

GREAT LAKES REIT  
Form 8-K  
August 07, 2003

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K

### CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

August 7, 2003  
(Date of Earliest Event Reported)

## GREAT LAKES REIT

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of incorporation)

**1-14307**  
(Commission File Number)

**36-4238056**  
(IRS Employer Identification No.)

**823 Commerce Drive  
Suite 300  
Oak Brook, Illinois 60523**  
(Address of principal executive offices, including zip code)

**(630) 368-2900**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

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#### Item 7

#### Exhibits

- (a) Financial Statements of Businesses Acquired:  
Not applicable.
- (b) Pro Forma Financial Information:  
Not applicable.
- (c) The following exhibit is filed as a part of this current report on Form 8-K:

**Exhibit  
Number**

**Description**

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99.1 Great Lakes REIT news release, dated August 7, 2003.

Item 9 Regulation FD Disclosure  
See Item 12. Results of Operations and Financial Condition

Item 12 Results of Operations and Financial Condition  
On August 7, 2003, Great Lakes REIT issued a news release announcing its financial results for the three and six months ended June 30, 2003. A copy of the news release is furnished as a part of this current report on Form 8-K as Exhibit 99.1 and is incorporated herein in its entirety by reference. The information filed in this current report on Form 8-K is being furnished pursuant to Item 12 of Form 8-K and shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934 and Section 11 of the Securities Act of 1933 or otherwise subject to the liabilities of those sections. Furnishing this current report on Form 8-K does not constitute an admission Great Lakes REIT as to the materiality of any information contained in this current report that is required to be disclosed solely by Item 12.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

GREAT LAKES REIT

By: /s/James Hicks

Name: James Hicks

Title: Chief Financial Officer and Treasurer

Dated: August 7, 2003

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**EXHIBIT INDEX**

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
99.1	Great Lakes REIT news release, dated August 7, 2003.

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Exhibit 99.1

**GREAT LAKES REIT REPORTS \$0.11 EPS AND \$0.44 FFO PER COMMON SHARE FOR SECOND QUARTER 2003**

**Great Lakes REIT Second Quarter Highlights**

- Net Income of \$1.8 million, or \$0.11 per common share
- Funds From Operations (FFO) of \$7.0 million, or \$0.44 per common share (\$0.47 before one-time charges)
- Occupancy at July 1, 2003 was 80.2 %.
- Monthly cash dividend of \$0.135 per common share paid in May, June and July 2003.

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**OAK BROOK, ILLINOIS, August 7, 2003 - Great Lakes REIT (NYSE: GL)**, a real estate investment trust which holds a portfolio of Midwestern office and medical office properties, today announced second quarter 2003 net income of \$1.8 million, or \$0.11 per common share, and funds from operations (FFO) of \$7.0 million, or \$0.44 per common share. This compares to net income of \$5.2 million, or \$0.31 per common share, which included gain on sale of properties of \$1.0 million, and FFO of \$9.1 million or \$0.55 per common share, for the second quarter of 2002. Results for the quarter ended June 30, 2003 were reduced due to one-time costs associated with the termination of certain employee share loans in the amount of \$0.5 million, or \$0.03 per common share. FFO represents a non-GAAP (generally accepted accounting principles) financial measure. A table reconciling FFO to the GAAP measure the Company believes to be most directly comparable, net income applicable to common shares, is included in this release. Although not a GAAP measure, the Company believes that the inclusion of information regarding funds from operations (FFO) provides important information to shareholders and potential investors. The GAAP measure, net income applicable to common shares, includes depreciation and amortization expenses, gains or losses on property sales and minority interests. In presenting FFO, the Company eliminates substantially all of these items in order to provide an indication of the results from the Company's property operations. FFO is a widely recognized measure in the Company's business and is presented by nearly all publicly traded REITs. The Company's calculation of FFO may differ from the methodology for calculating FFO utilized by other real estate companies.

For the six months ended June 30, 2003, the Company reported net income of \$4.5 million, or \$0.28 per common share, compared to \$9.4 million, or \$0.57 per common share, for the comparable period of 2002 (including \$1.0 million of gain on sale of properties for the six months ended June 30, 2002). There were no property sales during the six months ended June 30, 2003. Funds from operations totaled \$14.9 million, or \$0.92 per common share, for the six months ended June 30, 2003, as compared to FFO of \$18.1 million, or \$1.10 per common share for the comparable period of 2002. Results for the six months ended June 30, 2003 were reduced due to one-time costs associated with the termination of certain employee share loans in the amount of \$0.5 million, or \$0.03 per common share.

The level of leasing activity, while challenging during the first six months of 2003, was somewhat better than expectations. Year to date we have averaged 40,000 square feet per month of new leases against a budget of 30,000 square feet per month. However, we expect that the leasing environment in our markets will remain difficult during the second half of 2003 and we continue to expect 30,000 square feet per month of new leasing for second half of 2003 commented Dick May, Great Lakes REIT's Chairman and CEO. The good news is, after averaging 20% per year average lease expirations over the last 3 years, our expiring leases average only 13% per year over the next 3 years. In addition, after 11 consecutive quarters of declining occupancies in our markets, occupancies improved by 0.2% since the first quarter.

Based on current market conditions, the Company expects earnings per common share in the range of \$0.55 to \$0.70 and 2003 FFO per common share in the range of \$1.70 to \$1.80. This guidance assumes continued softness in the economy and office markets in which the Company operates. The Company does not anticipate acquiring any additional properties during the remainder of 2003 and, accordingly, has revised its guidance for 2003.

### Portfolio Performance

Total revenues increased by 6% to \$26.9 million in the second quarter of 2003 from \$25.5 million in last year's second quarter. Revenues increased primarily due to the acquisition of eight medical office properties on October 1, 2002. Same store sales decreased 17% (cash basis) for the three months ended June 30, 2003, as compared to the second quarter of 2002 primarily as a result of the decline in occupancy quarter over quarter.

Total revenues increased by \$3.8 million, or 7.6%, to \$54.0 million for the six months ended June 30, 2003, from \$50.2 million for the comparable period of 2002. Revenues increased primarily due to the acquisition of eight medical office properties on October 1, 2002. Same store sales decreased 14.5% (cash basis) for the six months ended June 30, 2003, as compared to the six months ended June 30, 2002, primarily as a result of the decline in occupancy.

EBITDA decreased \$1.3 million, or 5%, to \$26.5 million for the six months ended June 30, 2003, as compared to \$27.8 million for the comparable period in 2002. Cash provided by operating activities decreased slightly to \$15.4 million for the six months ended June 30, 2003, from \$15.6 million for the comparable period of 2002. Cash flow from operations for the six months ended June 30, 2003, slightly exceeded common and preferred share dividends paid for the same period.

EBITDA, a non-GAAP financial measure, represents net income before allocation to minority interests plus interest expense, federal income tax expense (if any) and depreciation and amortization expense. A table reconciling EBITDA to the GAAP measure the Company believes to be directly comparable, cash provided by operating activities, is included in this release. EBITDA is presented solely as a supplemental disclosure because the Company believes it provides useful information regarding the Company's ability to service or incur debt. Because all companies do not calculate EBITDA the same way, the presentation of EBITDA may not be comparable to similarly titled measures of other companies.

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### Balance Sheet, Market Value and Liquidity

EBITDA coverage of interest expense was 3.0 times for the six months ended June 30, 2003 as compared to 3.7 times for the same period of 2002 and EBITDA coverage of interest plus preferred dividends was 2.5 times for the six months ended June 30, 2003 as compared to 3.0 times for the same period of 2002. Cash provided by operating activities (before interest expense) coverage of interest expense was 2.7 times for the six months ended June 30, 2003 as compared to 3.0 times for the comparable period of 2002. Cash provided by operating activities (before interest expense) coverage of interest expense plus preferred dividends was 2.3 times for the six months ended June 30, 2003 as compared to 2.5 times for the comparable period of 2002.

The Company has provided EBITDA and the related non-GAAP coverage ratios as supplemental disclosure because the Company believes such disclosure provides useful information regarding the Company's ability to service or incur debt. Included with the reconciliation of EBITDA to the GAAP measure the Company believes to be directly comparable, cash provided by operating activities, are the coverage calculations for EBITDA coverage of interest expense, EBITDA coverage of interest plus preferred dividends, cash provided by operating activities (before interest expense) coverage of interest expense and cash provided by operating activities (before interest expense) coverage of interest expense plus preferred dividends.

The Company had \$315.0 million of total debt outstanding at June 30, 2003. The interest rate on approximately 94% of this debt was fixed at an weighted average interest rate of 5.76%. At June 30, 2003, Great Lakes REIT had \$45 million available for future borrowings under two secured lines of credit that the Company utilizes for acquisitions, development activities, capital improvements, tenant improvements, leasing costs and working capital needs.

### Dividends

In May, June and July 2003, the Company paid regular monthly cash dividends of \$0.135 per common share.

**Leasing** For the quarter ended June 30, 2003, the Company signed 124,000 square feet of new leases bringing the total for the year to 241,000 square feet. Net rental rates on new leases and leases renewed for the quarter were 9% lower than net rents on the expiring leases.

As expected, the occupancy rate for the Company's portfolio of properties declined to 80.2% at July 1, 2003 from 80.9% at April 1, 2003. The Company believes that the trend of vacancy increases is slowing, but the Company anticipates that the difficult leasing environment that currently exists in its markets will persist throughout 2003.

At July 1, 2003, Great Lakes REIT had 497,000 square feet of leases, or 8% of the portfolio, expiring during the balance of 2003. The Company currently expects to retain or renew 240,000 to 260,000 square feet of the remaining 497,000 square feet of leases rolling over during 2003. Although the Company has leased approximately 40,000 square feet of new space per month through June 30, it anticipates it will average 30,000 per month of new leasing activity for the balance of 2003, basically the same level as was experienced in the very difficult environment of 2002. Based on the tenant retention and new leasing activity expectations noted above, the Company expects that average portfolio occupancy during 2003 will be in the range of 79% to 80%. Occupancy at January 1, 2004 is expected to be in the range of 77% to 79% assuming no significant tenant defaults occur during the remainder of the year.

Lease expirations for the years 2001, 2002 and 2003 averaged approximately 20% of total year end portfolio square footage each year, while lease expirations for 2004, 2005 and 2006 are expected to be 16%, 13% and 9% of total portfolio square footage, respectively. The Company believes the economic impact of new leasing activity will be less pronounced over the next several years.

### Property Dispositions

On July 8, 2003, the Company sold its properties located at 165 and 175 Hansen Court, Wood Dale, Illinois, for a contract price of \$3.9 million. The gain on sale of properties for this transaction of approximately \$1.7 million will be recognized in the third quarter of 2003. The proceeds from sale were used for retirement of long-term debt (\$2.3 million) with the balance for working capital (\$1.5 million).

**Tenant Credit Issues** As of July 1, 2003, several tenants were in default under their leases for failure to make rent payments. Several other tenants that are not currently in default are experiencing financial difficulties which may lead to lease defaults. These tenant defaults may adversely impact the Company's results of operations in 2003.

Legion Insurance Company, which leases 58,000 square feet of space at Milwaukee Center and represented 1.53% of the Company's aggregate portfolio annualized base rent as of December 31, 2002, was placed in rehabilitation by the Pennsylvania Department of Insurance on April 1, 2002. After completing its review, the Pennsylvania Department of Insurance has recommended to the Commonwealth Court that Legion Insurance Company be liquidated. The Commonwealth Court approved the recommendation of the Pennsylvania Department of Insurance on July 28, 2003. Based on currently available information, the Company believes it is more likely than not that Legion will fulfill all terms of its

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lease in 2003. Legion Insurance Company is current on its rental payments to date. The Legion lease specifies a termination date of February 28, 2006.

### Alternatives to Improve Shareholder Value

The Company's Board of Trustees has engaged a real estate advisor and an investment banker to assist it in analyzing alternatives to improve shareholder value. These alternatives may include a sale of some or all of the Company's properties, or a business combination or other similar transaction. Such activities are ongoing, and there can be no assurance that any such transaction will occur.

### Earnings Web Cast/Conference Call

A live audio web cast and conference call presentation has been scheduled for August 7, 2003 at 11:00 AM Eastern time/10:00 AM Central time to review the results of the second quarter of 2003. To listen to the call over the Internet, go to Great Lakes REIT's website at [www.greatlakesreit.com](http://www.greatlakesreit.com) under the Investor Information/audio-video section at least 15 minutes early to register, download and install any necessary audio software. To access the live call by telephone, please call (877) 407-9205 approximately five minutes prior to the scheduled start time. A recording of the call may also be accessed by telephone by dialing (877) 660-6853, entering Account number 1628 and then Conference ID 71387. The web cast and conference call contain time-sensitive information that is accurate only as of August 7, 2003, the date of the live broadcast. The call is the property of Great Lakes REIT. Any redistribution, retransmission or rebroadcast of the conference call in any form without the express written consent of Great Lakes REIT is strictly prohibited.

Great Lakes REIT is a fully integrated, self-administered and self-managed real estate investment trust with a current portfolio of 46 properties totaling 5.9 million square feet of office and medical office space in suburban areas of Chicago, Milwaukee, Detroit, Columbus, Minneapolis, Denver and Cincinnati.

A copy of the Company's supplemental financial information for the quarter ended June 30, 2003, is available on the Company's web site under the Investor section at [www.greatlakesreit.com](http://www.greatlakesreit.com).

The Company is furnishing this earnings release to the Securities and Exchange Commission on Form 8-K in accordance with applicable SEC rules.

*This press release contains forward-looking statements that involve numerous risks and uncertainties. Statements in this document regarding the Company's expectations for FFO per share, earnings per share, tenant retention, new tenant leasing activity, vacancy trends, occupancy rates, acquisition and disposition volume and timing, the expectation regarding the performance of the economy and the office markets, the anticipated level and effect of tenant defaults and anticipated market and other economic conditions are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on what the Company believes to be reasonable assumptions and management's current expectations; however, actual results may vary from those implied by such forward-looking statements. Key factors that may cause actual results to differ from projected results include: conditions in the financial markets generally and the market for real estate finance specifically; local and/or national economic conditions; the pace of office space development and sub-lease availability; tenant office space demand; the financial position of the Company's tenants, including changes in such financial position that may lead to increases in tenant defaults and the performance of Legion Insurance Company; actual tenant default rates compared to anticipated default rates; performance of the medical office market generally and the local markets for the Company's medical office properties specifically; performance of the hospitals adjacent to the Company's medical office properties; changes in interest rates; and other risks inherent in the real estate business. For more information, refer to Great Lakes REIT's filings with the Securities and Exchange Commission.*

### Financial Tables to Follow

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Great Lakes REIT  
Consolidated Balance Sheets  
(unaudited)  
(In Thousands, except per share data)

Assets  
Properties:  
Land  
Buildings and improvements

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Less accumulated depreciation

Assets held for sale, net  
Cash and cash equivalents  
Real estate tax escrows  
Rents receivable  
Deferred financing and leasing costs, net of accumulated amortization  
Goodwill  
Other assets  
  
Total assets

Liabilities and shareholders' equity  
Bank loan payable  
Mortgage loans payable  
Bonds payable  
Accounts payable and accrued liabilities  
Accrued real estate taxes  
Dividends payable  
Prepaid rent  
Security deposits

Total liabilities

Minority interests

Commitments and contingencies

Shareholders' equity:

Preferred shares of beneficial interest (\$0.01 par value, 10,000 shares authorized; 1,500 3/4% Series A Cumulative Redeemable shares, with a \$25.00 per share Liquidation Preference, issued and outstanding)

Common shares of beneficial interest (\$0.01 par value, 60,000 shares authorized; 16,078 and 16,550 shares issued and outstanding in 2003 and 2002, respectively)

Paid-in-capital

Retained earnings (deficit)

Employee share purchase loans

Deferred compensation

Accumulated other comprehensive income (loss)

Total shareholders' equity

Total liabilities and shareholders' equity

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Great Lakes REIT  
Consolidated Statements of Income and Comprehensive Income  
(unaudited)  
(In Thousands, except per share data)

Revenues:

Rental

Reimbursements

Parking

Telecommunications

Tenant service

Interest

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Other

Total revenues

Expenses:

Real estate taxes

Other property operating

General and administrative

Employee share loan termination

Interest

Depreciation and amortization

Total expenses

Income before allocation to minority interests

Minority interests

Income from continuing operations

Discontinued operations, net (including gain on sale of properties of \$1,037 in 2002)

Net income

Income allocated to preferred shareholders

Net income applicable to common shares

Earnings per common share from continuing operations- basic.

Earnings per common share-basic

Weighted average common shares outstanding-basic

Diluted earnings per common share from continuing operations

Diluted earnings per common share

Weighted average common shares outstanding-diluted

Dividends declared per common share

Comprehensive income:

Net income

Change in fair value of interest rate swap agreements

Total comprehensive income

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Great Lakes REIT  
Consolidated Statements of Income and Comprehensive Income  
(unaudited)  
(In Thousands, except per share data)

		Six months en
		----- 2003 -----
Revenues:		
Rental	\$	41,033
Reimbursements		11,321
Parking		238
Telecommunications		131
Tenant service		154

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Interest	404
Other	715
	-----
Total revenues	53,996
	-----
Expenses:	
Real estate taxes	8,909
Other property operating	16,020
General and administrative	2,727
Employee share loan termination	511
Interest	8,930
Depreciation and amortization	10,672
	-----
Total expenses	47,769
	-----
Income before allocation to minority interests	6,227
Minority interests	16
	-----
Income from continuing operations	6,211
Discontinued operations, net (inc.gain on sale of properties of \$1,037 in 2002)	158
	-----
Net income	6,369
Income allocated to preferred shareholders	1,828
	-----
Net income applicable to common shares	\$ 4,541
	=====
Earnings per common share from continuing operations- basic.	\$ 0.27
	=====
Earnings per common share-basic	\$ 0.28
	=====
Weighted average common shares outstanding-basic	16,149
	=====
Diluted earnings per common share from continuing operations	\$ 0.27
	=====
Diluted earnings per common share	\$ 0.28
	=====
Weighted average common shares outstanding-diluted	16,263
	=====
Dividends declared per common share	\$ 0.81
	=====
Comprehensive income:	
Net income	\$ 6,369
Change in fair value of interest rate swap agreements	180
	-----
Total comprehensive income	\$ 6,549
	=====

Great Lakes REIT  
Consolidated Statements of Cash Flows  
(unaudited)  
(Dollars in Thousands)

	Six months en
	-----
	2003
	-----
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 6,369
Adjustments to reconcile net income to cash flows from operating activities	
Depreciation and amortization	10,725
Gain on sale of properties	-



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Non-cash portion of employee share loan termination	414
Other non-cash items	161
Net changes in assets and liabilities:	
Rents receivable	(448)
Real estate tax escrows and other assets	9
Accounts payable, accrued expenses and other liabilities	374
Accrued real estate taxes	(1,343)
Payment of deferred leasing costs	(894)
Net cash provided by operating activities	15,367
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of properties	-
Additions to buildings and improvements	(8,213)
Other investing activities, net	(28)
Net cash provided by (used in) investing activities	(8,241)
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from exercise of share options	11
Proceeds from repayment of employee share loans	3,913
Proceeds from bank and mortgage loans payable	53,155
Distributions / dividends paid	(15,091)
Distributions to minority interests	(38)
Payment of bank and mortgage loans and bonds	(52,823)
Other	(97)
Net cash provided by (used in) financing activities	(10,970)
Net increase (decrease) in cash and cash equivalents	(3,844)
Cash and cash equivalents, beginning of year	5,061
Cash and cash equivalents, end of year	\$ 1,217
 Supplemental disclosure of cash flow:	
Interest paid	\$ 8,759
Employee share loan termination	\$ 7,302

### Non-GAAP Financial Measures

Although not a GAAP measure, the Company believes that the inclusion of information regarding funds from operations (FFO) provides important information to shareholders and potential investors. The GAAP measure, net income applicable to common shares, includes depreciation and amortization expenses, gains or losses on property sales and minority interests. In presenting FFO, the Company eliminates substantially all of these items in order to provide an indication of the results from the Company's property operations. FFO is a widely recognized measure in the Company's business and is presented by nearly all publicly traded REITs. The Company's calculation of FFO may differ from the methodology for calculating FFO utilized by other real estate companies.

	Three months ended June 30,	
	2003	2002
Net income applicable to common shares	\$ 1,811	\$ 5,166
Adjustments to calculate funds from operations:		
Minority interests	7	15
Gain on sale of properties	-	(1,037)
Adjusted depreciation and amortization (a)	5,206	4,976
Funds from operations	\$ 7,024	\$ 9,120

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Weighted average common shares outstanding- diluted	16,020	16,547
	=====	=====

(a) Adjusted depreciation and amortization is calculated as follows:

	Three months ended June 30,	
	2003	2002
	-----	-----
Depreciation and amortization in consolidated statements of cash flows	\$ 5,390	\$ 5,130
Less depreciation and amortization unrelated to properties	184	160
Adjusted depreciation and amortization	\$ 5,206	\$ 4,970
	=====	=====
	Six months ended June 30,	
	2003	2002
	-----	-----
Net income applicable to common shares	\$ 4,541	\$ 9,430
Adjustments to calculate funds from operations:		
Minority interests	16	20
Gain on sale of properties	-	(1,037)
Adjusted depreciation and amortization (a)	10,380	9,670
Funds from operations	\$ 14,937	\$ 18,090
	=====	=====
Weighted average common shares outstanding- diluted	16,263	16,510
	=====	=====

(a) Adjusted depreciation and amortization is calculated as follows:

	Six months ended June 30,	
	2003	2002
	-----	-----
Depreciation and amortization in consolidated statements of cash flows	\$ 10,725	\$ 9,990
Less depreciation and amortization unrelated to properties	345	310
Adjusted depreciation and amortization	\$ 10,380	\$ 9,670
	=====	=====

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EBITDA and Cash Provided by Operating Activities and Related Coverage Ratios March 31, 2003 (dollars in thousands)

EBITDA, a non-GAAP financial measure, represents net income before allocation to minority interests plus interest expense, federal income tax expense (if any) and depreciation and amortization expense.

EBITDA is not intended to represent cash flow for the period, is not presented as an alternative to operating income as an indicator of operating performance, should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP and is not indicative of operating income or cash provided by operating activities as determined under GAAP.

EBITDA is presented solely as a supplemental disclosure because the Company believes it provides useful information regarding the Company's ability to service or incur debt. Because all companies do not calculate EBITDA the same way, the presentation of EBITDA may not be comparable to similarly titled measures of other companies.

The Company believes that cash provided by operating activities is the financial measure calculated and presented in accordance with GAAP that is most directly comparable to EBITDA. The following is a reconciliation of EBITDA to cash provided by operating activities for each of

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the periods for which EBITDA is presented in this earnings release:

	For the six months e	
	2003	
Calculation of EBITDA:		
Income before allocation to minority interests	\$	6,227
Depreciation and amortization from consolidated statements of cash flows		10,725
Non-cash portion of employee share loan termination		414
Interest expense		8,930
Discontinued operations, net		158
		-----
EBITDA	\$	26,454
		=====
Reconciliation of EBITDA to Cash Provided by Operating Activities:		
EBITDA	\$	26,454
Interest expense		(8,930)
Other adjustments from Consolidated Statements of Cash Flows:		
Other non-cash items		161
Minority interests		(16)
Net changes in assets and liabilities:		
Rents receivable		(448)
Real estate tax escrows and other assets		9
Accounts payable, accrued expenses and other liabilities		374
Accrued real estate taxes		(1,343)
Payment of deferred leasing costs		(894)
		-----
Cash provided by operating activities	\$	15,367
		=====

The Company has included the coverage calculations for EBITDA coverage of interest expense and EBITDA coverage of interest plus preferred dividends, which are non-GAAP financial measures, as well as the GAAP ratio that the Company believes to be most directly comparable, cash provided by operating activities (before interest expense) coverage of interest expense and cash provided by operating activities (before interest expense) coverage of interest expense plus preferred dividends. The Company has provided both calculations so that investors may evaluate both the non-GAAP and GAAP ratios together, and the Company is providing such ratios as supplemental disclosure with respect to liquidity because the Company believes such ratios provide useful information regarding the Company's ability to service or incur debt.

	Six months ended	
	June 30, 2003	June 30, 200
Cash provided by operating activities	\$15,367	\$15,367
Interest expense	8,930	8,930
	-----	-----
Cash provided from operating activities before interest expense	\$24,297	\$24,297
	=====	=====
Interest expense	\$ 8,930	\$ 8,930
	-----	-----
Total interest expense	\$ 8,930	\$ 8,930
Preferred dividends	1,828	1,828
	-----	-----
Total interest expense and preferred dividends	\$10,758	\$10,758
	=====	=====
Ratio of cash provided by operating activities before interest expense to interest expense	2.7X	
	=====	
Ratio of cash provided by operating activities before interest expense		

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to interest expense and preferred dividends	2.3X	
EBITDA	\$26,454	\$27
Ratio of EBITDA to interest expense	3.0X	
Ratio of EBITDA to interest expense and preferred dividends	2.5X	

SUPPLEMENTAL INFORMATION

For the Three and Six Months Ended  
June 30, 2003

823 Commerce Drive, Suite 300  
Oak Brook, IL 60523  
Phone (630) 368-2900  
Fax (630) 368-2929  
[www.greatlakesreit.com](http://www.greatlakesreit.com)

Great Lakes REIT  
Portfolio Occupancy Schedule  
July 1, 2003

Market/Property	Location	Year Built/ Renovated	Approximate Rentable Square Feet
Chicago			
Centennial Center	Schaumburg	1980/1993	266,91
Highpoint Business Center	Wood Dale	1986	74,37
Arlington Ridge Service Center	Arlington Heights	1987	95,93
Arlington Business Center	Arlington Heights	1984	98,23
1011 Touhy Atrium	Des Plaines	1978/1995	153,77
Kensington Corporate Center	Mount Prospect	1989	85,48
One Hawthorn Place	Vernon Hills	1987	84,56
2 Marriott Drive	Lincolnshire	1985	41,50
823 Commerce Drive	Oak Brook	1969/1996	44,81
One Century Centre	Schaumburg	1985	212,21
Lisle Executive Center	Lisle	1988	150,03
191 Waukegan Road	Northfield	1983	61,24
Woodfield Green Executive Ctr.	Schaumburg	1986	109,39
1600 Corporate Center	Rolling Meadows	1986	254,72
Bannockburn Corporate	Bannockburn	1999	202,21
O'Hare Commerce Center	Des Plaines	1975	148,44
387 Shuman Blvd	Naperville	1981	112,30

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Medical Office Buildings	Various	Various	458,15
Subtotal/Weighted Average			2,654,33
Milwaukee			
-----			
One Park Plaza	Milwaukee	1984	198,07
Milwaukee Center	Milwaukee	1988	373,50
Park Place VII	Milwaukee	1989	36,03
Lincoln Center	West Allis	1984-1987	120,93
Brookfield Lakes	Brookfield	1987	115,89
Corporate Woods	Brookfield	1987	53,91
One Riverwood Place	Pewaukee	1999	97,77
Two Riverwood Place	Pewaukee	2002	98,20
Subtotal/Weighted Average			1,094,34
Minneapolis/St. Paul			
-----			
Court International	St. Paul	1916/1985	320,19
University Office Plaza	Minneapolis	1979/1997	97,61
Subtotal/Weighted Average			417,80
Detroit			
-----			
Long Lake Crossings	Troy	1988	170,45
Tri-Atria Office Building	Farmington Hills	1986	236,59
777 Eisenhower Plaza	Ann Arbor	1975	281,08
#40 OakHollow	Southfield	1989	80,89
Oak Hollow Gateway	Southfield	1987	79,05
Subtotal/Weighted Average			848,07
Columbus			
-----			
Dublin Techmart	Dublin	1986	124,92
MetroCenter IV	Dublin	1982	102,58
MetroCenter V	Dublin	1987	215,57
Firststar Tower	Columbus	1981	197,87
Subtotal/Weighted Average			640,96
Cincinnati			
-----			
Princeton Hill I	Springdale	1988	95,91
Denver			
-----			
116 Inverness Drive East	Englewood	1984	205,71
TOTAL/WEIGHTED AVERAGE			5,957,13
			=====

Great Lakes REIT  
Historic Occupancy  
Since IPO

Reporting  
Period

Percent

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2Q'97	93.5%
3Q'97	92.0%
4Q'97	92.9%
1Q'98	93.0%
2Q'98	94.8%
3Q'98	94.9%
4Q'98	94.8%
1Q'99	95.3%
2Q'99	95.8%
3Q'99	95.8%
4Q'99	93.7%
1Q'00	94.4%
2Q'00	93.6%
3Q'00	93.3%
4Q'00	91.9%
1Q'01	92.4%
2Q'01	90.5%
3Q'01	88.1%
4Q'01	88.4%
1Q'02	84.5%
2Q'02	82.6%
3Q'02	85.0%
4Q'02	83.0%
1Q'03	80.9%
2Q'02	80.2%
-----	
Average 25 quarters	90.6%
=====	

Great Lakes REIT  
 Operating Margins (unaudited)  
 (In thousands, except per share data)

Consolidated Income Statement	Jun 02	Three Mo J
Revenues		
Minimum Rents	20,354	
Expense Reimbursements	5,627	
Total Operating Revenues	25,981	
Other tenant - and interest - income	857	
Expenses		
Real estate taxes	4,267	
% of Oper. Revs	16.4%	
% of NOI	29.3%	
Other Operating Expenses	7,149	
% of Oper. Revs	27.5%	
Total property-related exp.	11,416	
% of Oper. Revs	43.9%	
NOI before General and Admin.	14,565	
as a % of Operating Revenue	56.1%	
Depreciation and amort.	5,136	
General and Admin.	1,462	
% of Oper. Revs	5.6%	
% of NOI	10.0%	
Corp. Interest Expense	3,766	

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Other	0
Sub-Total Expenses	21,780
Income before non-recurring items as a % of Total Revenues	5,058 18.8%
Extraordinary items / adjustments	1,037
Net Income before minority interest	6,095
Net Operating Income from Properties after GandA as a % of Operating Revenue	13,103 50.4%
Funds from Operations	9,120
Per Share (fully-diluted)	
Net Income	0.31
Funds From Operations (FFO)	0.55
FFO less straight-lined rents	0.54
Dividends per Share	0.40
as a % of FFOperations (FDiluted)	72.7%
Wtd. Avg. Common Shares Outstanding - Diluted	16,547

Great Lakes REIT  
Operating Margins (unaudited)  
(In thousands, except per share data)

Consolidated Income Statement	Jun 02	Six Month Jun
Revenues		
Minimum Rents	40,067	
Expense Reimbursements	11,114	
Total Operating Revenues	51,181	
Other tenant - and interest - income	1,668	
Expenses		
Real estate taxes	8,553	
% of Oper. Revs	16.7%	
% of NOI	29.8%	
Other Operating Expenses	13,954	
% of Oper. Revs	27.3%	
Total property-related exp.	22,507	
% of Oper. Revs	44.0%	
NOI before General and Admin.	28,674	
as a % of Operating Revenue	56.0%	
Depreciation and amort.	9,992	
General and Admin.	2,570	
% of Oper. Revs	5.0%	
% of NOI	9.0%	
Corp. Interest Expense	7,527	
Other	0	
Sub-Total Expenses	42,596	
Income before non-recurring items	10,253	
as a % of Total Revenues	19.4%	

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Extraordinary items / adjustments	1,037
Net Income before minority interest	11,290
Net Operating Income from Properties after Ganda as a % of Operating Revenue	26,104 51.0%
Funds from Operations	18,099
Per Share (fully-diluted)	
Net Income	0.57
Funds From Operations (FFO)	1.10
FFO less straight-lined rents	1.08
Dividends per Share	0.80
as a % of FFOperations (FDiluted)	72.7%
Wtd. Avg. Common Shares Outstanding - Diluted	16,518

Great Lakes REIT  
Same Store Sales Analysis (unaudited)  
(Dollars in Thousands)

### Non-GAAP Financial Measure

#### Net Operating Income

		Three months ended June 30,	
Property	Location	2003	2002
CHICAGO			
Centennial Center	Schaumburg	\$582	\$670
One Century Centre	Schaumburg	266	570
Highpoint Business Center	Wood Dale	( )	64
Arlington Business Center	Arlington Heights	117	60
Arlington Ridge Service Center	Arlington Heights	(9)	2
1011 Touhy Avenue	Des Plaines	301	318
Kensington Corporate Center	Mount Prospect	(55)	227
One Hawthorn Place	Vernon Hills	209	242
Two Marriott Drive	Lincolnshire	95	110
823 Commerce Drive	Oak Brook	(41)	106
Lisle Executive Center	Lisle	122	277
191 Waukegan	Northfield	95	69
Woodfield Green	Schaumburg	290	220
1600 Corporate Center	Rolling Meadows	576	818
Bannockburn Corporate Center	Bannockburn	725	720
Subtotal		3,273	4,473
15 Properties - Decrease		-26.83%	
MILWAUKEE			
One Park Plaza	Milwaukee	189	166
Park Place VII	Milwaukee	67	50
Milwaukee Center	Milwaukee	1,619	1,526
Lincoln Center II and III	West Allis	117	237
Brookfield Lakes Corporate Center	Brookfield	75	129
Corporate Woods	Brookfield	92	123
One Riverwood	Waukesha	312	371
Subtotal		2,471	2,602



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7 Properties - Decrease		-5.06%
-----		
MINNEAPOLIS / ST. PAUL		
Court International	St. Paul	839      1,204
University Office Plaza	Minneapolis	163      140
-----		
		1,002      1,344
-----		
2 Properties - Decrease		-25.47%
-----		
DETROIT		
777 Eisenhower	Ann Arbor	1,144      771
Tri-Atria	Farmington Hills	896      782
Long Lake Crossings	Troy	524      592
No. 40 OakHollow	Southfield	277      303
OakHollow Gateway	Southfield	271      266
-----		
Subtotal		3,112      2,714
-----		
5 Properties - Increase		14.67%
-----		
COLUMBUS		
Firststar	Columbus	469      624
Metro V	Dublin	393      533
Metro IV	Dublin	143      189
Dublin Techmart	Dublin	130      235
-----		
Subtotal		1,135      1,581
-----		
4 Properties - Decrease		-28.24%
-----		
CINCINNATI		
Princeton Hill Corporate Center	Springdale	308      326
-----		
1 Property - Decrease		-5.44%
-----		
DENVER		
116 Inverness	Englewood	155      791
-----		
1 Property - Decrease		-80.39%
-----		
TOTAL		\$11,455      \$13,831
=====		
35 Properties - Decrease		-17.18%
=====		

Great Lakes REIT  
Same Store Sales Analysis (unaudited)  
(Dollars in Thousands)

Non-GAAP Financial Measure

Net Operating Income

Six months ended June 30,

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Property	Location	2003 ----	2002 ----
CHICAGO			
Centennial Center	Schaumburg	\$1,435	\$1,322
One Century Centre	Schaumburg	547	1,286
Highpoint Business Center	Wood Dale	10	162
Arlington Business Center	Arlington Heights	225	106
Arlington Ridge Service Center	Arlington Heights	24	199
1011 Touhy Avenue	Des Plaines	646	658
Kensington Corporate Center	Mount Prospect	(64)	491
One Hawthorn Place	Vernon Hills	491	447
Two Marriott Drive	Lincolnshire	197	219
823 Commerce Drive	Oak Brook	109	206
Lisle Executive Center	Lisle	233	662
191 Waukegan	Northfield	212	164
Woodfield Green	Schaumburg	341	369
1600 Corporate Center	Rolling Meadows	855	1,533
Bannockburn Corporate Center	Bannockburn	1,647	1,436
Subtotal		6,907	9,261
15 Properties - Decrease		-25.42%	
MILWAUKEE			
One Park Plaza	Milwaukee	354	306
Park Place VII	Milwaukee	109	109
Milwaukee Center	Milwaukee	3,281	2,992
Lincoln Center II and III	West Allis	362	449
Brookfield Lakes Corporate Center	Brookfield	233	245
Corporate Woods	Brookfield	199	271
One Riverwood	Waukesha	753	733
Subtotal		5,292	5,104
7 Properties - Increase		3.68%	
MINNEAPOLIS / ST. PAUL			
Court International	St. Paul	1,660	2,257
University Office Plaza	Minneapolis	335	296
		1,995	2,553
2 Properties - Decrease		-21.87%	
DETROIT			
777 Eisenhower	Ann Arbor	1,962	1,528
Tri-Atria	Farmington Hills	1,719	1,528
Long Lake Crossings	Troy	1,047	1,109
No. 40 OakHollow	Southfield	381	591
OakHollow Gateway	Southfield	515	533
Subtotal		5,623	5,289
5 Properties - Increase		6.33%	
COLUMBUS			
Firststar	Columbus	1,047	1,207
Metro V	Dublin	758	1,063

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Metro IV	Dublin	283	372
Dublin Techmart	Dublin	274	468
		-----	-----
Subtotal		2,363	3,109
		-----	-----
4 Properties - Decrease		-24.02%	
		-----	
CINCINNATI			
Princeton Hill Corporate Center	Springdale	685	678
		-----	-----
1 Property - Increase		1.09%	
		-----	
DENVER			
116 Inverness	Englewood	676	1,537
		-----	-----
1 Property - Decrease		-56.03%	
		-----	
TOTAL		\$23,540	\$27,531
		=====	=====
35 Properties - Decrease		-14.50%	
		=====	

Great Lakes REIT

Reconciliation of Same Store Net Operating Income to Income Before Allocation  
to Minority Interests (unaudited)  
(Dollars in thousands)

The Company provides same store net operating income which is the net operating income of properties owned in both the three and six months ended June 30, 2003 and 2002. Same store net operating income is considered a non-GAAP financial measure because it does not include depreciation and amortization, interest expense and general and administrative expenses. The Company provides same store net operating income as it allows investors to compare the results of property operations for the three and six months ended June 30, 2003 and 2002. The Company also provides a reconciliation of these amounts to the most comparable GAAP measure, income before allocation to minority interests.

	Three months ended June 30,		Six months end
	2003	2002	2003
	----	----	----
Same store net operating income	\$11,455	\$13,831	\$23,540
Net operating income from acquisitions:			
Two Riverwood Place	290	368	545
O'Hare Commerce Center	340	0	649
Medical Portfolio	1,479	0	2,829
387 Shuman Blvd	287	0	501
Straight-line rent	320	194	599
Interest income	150	329	404
General and administrative expense	(1,911)	(1,462)	(3,238)
Interest expense	(4,421)	(3,767)	(8,930)
Depreciation and amortization	(5,361)	(4,727)	(10,672)
Income before allocation to minority interests	\$2,628	\$4,766	\$6,227
	=====	=====	=====

Great Lakes REIT  
Portfolio Lease Expirations  
July 1, 2003

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YEAR OF EXPIRY	SQ FT	PERCENT OF TOTAL PORTFOLIO	Chicago	Cincinnati	Columbus	Denver	Detroit	Midwest
2003	497,174	8.35%	257,256 52%	— 0%	46,875 9%	25,418 5%	27,629 6%	—
2004	964,640	16.19%	317,115 33%	83,365 9%	114,807 12%	13,948 1%	222,707 23%	—
2005	800,482	13.44%	420,279 53%	— 0%	87,560 11%	— 0%	64,972 8%	—
2006	535,236	8.98%	215,859 39%	— 0%	46,113 9%	— 0%	63,008 12%	—
2007	808,526	13.57%	374,090 46%	— 0%	126,306 16%	42,656 5%	123,503 15%	—
2008	632,552	10.62%	255,990 41%	— 0%	46,739 7%	— 0%	229,235 36%	—
2009	176,044	2.96%	63,670 36%	— 0%	28,829 16%	— 0%	19,909 11%	—
2010	143,563	2.41%	122,945 85%	— 0%	9,769 7%	— 0%	— 0%	—
2011	44,190	0.74%	15,157 34%	— 0%	— 0%	— 0%	19,769 45%	—
2012	78,290	1.31%	32,251 41%	— 0%	— 0%	— 0%	— 0%	—
2013	10,296	0.17%	10,296 100%	— 0%	— 0%	— 0%	— 0%	—
2017	20,116	0.34%	— 0%	— 0%	— 0%	— 0%	— 0%	—
MTM	8,890	0.15%	4,422	—	80	—	316	—
Non income producing	55,881	0.94%	25,909	—	8,149	—	11,424	—

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Vacant	1,181.254	19.8%
Total	5,957,134	100.0%

Great Lakes REIT  
Disposition Analysis  
December 1, 2002

Property	Square Footage	Sale Date	Net Holding Period	Gross Book Acquisition Price	Net Value at Disposition	Disposition Price
10 Oak Hollow Southfield, MI	84,736	21-Oct-96	15 months	\$6,723,118	\$6,883,350	\$9,025
830 West End Court Vernon Hills, IL	26,909	2-Dec-96	38 months	\$1,801,208	\$1,968,423	\$2,709
Roadway Industrial Bloomington, MN	50,625	27-Feb-98	61 months	\$1,433,932	\$1,458,285	\$1,312
1675 Holmes Rd, Elgin, IL and Court Office Center, Markham, IL	116,286	23-May-99	27 months	\$4,965,502	\$5,204,189	\$4,939
2800 River Road Des Plaines, IL	99,732	30-Jun-99	53 months	\$4,051,532	\$5,483,449	\$7,525
1251 Plum Grove Road Schaumburg, IL	43,338	30-Jun-99	42 months	\$936,773	\$1,745,349	\$3,394
565 Lakeview Parkway Vernon Hills, IL	84,808	25-Aug-99	45 months	\$4,417,775	\$5,778,898	\$8,483
Woodcreek I and II Downers Grove, IL	126,911	6-Apr-00	42 months	\$9,147,437	\$9,814,956	\$12,032
183 Inverness Drive Englewood, CO	183,895	1-Dec-00	31 months	\$19,968,538	\$20,376,245	\$26,938
160 Hansen Court Wood Dale, IL	21,329	22-Apr-02	99 months	\$947,441	\$1,311,563	\$2,216
3400 Dundee Northbrook, IL	75,070	1-Jul-02	105 months	\$3,999,854	\$5,028,267	\$7,658
Burlington Office Center Ann Arbor, MI	182,167	30-Aug-02	40 months	\$19,536,381	\$21,009,489	\$21,939
180 Hansen Court Wood Dale, IL	18,241	22-Nov-02	106 months	\$810,271	\$888,545	\$1,640
165 and 175 Hansen Court Wood Dale, IL	40,876	8-Jul-03	113 months	\$1,815,724	\$2,269,880	\$3,633
Totals/Weighted Average (6)	1,154,923		46 months	\$80,555,486	\$89,417,147	\$113,448

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1. Unless otherwise noted below, Leveraged IRR's assume an interest-only loan with an average Interest Rate of 7.5% and a Loan to Value of approximately 50% of Net Acquisition Price
2. 830 West End Court mortgage terms were \$1,025,000 principal, 15-year amortization at 7.875% interest
3. Roadway Industrial mortgage terms were \$940,000 principal, 15-year amortization at 8.5% interest
4. 1675 Holmes Road and Court Office Center were the only two properties acquired from Great Lakes REIT's predecessor, Equity Partners Ltd., as part of the merger of the two companies in 1996
5. 1675 Holmes Road mortgage terms were \$2,226,886 principal, 20-year amortization at 8.125% interest
6. Weighted Average Holding Period and IRR's based on Net Disposition Price

### Office Market Statistics

Second Quarter 2003

Suburban Market *	Existing Stock (1,000's)	Vacancy **		
		2Q, 2002	1Q, 2003	2Q, 2003
Chicago	98,894	16.4%	19.4%	19.4%
Detroit	55,779	14.4%	17.8%	17.6%
Denver	78,754	16.2%	19.2%	18.7%
Columbus	16,789	19.4%	19.8%	20.4%
Cincinnati	18,867	18.5%	21.0%	20.8%
Minneapolis	34,276	15.2%	16.1%	16.0%
<hr/>				
Subtotal/Average:	303,360	16.1%	18.8%	18.6%
<hr/>				
Columbus CBD	10,343	19.5%	22.7%	21.7%
<hr/>				
Totals Suburban/CBD:	313,703	16.2%	18.9%	18.7%

Suburban Market *	Existing Stock (1,000's)	Net Absorption (1,000's)			
		2001	2002	2Q, 2003	Y-T-D
Chicago	98,894	32	(1,510)	(94)	(659)
Detroit	55,779	(539)	(1,854)	(64)	(777)
Denver	78,754	(279)	(3,656)	419	28
Columbus	16,789	(279)	(62)	3	(115)
Cincinnati	18,867	184	(67)	35	(25)
Minneapolis	34,276	(364)	(517)	136	184
<hr/>					
Subtotal/Average:	303,360	(1,246)	(7,666)	435	(1365)
<hr/>					
Columbus CBD	10,343	251	(150)	127	20
<hr/>					
Totals Suburban/CBD:	313,703	(995)	(7,816)	562	(1345)

Source: CB Richard Ellis, Paragon Corporate Realty Services (Detroit), and Great Lakes REIT

- ◆ The Milwaukee office market is not accurately surveyed in its entirety on a quarterly basis. In lieu of general statistics that encompass the entire market, the following analysis is based on a property set that directly competes with Great Lakes REIT's holdings in the market. The source for suburban statistics, including new deliveries, is RFP Commercial and for the CBD, the source is The Polacheck Company. Vacancy as of the second quarter of 2003 for the Milwaukee suburbs was 13.6%. Vacancy as of the second quarter of 2003 for the CBD was 8.5%. In the suburbs, 238,185 square feet is currently under construction and is expected to be delivered in 2003-2004. The CBD has 557,365 square feet under construction that is all scheduled for delivery in 2003.

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- ◆ Vacancy rates include direct, available space (exclude sublease space).
- ◆ Anticipated Deliveries refers only to buildings that are currently under construction. Development that is initiated in the future would affect these annual totals.