

S E C U R I T Y C A P I T A L

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SECURITY CAPITAL

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SECURITY CAPITAL'S OPERATING STRUCTURE AT DECEMBER 31, 2000¹

(In thousands, except per-share data)

	Ownership	Cost	Per-Share Market Value	Total Market Value	Unrealized Gain (Loss)
<i>Public Companies</i>					
CarrAmerica Realty Corporation (NYSE: CRE)	44.1%	\$ 699,905	\$ 31.31	\$ 895,644	\$ 195,739
ProLogis Trust (NYSE: PLD)	30.2%	657,800	22.25	1,110,360	452,560
Regency Centers Corporation (NYSE: REG)	60.2%	759,807	23.69	811,847	52,040
Storage USA, Inc. (NYSE: SUS)	43.5%	394,362	31.75	373,560	(20,802)
<i>Private Divisions</i>					
BelmontCorp	99.9%	102,288	10.00	102,288	—
CWS Communities Trust	94.1%	256,739	10.01	256,739	—
Homestead Village Incorporated	99.9%	596,719	4.10	492,006	(104,713)
InterPark Holdings ²	97.2%	218,728	10.10	218,728	—
Global Capital Management Group (U.S.)	100%	106,866	—	115,876	9,010
Security Capital European Realty	34.6%	440,553	20.00	440,553	—
Totals		\$4,233,767		\$4,817,601	\$ 583,834

¹ Gives effect to the acquisition of SC-U.S. Realty's assets and the sale of Security Capital's Archstone investment pursuant to transactions subsequent to December 31, 2000.

² After 1/10/01 merger with Urban Growth Property Trust.

STATEMENTS OF EARNINGS BEFORE DEPRECIATION, AMORTIZATION AND DEFERRED TAXES (EBDADT)

(In thousands, except per-share data)

	Investees' Total EBDADT				
	2000	1999	1998	1997 ¹	1996 ¹
Operating Company Investments					
<i>Public Companies</i>					
Archstone Communities Trust ¹	\$ 295,323	\$ 276,343	\$ 261,917	\$ 214,221	\$ 181,838
ProLogis Trust ¹	376,718	320,201	228,378	165,563	123,182
Security Capital U.S. Realty ²	171,334	150,993	133,997	88,179	30,356
<i>Private Divisions</i>					
BelmontCorp	(4,892)	(9,864)	(5,095)	(214)	—
Global Capital Management Group (U.S.)	57,703	57,760	41,475	6,639	—
Homestead Village Incorporated	86,404	43,244	37,197	18,190	931
Security Capital European Realty	88,671	39,509	11,447	—	—
Former Investment	—	80,827	147,237	8,880	—
Service revenues ³					
Interest and other income					
Operating expenses					
Interest expense					
Income tax benefit (expense)					
Convertible preferred share dividends					
EBDADT before special items					
Special credit (charge) ⁴	1,519	(65,296)	(7,240)	—	—
Realized gains (losses)	42,082	(81,790)	20,224	49,098	3,480
Extraordinary gain on retirement of debt	—	—	—	—	—
Gain on sale of ASN stock ⁵	—	—	—	—	—
EBDADT after special items					
EBDADT per share before special items⁶					
EBDADT per share after special items⁶					

¹ Reflects pro forma data assuming the September 9, 1997, exchange of Security Capital's REIT management and property management companies for common shares of ProLogis and Archstone Communities occurred as of the beginning of 1996.

² On January 16, 2001, Security Capital purchased the assets of Security Capital U.S. Realty.

³ Service revenues are generated principally from capital markets and capital management activities.

⁴ The 1999 special charge relates to Homestead's land write-downs, employee severance and other expenses related to terminating its development program. The 1998 special charge consists of Security Capital's portion (\$4.7 million) of Homestead's special charges related to a reduction in its development program and \$3.8 million of Security Capital's special charges related to personnel and overhead reductions.

Security Capital's Share of EBDADT					
	2000	1999	1998	1997 ¹	1996 ¹
\$	101,079	\$ 107,809	\$ 99,647	\$ 88,338	\$ 84,536
	114,808	104,842	91,730	69,172	55,358
	69,274	52,937	43,980	28,705	11,832
	(4,878)	(9,864)	(5,095)	(214)	—
	6,139	9,793	9,752	5,284	—
	82,506	36,461	25,532	11,799	546
	30,639	13,568	3,951	—	—
	—	31,145	36,776	2,898	—
	89,639	99,258	99,395	53,411	19,183
	11,346	3,255	2,238	4,085	2,911
	(87,138)	(112,014)	(106,458)	(62,887)	(32,391)
	(78,094)	(82,303)	(59,220)	(27,248)	(6,227)
	(11,397)	785	(4,698)	(575)	—
	(18,035)	(18,035)	(15,245)	(10,425)	—
\$	305,888	\$ 237,637	\$ 222,285	\$ 162,343	\$ 135,748
	1,519	(45,581)	(8,449)	—	—
	338	(81,114)	(409)	21,724	1,330
	6,152	10,942	—	—	—
	123,144	—	—	—	—
	437,041	121,884	213,427	184,067	137,078
\$	2.69	\$ 1.98	\$ 1.78	\$ 1.50	\$ 1.37
\$	3.73	\$ 1.01	\$ 1.72	\$ 1.66	\$ 1.39

⁵ During 2000, Security Capital sold approximately 22.8 million shares of Archstone stock (ASN). In February 2001, Security Capital sold substantially all of its remaining shares in an underwritten public offering, as well as to Archstone, for net proceeds of approximately \$643 million.

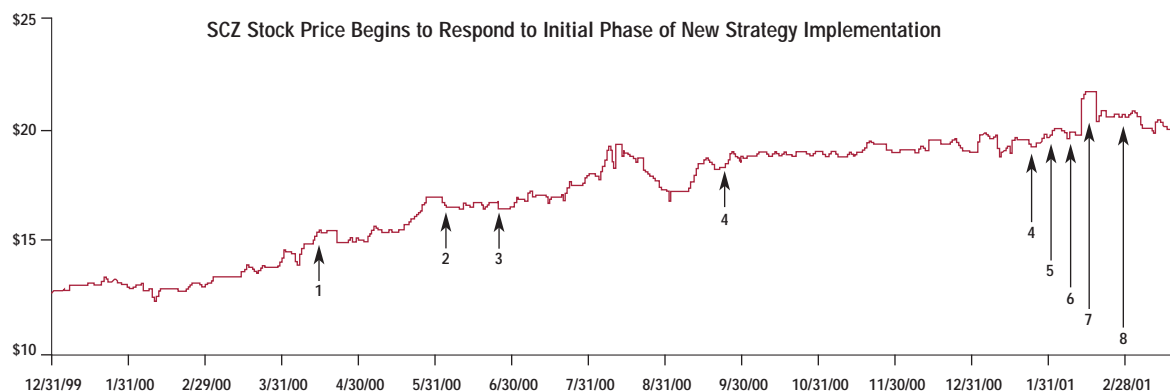
⁶ Security Capital measures EBDADT per share assuming conversion into common stock of all convertible securities that are dilutive (except for the 12% convertible debentures prior to 1998) plus the effect of options and warrants, using the treasury stock method, whose exercise price is below Security Capital's common share price.

LETTER TO SHAREHOLDERS OF SECURITY CAPITAL GROUP

2000 was a year of significant action and achievement for Security Capital Group. The operating businesses met their targets and performed very well. As important, throughout the year, your management team maintained an intense focus on executing key objectives of the strategic plan:

- **Simplify the company's structure to eliminate the discount to the underlying value of its assets**
- **Sell ownership positions that do not meet the company's operating division objectives**
- **Reengineer the firm into an operating company with a few highly focused divisions that are principally wholly owned**

Significant progress was made on all three fronts. From September of 1999 to date, Security Capital completed 11 major "simplification" transactions totaling \$3.6 billion. These transactions, including those detailed in the chart below, were designed to ultimately eliminate the significant discount that exists between the public market price of SCZ stock and the underlying net asset value. The stock price has begun to respond to these actions. Your management team has a focused strategy with specific objectives that will be implemented throughout the balance of the year 2001, resulting in an operating company with a very simple and transparent structure.



1. Begin sale of Archstone shares
2. Homestead Village reengineered / privatization completed
3. Global Capital Management Group (U.S.) assets under management top \$2 billion
4. Announce / complete \$1.6 billion Security Capital/SC-U.S. Realty business combination
5. Announce Board approval of additional \$250 million share repurchase program
6. Announce secondary offering of Archstone shares
7. Report strong Q4 / year-end earnings results (35.9% year-over-year per-share EBDADT growth)
8. Complete sale of remaining Archstone shares

THE STRATEGY

Security Capital's strong earnings growth during 2000 was driven by the excellent performance of our operating businesses in the United States and Europe. The underlying fundamentals in the real estate industry continue to be in equilibrium and, more importantly, the management teams have positioned their businesses to take advantage of opportunities in the market. The strategic objectives are clearly aimed at refocusing investments to maximize shareholder value, as well as to continue to improve operating performance at the operating division level by optimizing earnings and return on equity.

Significant progress has been made through three major transactions: the reengineering and privatization of Homestead, a company with a \$910 million private market capitalization; the \$1.6 billion combination of Security Capital and SC-U.S. Realty; and the four-tranche sale of Security Capital's \$1.2 billion holdings in Archstone. These transactions have reduced the number of publicly traded companies in Security Capital from seven to four and additional steps will be taken to further simplify the structure. Security Capital has increased financial and operational flexibility to make additional transactions that will monetize or consolidate existing businesses. The plan is to continue to concentrate capital in a few real estate businesses that possess five key characteristics.

SECURITY CAPITAL GROUP

100% / High Percentage Ownership of a Few Select Real Estate Operating Divisions

Key Characteristics of Operating Divisions

Ultimately #1 or #2 Leadership Business in Specific Niches

Post Development — Transition Assets to Managed Entities

Produce Substantial Third-Party Customer Service Income

Create Measurable Brand Value

High Sustainable ROE Businesses That Produce S&P Competitive Returns

Security Capital will remain focused on the companies and entities that meet these specific operating criteria as the company moves forward. The strategy dictates that Security Capital own all or a very high percentage of a few highly focused real estate operating businesses. These businesses will be run as private operating divisions. This will enable significant economies of scale and allow cross-integration of people and best practices. **Each operating division will ultimately achieve a high, sustainable return on equity that is competitive with that of leading S&P companies.** The company will exit existing businesses that do not possess the defined characteristics, or that require too much capital to bring ownership up to the desired level.

The key businesses that have the potential to meet Security Capital's operating criteria and become significant contributors to the company's future growth have been identified. Excellent progress is being made in three of the private operating divisions as discussed in the following pages.

OVERVIEW OF THREE PRIVATE OPERATING DIVISIONS

Access Storage Solutions

Access Storage Solutions S.A., a wholly owned division of Security Capital European Realty, is the largest developer, owner and operator of self-storage facilities in Europe, as well as the largest self-storage company in Australia. The company is capitalizing on opportunities in countries where self-storage is still in its infancy. Currently, the total number of self-storage facilities in Europe is less than 375, compared to nearly 30,000 in the United States. Access Storage Solutions has a significant presence with over 60 operating properties in the United Kingdom and France. The company's strategy is to concentrate on new development in difficult-to-duplicate, infill locations in major urban centers in these countries. By emulating the most profitable models of self-storage companies in the United States and creating the leading pan-European brand in this industry, Access Storage Solutions is exceptionally positioned to achieve a high return on equity and profit from the growing global demand for self-storage capabilities.



Access Storage Solutions was created by combining five separate companies. A new identity program designed to create a coherent operating company, increase awareness and enhance service revenues is being implemented in 2001 in all facilities.

BelmontCorp

Started in 1997, Belmont's strategy is to become an industry leader as a developer, owner and operator of purpose-built senior assisted living communities in selected underserved markets with high barriers to entry. The company is well positioned to take advantage of strong fundamentals resulting from a surge in the senior population. Demand for assisted living in Belmont's



The Belmont Village facility in Houston, the prototype for all Belmont facilities, is located within one mile of the world-renowned Texas Medical Center. The facility is 98% leased, at rents above plan. Belmont facilities are built in highly visible infill sites, adjacent to commercial corridors in residential neighborhoods.

target markets exceeds supply by a factor of ten to one, versus the national average of four to one. Belmont facilities are built from the ground up to meet the needs of the market. Belmont facilities are larger than traditional assisted living facilities, with the

number of units per property ranging from 120 to 170. This approach affords greater economies of scale and enables gross margins in excess of 40%, while allowing Belmont to provide its residents with superior services. Belmont has built an exceptional management team that is setting the standard for operating excellence and value, creating the leading brand in the senior assisted living industry. Belmont currently has five operating properties, four properties under construction and six properties in planning. Lease-up is ahead of plan, at rental rates surpassing budget, resulting in a high return on equity.

InterPark

InterPark's strategy is to create America's leading branded parking company in markets that operate 24 hours a day, seven days a week. The company focuses on large facilities in areas of significant urban development where multiple uses such as business, residential, entertainment, hotel and tourism drive around-the-clock demand. The leading national owner of major off-street parking facilities in a highly fragmented industry where demand exceeds supply, InterPark recently expanded into the largest parking market in the world through an ownership position in the third largest parking operator in New York City. Through utilization of the proprietary RevPlus™



Traders/Tower Self Park in Chicago's Loop district is strategically located between the Sears Tower and the Board of Trade. This major facility was created by developing an 800-car facility and designing it to align floors with a 1,200-car facility across the alley. Upon acquisition of the second facility, the two garages were connected with vehicular ramps and now operate as one modern, highly automated facility.

system, InterPark is using technology to enhance customer service and increase operating income to create unparalleled operating performance at each of its facilities. The RevPlus™ system combines yield management, cash control, customer service, redevelopment and alternative revenue source generation. This system, along with its highly recognizable brand, will result in a high return on equity and positions InterPark as the premier parking owner and operating company in the United States. InterPark is established in 12 of its 13 target markets with 102,840 parking spaces and over \$240 million in system-wide parking revenue.

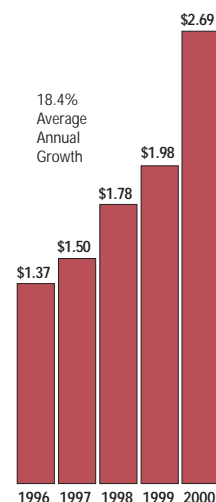
2000 OPERATING HIGHLIGHTS

Security Capital continued to improve operating performance and increase earnings growth during 2000. Per-share EBDADT (earnings before depreciation, amortization and deferred taxes) rose 35.9% to \$2.69 at year-end 2000. For the year 2000, total EBDADT was \$305.9 million compared to \$237.6 million in 1999. These results do not include the positive impact of special items totaling \$131.2 million or \$1.04 per share for the year. The Global Capital Management Group (U.S.) increased total assets under management to over \$2 billion.

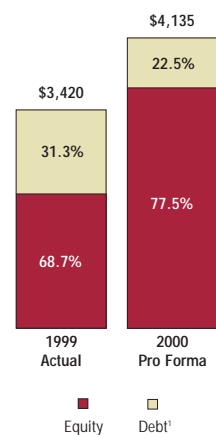
In 2000, Security Capital repurchased and retired 12.9 million equivalent SCZ shares, or an aggregate of \$208.9 million. Since the company initiated share repurchases, through March 1, 2001, \$310.3 million of SCZ stock and \$80.5 million of convertible debentures have been repurchased. Security Capital's Board has authorized a current share repurchase program of \$250 million.

Security Capital continues to maintain a strong balance sheet, with significant financial flexibility. Cash flow from operations (after taxes, interest expense and preferred share dividends) for the four quarters ended December 31, 2000, was \$116.5 million, compared to \$60.3 million a year ago. Cash flow during 2001 will be strengthened as a result of the SC-U.S. Realty transaction; Security Capital now has direct ownership in these businesses and is the direct beneficiary of their dividend streams. The coverage ratio for the trailing four quarters ended December 31, 2000, was 2.98, compared to 2.16 at December 31, 1999. As of March 1, 2001, total long-term indebtedness was \$925.6 million with an average maturity of 12.0 years at an average fixed rate of 7.2%; the company had no balance on its \$470 million line of credit.

Growth in EBDADT Per Share
(before special items)



Balance Sheet Capitalization
(in millions)



¹Debt includes Security Capital's line of credit, long-term debt and convertible debentures.

THE FUTURE

Security Capital's management team is dedicated to completing the reengineering of the company as expeditiously as possible, in a manner that will maximize value. The company is near the midpoint of transforming into a simplified operating company structure. In the process, the company will continue to build upon its deep management team and the exceptional operating platforms of its businesses to create superior long-term earnings growth.

The international public real estate industry is still in its infancy, and this creates outstanding opportunities to generate significantly higher returns on equity for shareholders. Security Capital's strategy is squarely aimed at taking advantage of the changes that will take place in the real estate industry in order to create meaningful shareholder value.

On March 19, 2001, Security Capital announced a \$200 million "Dutch auction" tender offer to repurchase more of its significantly undervalued stock. As the future unfolds, however, the majority of *new* capital that is generated for investment will be utilized to fund the business plans of the firm's wholly owned operating divisions.

The Annual Meeting of Shareholders will take place in Santa Fe on Thursday, May 17, 2001 at the Eldorado Hotel, 309 W. San Francisco Street, Santa Fe, New Mexico, at 9:30 a.m. (Mountain Time). Once again, there will be a brief business presentation with the balance of time allowed for a question and answer session.

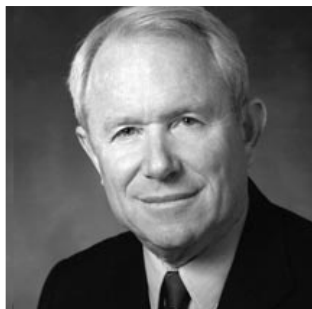
The hard work and dedication of many, many Security Capital colleagues at all levels throughout the organization helped make 2000 successful. These colleagues and the Board of Directors of Security Capital thank you for your support as Security Capital continues to work to successfully implement its strategy.

William D. Sanders
Chairman

C. Ronald Blankenship
Vice Chairman

April 12, 2001

OPERATING COMMITTEE OF
SECURITY CAPITAL GROUP INCORPORATED



WILLIAM D. SANDERS
Chairman



C. RONALD BLANKENSHIP
Vice Chairman



THOMAS G. WATTLES
Managing Director



ANTHONY R. MANNO, JR.
Managing Director



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Managing Director



CONSTANCE B. MOORE
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PAUL E. SZUREK
Managing Director

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(an affiliate holds an investment in Security Capital)

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§ *Executive Committee*

* *Management Development and Compensation Committee*

^ *Nominating and Corporate Governance Committee*

• *Advisory Director*

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SHAREHOLDER INFORMATION

Notice of Annual Meeting

The Annual Meeting of Shareholders of Security Capital will be held at the Eldorado Hotel, 309 W. San Francisco Street, Santa Fe, New Mexico, at 9:30 a.m. (Mountain Time) on Thursday, May 17, 2001. Your proxy materials will explain how you can obtain the card you will need for admission. For further information, including hotel reservations, please call (800) 988-4307.

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New York Stock Exchange: SCZ

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