LEXINGTON CORPORATE PROPERTIES TRUST
Form 424B5
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Registration No. 333-49351

PROSPECTUS SUPPLEMENT (TO PROSPECTUS DATED APRIL 10, 1998)

2,400,000 SHARES
COMMON SHARES OF BENEFICIAL INTEREST

[LEXINGTON LOGO]

LEXINGTON CORPORATE PROPERTIES TRUST
COMMON SHARES OF BENEFICIAL INTEREST

Lexington Corporate Properties Trust is offering 2,400,000 common shares of beneficial interest by this prospectus supplement. Our common shares are traded on the New York Stock Exchange under the symbol "LXP." On September 18, 2002, the last reported sale price of our common shares on the New York Stock Exchange was $15.97 per share. The current quarterly dividend rate of $0.33 per common share represents, at the last reported sale price, an annualized yield of approximately 8.3%.

Our primary business is the acquisition, ownership and management of a geographically diverse portfolio of net leased office, industrial and retail properties.

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

	PER SHARE	TOTAL
Public Offering Price	$15.8500	$38,040,000
Underwriting Discounts and Commissions	$ 0.7133	$ 1,711,920
Proceeds, Before Expenses, to Lexington Corporate Properties Trust	$15.1367	$36,328,080

Delivery of the common shares will be made on or about September 24, 2002.

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 AND THE PROSPECTUS TO WHICH IT RELATES ARE TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

We have granted the underwriters an option to purchase a maximum of 360,000 additional common shares, at the public offering price less the underwriting discount, to cover over-allotments of shares, exercisable at any time until 30 days after the date of this prospectus supplement.

WACHOVIA SECURITIES

A.G. EDWARDS & SONS, INC.

RAYMOND JAMES

THE DATE OF THIS PROSPECTUS SUPPLEMENT IS SEPTEMBER 18, 2002.

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS. NEITHER WE NOR ANY OF THE UNDERWRITERS 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. 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. 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, 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 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 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, 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.

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.

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. You should carefully read this entire prospectus supplement and the accompanying prospectus, especially "Risk Factors" beginning on page S-5 of this prospectus supplement and "Available Information" beginning on page S-45 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" beginning on page S-46, before making an investment decision. Unless otherwise indicated, (i) all financial and property information is presented as of June 30, 2002 and (ii) we assume the underwriters' over-allotment option to purchase up to an additional 360,000 common shares is not exercised.

THE COMPANY

We are a self-managed and self-administered real estate investment trust, commonly referred to as a REIT. Our common shares are traded on the New York Stock Exchange under the symbol "LXP." Our primary business is the acquisition, ownership and management of a geographically diverse portfolio of net leased office, industrial and retail properties. Of our 96 properties, 91 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. Of the five remaining properties, two are subject to leases that provide for operating expense stops limiting the increase in operating expenses to us, one is subject to a modified gross lease and two are vacant.

We believe the following characteristics of our portfolio enhance the predictability of our cash flow (data as of June 30, 2002):

- average remaining lease term of 7.3 years;

- geographic, property type and tenant diversification;

- 42.1% of our rental revenue for the trailing twelve months, including our proportionate share of rental revenue from non-consolidated entities, was received from tenants/guarantors with an investment grade credit rating; and

- fixed-rate mortgage debt with maturity dates that generally correspond with the lease expirations on the underlying properties.

As of June 30, 2002, we had ownership interests in 96 properties, located in 30 states and containing an aggregate of approximately 16.4 million net rentable square feet of space. Ten of these properties, containing approximately 2.7 million net rentable square feet of space, were held through joint ventures

with third parties. Approximately 98.3% of the net rentable square feet was leased.

We grow our portfolio primarily by acquiring properties from corporations and other entities in sale-leaseback transactions and from developers of newly-constructed properties built to suit the needs of a corporate tenant. 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. 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 in an aggregate amount of up to approximately $400 million. As of the date of this prospectus supplement, this joint venture has made investments in ten properties for $330 million. In December 2001, this joint venture was expanded to acquire additional properties in an aggregate amount of up to $560 million.

RECENT DEVELOPMENTS

PROPERTY ACQUISITIONS. In August 2002, our joint venture with CRF acquired two industrial properties, in Laurens, South Carolina and Temperance, Michigan, for an aggregate of $45.9 million. The properties are net leased to TNT Logistics North America, Inc. through August 2012 for annual net rent of $5.4 million. The purchases were partially funded through $30.2 million non-recourse mortgage notes which bear interest at a fixed annual interest rate of 6.0%, provide for annual debt service of $2.3 million and mature

September 2012 when balloon payments of $23.4 million are due. The two mortgage notes are not cross-collateralized.

In August 2002, Lexington Realty Advisors, Inc., a non-consolidated entity in which we have a 99% economic interest, acquired an industrial property in Alberta, Canada for $2.9 million. The property is net leased to TNT Canada, Inc. through August 2012 for annual net rent of $0.3 million. We did not incur any property-specific debt in connection with this acquisition.

In August 2002, we also purchased an office property in Valley Forge, Pennsylvania for $19.5 million. The property is net leased to Quest Diagnostics, Inc. through April 2011 for annual net rent of $2.2 million. We also assumed a $13.4 million, 7.12% fixed-rate non-recourse mortgage which matures February 2011 and requires $1.2 million in annual debt service and a balloon payment of $10.9 million at maturity.

In August 2002, we also purchased an office property in Knoxville, Tennessee for $8.1 million. The property is net leased to AdvancePCS through May 2013 for annual net rent of $0.8 million. The acquisition was partially funded through a $5.3 million, non-recourse, 5.95% fixed-rate mortgage note which matures September 2013 and requires annual payments of interest only through May 2003, annual debt service payments of $0.4 million thereafter and a balloon payment of $4.5 million at maturity.

PROPERTY ACQUISITION CONTRACTS. In June 2002, we entered into an agreement to purchase a newly-constructed office facility in Fort Mill, South Carolina for $17.9 million. The property will be net leased to Wells Fargo Home Mortgage through January 2013 for average annual net rent of $2.1 million. In connection with the acquisition of this property, we have arranged non-recourse first mortgage financing in the amount of $11.7 million. This loan will have a fixed interest rate of 6.00%, mature ten years from the date of closing and require annual payments of $0.8 million and a balloon payment of $9.9 million at maturity. We expect the closing of this acquisition to occur in December 2002.

In July 2002, we entered into an agreement to purchase a newly-constructed warehouse/distribution facility in Groveport, Ohio for $11.8 million. The property is net leased to Anda Pharmaceuticals, Inc. through April 2012 for average annual net rent of $1.2 million. In connection with the acquisition of this property, we have arranged non-recourse mortgage financing in the amount of $7.8 million. This loan will have a fixed interest rate of 6.03%, mature in September 2012 and require annual payments of $0.6 million and a balloon payment of $6.9 million at maturity. We expect the closing of this acquisition to occur in September 2002.

In August 2002, we entered into an agreement to purchase and develop an outdoor storage facility and an industrial building in Minneapolis, Minnesota. The property will be net leased to Owens Corning for twelve years beginning upon completion of construction for average annual net rent of $0.6 million. We will purchase the land and fund construction costs for an anticipated total investment of approximately $4.8 million based on a fixed price development agreement and construction contract. We expect the closing of this acquisition to occur in September 2002 and construction to be completed in November 2002.

As of the date of this prospectus supplement, the credit ratings of the tenants/guarantors for the properties described above were as follows:

	CREDIT RATINGS	
TENANT (GUARANTOR)	S&P	MOODY'S
TNT North America, Inc. (TPG N.V.)	A(1)	A1(1)
TNT Canada, Inc. (TPG N.V.)	A(1)	A1(1)
Quest Diagnostics, Inc.	BBB-(1)	Baa3(1)
AdvancePCS	BB(1)	Ba2(1)
Wells Fargo Home Mortgage	NR	NR
Anda Pharmaceuticals, Inc. (Andrx Corporation)	NR	NR
Owens Corning	NR	NR

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(1) Senior unsecured debt rating.

NR -- Not rated.

See "Properties -- Tenant Information" beginning on page S-22 of this prospectus supplement for more information regarding tenant credit ratings.

LANCASTER, CALIFORNIA PROPERTY EXPANSION. In August 2001, we agreed to expand our Lancaster, California property by 331,000 square feet at a cost of $15.2 million. This expansion, expected to be completed in October 2002, will be net leased to Michaels Stores, Inc. for 17 years at an annual net rent equal to a minimum of 11.875% of construction cost.

LEASING ACTIVITY. In May 2002, the tenant in the Bakersfield, California property exercised a 5-year lease renewal option which extended the lease term until December 2007 and provides for annual rents of $0.2 million.

THE OFFERING

Common Shares offered by Lexington Corporate Properties Trust...........	2,400,000 shares (1)
Common Shares outstanding immediately prior to the Offering...............	27,211,466 shares (2)
Common Shares outstanding after the Offering............................	29,611,466 shares (1)(2)
Price per Share......................	$15.85
Use of Proceeds......................	We intend to use the proceeds from the sale of common shares to fund (i) our equity commitment for the expansion of our Lancaster, California property, (ii) our equity commitment for properties under contract to be acquired, and (iii) general business purposes. See "Use of Proceeds" on page S-25 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

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(1) Assumes that the underwriters' over-allotment option to purchase up to an additional 360,000 common shares is not exercised.

(2) Does not include an aggregate of approximately 6,523,308 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 (approximately 5,258,778 common shares) and (ii) the exercise of outstanding options (including unvested options) under our equity-based award plans (1,264,530 common shares).

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-46 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 resulting in the termination of a 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; IMPACT OF KMART BANKRUPTCY. Revenues from several of our tenants and/or their guarantors constitute a significant percentage of our rental revenues. As of June 30, 2002, our fifteen largest tenants/guarantors, which occupied 31 properties, represented $56.8 million, or 55.4%, of our rental revenue for the trailing twelve months, including our proportionate share of rental revenue from non-consolidated entities. 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.

Kmart Corporation, our largest tenant based upon rental revenues, filed for Chapter 11 bankruptcy protection on January 22, 2002. Kmart leases a 1.7 million square foot distribution facility in Warren, Ohio. We have no retail properties leased to Kmart. The Kmart lease expires on September 30, 2007. As of the date of this prospectus supplement, annual net cash rents are $8.4 million ($4.95 per square foot) and annual net rents on a straight-line basis are $8.9 million, which represents approximately 8.7% of our rental revenue for the twelve months ended June 30, 2002, including our proportionate share of rental revenue from non-consolidated entities. Annual net cash rents increase to $9.4 million on October 1, 2002. Rent is payable in arrears on April 1 and October 1. At June 30, 2002, we had $4.7 million in accounts receivable from Kmart, including $2.6 million in pre-bankruptcy petition rent for the period from October 1, 2001 through January 21, 2002, plus $2.0 million in straight line rents receivable. On April 1, 2002, Kmart paid us $1.6 million in rent representing post-bankruptcy petition rent owed for the period from January 22, 2002 through April 1, 2002. Under applicable bankruptcy law, Kmart may elect to reject the lease, in which event the lease would be deemed to have been breached as of the petition date. We would then have an unsecured claim for any unpaid pre-bankruptcy petition rent and 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. We may not be able to collect all or any portion of these unsecured claims. In addition, we may not be able to collect all or any portion of Kmart's rental and other obligations to us, including rent for the period from the bankruptcy filing date through the rejection date if Kmart becomes insolvent prior to the satisfaction of any such obligations. Kmart also could elect to assume the lease, at which time all accrued but unpaid pre-bankruptcy petition rent would be payable to us and the accrued straight-lined rent would be realized over the remaining lease term. Alternatively, Kmart may seek to renegotiate the lease terms, including a reduction in the amount of pre-bankruptcy petition rent payable, the amount of future rent and the term of the lease. The bankruptcy court has granted Kmart's motion to extend the date for Kmart's determination as to whether it will assume or reject the lease until July 31, 2003. Until a determination is made as to the assumption or rejection of the lease, it is unlikely that we will receive unpaid pre-bankruptcy petition rent.

The Kmart facility is subject to non-recourse mortgage debt with an outstanding balance of $27.7 million as of the date of this prospectus supplement, which fully amortizes by maturity on October 1, 2007. The property is also subject to an interest-only second mortgage loan, which is a recourse

obligation to us, with a variable interest rate of 90-day LIBOR plus 3.75% and an outstanding principal balance of $12.5 million as of the date of this prospectus supplement. Annual debt service on the non-recourse first mortgage note is $6.2 million, and the next debt service payment is due October 1, 2002. As of the date of this prospectus supplement, we have had no discussions with Kmart with respect to the lease and there can be no assurance that Kmart will assume the lease at the current rate for the remainder of the existing term. If Kmart rejects the lease in bankruptcy, it would result in a significant decrease in our rental revenue, funds from operations and funds available for distribution to shareholders, and we cannot predict if or when we would be able to re-lease the property or negotiate the terms of any new lease. If we are unable to re-lease promptly or if any new rental rates are significantly lower than Kmart's current rent, our revenue, funds from operations and funds available for distribution to shareholders would decrease significantly. We would also risk loss of the property to lender foreclosure in the event we do not continue to make all required debt service payments with respect to the mortgage debt on the property.

In the second quarter and July 2002, Moody's Investor Services, Inc. and Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., reduced their credit ratings on the unsecured long-term debt of Northwest Pipeline Corporation, our second largest tenant based upon rental revenues, from Baa1 and BBB+ to Ba2 and B+, respectively. The Northwest Pipeline lease represented 8.6% of our rental revenues for the twelve months ended June 30, 2002. This reduction in credit rating may reflect a reduced ability for this tenant to continue to make rent payments to us. Northwest Pipeline is a wholly-owned subsidiary of The Williams Companies, a publicly-traded diversified energy company. In July 2002, major ratings agencies lowered their credit ratings on Williams' unsecured long-term debt to below investment grade. Financial difficulty at Williams could have an adverse impact on Northwest Pipeline, which could reduce its ability to continue to make rent payments to us. Northwest Pipeline and Williams are both publicly-registered companies subject to the Securities Exchange Act of 1934, as amended, and accordingly file financial information with the SEC.

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 unsecured revolving credit facility with Fleet National Bank contains various covenants which limit the amount of secured, unsecured and variable-rate indebtedness we may incur.

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. Specifically, as of the date of this prospectus supplement, we have $12.0 million in outstanding borrowings under our $60.0 million unsecured credit facility and $58.5 million in variable-rate indebtedness, which includes $11.0 million for non-consolidated entities.

As of June 30, 2002, our consolidated variable-rate indebtedness represented 10.8% of total mortgages and notes payable and had a weighted average interest rate of 4.7%. 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 June 30, 2002, the scheduled balloon payments,

including those to be made by non-consolidated entities, for the remainder of 2002 and the next four calendar years are as follows:

- 2002-$0;

- 2003-$0;

- 2004-$27.9 million;

- 2005-$80.9 million; and

- 2006-$0.

Subsequent to June 30, 2002, $0.3 million in balloon payments due in 2004 were satisfied through the sale of our Brownsville, Texas property.

Our ability to make the scheduled balloon payments will depend upon 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. In addition, our $60.0 million unsecured credit facility expires March 2004.

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 increasing 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 June 30, 2002, our scheduled lease maturities for the remainder of 2002 and the next four years were as follows:

LEASES MATURING IN:	NUMBER OF LEASES	CURRENT ANNUAL RENT ($000)	PERCENTAGE OF TOTAL ANNUAL RENT
2002................................	1	$ 380	0.3%
2003................................	1	1,900	1.7
2004................................	1	337	0.3
2005................................	7	7,460	6.8

2006	14	12,238	11.2
Total	24	$22,315	20.3%

DEFAULTS ON CROSS-COLLATERALIZED PROPERTIES. As of the date of this prospectus supplement, the mortgages on two of our properties, in Canton, Ohio and Spartansburg, South Carolina, are cross-collateralized and seventeen of our properties are part of a segregated pool of assets with respect to which commercial mortgage pass-through certificates were issued. 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 property, 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 therefor 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 customarily carried 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 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. The terrorist attacks which occurred in New York City and Washington, D.C. on September 11, 2001, and the subsequent military actions taken by the United States and its allies in response, have caused significant uncertainty in the global financial markets. While the short-term and long-term effects of these events and their potential consequences are uncertain, they 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.

In addition, 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 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, 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 Internal Revenue 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 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 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% 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. We intend to continue to make distributions to our shareholders to comply with the distribution requirements of the Internal Revenue 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.

INTEREST RATE FLUCTUATIONS. It is likely that the public valuation of our common shares will be based primarily on 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 may require a higher dividend yield on our common shares as market rates on interest-bearing securities, such as bonds, rise.

INABILITY TO CARRY OUT 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, 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.

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 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 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.

OWNERSHIP LIMITATIONS. For us to qualify as a REIT for federal income tax purposes, among other requirements, not more than 50% of the value of our capital shares may be owned, directly or indirectly, by five or fewer individuals (as defined for federal income tax purposes to include certain entities) during the last half of each taxable year after 1993, and such 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). 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.

RESTRICTIONS ON A POTENTIAL CHANGE OF CONTROL. Our Board of Trustees is authorized by our Declaration of Trust to establish and issue one or more series of preferred shares without shareholder approval. As of the date of this prospectus supplement, we have established one series of preferred shares,

but no shares of this series are currently outstanding. The establishment and issuance of shares of this or a future series of preferred shares could make more difficult a change of control of our company that could be in your best interest.

In addition, we have entered into employment agreements with six 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 fifty percent 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% 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 that could be in your best interest.

CONCENTRATION OF OWNERSHIP BY CERTAIN INVESTORS. As of the date of this prospectus supplement, E. Robert Roskind, the Chairman of our Board of Trustees and our Co-Chief Executive Officer, owned or controlled (including through trusts with respect to which he disclaims beneficial ownership) 482,555 common shares, 1,536,848 operating partnership units which are convertible into common shares at various dates, and options to purchase 129,419 common shares, representing 7.4% of our total outstanding voting securities. A significant concentration of ownership may allow an investor to exert a greater influence over our management and affairs, and may have the effect of delaying, deferring or preventing a change in control of our company, may discourage bids for our common shares at a premium over the market price and may adversely affect the market price of our common shares.

LIMITED CONTROL OVER JOINT VENTURE INVESTMENTS. Our joint venture investments may involve risks not otherwise present for investments made solely by us, including the possibility that our co-venturer 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 co-venturer 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.

Under the terms of our joint venture with CRF, we are required to first offer to the joint venture all of our opportunities to acquire office and industrial properties requiring a minimum investment of $10 million which are net leased primarily to investment grade tenants for a minimum term of ten years, are available for immediate delivery and satisfy other specified investment criteria. Only if CRF elects not to approve the joint venture's pursuit of an acquisition opportunity may we pursue the opportunity directly. As a result, 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 this joint venture.

CONFLICTS OF INTEREST WITH RESPECT TO SALES AND REFINANCINGS. Two 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 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.

LIMITATIONS ON SALE OF CERTAIN PROPERTIES. We have agreed with the sellers of four of our properties not to sell those properties for a period of time in a taxable transaction, subject to certain exceptions. We may enter into similar agreements in connection with future property acquisitions. These agreements generally provide that we may dispose of these properties in transactions that qualify as tax-free exchanges under Section 1031 of the Internal Revenue Code of 1986, as amended. Therefore, we may be precluded from selling these properties other than in transactions that would qualify as tax-free exchanges for federal income tax purposes, even if it would be in your best interest to do so. These restrictions expire at various

dates through January 1, 2004. As of June 30, 2002, the net book value of these properties approximated $48.2 million.

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.

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 COMMON 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 Common Shares -- Restrictions on Ownership" and "Restrictions on Transfers of Capital Shares and Anti-Takeover Provisions -- Restrictions Relating to REIT Status" on pages 24 and 25, respectively, of the accompanying prospectus for a detailed description of the share ownership limits.

THE COMPANY

GENERAL

We are a self-managed and self-administered real estate investment trust, commonly referred to as a REIT. Our common shares are listed on the New York Stock Exchange. Our primary business is the acquisition, ownership and management of a geographically diverse portfolio of net leased office, industrial and retail properties. Of our 96 properties, 91 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. Of the five remaining properties, two are subject to leases which provide for operating expense stops which limit the increase in operating expenses to us, one is subject to a modified gross lease and two are vacant.

We believe the following characteristics of our portfolio enhance the predictability of our cash flow (data as of June 30, 2002):

- average remaining lease term of 7.3 years;

- geographic, property type and tenant diversification;

- 42.1% of our rental revenue for the trailing twelve months, including our proportionate share of rental revenue from non-consolidated entities, was received from tenants/guarantors with an investment grade credit rating; and

- fixed-rate mortgage debt with maturity dates that generally correspond with the lease expirations on the underlying properties.

As of June 30, 2002, we had ownership interests in 96 properties, located in 30 states, containing an aggregate of approximately 16.4 million net rentable square feet of space and consisting of warehousing, distribution and manufacturing facilities, office buildings and retail properties. Ten of these properties, containing approximately 2.7 million net rentable square feet of space, were held through joint ventures with third parties. Approximately 98.3% of our total net rentable square feet of space was leased.

We grow our portfolio primarily by acquiring properties from corporations and other entities in sale-leaseback transactions and from developers of newly constructed properties built to suit the needs of a corporate tenant. 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. 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 to acquire properties in an aggregate amount of up to approximately $400 million. As of the date of this prospectus supplement, this joint venture has made investments in ten properties for $330 million. In December 2001, this joint venture was expanded to acquire additional properties in an aggregate amount of up to $560 million.

Through our predecessor entities, we have been in the net lease business for over 29 years. During that time, we have established close relationships with a large number of major corporate tenants, and we maintain a broad network of contacts, including developers, brokers and lenders.

We manage our real estate and credit risk through geographic, industry, tenant and lease maturity diversification. As of June 30, 2002, our fifteen largest tenants/guarantors, which occupied 31 properties, represented $56.8 million, or 55.4%, of our rental revenue for the trailing twelve months,

including our proportionate share of rental revenue from non-consolidated entities.

Kmart Corporation, our largest tenant based upon rental revenues, filed for Chapter 11 bankruptcy protection on January 22, 2002. Kmart leases a 1.7 million square foot distribution facility in Warren, Ohio. We have no retail properties leased to Kmart. The Kmart lease expires on September 30, 2007. As of the date of this prospectus supplement, annual net cash rents are $8.4 million ($4.95 per square foot) and annual net rents on a straight-line basis are $8.9 million, which represents approximately 8.7% of our rental revenue for the twelve months ended June 30, 2002, including our proportionate share of rental

revenues from non-consolidated entities. Annual net cash rents increase to $9.4 million on October 1, 2002. Rent is payable in arrears on April 1 and October 1. At June 30, 2002, we had $4.7 million in accounts receivable from Kmart, including $2.6 million in pre-bankruptcy petition rent for the period from October 1, 2001 through January 21, 2002, plus $2.0 million in straight line rents receivable. On April 1, 2002, Kmart paid us $1.6 million in rent representing post-bankruptcy petition rent owed for the period from January 22, 2002 through April 1, 2002. Under applicable bankruptcy law, Kmart may elect to reject the lease, in which event the lease would be deemed to have been breached as of the petition date. We would then have an unsecured claim for any unpaid pre-bankruptcy petition rent and 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. We may not be able to collect all or any portion of these unsecured claims. In addition, we may not be able to collect all or any portion of Kmart's rental and other obligations to us, including rent for the period from the bankruptcy filing date through the rejection date if Kmart becomes insolvent prior to the satisfaction of any such obligations. Kmart also could elect to assume the lease, at which time all accrued but unpaid pre-bankruptcy petition rent would be payable to us and the accrued straight-lined rent would be realized over the remaining lease term. Alternatively, Kmart may seek to renegotiate the lease terms, including a reduction in the amount of pre-bankruptcy petition rent payable, the amount of future rent and the term of the lease. The bankruptcy court has granted Kmart's motion to extend the date for Kmart's determination as to whether it will assume or reject the lease until July 31, 2003. Until a determination is made as to the assumption or rejection of the lease, it is unlikely that we will receive unpaid pre-bankruptcy petition rent.

The Kmart facility is subject to non-recourse mortgage debt with an outstanding balance of $27.7 million as of the date of this prospectus supplement, which fully amortizes by maturity on October 1, 2007. The property is also subject to an interest-only second mortgage loan, which is a recourse obligation to us, with a variable interest rate of 90-day LIBOR plus 3.75% and an outstanding principal balance of $12.5 million as of the date of this prospectus supplement. Annual debt service on the non-recourse first mortgage note is $6.2 million, and the next debt service payment is due October 1, 2002. As of the date of this prospectus supplement, we have had no discussions with Kmart with respect to the lease and there can be no assurance that Kmart will assume the lease at the current rate for the remainder of the existing term. If Kmart rejects the lease in bankruptcy, it would result in a significant decrease in our rental revenue, funds from operations and funds available for distribution to shareholders, and we cannot predict if or when we would be able to re-lease the property or negotiate the terms of any new lease. If we are unable to re-lease promptly or if any new rental rates are significantly lower than Kmart's current rent, our revenue, funds from operations and funds available for distribution to shareholders would decrease significantly. We

would also risk loss of the property to lender foreclosure in the event we do not continue to make all required debt service payments with respect to the mortgage debt on the property.

OBJECTIVES AND STRATEGY

Our primary objectives are to increase FFO, cash available for distribution per share to our shareholders and net asset value per share. In an effort to achieve these objectives, we focus on:

- effectively managing assets through lease extensions, revenue enhancing property expansions, opportunistic property sales and redeployment of assets, when advisable;

- acquiring portfolios and individual net lease properties from third parties, through sale/leaseback transactions, acquiring build-to-suit properties and opportunistically using our operating partnership units to effect acquisitions;

- entering into strategic co-investment programs which generate higher equity returns than direct investments due to acquisition and asset management fees and, in some cases, higher leverage levels;

- providing management and advisory services to institutional investors in order to generate advisory fee revenue;

- utilizing fixed-rate mortgage debt with maturity dates that generally correspond with the lease expirations on the underlying properties;

- utilizing amortizing mortgage debt which reduces the refinancing risks associated with mortgage balloon maturities; and

- increasing our access to capital to finance property acquisitions and expansions.

INTERNAL GROWTH; EFFECTIVELY MANAGING ASSETS

TENANT RELATIONS AND LEASE COMPLIANCE. We maintain close contact with our tenants in order to understand their future real estate needs. We monitor the financial, property maintenance and other lease obligations of our tenants through a variety of means, including periodic reviews of financial statements and physical inspections of the properties. We perform annual inspections of those properties where we have an ongoing obligation with respect to the maintenance of the property and for all properties during each of the last three years immediately prior to a scheduled lease expiration. Bi-annual physical inspections are undertaken for all other properties.

EXTENDING LEASE MATURITIES. We seek to extend our leases in advance of their expiration in order to maintain a balanced lease rollover schedule and high occupancy levels.

As of the date of this prospectus supplement, the scheduled lease maturities at our properties for the remainder of 2002 and each of the next nineteen years are as shown on the following graph:

LEASE EXPIRATIONS

[BAR CHART]

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(1) Reflects our proportionate ownership interest in our non-consolidated entities.

REVENUE ENHANCING PROPERTY EXPANSIONS. We undertake selective expansions of our properties based on tenant requirements. We believe that selective property expansions can provide us with attractive rates of return and we actively seek these opportunities. In August 2001, we entered into an agreement to expand our property in Lancaster, California which is net leased to Michaels Stores, Inc. The expansion, expected to be completed in October 2002, will be leased to the tenant for seventeen years at annual rent equal to a minimum of 11.875% of construction cost, which is estimated to be approximately $15.2 million. We expect to place permanent financing on the expansion upon completion of construction.

In addition, the lease on the existing building, which is scheduled to expire in June 2013, will be extended so that it is co-terminus with the lease on the expansion.

EXTERNAL GROWTH; STRATEGIES FOR ACQUISITIONS AND INCREASING ASSETS UNDER MANAGEMENT

FOCUSED ACQUISITION PARAMETERS. We seek to enhance our net lease property portfolio through acquisitions of general purpose, efficient, well-located properties in growing markets. We have diversified our portfolio by geographic location, tenant industry segment, lease term expiration and property type with the intention of providing steady internal growth in cash flow with low volatility. We believe that this diversification should help insulate us from regional recession, industry specific downturns and price fluctuations by property type. Prior to effecting any acquisition, we analyze:

- the property's design, construction quality, efficiency, functionality and location with respect to the immediate sub-market, city and region;

- the lease integrity with respect to term, rental rate increases, corporate guarantees and property maintenance provisions;

- the present and anticipated conditions in the local real estate market; and

- the prospects for selling or re-letting the property on favorable terms in the event of a vacancy.

We also evaluate each potential tenant's financial strength, growth prospects, competitive position within its industry and a property's strategic location and function within a tenant's operations or distribution systems. We believe that our comprehensive underwriting process is critical to the assessment of long-term profitability of our investments.

OPERATING PARTNERSHIP STRUCTURE. We currently control three operating partnership subsidiaries. The operating partnership structure enables us to acquire properties by issuing to a seller, as a form of consideration, operating partnership units. All of the operating partnership units which we have issued as of the date of this prospectus supplement are redeemable, at the option of the holder, on a one-for-one basis (subject to certain anti-dilution adjustments) for common shares at various times. In addition, we generally pay distributions per partnership unit in an amount equal to the per share dividend on our common shares. We believe that this structure facilitates our ability to raise capital and to acquire portfolio and individual properties by enabling us

to structure transactions which may defer tax gains for a contributor of property while preserving our available cash for other purposes, including the payment of dividends and distributions. As of the date of this prospectus supplement, we have used operating partnership units as a form of consideration in connection with the acquisition of 22 properties.

ACQUISITIONS OF PORTFOLIO AND INDIVIDUAL NET LEASE PROPERTIES. We seek to acquire portfolio and individual properties that are leased to creditworthy tenants under long-term net leases. We believe there is significantly less competition for acquisitions of property portfolios containing a number of net leased properties located in more than one geographic region. We also believe that our geographic diversification, acquisition experience and access to capital will allow us to compete effectively for the acquisition of net leased properties.

SALE/LEASEBACK TRANSACTIONS. We seek to acquire portfolio and individual net lease properties in sale/leaseback transactions with creditworthy sellers/tenants with respect to properties that are integral to the sellers'/tenants' ongoing operations.

BUILD-TO-SUIT PROPERTIES. We may also acquire, after construction has been completed, "build-to-suit" properties that are entirely pre-leased to their intended corporate users. As a result, we do not assume the risk associated with the construction phase of a project, except with respect to expansions of properties we own.

STRATEGIC JOINT VENTURE CO-INVESTMENTS

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 up to $400 million in high quality office and industrial real estate properties that are net leased primarily to investment grade single tenant users. We and CRF have committed to make equity contributions of up to $50 million and $100 million, respectively, to the joint venture entity, Lexington Acquiport Company, LLC, or "LAC." In addition to the equity contributions, property acquisitions by LAC are funded through the use of up to $278 million in non-recourse mortgages. As of the date of this prospectus supplement, we and CRF have funded approximately $127 million, collectively, and LAC has made investments in ten properties for $330 million.

In December 2001, we and CRF entered into an expansion of this joint venture to acquire up to an additional $560 million in high quality office and industrial real estate properties that are net leased primarily to investment grade single tenant users. We and CRF have committed to make equity contributions of up to $50 million and $150 million, respectively, to a new joint venture entity, Lexington Acquiport Company II, LLC, or "LAC-II." Under the terms of the expansion, we and CRF will not fund any portion of our equity contributions to LAC-II, and LAC-II will not invest in any properties, until LAC has been fully funded and fully invested.

Under the terms of this joint venture, we are required to first offer to the joint venture all of our opportunities to acquire office and industrial properties requiring a minimum investment of $10 million which are net leased primarily to investment grade tenants for a minimum term of ten years, are available for immediate delivery and satisfy other specified investment criteria. Only if CRF elects not to approve the joint venture's pursuit of an acquisition opportunity may we pursue the opportunity directly.

We believe that this joint venture furthers our investment objectives

because:

- it provides for added external growth;

- our return on invested capital is enhanced by fees earned for acquiring assets and managing the joint venture properties;

- it adds to our portfolio diversification; and

- we view CRF as an astute investor and a high quality partner.

REVENUE ENHANCEMENT FROM ADVISORY SERVICES

Lexington Realty Advisors, Inc., or "LRA," a non-consolidated entity in which we have a 99% economic interest, has management agreements with LAC and LAC-II whereby LRA will perform certain services for a fee relating to the acquisition (75 basis points of cost) and management (200 basis points of rent collected annually) of the LAC and LAC-II investments. In addition, LRA earns 50 basis points for all mortgage debt directly placed with respect to LAC-II.

In 2000, LRA entered into an advisory and asset management agreement to invest and manage $50 million of equity on behalf of a private investment fund. The investment program could, depending on leverage utilized, acquire between $140 and $150 million in single tenant, net-leased office, industrial and retail properties in the United States. LRA earns acquisition fees (90 basis points of total acquisition costs), annual asset management fees (30 basis points of gross asset value) and a promoted interest of 16% of the return in excess of an internal rate of return of 10% earned by the private investment fund. As of the date of this prospectus supplement, two properties have been purchased for $25.4 million under this program.

MATCHING INDEBTEDNESS TO LEASE EXPIRATIONS

We seek to enter into fixed-rate, non-recourse mortgage loans with maturity dates that generally correspond with the lease expirations on the underlying properties. This allows us to reduce the risk associated with refinancing our indebtedness.

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INCREASING ACCESS TO CAPITAL

We are constantly pursuing opportunities to increase our access to public and private capital in order to achieve maximum operating flexibility. Our $60.0 million variable-rate unsecured credit facility bears interest at 150-250 basis points over our option of 1, 3 or 6 month LIBOR, depending upon the level of our indebtedness, and is scheduled to mature in March 2004. As of the date of this prospectus supplement, there are $12.0 million in outstanding borrowings and $43.8 million available for borrowings under this facility.

COMMON SHARE REPURCHASES

Our Board of Trustees has authorized the repurchase of up to 2.0 million common shares and/or operating partnership units. As of June 30, 2002, we had repurchased approximately 1.4 million common shares/units at an average price of $10.55 per share/unit, all of which have been retired.

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PROPERTIES

REAL ESTATE PORTFOLIO

GENERAL. As of June 30, 2002, we owned or had interests in approximately 16.4 million square feet of rentable space in 96 office, industrial and retail properties, and approximately 98.3% of the net rentable square feet was leased. The following chart shows our number of properties, rental revenue for the trailing twelve months, percentage of rental revenue for the trailing twelve months and square footage mix of our portfolio as of June 30, 2002:

RENT BY
PROPERTY TYPE(1)

($ in Millions)

[Pie Chart]

TYPE OF PROPERTY	NUMBER OF PROPERTIES	HISTORICAL 12-MONTHS ENDED JUNE 30, 2002 RENT ($000'S)(1)	PERCENTAGE OF RENT(1)	SQUARE FOOTAGE (000'S)	PERCENTAGE OF SQUARE FOOTAGE
Office..........................	35	$ 58,582	57.3%	5,876	35.8%
Industrial......................	31	31,759	31.0	8,511	51.9
Retail..........................	30	11,978	11.7	2,021	12.3
Total.................	96	$102,319	100.0%	16,408	100.0%

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(1) Reflects our proportionate ownership interest in our non-consolidated entities and includes rental revenue recognized from properties sold during the twelve months ended June 30, 2002.

Our properties generally 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. In situations in which we are responsible for roof and structural repairs, we perform annual inspections of the properties. Our properties in Palm Beach Gardens, Florida, Lake Mary, Florida and Fishers, Indiana are subject to leases in which we are responsible for a portion of the real estate taxes, utilities and general maintenance.

A substantial portion of our income consists of base rent under long-term leases. As of June 30, 2002, the average remaining term under our leases was approximately 7.3 years, with 57 leases providing for scheduled rent increases, nine leases providing for an increase based upon the Consumer Price Index and three leases containing percentage rent clauses. The remaining leases contain no rent increase provisions.

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As of June 30, 2002, we had ten properties accounting for $14.8 million of rental revenue that are subject to long term ground leases where a third party

owns and has leased the underlying land to us. In each of these situations, the rental payments made by us to the landowner are included in the tenant's rental payments to us. At the end of these long-term ground leases, unless extended, the land, together with all improvements on the land, revert to the landowner. These ground leases, including renewal options, expire at various dates from 2028 through 2074.

PROPERTIES BY STATE. The following map illustrates our significant geographical diversification as of the date of this prospectus supplement (reflects property acquisitions and dispositions consummated after June 30, 2002):

[STATE MAP]

(1) Industrial property located in Alberta, Canada is not shown.

The following table shows a state-by-state analysis of our rental revenue for the trailing twelve months and square footage with respect to our properties as of June 30, 2002:

	STATE	NUMBER OF PROPERTIES	WEIGHTED AVERAGE PERCENT LEASED	SQUARE FOOTAGE	HISTORICAL 12-MONTHS ENDED JUNE 30, 2002 RENT ($000'S)(1)	PERCENTAGE OF TOTAL RENT(1)
1	Ohio	9	100.0%	3,075,212	$ 13,537	13.2%
2	Utah	1	100.0	295,000	8,773	8.6
3	Florida	6	100.0	1,578,350	8,349	8.2
4	Virginia	7	100.0	1,067,373	8,037	7.9
5	Arizona	7	100.0	860,138	7,861	7.7
6	Pennsylvania	6	100.0	1,619,219	7,210	7.0
7	California	8	100.0	1,041,351	6,800	6.6
8	South Carolina	6	100.0	1,534,176	6,777	6.6
9	Texas	4	88.0	939,031	6,073	5.9
10	Michigan	7	100.0	850,173	4,669	4.6
11	New Jersey	2	100.0	371,990	3,502	3.4
12	Oregon	4	100.0	462,078	3,210	3.2
13	Massachusetts	2	100.0	183,698	2,213	2.2
14	Connecticut	2	100.0	180,724	2,208	2.2
15	Georgia	3	100.0	283,358	2,002	2.0
16	Illinois	2	100.0	174,750	1,470	1.4
17	Indiana	1	100.0	193,000	1,096	1.1
18	Maryland	4	80.0	319,219	1,074	1.0
19	Kentucky	1	100.0	81,744	1,053	1.0
20	Iowa	1	100.0	276,480	1,004	1.0
21	Hawaii	1	100.0	85,610	971	0.9
22	North Carolina	2	100.0	269,814	819	0.8
23	Tennessee	2	63.2	289,359	752	0.7
24	Nevada	2	100.0	67,453	603	0.6
25	Alabama	1	100.0	56,132	446	0.4
26	New York	1	100.0	24,990	419	0.4
27	Washington	1	100.0	43,105	391	0.4
28	Louisiana	1	100.0	65,043	368	0.4

29	Oklahoma........	1	100.0	43,123	358	0.3
30	Wisconsin.......	1	100.0	76,164	274	0.3
		--	-----	----------	--------	-----
	Total	96	98.3%	16,407,857	$102,319	100.0%
		==	=====	==========	========	=====

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(1) Reflects our proportionate ownership interest in our non-consolidated entities and includes rental revenue recognized from properties sold during the twelve months ended June 30, 2002.

TENANT INFORMATION

Our tenants are diversified across a variety of industries. The following table shows our rental revenue for the trailing twelve months based on tenant industry for our 94 leased properties as of June 30, 2002:

	TENANT INDUSTRY(1)	NUMBER OF TENANTS	NUMBER OF PROPERTIES	PERCENTAGE OF RENT FOR HISTORICAL 12-MONTHS ENDED JUNE 30, 2002(2)
1	Retail -- Department/Discount Store..............................	6	9	12.0%
2	Finance/Insurance...................	7	7	11.4
3	Energy..............................	2	2	9.7
4	Transportation/Logistics............	3	6	7.2
5	Technology..........................	5	5	7.0
6	Aerospace/Defense...................	2	4	6.5
7	Telecommunications..................	5	6	5.9
8	Automotive..........................	5	8	5.0
9	Retail -- Specialty.................	5	7	4.2
10	Retail -- Electronics...............	3	7	4.2
11	Media/Advertising...................	3	4	4.2
12	Healthcare..........................	2	2	3.6
13	Construction Materials..............	3	5	3.5
14	Food................................	3	3	2.7
15	Health/Fitness......................	1	5	2.7
16	Consumer Products...................	4	5	2.4
17	Apparel.............................	1	2	2.3
18	Security............................	1	1	2.3
19	Retail -- Food......................	2	4	2.3
20	Paper/Containers/Packaging..........	2	2	0.9
		--	--	-----
		65	94	100.0%
		==	==	=====

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(1) Industry name is not necessarily indicative of property type.

(2) Reflects our proportionate ownership interest in our non-consolidated entities and includes rental revenue recognized from properties sold during

the twelve months ended June 30, 2002.

The following chart shows our rental revenue for the trailing twelve months as of June 30, 2002 based on tenant credit ratings for all of our properties as of the date of this prospectus supplement:

RENT BY
TENANT CREDIT RATING(1)

($ in Millions)

[Pie Chart]

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(1) Reflects our proportionate ownership interest in our joint venture investments and includes rental revenue recognized from properties sold during the twelve months ended June 30, 2002.

(2) Represents rent from a tenant or guarantor where the current published rating for the tenant or guarantor is within the ten highest ranking categories by Moody's Investors Services, Inc. or Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. The ratings include, for the various tenants/guarantors, senior unsecured, corporate credit, short-term commercial paper, financial strength, senior unsecured bank note, bank deposit rating-long term, issuer credit, senior secured, long-term senior implied, senior secured bank facility, long term issuer and medium term note ratings. The ratings are not necessarily reflective of our tenants' or guarantors' ability to satisfy their financial obligations under our leases. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell securities. Ratings are subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

The following table shows the number of properties, percentage of rental revenue for the trailing twelve months, property type and credit rating for our fifteen largest tenants/guarantors as of June 30, 2002:

	TENANT (GUARANTOR)	NUMBER OF PROPERTIES	PERCENTAGE OF RENT FOR 12-MONTHS ENDED JUNE 30, 2002*	PROPERTY TYPE	CREDIT
					S&P
1	Kmart Corporation...........	1	8.7%	Industrial	NR
2	Northwest Pipeline Corporation.................	1	8.6	Office	B+(1
3	Exel Logistics, Inc. (NFC plc)........................	4	4.7	Industrial	NR
4	Honeywell, Inc...............	3	4.1	Office	NR
5	Circuit City Stores, Inc.....	4	3.4	Office(1)/Retail(3)	NR
6	Vartec Telecom, Inc..........	1	3.4	Office	NR
7	Aventis Pharmaceuticals, Inc.........................	1	2.8	Office	A+(4

8	Bally Total Fitness Corp.....	5	2.7	Retail	B+(3
9	Blue Cross Blue Shield of South Carolina, Inc.........	1	2.5	Office	NR
10	Owens Corning...............	3	2.5	Industrial	NR
11	Artesyn North America, Inc. (Balfour Beatty PLC).........	1	2.5	Office	A2(5
12	Boeing North America Services, Inc. (Boeing Co.)........................	1	2.4	Office	A+(1
13	Avnet, Inc..................	1	2.4	Office	BBB(1
14	Time Customer Service, Inc. (Time, Inc.)................	2	2.4	Office(1)/Industrial(1)	BBB+(4
15	Jones Apparel Group USA, Inc. (Jones Apparel Group, Inc.).......................	2	2.3	Office	BBB(1
	Totals......................	31	55.4%		

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* Reflects our proportionate ownership interest in our non-consolidated entities and includes rental revenue recognized from properties sold during the twelve months ended June 30, 2002.

** Credit rating information is as of the date of this prospectus supplement.

NR -- Not rated.

(1) Senior unsecured debt rating.

(2) Long-term issuer rating.

(3) Senior secured credit rating.

(4) Issuer credit rating.

(5) Commercial paper rating.

These ratings are not necessarily reflective of our tenants' or guarantors' ability to satisfy their financial obligations under our leases. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell securities. Ratings are subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately $36.1 million, after deducting underwriting discounts and commissions and offering expenses, or approximately $41.5 million if the underwriters' over-allotment option is exercised in full. We intend to use the net proceeds to fund (i) our $15.2 million commitment for the expansion of our Lancaster, California property, (ii) our aggregate $15.0 million commitments for the acquisition of the Groveport, Ohio, Fort Mills, South Carolina and Minneapolis, Minnesota properties (as described under "Summary -- Recent Developments -- Property Acquisition Contracts" on page S-2 of this prospectus supplement), and (iii) general business purposes.

DESCRIPTION OF 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 Common Shares" on page 24 of the accompanying prospectus.

On November 28, 2001, our shareholders approved an amendment to our Declaration of Trust to increase our authorized common shares from 40,000,000 common shares to 80,000,000 common shares.

RESTRICTIONS ON TRANSFERS OF CAPITAL SHARES AND ANTI-TAKEOVER PROVISIONS

The following updates and supersedes information about Maryland law included in the accompanying prospectus. For a summary of other restrictions on transfers of our capital shares, see "Restrictions on Transfers of Capital Shares and Anti-Takeover Provisions" on page 25 of the accompanying prospectus.

MARYLAND LAW

Maryland law includes certain other provisions which may also discourage a change in control of management. Maryland law provides that, unless an exemption applies, we may not engage in any "business combination" with an "interested stockholder" or any affiliate of an interested stockholder for a period of five years after the interested stockholder became an interested stockholder, and thereafter may not engage in a business combination with such interested stockholder unless the combination is recommended by our Board of Trustees and approved by the affirmative vote of at least (i) 80% of the votes entitled to be cast by the holders of all of our outstanding voting shares, and (ii) 66 2/3% of the votes entitled to be cast by all holders of outstanding shares of voting shares other than voting shares held by the interested stockholder. An "interested stockholder" is defined, in essence, as any person owning beneficially, directly or indirectly, 10% or more of the outstanding voting shares of a Maryland real estate investment trust. The voting requirements do not apply at any time to business combinations with an interested stockholder or its affiliates if approved by our Board of Trustees prior to the time the interested stockholder first became an interested stockholder. Additionally, if the business combination involves the receipt of consideration by our shareholders in exchange for common shares that satisfies certain "fair price" conditions, such supermajority voting requirements do not apply.

Maryland law provides that "control shares" of a Maryland real estate investment trust acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquiror or by officers or trustees who are employees of the trust. "Control shares" are voting shares that, if aggregated with all other shares previously acquired by that person, would entitle the acquiror to exercise voting power in electing trustees within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled

to vote as a result of having previously obtained shareholder approval.

A "control share acquisition" means the acquisition of ownership of or the power to direct the exercise of voting power of issued and outstanding control shares, subject to certain exceptions. A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the trust's board of trustees to call a special meeting of shareholders, to be held within 50 days of demand, to consider the voting rights of the shares. If no request for a meeting is made, the trust may itself present the question at any shareholders' meeting.

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If voting rights are not approved at the meeting or if the acquiring person does not deliver an "acquiring person statement" as permitted by the statute, then, subject to certain conditions and limitations, the trust may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights, as of the date of the last control share acquisition or of any meeting of shareholders at which the voting rights of such shares were considered and not approved. If voting rights for control shares are approved at a shareholders' meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of the appraisal rights may not be less than the highest price per share paid in the control share acquisition, and certain limitations and restrictions otherwise applicable to the exercise of dissenters' rights do not apply in the context of a control share acquisition.

The control share acquisition statute does not apply to shares acquired in a merger, consolidation or share exchange if the trust is a party to the transaction, or to acquisitions approved or exempted by our Declaration of Trust or By-Laws prior to the control share acquisition. No such exemption appears in our Declaration of Trust or By-Laws. The control share acquisition statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offer.

Additionally, Maryland law may make it more difficult for someone to acquire us. Maryland law provides, among other things, that the board of trustees has broad discretion in adopting shareholders' rights plans and has the sole power to fix the record date, time and place for special meetings of the shareholders. In addition, Maryland law provides that trusts that have three trustees who are not employees of the entity or related to an acquiring person and are subject to the reporting requirements of the Securities Exchange Act of 1934 may elect in their declaration of trust or bylaws or by resolution of the board of trustees to be subject to all or part of a special subtitle which provides, among other things, that: (1) the trust will have a staggered board of trustees; (2) the number of trustees may only be set by the board of trustees, even if the procedure is contrary to the declaration of trust or bylaws; (3) vacancies may only be filled by the remaining trustees, even if the procedure is contrary to the declaration of trust or bylaws; and (4) the secretary of the trust may call a special meeting of shareholders at the request of shareholders only on the written request of the shareholders entitled to cast at least a majority of all the votes entitled to be cast at least a majority of all the votes entitled to be cast at the meeting, even if the procedure is contrary to the declaration of trust or bylaws.

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DISTRIBUTION POLICY

Distributions are paid 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% of our REIT taxable income (determined as provided in the Internal Revenue Code without regard to the deduction for dividends paid and by 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, various instruments governing the issuance of our unsecured bank debt impose 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 $15.97 per share. The following table sets forth the quarterly high and low 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
2000			
First Quarter	$ 11.625	$ 9.000	$0.30
Second Quarter	11.313	9.938	0.30
Third Quarter	12.250	11.063	0.31
Fourth Quarter	11.938	10.688	0.31
2001			
First Quarter	13.438	11.750	0.31
Second Quarter	15.550	12.750	0.32
Third Quarter	15.480	13.000	0.32
Fourth Quarter	15.700	13.700	0.32
2002			
First Quarter	16.000	14.210	0.33

Second Quarter	16.530	15.000	0.33
Third Quarter	16.870(1)	14.900(1)	0.33

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(1) Through September 18, 2002.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2002 and as adjusted to give effect to this offering, and the application of the net proceeds of this offering (as described under "Use of Proceeds" on page S-25 of this prospectus supplement). The information set forth in the following table should be read in conjunction with, and is qualified in its entirety by, our consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2001 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, each of which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

	UNAUDITED	
	AT JUNE 30, 2002	
	HISTORICAL	AS ADJUSTED
	($000'S)	
Debt:		
Mortgages and notes payable	$440,091	$440,091
Minority interests	57,009	57,009
Common shares, par value $0.0001 per share; 287,888 shares issued and outstanding, liquidation preference $3,886	3,809	3,809
Shareholders' equity:		
Common shares, par value $0.0001 per share, authorized 80,000,000 shares, 26,772,987 and 29,172,987 shares issued and outstanding at June 30, 2002 historical and as adjusted, respectively	3	3
Additional paid-in capital	371,427	407,515
Deferred compensation	(2,258)	(2,258)
Accumulated distributions in excess of net income	(73,709)	(73,709)
	295,463	331,551
Less: notes receivable from officers/shareholders	(2,473)	(2,473)
Total shareholders' equity	292,990	329,078
Total capitalization	$793,899	$829,987

MANAGEMENT

TRUSTEES AND EXECUTIVE OFFICERS

The following sets forth information relating to our executive officers and trustees, each of whom is elected annually, holding office until the next annual meeting of shareholders or until his successor has been duly elected and qualified:

E. Robert Roskind Age 57	Mr. Roskind has served as our Chairman of the Board of Trustees and Co-Chief Executive Officer since October 1993. He founded The LCP Group, L.P., a real estate advisory firm, in 1973 and has been its Chairman since 1976. The LCP Group, L.P. has been the general partner of various limited partnerships with which we have had prior dealings. He is also the general partner of a variety of entities that are general partners of various partnerships that hold net leased real properties or interests in real property. Mr. Roskind received his B.S. in 1966 from the University of Pennsylvania and is a 1969 Harlan Fiske Stone Graduate of the Columbia Law School. He has been a member of the Bar of the State of New York since 1970. He is on the Board of Directors of Clarion CMBS Value Fund, Inc.
Richard J. Rouse Age 56	Mr. Rouse has served as our Co-Chief Executive Officer and as a trustee since October 1993. He served as our President from October 1993 to April 1996, and since April 1996 has served as Vice Chairman of our Board of Trustees. Mr. Rouse graduated from Michigan State University in 1968 and received his M.B.A. in 1970 from the Wharton School of Finance and Commerce of the University of Pennsylvania.
T. Wilson Eglin Age 38	Mr. Eglin has served as our Chief Operating Officer since October 1993 and as a trustee since May 1994. He served as our Executive Vice President from October 1993 to April 1996, and since April 1996 has served as our President. Mr. Eglin received his B.A. from Connecticut College in 1986.
Patrick Carroll Age 38	Mr. Carroll has served as our Chief Financial Officer since May 1998 as our Treasurer since January 1999, and as a Vice President since November 2001. Prior to joining us, Mr. Carroll was, from 1993 to 1998, a Senior Manager in the real estate unit of Coopers & Lybrand L.L.P., a public accounting firm, serving both publicly and privately held real estate entities with a focus on due diligence and public equity/debt offerings. Mr. Carroll received his B.B.A. from Hofstra University in 1986 and his M.S. in Taxation from C.W. Post in 1991, and is a Certified Public Accountant.
Paul R. Wood Age 42	Mr. Wood has served as a Vice President and as our Chief Accounting Officer and Secretary since

October 1993. Mr. Wood received his B.B.A. from Adelphi University in 1982 and is a Certified Public Accountant.

William N. Cinnamond
Age 54

Mr. Cinnamond has served as Senior Vice President and head of asset management since September 2001. Prior to joining us, Mr. Cinnamond served as Vice President and Office/Industrial Real Estate Asset Management Sector Head for J.P. Morgan Fleming Asset Management, Inc. from 1989 to 2001. Mr. Cinnamond graduated from

Boston University in 1970 and received his M.B.A. from Syracuse University in 1972.

Janet M. Kaz
Age 38

Ms. Kaz has served as a Vice President since May 1995 and as an Asset Manager since October 1993. Ms. Kaz received her B.A. from Muhlenberg College in 1985.

Philip L. Kianka
Age 45

Mr. Kianka has served as our Vice President of Asset Management since 1997. Mr. Kianka received his B.A. from Clemson University in 1978 and his M.A. from Clemson University in 1981.

George Wilson
Age 41

Mr. Wilson has served as a Vice President since December 2000 and as an Asset Manager since May 1999. Prior to joining us, Mr. Wilson was the Asset Manager for American Real Estate Partners, L.P., a publicly traded net lease real estate partnership, from 1994 to 1999. He received his B.A. from Columbia College in 1983 and his M.S. in Real Estate Development from Columbia University in 1986.

Natasha Roberts
Age 35

Ms. Roberts has served as our Vice President of Acquisitions since 1997. Ms. Roberts received her B.F.A. from New York University in 1989.

Brendan P. Mullinix
Age 28

Mr. Mullinix has served as a Vice President since February 2000 and as a member of the acquisitions department since October 1996. He received his B.A. from Columbia University in 1996.

Carl D. Glickman
Age 76

Mr. Glickman has served as a trustee since May 1994. He has been President of The Glickman Organization, a real estate development and management firm, since 1953. He is on the Board of Directors of Alliance Tire & Rubber Co., Ltd., Bear Stearns Companies, Inc., Jerusalem Economic Corporation Ltd. and OfficeMax Inc., as well as numerous private companies.

Geoffrey Dohrmann
Age 51

Mr. Dohrmann has served as a trustee since August 2000. Mr. Dohrmann is Co-Founder, Chairman and Chief Executive Officer of Institutional Real Estate, Inc., a real estate-oriented publishing and consulting company. Mr. Dohrmann also belongs to the advisory boards for the National Real Estate Index, The Journal of Real Estate Portfolio Management and Center for Real Estate Enterprise Management. He is also a fellow of the Homer Hoyt Institute and holds the and Counselors of Real Estate (CRE) designation.

Jack A. Shaffer
Age 72

Mr. Shaffer has served as a trustee since April 2002. Mr. Shaffer is the Principal, Co-Founder and Chairman of Jack A. Shaffer & Company LLC, a real estate investment advisory firm. Prior to starting Jack A. Shaffer & Company LLC in 2000, Mr. Shaffer served as Principal and Managing Director of Sonnenblick-Goldman Company. Mr. Shaffer is a Governor and Trustee of the Urban Land Institute.

Seth M. Zachary
Age 50

Mr. Zachary has served as a trustee since November 1993. Since 1987, he has been a partner, and is currently the Chairman, of the law firm of Paul, Hastings, Janofsky &Walker LLP, our counsel.

FEDERAL INCOME TAX CONSIDERATIONS

You are advised to assume that the information in the 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 common 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 security holders. 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 security holders 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 Internal Revenue Code of 1986, as amended, which is referred to as 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.

EACH PROSPECTIVE PURCHASER OF COMMON 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 COMMON 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% gross income test or the 95% 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% tax on an amount equal to (a) the gross income attributable to the greater of the amount by which we fail the 75% or 95% test multiplied by (b) a fraction intended to reflect our profitability. Sixth, if we should fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% 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 4% excise tax on the excess of such required distribution over the amounts actually distributed. Seventh, as provided in temporary regulations, and assuming we do not elect to instead be taxed at the time of the acquisition, 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, we would be subject to tax at the highest corporate rate if we dispose of such asset during the 10-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). Eighth, we will incur a 100% 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 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) which is neither a financial institution nor an insurance company subject to certain provisions of the Code, (5) that 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% in value of the outstanding stock of which is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities), 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