LEXINGTON CORPORATE PROPERTIES TRUST
Form 424B5
July 13, 2005

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-121708

PROSPECTUS SUPPLEMENT (TO PROSPECTUS DATED JANUARY 31, 2005)

2,500,000 SHARES

[LEXINGTON LOGO]

LEXINGTON CORPORATE PROPERTIES TRUST

COMMON SHARES OF BENEFICIAL INTEREST

We are offering 2,500,000 common shares of beneficial interest, par value $0.0001 per share. Our common shares are traded on the New York Stock Exchange under the symbol "LXP". On July 12, 2005, the last reported sale price of our common shares on the New York Stock Exchange was $25.19 per share.

INVESTING IN OUR COMMON SHARES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-5 OF THIS PROSPECTUS SUPPLEMENT.

The underwriter has agreed to purchase the 2,500,000 common shares offered by this prospectus supplement at a price of $24.36 per share, resulting in aggregate proceeds to us, before deducting transaction costs payable by us, of $60,900,000. We have not granted an over-allotment option to the underwriter.

The underwriter proposes to offer the common shares from time to time for sale in negotiated transactions or otherwise, at market prices prevailing at the time of sale, at prices related to such market prices or at negotiated prices. The common shares may be offered by the underwriter to purchasers directly, through agents or through brokerage transactions on the New York Stock Exchange or to dealers in negotiated transactions.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION, NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS TO WHICH IT RELATES IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Delivery of the common shares will be made on or about July 18, 2005.

WACHOVIA SECURITIES

THE DATE OF THIS PROSPECTUS SUPPLEMENT IS JULY 12, 2005.

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS, INCLUDING THE DOCUMENTS INCORPORATED BY REFERENCE HEREIN AND THEREIN. NEITHER WE NOR THE UNDERWRITER HAVE AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. WHEN YOU MAKE A DECISION ABOUT WHETHER TO INVEST IN OUR COMMON SHARES, YOU SHOULD NOT RELY UPON ANY INFORMATION OTHER THAN THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS, INCLUDING THE DOCUMENTS INCORPORATED BY REFERENCE HEREIN AND THEREIN. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THIS PROSPECTUS SUPPLEMENT OR AS OF ANY DATE SPECIFICALLY INDICATED IN THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS, AS APPLICABLE. THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THESE COMMON SHARES IN ANY CIRCUMSTANCES UNDER WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL OR IN ANY STATE WHERE SUCH OFFER OR SOLICITATION IS NOT PERMITTED.

ABOUT THIS PROSPECTUS SUPPLEMENT

All references to "we," "our" and "us" in this prospectus supplement means Lexington Corporate Properties Trust and all entities owned or controlled by us except where it is made clear that the term means only the parent company. The term "you" refers to a prospective investor.

When used in this prospectus supplement or the documents incorporated herein by reference, the phrase "funds from operations," or FFO, which is a commonly used measurement of the performance of an equity real estate investment trust, or REIT, as defined by the National Association of Real Estate Investment Trusts, Inc., is net income (or loss) computed in accordance with generally accepted accounting principles, excluding gains or losses from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect FFO on the same basis. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles and is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to net income as an indicator of our operating performance or as an alternative to cash flow as a measure of liquidity.

We have filed with the Securities and Exchange Commission, and the Securities and Exchange Commission has declared effective, a Registration Statement on Form S-3, of which the accompanying prospectus forms a part, under the Securities Act of 1933, as amended. As permitted by the rules and regulations of the Securities and Exchange Commission, and as stated in the accompanying prospectus, this prospectus supplement sets forth the specific terms of the common shares being offered and updates certain information included in the accompanying prospectus. TO THE EXTENT THAT ANY SUBJECT MATTER IS ADDRESSED IN BOTH THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS, THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT SUPERSEDES THE INFORMATION CONTAINED IN THE ACCOMPANYING PROSPECTUS.

CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING INFORMATION

Certain information included or incorporated by reference in this prospectus supplement and the accompanying prospectus may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as such may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "project," or the negative of these words or other similar words or terms. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in economic conditions generally and the real estate market specifically, adverse developments with respect to our tenants, legislative/regulatory changes including changes to laws governing the taxation of REITs, availability of debt and equity capital, changes in interest rates, competition, supply and demand for properties in our current and proposed market areas, policies and guidelines applicable to REITs and the other factors described under the heading "Risk Factors" beginning on page S-5 of this prospectus supplement. These risks and uncertainties should be considered in evaluating any forward-looking statements contained or incorporated by reference in this prospectus supplement and the accompanying prospectus.

We undertake no obligation to publicly update or revise any forward-looking

statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed or incorporated by reference in this prospectus supplement and the accompanying prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. Because this is a summary, it may not contain all of the information that is important to you. Before making a decision to invest in our common shares, you should read this entire prospectus supplement and the accompanying prospectus carefully, especially "Risk Factors" beginning on page S-5 of this prospectus supplement and "Available Information" on page S-31 of this prospectus supplement, as well as the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, as provided in "Incorporation of Information We File with the SEC" on page S-32 of this prospectus supplement, before making an investment decision. Unless otherwise indicated, all financial and property information is presented as of, or for the three (3) months ended, March 31, 2005.

THE COMPANY

We are a self-managed and self-administered real estate investment trust, commonly referred to as a REIT, formed under the laws of the State of Maryland. Our common shares, Series B Cumulative Redeemable Preferred Shares, or the Series B Preferred Shares, and Series C Cumulative Convertible Preferred Shares, or the Series C Preferred Shares, are traded on the New York Stock Exchange under the symbols "LXP", "LXP_pb" and "LXP_pc", respectively. Our primary business is the acquisition, ownership and management of a geographically diverse portfolio of net leased office and industrial properties. Substantially all of our properties are subject to triple net leases, which are generally characterized as leases in which the tenant bears all or substantially all of the costs and cost increases for real estate taxes, utilities, insurance and ordinary repairs and maintenance. As of March 31, 2005, we had ownership interests in 153 properties, located in 37 states and containing an aggregate of approximately 32.3 million net rentable square feet of space. Forty-seven of these properties, containing approximately 11.8 million net rentable square feet of space, were held through joint ventures with third parties. Approximately 98.10% of the net rentable square feet was leased.

We grow our portfolio primarily by acquiring properties that are already subject to a net lease. We have diversified our portfolio by geographical location, tenant industry segment, lease term expiration and property type with the intention of providing steady internal growth with low volatility. We believe that this diversification helps insulate us from regional recession, industry specific downturns and price fluctuations. As part of our ongoing business strategy, we expect to continue to effect property acquisitions and dispositions, expand existing properties, attract investment grade and other quality tenants and extend lease maturities in advance of expiration. Additionally, we enter into joint ventures with third-party investors as a means of creating additional growth and expanding the revenue realized from advisory and asset management activities. We intend to refinance outstanding indebtedness when advisable in order to lower our cost of capital and extend debt maturities.

Our principal executive offices are located at One Penn Plaza, Suite 4015, New York, New York 10119-4015, our telephone number is (212) 692-7200 and our Internet address is http://www.lxp.com. NONE OF THE INFORMATION ON OUR WEBSITE THAT IS NOT OTHERWISE EXPRESSLY SET FORTH IN OR INCORPORATED BY REFERENCE IN

THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING BASE PROSPECTUS IS A PART OF THIS PROSPECTUS.

RECENT DEVELOPMENTS

PROPERTY ACQUISITIONS/FINANCINGS

MULTI-PROPERTY ACQUISITION. In April 2005, we, through our subsidiaries and joint venture programs, completed the acquisition of 27 properties from an unrelated third-party for an aggregate purchase price of approximately $786.0 million. The properties consist of 24 office properties, two (2) industrial properties and one (1) office/research and development property.

Our existing joint venture programs, in which we have interests ranging from 25.00% to 33.33%, purchased six (6) of the properties, with an aggregate purchase price of $296.1 million.

To finance the acquisitions, we obtained $540.8 million of non-recourse mortgage loans from JPMorgan Chase Bank, N.A., secured by individual first mortgages on each of the properties and on four (4) other previously unencumbered properties which we own. The loans bear interest at a weighted average fixed rate of 5.21%. The loans mature in six (6) to ten (10) years with a weighted average maturity of approximately eight (8) years.

The balance of the purchase price was funded using $72.3 million from equity contributions of existing joint venture partners, $168.9 million from our cash balances, and $4.0 million in net borrowings under our $100.0 million unsecured revolving credit facility.

SOUTHINGTON, CONNECTICUT FINANCING. In April 2005, we obtained a $13.8 million non-recourse mortgage from JPMorgan Chase Bank, N.A., secured by our property located in Southington, Connecticut. The loan bears interest at a fixed annual rate of 5.02% and matures in May 2013.

LOS ANGELES, CALIFORNIA FINANCING. In April 2005, we obtained a $11.5 million non-recourse mortgage from JPMorgan Chase Bank, N.A., secured by our property located in Los Angeles, California. The loan bears interest at a fixed annual rate of 5.11% and matures in May 2015.

SIX PENN CENTER ACQUISITION. In June 2005, we formed a partnership, 92.00% owned by us, with Pitcairn Properties, Inc., which acquired a controlling interest in a joint venture that owns Six Penn Center in Philadelphia, Pennsylvania for approximately $59.0 million. Six Penn Center is a 19 story Class-A office property located on a 1.2 acre site. The property contains approximately 322,317 square feet of office and ground floor retail space and four (4) levels of structured parking. The building is approximately 99.12% leased, substantially all of which is leased to Morgan Lewis & Bockius LLP through January 2014. In connection with the acquisition, the joint venture obtained non-recourse mortgage financing of approximately $49.0 million. The loan bears interest at a fixed rate of 5.06% and matures in July 2014.

DANA SALE/LEASEBACK TRANSACTION. In June 2005, we acquired five (5) industrial/manufacturing properties described in further detail below in a sale/leaseback transaction with Dana Commercial Credit Corporation, a wholly-owned subsidiary of Dana Corporation, for an aggregate purchase price of approximately $78.5 million. Each property is net leased to Dana Corporation through June 2025. The purchase price was paid through borrowings under our unsecured revolving credit facility which will be partially repaid upon obtaining the mortgage financing described below.

PROPERTY LOCATION	PROPERTY TYPE	SQUARE FOOTAGE	PARCEL SIZ (ACRES)
750 North Black Branch Road,..... Elizabethtown, Kentucky	Single-story manufacturing with two-story office component	539,592	46.7
730 North Black Branch Road,..... Elizabethtown, Kentucky	Single-story manufacturing with two-story office component	167,770	17.8
301 Bill Byran Boulevard,..... Hopkinsville, Kentucky	Single-story manufacturing with two-story office component	410,844	46.3
4010 Airpark Drive,..... Owensboro, Kentucky	Single-story manufacturing	162,468	20.3
10000 Business Boulevard,..... Dry Ridge, Kentucky	Single-story light industrial/ manufacturing with two-story office component	336,350	28.9

We have arranged to obtain $67.5 million of non-recourse mortgage loans from Countrywide Financial, secured by individual mortgages on each of the properties. The loans will bear interest at a fixed rate of 4.96% and mature in ten (10) years. The loans are subject to final documentation and standard closing conditions and are anticipated to close during the third quarter.

DISPOSITIONS

COLUMBIA, MARYLAND. In April 2005, we sold a 63,824 square foot retail property in Columbia, Maryland for $12.0 million to an unrelated party. The property was leased to Haverty Furniture Companies, Inc. and Offenbacher Acquatics.

GENERAL DEVELOPMENTS

TOYS-R-US LEASE EXTENSIONS. In June 2005, Toys-R-Us, the tenant in our properties located in Lynnwood, Washington, Clackamas, Oregon and Tulsa, Oklahoma, which represents an aggregate of approximately 129,070 square feet of rentable space, exercised its right to extend the leases for such properties from May 31, 2006 to May 31, 2011.

HEBRON, KENTUCKY LEASE. Commencing September 1, 2005, approximately 21,500 square feet in our Hebron, Kentucky property, which is currently not leased, will be leased for seven (7) years to AGC Automotive Americas Company under a lease guaranteed by AFG Industries, Inc., its parent.

CREDIT FACILITY. In June 2005, we obtained a $200.0 million unsecured revolving credit facility. We have the option to increase the new credit facility up to $250.0 million under certain circumstances. The new credit facility matures in June 2008 with a one-year extension option and replaced our $100 million credit facility. The new credit facility bears interest at a rate of 120-170 basis points over LIBOR depending on our overall level of indebtedness. As of the date of this prospectus supplement, our credit facility had an outstanding balance of approximately $99.0 million. Wachovia Capital Markets, LLC, the underwriter of this offering, was the arranger, and an

affiliate of the underwriter, Wachovia Bank, National Association, is the agent and a lender, under our credit facility.

DIVIDEND PAYMENT. On May 16, 2005, we paid a dividend of $0.36 per common share to shareholders of record of common shares as of April 30, 2005, and a dividend of $0.503125 per Series B Preferred Share and $0.8125 per Series C Preferred Share to shareholders of record of Series B Preferred Shares and Series C Preferred Shares as of April 30, 2005.

VARTEC TELECOM, INC. BANKRUPTCY. On November 1, 2004, VarTec Telecom, Inc., or VarTec, filed for Chapter 11 bankruptcy protection with the U.S. Bankruptcy Court in the Northern District of Texas. VarTec leased a 249,452 square foot office property in Dallas, Texas. The VarTec lease was to expire in September 2015 and generated revenues of approximately $3.5 million in 2004.

On December 17, 2004, with the approval of the bankruptcy court, VarTec rejected the lease. As a result of the rejection of the lease, we incurred a fourth quarter 2004 non-cash charge of approximately $2.9 million due to the write-off of deferred rent receivable and unamortized lease costs. In addition, as a result of the rejection of the lease, we had an unsecured claim for any damages resulting from the breach of the lease, including rent for the period from the rejection date through the remainder of the lease term, subject to a cap under applicable bankruptcy law.

The VarTec property was subject to a non-recourse mortgage with an outstanding balance of $20.9 million as of December 31, 2004. The note had a fixed interest rate of 7.49%, required annual debt service of $2.0 million and was scheduled to mature in December 2012, when a balloon payment of $16.0 million was to be due. The lender held a $2.5 million letter of credit issued by us as collateral against the mortgage.

In May 2005, we made a discounted payoff of the non-recourse mortgage in the amount of $15.5 million. In connection with the payoff, our $2.5 million letter of credit was released. In addition, we assigned our unsecured claim in the VarTec bankruptcy to the lender. As of the date of this prospectus supplement, this property is vacant but is being actively marketed for retenanting.

THE OFFERING

Common Shares offered by Lexington Corporate Properties Trust.....	2,500,000 shares(1)
Common Shares to be outstanding after the offering.....	51,801,514 shares(2)
Use of Proceeds.....	We intend to use the net proceeds of this offering, which are estimated to be approximately $60.7 million after deducting offering expenses payable by us, to repay indebtedness outstanding under our unsecured revolving credit facility, and any remaining proceeds (i) to fund future acquisitions, and (ii) for general business purposes. See "Use of Proceeds" on page S-14 of this prospectus supplement.

Risk Factors.....	See "Risk Factors" beginning on page S-5 of this prospectus supplement for a discussion of factors you should carefully consider before deciding to invest in our common shares.
New York Stock Exchange Symbol.....	LXP

(1) We have not granted the underwriter an over-allotment option.

(2) Does not include (a) an aggregate of approximately 5,434,499 common shares issuable, as of the date of this prospectus supplement, upon (i) the exchange of all outstanding units of limited partnership interests in our operating partnership subsidiaries (5,374,499 common shares) and (ii) the exercise of outstanding options (including unvested options) under our equity-based award plans (60,000 common shares), (b) common shares issuable upon the conversion of certain equity interests in our joint ventures by our joint venture partners, and (c) approximately 5,779,330 common shares issuable upon the conversion of our Series C Preferred Shares (based on the current conversion rate of 1.8643 common shares per $50.00 liquidation preference).

RISK FACTORS

In evaluating an investment in our common shares, you should carefully consider the following factors, in addition to other information set forth or incorporated by reference in this prospectus supplement or in the accompanying prospectus. See "Incorporation of Information We File with the SEC" on page S-32 of this prospectus supplement.

RISKS INVOLVED IN SINGLE TENANT LEASES. We focus our acquisition activities on real properties that are net leased to single tenants. Therefore, the financial failure of, or other default by, a single tenant under its lease is likely to cause a significant reduction in the operating cash flow generated by the property leased to that tenant and might decrease the value of that property.

DEPENDENCE ON MAJOR TENANTS. Revenues from several of our tenants and/or their guarantors constitute a significant percentage of our rental revenues. As of March 31, 2005, our 15 largest tenants/guarantors, which occupied 41 properties, represented approximately 42.80% of our rental revenue for the three (3) months ended March 31, 2005, including our proportionate share of rental revenue from non-consolidated entities and rental revenue recognized from properties sold through date of sale. The default, financial distress or bankruptcy of any of the tenants of these properties could cause interruptions in the receipt of lease revenues from these tenants and/or result in vacancies, which would reduce our revenues and increase operating costs until the affected property is re-let, and could decrease the ultimate sales value of that property. Upon the expiration or other termination of the leases that are currently in place with respect to these properties, we may not be able to re-lease the vacant property at a comparable lease rate or without incurring additional expenditures in connection with the re-leasing.

LEVERAGE. We have incurred, and expect to continue to incur, indebtedness (secured and unsecured) in furtherance of our activities. Neither our declaration of trust nor any policy statement formally adopted by our board of trustees limits either the total amount of indebtedness or the specified percentage of indebtedness that we may incur. Accordingly, we could become more

highly leveraged, resulting in increased risk of default on our obligations and in an increase in debt service requirements which could adversely affect our financial condition and results of operations and our ability to pay distributions. Our current credit facility contains cross-default provisions to our other material indebtedness. In the event of a default on such other material indebtedness, our indebtedness under our current credit facility could be accelerated. Depending upon the amount of indebtedness under our current credit facility, such an acceleration could have a material adverse impact on our financial condition and results of operations. Our current unsecured revolving credit facility also contains various covenants which limit the amount of secured, unsecured and variable-rate indebtedness we may incur and restricts the amount of capital we may invest in specific categories of assets that we may otherwise want to invest.

RISKS RELATING TO INTEREST RATE INCREASES. We have exposure to market risks relating to increases in interest rates due to our variable-rate debt. An increase in interest rates may increase our costs of borrowing on existing variable-rate indebtedness, leading to a reduction in our net income. As of the date of this prospectus supplement, we had outstanding $111.6 million in variable-rate indebtedness which represents 9.06% of our total indebtedness. The level of our variable-rate indebtedness, along with the interest rate associated with such variable-rate indebtedness, may change in the future and materially affect our interest costs and net income.

In addition, our interest costs on our fixed-rate indebtedness can increase if we are required to refinance our fixed-rate indebtedness at maturity at higher interest rates.

RISKS ASSOCIATED WITH REFINANCING. A significant number of our properties are subject to mortgage notes with balloon payments due at maturity. As of March 31, 2005, the scheduled balloon payments for the next five calendar years are as follows:

- 2005-$12.7 million;

- 2006-$0;

- 2007-$0;

- 2008-$65.6 million; and

- 2009-$47.7 million.

As of the date of this prospectus supplement, the maturity date of the $12.7 million balloon payment previously due in 2005 has been extended to July 1, 2006.

As of March 31, 2005, none of our joint venture properties require a balloon payment prior to 2009, at which time $69.0 million (of which our proportionate share is $23.6 million) will become due.

Our ability to make the scheduled balloon payments will depend upon the amount available under our unsecured revolving credit facility and our ability either to refinance the related mortgage debt or to sell the related property. Our ability to accomplish these goals will be affected by various factors existing at the relevant time, such as the state of the national and regional economies, local real estate conditions, available mortgage rates, the lease terms of the mortgaged properties, our equity in the mortgaged properties, our financial condition, the operating history of the mortgaged properties and tax

laws. If we are unable to obtain sufficient financing to fund the scheduled non-recourse balloon payments or to sell the related property at a price that generates sufficient proceeds to pay the scheduled non-recourse balloon payments, we would lose our entire investment in the related property.

UNCERTAINTIES RELATING TO LEASE RENEWALS AND RE-LETTING OF SPACE. Upon the expiration of current leases for space located in our properties, we may not be able to re-let all or a portion of that space, or the terms of re-letting (including the cost of concessions to tenants) may be less favorable to us than current lease terms. If we are unable to re-let promptly all or a substantial portion of the space located in our properties or if the rental rates we receive upon re-letting are significantly lower than current rates, our net income and ability to make expected distributions to our shareholders will be adversely affected due to the resulting reduction in rent receipts and increase in our property operating costs. There can be no assurance that we will be able to retain tenants in any of our properties upon the expiration of their leases. As of March 31, 2005, our scheduled lease maturities, including our proportionate share of joint venture investments, for the next five (5) calendar years are as follows:

LEASES MATURING IN:	NUMBER OF LEASES	CURRENT ANNUAL RENT ($000)
2005	3	$ 2,929
2006	11	11,338
2007	5	13,944
2008	5	7,417
2009	15	19,537
Total	39	$55,165

DEFAULTS ON CROSS-COLLATERALIZED PROPERTIES. As of the date of this prospectus supplement, the mortgages on two (2) of our properties, in Canton, Ohio and Spartansburg, South Carolina, are cross-collateralized. To the extent that any of our properties are cross-collateralized, any default by us under the mortgage note relating to one property will result in a default under the financing arrangements relating to any other property that also provides security for that mortgage note.

POSSIBLE LIABILITY RELATING TO ENVIRONMENTAL MATTERS. Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, as an owner of real property, we may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under our properties, as well as certain other potential costs relating to hazardous or toxic substances (including government fines and penalties and damages for injuries to persons and adjacent property). These laws may impose liability without regard to whether we knew of, or were responsible for, the presence or disposal of those substances. This liability may be imposed on us in connection with the activities of an

operator of, or tenant at, the property. The cost of any required remediation, removal, fines or personal or property damages and our liability therefore could

exceed the value of the property and/or our aggregate assets. In addition, the presence of those substances, or the failure to properly dispose of or remove those substances, may adversely affect our ability to sell or rent that property or to borrow using that property as collateral, which, in turn, would reduce our revenues and ability to make distributions.

A property can also be adversely affected either through physical contamination or by virtue of an adverse effect upon value attributable to the migration of hazardous or toxic substances, or other contaminants that have or may have emanated from other properties. Although our tenants are primarily responsible for any environmental damages and claims related to the leased premises, in the event of the bankruptcy or inability of any of our tenants to satisfy any obligations with respect to the property leased to that tenant, we may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims irrespective of the provisions of any lease.

From time to time, in connection with the conduct of our business, and prior to the acquisition of any property from a third party or as required by our financing sources, we authorize the preparation of Phase I environmental reports and, when necessary, Phase II environmental reports, with respect to our properties. Based upon these environmental reports and our ongoing review of our properties, as of the date of this prospectus supplement, we are not aware of any environmental condition with respect to any of our properties that we believe would be reasonably likely to have a material adverse effect on us. There can be no assurance, however, that the environmental reports will reveal all environmental conditions at our properties or that the following will not expose us to material liability in the future:

- the discovery of previously unknown environmental conditions;

- changes in law;

- activities of tenants; or

- activities relating to properties in the vicinity of our properties.

Changes in laws increasing the potential liability for environmental conditions existing on properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures or may otherwise adversely affect the operations of our tenants, which could adversely affect our financial condition or results of operations.

UNINSURED LOSS. We carry comprehensive liability, fire, extended coverage and rent loss insurance on most of our properties, with policy specifications and insured limits that we believe are customary for similar properties. However, with respect to those properties where the leases do not provide for abatement of rent under any circumstances, we generally do not maintain rent loss insurance. In addition, there are certain types of losses, such as losses resulting from wars, terrorism or certain acts of God that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types would adversely affect our financial condition.

RISKS RELATING TO TERRORISM. Future terrorist attacks such as those which occurred in New York City, Pennsylvania and Washington, D.C. on September 11, 2001, and military conflicts such as the military actions taken by the United States and its allies in Afghanistan and Iraq, could have a material adverse effect on general economic conditions, consumer confidence and market liquidity.

Among other things, it is possible that interest rates may be affected by these events. An increase in interest rates may increase our costs of borrowing on existing variable-rate indebtedness, leading to a reduction in our net income. These types of terrorist acts could also result in significant damages to, or loss of, our properties.

We and our tenants may be unable to obtain adequate insurance coverage on acceptable economic terms for losses resulting from acts of terrorism. Our lenders may require that we carry terrorism insurance even if we do not believe this insurance is necessary or cost effective. We may also be

prohibited under the applicable lease from passing all or a portion of the cost of such insurance through to the tenant. Should an act of terrorism result in an uninsured loss or a loss in excess of insured limits, we could lose capital invested in a property, as well as the anticipated future revenues from a property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any loss of these types would adversely affect our financial condition.

COMPETITION. There are numerous commercial developers, real estate companies, financial institutions and other investors with greater financial resources than we have that compete with us in seeking properties for acquisition and tenants who will lease space in our properties. Due to our focus on net-lease properties located throughout the United States, and because most competitors are locally and/or regionally focused, we do not encounter the same competitors in each region of the United States. Our competitors include other REITs, financial institutions, insurance companies, pension funds, private companies and individuals. This competition may result in a higher cost for properties that we wish to purchase.

FAILURE TO MAINTAIN EFFECTIVE INTERNAL CONTROLS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, OPERATING RESULTS AND SHARE PRICE. Section 404 of the Sarbanes-Oxley Act of 2002 requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. If we fail to achieve and maintain the adequacy of our internal controls, as such standards may be modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and to maintain our qualification as a REIT and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, our REIT qualification could be jeopardized, investors could lose confidence in our reported financial information, and the trading price of our shares could drop significantly.

INTEREST RATE FLUCTUATIONS. It is likely that the public valuation of our common shares will be related primarily to the earnings that we derive from rental income with respect to our properties and not from the underlying appraised value of the properties themselves. As a result, interest rate fluctuations and capital market conditions can affect the market value of our common shares. For instance, if interest rates rise, it is likely that the market price of our common shares will decrease because potential investors seeking a higher dividend yield than they would receive from our common shares may sell our common shares in favor of higher rate interest-bearing securities, such as bonds.

INABILITY TO CARRY OUT OUR GROWTH STRATEGY. Our growth strategy is based

on the acquisition and development of additional properties, including acquisitions through co-investment programs such as joint ventures. In the context of our business plan, "development" generally means an expansion or renovation of an existing property or the acquisition of a newly constructed property. We typically provide a developer with a commitment to acquire a property upon completion of construction. Our plan to grow through the acquisition and development of new properties could be adversely affected by trends in the real estate and financing businesses. The consummation of any future acquisitions will be subject to satisfactory completion of our extensive valuation analysis and due diligence review and to the negotiation of definitive documentation. We cannot be sure that we will be able to implement our strategy because we may have difficulty finding new properties at attractive prices that meet our investment criteria, negotiating with new or existing tenants or securing acceptable financing. If we are unable to carry out our strategy, our financial condition and results of operations could be adversely affected.

Acquisitions of additional properties entail the risk that investments will fail to perform in accordance with expectations, including operating and leasing expectations. Redevelopment and new project development are subject to numerous risks, including risks of construction delays, cost overruns or force majeure that may increase project costs, new project commencement risks such as the receipt of zoning, occupancy and other required governmental approvals and permits, and the incurrence of development costs in connection with projects that are not pursued to completion.

We anticipate that some of our acquisitions and developments will be financed using the proceeds of periodic equity or debt offerings, lines of credit or other forms of secured or unsecured financing that will result in a risk that permanent financing for newly acquired projects might not be available or would be available only on disadvantageous terms. If permanent debt or equity financing is not available on acceptable terms to refinance acquisitions undertaken without permanent financing, further acquisitions may be curtailed or cash available for distribution may be adversely affected.

CONCENTRATION OF OWNERSHIP BY CERTAIN INVESTORS. As of the date of this prospectus supplement, E. Robert Roskind, the Chairman of our Board of Trustees, owned or controlled (including through trusts with respect to which he is a beneficiary) 698,149 common shares and 1,615,486 operating partnership units which are convertible, on a one-to-one basis, into common shares, representing approximately 4.20% of our fully-diluted outstanding voting securities.

In 1999, we entered into a joint venture agreement with The Comptroller of the State of New York as trustee of The Common Retirement Fund, or "CRF," to acquire properties. This joint venture has made investments in 13 properties for $403.0 million and no more investments will be made unless they are pursuant to a tax-free exchange. We have a 33 1/3% equity interest in this joint venture. In December 2001, we formed a second joint venture with CRF to acquire additional properties in an aggregate amount of up to approximately $560.0 million. We have a 25.00% equity interest in this joint venture. As of March 31, 2005, this joint venture had made investments in nine (9) properties for an aggregate purchase price of $239.7 million.

Under these joint venture agreements, CRF has the right to sell its equity position in the joint ventures to us, although as of the date of this prospectus supplement, this right is only effective with respect to the first joint venture with CRF, and becomes effective with respect to the second joint venture with CRF upon the occurrence of certain conditions. In the event CRF exercises its right to sell its equity interest in either joint venture to us, we may, at our option, either issue our common shares to CRF for the fair market value of CRF's

equity position, based upon a formula contained in the joint venture agreement, or pay cash to CRF equal to 110.00% of the fair market value of CRF's equity position. We have the right not to accept any property in the joint ventures (thereby reducing the fair market value of CRF's equity position) that does not meet certain underwriting criteria. In addition, the joint venture agreements contain a mutual buy-sell provision in which either CRF or we can force the sale of any property.

In October 2003, we entered into a joint venture agreement with Clarion Lion Properties Fund, LLC, or "Clarion," which was expanded in September 2004, to acquire properties in an aggregate amount of up to approximately $460.0 million. As of March 31, 2005, this joint venture owned 13 properties for which it paid an aggregate purchase price of $365.9 million. We have a 30.00% equity interest in this joint venture. Under the joint venture agreement, Clarion has the right to sell its equity position in the joint venture to us. This right becomes effective upon the occurrence of certain conditions. In the event Clarion exercises its right to sell its equity interest in the joint venture to us, we may, at our option, either issue our common shares to Clarion for the fair market value of Clarion's equity position, based upon a formula contained in the partnership agreement, or pay cash to Clarion equal to 100.00% of the fair market value of Clarion's equity position. We have the right not to accept any property in the joint venture (thereby reducing the fair market value of Clarion's equity position) that does not meet certain underwriting criteria. In addition, the joint venture agreement contains a mutual buy-sell provision in which either Clarion or we can force the sale of any property.

In June 2004, we entered in a joint venture agreement, which was expanded in December 2004, with the Utah State Retirement Investment Fund, or "Utah," to acquire properties in an aggregate amount of up to approximately $345.0 million. As of March 31, 2005, this joint venture owned 11 properties for which it paid an aggregate purchase price of $114.5 million. We have a 30.00% equity interest in this joint venture. Under the joint venture agreement, Utah has the right to sell its equity position in the joint venture to us. This right becomes effective upon the occurrence of certain conditions. In the event Utah exercises its right to sell its equity interest in the joint venture to us, we may, at our option, either issue our common shares to Utah for the fair market value of Utah's equity position, based upon a formula

contained in the partnership agreement, or pay cash to Utah equal to 100% of the fair market value of Utah's equity position. We have the right not to accept any property in the joint venture (thereby reducing the fair market value of Utah's equity position) that does not meet certain underwriting criteria. In addition, the joint venture agreement contains a mutual buy-sell provision in which either Utah or we can force the sale of any property.

DILUTION OF COMMON SHARES. Our future growth will depend in part on our ability to raise additional capital. If we raise additional capital through the issuance of equity securities, the interests of holders of our common shares, including the common shares being offered by this prospectus supplement, could be diluted. Likewise, our board of trustees is authorized to cause us to issue preferred shares in one (1) or more series, the holders of which would be entitled to dividends and voting and other rights as our board of trustees determines, and which could be senior to or convertible into our common shares. Accordingly, an issuance by us of preferred shares could be dilutive to or otherwise adversely affect the interests of holders of our common shares.

Our Series C Preferred Shares may be converted by the holder, at its option, into our common shares currently at a conversion rate of 1.8643 common shares per $50.00 liquidation preference, which is equivalent to an initial

conversion price of approximately $26.82 per common share (subject to adjustment in certain events). Depending upon the number of Series C Preferred Shares being converted at one time, a conversion of Series C Preferred Shares could be dilutive to or otherwise adversely affect the interests of holders of our common shares.

Under our joint venture agreements, our joint venture partners have the right to sell their equity position in the applicable joint venture to us. In the event one of our joint venture partners exercises its right to sell its equity interest in the applicable joint venture to us, we may, at our option, either issue our common shares to the exercising joint venture partner for the fair market value of the exercising joint venture partner's equity position, based upon a formula contained in the applicable joint venture agreement, or to pay cash to the exercising joint venture partner equal to either (i) 110.00% of the fair market value of the exercising joint venture partner's equity position with respect to our joint ventures with CRF, or (ii) 100.00% of the fair market value of the exercising joint venture partner's equity position with respect to Lion and Utah. An exercise by one or more of our joint venture partners and our election to satisfy an exercise with our common shares could be dilutive to or otherwise adversely affect the interests of holders of our common shares.

As of the date of this prospectus supplement, an aggregate of approximately 5,434,499 common shares are issuable upon (i) the exchange of all outstanding units of limited partnership interests in our operating partnership subsidiaries (5,374,499 common shares) and (ii) the exercise of outstanding options (including unvested options) under our equity-based award plans (60,000 common shares). Depending upon the number of such securities exchanged or exercised at one time, an exchange or exercise of such securities could be dilutive to or otherwise adversely affect the interests of holders of our common shares.

LIMITED CONTROL OVER JOINT VENTURE INVESTMENTS. Our joint venture investments are a significant portion of our assets and are also a significant component of our growth strategy. In particular, as of March 31, 2005, 47 of our 153 properties representing 11.8 million of our total of approximately 32.3 million net rentable square feet of space was owned by joint ventures in which we have an ownership interest ranging from 25.00% to 40.00%. For the three (3) months ended March 31, 2005, our joint venture investments accounted for approximately $1.4 million of equity in earnings, while our gross revenues totaled approximately $38.6 million (approximately $0.6 million of which represents advisory fees earned from our management of the joint ventures). As of March 31, 2005, we had approximately $1.7 billion in consolidated total assets of which $132.5 million was investment in joint ventures. Our joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our joint venture partner might, at any time, become bankrupt, have different interests or goals than we do, or take action contrary to our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT. Other risks of joint venture investments include impasse on decisions, such as a sale, because neither we nor a joint venture partner

would have full control over the joint venture. Also, there is no limitation under our organizational documents as to the amount of funds that may be invested in joint ventures. Our credit facility restricts the amount of capital that we can invest in joint ventures.

JOINT VENTURE INVESTMENTS MAY CONFLICT WITH OUR ABILITY TO MAKE ATTRACTIVE INVESTMENTS. Under the terms of our active joint venture with CRF, we are required to first offer to the joint venture 50.00% of our opportunities to acquire office and industrial properties requiring a minimum investment of $15

million which are net leased primarily to investment grade tenants for a minimum term of ten (10) years, are available for immediate delivery and satisfy other specified investment criteria.

Similarly, under the terms of our joint venture with Clarion, we are required to first offer to the joint venture all of our opportunities to acquire office, industrial and retail properties requiring a minimum investment of $15.0 million to $40.0 million which are net leased primarily to non-investment grade tenants for a minimum term of at least five (5) years, are available for immediate delivery and satisfy other specified investment criteria, subject also to our obligation to first offer such opportunity to our joint venture with CRF.

Finally, under the terms of our joint venture with Utah, unless 75.00% of Utah's capital commitment is funded, we are required to first offer to the joint venture all of our opportunities to acquire certain office, bulk warehouse and distribution properties requiring an investment of $8.0 million to $30.0 million which are net leased primarily to non-investment grade tenants for a minimum term of at least nine (9) years and satisfy other specified investment criteria, subject also to our obligation to first offer such opportunities to our joint venture with CRF or our joint venture with Clarion.

Only if all of our joint venture partners elect not to approve the applicable joint venture's pursuit of an acquisition opportunity or the applicable exclusivity conditions have expired may we pursue the opportunity directly. As a result of the forgoing rights of first offer, we may not be able to make attractive acquisitions directly and may only receive a minority interest in such acquisitions through our minority interest in these joint ventures.

CONFLICTS OF INTEREST WITH RESPECT TO SALES AND REFINANCINGS. Two (2) of our trustees and officers own units of limited partnership interest in our operating partnerships and, as a result, may face different and more adverse tax consequences than you will if we sell our properties or reduce our mortgage indebtedness on our properties. Those individuals may, therefore, have different objectives than you regarding the appropriate pricing and timing of any sale of such properties or reduction of mortgage debt. Accordingly, there may be instances in which we may not sell a property or pay down the debt on a property even though doing so would be advantageous to you. In the event of an appearance of a conflict of interest, the conflicted trustee or officer must recuse himself or herself from any decision making or seek a waiver of our Code of Ethics.

OUR ABILITY TO CHANGE OUR PORTFOLIO IS LIMITED BECAUSE REAL ESTATE INVESTMENTS ARE ILLIQUID. Equity investments in real estate are relatively illiquid and, therefore, our ability to change our portfolio promptly in response to changed conditions will be limited. Our board of trustees may establish investment criteria or limitations as it deems appropriate, but currently does not limit the number of properties in which we may seek to invest or on the concentration of investments in any one geographic region. We could change our investment, disposition and financing policies without a vote of our shareholders.

FAILURE TO QUALIFY AS A REIT. We believe that we have met the requirements for qualification as a REIT for federal income tax purposes beginning with our taxable year ended December 31, 1993, and we intend to continue to meet these requirements in the future. However, qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, as amended, which is referred to as the Code, for which there are only limited judicial or administrative interpretations. No assurance can be given that we have qualified or will remain qualified as a REIT. The Code provisions and income tax regulations applicable to REITs are more complex than those applicable to corporations. The determination of various factual matters and circumstances not entirely within our control may affect

our ability to continue to qualify as a REIT. In addition, no assurance can be given that legislation, regulations, administrative interpretations or court decisions will not significantly change the requirements for qualification as a REIT or the federal income tax consequences of such qualification. If we do not qualify as a REIT, we would not be allowed a deduction for distributions to shareholders in computing our net taxable income. In addition, our income would be subject to tax at the regular corporate rates. We also could be disqualified from treatment as a REIT for the four (4) taxable years following the year during which qualification was lost. Cash available for distribution to our shareholders would be significantly reduced for each year in which we do not qualify as a REIT. In that event, we would not be required to continue to make distributions. Although we currently intend to continue to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us, without the consent of the shareholders, to revoke the REIT election or to otherwise take action that would result in disqualification.

DISTRIBUTION REQUIREMENTS IMPOSED BY LAW LIMIT OUR FLEXIBILITY. To maintain our status as a REIT for federal income tax purposes, we are generally required to distribute to our shareholders at least 90.00% of our taxable income for that calendar year. Our taxable income is determined without regard to any deduction for dividends paid and by excluding net capital gains. To the extent that we satisfy the distribution requirement, but distribute less than 100.00% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4.00% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of (i) 85.00% of our ordinary income for that year, (ii) 95.00% of our capital gain net income for that year and (iii) 100.00% of our undistributed taxable income from prior years. We intend to continue to make distributions to our shareholders to comply with the distribution requirements of the Code and to reduce exposure to federal income and nondeductible excise taxes. Differences in timing between the receipt of income and the payment of expenses in determining our income and the effect of required debt amortization payments could require us to borrow funds on a short-term basis in order to meet the distribution requirements that are necessary to achieve the tax benefits associated with qualifying as a REIT.

OWNERSHIP LIMITATIONS. For us to qualify as a REIT for federal income tax purposes, among other requirements, not more than 50.00% of the value of our capital shares may be owned, directly or indirectly, by five (5) or fewer individuals (as defined for federal income tax purposes to include certain entities) during the last half of each taxable year, and these capital shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (in each case, other than the first such year for which a REIT election is made). Our declaration of trust includes certain restrictions regarding transfers of our capital shares and ownership limits that are intended to assist us in satisfying these limitations. These restrictions and limits may not be adequate in all cases, however, to prevent the transfer of our capital shares in violation of the ownership limitations. The ownership limit discussed above may have the effect of delaying, deferring or preventing someone from taking control of our company, even though a change of control could involve a premium price for your common shares or otherwise be in your best interest.

ADVERSE LEGISLATIVE OR REGULATORY TAX CHANGES. At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or you as a shareholder. Recently enacted legislation reduces individual tax rates applicable to certain corporate

dividends. REIT dividends generally would not be eligible for reduced rates because a REIT's income generally is not subject to corporate level tax. As a result, investment in non-REIT corporations may be relatively more attractive than investment in REITs. This could adversely affect the market price of our shares.

RESTRICTIONS ON A POTENTIAL CHANGE OF CONTROL. Our board of trustees is authorized by our declaration of trust to establish and issue one (1) or more series of preferred shares without shareholder approval. As of the date of this prospectus supplement, we had outstanding 3,160,000 Series B Preferred Shares that we issued in June 2003 and 3,100,000 Series C Preferred Shares that were issued in December 2004 and January 2005. Both our Series B and Series C Preferred Shares include provisions that may deter a change of control of our Company, see "Description of Our Preferred Shares," beginning on page 4 of

the accompanying prospectus. The establishment and issuance of shares of our existing preferred shares or a future series of preferred shares could make more difficult a change of control of our company.

In addition, we have entered into employment agreements with six (6) of our executive officers which provide that, upon the occurrence of a change in control of our company (including a change in ownership of more than 50.00% of the total combined voting power of our outstanding securities, the sale of all or substantially all of our assets, dissolution of our company, the acquisition, except from us, of 20.00% or more of our voting shares or a change in the majority of our board of trustees), those executive officers would be entitled to severance benefits based on their current annual base salaries and recent annual bonuses, as defined in the employment agreements. The provisions of these agreements could deter a change of control of our company.

OUR BOARD OF TRUSTEES MAY CHANGE OUR INVESTMENT POLICY WITHOUT SHAREHOLDERS' APPROVAL. Subject to our fundamental investment policy to maintain our qualification as a REIT, our board of trustees will determine our investment and financing policies, our growth strategy and our debt, capitalization, distribution, acquisition, disposition and operating policies. Although our board of trustees has no present intention to revise or amend these strategies and policies, it may do so at any time without a vote by our shareholders. Accordingly, our shareholders' control over changes in our strategies and policies is limited to the election of trustees, and changes made by our board of trustees may not serve the interests of our shareholders and could adversely affect our financial condition or results of operations, including our ability to distribute cash to shareholders or qualify as a REIT.

LIMITS ON OWNERSHIP OF OUR CAPITAL SHARES. Actual or constructive ownership of our capital shares in excess of the share ownership limits contained in our declaration of trust would cause the violative transfer or ownership to be void or cause the shares to be transferred to a charitable trust and then sold to a person or entity who can own the shares without violating these limits. As a result, if a violative transfer were made, the recipient of the shares would not acquire any economic or voting rights attributable to the transferred shares. Additionally, the constructive ownership rules for these limits are complex and groups of related individuals or entities may be deemed a single owner and consequently in violation of the share ownership limits. We recommend that you read "Description of Our Common Shares -- Restrictions on Ownership," "Description of Our Preferred Shares -- Restrictions on Ownership" and "Restrictions on Transfers of Capital Stock and Anti-Takeover Provisions -- Restrictions Relating to REIT Status" on pages 3, 6 and 22, respectively, of the accompanying prospectus for a detailed description of the share ownership limits.

USE OF PROCEEDS

We expect that the net proceeds from this offering will be approximately $60.7 million, after deducting offering expenses payable by us. We intend to use the net proceeds to repay indebtedness outstanding under our $200.0 million unsecured revolving credit facility (described below), and any remaining proceeds (i) to fund future acquisitions, and (ii) for general business purposes.

Our unsecured revolving credit facility matures on June 29, 2008. Borrowings under our credit facility bear interest at a rate of 120-170 basis points over LIBOR depending on our overall level of indebtedness.

As of the date of this prospectus supplement, we had outstanding approximately $99.0 million under our credit facility.

Wachovia Capital Markets, LLC, the underwriter of this offering, was the arranger, and an affiliate of the underwriter, Wachovia Bank, National Association, is the agent and a lender, under our credit facility.

DESCRIPTION OF OUR COMMON SHARES

The following updates and supersedes information about our common shares included in the accompanying prospectus. For a summary of the material terms and provisions of our common shares, see "Description of Our Common Shares" beginning on page 2 of the accompanying prospectus.

On May 24, 2005, our shareholders approved an amendment to our declaration of trust to increase the number of authorized common shares and excess shares which we have authority to issue from 80,000,000 common shares and 40,000,000 excess shares to 160,000,000 common shares and 170,000,000 excess shares. This amendment became effective on June 21, 2005.

RESTRICTIONS ON TRANSFERS OF CAPITAL SHARES AND ANTI-TAKEOVER PROVISIONS

For a summary of other restrictions on transfers of our capital shares, see "Restrictions on Transfers of Capital Stock and Anti-Takeover Provisions" beginning on page 22 of the accompanying prospectus.

DISTRIBUTION POLICY

We pay distributions to our shareholders on a quarterly basis if, as and when declared by our board of trustees. In order to maintain our status as a REIT, we are generally required to distribute annually to our shareholders at least 90.00% of our REIT taxable income (determined as provided in the Internal Revenue Code of 1986, as amended, which is referred to as the Code, without regard to the deduction for dividends paid and excluding any net capital gain).

Future distributions on our common shares will be at the discretion of our board of trustees and will depend on, among other things, our results of operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Code, our debt service requirements and other factors as our board of trustees may deem relevant. In addition, our unsecured credit agreement imposes certain restrictions on us with regard to dividends and incurring additional debt

obligations.

We do not believe that the financial covenants contained in our unsecured revolving credit agreement and secured indebtedness will have a material adverse impact on our ability to pay dividends in the normal course of business to our shareholders or to distribute amounts necessary to maintain our qualifications as a REIT.

Distributions on our common shares to the extent of our current and accumulated earnings and profits for federal income tax purposes, and to the extent not designated as a capital gain dividend, generally will be taxable to shareholders as ordinary income. Distributions in excess of such earnings and profits generally will be treated as a non-taxable reduction in a shareholder's basis in its shares to the extent of such basis, and thereafter as gain from the sale of such shares.

PRICE RANGE OF OUR COMMON SHARES AND DISTRIBUTION HISTORY

Our common shares have been traded on the New York Stock Exchange under the symbol "LXP" since October 1993. The last reported sale price of our common shares on the New York Stock Exchange on the date of this prospectus supplement was $25.19 per share. The following table sets forth the

quarterly high and low closing sales prices per share reported on the New York Stock Exchange and the distributions paid per share during the periods indicated.

	PRICE		
	HIGH	LOW	DISTRIBUTION
2003			
First Quarter	$ 17.20	$ 15.63	$0.335
Second Quarter	18.23	17.12	0.335
Third Quarter	19.94	17.49	0.335
Fourth Quarter	20.85	19.06	0.335
2004			
First Quarter	$ 22.08	$ 20.26	$0.350
Second Quarter	21.86	17.30	0.350
Third Quarter	22.00	19.01	0.350
Fourth Quarter	23.23	21.90	0.350
2005			
First Quarter	$ 22.24	$ 21.79	$0.360
Second Quarter	24.42	24.04	0.360
Third Quarter (through July 12, 2005)	25.19	24.12	--

FEDERAL INCOME TAX CONSIDERATIONS

You are advised to assume that the information in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates.

The following discussion summarizes the material federal income tax considerations to you as a prospective holder of our shares. The following discussion is for general information purposes only, is not exhaustive of all possible tax considerations and is not intended to be and should not be construed as tax advice. For example, this summary does not give a detailed discussion of any state, local or foreign tax considerations. In addition, this discussion is intended to address only those federal income tax considerations that are generally applicable to all our shareholders. It does not discuss all of the aspects of federal income taxation that may be relevant to you in light of your particular circumstances or to certain types of shareholders who are subject to special treatment under the federal income tax laws including, without limitation, insurance companies, tax-exempt entities, financial institutions or broker-dealers, foreign corporations and persons who are not citizens or residents of the United States.

The information in this section is based on the Code, existing, temporary and proposed regulations under the Code, the legislative history of the Code, current administrative rulings and practices of the IRS and court decisions, all as of the date hereof. No assurance can be given that future legislation, regulations, administrative interpretations and court decisions will not significantly change current law or adversely affect existing interpretations of current law. Any such change could apply retroactively to transactions preceding the date of the change. In addition, we have not received, and do not plan to request, any rulings from the IRS concerning our tax treatment. Thus no assurance can be provided that the statements set forth herein (which do not bind the IRS or the courts) will not be challenged by the IRS or that such statements will be sustained by a court if so challenged.

On October 22, 2004, President Bush signed into law the American Jobs Creation Act of 2004 (the "American Jobs Creation Act of 2004"). The legislation makes a number of changes to the REIT rules in the Code, generally taking effect in our taxable year beginning January 1, 2005.

EACH PROSPECTIVE PURCHASER OF SHARES IS ADVISED TO CONSULT WITH HIS OR HER OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO HIM OR HER OF THE PURCHASE, OWNERSHIP AND SALE OF SHARES OF AN ENTITY ELECTING TO BE TAXED AS A REIT, INCLUDING THE FEDERAL, STATE, LOCAL AND FOREIGN AND OTHER TAX CONSEQUENCES OF SUCH PURCHASE, OWNERSHIP, SALE AND ELECTION AND OF POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

TAXATION OF THE COMPANY

GENERAL. We elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable year ended December 31, 1993. We believe that we have been organized, and have operated, in such a manner so as to qualify for taxation as a REIT under the Code and intend to conduct our operations so as to continue to qualify for taxation as a REIT. No assurance, however, can be given that we have operated in a manner so as to qualify or will be able to operate in such a manner so as to remain qualified as a REIT. Qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual annual operating results, the required distribution levels, diversity of share ownership and the various qualification tests imposed under the Code discussed below, the results of which will not be reviewed by counsel. Given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given that the actual results of our operations for any one taxable year have satisfied or will continue to satisfy such requirements.

In the opinion of Paul, Hastings, Janofsky & Walker LLP, based on certain assumptions and our factual representations that are described in this section and in the officer's certificate, commencing with our taxable year ended

December 31, 1993, we have been organized and operated in conformity with the requirements for qualification as a REIT and our current and proposed method of operation will enable us

to continue to meet the requirements for qualification and taxation as a REIT. It must be emphasized that this opinion is based on various assumptions and is conditioned upon certain representations made by us as to factual matters including, but not limited to, those set forth herein and in the discussion of "Federal Income Tax Considerations" contained in the accompanying prospectus, and those concerning our business and properties as set forth in this prospectus supplement and the accompanying prospectus. An opinion of counsel is not binding on the Internal Revenue Service or the courts.

The following is a general summary of the Code provisions that govern the federal income tax treatment of a REIT and its shareholders. These provisions of the Code are highly technical and complex. This summary is qualified in its entirety by the applicable Code provisions, Treasury Regulations and administrative and judicial interpretations thereof, all of which are subject to change prospectively or retroactively.

If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on our net income that is currently distributed to shareholders. This treatment substantially eliminates the "double taxation" (at the corporate and shareholder levels) that generally results from investment in a corporation. However, we will be subject to federal income tax as follows:

- First, we will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.

- Second, under certain circumstances, we may be subject to the "alternative minimum tax" on our items of tax preference.

- Third, if we have (a) net income from the sale or other disposition of "foreclosure property", which is, in general, property acquired on foreclosure or otherwise on default on a loan secured by such real property or a lease of such property, which is held primarily for sale to customers in the ordinary course of business or (b) other nonqualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on such income.

- Fourth, if we have net income from "prohibited transactions" such income will be subject to a 100% tax. Prohibited transactions are, in general, certain sales or other dispositions of property held primarily for sale to customers in the ordinary course of business other than foreclosure property.

- Fifth, if we should fail to satisfy the 75.00% gross income test or the 95.00% gross income test (as discussed below), but nonetheless maintain our qualification as a REIT because certain other requirements have been met, we will be subject to a 100.00% tax on an amount equal to (a) the gross income attributable to the greater of the amount by which we fail the 75.00% gross income test or the amount by which 95.00% (90.00% for taxable years ending on or prior to December 31, 2004) of our gross income exceeds the amount of income qualifying under the 95.00% gross income test multiplied by (b) a fraction intended to reflect our profitability.

- Sixth, if we should fail to satisfy the asset tests (as discussed below) but nonetheless maintain our qualification as a REIT because certain

other requirements have been met and do not qualify for a de minimus exception, we may be subject to a tax that would be the greater of (a) $50,000; or (b) an amount determined by multiplying the highest rate of tax for corporations by the net income generated by the assets for the period beginning on the first date of the failure and ending on the day we dispose of the assets (or otherwise satisfy the requirements for maintaining REIT qualification) within six months.

- Seventh, if we should fail to satisfy one (1) or more requirements for REIT qualification, other than the 95.00% and 75.00% gross income tests and other than the asset tests, but nonetheless maintain our qualification as a REIT because certain other requirements have been met, we may be subject to a $50,000 penalty for each failure.

- Eighth, if we should fail to distribute during each calendar year at least the sum of (a) 85.00% of our REIT ordinary income for such year, (b) 95.00% of our REIT capital gain net income for such

year, and (c) any undistributed taxable income from prior periods, we would be subject to a nondeductible 4.00% excise tax on the excess of such required distribution over the amounts actually distributed.

- Ninth, if we acquire any asset from a C corporation (i.e., a corporation generally subject to full corporate level tax) in a transaction in which the basis of the asset in our hands is determined by reference to the basis of the asset (or any other property) in the hands of the C corporation and we do not elect to be taxed at the time of the acquisition, we would be subject to tax at the highest corporate rate if we dispose of such asset during the ten-year period beginning on the date that we acquired that asset, to the extent of such property's "built-in gain" (the excess of the fair market value of such property at the time of our acquisition over the adjusted basis of such property at such time) (we refer to this tax as the "Built-in-Gains Tax").

- Tenth, we will incur a 100.00% excise tax on transactions with a taxable REIT subsidiary that are not conducted on an arm's-length basis.

REQUIREMENTS FOR QUALIFICATION. A REIT is a corporation, trust or association (1) which is managed by one (1) or more trustees or directors, (2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest, (3) which would be taxable as a domestic corporation, but for Sections 856 through 859 of the Code, (4) that is neither a financial institution nor an insurance company subject to certain provisions of the Code, (5) which has the calendar year as its taxable year, (6) the beneficial ownership of which is held by 100 or more persons, (7) during the last half of each taxable year not more than 50.00% in value of the outstanding stock of which is owned, directly or indirectly, by five (5) or fewer individuals (as defined in the Code to include certain entities) (the "5/50 Rule"), and (8) which meets certain other tests, described below, regarding the nature of its income and assets. The Code provides that conditions (1) through (5), inclusive, must be met during the entire taxable year and that condition (6) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. We expect to meet the ownership test immediately after the transaction contemplated herein.

We may redeem, at our option, a sufficient number of shares or restrict the transfer thereof to bring or maintain the ownership of the shares in conformity with the requirements of the Code. In addition, our declaration of trust includes restrictions regarding the transfer of our shares that are intended to

assist us in continuing to satisfy requirements (6) and (7). Moreover, if we comply with regulatory rules pursuant to which we are required to send annual letters to our shareholders requesting information regarding the actual ownership of our shares, and we do not know, or exercising reasonable diligence would not have known, whether we failed to meet requirement (7) above, we will be treated as having met the requirement. See "Description of Common Shares," and "Restrictions on Transfers of Capital Stock and Anti-Takeover Provisions" in the accompanying prospectus.

The Code allows a REIT to own wholly-owned subsidiaries which are "qualified REIT subsidiaries." The Code provides that a qualified REIT subsidiary is not treated as a separate corporation, and all of its assets, liabilities and items of income, deduction and credit are treated as assets, liabilities and items of income, deduction and credit of the REIT. Thus, in applying the requirements described herein, our qualified REIT subsidiaries will be ignored, and all assets, liabilities and items of income, deduction and credit of such subsidiaries will be treated as our assets, liabilities and items of income, deduction and credit.

A REIT may also hold any direct or indirect interest in a corporation that qualifies as a "taxable REIT subsidiary", as long as the REIT's aggregate holdings of taxable REIT subsidiary securities do not exceed 20.00% of the value of the REIT's total assets. A taxable REIT subsidiary is a fully taxable corporation that generally is permitted to engage in businesses, own assets, and earn income that, if engaged in, owned, or earned by the REIT, might jeopardize REIT status or result in the imposition of penalty taxes on the REIT. To qualify as a taxable REIT subsidiary, the subsidiary and the REIT must make a joint election to treat the subsidiary as a taxable REIT subsidiary. A taxable REIT subsidiary also includes any corporation (other than a REIT or a qualified REIT subsidiary) in which a taxable REIT subsidiary directly or indirectly owns

more than 35.00% of the total voting power or value. See "Asset Tests" below. A taxable REIT subsidiary will pay tax at regular corporate income rates on any taxable income it earns. Moreover, the Code contains rules, including rules requiring the imposition of taxes on a REIT at the rate of 100.00% on certain reallocated income and expenses, to ensure that contractual arrangements between a taxable REIT subsidiary and its parent REIT are at arm's-length.

In the case of a REIT which is a partner in a partnership, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of each of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to such share. In addition, the character of the assets and items of gross income of the partnership will retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income and assets tests (as discussed below). Thus, our proportionate share of the assets, liabilities, and items of gross income of the partnerships in which we own an interest are treated as our assets, liabilities and items of gross income for purposes of applying the requirements described herein.

INCOME TESTS. In order to maintain qualification as a REIT, we must satisfy annually certain gross income requirements. First, at least 75.00% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property (including "rents from real property" and, in certain circumstances, interest) or from certain types of qualified temporary investments. Second, at least 95.00% of our gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from such real property investments, dividends, interest and gain from the sale or disposition of stock or securities. For taxable years beginning

on or after January 1, 2005, the American Jobs Creation Act of 2004 clarifies the types of transactions that are hedging transactions for purposes of the 95.00% gross income test and states that any income from a hedging transaction that is clearly and timely identified and hedges indebtedness incurred or to be incurred to acquire or carry real estate assets will not constitute gross income, rather than being treated as qualifying or nonqualifying income, for purposes of the 95.00% gross income test.

Rents received by us will qualify as "rents from real property" in satisfying the gross income requirements for a REIT described above only if the following conditions are met:

- First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales.

- Second, the Code provides that rents received from a tenant will not qualify as "rents from real property" in satisfying the gross income tests if we, or an owner of 10.00% or more of our shares, actually or constructively own 10.00% or more of such tenant.

- Third, if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15.00% of the total rent received under the lease, then the portion of rent attributable to such personal property (based on the ratio of fair market value of personal and real property) will not qualify as "rents from real property."

- Finally, in order for rents received to qualify as "rents from real property," we generally must not operate or manage the property (subject to a de minimis exception as described below) or furnish or render services to the tenants of such property, other than through an independent contractor from whom we derive no revenue or through a taxable REIT subsidiary. We may, however, directly perform certain services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property ("Permissible Services").

Rents received generally will qualify as rents from real property notwithstanding the fact that we provide services that are not Permissible Services so long as the amount received for such services meets a de minimis standard. The amount received for "impermissible services" with respect to a property (or, if

services are available only to certain tenants, possibly with respect to such tenants) cannot exceed 1.00% of all amounts received, directly or indirectly, by us with respect to such property (or, if services are available only to certain tenants, possibly with respect to such tenants). The amount that we will be deemed to have received for performing "impermissible services" will be the greater of the actual amounts so received or 150.00% of the direct cost to us of providing those services.

We believe that substantially all of our rental income will be qualifying income under the gross income tests, and that our provision of services will not cause the rental income to fail to be qualifying income under those tests.

If we fail to satisfy one or both of the 75.00% or 95.00% gross income tests for any taxable year, we may nevertheless qualify as a REIT for such year if such failure was due to reasonable cause and not willful neglect, we file a

schedule describing the nature and amounts of our items of gross income for such taxable year, and any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of this relief provision. Even if this relief provision applied, a 100.00% penalty tax would be imposed on the amount by which we failed the 75.00% gross income test or the amount by which 95.00% (90.00% for taxable years ending on or prior to December 31, 2004) of our gross income exceeds the amount of income qualifying under the 95.00% gross income test (whichever amount is greater), multiplied by a fraction intended to reflect our profitability.

Subject to certain safe harbor exceptions, any gain realized by us on the sale of any property held as inventory or other property held primarily for sale to customers in the ordinary course of business will be treated as income from a prohibited transaction that is subject to a 100.00% penalty tax. Such prohibited transaction income may also have an adverse effect upon our ability to qualify as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances with respect to the particular transaction.

ASSET TESTS. At the close of each quarter of our taxable year, we must also satisfy the following tests relating to the nature of our assets. At least 75.00% of the value of our total assets must be represented by real estate assets, including our allocable share of real estate assets held by partnerships in which we own an interest or held by our qualified REIT subsidiaries, stock or debt instruments held for not more than one (1) year purchased with the proceeds of an offering of equity securities or a long-term (at least five (5) years) debt offering by us, cash, cash items (including certain receivables) and government securities. In addition, not more than 25.00% of our total assets may be represented by securities other than those in the 75.00% asset class. Not more than 20.00% of the value of our total assets may be represented by securities of one (1) or more taxable REIT subsidiaries (as defined above under "Requirements for Qualification"). Except for investments included in the 75.00% asset class, securities in a taxable REIT subsidiary or qualified REIT subsidiary and certain partnership interests and debt obligations, (1) not more than 5.00% of the value of our total assets may be represented by securities of any one issuer (the "5.00% asset test"), (2) we may not hold securities that possess more than 10.00% of the total voting power of the outstanding securities of a single issuer (the "10.00% voting securities test") and (3) we may not hold securities that have a value of more than 10.00% of the total value of the outstanding securities of any one (1) issuer (the "10.00% value test").

The following assets are not treated as "securities" held by us for purposes of the 10.00% value test (i) "straight debt" meeting certain requirements, unless we hold (either directly or through our "controlled" taxable REIT subsidiaries) certain other securities of the same corporate or partnership issuer that have an aggregate value greater than 1.00% of such issuer's outstanding securities; (ii) loans to individuals or estates; (iii) certain rental agreements calling for deferred rents or increasing rents that are subject to Section 467 of the Code, other than with certain related persons; (iv) obligations to pay us amounts qualifying as "rents from real property" under the 75.00% and 95.00% gross income tests; (v) securities issued by a state or any political subdivision of a state, the District of Columbia, a foreign government, any political subdivision of a foreign government, or the Commonwealth of Puerto Rico, but only if the

determination of any payment received or accrued under the security does not depend in whole or in part on the profits of any person not described in this

category, or payments on any obligation issued by such an entity; (vi) securities issued by another qualifying REIT; and (vii) other arrangements identified in Treasury regulations (which have not yet been issued or proposed). In addition, any debt instrument issued by a partnership will not be treated as a "security" under the 10% value test if at least 75.00% of the partnership's gross income (excluding gross income from prohibited transactions) is derived from sources meeting the requirements of the 75.00% gross income test.

If the partnership fails to meet the 75.00% gross income test, then the debt instrument issued by the partnership nevertheless will not be treated as a "security" to the extent of our interest as a partner in the partnership. Also, in looking through any partnership to determine our allocable share of any securities owned by the partnership, our share of the assets of the partnership, solely for the purposes of applying the 10.00% value test in taxable years beginning on or after January 1, 2005, will correspond not only to our interest as a partner in the partnership but also to our proportionate interest in certain debt securities issued by the partnership.

We believe that substantially all of our assets consist and, after the offering, will consist of (1) real properties, (2) stock or debt investments that earn qualified temporary investment income, (3) other qualified real estate assets, and (4) cash, cash items and government securities. We may also invest in securities of other entities, provided that such investments will not prevent us from satisfying the asset and income tests for REIT qualification set forth above.

After initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If we inadvertently fail one (1) or more of the asset tests at the end of a calendar quarter because we acquire securities or other property during the quarter, we can cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of the calendar quarter in which it arose.

If we were to fail any of the asset tests at the end of any quarter without curing such failure within 30 days after the end of such quarter, we would fail to qualify as a REIT, unless we were to qualify under certain relief provisions enacted as part of the American Jobs Creation Act of 2004. Under one (1) of these relief provisions, if we were to fail the 5.00% asset test, the 10.00% voting securities test, or the 10.00% value test, we nevertheless would continue to qualify as a REIT if the failure was due to the ownership of assets having a total value not exceeding the lesser of 1.00% of our assets at the end of the relevant quarter or $10,000,000, and we were to dispose of such assets (or otherwise meet such asset tests) within six (6) months after the end of the quarter in which the failure was identified. If we were to fail to meet any of the REIT asset tests for a particular quarter, but we did not qualify for the relief for de minimis failures that is described in the preceding sentence, then we would be deemed to have satisfied the relevant asset test if: (i) following our identification of the failure, we were to file a schedule with a description of each asset that caused the failure; (ii) the failure was due to reasonable cause and not due to willful neglect; (iii) we were to dispose of the non-qualifying asset (or otherwise meet the relevant asset test) within six (6) months after the last day of the quarter in which the failure was identified; and (iv) we were to pay a penalty tax equal to the greater of $50,000, or the highest corporate tax rate multiplied by the net income generated by the non-qualifying asset during the period beginning on the first date of the failure and ending on the date we dispose of the asset (or otherwise cure the asset test failure). These relief provisions will be available to us in our taxable years beginning on or after January 1, 2005, although it is not possible to predict whether in all circumstances we would be entitled to the benefit of these relief provisions.

ANNUAL DISTRIBUTION REQUIREMENT. With respect to each taxable year, we must distribute to our shareholders as dividends (other than capital gain dividends) at least 90.00% of our taxable income. Specifically, we must distribute an amount equal to (1) 90.00% of the sum of our "REIT taxable income" (determined without regard to the deduction for dividends paid and by excluding any net capital gain) and any after-tax net income from foreclosure property, minus (2) the sum of certain items of "excess noncash income" such as income attributable to leveled stepped rents, cancellation of indebtedness and original issue discount. REIT taxable income is generally computed in the same manner as taxable income of

ordinary corporations, with several adjustments, such as a deduction allowed for dividends paid, but not for dividends received.

We will be subject to tax on amounts not distributed at regular United States federal corporate income tax rates. In addition, a nondeductible 4.00% excise tax is imposed on the excess of (1) 85.00% of our ordinary income for the year plus 95.00% of capital gain net income for the year and the undistributed portion of the required distribution for the prior year over (2) the actual distribution to shareholders during the year (if any). Net operating losses generated by us may be carried forward but not carried back and used by us for 15 years (or 20 years in the case of net operating losses generated in our tax years commencing on or after January 1, 1998) to reduce REIT taxable income and the amount that we will be required to distribute in order to remain qualified as a REIT. As a REIT, our net capital losses may be carried forward for five (5) years (but not carried back) and used to reduce capital gains.

In general, a distribution must be made during the taxable year to which it relates to satisfy the distribution test and to be deducted in computing REIT taxable income. However, we may elect to treat a dividend declared and paid after the end of the year (a "subsequent declared dividend") as paid during such year for purposes of complying with the distribution test and computing REIT taxable income, if the dividend is (1) declared before the regular or extended due date of our tax return for such year and (2) paid not later than the date of the first regular dividend payment made after the declaration, but in no case later than 12 months after the end of the year. For purposes of computing the nondeductible 4.00% excise tax, a subsequent declared dividend is considered paid when actually distributed. Furthermore, any dividend that is declared by us in October, November or December of a calendar year, and payable to shareholders of record as of a specified date in such quarter of such year will be deemed to have been paid by us (and received by shareholders) on December 31 of such calendar year, but only if such dividend is actually paid by us in January of the following calendar year.

For purposes of complying with the distribution test for a taxable year as a result of an adjustment in certain of our items of income, gain or deduction by the IRS or us, we may be permitted to remedy such failure by paying a "deficiency dividend" in a later year together with interest and a penalty. Such deficiency dividend may be included in our deduction of dividends paid for the earlier year for purposes of satisfying the distribution test. For purposes of the nondeductible 4.00% excise tax, the deficiency dividend is taken into account when paid, and any income giving rise to the deficiency adjustment is treated as arising when the deficiency dividend is paid.

We believe that we have distributed and intend to continue to distribute to our shareholders in a timely manner such amounts sufficient to satisfy the annual distribution requirements. However, it is possible that timing differences between the accrual of income and its actual collection, and the need to make non-deductible expenditures (such as capital improvements or

principal payments on debt) may cause us to recognize taxable income in excess of our net cash receipts, thus increasing the difficulty of compliance with the distribution requirement. In order to meet the distribution requirement, we might find it necessary to arrange for short-term, or possibly long-term, borrowings.

FAILURE TO QUALIFY. Under a new relief provision enacted as part of the American Jobs Creation Act of 2004, if we were to fail to satisfy one (1) or more requirements for REIT qualification, other than an asset or income test violation of a type for which relief is otherwise available as described above, we would retain our REIT qualification if the failure was due to reasonable cause and not willful neglect, and if we were to pay a penalty of $50,000 for each such failure. This new relief provision will be available to us in our taxable years beginning on or after January 1, 2005, although it is not possible to predict whether in all circumstances we would be entitled to the benefit of this relief provision.

If we fail to qualify as a REIT for any taxable year, and if certain relief provisions of the Code do not apply, we would be subject to federal income tax (including applicable alternative minimum tax) on our taxable income at regular corporate rates. Distributions to shareholders in any year in which we fail to qualify will not be deductible by from our income nor will they be required to be made. As a result, our failure to qualify as a REIT would reduce the cash available for distribution by us to our shareholders. In addition, if we fail to qualify as a REIT, all distributions to shareholders will be taxable as ordinary

income, to the extent of our current and accumulated earnings and profits. Subject to certain limitations of the Code, corporate distributees may be eligible for the dividends-received deduction and shareholders taxed as individuals may be eligible for a reduced tax rate on "qualified dividend income" from regular C corporations.

If our failure to qualify as a REIT is not due to reasonable cause but results from willful neglect, we would not be permitted to elect REIT status for the four (4) taxable years after the taxable year for which such disqualification is effective. In the event we were to fail to qualify as a REIT in one year and subsequently requalify in a later year, we might be required to recognize taxable income based on the net appreciation in value of our assets as a condition to requalification. In the alternative, we may be taxed on the net appreciation in value of our assets if we sell properties within ten (10) years of the date we requalify as a REIT under federal income tax laws.

TAXATION OF TAXABLE U.S. SHAREHOLDERS

As used herein, the term "U.S. shareholder" means a holder of shares who (for United States federal income tax purposes) (1) is a citizen or resident of the United States, (2) is a corporation, partnership, or other entity treated as a corporation or partnership for federal income tax purposes created or organized in or under the laws of the United States or of any political subdivision thereof (unless, in the case of a partnership, Treasury regulations are adopted that provide otherwise), (3) is an estate the income of which is subject to United States federal income taxation regardless of its source or (4) is a trust whose administration is subject to the primary supervision of a United States court and which has one (1) or more United States persons who have the authority to control all substantial decisions of the trust or a trust that has a valid election to be treated as a U.S. person in effect.

As long as we qualify as a REIT, distributions made to our U.S. shareholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will be taken into account by them as

ordinary income and corporate shareholders will not be eligible for the dividends-received deduction as to such amounts. For purposes of computing our earnings and profits, depreciation for depreciable real estate will be computed on a straight-line basis over a 40-year period. For purposes of determining whether distributions on the shares constitute dividends for tax purposes, our earnings and profits will be allocated first to distributions with respect to the Series B Preferred Shares, Series C Preferred Shares and all other series of preferred shares that are equal in rank as to distributions and upon liquidation with the Series B Preferred Shares and Series C Preferred Shares, and second to distributions with respect to our common shares. There can be no assurance that we will have sufficient earnings and profits to cover distributions on any common shares.

Under the Jobs Growth Tax Relief Reconciliation Act of 2003, certain "qualified dividend income" received by domestic non-corporate shareholders in taxable years 2003 through 2008 is subject to tax at the same tax rates as long-term capital gain (generally, under the legislation, a maximum rate of 15.00% for such taxable years). Dividends received from REITs, however, generally are not eligible for these reduced tax rates and, therefore, will continue to be subject to tax at ordinary income rates (generally, a maximum rate of 35.00% for taxable years 2003-2008), subject to two (2) narrow exceptions. Under the first exception, dividends received from a REIT may be treated as "qualified dividend income" eligible for the reduced tax rates to the extent that the REIT itself has received qualified dividend income from other corporations (such as taxable REIT subsidiaries) in which the REIT has invested. Under the second exception, dividends paid by a REIT in a taxable year may be treated as qualified dividend income in an amount equal to the sum of (i) the excess of the REIT's "REIT taxable income" for the preceding taxable year over the corporate-level federal income tax payable by the REIT for such preceding taxable year and (ii) the excess of the REIT's income that was subject to the Built-in Gains Tax (as described above) in the preceding taxable year over the tax payable by the REIT on such income for such preceding taxable year. We do not anticipate that a material portion of our distributions will be treated as qualified dividend income.

Distributions that are properly designated as capital gain dividends will be taxed as gains from the sale or exchange of a capital asset held for more than one (1) year (to the extent they do not exceed our

actual net capital gain for the taxable year) without regard to the period for which the shareholder has held its shares. However, corporate shareholders may be required to treat up to 20.00% of certain capital gain dividends as ordinary income under the Code. Capital gain dividends, if any, will be allocated among different classes of shares in proportion to the allocation of earnings and profits discussed above.

Distributions in excess of our current and accumulated earnings and profits will constitute a non-taxable return of capital to a shareholder to the extent that such distributions do not exceed the adjusted basis of the shareholder's shares, and will result in a corresponding reduction in the shareholder's basis in the shares. Any reduction in a shareholder's tax basis for its shares will increase the amount of taxable gain or decrease the deductible loss that will be realized upon the eventual disposition of the shares. We will notify shareholders at the end of each year as to the portions of the distributions which constitute ordinary income, capital gain or a return of capital. Any portion of such distributions that exceed the adjusted basis of a U.S. shareholder's shares will be taxed as capital gain from the disposition of shares, provided that the shares are held as capital assets in the hands of the U.S. shareholder.

Aside from the different income tax rates applicable to ordinary income and capital gain dividends, regular and capital gain dividends from us will be treated as dividend income for most other federal income tax purposes. In particular, such dividends will be treated as "portfolio" income for purposes of the passive activity loss limitation and shareholders generally will not be able to offset any "passive losses" against such dividends. Dividends will be treated as investment income for purposes of the investment interest limitation contained in Section 163(d) of the Code, which limits the deductibility of interest expense incurred by noncorporate taxpayers with respect to indebtedness attributable to certain investment assets.

In general, dividends paid by us will be taxable to shareholders in the year in which they are received, except in the case of dividends declared at the end of the year, but paid in the following January, as discussed above.

In general, a domestic shareholder will realize capital gain or loss on the disposition of shares equal to the difference between (1) the amount of cash and the fair market value of any property received on such disposition and (2) the shareholder's adjusted basis of such shares. Such gain or loss will generally be short-term capital gain or loss if the shareholder has not held such shares for more than one (1) year and will be long-term capital gain or loss if such shares have been held for more than one (1) year. Loss upon the sale or exchange of shares by a shareholder who has held such shares for six (6) months or less (after applying certain holding period rules) will be treated as long-term capital loss to the extent of distributions from us required to be treated by such shareholder as long-term capital gain.

We may elect to retain and pay income tax on net long-term capital gains. If we make such an election, you, as a holder of shares, will (1) include in your income as long-term capital gains your proportionate share of such undistributed capital gains and (2) be deemed to have paid your proportionate share of the tax paid by us on such undistributed capital gains and thereby receive a credit or refund for such amount. As a holder of shares you will increase the basis in your shares by the difference between the amount of capital gain included in your income and the amount of tax you are deemed to have paid. Our earnings and profits will be adjusted appropriately.

BACKUP WITHHOLDING

We will report to our U.S. shareholders and the IRS the amount of dividends paid during each calendar year, and the amount of tax withheld, if any, with respect thereto. Under the backup withholding rules, a shareholder may be subject to backup withholding (currently at the rate of 28.00% for 2005) with respect to dividends paid unless such holder (a) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. Amounts withheld as backup withholding will be creditable against the shareholder's income tax liability. In addition, we may be required to withhold a portion of capital gain distributions made to any shareholders who fail to certify their non-foreign status to us. See

"-- Taxation of Non-U.S. Shareholders" below. Additional issues may arise pertaining to information reporting and backup withholding with respect to non-U.S. shareholders (persons other than U.S. shareholders, also further described below). Non-U.S. shareholders should consult their tax advisors with respect to any such information and backup withholding requirements.

TAXATION OF NON-U.S. SHAREHOLDERS

The following discussion is only a summary of the rules governing United States federal income taxation of non-U.S. shareholders such as nonresident alien individuals, foreign corporations, foreign partnerships or other foreign estates or trusts. Prospective non-U.S. shareholders should consult with their own tax advisors to determine the impact of federal, state and local income tax laws with regard to an investment in shares, including any reporting requirements.

Distributions that are not attributable to gain from sales or exchanges by us of United States real property interests and not designated by us as capital gains dividends will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions ordinarily will be subject to a withholding tax equal to 30.00% of the gross amount of the distribution unless an applicable tax treaty reduces or eliminates that tax. Certain tax treaties limit the extent to which dividends paid by a REIT can qualify for a reduction of the withholding tax on dividends. Distributions in excess of our current and accumulated earnings and profits will not be taxable to a non-U.S. shareholder to the extent that they do not exceed the adjusted basis of the shareholder's shares, but rather will reduce the adjusted basis of such shares. To the extent that such distributions exceed the adjusted basis of a non-U.S. shareholder's shares, they will give rise to tax liability if the non-U.S. shareholder would otherwise be subject to tax on any gain from the sale or disposition of his shares, as described below.

For withholding tax purposes, we are generally required to treat all distributions as if made out of our current or accumulated earnings and profits and thus intend to withhold at the rate of 30.00% (or a reduced treaty rate if applicable) on the amount of any distribution (other than distributions designated as capital gain dividends) made to a non-U.S. shareholder. We would not be required to withhold at the 30.00% rate on distributions we reasonably estimate to be in excess of our current and accumulated earnings and profits. If it cannot be determined at the time a distribution is made whether such distribution will be in excess of current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to ordinary dividends. However, the non-U.S. shareholder may seek from the IRS a refund of such amounts from the IRS if it is subsequently determined that such distribution was, in fact, in excess of our current or accumulated earnings and profits, and the amount withheld exceeded the non-U.S. shareholder's United States tax liability, if any, with respect to the distribution.

For any year in which we qualify as a REIT, distributions to non-U.S. shareholders who own more than 5.00% of our shares and that are attributable to gain from sales or exchanges by us of United States real property interests will be taxed to a non-U.S. shareholder under the provisions of the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). Under FIRPTA, a non-U.S. shareholder is taxed as if such gain were effectively connected with a United States business. Non-U.S. shareholders who own more than 5.00% of our shares would thus be taxed at the normal capital gain rates applicable to U.S. shareholders (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals). Also, distributions made to non-U.S. shareholders who own more than 5.00% of our shares and may be subject to a 30.00% branch profits tax in the hands of a corporate non-U.S. shareholder not entitled to treaty relief or exemption. We are required by applicable regulations to withhold 35.00% of any distribution that could be designated by us as a capital gains dividend regardless of the amount actually designated as a capital gain dividend. This amount is creditable against the non-U.S. shareholder's FIRPTA tax liability.

If a non-U.S. shareholder does not own more than 5.00% of our shares during the tax year within which the distribution is received, the gain will not be

considered to be effectively connected with a U.S. business. As such, a non-U.S. shareholder who does not own more than 5.00% of our

shares would not be required to file a U.S. Federal income tax return by reason of receiving such a distribution. In this case, the distribution will be treated as a REIT dividend to that non-U.S. shareholder and taxed as a REIT dividend that is not a capital gain as described above. In addition, the branch profits tax will not apply to such distributions. If our common shares cease to be regularly traded on an established securities market in the United States, all non-U.S. holders of our common shares (including holders of 5.00% of our common shares) would be subject to taxation under FIRPTA with respect to capital gains distributions.

Gain recognized by a non-U.S. shareholder upon a sale of shares generally will not be taxed under FIRPTA if we are a "domestically controlled REIT," defined generally as a REIT in which at all times during a specified testing period less than 50.00% in value of the shares was held directly or indirectly by foreign persons. It is anticipated that we will continue to be a "domestically controlled REIT" after the offering. Therefore, the sale of shares will not be subject to taxation under FIRPTA. However, because our common shares are publicly traded, no assurance can be given that we will continue to qualify as a "domestically controlled REIT." In addition, a non-U.S. shareholder that owns, actually or constructively, 5.00% or less of a class of our shares through a specified testing period will not recognize taxable gain on the sale of its shares under FIRPTA if the shares are regularly traded on an established securities market in the United States. If the gain on the sale of shares were to be subject to taxation under FIRPTA, the non-U.S. shareholder would be subject to the same treatment as U.S. shareholders with respect to such gain (subject to applicable alternative minimum tax, special alternative minimum tax in the case of nonresident alien individuals and possible application of the 30.00% branch profits tax in the case of foreign corporations) and the purchaser would be required to withhold and remit to the IRS 10.00% of the purchase price. Gain not subject to FIRPTA will be taxable to a non-U.S. shareholder if (1) investment in the shares is effectively connected with the non-U.S. shareholder's United States trade or business, in which case the non-U.S. shareholder will be subject to the same treatment as U.S. shareholders with respect to such gain, or (2) the non-U.S. shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and such nonresident alien individual has a "tax home" in the United States, in which case the nonresident alien individual will be subject to a 30.00% tax on the individual's capital gain.

TAXATION OF TAX-EXEMPT SHAREHOLDERS

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts ("Exempt Organizations"), generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income ("UBTI"). While investments in real estate may generate UBTI, the IRS has issued a published ruling to the effect that dividend distributions by a REIT to an exempt employee pension trust do not constitute UBTI, provided that the shares of the REIT are not otherwise used in an unrelated trade or business of the exempt employee pension trust. Based on that ruling and on our intention to invest our assets in a manner that will avoid the recognition of UBTI, amounts distributed by us to Exempt Organizations generally should not constitute UBTI. However, if an Exempt Organization finances its acquisition of our shares with debt, a portion of its income from us, if any, will constitute UBTI pursuant to the "debt-financed property" rules. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group

legal services plans that are exempt from taxation under specified provisions of the Code are subject to different UBTI rules, which generally will require them to characterize distributions from us as UBTI.

In addition, a pension trust that owns more than 10.00% of our shares is required to treat a percentage of the dividends from us as UBTI (the "UBTI Percentage") in certain circumstances. The UBTI Percentage is our gross income derived from an unrelated trade or business (determined as if we were a pension trust) divided by our total gross income for the year in which the dividends are paid. The UBTI rule applies only if (i) the UBTI Percentage is at least 5.00%, (ii) we qualify as a REIT by reason of the modification of the 5/50 Rule that allows the beneficiaries of the pension trust to be treated as holding our shares in proportion to their actuarial interests in the pension trust, and (iii) either (A) one (1) pension

trust owns more than 25.00% of the value of our shares or (B) a group of pension trusts individually holding more than 10.00% of the value of our capital shares collectively owns more than 50.00% of the value of our capital shares.

TAXATION OF REINVESTED DIVID