SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X]QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

OR

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-8692

PACIFIC GATEWAY PROPERTIES, INC.
(Exact name of Registrant as specified in its charter)

NEW YORK
04-2816560
(State or other jurisdiction of
(IRS Employer
incorporation or organization)
Identification No.)

ONE RINCON CENTER, 101 SPEAR STREET, SUITE 215, SAN FRANCISCO, CALIFORNIA 94105
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code (415) 543-8600

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 31, 1994:

$1.00 Par Value Common Stock
3,878,964
(Title of Class)
(Number of Shares Outstanding)

PACIFIC GATEWAY PROPERTIES, INC.

INDEX

PACIFIC GATEWAY PROPERTIES, INC.
CONSOLIDATED BALANCE SHEET (Unaudited)
(In Thousands, Except Share Amounts)

<TABLE>
<CAPTION>

	As of March 31, 1994	As of December 31, 1993
ASSETS		
<S>	<C>	<C>
Cash and short-term investments	$ 843	$ 743
Accounts receivable	1,208	993
Other current assets	98	163
Investment and hotel properties:		
Land	16,516	16,516
Buildings	73,226	73,192
Other deferred costs	15,813	15,563
Subtotal investment and hotel properties	105,555	105,271
Less-accumulated depreciation and amortization and net realizable value reserve	(30,042)	(29,485)
Investment and hotel properties, net	75,513	75,786
Equity investment in and loans to Rincon Center Associates, net	6,286	6,491
Note receivable	234	236
Other assets, net	94	178
Total assets	$ 84,276	$ 84,590
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	$ 780	$ 1,142
Accrued payroll, property and sales taxes	388	603
Prepaid rent	78	240
Accrued interest on debt	489	214

Other current liabilities	138	46
Tenant security deposits	611	624
Debt	96,337	97,095
Other debt related to equity investment in Rincon Center Associates	1,845	1,821
Excess of cash distributions received over equity in earnings to date of Golden Gateway Center	18,002	18,126
Total liabilities	118,668	119,911
Stockholders' deficit:		
Common stock $1.00 par value-- Authorized--10,000,000 shares Issued--4,010,150 shares	4,010	4,010
Paid-in-deficit	(10,223)	(10,223)
Retained deficit	(27,987)	(28,916)
Treasury stock, at cost--131,186 common shares	(2,082)	(2,082)
Warrants for common stock	1,890	1,890
Total stockholders' deficit	(34,392)	(35,321)
Total liabilities and stockholders' deficit	$ 84,276	$ 84,590

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements

PACIFIC GATEWAY PROPERTIES, INC.
CONSOLIDATED STATEMENT OF INCOME (Unaudited)
(In Thousands, Except Per Share Amounts)

<TABLE>

	For the Quarter Ended March	
<CAPTION>		
<S>	<C>	<C>
	1994	1993
Investment Properties:		
Rental revenues	$2,859	$3,530
Operating expenses	(1,217)	(1,578)
Income before depreciation and interest expense	1,642	1,952
Interest expense	(803)	(1,394)
Depreciation and amortization	(468)	(747)
Investment properties income (loss)	371	(189)
Hotel Property:		
Revenues	2,706	2,381
Operating expenses	(1,541)	(1,568)
Income before depreciation and interest expense	1,165	813
Interest expense	(185)	(203)
Depreciation and amortization	(92)	(95)
Hotel income	888	515
Equity in Partnership Income (Loss):		
Golden Gateway Center (GGC)	331	213
Rincon Center Associates (RCA)	(545)	(566)
Equity in partnership income (loss)	(214)	(353)
General and administrative expenses	(360)	(403)
Interest expense on debt secured by equity investment in GGC and other corporate debt	(168)	(137)
Interest and fee expense for debt related to equity investment in RCA	(59)	--
Interest income	142	7
Other income	335	88
Income (loss) before partnership and property transactions,and income taxes	935	(472)
Gain on sale of partnership interest	--	3,602
Loss on sale of real estate asset	--	(156)
Income before income taxes	935	2,974
Income tax provision	(6)	(4)
Net Income	$ 929	$2,970
Income per share, primary and fully diluted	$ 0.23	$ 0.77

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements

PACIFIC GATEWAY PROPERTIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
(In Thousands)

<TABLE>

<S>	For the Three Months M\Ended March 31, 1994 <C>	1993 <C>
Cash flow from operating activities:		
Net income	$929	$2,970
Non-cash revenues and expenses included in income:		
Provision for depreciation	580	842
Equity in loss of investment partnerships	214	353
Other non-cash charges relating to investment partnerships	--	(62)
Loss on sale of real estate assets, net	--	156
Gain on sale of partnership interests	--	(3,602)
Changes in assets and liabilities:		
Accounts receivable and other current assets	(150)	(13)
Other assets	67	20
Accounts payable and other current liabilities	(371)	(286)
Other liabilities	(13)	(350)
Cash flow generated by operating activities	1,256	28
Cash flow from investing activities:		
Additions to investment and hotel properties	(204)	(303)
Proceeds from sale of property	--	895
Proceeds from sale of partnership interest, net	--	1,781
Contributions to investment partnerships	(340)	(38)
Distributions from investment partnerships	206	177
Net cash generated by (used in) investing activities	(338)	2,512
Cash flow from financing activities:		
Borrowings in connection with equity investment	399	--
Payments on debt	(758)	(148)
Payment on debt, and accrued fees and interest in connection with equity investment	(375)	--
Payment on line-of-credit	--	(1,500)
Payment of loan costs and fees	(84)	--
Mortgages satisfied in connection with property disposition	--	(767)
Net cash used in financing activities	(818)	(2,415)
Increase in cash and short term investments	100	125
Balance at beginning of period	743	1,510
Balance at end of period	$ 843	$1,635
Supplementary disclosures:		
Cash paid for interest	$1,044	$1,526

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements

PACIFIC GATEWAY PROPERTIES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the Quarter Ended March 31, 1994

1. Organization and Summary of Significant Accounting Policies

The significant accounting policies and other information regarding the Registrant's financial statements are set forth in the Notes to the Registrant's Audited Consolidated Financial Statements for the three years ended December 31, 1993, as set forth in the Registrant's Annual Report on Form 10K. The Registrant has made no significant changes to these policies during 1994.

In the opinion of the Registrant, the accompanying unaudited financial statements reflect all adjustments necessary to present fairly the Registrant's financial position as of March 31, 1994, and its results of operations and cash flows for the three month periods ended March 31, 1994 and 1993.

Reclassifications

Certain prior year amounts have been reclassified to be consistent with current year classifications.

2. REAL ESTATE PARTNERSHIP INVESTMENTS

OPERATING PARTNERSHIPS

Golden Gateway Center Partnership (GGC)--San Francisco, California

The Registrant owned a 32.5% general partnership interest in GGC during 1992. In connection with the sale of a portion of its interest in 1991, the Registrant entered into an arrangement whereby, barring certain conditions, the Registrant could put or the buyers could call an additional 3% partnership interest, at different points in time after December 31, 1992, at essentially the same price as the 1991 transaction. The Registrant put the additional 3% partnership interest to the buyers in February 1993 for cash proceeds of $1,795,000, resulting in a gain of $3,602,000. As of March 31, 1994, the Registrant owns a 29.5% partnership interest in GGC. The Registrant has accounted for its investment in GGC on the equity basis since 1991.

Summary financial data for the three months ended March 31, 1994 and 1993, for GGC is as follows (in thousands):

<TABLE>

<S>	<C>	<C>
.	1994	1993
Cash distributions to the Registrant from GGC	$ 206	$ 177
Income from operations:		
Revenues	$4,941	$4,760
Expenses:		
Operating	1,751	2,024
Interest	1,839	1,806
Depreciation and amortization	230	247
.	3,820	4,077
Net income	$1,121	$ 683
Registrant's share of net income of GGC	$ 331	$ 213

</TABLE>

Rincon Center Associates Partnership (RCA)--San Francisco, California

The Registrant owns general and limited partnership interests in RCA totalling approximately 23%, and is responsible for 20% of cash requirements in excess of available financing. The Registrant's investment in RCA includes contributions of $340,000 and $38,000 during the first quarters of 1994 and 1993, respectively, to fund operating costs and debt repayments.

RCA sold Rincon Center Phase One to Chrysler MacNally Corporation (Chrysler) in June 1988; subsequently, RCA leased the property back under a master lease which is treated as an operating lease for financial reporting purposes.

In September 1993, RCA completed a refinancing of Rincon Center Phase Two with its existing lender. As a result of this refinancing, the Registrant's letter-of-credit, in favor of the bank involved in the RCA financing, was reduced from $6.25 million to $4.5 million. The letter-of-credit expires June 1994. This letter-of-credit is secured by the Registrant's 410 First Avenue property and the lender has requested additional collateral. The Registrant is seeking to satisfy the collateral request and/or further reduce the required amount of the letter-of-credit, however, its ability to do so is dependent upon the cooperation of another lender.

The Registrant earns a fee from RCA for posting the letter-of-credit and earns a preferred return at the prime rate plus 2% on its advances to RCA. Since 1993, no letter-of-credit fees or interest on its advances have been accrued. During the first quarter of 1994, RCA paid the Registrant approximately $233,000 in outstanding letter-of-credit fees and $142,000 in outstanding interest on its advances relating to prior years. As previously discussed, it is the Registrant's policy not to recognize this income until received.

The Registrant completed an agreement in June 1993 with the other general partner in RCA. This agreement provides the Registrant with the flexibility to borrow funds from the other general partner to limit its future cash obligations to RCA. Under this funding arrangement, all amounts advanced, related fees and accrued interest are non-recourse to the Registrant. This agreement does not reduce the level of the Registrant's general and limited partnership interests in RCA. Interest accrues on the unpaid portion of both the principal amount advanced and related fees at the Bank of America prime rate plus 2%. Amounts advanced under this funding arrangement, plus related fees and accrued interest, are required to be repaid from future cash distributed by RCA to the Registrant.

On March 31, 1994, the Registrant repaid a total of $375,000 toward the amounts advanced, accrued fees, and accrued interest using the payment received from RCA for outstanding letter-of-credit fees and interest on advances as previously discussed. The total amount outstanding under this funding arrangement as of March 31, 1994, was $1,845,000. All accrued fees and interest were paid in full as of March 31, 1994.

Summary financial statement data for the three months ended March 31, 1994 and 1993, for RCA is as follows (in thousands):

<TABLE>

<S>	1994 <C>	1993 <C>
Cash contributions from the Registrant to RCA	$ 340	$ 38
Income (loss) from operations:		
Revenue	$ 5,040	$ 4,884
Expenses:		
Operating and lease expenses	4,243	3,782
Financing	2,160	2,589
Depreciation and amortization	1,025	996
	7,428	7,367
Net loss	$(2,388)	$(2,483)
Registrant's share of net loss of RCA	$ (545)	$ (566)

</TABLE>

3. Per Share Data - Per share data is based on the weighted average number of the Registrant's common shares and common share equivalents. Outstanding warrants and stock options enter into the common shares outstanding using the Treasury Stock Method, as follows:

<TABLE>

<CAPTION>

As of March 31, <S>	1994 <C>	1993 <C>
Weighted average common shares outstanding	3,878,964	3,878,964
Common share equivalents	226,987	3,071
Total weighted average common shares and common share equivalents, for primary and fully diluted	4,105,951	3,882,035

</TABLE>

4. Debt

Debt Secured by Partnership Interest in Golden Gateway Center and Mortgages on Real Estate From Primary Lender - In December 1993, the Registrant completed a restructuring of its non-revolving line-of-credit, letter-of-credit, unsecured bonds, and certain mortgages with its primary lender.

Statement of Financial Accounting Standards No. 15 requires the Registrant to account for future interest resulting from this transaction using an imputed interest rate versus the stated rates on the debt from the primary lender. In addition, the primary lender's cancellation of debt of $4 million is not recognized for financial reporting purposes. The imputed interest rate as of March 31, 1994, was approximately 4.0%. As a result, the amount of interest recorded for financial reporting purposes is lower than the stated interest on the face amount of the debt by approximately $109,000 for the first quarter of 1994. Since the imputed interest for financial reporting purposes is less than the stated interest rates, the difference was allocated to reduce actual interest expense and the principal amount outstanding on the Registrant's Consolidated Financial Statements.

Line-of-Credit - The Registrant restructured its non-revolving line-of-credit with its primary lender in December 1993. The balance of the line-of-credit as of December 31, 1992, was $10.5 million, and in February 1993, the Registrant repaid $1.5 million of the balance outstanding using the proceeds of the sale of the 3% Golden Gateway Center partnership interest as previously discussed.

Other Mortgages on Real Estate - The Registrant continues to actively pursue potential sales of certain real estate assets in cases where a transaction would generate acceptable stockholder value and improve corporate liquidity. One property was sold in January 1993 which generated a non-cash loss of $156,000 and resulted in satisfaction of the outstanding $767,000 mortgage loan.

The Mountain Bay Plaza property is still in the process of foreclosure as more fully described in the

Registrant's 1993 Audited Consolidated Financial Statements. The net book value of the property continues to equal the amount of the mortgage debt in the Registrant's Consolidated Financial Statements as of March 31, 1994.

5. Income Taxes

Except for actual state franchise tax payments made, no provision for income taxes has been recorded in the first quarter of 1994, since the Registrant will utilize a portion of its net operating loss carryforward to offset current year income and any alternative minimum tax is not considered material at this time.

ITEM 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

Financial Position

Capital Improvements, Tenant Improvements and Other Deferred Costs - First quarter 1994 additions to investment properties amounted to approximately $204,000 for tenant improvements, capital improvements and other deferred costs. The $204,000 of capital expenditures during the first quarter of 1994 is a decrease from the $303,000 expended in the first quarter of 1993.

Financing - On March 31, 1994, the face amount of the floating rate mortgage debt totaled approximately $58.2 million, bearing interest at quarter-end weighted average stated rate of 5.7%. The face amount of the fixed rate mortgage debt (excluding the Mountain Bay Plaza debt) totaled approximately $19.4 million bearing interest at quarter-end weighted average stated rate of 9.9%.

Net Income

Investment Properties - During the first quarter of 1994, the income from investment properties was $371,000 compared to a loss of $189,000 during the first quarter of 1993. Approximately, $122,000 of the income in the first quarter of 1994 is attributable to Mountain Bay Plaza which is in the process of being foreclosed by its lender. On January 20, 1994, the Court appointed a Receiver to operate the property, and the Registrant's income does not reflect a full quarters operations from this property in 1994. Approximately $634,000 (of the $671,000) reduction in rental revenues and $382,000 (of the net $361,000) reduction in operating expenses in the first quarter of 1994 compared to the first quarter of 1993 is due to: one property disposition in Boca Raton, Florida during the first quarter of 1993, the Mountain Bay Plaza foreclosure-in-process, and two property

dispositions in the latter part of 1993 (Fairmount Square, Phoenix, Arizona and the Longwood, Florida buildings). For the remaining balance of investment properties, there was a decrease in rental revenue of $37,000 and an increase in operating expenses of $21,000 for the first quarter in 1994 compared to the first quarter in 1993. The decrease in rental revenue in the first quarter 1994 is primarily a result of tenant consolidations in the Registrant's portfolio compared to the first quarter in 1993.

Hotel Property - The hotel property income increased from $515,000 in the first quarter 1993 to $888,000 in the first quarter 1994. The bulk of the improvement relates to an increase in the average occupancy and in the average daily room rate. Interest expense decreased $18,000 from the first quarter 1993 amount of $203,000 to $185,000 for the first quarter 1994, primarily as a result of the effects of the Registrant's debt restructuring with its primary lender in December 1993.

Equity in Partnership Income - Golden Gateway Center (GGC) - Net income for GGC during the first quarter of 1994 and 1993 was $1,121,000 and $683,000 respectively, reflecting continued improvement in operations for the project.

Equity in Partnership Loss - Rincon Center Associates (RCA) -The net loss for Rincon Center decreased from $2,483,000 in the first quarter of 1993 to a net loss of $2,388,000 in the first quarter of 1994. The reduction in the net loss is a result of stabilized occupancy and a reduction in operating cost at Rincon Center.

General and Administrative Expenses - General and administrative expenses in the first quarter of 1994 amounted to $360,000 compared to $403,000 for the first quarter of 1993. The amount incurred during the first quarters of 1994 and 1993 was what the Registrant anticipated and reflects ongoing efforts to reduce these costs.

Interest Expense on Debt Secured by Equity Investment in GGC and Other Corporate Debt - In 1994, corporate interest expense relates to that portion of the Registrant's debt with its primary lender that is cross-collateralized by the Registrant's partnership interest in GGC. In 1993, corporate interest expense relates primarily to borrowings under the Registrant's non-revolving line-of-credit and unsecured bonds. Interest expense in the first quarter of 1994 was $168,000 compared to

$137,000 for the first quarter of 1993. This increase is a result of the Registrant's debt restructuring with its primary lender which increased the amount of debt cross-collateralized by the GGC partnership

interest.

Interest and Fee Expense for Debt Related to Equity Investment in RCA - During the first quarter of 1994, the Registrant incurred approximately $59,000 in interest and fee expense related to the funding arrangement with the other general partner on Rincon Center, as previously discussed. This funding arrangement did not exist in the first quarter of 1993.

Interest Income - During the first quarter 1994 and 1993 interest income was $142,000 and $7,000, respectively. A significant portion of the interest income in the first quarter of 1994 is attributable to a payment by RCA for a portion of the interest outstanding on partner advances to RCA.

Other Income - In the first quarter of 1994, other income includes a $233,000 payment by RCA for a portion of the fees due its general partners for posting a letter-of-credit; and the proceeds from the sale of vacant land in Longwood, Florida and Colorado Springs, Colorado. Other income in the first quarter of 1993 includes primarily fees accrued for Rincon Center Associates (RCA) for posting a secured letter-of-credit.

Gain on Sale of Partnership Interest - In February 1993, the Registrant sold an additional 3% partnership interest in Golden Gateway Center as previously discussed.

Loss on Sale of Real Estate Asset - In January 1993, the Registrant disposed of its BOCA II property in Boca Raton, Florida to an unrelated third party. In connection with this property disposition, the Registrant realized a loss of $156,000. The net cash proceeds from the BOCA II disposition amounted to approximately $103,000.

Liquidity and Capital Resources

The bulk of the Registrant's resources are committed to relatively non-liquid real estate assets. Traditionally, these assets, due to their value and cash flow, provided the Registrant with an ability to generate capital as required, both internally and externally, through asset-based financings. In addition, in 1993 and 1992 assets or portions thereof, were sold to provide further liquidity.

During 1993, the Registrant took several aggressive actions to generate and conserve cash, and continues to review and analyze additional potential actions. At the same time, the Registrant is seeking to retain value and identify future opportunities for investment. The Registrant's liquidity was under significant strain throughout 1993 which continues to be the case in 1994. The Registrant has sought to reduce the strain by minimizing its financial exposure to properties secured by non-recourse mortgage loans. This has been done when such expected exposure exceeded the total of estimated future cash flow after debt service plus the estimated residual cash in excess of the cost of servicing the mortgage, which a sale of such property may generate. No properties were conveyed to lenders in 1993, however, Mountain Bay Plaza may be conveyed to its lender in 1994. Additionally, the Registrant has actively pursued potential sales of certain real estate assets in the past, and may continue to do so in the future in cases where a transaction would generate acceptable stockholder value and corporate liquidity. In the first quarter of 1993, the Registrant sold one such property as previously discussed.

It is the Registrant's intent to increase its liquidity in a variety of ways including: (a) regular debt reductions, (b) the sale of properties which do not fit within its long term strategy, and (c) infusion of new capital through either a private placement or public offering when market conditions permit. Funds raised in the preceding fashion would be used for such things as tenant improvements and other capital requirements, certain mandatory debt reductions, and new investments.

The Registrant experienced more stabilized operating results in 1993, and expects this trend to continue since certain unprofitable properties disposed of in 1992 and 1993 will no longer affect operating results.

ITEM 6. Exhibits and Reports on Form 8K

The Registrant filed a report on Form 8K on January 25, 1994, for the issuance of Warrants to its primary lender to acquire up to 2,000,000 shares of the Registrant's Common Stock at an exercise price of $2.875 per share in connection with a debt restructuring in December 1993 as previously discussed.

SIGNATURES

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

PACIFIC GATEWAY PROPERTIES, INC.
Registrant

Date: May 11, 1994

Roger D. Snell
President and Chief Executive Officer

Date: May 11, 1994

Raymond V. Marino
Vice President and Controller
(Principal Financial & Accounting Officer)