office is located in San Francisco, California, and we have regional or field offices in eleven other locations in the United States. We believe that our property and equipment are generally well maintained, in good condition, and adequate for our present needs.

Item 3. Legal Proceedings

On March 12, 2002, the Department of Toxics and Substance Control of the State of California (DTSC) notified the Company of an investigation of the Company, its general contractors, and sub-contractors working for such general contractors, concerning the Mission Bay project. The investigation, which is ongoing, focuses on whether individuals and companies hauling soil within and from Mission Bay satisfied certain hazardous waste license/certification hauling requirements. The DTSC issued notices of violation, without fines or penalties, to the Company and one subcontractor on May 23, 2002, citing the subcontractor s failure to qualify as a registered hazardous waste hauler. The Company, including its subsidiaries, is cooperating fully with the investigation, which is still continuing. The Company does not anticipate that this investigation or any proceeding that may result from this investigation will have a material adverse impact on the Mission Bay project.

The Company owns approximately 47 acres located in the Westchester-Playa Del Rey area of Los Angeles, California, adjacent to the Pacific Ocean and Ballona Wetlands (West Bluffs), which are entitled for the development of 114 single-family homes but subject to two legal actions. On October 6, 2000, a lawsuit (the Coastal Act Lawsuit) was filed by the Sierra Club et al. against the California Coastal Commission and the Company as a real party in interest in San Francisco Superior Court challenging approvals issued by the California Coastal Commission for the development of the project. This suit was subsequently consolidated with an additional suit filed on February 9, 2001. On December 13, 2000, the trial court denied petitioner s request for a preliminary injunction. On January 11, 2001, petitioners appealed the trial court s ruling, which resulted in the Court of Appeal enjoining any construction activity in the portion of the project within the coastal zone. This stay was dissolved on October 10, 2001, when the case was remanded to the trial court. On June 7, 2002, the trial court ruled in favor of the Company on the merits denying the petitioner s request for writ of mandate and for injunction. The petitioners subsequently filed a motion to stay construction in the coastal zone pending petitioner s filing of an appeal of the trial court s decision, which was granted on August 13, 2002. The petitioners filed an appeal and have obtained a stay from the Court of Appeal pending resolution of the appeal. The appeal is fully briefed and a hearing is scheduled for March 26, 2003.

On October 26, 2000, the Coalition for Concerned Communities, Inc. et. al. (Appellants) filed a lawsuit (CEQA Lawsuit) against the Company and The City of Los Angeles in the Los Angeles Superior Court alleging land use and California Environmental Quality Act violations. On January 18, 2001, the Los Angeles Superior Court denied Appellant s petition. On March 23, 2001, Appellants filed a notice of appeal in the Second District Court of Appeal. On July 15, 2002, the petitioners filed a motion in the Second District Court of Appeal to stop the development of the West Bluffs project until the final decision, which was denied by the Court on July 30, 2002. The Second District Court of Appeal held the hearing on the merits on September 17, 2002. The Second District Court of Appeal recently decided to postpone rendering its decision until the Court of Appeal in San Francisco rendered its decision regarding challenges to the approvals for development issued by the California Coastal Commission. A decision may be rendered by the Second District Court of Appeal in late 2003 or early 2004.

The litigation process will delay the previously planned start of infrastructure construction, and the Company is unable to predict the length of such delay at this time. The Company does not believe that the litigation process will permanently prevent the Company from completing the West Bluffs project; however, there can be no assurance in that regard or that further delays will not result.

See Note 15, Commitments and Contingencies of the accompanying Consolidated Financial Statements.

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

There were no matters submitted to a vote of security holders during the quarter ended December 31, 2002.

Part II

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

The Company s common stock commenced trading on December 5, 1990, and is listed on the New York Stock Exchange, the Pacific Exchange, and the Chicago Stock Exchange under the symbol CDX . The following table sets forth for the periods indicated the high and low sale prices of the Company s common stock as reported by Bloomberg Financial Markets:

	Common Stock Price	
	High	Low
Year ended December 31, 2001		
First Quarter	$ 18.17	$ 15.63
Second Quarter	$ 18.35	$ 16.00
Third Quarter	$ 18.80	$ 16.11
Fourth Quarter	$ 18.50	$ 16.73
Year ended December 31, 2002		
First Quarter	$ 19.67	$ 18.02
Second Quarter	$ 21.10	$ 19.67
Third Quarter	$ 20.79	$ 17.12
Fourth Quarter	$ 19.85	$ 16.85

The Company has never declared or paid any cash dividends on its common stock. If the REIT conversion is approved at the annual meeting of shareholders, we expect to commence the payment of dividends beginning the third quarter of 2003. *See* Item. 1 Business-Recent Developments.

On March 10, 2003, there were approximately 21,242 holders of record of the Company s common stock.

Item 6. Selected Financial Data

The following income statement and selected balance sheet data with respect to each of the years in the five-year period ended December 31, 2002, have been derived from our annual Consolidated Financial Statements. The operating data have been derived from our underlying financial and management records and are unaudited. This information should be read in conjunction with the Consolidated Financial Statements and related Notes. *See* Management s Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-K for a discussion of results of operations for 2002, 2001, and 2000.

	Year Ended December 31,				
	2002	2001	2000	1999	1998
	(In thousands, except per share data)				
Statement of Operations Data:					
Rental properties					
Rental revenue	$ 266,951	$ 232,106	$ 203,691	$ 169,286	$ 146,011
Property operating costs	(71,559)	(61,704)	(54,468)	(46,054)	(41,071)
Equity in earnings of operating joint ventures, net	8,277	8,833	9,809	10,668	9,368
	203,669	179,235	159,032	133,900	114,308
Property sales and fee services					
Sales revenue	139,604	245,804	451,096	347,005	206,441
Cost of sales	(89,661)	(149,698)	(337,755)	(259,157)	(154,903)
Gain on property sales	49,943	96,106	113,341	87,848	51,538
Equity in earnings of development joint ventures, net	29,232	25,978	27,780	10,152	6,627
Total gain on property sales	79,175	122,084	141,121	98,000	58,165
Management and development fees	7,088	6,000	15,460	14,968	16,792
Selling, general and administrative expenses	(25,990)	(26,570)	(45,801)	(31,727)	(22,232)
Other, net	16,087	6,211	(9,351)	(5,495)	(662)
	76,360	107,725	101,429	75,746	52,063
Interest expense	(60,188)	(56,753)	(49,975)	(38,246)	(36,109)
Depreciation and amortization	(63,149)	(51,891)	(45,939)	(38,639)	(33,464)
Corporate administrative costs	(17,705)	(19,256)	(15,675)	(14,760)	(15,303)
Gain on non-strategic asset sales	7,264	3,909	46,279	6,803	18,929
Other, net	957	5,660	940	(4,253)	(184)
Income before minority interests, income taxes, discontinued operations, and extraordinary items.	147,208	168,629	196,091	120,551	100,240
Minority interests	(6,106)	(6,142)	(10,701)	(3,247)	(674)
Income before income taxes, discontinued operations, and extraordinary items	141,102	162,487	185,390	117,304	99,566
Income tax expense					
Current	(32,567)	(16,367)	(12,254)	(17,097)	(11,739)
Deferred	(21,385)	(49,499)	(62,556)	(30,351)	(28,366)
	(53,952)	(65,866)	(74,810)	(47,448)	(40,105)

Income from continuing operations	87,150	96,621	110,580	69,856	59,461
Discontinued operations, net of tax					
Gain from disposal of discontinued operations	13,748				
Loss (gain) from discontinued operations	(242)	(100)	427	364	442
Gain (loss) from discontinued operations	13,506	(100)	427	364	442
Income before extraordinary items	100,656	96,521	111,007	70,220	59,903
Extraordinary items				26,652	(25,165)
Net income	$ 100,656	$ 96,521	$ 111,007	$ 96,872	$ 34,738
Net income per share assuming dilution:					
Income from continuing operations	$ 0.97	$ 0.94	$ 1.02	$ 0.64	$ 0.55
Income from discontinued operations	0.16				
Before extraordinary items	1.13	0.94	1.02	0.64	0.55
Extraordinary items				0.25	(0.23)
Net income per share after extraordinary items assuming dilution	$ 1.13	$ 0.94	$ 1.02	$ 0.89	$ 0.32
Average number of common shares outstanding assuming dilution	89,463	102,685	109,017	109,146	109,420

	Year Ended December 31,				
	2002	2001	2000	1999	1998
	(In thousands, except percentages)				
Balance Sheet Data:					
Total properties, net	$ 2,048,158	$ 1,921,951	$ 1,705,538	$ 1,649,171	$ 1,402,496
Total assets	$ 2,695,449	$ 2,415,515	$ 2,274,416	$ 1,853,106	$ 1,623,719
Mortgage and other debt	$ 1,500,955	$ 1,310,457	$ 1,134,563	$ 875,564	$ 873,207
Total stockholders equity	$ 545,969	$ 435,257	$ 683,245	$ 590,972	$ 490,229
Cash Flow Data:					
Net cash provided by operating activities	$ 187,146	$ 341,764	$ 296,013	$ 183,864	$ 120,706
Net cash used in investing activities	$ (333,285)	$ (267,553)	$ (224,161)	$ (238,388)	$ (275,342)
Net cash provided by (used in) financing activities	$ 198,371	$ (188,074)	$ 229,296	$ 36,959	$ 190,317
Other Operating Data:					
EBDDT (1)	$ 178,599	$ 183,141	$ 159,270	$ 128,628	$ 103,394
Buildings owned (square feet)	36,976	30,900	28,756	24,743	19,657
Leased percentage	94.5%	94.4%	95.7%	93.6%	94.9%
Debt to total market capitalization(2)	46.5%	45.1%	37.9%	38.9%	36.4%
Capital investments(3)	$ 391,411	$ 448,676	$ 450,040	$ 540,024	$ 459,783
Other Data:					
Total market capitalization(4)	$ 3,231,000	$ 2,903,000	$ 2,991,000	$ 2,249,000	$ 2,402,000

(1) We have historically used a supplemental performance measure called Earnings Before Depreciation and Deferred Taxes (EBDDT), along with net income, to report our operating results. EBDDT is not a measure of operating results or cash flows from operating activities as defined by generally accepted accounting principles. Further, EBDDT is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flows as a measure of liquidity. EBDDT provides relevant information about our operations and is useful, along with net income, for an understanding of our operating results.

EBDDT is calculated by making various adjustments to net income. Depreciation, amortization, and deferred income taxes are added back to net income as they represent non-cash charges. Since depreciation expense is added back to net income in arriving at EBDDT, the portion of gain on property sales attributable to depreciation recapture is excluded from EBDDT. In addition, gains on the sale of non-strategic assets and extraordinary items, including their current tax effect, represent unusual and/or non-recurring items and are excluded from the EBDDT calculation.

Commencing with the first quarter of 2002, we no longer use EBDDT as a supplemental earnings measure; however, for comparative purposes, we continue to provide EBDDT data in 2002.

(2) Represents the ratio of total debt to equity market capitalization (based on the number of common shares outstanding at the end of the period indicated multiplied by the closing stock price for each respective period) plus total debt.

(3) Represents expenditures for commercial and residential development for projects to be developed and sold or held for rental. *See* Managements Discussion and Analysis of Financial Condition and Results of Operations Cash Flows From Investing Activities in this Form 10-K.

(4) Represents the number of common shares outstanding multiplied by the closing stock price at the end of the period indicated plus mortgage and other debt.

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

The Company:

Catellus Development Corporation is a publicly traded real estate operating company with a significant portfolio of rental properties and developable land. Catellus specializes in developing, managing, and investing in a broad range of product types including industrial, office, residential, retail, and major urban development projects. It owns a portfolio of rental properties totaling 37.0 million square feet and one of the largest supplies of developable land in the western United States capable of supporting more than 38 million square feet of new commercial development and an estimated 9,300 residential lots and units.

On March 3, 2003, we announced that our Board of Directors (Board) has authorized us to restructure our business operations in order to qualify as a real estate investment trust (REIT), effective January 1, 2004. The REIT conversion is subject to a shareholder approval process, which is expected to conclude in the third quarter of 2003, as well as final Board approval. This announcement has no material effect on the financial statements as of, or for the year ended December 31, 2002; however, it will likely have an impact on future operating results in the following areas, if approved by the shareholder vote:

- A one-time distribution of pre-REIT earnings and profits, currently projected to be approximately $100 million in cash and $200 million in common stock, will be declared in the fourth quarter and be paid in the first quarter of 2004, this distribution is subject to approval by the Internal Revenue Service.
- Commencing as of the third quarter of 2003, a quarterly dividend of approximately $0.30 per existing share of common stock will be paid.
- Conversion and related restructure costs are currently estimated to be $15 million.
- Certain deferred tax liabilities associated with assets in the REIT would be reversed through income and result in a one-time increase in income currently estimated in the $200 to $250 million range.

We will soon file a preliminary proxy statement/prospectus with Securities and Exchange Commission that will provide important information, including detailed risk factors, regarding the proposed transaction.

Following is a brief summary of the fourth quarter and year-end 2002 to date activity:

- Construction completions during the quarter totaled 501,000 square feet in three buildings, at a cost of $115.8 million and a projected return on cost, when the buildings are fully leased, of 12.4 percent. The three buildings, all of which have been added to Catellus rental portfolio, are currently 68 percent leased.
- Construction completions during the year totaled 6.4 million square feet in 21 buildings, at a cost of $345.5 million and a projected return on cost, when the buildings are fully leased, of 11.3 percent. The 21 buildings, all of which have been added to Catellus rental

portfolio, are currently 86 percent leased.

- At December 31, 2002, the rental portfolio totaled 37.0 million square feet, which represents a net increase of 6.1 million square feet from December 31, 2001. The net increase to the portfolio during 2002 reflects 6.4 million square feet of development that was completed, 488,000 square feet that was acquired, and 771,000 square feet that was sold.

- At December 31, 2002, the rental portfolio occupancy was 94.5 percent, as compared to 94.4 percent at the end of the third quarter 2002, and 94.4 percent at December 31, 2001.

- For the fourth quarter of 2002, net operating income from the rental portfolio, including equity in earnings of operating joint ventures, increased 14.2 percent to $53.9 million, from $47.2 million for the same period in 2001. For the year 2002, net operating income from the rental portfolio, including equity in earnings of operating joint ventures, increased 13.7 percent to $203.7 million, from $179.2 million for the year 2001.

- During the fourth quarter of 2002, Catellus completed lease transactions on 556,000 square feet of second-generation space. For the year 2002, Catellus completed lease transactions on 4.1 million square feet of second-generation space at an average rental rate increase of 6.6 percent on a GAAP basis.

- Construction starts during the fourth quarter of 2002 totaled 1.4 million square feet in three buildings: a 578,000 square foot building in Fontana, California, that will be added to Catellus rental portfolio and is leased to Exel Logistics, a 600,000 square foot build-to-suit-for-sale, also in Fontana, for CB Richard Ellis Investors, and a 200,000 square foot build-to-suit-for-sale in Gresham, Oregon, for Staples, Inc.

- At December 31, 2002, total construction in progress was 4.1 million square feet, of which 1.9 million square feet will be added to the rental portfolio; 1 million square feet will be owned in joint ventures; 845,000 square feet will be sold upon completion; and 330,000 square feet is being developed for a fee on land sold to others.

- For the 1.9 million square feet that is currently under construction and will be added to Catellus rental portfolio upon completion, the projected total cost is $79.3 million. These buildings are 82 percent preleased and, when fully leased, are projected to yield a return on cost of approximately 10.4 percent.

- Residential lot and home closings during the quarter, in direct sales and through joint ventures, totaled 952. This included 132 lots at Victoria by the Bay in Hercules, California; 175 lots at Serrano in El Dorado Hills, a suburb of Sacramento, California; 252 lots at The Parkway in Folsom, California, also a suburb of Sacramento; 328 lots at Talega and 65 homes at Talega Village in San Clemente, California.

- At December 31, 2002, cash of $311.5 million, including $36.6 million of restricted cash.

- Debt to total market capitalization ratio of 46.5 percent.

General

Our reportable segments are based on our method of internal reporting, which disaggregates our business by type and before the adjustments for discontinued operations. We have five reportable segments: Asset Management; Suburban, which includes two reportable segments, Commercial and Residential; Urban; and Corporate.

Business Segment Descriptions:

Asset Management:

The Asset Management segment consists of the rental activities of our assets, our share of income from operating joint ventures, and activity related to our desert portfolio. Growth in this segment is attributed primarily to the transfer of property developed by the Suburban-Commercial and Urban segments that we intend to hold and operate. Revenue consists of rental property operations and gains from the sale of rental properties (See Note 17 of the accompanying Consolidated Financial Statements for a discussion of discontinued operations).

	Year Ended December 31,				
	2002	2001	2000	Difference 2002/2001	Difference 2001/2000
Rental building occupancy	**(In thousands of square feet, except percentages)**				
Owned[1]	36,976	30,900	28,756	6,076	2,144
Occupied[1]	34,957	29,183	27,512	5,774	1,671
Occupancy percentage	94.5%	94.4%	95.7%	0.1%	(1.3%)

(1) New buildings are added to our rental portfolio at the earlier of twelve months after completion of the shell, or commencement of rent on 50% of the space. Space is considered Occupied upon commencement of rent.

The table below provides the rental portfolio rental revenue less property operating costs for the year ended December 31, 2002, and square feet by state at December 31, 2002:

Rental Revenue less Property Operating Costs by State

	Industrial		Office		Retail		Total	
	Rental Revenue less Property Operating Expenses	% of Total	Rental Revenue less Property Operating Expenses	% of Total	Rental Revenue less Property Operating Expenses	% of Total	Rental Revenue less Property Operating Expenses	% of Total
	(In thousands, except percentages)							
Southern California	$ 51,468	25.2%	$ 4,977	2.5%	$ 2,851	1.3%	$ 59,296	29.0%
Northern California	27,635	13.5%	11,301	5.5%	6,198	3.0%	45,134	22.0%
Illinois	18,926	9.3%	6,510	3.2%			25,436	12.5%
Texas	9,123	4.5%	5,816	2.8%			14,939	7.3%
Colorado	7,505	3.7%	2,626	1.3%	996	0.5%	11,127	5.5%
Maryland	3,106	1.5%					3,106	1.5%
Oregon	2,369	1.1%	420	0.2%	318	0.2%	3,107	1.5%
Arizona	2,141	1.0%			362	0.2%	2,503	1.2%
Ohio	2,393	1.2%					2,393	1.2%
Kentucky	972	0.5%					972	0.5%
Oklahoma	110	0.1%					110	0.1%
Kansas	(4)						(4)	
Subtotal	$ 125,744	61.6%	$ 31,650	15.5%	$ 10,725	5.2%	$ 168,119	82.3%
Ground Leases							21,271	10.4%
Other Properties							6,488	3.2%
Equity in Earnings of Operating Joint Ventures							8,277	4.1%
Total[(1)]							$ 204,155	100%

(1) Includes discontinued operations

Square Feet by State

	Industrial		Office		Retail		Total	
	Square Feet	% of Total	Square Feet	% of Total	Square Feet	% of Total	Square Feet	% of Total
	(In thousands, except percentages)							
Southern California	12,200	33.0%	574	1.5%	176	0.5%	12,950	35.0%
Northern California	5,773	15.6%	808	2.2%	481	1.3%	7,062	19.1%

Illinois	5,921	16.0%	584	1.6%			6,505	17.6%
Texas	3,264	8.8%	868	2.4%			4,132	11.2%
Colorado	2,033	5.6%	273	0.7%	100	0.2%	2,406	6.5%
Arizona	1,123	3.0%			74	0.2%	1,197	3.2%
Ohio	966	2.6%					966	2.6%
Kentucky	549	1.5%					549	1.5%
Oregon	449	1.2%	57	0.2%	37	0.1%	543	1.5%
Maryland	471	1.3%					471	1.3%
Oklahoma	125	0.3%					125	0.3%
Kansas	70	0.2%					70	0.2%
Total	32,944	89.0%	3,164	8.6%	868	2.3%	36,976	100%

Suburban Commercial:

The Suburban Commercial segment acquires and develops suburban commercial business parks for our own account and the account of others. Net income consists primarily of sales gains from development properties sold and construction management, developer, and loan guarantee fees.

The table below provides the development potential, by square feet, of our Suburban Commercial land portfolio:

Project Name	City	December 31, 2002 Square feet (In thousands)
Southern California		
Kaiser Commerce Center	Fontana	3,214
Crossroads Business Park	Ontario	2,016
Rancho Pacific Distribution Centre	Rancho Cucamonga	318
Pacific Center	Anaheim	44
Subtotal Southern Calif.		5,592
Northern California		
Pacific Commons	Fremont	3,634
Duck Creek	Stockton	2,000
Alameda FISC (controlled)	Alameda	1,300(1)
Spreckels Business Park	Manteca	686
Regatta Business Park	Richmond	89
Subtotal Northern Calif.		7,709
Total California		13,301
Illinois		
Minooka	Minooka	2,298(2)
Internationale Centre	Woodridge	976
Prairie Glen Corporate Campus	Glenview	437(3)
Joliet	Joliet	370
International Centre West	Romeoville	102
Subtotal Illinois		4,183
Texas		
Hobby Business Park	Houston	1,969
Gateway Corporate Center	Coppell	1,120
Stellar Way Business Park	Grand Prairie	814
Gateway East Business Park	Garland	763
Plano	Plano	403
Ft. Worth	Ft. Worth	104

Subtotal Texas		5,173
Other		
South Shore Corp. Park	Gresham/Portland, OR	1,111
Circle Point Corporate Center	Westminster, CO	685
Stapleton Business Park	Denver, CO	609
Cedar Grove Business Park	Louisville, KY	545
Santa Fe Industrial Center	Oklahoma, OK	300
Subtotal Other		3,250
Total Outside California		12,606
Total Suburban Commercial Inventory		25,907

(1) *See* summary of Almeda, California project under Item 1. Business Suburban Commercial Group.

(2) Excluded from this balance is approximately 4.8 million square feet that is under option.

(3) Included in this balance is 425,000 square feet that is under option.

Suburban Residential:

The Suburban Residential segment acquires and develops land primarily for single-family residential property, via direct investment or through joint ventures, and sells finished lots to homebuilders. This segment also owns an interest in a joint venture that develops senior housing.

The table below provides the development potential, by lots/homes, of our Suburban Residential land portfolio:

	Ownership Interest	Lots/Units at December 31, 2002
Colorado		
Vista Range, Commerce City	100%	2,149
Northern California		
Alameda (controlled)	100%	485
Hercules	100%	22
Serrano, Sacramento	50%	1,190
Parkway, Sacramento (multi-family)	50%	538
		2,235
Southern California		
Talega Seniors, San Clemente	50%	65
Talega, San Clemente	30%	1,226
Westbluffs, Playa del Rey [1]	100%	114
		1,405
Total		5,789

(1) We have entitlements for this project; however, the entitlements are being challenged under the California Environmental Quality Act and the California Coastal Act (*see* Legal Proceedings section).

Urban:

The Urban segment entitles and develops urban mixed-use sites in San Francisco, Los Angeles, and San Diego. The principal active project of the segment is Mission Bay in San Francisco.

The table below provides the development potential of our Urban land portfolio:

	R&D, Biotech & Office	CBD Office	Retail/ Entertainment	Residential	Hotel
	(Net rentable square feet)			(units)	(rooms)
Mission Bay (SF, CA)	4,537,000		548,000	3,263	500
Union Station (LA, CA)		5,175,000	675,000		
Santa Fe Depot (SD, CA)		1,021,000	270,000	285	
Total	4,537,000	6,196,000	1,493,000	3,548	500

Corporate:

Corporate consists primarily of administrative costs and interest contra-expense. Corporate interest (contra-expense) represents required capitalized interest, on qualifying assets in the Suburban and Urban segments, in excess of interest directly incurred by these segments. As these qualifying assets are sold, the corresponding capitalized interest is reflected as cost of sales in the Corporate segment or, for those assets transferred to Asset Management, as the assets are placed in service the corresponding interest capitalized is added to the cost basis of the asset and depreciated over the life of the building.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, impairment of real estate assets, capitalization of costs, allowances for doubtful accounts, environmental and legal reserves, and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies reflect our more significant judgments and estimates used in the preparation of the consolidated financial statements.

Revenue recognition

Our revenue is primarily derived from two sources: rental revenue from our rental portfolio and property sales.

Rental revenue is recognized when due from tenants. Revenue from leases with rent concessions or fixed escalations is recognized on a straight-line basis over the initial term of the related lease. The financial terms of leases are contractually defined. Rental revenue is not accrued when a tenant vacates the premises and ceases to make rent payments or files for bankruptcy.

Revenue from sales of properties is recognized using the accrual method. If a sale does not qualify for the accrual method of recognition, other deferral methods are used as appropriate including the percentage-of-completion method. In certain cases, we retain the right to repurchase property from the buyer at a specified price. These sales are not recognized until our right to repurchase expires. In other instances, when we receive an inadequate cash down payment and take a promissory note for the balance of the sale price, sale is deferred until such time as sufficient cash is received to meet minimum down payment requirements. Also, in general, specific identification and relative sales value methods are used to determine the cost of sales. Management estimates of future costs to complete infrastructure are included in cost of sales. A change in circumstances that causes the estimate of future costs to increase or decrease significantly would affect the gain or loss recognized on future sales.

Impairment of real estate assets

We assess the impairment of a real estate asset when events or changes in circumstances indicate that the net book value may not be recoverable. Indicators we consider important which could trigger an impairment review include the following:

- significant negative industry or economic trend;

- a significant underperformance relative to historical or projected future operating results;
- a significant change in the manner in which an asset is used; and
- an accumulation of costs significantly in excess of the amount originally expected to construct an asset.

Real estate is stated at the lower of cost or estimated fair value using the methodology described as follows: (a) for operating properties and properties held for investment, a write-down to estimated fair value is recognized when a property s estimated undiscounted future cash flow is less than its net book value; and (b) for properties held for sale, a write-down to estimated fair value is recorded when we determine that the net book value exceeds the estimated selling price less cost to sell. These evaluations are made on a property-by-property basis. When we determine that the net book value of an asset may not be recoverable based upon the estimated undiscounted cash flow, we measure any impairment write-down based on a projected discounted cash flow method using an estimated market discount rate. When performing impairment review, we consider capitalized interest and other expenses as costs of development in costs projections; value from comparable property sales will also be considered. The evaluation of future cash flows, discount rates, and fair value of individual properties requires significant judgment and assumptions, including estimates of market value, lease terms, development absorption, development costs, lease up costs, and financings. Significant adverse changes in circumstances affecting these judgments and assumptions in future periods could cause a significant impairment adjustment to be recorded.

Capitalization of costs

We capitalize direct construction and development costs, including predevelopment costs, property taxes, insurance, and certain indirect project costs, including a portion of our general and administrative costs that are associated with the acquisition, development, or construction of a project. Interest is capitalized in accordance with FAS 34. Costs previously capitalized related to any abandoned development opportunities are written off, if we determine such costs will not provide any future benefits. Should development activity decrease, a portion of interest, property taxes, insurance, and certain general and administrative costs would no longer be eligible for capitalization and would be expensed as incurred.

Allowance for doubtful accounts

We make estimates with respect to the collectability of our receivables and provide for doubtful accounts based on several factors, including our estimate of collectability and the age of the outstanding balances. Our estimate of collectability is based on our contacts with the debtors, collection agencies, our knowledge of the debtors credit and financial condition, debtors payment terms, and current economic trends. If a debtor becomes insolvent or files for bankruptcy, we provide an allowance for the entire outstanding amount of the debtors receivable. Significant judgments and estimates must be made and used in connection with establishing allowances in any accounting period. Material differences may result in the amount and timing of our allowances for any period if adverse general economic conditions cause widespread financial difficulties among our tenants.

Environmental and legal reserves

We incur ongoing environmental remediation costs, including clean up costs, consulting fees for environmental studies and investigations, monitoring costs, and legal costs relating to clean up, litigation defense, and the pursuit of responsible third parties. We maintain a reserve for estimated costs of environmental remediation to be incurred in connection with operating properties and properties previously sold; these reserves, when established, are expensed. Costs relating to undeveloped land are capitalized as part of development costs, and costs incurred for properties to be sold are deferred and charged to cost of sales when the properties are sold; these costs are anticipated to be incurred over a period of twenty years. Our estimates are developed based on reviews that took place over many years based upon then-prevailing law and identified site conditions. Because of the breadth of our portfolio, and past sales, we are unable to review each property extensively on a regular basis. Such estimates are not precise and are always subject to the availability of further information about the prevailing conditions at the site, the future requirements of regulatory agencies, and the availability and ability of other parties to pay some or all of such costs. Should a previously undetected, substantial environmental hazard be found on our properties, significant liquidity could be consumed by the resulting clean up requirements, and a material expense may be recorded.

We are a party to a number of legal actions arising in the ordinary course of business. We cannot predict with certainty the final outcome of the proceedings. Where appropriate, we have established reserves for potential liabilities related to legal actions or threatened legal actions. Environmental and legal reserves are established based on estimates and probabilities of the occurrence of events and therefore are subject to revision from time to time. Should the circumstances affecting these estimates change significantly, a material expense would be recognized.

Income taxes

As part of the process of preparing our consolidated financial statements, significant management judgment is required to estimate our income taxes. Our estimates are based on interpretation of tax laws. We estimate our actual current tax due and assess temporary differences resulting from differing treatment of items for tax and accounting purposes. The temporary differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. Adjustments may be required by a change in assessment of our deferred tax assets and liabilities, changes due to audit adjustments by Federal and State tax authorities, and changes in tax laws. To the extent adjustments are required in any given period we would include the adjustments within the tax provision in the statement of operations and/or balance sheet. Any applicable interest charges would be recorded as an expense. These adjustments could materially impact our statement of operations and liquidity.

Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and related Notes appearing elsewhere in this Form 10-K. This discussion and analysis covers our five business segments: Asset Management; Suburban, which includes a Commercial and Residential division; Urban; and Corporate.

In addition to net income, we have historically analyzed and discussed our financial condition and results of operations, before the adjustments for discontinued operations, based on a supplemental performance measure, Earnings Before Depreciation and Deferred Taxes (EBDDT). Commencing with the first quarter of 2002, we no longer use EBDDT as a supplemental earnings measure; however, for comparative purposes, we continue to provide EBDDT data in 2002. For comparative purposes only, a reconciliation between net income and EBDDT is provided for the years ended December 31, 2002, 2001, and 2000.

Below is a summary of Net income by segment and EBDDT for the Year Ended December 31, 2002:

	Asset Management	Suburban Commercial	Suburban Residential	Urban	Corporate	Total [2]
			(In thousands)			
Rental properties:						
Rental revenue	$ 267,807	$	$	$	$	$ 267,807
Property operating costs	(71,929)					(71,929)
Equity in earnings of operating joint ventures, net	8,277					8,277
	204,155					204,155
Property sales and fee services:						
Gain on property sales	28,928	10,277	30,245	3,346	(601)	72,195
Equity in earnings of development joint ventures, net			33,063		(3,831)	29,232
Management and development fees	42	2,973	1,516	2,557		7,088
Selling, general and administrative expenses	(1,185)	(9,576)	(8,316)	(6,913)		(25,990)
Other, net	10,691	(550)	6,075	(129)		16,087
	38,476	3,124	62,583	(1,139)	(4,432)	98,612
Interest expense	(78,831)				18,055	(60,776)
Depreciation and amortization	(59,170)	(673)	(182)	(1,065)	(2,349)	(63,439)
Corporate administrative costs					(17,705)	(17,705)
Gain on non-strategic asset sales	7,264					7,264
Other, net					957	957
Minority interests	(6,106)					(6,106)
Income taxes	(40,455)	(937)	(23,848)	842	2,092	(62,306)
Net income (loss)	$ 65,333	$ 1,514	$ 38,553	$ (1,362)	$ (3,382)	100,656
Depreciation and amortization						63,439
Depreciation recapture						(8,121)
Deferred income taxes						29,889
Gain on non-strategic asset sales						(7,264)
Earnings before depreciation and deferred taxes[1]						$ 178,599

(1) EBDDT is calculated by making various adjustments to net income. Depreciation, amortization, and deferred income taxes are added back to net income as they represent non-cash charges. Since depreciation expense is added back to net income in arriving at EBDDT, the portion of gain on property sales attributable to depreciation recapture is excluded from EBDDT. In addition, gains on the sale of non-strategic assets and extraordinary items, including their current tax effect, represent unusual and/or non-recurring items and are excluded from the EBDDT calculation.

(2) As discussed in the General section of this MD&A, these amounts do not consider the effect of discontinued operations. *See* Note 13 to Consolidated Financial Statements for reconciliation to Statement of Operations format.

Below is a summary of Net income by segment and EBDDT for the Year Ended December 31, 2001:

	Asset Management	Suburban Commercial	Suburban Residential	Urban	Corporate	Total [2]
			(In thousands)			
Rental properties:						
Rental revenue	$ 234,881	$	$	$	$	$ 234,881
Property operating costs	(62,663)					(62,663)
Equity in earnings of operating joint ventures, net	8,833					8,833
	181,051					181,051
Property sales and fee services:						
Gain on property sales	41,074	24,790	18,305	12,456	(519)	96,106
Equity in earnings of development joint ventures, net		9	27,670		(1,701)	25,978
Management and development fees	145	3,679	1,394	782		6,000
Selling, general and administrative expenses	(1,235)	(9,607)	(11,379)	(4,349)		(26,570)
Other, net	5,518	(179)	(3,868)	4,716		6,187
	45,502	18,692	32,122	13,605	(2,220)	107,701
Interest expense	(75,110)	(7)		(684)	17,656	(58,145)
Depreciation and amortization	(47,925)	(514)	(311)	(1,853)	(1,855)	(52,458)
Corporate administrative costs					(19,256)	(19,256)
Gain on non-strategic asset sales	3,909					3,909
Other, net					5,660	5,660
Minority interests	(6,059)		(83)			(6,142)
Income taxes	(41,091)	(7,366)	(12,861)	(4,487)	6	(65,799)
Net income (loss)	$ 60,277	$ 10,805	$ 18,867	$ 6,581	$ (9)	96,521
Depreciation and amortization						52,458
Depreciation recapture						(11,428)
Deferred income taxes						49,499
Gain on non-strategic asset sales						(3,909)
Earnings before depreciation and deferred taxes [1]						$ 183,141

(1) EBDDT is calculated by making various adjustments to net income. Depreciation, amortization, and deferred income taxes are added back to net income as they represent non-cash charges. Since depreciation expense is added back to net income in arriving at EBDDT, the portion of gain on property sales attributable to depreciation recapture is excluded from EBDDT. In addition, gains on the sale of non-strategic assets and extraordinary items, including their current tax effect, represent unusual and/or non-recurring items and are excluded from the EBDDT calculation.

(2) As discussed in the General section of this MD&A, these amounts do not consider the effect of discontinued operations. *See* Note 13 to Consolidated Financial Statements for reconciliation to Statement of Operations format.

Below is a summary of Net income by segment and EBDDT for the Year Ended December 31, 2000:

	Asset Management	Suburban Commercial	Suburban Residential	Urban	Corporate	Total [2]
	(In thousands)					
Rental properties:						
Rental revenue	$ 206,762	$	$	$	$	$ 206,762
Property operating costs	(55,272)					(55,272)
Equity in earnings of operating joint ventures, net	9,809					9,809
	161,299					161,299
Property sales and fee services:						
Gain on property sales	42,913	16,536	53,892			113,341
Equity in earnings of development joint ventures, net		13	27,767			27,780
Management and development fees	11,814	999	1,498	1,149		15,460
Selling, general and administrative expenses	(8,903)	(9,643)	(25,007)	(2,248)		(45,801)
Other, net	2,353	524	(12,209)	(19)		(9,351)
	48,177	8,429	45,941	(1,118)		101,429
Interest expense	(57,832)	(4)	(546)	(1,153)	8,571	(50,964)
Depreciation and amortization	(42,090)	(747)	(108)	(1,684)	(1,876)	(46,505)
Corporate administrative costs					(15,675)	(15,675)
Gain on non-strategic asset sales	46,279					46,279
Other, net					940	940
Minority interests	(6,347)		(4,354)			(10,701)
Income tax expense	(60,320)	(3,098)	(16,517)	1,596	3,244	(75,095)
Net income (loss)	$ 89,166	$ 4,580	$ 24,416	$ (2,359)	$ (4,796)	111,007
Depreciation and amortization						46,505
Depreciation recapture						(14,519)
Deferred income taxes						62,556
Gain on non-strategic asset sales						(46,279)
Earnings before depreciation and deferred taxes[1]						$ 159,270

(1) EBDDT is calculated by making various adjustments to net income. Depreciation, amortization, and deferred income taxes are added back to net income as they represent non-cash charges. Since depreciation expense is added back to net income in arriving at EBDDT, the portion of gain on property sales attributable to depreciation recapture is excluded from EBDDT. In addition, gains on the sale of non-strategic assets and extraordinary items, including their current tax effect, represent unusual and/or non-recurring items and are excluded from the EBDDT calculation.

(2) As discussed in the General section of this MD&A, these amounts do not consider the effect of discontinued operations. *See* Note 13 to Consolidated Financial Statements for reconciliation to Statement of Operations format.

Variance Year Ended December 31, 2002 vs Year Ended December 31, 2001:

	Asset Management	Suburban Commercial	Suburban Residential	Urban	Corporate	Total
			(In thousands)			
Rental properties:						
Rental revenue	$ 32,926	$	$	$	$	$ 32,926
Property operating costs	(9,266)					(9,266)
Equity in earnings of operating joint ventures, net	(556)					(556)
	23,104					23,104
Property sales and fee services:						
Gain on property sales	(12,146)	(14,513)	11,940	(9,110)	(82)	(23,911)
Equity in earnings of development joint ventures, net		(9)	5,393		(2,130)	3,254
Management and development fees	(103)	(706)	122	1,775		1,088
Selling, general and administrative expenses	50	31	3,063	(2,564)		580
Other, net	5,173	(371)	9,943	(4,845)		9,900
	(7,026)	(15,568)	30,461	(14,744)	(2,212)	(9,089)
Interest expense	(3,721)	7		684	399	(2,631)
Depreciation and amortization	(11,245)	(159)	129	788	(494)	(10,981)
Corporate administrative costs					1,551	1,551
Gain on non-strategic asset sales	3,355					3,355
Other, net					(4,703)	(4,703)
Minority interests	(47)		83			36
Income taxes	636	6,429	(10,987)	5,329	2,086	3,493
Net income (loss)	$ 5,056	$ (9,291)	$ 19,686	$ (7,943)	$ (3,373)	4,135
Depreciation and amortization						10,981
Depreciation recapture						3,307
Deferred income taxes						(19,610)
Gain on non-strategic asset sales						(3,355)
Earnings before depreciation and deferred taxes						$ (4,542)

Variance Year Ended December 31, 2001 vs Year Ended December 31, 2000:

		Suburban				
	Asset Management	Commercial	Residential	Urban	Corporate	Total
			(In thousands)			
Rental properties:						
Rental revenue	$ 28,119	$	$	$	$	$ 28,119
Property operating costs	(7,391)					(7,391)
Equity in earnings of operating joint ventures, net	(976)					(976)
	19,752					19,752
Property sales and fee services:						
Gain on property sales	(1,839)	8,254	(35,587)	12,456	(519)	(17,235)
Equity in earnings of development joint ventures, net		(4)	(97)		(1,701)	(1,802)
Management and development fees	(11,669)	2,680	(104)	(367)		(9,460)
Selling, general and administrative expenses	7,668	36	13,628	(2,101)		19,231
Other, net	3,165	(703)	8,341	4,735		15,538
	(2,675)	10,263	(13,819)	14,723	(2,220)	6,272
Interest expense	(17,278)	(3)	546	469	9,085	(7,181)
Depreciation and amortization	(5,835)	233	(203)	(169)	21	(5,953)
Corporate administrative costs					(3,581)	(3,581)
Gain on non-strategic asset sales	(42,370)					(42,370)
Other, net					4,720	4,720
Minority interests	288		4,271			4,559
Income tax expense	19,229	(4,268)	3,656	(6,083)	(3,238)	9,296
Net income (loss)	$ (28,889)	$ 6,225	$ (5,549)	$ 8,940	$ 4,787	(14,486)
Depreciation and amortization						5,953
Depreciation recapture						3,091
Deferred income taxes						(13,057)
Gain on non-strategic asset sales						42,370
Earnings before depreciation and deferred taxes						$ 23,871

The following is a schedule of the largest ten tenants of our rental portfolio, based on GAAP rents:

Customer Name	State	Type of Product Leased	% of Total Base Rent as of December 31, 2002
The Gap	CA	Office	6.8%
APL Logistics, Inc	CA, IL, KY, TX	Industrial	4.7%
Ford Motor Company	CA, CO, TX	Industrial	2.2%
Kellogg s USA, Inc.	CA, IL, CO	Industrial	2.0%
J.C. Penney Company	TX	Office	2.0%
Exel Corporation	CA	Industrial	1.9%
Home Depot USA, Inc.	CA	Industrial/Retail	1.6%
Gillette Company	CA, IL	Industrial	1.4%
MCI Telecommunications[(1)]	CA, WA, IL, MN, TX, OK, OR	Office/Ground Leases	1.4%
Office Depot, Inc.	CA	Industrial/Retail	1.3%

(1) The Company has ten leases with MCI WORLDCOM Communications, Inc. or its affiliates (MCI). On July 21, 2002, a group of MCI Companies filed for Chapter 11 reorganization. Pursuant to an order of the United States Bankruptcy Court, the MCI Companies have until September 22, 2003, to assume or reject the leases, but they remain obligated under the Bankruptcy Code to continue to perform their obligations under each lease in a timely manner pending the assumption or rejection of that lease. MCI has stated its intention to file a Chapter 11 plan by April 15, 2003, and will reduce some of the leased space.

Rental Revenue less Property Operating Costs

Rental revenue less property operating costs has increased since 2000 primarily because of additions of buildings, new ground leases, and rental increases from renewals on Same Space (as defined below), partially offset by properties sold. We added a net 6.1 million square feet in 2002, 2.1 million square feet in 2001, and 4.0 million square feet in 2000 to our rental portfolio. Rental revenue less operating costs for 2002, 2001, and 2000, are summarized as follows:

	Year Ended December 31,			Year Ended December 31,		
	2002	2001	Difference 2002/2001	2001	2000	Difference 2001/2000
			(In thousands)			
Rental revenue less operating costs:						
Same space[(1)]	$ 136,494	$ 132,212	$ 4,282	$ 110,760	$ 110,007	$ 753
Properties added to portfolio	31,768	13,458	18,310	34,084	14,144	19,940
Properties sold from portfolio	591	3,852	(3,261)	1,784	6,599	(4,815)
Ground leases	27,025	22,696	4,329	25,590	20,740	4,850
Total[(2)(3)]	$ 195,878	$ 172,218	$ 23,660	$ 172,218	$ 151,490	$ 20,728

(1) Same Space properties were owned and operated for the entire current year and the entire immediate preceding year.

(2)

As discussed in the General section of this MD&A, these amounts do not consider the effect of discontinued operations. *See* Note 13 to Consolidated Financial Statements for reconciliation to Statement of Operations format.

(3) Generally accepted accounting principles require rental revenue to be recognized in a straight-line basis over the initial term of the related lease. Revenue recognized may differ from cash collected from the related lease.

We do not expect substantial changes in rental income from our Same Space rental portfolio; rather, we expect growth in overall portfolio rental income will result primarily from new properties we will add to our rental portfolio over time.

The increase in rental revenue less operating costs of $23.7 million in 2002 is primarily attributable to $22.6 million from the additions of buildings and new ground leases and $4.3 million from Same Space, due to higher average rental rates from renewals, partially offset by a $3.3 million decrease from properties sold.

The increase in rental revenue less operating costs of $20.7 million in 2001 is primarily attributable to $24.8 million from the additions of buildings and new ground leases and $0.8 million from Same Space, due to higher average rental rates from renewals, partially offset by a $4.8 million decrease from properties sold.

Equity in Earnings of Operating Joint Ventures

Equity in earnings of operating joint ventures, net, decreased by $0.6 million and $1 million in 2002, and 2001, respectively. The decrease in 2002 was primarily because of lower occupancies in hotels owned by two joint ventures. The decrease in 2001 was primarily because of higher interest expense due to a refinancing at a joint venture in 2000 and lower occupancies in hotels owned by two joint ventures in 2001 (*see* Variability in Results section).

Gain on Property Sales:

Year Ended December 31, 2002

	Asset Management	Suburban Commercial	Suburban Residential	Urban	Corporate	Total[(1)]
			(In thousands)			
Building Sales						
Sales Proceeds	$ 34,211	$	$	$	$	$ 34,211
Cost of Sales	(12,534)					(12,534)
Gain	21,677					21,677
Land/Lot Sales						
Sales Proceeds		52,563	57,054	14,500		124,117
Cost of Sales		(42,932)	(28,113)	(11,154)		(82,199)
Gain		9,631	28,941	3,346		41,918
Ground Lease and Other Sales						
Sales Proceeds	8,973	403	2,053			11,429
Cost of Sales	(1,722)	243	(749)		(601)	(2,829)
Gain (loss)	7,251	646	1,304		(601)	8,600
Total sales proceeds	43,184	52,966	59,107	14,500		169,757
Total cost of sales	(14,256)	(42,689)	(28,862)	(11,154)	(601)	(97,562)
Total gain (loss) on property sales	$ 28,928	$ 10,277	$ 30,245	$ 3,346	$ (601)	$ 72,195

Year Ended December 31, 2001

	Asset Management	Suburban Commercial	Suburban Residential	Urban	Corporate	Total[(1)]
			(In thousands)			
Building/Home Sales						
Sales Proceeds	$ 37,898	$ 40,697	$ 9,621	$	$	$ 88,216
Cost of Sales	(13,388)	(29,846)	(8,078)			(51,312)
Gain	24,510	10,851	1,543			36,904
Land/Lot Sales						

Sales Proceeds		34,989	38,886	49,793		123,668
Cost of Sales		(21,050)	(22,297)	(37,337)		(80,684)
Gain		13,939	16,589	12,456		42,984
Ground Lease and Other sales						
Sales Proceeds	33,920					33,920
Cost of Sales	(17,356)		173		(519)	(17,702)
Gain (loss)	16,564		173		(519)	16,218
Total sales proceeds	71,818	75,686	48,507	49,793		245,804
Total cost of sales	(30,744)	(50,896)	(30,202)	(37,337)	(519)	(149,698)
Total gain (loss) on property sales	$ 41,074	$ 24,790	$ 18,305	$ 12,456	$ (519)	$ 96,106

(1) As discussed in the General section of this MD&A, these amounts do not consider the effect of discontinued operations. *See* Note 13 to Consolidated Financial Statements for reconciliation to Statement of Operations format.

Year Ended December 31, 2000

	Asset Management	Suburban Commercial	Suburban Residential	Urban	Corporate	Total[(1)]
			(In thousands)			
Building/Home Sales						
Sales Proceeds	$ 72,057	$ 33,741	$ 254,864	$	$	$ 360,662
Cost of Sales	(35,743)	(31,546)	(217,171)			(284,460)
Gain	36,314	2,195	37,693			76,202
Land/Lot Sales						
Sales Proceeds		35,210	37,958			73,168
Cost of Sales		(20,869)	(21,759)			(42,628)
Gain		14,341	16,199			30,540
Ground Lease and Other Sales						
Sales Proceeds	17,266					17,266
Cost of Sales	(10,667)					(10,667)
Gain	6,599					6,599
Total sales proceeds	89,323	68,951	292,822			451,096
Total cost of sales	(46,410)	(52,415)	(238,930)			(337,755)
Total gain on property sales	$ 42,913	$ 16,536	$ 53,892	$	$	$ 113,341

(1) As discussed in the General section of this MD&A, these amounts do not consider the effect of discontinued operations. *See* Note 13 to Consolidated Financial Statements for reconciliation to Statement of Operations format.

Variance Year Ended December 31, 2002 vs Year Ended December 31, 2001

	Asset Management	Suburban Commercial	Suburban Residential	Urban	Corporate	Total
	(In thousands)					
Building/Home Sales						
Sales Proceeds	$ (3,687)	$ (40,697)	$ (9,621)	$	$	$ (54,005)
Cost of Sales	854	29,846	8,078			38,778
(Loss)	(2,833)	(10,851)	(1,543)			(15,227)
Land/Lot Sales						
Sales Proceeds		17,574	18,168	(35,293)		449
Cost of Sales		(21,882)	(5,816)	26,183		(1,515)
Gain (loss)		(4,308)	12,352	(9,110)		(1,066)
Ground Lease and Other Sales						
Sales Proceeds	(24,947)	403	2,053			(22,491)
Cost of Sales	15,634	243	(922)		(82)	14,873
Gain (loss)	(9,313)	646	1,131		(82)	(7,618)
Total sales proceeds	(28,634)	(22,720)	10,600	(35,293)		(76,047)
Total cost of sales	16,488	8,207	1,340	26,183	(82)	52,136
Total gain (loss) on property sales	$ (12,146)	$ (14,513)	$ 11,940	$ (9,110)	$ (82)	$ (23,911)

Variance Year Ended December 31, 2001 vs Year Ended December 31, 2000

	Asset Management	Suburban Commercial	Suburban Residential	Urban	Corporate	Total
	(In thousands)					
Building/Home Sales						
Sales Proceeds	$ (34,159)	$ 6,956	$ (245,243)	$	$	$ (272,446)
Cost of Sales	22,355	1,700	209,093			233,148
Gain (loss)	(11,804)	8,656	(36,150)			(39,298)
Land/Lot Sales						
Sales Proceeds		(221)	928	49,793		50,500
Cost of Sales		(181)	(538)	(37,337)		(38,056)
Gain (loss)		(402)	390	12,456		12,444

Ground Lease and Other Sales						
Sales Proceeds	16,654					16,654
Cost of Sales	(6,689)		173		(519)	(7,035)
Gain (loss)	9,965		173		(519)	9,619
Total sales proceeds	(17,505)	6,735	(244,315)	49,793		(205,292)
Total cost of sales	15,666	1,519	208,728	(37,337)	(519)	188,057
Total gain (loss) on property sales	$ (1,839)	$ 8,254	$ (35,587)	$ 12,456	$ (519)	$ (17,235)

During 2002, we sold six operating properties totaling 769,000 square feet of building space, closed on the sale of improved land capable of supporting 3.8 million square feet of commercial development, and sold 1,038.7 acres of ground leases. During 2001, we sold seven existing operating properties and four newly completed commercial buildings totaling 1.1 million square feet, sold improved land capable of supporting 6.8 million square feet of commercial development, sold 1,108.2 acres of ground leases, and sold 5.1 acres of Urban land. During 2000, we sold eleven existing operating properties and three newly completed commercial buildings totaling 2.1 million square feet, closed on the sale of improved land capable of supporting 8.5 million square feet of commercial development, and sold 1,035 acres of ground leases (*see* Variability in Results section).

For the year ended December 31, 2002, we also closed on the sales of 456 residential lots, as compared to 396 residential lots and 55 homes during the same period in 2001. For the year ended December 31, 2000, the gain from Suburban Residential segment included $13.4 million from the sale of our home-building assets to a limited liability company formed in 2000 managed by Brookfield Homes of California, Inc. (BHC, LLC), $10.2 million from the closing of an 80-lot site in San Francisco, and $30.3 million resulting primarily from the closings of 512 lots and 347 homes (*see* Variability in Results section).

In addition, the gain for 2002 and 2001 from Suburban Residential segment included $2.1 million and $1.1 million, respectively, of our portion of profit participation related to certain properties that were sold in the prior year (*see* Variability in Results section).

Equity in Earnings of Development Joint Ventures, Net

Our Equity in Earnings of Development Joint Ventures, Net is generated from our Suburban-Residential investments. The tables below summarize our share of the activities of joint ventures for the years ended December 31, 2002, 2001, and 2000. The increase in 2002, as compared to 2001, in our gain from sales is primarily because of an increase in sales volume, partially offset by the sale of our investment interest in Brookfield joint venture during 2001. The decrease in 2001 as compared to 2000, in our gain from sales is primarily because of lower sales volumes from Serrano and Talega, partially offset by gain from new joint ventures Parkway and Talega Village (*see* Variability in Results section). As we have not entered into any significant new joint ventures in 2002, nor are many new investments anticipated, the Equity in Earnings of Development Joint Ventures, Net will likely decline beyond 2003.

	Year ended December 31, 2002				Year ended December 31, 2001				Year ended December 31, 2000			
Projects	Lots/ Homes Sold	Sales	Cost of Sales	Gain (loss)	Lots/ Homes Sold	Sales	Cost of Sales	Gain (loss)	Lots/ Homes Sold	Sales	Cost of Sales	Gain (loss)
	(In thousands, except lots/homes)											
Brookfield		$	$	$	524	$ 77,013	$ (62,611)	$ 14,402	306	$ 130,383	$ (120,253)	$ 10,130
Talega Village	118	64,973	(60,538)	4,435	100	51,359	(48,566)	2,793				
Serrano	940	73,852	(66,955)	6,897	53	35,915	(34,389)	1,526	874	87,297	(74,969)	12,328
Talega	772	78,143	(73,111)	5,032	109	34,855	(30,945)	3,910	867	98,843	(93,534)	5,309
Parkway	822											