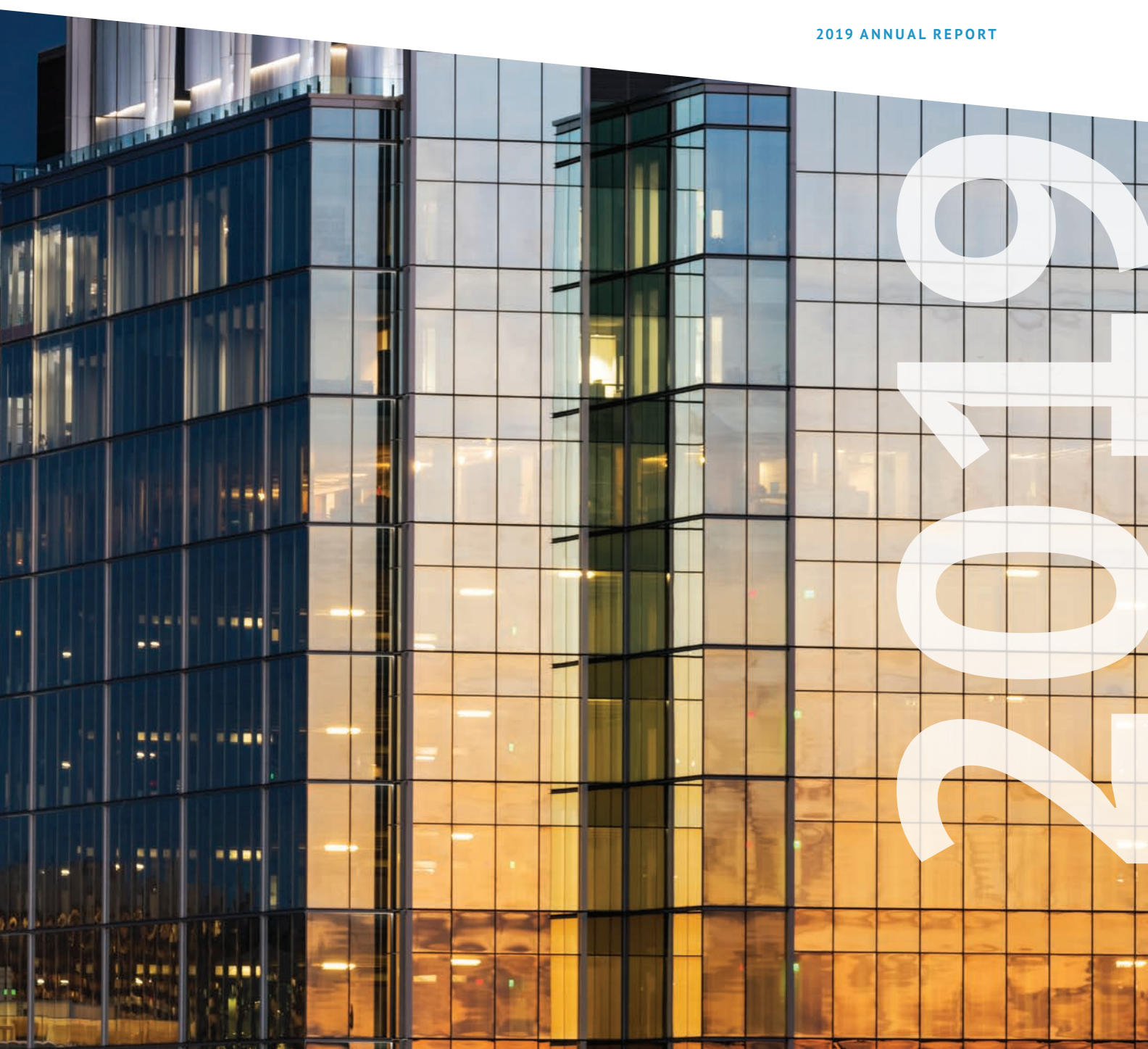




Boston
Properties

2019 ANNUAL REPORT



2019

A tall, cylindrical skyscraper with a glass facade, the Salesforce Tower in San Francisco, dominates the left side of the image. The building's surface reflects the bright blue sky and surrounding cityscape. In the background, the San Francisco Bay is visible, with the Golden Gate Bridge and Alcatraz Island in the distance. The sky is a clear, vibrant blue. The overall scene is a high-angle, wide shot of the city skyline.

bxp Boston
Properties

Salesforce Tower, San Francisco, CA

About Boston Properties

Integrity / Commitment / Quality / Vision

Boston Properties, Inc. (NYSE: BXP) is the largest publicly-traded developer, owner and manager of Class A office properties in the United States, concentrated in five regions—Boston, Los Angeles, New York, San Francisco and Washington, DC. The Company is a fully integrated real estate company, organized as a REIT, that develops, manages and operates a diverse portfolio of primarily Class A office space. The Company's portfolio totals 52.0 million square feet and 196 properties, including 11 properties under construction/redevelopment.

Boston Properties is well known for its development expertise, in-house building management and responsiveness to tenants' needs. The Company holds a superior track record of developing premium Central Business District (CBD) office buildings, successful mixed-use complexes and build-to-suit projects for a diverse array of creditworthy tenants.

Boston Properties actively works to promote its growth and operations in a sustainable and responsible manner. The Company has earned eight consecutive Global Real Estate Sustainability Benchmark (GRESB) Green Stars and the highest GRESB 5-star Rating.

The Company was founded in 1970 and became a public company in 1997.

This Annual Report contains "forward-looking statements" within the meaning of the federal securities laws. See the discussion under "Forward-Looking Statements" in the Form 10-K for matters to be considered in this regard. This Annual Report also contains certain non-GAAP financial measures within the meaning of Regulation G. The calculations of these non-GAAP financial measures may differ from those used by other REITs. The reasons for their use and reconciliations to the most directly comparable GAAP measures are included in the Form 10-K and on the pages immediately following the Form 10-K titled "Disclosures Relating to Non-GAAP Financial Measures." Data as of 12/31/19 unless noted.

To Our Shareholders

2019 was a successful and rewarding year for Boston Properties. We continued to execute on our long-term, proven strategy of developing, owning and managing primarily premier office assets across five leading U.S. markets. In 2019 this strategy allowed us to outperform the majority of our peers in year-over-year FFO per share growth and deliver industry-leading shareholder returns.

As we publish this annual report, the COVID-19 pandemic is unfolding around the world. Though the full impact of the crisis is currently unknown, the economic environment has significantly deteriorated. BXP will not be immune to the dramatic disruptions in global and domestic economic activity, but with our strong balance sheet, portfolio of high-quality assets, and long lease terms with credit-strong tenants, we are well-positioned to manage the economic downturn, recover and continue to create long-term shareholder value.

In 2019, BXP continued to operate in accordance with our earned reputation as a developer and landlord of choice for industry-leading tenants in geographic markets with the strongest economic growth. We developed and delivered a number of extraordinary Class A properties, completed historical levels of leasing across our regions, enhanced existing assets and divested select portions of our portfolio. These achievements underscore our unwavering commitment to increasing shareholder returns and delivering durable cash flows throughout economic cycles.

Specifically, in 2019 we:

- Delivered diluted FFO per share of \$7.01, growth of 11% year-over-year;
- Declared total dividends of \$3.83 per share for the year and increased our regular quarterly dividend 3.2% to \$0.98 per share. BXP has now increased its regular quarterly dividend by 42% over the past 3 years; and
- Delivered a total shareholder return since our 1997 IPO of 1,346% compared to the S&P 500 Index total return of 456% and the FTSE Nareit All REITs Index total return of 662%.

While we are pleased with our financial accomplishments in 2019, we are also proud of our business achievements which reflect the strong leadership, commitment and expertise of our teams across our regions. In 2019, our significant business highlights include:

- Completed 322 leases comprising 7.6 million square feet, our second highest level of annual leasing in Company history,
- Increased in-service portfolio occupancy 160 basis points year-over-year to 93.0%,

- Completed 865,000 square feet of new developments representing \$488 million of total investment¹,
- Commenced three new development and redevelopment projects totaling one million square feet with projected development investment of \$822 million. This brings our active development pipeline to 12 projects, totaling 5.5 million square feet⁷. Our share of the estimated investment for these projects is \$3.1 billion with a projected initial unleveraged cash yield of approximately 7%. The commercial components of these developments are 76% pre-leased²,
- Acquired 880 and 890 Winter Street, a two-building class A office campus totaling 392,000 square feet, in Waltham, Massachusetts, and
- Completed several dispositions of assets with gross sales totaling approximately \$406 million, including our 60% interest in 540 Madison Avenue in New York and other suburban properties and land parcels. We also entered into a joint venture agreement for our Platform 16 development site in San Jose, California with Canadian Pension Plan Investment Board who is taking a 45% interest in the development.

COMPANY STRATEGY

We remain committed to Boston Properties' long-term strategy, which has driven superior investment returns for our shareholders through our history as a public company. The key tenets of our business strategy are to:

- Maintain a keen focus on select markets that exhibit the strongest economic growth and investment characteristics over time—currently Boston, Los Angeles, New York, San Francisco and Washington, DC,
- Invest in the highest quality buildings (primarily office) with unique amenities and desirable locations that are able to maintain high occupancy rates and achieve premium rental rates through economic cycles,
- Maintain scale and a full-service real estate capability (leasing, development, construction and property management) in our markets to ensure we (1) see all relevant investment deal flow, (2) maintain an ability to execute on all types of real estate opportunities, such as acquisitions, dispositions, repositioning and development, throughout the real estate investment cycle, (3) provide superior service to our tenants and (4) develop and manage our assets in the most sustainable manner possible,



Owen D. Thomas, *Chief Executive Officer* (L)

Douglas T. Linde, *President* (R)

“At Boston Properties we are fortunate to have a very stable, talented and dedicated team of professionals. We take great pride in the quality of our work, the customers we serve, the communities we support, the assets we nurture and the trust we develop with investors and industry professionals.”

- Be astute in market timing for investment decisions by acquiring properties in times of opportunity, developing new properties in times of growth and selling assets at attractive prices, resulting in continuous portfolio refreshment,
- Ensure a strong balance sheet to maintain consistent access to capital and the resultant ability to make new investments at opportune points in time, and
- Foster a culture and reputation of integrity, excellence and purposefulness, making us the employer of choice for talented real estate professionals, the landlord and developer of choice for our customers, as well as the counterparty of choice for real estate industry participants.

We are pleased with our leadership position, as well as our prospects for increasing shareholder value. We are the largest U.S. office REIT as measured by total consolidated market capitalization. We plan to grow our FFO per share long-term by (1) delivering our current development pipeline and (2) meeting leasing demand in our existing portfolio to achieve same-property NOI growth. Further, our strong balance sheet provides insulation during economic disruptions.

CAPITAL MARKET CONDITIONS

2019 represented a period of steady economic growth in the U.S. with strong job creation, space demand and rent growth. In addition, capital market conditions were constructive for continued real estate value creation and the 10-year U.S. Treasury rate remained low. As we write this letter, the COVID-19 pandemic has led to volatile capital market conditions. We continue to have selective access to the public and private markets, though the current pricing for capital is highly variable. Our balance sheet remains strong, our leverage remains low and we retain significant liquidity to operate through the pandemic. As a

result, we expect to continue to have access to capital to fund our business, support our operations and grow our business long-term.

PROPERTY MARKET CONDITIONS

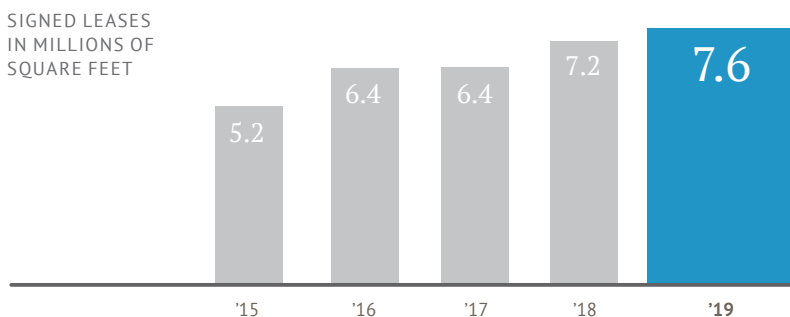
In 2019, as the extended economic recovery continued and unemployment remained at 50-year lows, many of our existing and potential customers increased their space needs. In their competition for talent, they modernized existing offices or committed to building new headquarters. Further, we saw a decided tilt toward demand from technology and life science tenants given the increasing levels of task automation, spurred by new technologies, occurring among our traditional customer base. These trends have been positive for Boston Properties given our market selection, the quality of our existing assets and our reputation as a developer of innovative workspaces that enable tenants to attract and retain talent.

LEASING

Our leasing teams had a very successful year in 2019 as we executed 322 leases representing 7.6 million square feet of space, which is the second largest annual leasing level ever achieved at Boston Properties. The activity includes large leases completed across our portfolio, including a 545,000 square-foot renewal with Bank of America at 100 Federal Street in Boston; a 493,000 square-foot renewal with the Federal Government at New Dominion in Herndon, Virginia; a 450,000 square-foot renewal and 362,000 square-foot new development lease with Google at Kendall Center in Cambridge; a 338,000 square-foot renewal with Shearman & Sterling at 599 Lexington Avenue in New York; a 312,000 square-foot renewal with Bechtel at Reston Overlook; and additional significant leases at 767 Fifth Avenue and 399 Park Avenue in New York and Colorado Center in Los Angeles.

“Our leasing teams had a very successful year in 2019 as we executed 322 leases representing 7.6 million square feet of space.”

LEASING PRODUCTIVITY





Reston Gateway Rendering, *Reston VA* 1

767 Fifth Avenue, *New York, NY* 2

325 Main Street Rendering, *Cambridge, MA* 3

The Hub on Causeway, *Boston, MA* 4
photography Donald Sean

The average occupancy rate in our in-service portfolio began the year at 91.4% and ended at 93.0%.⁸ Average net rental rates on our second-generation leases increased by 26%. These positive trends resulted in overall Same-Property NOI-Cash growth of 5.4% year-over-year in 2019.^{1,3}

DEVELOPMENT

Development continues to be an important contributor to our long-term growth and value creation for shareholders. During 2019, we fully placed in service two developments with an aggregate investment of \$488 million¹ and these properties are 98% leased. Those projects consist of:

- 145 Broadway—a 483,000 square-foot Class A office tower that is leased to Akamai, representing their new headquarters, and located in Cambridge, Massachusetts, and
- The Hub on Causeway (Podium)—the first phase of our Hub on Causeway mixed-use transit-oriented development project in Boston, Massachusetts. This 382,000 square-foot office and retail building is the new entrance to TD Garden arena and includes multi-level retail amenities, restaurants, theatres and other exciting entertainment venues.

Additionally, we commenced three new development projects with a total anticipated investment of \$822 million to our active development pipeline. These developments are 65% pre-leased² and consist of:

- 325 Main Street—a 420,000 square-foot Class A office development located in Cambridge, Massachusetts that is 90% pre-leased to Google,
- 2100 Pennsylvania Avenue—a 469,000 square-foot Class A office development located in Washington, DC, that is 66% pre-leased (office portion) to a global law firm and
- 200 West Street—a 126,000 square-foot redevelopment to convert office space to lab-ready space in Waltham, Massachusetts.

Our active development pipeline now totals 5.5 million square feet⁷ and \$3.1 billion in estimated investment¹ and is projected to deliver over the next several years. The commercial component of the portfolio is 76% pre-leased², and the pipeline is estimated to create approximately 4.7% CAGR in our share of NOI through 2023⁴.

If the economic environment is constructive, we have the option to commence the first phases of two development projects in our San Francisco region. These projects represent approximately 935,000 square feet and approximately \$1 billion of projected investment.¹

We continue to refresh existing assets to create additional value within our current portfolio and will continue to examine further opportunities to profitably improve and reposition assets in our portfolio and create additional amenities that serve our tenants and their employees.

ACQUISITIONS

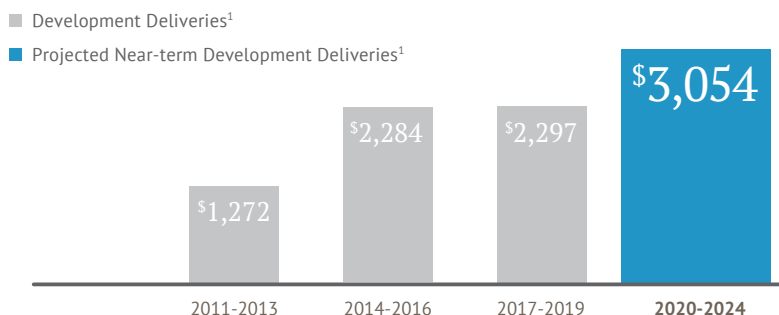
During 2019, we acquired the rights to the Platform 16 development site in San Jose, California. The site is located adjacent to Google’s planned 8 million square-foot transit village and the transportation hub at Diridon Station and has the ability to support a 1.1 million square-foot office campus. Later in 2019, we sold a 45% interest in the development site to Canada Pension Plan Investment Board (CPPIB) to form a joint venture.

We also acquired 880 and 890 Winter Street in Waltham, Massachusetts, a suburb of Boston with strong demand from technology and life sciences organizations. The 28-acre, 392,000 square-foot campus is comprised of two office buildings and is adjacent to Boston Properties’ 1 million square-foot Bay Colony property. With the acquisition of this asset, BXP owns more than 4 million square feet in Waltham, making us the largest owner of Class A office space in the submarket.

5.5 million square feet⁷
 \$3.1 billion investment¹
 76% pre-leased^{2,8}

PREEMINENT DEVELOPER WITH ROBUST PIPELINE

(\$ in millions)



Deliveries in millions of dollars. Represents BXP’s Share of estimated investment, including income (loss) and interest carry during development/redevelopment. Estimated deliveries for 2020-2024 reflect properties under construction as of 12/31/19.



“We were very happy to partner with Boston Properties on the development of Akamai’s new global headquarters at 145 Broadway, Cambridge. Kendall Square has been Akamai’s home for 22 years, and BXP created a fantastic new building for us that provides a point of pride on the skyline for our employees. BXP’s focus on creating great public and private spaces strengthens our ability to recruit and retain the best and brightest talent in this dynamic technology hub.”

AKAMAI | 145 BROADWAY CAMBRIDGE, MA
Tom Leighton, CEO and Co-Founder of Akamai

1

145 Broadway Street, Akamai HQ, Cambridge, MA 1

Colorado Center, Los Angeles, CA 2



2

“Given this is our U.S. headquarters, we wanted to solidify our firm’s future as west LA’s most prominent advertising group, by extending our tenure at Colorado Center for the foreseeable future. Boston Properties’ “partnership-oriented approach” and the innovative office space at Colorado Center’s prime location in Santa Monica allow for RPA to attract and retain the advertising industry’s best talent, and we are thrilled to be able to call Colorado Center home for the next decade.”

Bill Hagelstein, President, Chief Executive Officer, RPA



BXP Quick Facts

\$2.8B

BXP's Share of Revenue 2019³

196

Properties⁷

\$1.1B

Funds from Operations
(FFO) Attributable to Common
Shareholders 2019⁵

5.5M

Square Feet Currently
Under Development⁷

11%

FFO Growth in 2019^{5,6}

93%

Leased (In-Service Properties)^{7,8}

1,346%

Total Shareholder Return Since
1997 IPO, 3.0x S&P 500 Index
2.0x REIT Index⁹

8.4 Years

Weighted-Average Lease Term^{7,8}

2.8%

Annualized Dividend Yield¹⁰

top 4%

Most Sustainable
Real Estate Companies¹¹

Fourth + Harrison Rendering, *San Francisco, CA* **1**

399 Park Avenue, *New York, NY* **2**

2100 Pennsylvania Avenue Rendering, *Washington, DC* **3**



The BXP Strategy

SELECT MARKETS

Focus on supply-constrained markets with the strongest economic growth and investment characteristics over time

PREMIER PROPERTIES

Maintain high occupancy and achieve premium rental rates through economic cycles by focusing on delivering our clients exceptional space and place

ROBUST OPERATING & DEVELOPMENT PLATFORM

Provide an integrated leasing, development, construction and property management platform. Deliver attractive risk-adjusted investment returns, a leading edge portfolio and superior client service

FINANCIAL STRENGTH

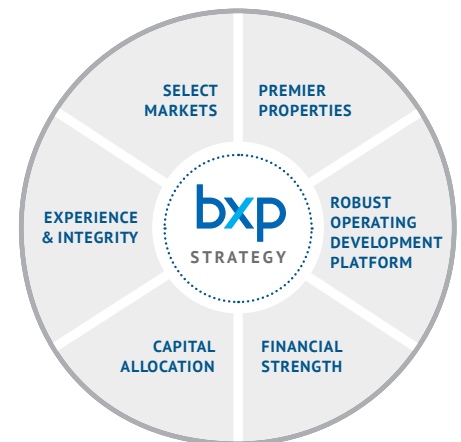
Maintain a strong balance sheet and access to capital to minimize debt costs and maximize our ability to make opportunistic investments

CAPITAL ALLOCATION

Remain astute in market timing for investment decisions to ensure continuous portfolio refreshment and value creation

EXPERIENCE & INTEGRITY

Preserve our reputation of integrity and fair dealing and be the counterparty of choice for real estate industry participants



In addition to our purchase of 880 and 890 Winter Street, we acquired the remaining 5% interest in Salesforce Tower from Hines, our partner in the project. We also exercised an expiring purchase option for the remaining development land parcels at Carnegie Center in Princeton, New Jersey. We believe our Carnegie Center asset is more valuable upon the unification of existing buildings and the associated development land opportunity.

DISPOSITIONS

We continuously upgrade our portfolio by selling assets at attractive prices. In 2019, we completed a significant number of asset sales primarily focused in our suburban portfolios. More specifically, we sold our 60% interest in 540 Madison Avenue in Midtown Manhattan, New York. Additionally, we sold 2600 Tower Oaks in Rockville, Maryland; One Tower Center in East Brunswick, New Jersey; 164 Lexington Road in Billerica, Massachusetts; and a Washingtonian North land parcel in Gaithersburg, Maryland.

Overall, our asset sales totaled \$406 million, well above our \$200 million annual goal and raised incremental capital to fund our developments.

BALANCE SHEET

In 2019, we focused on capital raising to strengthen our balance sheet and completed \$2.2 billion in total financing. Specifically, we:

- Completed a \$850 million green bond offering of 3.4% unsecured senior notes due in 2029,
- Completed a \$700 million bond offering of 2.9% unsecured senior notes due in 2030 and utilized the proceeds to redeem our 5.625% senior notes due in 2020,
- Completed a \$255 million construction financing with an interest rate of LIBOR plus 1.25% per annum for 7750 Wisconsin Avenue (50% owned) in Bethesda, Maryland that is 100% pre-leased to Marriott International, and
- Completed a \$400 million construction financing with an interest rate of LIBOR plus 1.50% per annum for 100 Causeway Street (50% owned) in Boston, Massachusetts.

Our balance sheet, as of December 31, 2019, remains strong with BXP's Share of Net Debt to BXP's Share of EBITDA^{re} of 6.4x³ and BXP's Share of Debt to BXP's Share of Market Capitalization of 32.6%¹². We maintain strong investment grade ratings with Standard & Poor's of A- and Moody's of Baa1. We believe we have significant liquidity and access to the public and private equity and debt capital markets to fund our business, support our existing development pipeline and withstand economic uncertainty.

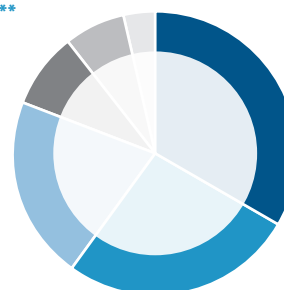
INDUSTRY DIVERSIFICATION*

- 29% Media & Technology
- 18% Legal Services
- 13% Financial Services—All Other
- 9% Other Professional Services
- 7% Financial Services—Commercial & Investment Banking
- 6% Real Estate & Insurance
- 6% Retail
- 4% Government/Public Administration
- 4% Manufacturing
- 4% Other



BXP'S SHARE OF NOI**

- 33.4% Boston, MA
- 26.6% New York, NY
- 21.1% San Francisco, CA
- 8.4% Reston, VA***
- 7.1% Washington, DC
- 3.4% Los Angeles, CA



* Based on square feet as of December 31, 2019 and includes consolidated and unconsolidated joint ventures at 100%
 ** Percentage of Net Operating Income (NOI) which includes our share of NOI from our consolidated and unconsolidated joint ventures, excluding termination income, for the three months ended December 31, 2019. Refer to disclosures relating to non-GAAP Financial Measures on the pages immediately following the Annual Report on Form 10-K
 *** Reston, Virginia is part of BXP's Washington, DC Region.



599 Lexington Avenue, *New York, NY* 1

17Fifty Presidents Street Rendering, *Reston, VA* 2

Platform 16 Rendering, *San Jose, CA* 3



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) LEADERSHIP

ENVIRONMENTAL

BXP’s strategy is to conduct our business in a manner that contributes to positive economic, social and environmental outcomes for our customers, shareholders, employees and the communities we serve. To that end, we deliver efficient, healthy and productive workspaces while simultaneously mitigating operational costs and potential external impacts of energy, water, waste and greenhouse gas emissions. We have made great strides towards achieving our public sustainability goals to:

- Reduce energy use intensity by 32%,
- Reduce greenhouse gas emissions intensity by 45%,
- Reduce water use intensity by 30%, and
- Increase waste diversion rate to 65%.

BXP continues to be recognized as an industry leader in sustainability. Our recent accomplishments include:

- Ranked among the top 4% of all real estate companies in the Global Real Estate Sustainability Benchmark (GRESB) assessment,
- Received an eighth consecutive year “Green Star” recognition and the highest GRESB five-star Rating,
- Awarded the Most Innovative Leader in the Light Award by the National Association of Real Estate Investment Trusts (Nareit),
- Certified over 26 million square feet of our portfolio, of which 93% is certified at the highest Gold and Platinum levels under U.S. Green Building Council® Leadership in Energy and Environmental Design™ (LEED) rating system,
- Issued \$1.85 billion of green bonds since 2018,
- Named a 2019 ENERGY STAR Partner of the Year, and
- Ranked 122nd on Newsweek’s 2020 list of America’s 300 Most Responsible Companies, the second highest ranking given to a public REIT and the highest ranking of any office company.

We are also focused on the climate resilience of our existing portfolio of assets. We are preparing for long-term climate risks such as extreme heat, severe storms and sea level rise by considering climate change scenarios.

We will continue to implement policies, programs and projects that complement sustainable development and operations. Our experience demonstrates that through our activities as real estate owners, developers and managers, we can contribute to environmental solutions as a positive force while improving our financial performance and becoming a stronger, more purposeful organization in the process.

SOCIAL

Boston Properties is widely recognized for our entrepreneurial spirit coupled with a focus on creating long-term value. We have an established reputation for excellence and integrity, and these core values are inherent to our culture, defining our strategy, achieving our business goals, and contributing to our overall success. BXP and its employees make a social impact through charitable giving and volunteerism. Our teams are highly engaged with their local communities in determining how our projects can enhance neighborhoods, improve public amenities and provide high-quality space for working and living in order to positively impact the regions in which we operate.

As an employer of choice across our markets, Boston Properties is committed to providing an environment for our employees that fosters talent, energy and well-being. We believe in an inclusive and diverse workforce that represents the communities we serve, and we design our programs to meet the needs of our workforce and support our employees and their families. Our initiatives to engage and ensure a professional and productive environment include:

- Offering comprehensive and flexible benefit programs that provide choice in coverage while supporting both individual and family needs by offering benefits such as paid parental leave, paid family leave, paid volunteer time, back-up childcare, adoption assistance, flexible work options, tuition reimbursement and an annual scholarship program,
- Maintaining an equitable annual compensation review process with a proactive stance on pay equity,
- Ensuring equal opportunity recruitment, training and promotion throughout our organization. Our employees also play a key role in our recruiting strategy when they advocate for our company, reinforce our values, and offer valuable peer-to-peer insights to prospective talent, and
- Encouraging professional and career development through our annual performance evaluation process and by providing opportunities for professional development training and continued education.

SUSTAINABILITY GOALS



32x25 Energy Use Reduction
Reduce energy use intensity, targets a 32% reduction by 2025.
Units: kBtu/SF



45x25 Greenhouse Gas Reduction
Reduce Scope 1 and Scope 2 greenhouse gas emissions intensity, targets a 45% reduction by 2025.
Units: kgCO2e/SF

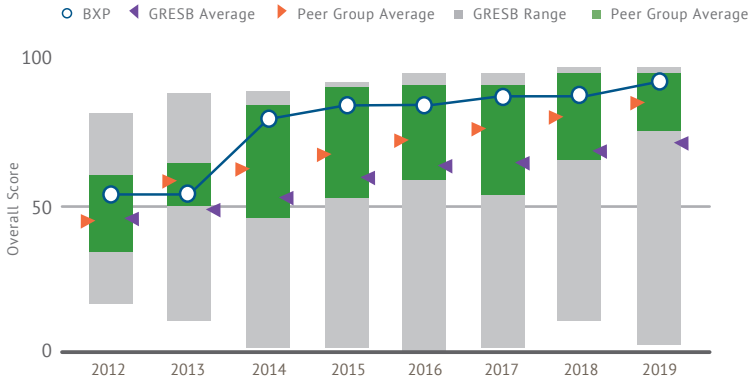


30x25 Water Use Reduction
Commitment to reduce water use intensity, targets a 30% reduction by 2025.
Units: gallons/SF



65x20 Waste Diversion
Increase waste diverted from landfill, targets a 65% diversion rate by 2020.
Units: % diverted

GRESB RESULTS



RECOGNITIONS & CERTIFICATIONS



Community Engagement

In 2019 BXP employees donated over 2000 service hours at 150 community events and more than 200 organizations.



The success of our efforts is demonstrated by the long tenure of our employees, nearly 40% of whom have worked at BXP for more than ten years. The experience and expertise of our employees allow us to lead the industry in every facet of our operations. Through these efforts and countless others, we demonstrate that operating and developing commercial real estate can be conducted with a conscious regard for our society while mutually benefiting our employees and our stakeholders.

GOVERNANCE

The Board of Directors of Boston Properties is currently comprised of 11 highly-accomplished individuals with diverse backgrounds who are dedicated to serving the best interests of our shareholders. Among other functions, the Board is responsible for reviewing management’s strategy for the Company, ensuring that the Board has the desired mix of skills, experience, reputation and diversity relevant to our strategic direction and operating environment, overseeing a management succession plan, approving and implementing governance policies, assessing its own performance and the performance of executive management, overseeing our sustainability efforts, monitoring our cybersecurity and risks, and providing oversight of financial reporting and legal compliance policies.

Boston Properties is highly ranked for its governance principles among other real estate companies, including:

- Delaware domicile,
- Diverse board of directors,
- Annual election of all directors,
- Majority voting standard for director elections,
- Proxy access by-law right for nominating directors,
- No shareholder rights plan or “poison pill,”

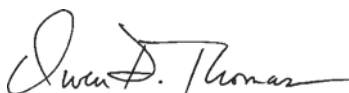
- Independent Chairman,
- Policy on company political spending,
- Compensation clawback policy, and
- Policy against future tax “gross-ups.”

Martin Turchin and Jacob Frenkel retired from our Board in 2019. We would like to thank Marty and Jacob for their many contributions to Boston Properties and welcome Diane Hoskins and Bill Walton to our Board.

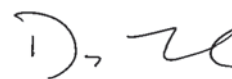
ORGANIZATION

At Boston Properties we are fortunate to have a stable, talented and dedicated team of professionals. We take great pride in the quality of our work, the customers we serve, the communities we support, the assets we nurture and the trust we develop with investors and industry professionals. Many of our professionals are recognized leaders in the real estate industry and their local communities, and many of Boston Properties’ activities have earned industry accolades. We are deeply appreciative of our team’s expertise, loyalty and commitment; without which we could not accomplish all that we do.

We would like to thank all of our colleagues at Boston Properties, as well as our Board of Directors, for all of their contributions in 2019, and importantly, we would also like to thank you, our shareholders, for your continued trust and support.

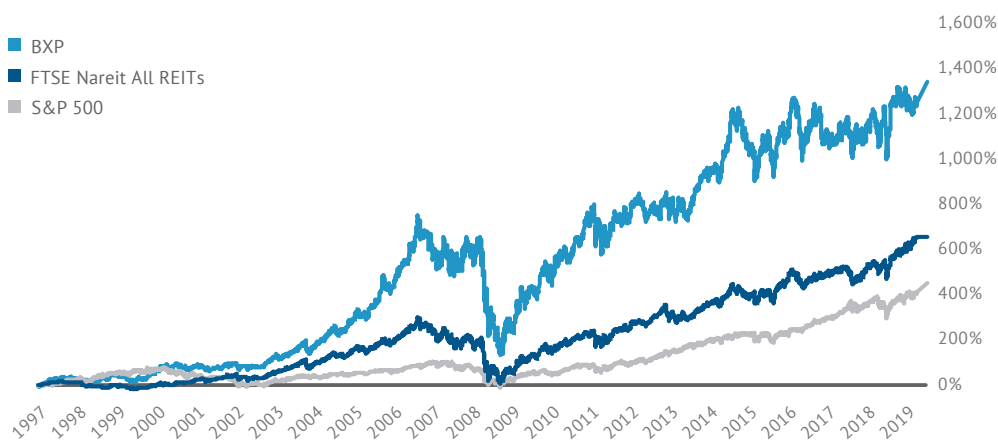


OWEN D. THOMAS
Chief Executive Officer



DOUGLAS T. LINDE
President

TOTAL SHAREHOLDER RETURN SINCE IPO OF 1,346%



This graph assumes an investment of \$100 on June 17, 1997 and the reinvestment of dividends. Data shown is based on the share price or index values, as applicable, as of December 31 of each year. Source: Thomson Reuters

1. Represents BXP’s Share
2. Data as of 02/21/2020. Includes leases with future commencement dates
3. Refer to disclosures relating to non-GAAP Financial Measures on the pages immediately following the Form 10-K
4. CAGR is based on (x) the difference of Q4 2019 BXP’s Share of EBITDare—cash of \$401.6 million multiplied by four (4), less BXP’s Share of Annualized NOI from Development Projects of \$119.4 million, plus (y) the cumulative projected BXP’s Share of NOI upon stabilization from development deliveries through the end of Q4 2023.
5. Refer to pages 95 through 97 of our Annual Report on Form 10-K for information relating to the calculation of FFO and diluted FFO
6. Represents Funds from Operations (FFO) Attributable to Common Shareholders in 2019 as compared to Funds from Operations (FFO) Attributable to Common Shareholders in 2018.
7. Includes 100% of consolidated and unconsolidated properties
8. Excludes residential and hotel properties
9. FTSE Nareit All REITs Index
10. Represents Q4 2019 dividend of \$0.98 per share multiplied by four
11. Ranked 33rd out of 964 global companies in the 2019 Global Real Estate Sustainability Benchmark (GRESB) assessment
12. Refer to page 91 of our annual report on Form 10-K for information relating to the calculation of BXP’s Share of Debt to BXP’s Share of Market Capitalization



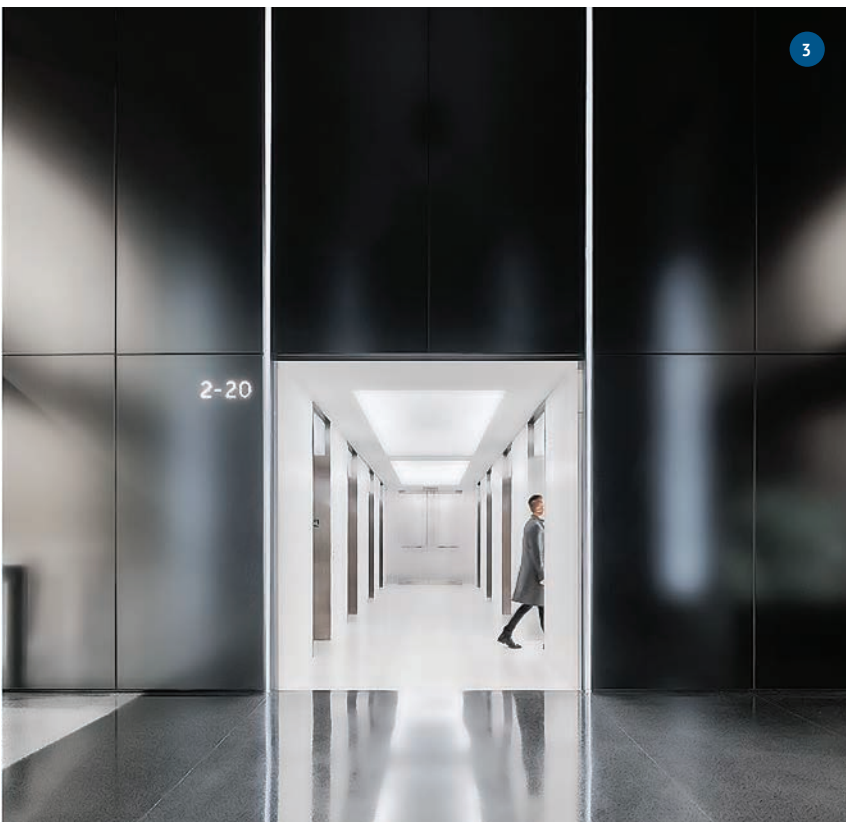
1

“Our office space is a driving force in our company culture. When we set out to find our next home, we were energized to meet with the BXP team and understand their commitment to creating great space and place. Our new office at CityPoint is the perfect location for us to recruit and retain the best talent and continue the strong growth of our company. Combined with our downtown Boston location at Prudential Tower, our spaces provide our employees the ideal environments to continue to provide outstanding engineering services to our clients.”

SGH | 20 CITYPOINT WALTHAM, MA REGION
Charles Russo, Senior Principal & CEO



2



3

- 1 20 CityPoint Rendering, Waltham, MA
- 2 Dock 72 Lobby Rendering, Brooklyn, NY
- 3 Embarcadero Center Lobby Rendering, San Francisco, CA

BOSTON PROPERTIES

Board of Directors



Joel I. Klein
Chairman of the Board



Owen D. Thomas
Chief Executive Officer and Director



Douglas T. Linde
President and Director



Kelly A. Ayotte
Director



Bruce W. Duncan
Director and Chair of Compensation Committee



Karen E. Dykstra
Director



Carol B. Einiger
Director



Diane J. Hoskins
Director



Matthew J. Lustig
Director and Chair of Nominating and Corporate Governance Committee



David A. Twardock
Director and Chair of Audit Committee



William H. Walton, III
Director

BOSTON PROPERTIES

Officers

Executive Officers

Owen D. Thomas
Chief Executive Officer

Douglas T. Linde
President

Raymond A. Ritchey
Senior Executive Vice President

Michael E. LaBelle
Executive Vice President, Chief Financial Officer and Treasurer

Peter D. Johnston
Executive Vice President, —Washington, DC Region

Bryan J. Koop
Executive Vice President, —Boston Region

Robert E. Pester
Executive Vice President, —San Francisco Region

John F. Powers
Executive Vice President, —New York Region

Senior Officers

Peter Back
Senior Vice President Construction —San Francisco, CA

John K. Brandbergh
Senior Vice President Leasing—New York, NY

Frank D. Burt
Senior Vice President and Chief Legal Officer

Bruce L. Christman
Senior Vice President and Regional General Counsel—Washington, DC

Steven R. Colvin
Senior Vice President Property Management —San Francisco, CA

Frederick J. DeAngelis
Senior Vice President and Senior Counsel—Boston, MA

Rodney C. Diehl
Senior Vice President Leasing—San Francisco, CA

Donna D. Garesché
Senior Vice President and Chief Human Resources Officer

Amy C. Gindel
Senior Vice President Finance and Planning

Thomas L. Hill
Senior Vice President Property Management —New York, NY

Karen D. Holdridge
Senior Vice President Regional General Counsel —New York, NY

Eric G. Kevorkian
Senior Vice President and Senior Corporate Counsel

Andrew D. Levin
Senior Vice President Leasing—New York, NY

James J. Magaldi
Senior Vice President Finance and Capital Markets

Yuchong C. McDonough
Senior Vice President, Regional General Counsel —Washington, DC

Laura D. McNulty
Senior Vice President Property Management —Washington, DC

David Miller
Senior Vice President Construction —Washington, DC

Richard T. Monopoli
Senior Vice President Development —New York, NY

Patrick Mulvihill
Senior Vice President Leasing—Boston, MA

Peter Otteni
Senior Vice President Development —Washington, DC

David C. Provost
Senior Vice President Development—Boston, MA

Jonathan S. Randall
Senior Vice President Construction—Boston, MA

Robert A. Schubert
Senior Vice President Construction —New York, NY

Peter V. See
Senior Vice President Property Management —Boston, MA

Christine M. Shen
Senior Vice President and Regional General Counsel —San Francisco, CA

Kenneth F. Simmons
Senior Vice President Development —Washington, DC

Jake Stroman
Senior Vice President, Leasing —Washington, DC

Madeleine C. Timin
Senior Vice President and Regional General Counsel —Boston, MA

Michael R. Walsh
Senior Vice President and Chief Accounting Officer

James J. Whalen, Jr.
Senior Vice President and Chief Information Technology Officer

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

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

For the fiscal year ended December 31, 2019
OR

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

For the transition period from to

Commission File Number: 1-13087 (Boston Properties, Inc.)
Commission File Number: 0-50209 (Boston Properties Limited Partnership)

**BOSTON PROPERTIES, INC.
BOSTON PROPERTIES LIMITED PARTNERSHIP**
(Exact name of Registrants as specified in its charter)

Boston Properties, Inc.

Delaware

04-2473675

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

Boston Properties Limited Partnership

Delaware

04-3372948

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199-8103
(Address of principal executive offices) (Zip Code)

(617) 236-3300
(Registrants' telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Boston Properties, Inc.	Common Stock, par value \$.01 per share	BXP	New York Stock Exchange
Boston Properties, Inc.	Depository Shares Each Representing 1/100th of a share of 5.25% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share	BXP PRB	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Registrant	Title of each class
Boston Properties Limited Partnership	Units of Limited Partnership

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Boston Properties, Inc.: Yes No Boston Properties Limited Partnership: Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Boston Properties, Inc.: Yes No Boston Properties Limited Partnership: Yes No

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.

Boston Properties, Inc.: Yes No Boston Properties Limited Partnership: Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Boston Properties, Inc.: Yes No Boston Properties Limited Partnership: Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Boston Properties, Inc.:
 Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company
 Emerging Growth Company

Boston Properties Limited Partnership:
 Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company
 Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act.

Boston Properties, Inc. Boston Properties Limited Partnership

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Boston Properties, Inc.: Yes No Boston Properties Limited Partnership: Yes No

As of June 30, 2019, the aggregate market value of the 154,282,006 shares of Common Stock held by non-affiliates of Boston Properties, Inc. was \$19,902,378,774 based upon the last reported sale price of \$129.00 per share on the New York Stock Exchange on June 28, 2019. (For this computation, Boston Properties, Inc. has excluded the market value of all shares of Common Stock reported as beneficially owned by executive officers and directors of Boston Properties, Inc.; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of Boston Properties, Inc.)

As of February 21, 2020, there were 155,121,560 shares of Common Stock of Boston Properties, Inc. outstanding.

Because no established market for common units of limited partnership of Boston Properties Limited Partnership exists, there is no market value for such units.

Certain information contained in Boston Properties Inc.'s Proxy Statement relating to its Annual Meeting of Stockholders to be held May 20, 2020 is incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III. Boston Properties, Inc. intends to file such Proxy Statement with the Securities and Exchange Commission not later than 120 days after the end of its fiscal year ended December 31, 2019.

EXPLANATORY NOTE

This report combines the Annual Reports on Form 10-K for the fiscal year ended December 31, 2019 of Boston Properties, Inc. and Boston Properties Limited Partnership. Unless stated otherwise or the context otherwise requires, references to “BXP” mean Boston Properties, Inc., a Delaware corporation and real estate investment trust (“REIT”), and references to “BPLP” and the “Operating Partnership” mean Boston Properties Limited Partnership, a Delaware limited partnership. BPLP is the entity through which BXP conducts substantially all of its business and owns, either directly or through subsidiaries, substantially all of its assets. BXP is the sole general partner and also a limited partner of BPLP. As the sole general partner of BPLP, BXP has exclusive control of BPLP’s day-to-day management. Therefore, unless stated otherwise or the context requires, references to the “Company,” “we,” “us” and “our” mean collectively BXP, BPLP and those entities/subsidiaries consolidated by BXP.

As of December 31, 2019, BXP owned an approximate 89.6% ownership interest in BPLP. The remaining approximate 10.4% interest was owned by limited partners. The other limited partners of BPLP are (1) persons who contributed their direct or indirect interests in properties to BPLP in exchange for common units or preferred units of limited partnership interest in BPLP and/or (2) recipients of long-term incentive plan units of BPLP pursuant to BXP’s Stock Option and Incentive Plans. Under the limited partnership agreement of BPLP, unitholders may present their common units of BPLP for redemption at any time (subject to restrictions agreed upon at the time of issuance of the units that may restrict such right for a period of time, generally one year from issuance). Upon presentation of a common unit for redemption, BPLP must redeem the unit for cash equal to the then value of a share of BXP’s common stock. In lieu of a cash redemption by BPLP, however, BXP may elect to acquire any common units so tendered by issuing shares of BXP common stock in exchange for the common units. If BXP so elects, its common stock will be exchanged for common units on a one-for-one basis. This one-for-one exchange ratio is subject to specified adjustments to prevent dilution. BXP generally expects that it will elect to issue its common stock in connection with each such presentation for redemption rather than having BPLP pay cash. With each such exchange or redemption, BXP’s percentage ownership in BPLP will increase. In addition, whenever BXP issues shares of its common stock other than to acquire common units of BPLP, BXP must contribute any net proceeds it receives to BPLP and BPLP must issue to BXP an equivalent number of common units of BPLP. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company believes that combining the Annual Reports on Form 10-K of BXP and BPLP into this single report provides the following benefits:

- enhances investors’ understanding of BXP and BPLP by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more concise and readable presentation because a substantial portion of the disclosure applies to both BXP and BPLP; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

The Company believes it is important to understand the few differences between BXP and BPLP in the context of how BXP and BPLP operate as a consolidated company. The financial results of BPLP are consolidated into the financial statements of BXP. BXP does not have any other significant assets, liabilities or operations, other than its investment in BPLP, nor does it have employees of its own. BPLP, not BXP, generally executes all significant business relationships other than transactions involving the securities of BXP. BPLP holds substantially all of the assets of BXP, including ownership interests in joint ventures. BPLP conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by BXP, which are contributed to the capital of BPLP in exchange for common or preferred units of partnership in BPLP, as applicable, BPLP generates all remaining capital required by the Company’s business. These sources include working capital, net cash provided by operating activities, borrowings under its credit facilities, the issuance of secured and unsecured debt and equity securities and proceeds received from the disposition of certain properties and interests in joint ventures.

Shareholders’ equity, partners’ capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of BXP and BPLP. The limited partners of BPLP are accounted for as partners’ capital in BPLP’s financial statements and as noncontrolling interests in BXP’s financial statements. The noncontrolling interests in BPLP’s financial statements include the interests of unaffiliated partners in various consolidated partnerships. The noncontrolling interests in BXP’s financial statements include the same

noncontrolling interests at BPLP's level and limited partners of BPLP. The differences between shareholders' equity and partners' capital result from differences in the equity issued at BXP and BPLP levels.

In addition, the consolidated financial statements of BXP and BPLP differ in total real estate assets resulting from previously applied acquisition accounting by BXP for the issuance of common stock in connection with non-sponsor redemptions of common units of BPLP. This accounting resulted in a step-up of the real estate assets at BXP. This resulted in a difference between the net real estate of BXP as compared to BPLP of approximately \$291.3 million, or 1.7% at December 31, 2019, and a corresponding difference in depreciation expense, impairment losses and gains on sales of real estate upon the sale of certain properties having an allocation of the real estate step-up. The acquisition accounting was nullified on a prospective basis beginning in 2009 as a result of the Company's adoption of a new accounting standard requiring any future redemptions to be accounted for solely as an equity transaction.

To help investors better understand the key differences between BXP and BPLP, certain information for BXP and BPLP in this report has been separated, as set forth below:

- Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities;
- Item 6. Selected Financial Data;
- Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations includes information specific to each entity, where applicable;
- Item 7. Liquidity and Capital Resources includes separate reconciliations of amounts to each entity's financial statements, where applicable;
- Item 8. Financial Statements and Supplementary Data which includes the following specific disclosures for BXP and BPLP:
 - Note 2. Summary of Significant Accounting Policies;
 - Note 3. Real Estate;
 - Note 11. Stockholders' Equity / Partners' Capital;
 - Note 13. Segment Information;
 - Note 14. Earnings Per Share / Per Common Unit;
 - Note 18. Selected Interim Financial Information (unaudited); and
- Item 15. Financial Statement Schedule—Schedule 3.

This report also includes the following separate items for each of BXP and BPLP: Part II, Item 9A. Controls and Procedures, consents of the independent registered public accounting firm (Exhibits 23.1 and 23.2), and certifications (Exhibits 31.1, 31.2, 31.3, 31.4, 32.1, 32.2, 32.3 and 32.4).

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PART I

Item 1. *Business*

General

BXP, a Delaware corporation organized in 1997, is a fully integrated, self-administered and self-managed real estate investment trust, or “REIT,” and the largest publicly-traded office REIT (based on total market capitalization) as of December 31, 2019 in the United States that develops, owns and manages primarily Class A office properties.

Our properties are concentrated in five markets—Boston, Los Angeles, New York, San Francisco and Washington, DC. At December 31, 2019, we owned or had interests in 196 commercial real estate properties, aggregating approximately 52.0 million net rentable square feet of primarily Class A office properties, including 11 properties under construction/redevelopment totaling approximately 5.5 million net rentable square feet. As of December 31, 2019 our properties consisted of:

- 177 office properties (including nine properties under construction/redevelopment);
- twelve retail properties;
- six residential properties (including two properties under construction); and
- one hotel.

We consider Class A office properties to be well-located buildings that are professionally managed and maintained, attract high-quality tenants and command upper-tier rental rates, and that are modern structures or have been modernized to compete with newer buildings. Our definition of Class A office properties may be different than those used by other companies.

We are a full-service real estate company, with substantial in-house expertise and resources in acquisitions, development, financing, capital markets, construction management, property management, marketing, leasing, accounting, risk management, tax and legal services. BXP manages BPLP as its sole general partner. As of December 31, 2019, we had approximately 760 employees. Our 35 senior officers have an average of 32 years of experience in the real estate industry, including an average of 21 years of experience with us. Our principal executive office and Boston regional office are located at The Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199 and our telephone number is (617) 236-3300. In addition, we have regional offices at 2400 Broadway, Suite 510, Santa Monica, California 90404, 599 Lexington Avenue, New York, New York 10022, Four Embarcadero Center, San Francisco, California 94111 and 2200 Pennsylvania Avenue NW, Washington, DC 20037.

Our internet address is <http://www.bxp.com>. On our website, you can obtain free copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or the SEC. You may also obtain BXP’s and BPLP’s reports by accessing the EDGAR database at the SEC’s website at <http://www.sec.gov>, or we will furnish an electronic or paper copy of these reports free of charge upon written request to: Investor Relations, Boston Properties, Inc., Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199. “Boston Properties” is a registered trademark and the “bxp” logo is a trademark, in both cases, of BPLP.

Boston Properties Limited Partnership

BPLP is a Delaware limited partnership organized in 1997, and the entity through which BXP conducts substantially all of its business and owns, either directly or through subsidiaries, substantially all of its assets. BXP is the sole general partner of BPLP and, as of February 21, 2020, the owner of approximately 89.6% of the economic interests in BPLP. Economic interest was calculated as the number of common partnership units of BPLP owned by BXP as a percentage of the sum of (1) the actual aggregate number of outstanding common partnership units of BPLP, (2) the number of common units issuable upon conversion of all outstanding long term incentive plan units of BPLP, or LTIP Units, other than LTIP Units issued in the form of Multi-Year Long-Term Incentive Plan Awards (“MYLTIP Awards”) that remain subject to performance conditions, assuming all conditions have been met for the conversion of the LTIP Units, (3) the 2012 Outperformance Awards that were issued in the form of LTIP Units and earned as of February 6, 2015 (the “2012 OPP Units”), (4) the 2013 MYLTIP Units that were issued in the form of LTIP Units and earned as of February 4, 2016 (the “2013 MYLTIP Units”), (5) the 2014 MYLTIP Units that were issued in the form of LTIP Units and earned as of February 3, 2017 (the “2014 MYLTIP Units”), (6)

the 2015 MYLTIP Units that were issued in the form of LTIP Units and earned as of February 4, 2018 (the “2015 MYLTIP Units”), (7) the 2016 MYLTIP Units that were issued in the form of LTIP Units and earned as of February 9, 2019 (the “2016 MYLTIP Units”) and (8) the 2017 MYLTIP Units that were issued in the form of LTIP Units and earned as of February 6, 2020 (the “2017 MYLTIP Units”). An LTIP Unit is generally the economic equivalent of a share of BXP’s restricted common stock, although LTIP Units issued in the form of MYLTIP Awards are only entitled to receive one-tenth (1/10th) of the regular quarterly distributions (and no special distributions) prior to being earned. BXP’s general and limited partnership interests in BPLP entitles BXP to share in cash distributions from, and in the profits and losses of, BPLP in proportion to BXP’s percentage interest and entitles BXP to vote on all matters requiring a vote of the limited partners.

Preferred units of BPLP have the rights, preferences and other privileges set forth in an amendment to the limited partnership agreement of BPLP. As of December 31, 2019 and February 21, 2020, BPLP had one series of Preferred Units outstanding consisting of 80,000 Series B Preferred Units. The Series B Preferred Units have a liquidation preference of \$2,500 per share (or an aggregate of approximately \$193.6 million at December 31, 2019 and February 21, 2020, after deducting the underwriting discount and transaction expenses). The Series B Preferred Units were issued by BPLP on March 27, 2013 in connection with BXP’s issuance of 80,000 shares (8,000,000 depository shares each representing 1/100th of a share) of 5.25% Series B Cumulative Redeemable Preferred Stock (the “Series B Preferred Stock”). BXP contributed the net proceeds from the offering to BPLP in exchange for Series B Preferred Units having rights, performance and privileges generally mirroring those of the Series B Preferred Stock. BXP will pay cumulative cash dividends on the Series B Preferred Stock at a rate of 5.25% per annum of the \$2,500 liquidation preference per share. On and after March 27, 2018, BXP, at its option, may redeem the Series B Preferred Stock for a cash redemption price of \$2,500 per share, plus all accrued and unpaid dividends. The Series B Preferred Stock is not redeemable by the holders, has no maturity date and is not convertible into any other security of the Company or its affiliates.

Transactions During 2019

Dispositions/Impairments

For information explaining why BXP and BPLP may report different gains on sales of real estate or impairment losses, see the Explanatory Note that follows the cover page of this Annual Report on Form 10-K.

On January 24, 2019, we completed the sale of our 2600 Tower Oaks Boulevard property located in Rockville, Maryland for a gross sale price of approximately \$22.7 million. Net cash proceeds totaled approximately \$21.4 million, resulting in a loss on sale of real estate totaling approximately \$0.6 million. We recognized an impairment loss totaling approximately \$3.1 million for BXP and approximately \$1.5 million for BPLP during the year ended December 31, 2018. 2600 Tower Oaks Boulevard is an approximately 179,000 net rentable square foot Class A office property.

At March 31, 2019, we evaluated the expected hold period of our One Tower Center property located in East Brunswick, New Jersey and, based on a shorter-than-expected hold period, we reduced the carrying value of the property to its estimated fair value at March 31, 2019 and recognized an impairment loss totaling approximately \$24.0 million for BXP and approximately \$22.3 million for BPLP. Our estimated fair value was based on a pending offer from a third party to acquire the property and the subsequent execution of a purchase and sale agreement on April 18, 2019 for a gross sale price of \$38.0 million. On June 3, 2019, we completed the sale of the property. Net cash proceeds totaled approximately \$36.6 million, resulting in a loss on sale of real estate totaling approximately \$0.8 million. One Tower Center is an approximately 410,000 net rentable square foot Class A office property.

On June 28, 2019, we completed the sale of our 164 Lexington Road property located in Billerica, Massachusetts for a gross sale price of \$4.0 million. Net cash proceeds totaled approximately \$3.8 million, resulting in a gain on sale of real estate totaling approximately \$2.5 million for BXP and approximately \$2.6 million for BPLP. 164 Lexington Road is an approximately 64,000 net rentable square foot Class A office property.

On September 20, 2019, we entered into a joint venture with Canada Pension Plan Investment Board (“CPPIB”) to develop Platform 16 located in San Jose, California. Platform 16 consists of a 65-year ground lease for land totaling approximately 5.6 acres that will support the development of approximately 1.1 million square feet of commercial office space. During 2018, we entered into the ground lease, which provides for the right to purchase all of the land during a 12-month period commencing February 1, 2020 at a purchase price of approximately \$134.8 million. We contributed the ground lease interest and improvements totaling approximately \$28.2 million for our initial 55% interest in the joint venture. CPPIB contributed cash totaling approximately \$23.1

million for its initial 45% interest in the joint venture. Upon the CPPIB contribution, we ceased accounting for the joint venture entity on a consolidated basis and are accounting for the joint venture entity on an unconsolidated basis using the equity method of accounting, as we have reduced our ownership interest and no longer have a controlling financial or operating interest in the joint venture entity. We did not recognize a gain on the retained or sold interest in the real estate contributed to the joint venture, as the fair value of the real estate approximated its carrying value (See “*Ground Leases*” and “*Investments in Unconsolidated Joint Ventures*” below as well as Note 19 to the Consolidated Financial Statements).

On December 20, 2019, we completed the sale of the remaining parcel of land at our Washingtonian North property located in Gaithersburg, Maryland for a gross sale price of approximately \$7.8 million. Net cash proceeds totaled approximately \$7.3 million, resulting in a loss on sale of real estate totaling approximately \$0.1 million. We recognized an impairment loss totaling approximately \$1.8 million during the year ended December 31, 2016.

Developments/Redevelopments

As of December 31, 2019, we had 11 properties under construction/redevelopment comprised of nine office properties and two residential properties, which we expect will total approximately 5.5 million net rentable square feet. We estimate the total investment to complete these projects, in the aggregate, is approximately \$3.1 billion, of which approximately \$1.4 billion remains to be invested as of December 31, 2019. Approximately 76% of the commercial space in these development projects was pre-leased as of February 21, 2020. For a detailed list of the properties under construction/redevelopment see “*Liquidity and Capital Resources*” within “*Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

On May 9, 2019, we entered into a 15-year lease with Google, LLC for approximately 379,000 net rentable square feet of Class A office space in a build-to-suit development project located at our 325 Main Street property at Kendall Center in Cambridge, Massachusetts. 325 Main Street consisted of an approximately 115,000 net rentable square foot Class A office property that was demolished and is being developed into an approximately 420,000 net rentable square foot Class A office property, including approximately 41,000 net rentable square feet of retail space. On May 9, 2019, we commenced development of the project. BXP and BPLP recognized approximately \$9.9 million and \$9.5 million, respectively, of depreciation expense associated with the acceleration of depreciation on the assets being removed from service and demolished as part of the redevelopment of the property.

On June 1, 2019, we partially placed in-service 20 CityPoint, a Class A office project with approximately 211,000 net rentable square feet located in Waltham, Massachusetts.

On September 30, 2019, we commenced the redevelopment of 200 West Street, a Class A office project with approximately 261,000 net rentable square feet located in Waltham, Massachusetts. The redevelopment is a conversion of a 126,000 square foot portion of the property to laboratory space.

On October 24, 2019, we completed and placed in-service 145 Broadway, a build-to-suit Class A office project with approximately 483,000 net rentable square feet located in Cambridge, Massachusetts.

Ground Leases

On January 24, 2019, the ground lessor under our 65-year ground lease for land totaling approximately 5.6 acres at Platform 16 located in San Jose, California made available for lease to us the remaining land parcels. As a result, we recognized the remaining portion of the right of use finance lease asset and finance lease liability. We entered into the ground lease in 2018, however, at the inception of the ground lease only a portion of the land was available for lease from the lessor, resulting in us recognizing only a portion of the ground lease. In the aggregate, the land will support the development of approximately 1.1 million square feet of commercial office space. The ground lease provides us with the right to purchase all of the land during a 12-month period commencing February 1, 2020 at a purchase price of approximately \$134.8 million. We were reasonably certain we would exercise the option to purchase the land and as a result, we have concluded that the lease should be accounted for as a finance lease. As a result, we recorded an approximately \$122.6 million right of use asset - finance lease and a lease liability - finance lease on our Consolidated Balance Sheets reflecting the remaining land parcels made available for lease to us (See “*Dispositions/Impairments*” above and “*Investments in Unconsolidated Joint Ventures*” below, as well as Note 19 to the Consolidated Financial Statements).

On July 16, 2019, we executed a 75-year ground lease with The George Washington University for land parcels at 2100 Pennsylvania Avenue located in Washington, DC and commenced development of an approximately 470,000 net rentable square foot Class A office property pursuant to a development agreement that we entered into with The George Washington University in 2016. The development agreement provided for the execution of the ground lease upon completion of the entitlement process and relocation of existing tenants. Also in 2016, we made a deposit of \$15.0 million that, upon execution of the ground lease, is credited against ground rent payable under the ground lease. The present value of the lease payments exceeds substantially all of the fair value of the underlying asset and as a result, we have concluded that the ground lease should be accounted for as a finance lease. As a result, we recorded an approximately \$185.1 million right of use asset - finance lease and an approximately \$165.0 million lease liability - finance lease on our Consolidated Balance Sheets.

Acquisitions

On January 10, 2019, we acquired land parcels at our Carnegie Center property located in Princeton, New Jersey for a gross purchase price of approximately \$51.5 million, which includes an aggregate of approximately \$8.6 million of additional amounts that are payable in the future to the seller upon the development or sale of each of the parcels. The land parcels could support approximately 1.7 million square feet of development.

On August 27, 2019, we acquired 880 and 890 Winter Street located in Waltham, Massachusetts for a gross purchase price of approximately \$106.0 million in cash. 880 and 890 Winter Street consists of two Class A office properties aggregating approximately 392,000 net rentable square feet.

Mortgage Notes Payable

On December 19, 2019, we used available cash to repay the bond financing collateralized by our New Dominion Technology Park, Building One property totaling approximately \$26.5 million. The bond financing bore interest at a weighted-average fixed rate of approximately 7.69% per annum and was scheduled to mature on January 15, 2021. We recognized a loss from early extinguishment of debt totaling approximately \$1.5 million, which amount included the payment of a prepayment penalty totaling approximately \$1.4 million. New Dominion Technology Park, Building One is an approximately 235,000 net rentable square foot Class A office property located in Herndon, Virginia (See Note 19 to the Consolidated Financial Statements).

Unsecured Debt Transactions

On June 21, 2019, BPLP completed a public offering of \$850.0 million in aggregate principal amount of its 3.400% unsecured senior notes due 2029. The notes were priced at 99.815% of the principal amount to yield an effective rate (including financing fees) of approximately 3.505% per annum to maturity. The notes will mature on June 21, 2029, unless earlier redeemed. The aggregate net proceeds from the offering were approximately \$841.4 million after deducting underwriting discounts and transaction expenses.

On September 3, 2019, BPLP completed a public offering of \$700.0 million in aggregate principal amount of its 2.900% unsecured senior notes due 2030. The notes were priced at 99.954% of the principal amount to yield an effective rate (including financing fees) of approximately 2.984% per annum to maturity. The notes will mature on March 15, 2030, unless earlier redeemed. The aggregate net proceeds from the offering were approximately \$693.8 million after deducting underwriting discounts and transaction expenses.

On September 18, 2019, BPLP completed the redemption of \$700.0 million in aggregate principal amount of its 5.625% senior notes due November 15, 2020. The redemption price was approximately \$740.7 million. The redemption price included approximately \$13.5 million of accrued and unpaid interest to, but not including, the redemption date. Excluding the accrued and unpaid interest, the redemption price was approximately 103.90% of the principal amount being redeemed. We recognized a loss from early extinguishment of debt totaling approximately \$28.0 million, which amount included the payment of the redemption premium totaling approximately \$27.3 million.

Equity Transactions

During the year ended December 31, 2019, BXP acquired an aggregate of 144,481 common units of limited partnership interest, including 92,678 common units issued upon the conversion of LTIP Units, 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2016 MYLTIP Units presented by the holders for redemption, in exchange for an equal number of shares of BXP common stock.

During the year ended December 31, 2019, BXP issued 145,088 shares of common stock upon the exercise of options to purchase common stock.

Investments in Unconsolidated Joint Ventures

On January 24, 2019, a joint venture in which we have a 50% interest extended the loan collateralized by its Annapolis Junction Building Six property. At the time of the extension, the outstanding balance of the loan totaled approximately \$13.0 million and was scheduled to mature on November 17, 2019, with a one-year extension option, subject to certain conditions. The extended loan has a total commitment amount of approximately \$14.3 million, bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on November 17, 2020. Annapolis Junction Building Six is a Class A office property with approximately 119,000 net rentable square feet located in Annapolis, Maryland.

On April 26, 2019, a joint venture in which we have a 50% interest obtained construction financing with a total commitment of \$255.0 million collateralized by its 7750 Wisconsin Avenue development project located in Bethesda, Maryland. The construction financing bears interest at a variable rate equal to LIBOR plus 1.25% per annum and matures on April 26, 2023, with two, one-year extension options, subject to certain conditions. As of December 31, 2019, approximately \$64.5 million has been drawn under the loan. 7750 Wisconsin Avenue is a 734,000 net rentable square foot build-to-suit Class A office project and below-grade parking garage.

On May 28, 2019, joint ventures in which we have a 50% interest and that own The Hub on Causeway - Podium and 100 Causeway Street development projects entered into an infrastructure development assistance agreement (the "IDAA") with the Commonwealth of Massachusetts and the City of Boston. Per the IDAA, The Hub on Causeway - Podium development project would be reimbursed for certain costs of public infrastructure improvements using the proceeds of up to \$30.0 million in aggregate principal amount of municipal bonds issued by the Commonwealth of Massachusetts. On September 16, 2019, the joint venture received the full reimbursement of costs for the public infrastructure improvements totaling approximately \$28.8 million, which has been reflected as a reduction to the carrying value of the real estate of The Hub on Causeway - Podium property. The construction loan agreement for The Hub on Causeway - Podium was modified to require the joint venture to pay down the construction loan principal balance using the proceeds received from the reimbursement of costs of the public infrastructure improvements and on September 16, 2019, the joint venture that owns The Hub on Causeway - Podium development project paid down the construction loan principal balance in the amount of approximately \$28.8 million. On November 22, 2019, the joint venture that owns The Hub on Causeway - Podium development project completed and fully placed in-service The Hub on Causeway - Podium development project, an approximately 382,000 net rentable square foot project containing retail and office space located in Boston, Massachusetts.

On June 27, 2019, a joint venture in which we have a 60% interest completed the sale of 540 Madison Avenue in New York City for a gross sale price of approximately \$310.3 million, including the assumption by the buyer of the mortgage loan collateralized by the property totaling \$120.0 million. The mortgage loan bore interest at a variable rate equal to LIBOR plus 1.10% per annum and was scheduled to mature on June 5, 2023. Net cash proceeds totaled approximately \$178.7 million, of which our share was approximately \$107.1 million, after the payment of transaction costs. During 2008, we recognized an other-than-temporary impairment loss on our investment in the unconsolidated joint venture. As a result, we recognized a gain on sale of real estate totaling approximately \$47.2 million, which is included in Income from Unconsolidated Joint Ventures in the accompanying Consolidated Statements of Operations. 540 Madison Avenue is an approximately 284,000 net rentable square foot Class A office property.

On September 5, 2019, a joint venture in which we have a 50% interest obtained construction financing with a total commitment of \$400.0 million collateralized by its 100 Causeway Street development project located in Boston, Massachusetts. The construction financing bears interest at a variable rate equal to LIBOR plus 1.50% per annum (LIBOR plus 1.375% per annum upon stabilization, as defined in the loan agreement) and matures on September 5, 2023, with two, one-year extension options, subject to certain conditions. As of December 31, 2019, approximately \$81.1 million has been drawn under the loan. 100 Causeway Street is an approximately 632,000 net rentable square foot Class A office project.

On September 20, 2019, we entered into a joint venture with CPPIB to develop Platform 16 located in San Jose, California. Platform 16 consists of a 65-year ground lease for land totaling approximately 5.6 acres that will support the development of approximately 1.1 million square feet of commercial office space. We contributed the ground lease interest and improvements totaling approximately \$28.2 million for our initial 55% interest in the joint

venture. CPPIB contributed cash totaling approximately \$23.1 million for its initial 45% interest in the joint venture. We will provide customary development, property management and leasing services to the joint venture (See “Dispositions/Impairments” and “Ground Leases” above as well as Note 19 to the Consolidated Financial Statements).

On October 1, 2019, a joint venture in which we have a 50% interest partially placed in-service Dock 72, a Class A office project with approximately 670,000 net rentable square feet located in Brooklyn, New York.

On October 1, 2019, a joint venture in which we have a 50% interest partially placed in-service Hub50House, an approximately 320,000 square foot project comprised of 440 residential units located in Boston, Massachusetts.

On December 6, 2019, a joint venture in which we have a 50% interest extended the mortgage loan collateralized by Annapolis Junction Building Seven and Building Eight. At the time of the extension, the outstanding balance of the loan totaled approximately \$34.8 million, bore interest at a variable rate equal to LIBOR plus 2.35% per annum and was scheduled to mature on December 7, 2019, with three, one-year extension options, subject to certain conditions. The extended loan matures on March 6, 2020. Annapolis Junction Building Seven and Building Eight are Class A office properties with approximately 127,000 and 126,000 net rentable square feet, respectively, located in Annapolis, Maryland.

Noncontrolling Interest

On April 1, 2019, we completed the acquisition of our partner’s 5% ownership interest and promoted profits interest in the consolidated entity that owns Salesforce Tower for cash totaling approximately \$210.9 million, which amount was reduced by approximately \$24.1 million to \$186.8 million to reflect the repayment of our preferred equity and preferred return in the venture (See Note 10 to the Consolidated Financial Statements). Salesforce Tower is located in San Francisco, California. We now own 100% of Salesforce Tower. We have accounted for the transaction as an equity transaction for financial reporting purposes and have reflected the difference between the fair value of the total consideration paid and the related carrying value of the noncontrolling interest - property partnership totaling approximately \$162.5 million as a decrease to Additional Paid-in Capital and Partners’ Capital in the Consolidated Balance Sheets of BXP and BPLP, respectively.

Stock Option and Incentive Plan

On February 5, 2019, BXP’s Compensation Committee approved a new equity-based, multi-year, long-term incentive program (the “2019 MYLTIP”) as a performance-based component of our overall compensation program. Under the Financial Accounting Standards Board’s Accounting Standards Codification (“ASC”) 718 “Compensation - Stock Compensation,” the 2019 MYLTIP has an aggregate value of approximately \$13.5 million, which amount will generally be amortized into earnings over the four-year plan period under the graded vesting method (See Note 16 to the Consolidated Financial Statements).

On February 9, 2019, the measurement period for our 2016 MYLTIP awards ended and, based on BXP’s relative TSR performance, the final awards were determined to be 69.5% of target or an aggregate of approximately \$13.6 million (after giving effect to employee separations). As a result, an aggregate of 364,980 2016 MYLTIP Units that had been previously granted were automatically forfeited.

Business and Growth Strategies

Business Strategies

Our primary business objective is to maximize return on investment to provide our investors with the greatest possible total return in all points of the economic cycle. Our strategies to achieve this objective are:

- to target a few carefully selected geographic markets—Boston, Los Angeles, New York, San Francisco and Washington, DC—and to be one of the leading, if not the leading, developers, owners and managers in each of those markets with a full-service office in each market providing property management, leasing, development, construction and legal expertise. We select markets and submarkets with a diverse economic base and a deep pool of prospective tenants in various industries and where tenants have demonstrated a preference for high-quality office buildings and other facilities. Additionally, our markets have historically been able to recruit new talent to them and as such created job growth that results in

growth in rental rates and occupancy over time. We have explored, and may continue to explore for future investment, select domestic and international markets that exhibit these same traits;

- to emphasize markets and submarkets within those markets where the difficulty of receiving the necessary approvals for development and the necessary financing constitute high barriers to the creation of new supply, and where skill, financial strength and diligence are required to successfully develop, finance and manage high-quality office, research and development space, as well as selected retail and residential space;
- to take on complex, technically challenging development projects, leveraging the skills of our management team to successfully develop, acquire or reposition properties that other organizations may not have the capacity or resources to pursue;
- to own and develop high-quality real estate designed to meet the demands of today's tenants who require sophisticated telecommunications and related infrastructure, support services, sustainable features and amenities, and to manage those facilities so as to become the landlord of choice for both existing and prospective clients;
- to opportunistically acquire assets that increase our market share in the markets in which we have chosen to concentrate, as well as potential new markets, which exhibit an opportunity to improve returns through repositioning (through a combination of capital improvements and shift in marketing strategy), changes in management focus and leasing;
- to explore joint venture opportunities with existing property owners located in desirable locations, who seek to benefit from the depth of development and management expertise we are able to provide and our access to capital, and/or to explore joint venture opportunities with strategic institutional partners, leveraging our skills as developers, owners and managers of Class A office space and mixed-use complexes;
- to pursue on a selective basis the sale of properties or interests therein, including core properties, to either (1) take advantage of the demand for our premier properties and realize the value we have created or (2) pare from our portfolio properties that we believe have slower future growth potential;
- to seek third-party development contracts to enable us to retain and utilize our existing development and construction management staff, especially when our internal development is less active or when new development is less-warranted due to market conditions; and
- to enhance our capital structure through our access to a variety of sources of capital and proactively manage our debt expirations. In the current economic climate with relatively low interest rates we have and will continue to attempt to lower the cost of our debt capital and seek opportunities to lock in such low rates through early debt repayment, refinancings and interest rate hedges.

Growth Strategies

External Growth Strategies

We believe that our development experience, our organizational depth and our balance sheet position us to continue to selectively develop a range of property types, including high-rise urban developments, mixed-use developments (including office, residential and retail), low-rise suburban office properties and research and laboratory space, within budget and on schedule. We believe we are also well positioned to achieve external growth through acquisitions. Other factors that contribute to our competitive position include:

- our control of sites (including sites under contract or option to acquire) in our markets that could support approximately 15.5 million additional square feet of new office, retail and residential development;
- our reputation gained through 50 years of successful operations and the stability and strength of our existing portfolio of properties;
- our relationships with leading national corporations, universities and public institutions, including government agencies, seeking new facilities and development services;
- our relationships with nationally recognized financial institutions that provide capital to the real estate industry;

- our track record and reputation for executing acquisitions efficiently provide comfort to domestic and foreign institutions, private investors and corporations who seek to sell commercial real estate in our market areas;
- our ability to act quickly on due diligence and financing;
- our relationships with institutional buyers and sellers of high-quality real estate assets;
- our ability to procure entitlements from multiple municipalities to develop sites and attract land owners to sell or partner with us; and
- our relationship with domestic and foreign investors who seek to partner with companies like ours.

Opportunities to execute our external growth strategy fall into three categories:

- *Development in selected submarkets.* We believe the selected development of well-positioned office buildings, residential buildings and mixed-use complexes may be justified in our markets. We believe in acquiring land after taking into consideration timing factors relating to economic cycles and in response to market conditions that allow for its development at the appropriate time. While we purposely concentrate in markets with high barriers-to-entry, we have demonstrated throughout our 50-year history, an ability to make carefully timed land acquisitions in submarkets where we can become one of the market leaders in establishing rent and other business terms. We believe that there are opportunities at key locations in our existing and other markets for a well-capitalized developer to acquire land with development potential.

In the past, we have been particularly successful at acquiring sites or options to purchase sites that need governmental approvals for development. Because of our development expertise, knowledge of the governmental approval process and reputation for quality development with local government regulatory bodies, we generally have been able to secure the permits necessary to allow development and to profit from the resulting increase in land value. We seek complex projects where we can add value through the efforts of our experienced and skilled management team leading to attractive returns on investment.

Our strong regional relationships and recognized development expertise have enabled us to capitalize on unique build-to-suit opportunities. We intend to seek and expect to continue to be presented with such opportunities in the near term allowing us to earn relatively significant returns on these development opportunities through multiple business cycles.

- *Acquisition of assets and portfolios of assets from institutions or individuals.* We believe that due to our size, management strength and reputation, we are well positioned to acquire portfolios of assets or individual properties from institutions or individuals if valuations meet our criteria. In addition, we believe that our market knowledge and our liquidity and access to capital may provide us with a competitive advantage when pursuing acquisitions. Opportunities to acquire properties may also come through the purchase of first mortgage or mezzanine debt. We are also able to appeal to sellers wishing to contribute on a tax-deferred basis their ownership of property for equity in a diversified real estate operating company that offers liquidity through access to the public equity markets in addition to a quarterly distribution. Our ability to offer common and preferred units of limited partnership in BPLP to sellers who would otherwise recognize a taxable gain upon a sale of assets for cash or BXP's common stock may facilitate this type of transaction on a tax-efficient basis. Recent Treasury regulations may limit certain of the tax benefits previously available to sellers in these transactions.
- *Acquisition of underperforming assets and portfolios of assets.* We believe that because of our in-depth market knowledge and development experience in each of our markets, our national reputation with brokers, financial institutions, owners of real estate and others involved in the real estate market and our access to competitively-priced capital, we are well-positioned to identify and acquire existing, underperforming properties for competitive prices and to add significant additional value to such properties through our effective marketing strategies, repositioning/redevelopment expertise and a responsive property management program.

Internal Growth Strategies

We believe that opportunities will exist to increase cash flow from our existing properties through an increase in occupancy and rental rates because they are of high quality and in desirable locations. Additionally, our markets have diversified economies that have historically experienced job growth and increased use of office space, resulting in growth in rental rates and occupancy over time. Our strategy for maximizing the benefits from these opportunities is three-fold: (1) to provide high-quality property management services using our employees in order to encourage tenants to renew, expand and relocate in our properties, (2) to achieve speed and transaction cost efficiency in replacing departing tenants through the use of in-house services for marketing, lease negotiation and construction of tenant and capital improvements and (3) to work with new or existing tenants with space expansion or contraction needs, leveraging our expertise and clustering of assets to maximize the cash flow from our assets. We expect to continue our internal growth as a result of our ability to:

- *Cultivate existing submarkets and long-term relationships with credit tenants.* In choosing locations for our properties, we have paid particular attention to transportation and commuting patterns, physical environment, adjacency to established business centers and amenities, proximity to sources of business growth and other local factors.

The weighted-average lease term of our in-place leases, including leases signed by our unconsolidated joint ventures, was approximately 8.4 years at December 31, 2019, and we continue to cultivate long-term leasing relationships with a diverse base of high-quality, financially stable tenants. Based on leases in place at December 31, 2019, leases with respect to approximately 7.0% of the total square feet in our portfolio, including unconsolidated joint ventures, will expire in calendar year 2020.

- *Directly manage our office properties to maximize the potential for tenant retention.* We provide property management services ourselves, rather than contracting for this service, to maintain awareness of and responsiveness to tenant needs. We and our properties also benefit from cost efficiencies produced by an experienced work force attentive to preventive maintenance and energy management and from our continuing programs to assure that our property management personnel at all levels remain aware of their important role in tenant relations. In addition, we reinvest in our properties by adding new services and amenities that are desirable to our tenants.
- *Replace tenants quickly at best available market terms and lowest possible transaction costs.* We believe that we are well-positioned to attract new tenants and achieve relatively high rental and occupancy rates as a result of our well-located, well-designed and well-maintained properties, our reputation for high-quality building services and responsiveness to tenants, and our ability to offer expansion and relocation alternatives within our submarkets.
- *Extend terms of existing leases to existing tenants prior to expiration.* We have also successfully structured early tenant renewals, which have reduced the cost associated with lease downtime while securing the tenancy of our highest quality credit-worthy tenants on a long-term basis and enhancing relationships.
- *Re-development of existing assets.* We believe the select re-development of assets within our portfolio, where through the ability to increase the building size and/or to increase cash flow and generate appropriate returns on incremental investment after consideration of the asset's current and future cash flows, may be desirable. This generally occurs in situations in which we are able to increase the building's size, improve building systems and sustainability features, and/or add tenant amenities, thereby increasing tenant demand, generating acceptable returns on incremental investment and enhancing the long-term value of the property and the company. In the past, we have been particularly successful at gaining local government approval for increased density at several of our assets, providing the opportunity to enhance value at a particular location. Our strong regional relationships and recognized re-development expertise have enabled us to capitalize on unique build-to-suit opportunities. We intend to seek and expect to continue to be presented with such opportunities in the near term allowing us to earn attractive returns on these development opportunities through multiple business cycles.

Policies with Respect to Certain Activities

The discussion below sets forth certain additional information regarding our investment, financing and other policies. These policies have been determined by BXP's Board of Directors and, in general, may be amended or revised from time to time by the Board of Directors.

Investment Policies

Investments in Real Estate or Interests in Real Estate

Our investment objectives are to provide quarterly cash dividends/distributions to our securityholders and to achieve long-term capital appreciation through increases in our value. We have not established a specific policy regarding the relative priority of these investment objectives.

We expect to continue to pursue our investment objectives primarily through the ownership of our current properties, development projects and other acquired properties. We currently intend to continue to invest primarily in developments of properties and acquisitions of existing improved properties or properties in need of redevelopment, and acquisitions of land that we believe have development potential, primarily in our existing markets of Boston, Los Angeles, New York, San Francisco and Washington, DC. We have explored and may continue to explore for future investment select domestic and international markets that exhibit these same traits. Future investment or development activities will not be limited to a specified percentage of our assets. We intend to engage in such future investment or development activities in a manner that is consistent with the maintenance of BXP's status as a REIT for federal income tax purposes. In addition, we may purchase or lease income-producing commercial and other types of properties for long-term investment, expand and improve the real estate presently owned or other properties purchased, or sell such real estate properties, in whole or in part, when circumstances warrant. We do not have a policy that restricts the amount or percentage of assets that will be invested in any specific property, however, our investments may be restricted by our debt covenants.

We may also continue to participate with third parties in property ownership, through joint ventures or other types of co-ownership. These investments may permit us to own interests in larger assets without unduly restricting diversification and, therefore, add flexibility in structuring our portfolio.

Equity investments may be subject to existing mortgage financing and other indebtedness or such financing or indebtedness as may be incurred in connection with acquiring or refinancing these investments. Debt service on such financing or indebtedness will have a priority over any distributions with respect to BXP's common stock. Investments are also subject to our policy not to be treated as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act").

Investments in Real Estate Mortgages

While our current portfolio consists primarily of, and our business objectives emphasize, equity investments in commercial real estate, we may, at the discretion of the Board of Directors of BXP, invest in mortgages and other types of real estate interests consistent with BXP's qualification as a REIT. Investments in real estate mortgages run the risk that one or more borrowers may default under such mortgages and that the collateral securing such mortgages may not be sufficient to enable us to recoup our full investment. We may invest in participating, convertible or traditional mortgages if we conclude that we may benefit from the cash flow, or any appreciation in value of the property or as an entrance to the fee ownership. As of December 31, 2019, we had two note receivables outstanding, which aggregated approximately \$95.9 million.

Securities of or Interests in Entities Primarily Engaged in Real Estate Activities

Subject to the percentage of ownership limitations and gross income and asset tests necessary for BXP's REIT qualification, we also may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities.

Dispositions

Our decision to dispose or partially dispose of properties is based upon the periodic review of our portfolio and the determination by the Board of Directors of BXP that such action would be in our best interests. Any decision to dispose of a property will be authorized by the Board of Directors of BXP or a committee thereof. Some holders of limited partnership interests in BPLP could incur adverse tax consequences upon the sale of certain of our properties that differ from the tax consequences to BXP. Consequently, holders of limited partnership interests in BPLP may have different objectives regarding the appropriate pricing and timing of any such sale. Such different tax treatment derives in most cases from the fact that we acquired these properties in exchange for partnership interests in contribution transactions structured to allow the prior owners to defer taxable gain. Generally, this deferral continues so long as we do not dispose of the properties in a taxable transaction. Unless a sale by us of these properties is structured as a like-kind exchange under Section 1031 of the Internal Revenue of 1986, as amended (the "Code") or in a manner that otherwise allows deferral to continue, recognition of the deferred tax gain

allocable to these prior owners is generally triggered by a sale. As of December 31, 2019, we have no properties that are subject to a tax protection agreement.

Financing Policies

The agreement of limited partnership of BPLP and BXP's certificate of incorporation and bylaws do not limit the amount or percentage of indebtedness that we may incur. Further, we do not have a policy limiting the amount of indebtedness that we may incur, nor have we established any limit on the number or amount of mortgages that may be placed on any single property or on our portfolio as a whole. However, our mortgages, credit facilities, joint venture agreements and unsecured debt securities contain customary restrictions, requirements and other limitations on our ability to incur indebtedness. In addition, we evaluate the impact of incremental leverage on our debt metrics and the credit ratings of BPLP's publicly traded debt. A reduction in BPLP's credit ratings could result in us borrowing money at higher interest rates.

The Board of Directors of BXP will consider a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of indebtedness, including the purchase price of properties to be acquired with debt financing, the estimated market value of our properties upon refinancing, the entering into agreements such as interest rate swaps, caps, floors and other interest rate hedging contracts and the ability of particular properties and us as a whole to generate cash flow to cover expected debt service.

Policies with Respect to Other Activities

As the sole general partner of BPLP, BXP has the authority to issue additional common and preferred units of limited partnership interest of BPLP. BXP has issued, and may in the future issue, common or preferred units of limited partnership interest to persons who contribute their direct or indirect interests in properties to us in exchange for such common or preferred units. We have not engaged in trading, underwriting or agency distribution or sale of securities of issuers other than BXP and BPLP does not intend to do so. At all times, we intend to make investments in such a manner as to enable BXP to maintain its qualification as a REIT, unless, due to changes in circumstances or to the tax code, the Board of Directors of BXP determines that it is no longer in the best interest of BXP to qualify as a REIT. We may make loans to third parties, including, without limitation, to joint ventures in which we participate or in connection with the disposition of a property. We intend to make investments in such a way that we will not be treated as an investment company under the 1940 Act. Our policies with respect to these and other activities may be reviewed and modified or amended from time to time by the Board of Directors of BXP.

Sustainability

Our Sustainability Strategy

As the largest publicly-traded office REIT (based on total market capitalization) as of December 31, 2019 in the United States that develops, owns and manages primarily Class A office properties, we actively work to promote our growth and operations in a sustainable and responsible manner across our five regions. The BXP sustainability strategy is to conduct our business, the development and operation of new and existing buildings, in a manner that contributes to positive economic, social and environmental outcomes for our customers, shareholders, employees and the communities we serve. Our investment philosophy is shaped by our core strategy of long-term ownership and our commitment to our communities and the centers of commerce and civic life that make them thrive. We are focused on developing and maintaining healthy, high-performance buildings, while simultaneously mitigating operational costs and the potential external impacts of energy, water, waste, greenhouse gas emissions and climate change. To that end, we have publicly adopted long-term energy, emissions, water and waste goals that establish aggressive reduction targets and have been aligned with the United Nations Sustainable Development Goals. BXP is a corporate member of the U.S. Green Building Council® ("USGBC") and has a long history of owning, developing and operating properties that are certified under USGBC's Leadership in Energy and Environmental Design™ (LEED®) rating system. In addition, we have been an active participant in the green bond market since 2018, which provides access to sustainability-focused investors interested in the positive environmental externalities of our business activities. BXP and its employees also make a social impact through charitable giving, volunteerism, public realm investments and diversity and inclusion. Through these efforts, we demonstrate that operating and developing commercial real estate can be conducted with a conscious regard for the environment and wider society while mutually benefiting our stakeholders.

Industry Leadership in Sustainability

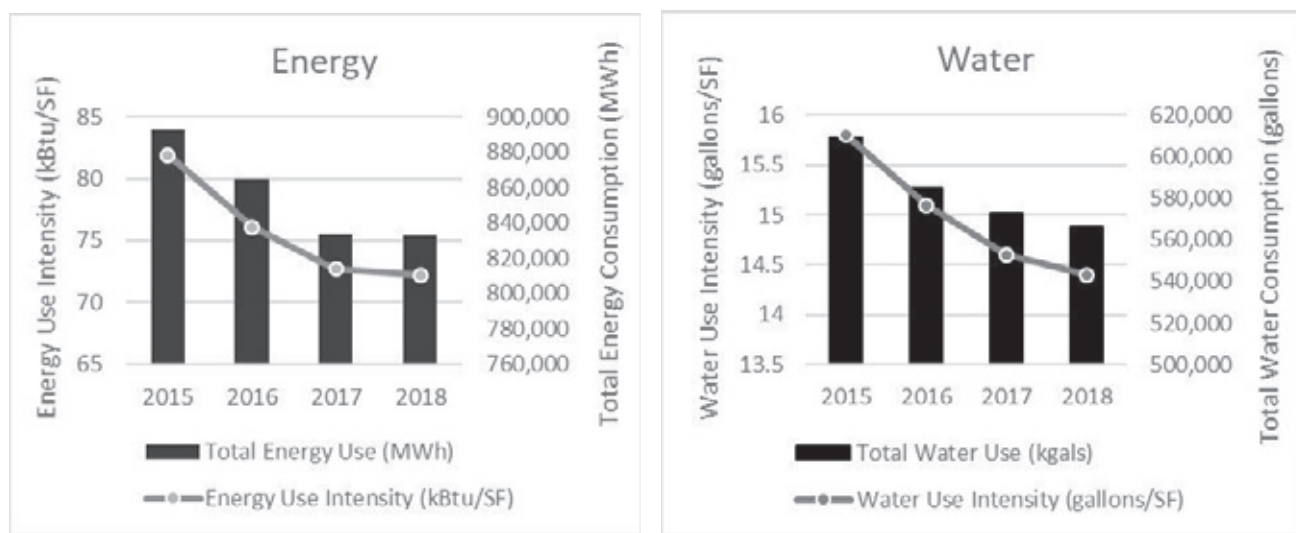
We have been recognized as an industry leader in sustainability. In 2019, BXP ranked among the top 4% of all real estate companies in the Global Real Estate Sustainability Benchmark (“GRESB”) assessment. 2019 was the eighth consecutive year that BXP has ranked in the top quartile of GRESB assessment participants, earning another “Green Star” recognition and the highest GRESB 5-star Rating. We have widely adopted green building practices and have LEED certified over 26 million square feet of our portfolio, of which 93% is certified at the highest Gold and Platinum levels. In 2014, 2015, 2017, 2018 and 2019, BXP was selected by the National Association of Real Estate Investment Trusts (“Nareit”) as a Leader in the Light Award winner. In 2019, BXP earned the “Most Innovative” Leader in the Light Award. This award is given to only one company and is the highest achievement in sustainability innovation for all REITs and real estate companies.

BXP was also named one of America’s Most Responsible Companies by Newsweek magazine in 2019. BXP ranked 122nd on Newsweek’s 2020 list of America’s 300 Most Responsible Companies, the second highest ranking given to a public REIT and the highest ranking of any office company. We recognize and have taken steps to address the role of our tenants in supporting the execution of our sustainability strategy through our leasing activity. BXP has been named a Green Lease Leader by the Institute for Market Transformation and the U.S. Department of Energy for exhibiting a strong commitment to high performance and sustainability in buildings and best practices in leasing. BXP’s master lease form includes green lease clauses that support a more sustainable tenant-landlord relationship.

Sustainability Accounting Standards Board (“SASB”)

The Real Estate Sustainability Accounting Standard issued by SASB in 2018 proposes sustainability accounting metrics designed for disclosure in mandatory filings, such as the Annual Report on Form 10-K, and serves as the framework against which we have aligned our disclosures for sustainability information. The recommended energy and water management activity metrics for the real estate industry include energy consumption data coverage as a percentage of floor area (“Energy Intensity”); percentage of eligible portfolio that is certified ENERGY STAR® (“ENERGY STAR certified”); total energy consumed by portfolio area (“Total Energy Consumption”); water withdrawal as a percentage of total floor area (“Water Intensity”); and total water withdrawn by portfolio area (“Total Water Consumption”). Energy and water data is collected from utility bills and submeters and is assured by a third-party, including all SASB 2018 energy and water metrics, which have been assured. During the 2018 calendar year, 68 buildings representing 71% of our eligible portfolio were ENERGY STAR certified. A licensed professional has verified all ENERGY STAR applications.

The charts below detail our Energy Intensity, Total Energy Consumption, Water Intensity and Total Water Consumption for 2015 through 2018 for which data on occupied and actively-managed properties was available.
1,2,3,4,5



(1) Full 2019 calendar year energy and water data will not be available to be assured by a third party until March 31, 2020. 2018 is the most recent year for which complete energy and water data is available and assured by a third party.

- (2) The charts reflect the performance of our occupied and actively-managed office building portfolio in Boston, Los Angeles, New York, San Francisco and Washington, DC. Occupied office buildings are buildings with no more than 50% vacancy. Actively-managed buildings are buildings where we have operational control of building system performance and investment decisions. At the end of the 2018 calendar year, this included 97 buildings totaling 39.2 million gross square feet.
- (3) Floor area is considered to have complete energy consumption data coverage when energy consumption data (i.e., energy types and amounts consumed) is obtained by us for all types of energy consumed in the relevant floor area during the calendar year, regardless of when such data was obtained.
- (4) The scope of energy includes energy purchased from sources external to us and our tenants or produced by us or our tenants and energy from all sources, including fuel, gas, electricity and steam. Energy use intensity (kBtu/SF) has been weather normalized.
- (5) Water sources include surface water (including water from wetlands, rivers, lakes and oceans), groundwater, rainwater collected directly and stored by the registrant, wastewater obtained from other entities, municipal water supplies or supply from other water utilities.

Climate Resilience

We are focused on climate preparedness and resiliency in advancement of our sustainability strategy. As a long-term owner and active manager of real estate assets in operation and under development, we strive to obtain adaptive capacity by continuing to proactively implement measures and planning and decision-making processes to protect our investments by improving resilience. We are preparing for long-term climate risk by considering climate change scenarios and will continue to assess climate change vulnerabilities resulting from potential future climate scenarios and sea level rise. Event-driven (acute) and longer-term (chronic) physical risks that may result from climate change could have a material adverse effect on our properties, operations and business. Management's role in assessing and managing these climate-related risks and initiatives is spread across multiple teams across our organization, including our executive leadership and our Sustainability, Risk Management, Development, Construction and Property Management departments. Climate resilience measures include training and implementation of emergency response plans and the engagement of our executives and BXP's Board of Directors on climate change and other environmental, social and governance ("ESG") aspects.

Reporting

A notable part of our commitment to sustainable development and operations is our commitment to transparent reporting of ESG performance indicators, as we recognize the importance of this information to investors, lenders and others in understanding how BXP assesses sustainability information and evaluates risks and opportunities. We publish an annual sustainability report that is aligned with the Global Reporting Initiative reporting framework, United Nations Sustainable Development Goals and the SASB framework and includes our strategy, key performance indicators, annual like-for-like comparisons, achievements and historical sustainability reports, which is available on our website at <http://www.bxp.com> under the heading "Sustainability." In addition, we continue to work to further align our reporting with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD") to disclose climate-related financial risks and opportunities.

In 2018 and 2019, BPLP issued an aggregate of \$1.85 billion of green bonds. The terms of the green bonds have use of proceeds restrictions limiting its allocation to "eligible green projects." We published our first Green Bond Allocation Report in June 2019 disclosing the full allocation of approximately \$988 million in net proceeds from BPLP's inaugural green bond offering to the eligible green project at our Salesforce Tower property in San Francisco, California. The Green Bond Allocation Report is available on our website at <http://www.bxp.com> under the heading "Sustainability."

Except for the documents specifically incorporated by reference into this Annual Report on Form 10-K, information contained on our website or that can be accessed through our website is not incorporated by reference into this Annual Report on Form 10-K.

Environmental Matters

It is our policy to retain independent environmental consultants to conduct or update Phase I environmental assessments (which generally do not involve invasive techniques such as soil or ground water sampling) and asbestos surveys in connection with our acquisition of properties. These pre-purchase environmental assessments have not revealed environmental conditions that we believe will have a material adverse effect on our business, assets, financial condition, results of operations or liquidity, and we are not otherwise aware of environmental conditions with respect to our properties that we believe would have such a material adverse effect. However, from

time to time environmental conditions at our properties have required and may in the future require environmental testing and/or regulatory filings, as well as remedial action.

In February 1999, we (through a joint venture) acquired from Exxon Corporation a property in Massachusetts that was formerly used as a petroleum bulk storage and distribution facility and was known by the state regulatory authority to contain soil and groundwater contamination. We developed an office park on the property. We engaged a specially licensed environmental consultant to oversee the management of contaminated soil and groundwater that was disturbed in the course of construction. Under the property acquisition agreement, Exxon agreed to (1) bear the liability arising from releases or discharges of oil and hazardous substances which occurred at the site prior to our ownership, (2) continue monitoring and/or remediating such releases and discharges as necessary and appropriate to comply with applicable requirements, and (3) indemnify us for certain losses arising from preexisting site conditions. Any indemnity claim may be subject to various defenses, and there can be no assurance that the amounts paid under the indemnity, if any, would be sufficient to cover the liabilities arising from any such releases and discharges.

Environmental investigations at some of our properties and certain properties owned by our affiliates have identified groundwater contamination migrating from off-site source properties. In each case we engaged a licensed environmental consultant to perform the necessary investigations and assessments, and to prepare any required submittals to the regulatory authorities. In each case the environmental consultant concluded that the properties qualify under the regulatory program or the regulatory practice for a status which eliminates certain deadlines for conducting response actions at a site. We also believe that these properties qualify for liability relief under certain statutory provisions or regulatory practices regarding upgradient releases. Although we believe that the current or former owners of the upgradient source properties may bear responsibility for some or all of the costs of addressing the identified groundwater contamination, we will take such further response actions (if any) that we deem necessary or advisable. Other than periodic testing at some of these properties, no such additional response actions are anticipated at this time.

Some of our properties and certain properties owned by our affiliates are located in urban, industrial and other previously developed areas where fill or current or historical use of the areas have caused site contamination. Accordingly, it is sometimes necessary to institute special soil and/or groundwater handling procedures and/or include particular building design features in connection with development, construction and other property operations in order to achieve regulatory closure and/or ensure that contaminated materials are addressed in an appropriate manner. In these situations, it is our practice to investigate the nature and extent of detected contamination, including potential issues associated with contaminant migration, assess potential liability risks and estimate the costs of required response actions and special handling procedures. We then use this information as part of our decision-making process with respect to the acquisition, deal structure and/or development of the property. For example, we own a parcel in Massachusetts which was formerly used as a quarry/asphalt batching facility. Pre-purchase testing indicated that the site contained relatively low levels of certain contaminants. We have developed an office park on this property. Prior to and during redevelopment activities, we engaged a specially licensed environmental consultant to monitor environmental conditions at the site and prepare necessary regulatory submittals based on the results of an environmental risk characterization. A submittal has been made to the regulatory authorities in order to achieve regulatory closure at this site. The submittal included an environmental deed restriction that mandates compliance with certain protective measures in a portion of the site where low levels of residual soil contamination have been left in place in accordance with applicable laws.

We expect that resolution of the environmental matters described above will not have a material impact on our business, assets, financial condition, results of operations or liquidity. However, we cannot assure you that we have identified all environmental liabilities at our properties, that all necessary remediation actions have been or will be undertaken at our properties, that we will be indemnified, in full or at all, or that we will have insurance coverage in the event that such environmental liabilities arise.

Corporate Governance

BXP is currently governed by an eleven-member Board of Directors. The current members of the Board of Directors of BXP are Kelly A. Ayotte, Bruce W. Duncan, Karen E. Dykstra, Carol B. Einiger, Diane J. Hoskins, Joel I. Klein, Douglas T. Linde, Matthew J. Lustig, Owen D. Thomas, David A. Twardock and William H. Walton III. All directors of BXP stand for election for one-year terms expiring at the next succeeding annual meeting of stockholders.

Joel I. Klein currently serves as the Chairman of BXP's Board of Directors. The Board of Directors of BXP also has Audit, Compensation and Nominating and Corporate Governance Committees. The membership of each of these committees is described below.

Independent Director	Audit	Compensation	Nominating and Corporate Governance
Kelly A. Ayotte		X	X
Bruce W. Duncan		X (1)	X
Karen E. Dykstra	X		
Carol B. Einiger		X	
Diane J. Hoskins			X
Joel I. Klein (2)			
Matthew J. Lustig			X (1)
David A. Twardock	X (1)	X	
William H. Walton III	X		

X=Committee member, (1)=Committee Chair, (2)=Chairman of BXP's Board of Directors

BXP has the following corporate governance documents and procedures in place:

- The Board of Directors has adopted charters for each of its Audit, Compensation and Nominating and Corporate Governance Committees. A copy of each of these charters is available on our website at <http://www.bxp.com> under the heading "Corporate Governance" and subheading "Committees and Charters."
- The Board of Directors has adopted Corporate Governance Guidelines, a copy of which is available on our website at <http://www.bxp.com> under the heading "Corporate Governance" and subheading "Governance Guidelines."
- The Board of Directors has adopted a Code of Business Conduct and Ethics, which governs business decisions made and actions taken by BXP's directors, officers and employees. A copy of this code is available on our website at <http://www.bxp.com> under the heading "Corporate Governance" and subheading "Code of Conduct and Ethics." BXP intends to disclose on this website any amendment to, or waiver of, any provisions of this Code applicable to the directors and executive officers of BXP that would otherwise be required to be disclosed under the rules of the SEC or the New York Stock Exchange.
- The Board of Directors has established an ethics reporting system that employees may use to anonymously report possible violations of the Code of Business Conduct and Ethics, including concerns regarding questionable accounting, internal accounting controls or auditing matters, by telephone or over the internet.
- The Board of Directors has adopted a Policy on our Political Spending, a copy of which is available on our website at <http://www.bxp.com> under the heading "Corporate Governance" and subheading "Policy on Political Spending."

Competition

We compete in the leasing of office, retail and residential space with a considerable number of other real estate companies, some of which may have greater marketing and financial resources than are available to us. In addition, our hotel property competes for guests with other hotels, some of which may have greater marketing and financial resources than are available to us and to the manager of our one hotel, Marriott International, Inc.

Principal factors of competition in our primary business of owning, acquiring and developing office properties are the quality of properties, leasing terms (including rent and other charges and allowances for tenant improvements), attractiveness and convenience of location, the quality and breadth of tenant services and amenities provided, and reputation as an owner and operator of quality office properties in the relevant market. Additionally, our ability to compete depends upon, among other factors, trends in the national and local economies, investment alternatives, financial condition and operating results of current and prospective tenants, availability and cost of capital, construction and renovation costs, taxes, utilities, governmental regulations, legislation and population trends.

In addition, we currently have six residential properties (including two properties under construction) and may in the future decide to acquire or develop additional residential properties. As an owner, we will also face competition for prospective residents from other operators/owners whose properties may be perceived to offer a better location or better amenities or whose rent may be perceived as a better value given the quality, location and amenities that the resident seeks. We will also compete against condominiums and single-family homes that are for sale or rent. Because the scale of our residential portfolio is relatively small, we expect to continue to retain third parties to manage our residential properties.

Our Hotel Property

We operate our hotel property through a taxable REIT subsidiary. The taxable REIT subsidiary, a wholly-owned subsidiary of BPLP, is the lessee pursuant to a lease for the hotel property. As lessor, BPLP is entitled to a percentage of gross receipts from the hotel property. The hotel lease is intended to provide the economic benefits of ownership of the underlying real estate to flow to us as rental income, while our taxable REIT subsidiary earns the profit from operating the property as a hotel. Marriott International, Inc. continues to manage the hotel property under the Marriott name and under terms of the existing management agreements. Marriott has been engaged under a separate long-term incentive management agreement to operate and manage the hotel on behalf of the taxable REIT subsidiary.

Recent Tax Legislation Affecting BXP and BPLP

The following discussion supplements and updates the disclosures under “United States Federal Income Tax Considerations” in the prospectus dated June 2, 2017 contained in our Registration Statement on Form S-3 filed with the SEC on June 2, 2017, as well as the disclosures under “United States Federal Income Tax Considerations” in the prospectus supplement dated June 2, 2017.

Qualified Group Legal Services

Section 501(c)(20) of the Internal Revenue Code of 1986, as amended (the “Code”), has been repealed. Therefore the reference to qualified group legal services plans under “*United States Federal Income Tax Considerations—Taxation of Tax-Exempt Stockholders*” is no longer applicable.

Backup Withholding

The rate for backup withholding has recently been reduced. It is now 24%, not 28% as stated in “*United States Federal Income Tax Considerations—Taxation of Holders of Certain Fixed Rate Debt Securities—Taxation of Taxable U.S. Holders.*”

Certain Foreign Income Inclusions

The Internal Revenue Service has advised that, if a REIT is a shareholder of a controlled foreign corporation or a passive foreign investment company, the income it must recognize on account of such ownership under sections 951(a)(1), 951A, 1291(a), § 1293(a)(1), or § 1296(a) will generally be treated as qualifying income for purposes of the 95% gross income test. In addition, foreign currency gain with respect to distributions of previously taxed earnings and profits will generally be excluded from income for purposes of the 95% gross income test.

Tax Cuts and Jobs Act of 2017

The Tax Cuts and Jobs Act of 2017 (the “TCJA”), generally applicable for tax years beginning after December 31, 2017, made significant changes to the Code, including a number of provisions of the Code that affect the taxation of businesses and their owners, including REITs and their stockholders. Among other changes, these include the following:

- For tax years beginning before January 1, 2026, non-corporate taxpayers are permitted to take a 20% deduction for certain pass-through business income, including dividends received from REITs that are not designated as capital gain dividends or qualified dividend income, subject to certain limitations. The maximum U.S. federal income tax rate for individuals has been reduced from 39.6% to 37%.

- The maximum U.S. federal income tax rate for corporations has been reduced from 35% to 21%, and the alternative minimum tax has been eliminated for corporations, which would generally reduce the amount of U.S. federal income tax payable by our taxable REIT subsidiaries and by us to the extent we were subject corporate U.S. federal income tax (for example, if we distributed less than 100% of our taxable income or recognized built-in gains in assets acquired from C corporations). In addition, the maximum withholding rate on distributions by us to non-U.S. stockholders that are treated as attributable to gain from the sale or exchange of a U.S. real property interest was reduced from 35% to 21%.
- Certain new limitations on the deductibility of interest expense now apply, which limitations may affect the deductibility of interest paid or accrued by us or our taxable REIT subsidiaries. Alternatively, we may be able to avoid the new limitations on interest expense by irrevocably electing to treat an investment as an “electing real property trade or business.” As a consequence of making such election, we would be required to use an alternative depreciation system with generally longer recovery periods. We have made this election for our own leasing business and will determine whether to make such election for any investment held through an entity we control.
- Certain new limitations on net operating losses now apply, which limitations may affect net operating losses generated by us or our taxable REIT subsidiaries.
- New accounting rules generally require us to recognize certain income items for federal income tax purposes no later than when we take the item into account for financial statement purposes, which may accelerate our recognition of certain income items.

This summary does not purport to be a detailed discussion of the changes to U.S. federal income tax laws as a result of the enactment of the TCJA. Technical corrections or other amendments to the TCJA or administrative guidance interpreting the TCJA may be forthcoming at any time. We cannot predict the long-term effect of the TCJA or any future law changes on REITs or their stockholders. Investors are urged to consult their own tax advisors regarding the effect of the TCJA based on their particular circumstances.

Consolidated Appropriations Act

On March 23, 2018, President Donald J. Trump signed into law the Consolidated Appropriations Act, 2018 (the “CAA”), which amended various provisions of the Internal Revenue Code of 1986, as amended, and implicate certain tax-related disclosures contained in the prospectus. As a result, the discussion under “*United States Federal Income Tax Considerations—Taxation of Stockholders and Potential Tax Consequences of Their Investment in Shares of Common Stock or Preferred Stock—Taxation of Non-U.S. Stockholders*” in the second full paragraph on page 65 and in the first full paragraph on page 66 of each of the two documents listed above, respectively, is replaced with the following paragraphs:

Qualified Shareholders. For periods on or after December 18, 2015, to the extent our stock is held directly (or indirectly through one or more partnerships) by a “qualified shareholder,” it will not be treated as a USRPI. Further, to the extent such treatment applies, any distribution to such shareholder will not be treated as gain recognized from the sale or exchange of a USRPI. For these purposes, a qualified shareholder is generally a non-U.S. stockholder that (i)(A) is eligible for treaty benefits under an income tax treaty with the United States that includes an exchange of information program, and the principal class of interests of which is listed and regularly traded on one or more stock exchanges as defined by the treaty, or (B) is a foreign limited partnership organized in a jurisdiction with an exchange of information agreement with the United States and that has a class of regularly traded limited partnership units (having a value greater than 50% of the value of all partnership units) on the New York Stock Exchange or Nasdaq, (ii) is a “qualified collective investment vehicle” (within the meaning of Section 897(k)(3)(B) of the Code) and (iii) maintains records of persons holding 5% or more of the class of interests described in clauses (i)(A) or (i)(B) above. However, in the case of a qualified shareholder having one or more “applicable investors,” the exception described in the first sentence of this paragraph will not apply to the applicable percentage of the qualified shareholder’s stock (with “applicable percentage” generally meaning the percentage of the value of the interests in the qualified shareholder held by applicable investors after applying certain constructive ownership rules). The applicable percentage of the amount realized by a qualified shareholder on the disposition of our stock or with respect to a distribution from us attributable to gain from the sale or exchange of a USRPI will be treated as amounts realized from the disposition of USRPIs. Such treatment shall also apply to applicable investors in respect of distributions treated as a sale or exchange of stock with respect to a qualified shareholder. For these purposes, an “applicable investor” is a person who generally holds an interest in the qualified shareholder and holds

more than 10% of our stock applying certain constructive ownership rules. Subject to the exception described above for qualified shareholders having one or more applicable investors, distributions received by qualified shareholders will be taxed as described above at -Dividends as if the distribution is not attributable to the sale of a USRPI. Gain treated as gain from the sale or exchange of our stock (including capital gain dividends and distributions treated as gain from the sale or exchange of our stock under the rules described above at - Dividends) will not be subject to tax unless such gain is treated as effectively connected with the qualified shareholder's conduct of a U.S. trade or business, in which case the qualified shareholder generally will be subject to a tax at the graduated rates applicable to ordinary income, in the same manner as U.S. stockholders.

Qualified Foreign Pension Funds. For periods on or after December 18, 2015, for FIRPTA purposes neither a "qualified foreign pension fund" nor any "qualified controlled entity" is treated as a Non-U.S. Stockholder. A "qualified foreign pension fund" is an organization or arrangement (i) created or organized in a foreign country, (ii) established by a foreign country (or one or more political subdivisions thereof) or one or more employers to provide retirement or pension benefits to current or former employees (including self-employed individuals) or their designees as a result of, or in consideration for, services rendered, (iii) which does not have a single participant or beneficiary that has a right to more than 5% of its assets or income, (iv) which is subject to government regulation and with respect to which annual information about its beneficiaries is provided, or is otherwise available, to relevant local tax authorities and (v) with respect to which, under its local laws, (A) contributions that would otherwise be subject to tax are deductible or excluded from its gross income or taxed at a reduced rate, or (B) taxation of its investment income is deferred, or such income is excluded from its gross income or taxed at a reduced rate. A "qualified controlled entity" is an entity all the interests of which are held by a qualified foreign pension fund. Alternatively, under proposed Treasury Regulations that taxpayers generally may rely on, but which are subject to change, a "qualified controlled entity" is a trust or corporation organized under the laws of a foreign country all of the interests of which are held by one or more qualified foreign pension funds either directly or indirectly through one or more qualified controlled entities or partnerships. Gain of a qualified foreign pension fund or qualified controlled entity treated as gain from the sale or exchange of our stock, distributions treated as gain from the sale or exchange of our stock under the rules described above at - Dividends, and distributions attributable to gains from sales of USRPIs will not be subject to U.S. federal income or withholding tax unless such gain is treated as effectively connected with the qualified foreign pension fund's (or the qualified controlled entity's, as applicable) conduct of a U.S. trade or business, in which case the qualified foreign pension fund (or qualified controlled entity) generally will be subject to a tax at the same graduated rates applicable to U.S. Stockholders, unless an applicable income tax treaty provides otherwise, and may be subject to the 30% branch profits tax on its effectively connected earnings and profits, subject to adjustments, in the case of a foreign corporation.

FATCA Proposed Regulations

On December 18, 2018, the Internal Revenue Service promulgated proposed regulations under Sections 1471-1474 of the Code (commonly referred to as FATCA), which proposed regulations eliminate FATCA withholding on gross proceeds and thus implicate certain tax-related disclosures contained in the prospectus and the prospectus supplement. While these regulations have not yet been finalized, taxpayers are generally entitled to rely on the proposed regulations (subject to certain limited exceptions). As a result, the discussion under "*United States Federal Income Tax Considerations—Taxation of Stockholders and Potential Tax Consequences of Their Investment in Shares of Common Stock or Preferred Stock—Taxation of Non-U.S. Stockholders—Withholding on Certain Foreign Accounts and Entities*" the prospectus and the prospectus supplement (found on page 66 of each) is replaced with the following:

Withholding on Certain Foreign Accounts and Entities. The Foreign Account Tax Compliance Act, or FATCA, imposes withholding taxes on "withholdable payments" (as defined below) made to "foreign financial institutions" and certain other non-U.S. entities unless (1) the foreign financial institution undertakes certain diligence and reporting obligations or (2) the foreign non-financial entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. "Withholdable payment" generally means any payment of interest, dividends, and certain other types of generally passive income if such payment is from sources within the United States. If the payee is a foreign financial institution, it must enter into an agreement with the United States Treasury requiring, among other things, that it undertakes to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent them from complying with these reporting and other requirements. Investors in jurisdictions that have entered into "intergovernmental agreements" may, in lieu of the foregoing requirements, be required to report such information to their home jurisdictions. Prospective investors should consult their tax advisors regarding this legislation.

Item 1A. Risk Factors.

Set forth below are the risks that we believe are material to our investors. We refer to the equity and debt securities of both BXP and BPLP as our “securities,” and the investors who own securities, or both, as our “securityholders.” This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements beginning on page 55.

Our performance and value are subject to risks associated with our real estate assets and with the real estate industry.

Our economic performance and the value of our real estate assets, and consequently the value of our securities, are subject to the risk that if our properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our securityholders will be adversely affected. The following factors, among others, may adversely affect the income generated by our properties:

- downturns in the national, regional and local economic conditions (particularly increases in unemployment);
- competition from other office, hotel, retail and residential buildings;
- local real estate market conditions, such as oversupply or reduction in demand for office, hotel, retail or residential space;
- changes in interest rates and availability of financing;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space;
- changes in space utilization by our tenants due to technology, economic conditions and business culture;
- increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs;
- civil disturbances, earthquakes and other natural disasters or terrorist acts or acts of war which may result in uninsured or underinsured losses or decrease the desirability to our tenants in impacted locations;
- significant expenditures associated with each investment, such as debt service payments, real estate taxes (including reassessments and changes in tax laws), insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;
- declines in the financial condition of our tenants and our ability to collect rents from our tenants; and
- decreases in the underlying value of our real estate.

We are dependent upon the economic climates of our markets—Boston, Los Angeles, New York, San Francisco and Washington, DC.

Substantially all of our revenue is derived from properties located in five markets: Boston, Los Angeles, New York, San Francisco and Washington, DC. A downturn in the economies of these markets, or the impact that a downturn in the overall national economy may have upon these economies, could result in reduced demand for office space and/or a reduction in rents. Because our portfolio consists primarily of office buildings (as compared to a more diversified real estate portfolio), a decrease in demand for office space in turn could adversely affect our results of operations. Additionally, there are submarkets within our markets that are dependent upon a limited number of industries. For example, in our Washington, DC market, we focus on leasing office properties to governmental agencies and contractors, as well as legal firms. A reduction in spending by the federal government could result in reduced demand for office space and adversely affect our results of operations. In addition, in our New York market, we have historically leased properties to financial, legal and other professional firms. A significant downturn in one or more of these sectors could adversely affect our results of operations.

In addition, a significant economic downturn over a period of time could result in an event or change in circumstances that results in an impairment in the value of our properties or our investments in unconsolidated joint ventures. An impairment loss is recognized if the carrying amount of the asset (1) is not recoverable over its expected holding period and (2) exceeds its fair value. There can be no assurance that we will not take charges in

the future related to the impairment of our assets or investments. Any future impairment could have a material adverse effect on our results of operations in the period in which the charge is taken.

Our actual costs to develop properties may exceed our budgeted costs.

We intend to continue to develop and substantially renovate office, retail and residential properties. Our current and future development and construction activities may be exposed to the following risks:

- we may be unable to proceed with the development of properties because we cannot obtain financing on favorable terms or at all;
- we may incur construction costs for a development project that exceed our original estimates due to increases in interest rates and increased materials, labor, leasing or other costs, which could make completion of the project less profitable because market rents may not increase sufficiently to compensate for the increase in construction costs;
- we may be unable to obtain, or face delays in obtaining, required zoning, land-use, building, occupancy, and other governmental permits and authorizations, which could result in increased costs and could require us to abandon our activities entirely with respect to a project;
- we may abandon development opportunities after we begin to explore them and as a result we may lose deposits or fail to recover expenses already incurred;
- we may expend funds on and devote management's time to projects that we do not complete;
- we may be unable to complete construction and/or leasing of a property on schedule or at all; and
- we may suspend development projects after construction has begun due to changes in economic conditions or other factors, and this may result in the write-off of costs, payment of additional costs or increases in overall costs when the development project is restarted.

Investment returns from our developed properties may be less than anticipated.

Our developed properties may be exposed to the following risks:

- we may lease developed properties at rental rates that are less than the rates projected at the time we decide to undertake the development;
- operating expenses and construction costs may be greater than projected at the time of development, resulting in our investment being less profitable than we expected; and
- occupancy rates and rents at newly developed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investments being less profitable than we expected or not profitable at all.

We face risks associated with the development of mixed-use commercial properties.

We operate, are currently developing, and may in the future develop, properties either alone or through joint ventures with other persons that are known as "mixed-use" developments. This means that in addition to the development of office space, the project may also include space for residential, retail, hotel or other commercial purposes. We have less experience in developing and managing non-office and non-retail real estate than we do with office real estate. As a result, if a development project includes a non-office or non-retail use, we may seek to develop that component ourselves, sell the rights to that component to a third-party developer with experience in that use or we may seek to partner with such a developer. If we do not sell the rights or partner with such a developer, or if we choose to develop the other component ourselves, we would be exposed not only to those risks typically associated with the development of commercial real estate generally, but also to specific risks associated with the development and ownership of non-office and non-retail real estate. In addition, even if we sell the rights to develop the other component or elect to participate in the development through a joint venture, we may be exposed to the risks associated with the failure of the other party to complete the development as expected. These include the risk that the other party would default on its obligations necessitating that we complete the other component ourselves (including providing any necessary financing). In the case of residential properties, these risks include competition for prospective residents from other operators whose properties may be perceived to offer a better location or better amenities or whose rent may be perceived as a better value given the quality, location and

amenities that the resident seeks. We will also compete against condominiums and single-family homes that are for sale or rent. Because we have less experience with residential properties than with office and retail properties, we expect to retain third parties to manage our residential properties. If we decide to not sell or participate in a joint venture and instead hire a third party manager, we would be dependent on them and their key personnel who provide services to us and we may not find a suitable replacement if the management agreement is terminated, or if key personnel leave or otherwise become unavailable to us.

Our properties face significant competition.

We face significant competition from developers, owners and managers of office and residential properties and other commercial real estate, including sublease space available from our tenants. Substantially all of our properties face competition from similar properties in the same market. This competition may affect our ability to attract and retain tenants and may reduce the rents we are able to charge. These competing properties may have vacancy rates higher than our properties, which may result in their owners being willing to lease available space at lower rates than the space in our properties.

We face potential difficulties or delays renewing leases or re-leasing space.

We derive most of our income from rent received from our tenants. If a tenant experiences a downturn in its business or other types of financial distress, including the costs of additional federal, state or local tax burdens, it may be unable to make timely rental payments. Also, when our tenants decide not to renew their leases or terminate early, we may not be able to re-let the space or there could be a substantial delay in re-letting the space. Even if tenants decide to renew or lease new space, the terms of renewals or new leases, including the cost of required renovations or concessions to tenants, may be less favorable to us than current lease terms. As a result, our cash flow could decrease and our ability to make distributions to our securityholders could be adversely affected.

Changes in rent control or rent stabilization and eviction laws and regulations in our markets could have a material adverse effect on our residential portfolio's results of operations and residential property values.

Various state and local governments have enacted and may continue to enact rent control or rent stabilization laws and regulations or take other actions that could limit our ability to raise rents or charge certain fees such as pet fees or application fees. We have seen a recent increase in governments considering, or being urged by advocacy groups to consider, rent control or rent stabilization laws and regulations. Depending on the extent and terms of future enactments of rent control or rent stabilization laws and regulations, as well as any lawsuits against us arising from such issues, such future enactments could have a material adverse effect on our residential portfolio's results of operations and the value of our residential properties.

State and local governments may also make changes to eviction and other tenants' rights laws and regulations that could have a material adverse effect on our residential portfolio's results of operations and the value of our residential properties. If we are restricted from re-leasing apartment units due to the inability to evict delinquent residents, our results of operations and property values for our residential properties may be adversely affected.

We face potential adverse effects from major tenants' bankruptcies or insolvencies.

The bankruptcy or insolvency of a major tenant may adversely affect the income produced by our properties. Our tenants could file for bankruptcy protection or become insolvent in the future. We cannot evict a tenant solely because of its bankruptcy. On the other hand, a bankrupt tenant may reject and terminate its lease with us. In such case, our claim against the bankrupt tenant for unpaid and future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and, even so, our claim for unpaid rent would likely not be paid in full. This shortfall could adversely affect our cash flow and results of operations.

We face the risk that third parties will not be able to service or repay loans we make to them.

From time to time, we have loaned and in the future may loan funds to (1) a third-party buyer to facilitate the sale of an asset by us to such third party, or (2) a third party in connection with the formation of a joint venture to acquire and/or develop a property. Making these loans subjects us to the following risks, each of which could have a material adverse effect on our cash flow, results of operations and/or financial condition:

- the third party may be unable to make full and timely payments of interest and principal on the loan when due;
- if the third-party buyer to whom we provide seller financing and utilizes the assets as collateral does not manage the property well, or the property otherwise fails to meet financial projections, performs poorly or declines in value, then the buyer may not have the funds or ability to raise new debt with which to make required payments of interest and principal to us;
- if we loan funds to a joint venture, and the joint venture is unable to make required payments of interest or principal, or both, or there are disagreements with respect to the repayment of the loan or other matters, then we could have a resulting dispute with our partner(s), and such a dispute could harm our relationship(s) with our partner(s) and cause delays in developing or selling the property or the failure to properly manage the property; and
- if we loan funds to a joint venture and the joint venture is unable to make required payments of interest and principal, or both, then we may exercise remedies available to us in the joint venture agreement that could allow us to increase our ownership interest or our control over major decisions, or both, which could result in an unconsolidated joint venture becoming consolidated with our financial statement; doing so could require us to reallocate the purchase price among the various asset and liability components and this could result in material changes to our reported results of operations and financial condition.

We face risks associated with the use of debt to fund acquisitions and developments, including refinancing risk.

We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. We anticipate that only a small portion of the principal of our debt will be repaid prior to maturity. Therefore, we are likely to need to refinance at least a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of our existing debt. If principal payments due at maturity cannot be refinanced, extended or repaid with proceeds from other sources, such as new equity capital, our cash flow may not be sufficient to repay all maturing debt in years when significant “balloon” payments come due. In addition, we may rely on debt to fund a portion of our new investments such as our acquisition and development activity. There is a risk that we may be unable to finance these activities on favorable terms or at all. These conditions, which increase the cost and reduce the availability of debt, may continue or worsen in the future.

We have had and may have in the future agreements with a number of limited partners of BPLP who contributed properties in exchange for partnership interests that require BPLP to maintain for specified periods of time secured debt on certain of our assets and/or allocate partnership debt to such limited partners to enable them to continue to defer recognition of their taxable gain with respect to the contributed property. These tax protection and debt allocation agreements may restrict our ability to repay or refinance debt. As of December 31, 2019, we had no tax protection or debt allocation agreement requirements that may restrict our ability to repay or finance debt.

Adverse economic and geopolitical conditions, health crises and dislocations in the credit markets could have a material adverse effect on our results of operations, financial condition and ability to pay distributions.

Our business may be affected by market and economic challenges experienced by the U.S. and global economies or real estate industry as a whole, by the local economic conditions in the markets in which our properties are located, including the impact of high unemployment, volatility in the public equity and debt markets, and international economic and other conditions, including pandemics. These current conditions, or similar conditions existing in the future, may adversely affect our results of operations, financial condition and ability to pay distributions as a result of the following, among other potential consequences:

- the financial condition of our tenants, many of which are media and technology, financial, government, legal and other professional firms, may be adversely affected, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, lack of funding, operational failures or for other reasons;
- significant job losses in the financial and professional services industries may occur, which may decrease demand for our office space, causing market rental rates and property values to be negatively impacted;

- our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future interest expense;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans;
- the value and liquidity of our short-term investments and cash deposits could be reduced as a result of a deterioration of the financial condition of the institutions that hold our cash deposits or the institutions or assets in which we have made short-term investments, a dislocation of the markets for our short-term investments, increased volatility in market rates for such investments or other factors;
- one or more lenders under our line of credit could refuse to fund their financing commitment to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all; and
- to the extent we enter into derivative financial instruments, one or more counterparties to our derivative financial instruments could default on their obligations to us, or could fail, increasing the risk that we may not realize the benefits of these instruments.

In addition, public health crises, pandemics and epidemics, such as those caused by the novel coronavirus (COVID-19), could have a material adverse effect on global, national and local economies, as well as on our business and our tenants' businesses by disrupting supply chains and delaying transactional activities. In addition to the potential consequences listed above, these same factors may cause prospective tenants to delay their leasing decisions or choose to lease less space. The potential impact of a pandemic, epidemic or outbreak of a contagious disease on our tenants and our properties is difficult to predict, and they could have a material adverse effect on our results of operations and financial condition.

An increase in interest rates would increase our interest costs on variable rate debt and could adversely impact our ability to refinance existing debt or sell assets on favorable terms or at all.

As of February 21, 2020, we had approximately \$500 million of outstanding indebtedness, excluding our unconsolidated joint ventures, that bears interest at variable rates, and we may incur more indebtedness in the future. If interest rates increase, then so would the interest costs on our unhedged variable rate debt, which could adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our securityholders. Further, rising interest rates could limit our ability to refinance existing debt when it matures or significantly increase our future interest expense. From time to time, we enter into interest rate swap agreements and other interest rate hedging contracts, including swaps, caps and floors. While these agreements are intended to lessen the impact of rising interest rates on us, they also expose us to the risk that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges under guidance included in ASC 815 "Derivatives and Hedging." In addition, an increase in interest rates could decrease the amounts third-parties are willing to pay for our assets, thereby limiting our ability to change our portfolio promptly in response to changes in economic or other conditions.

We may be adversely affected by the potential discontinuation of LIBOR.

In July 2017, the Financial Conduct Authority (the "FCA") announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, the Federal Reserve Board and the Federal Reserve Bank of New York organized the Alternative Reference Rates Committee which identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative to USD-LIBOR. We are not able to predict when LIBOR will cease to be published or precisely how SOFR will be calculated and published. Any changes adopted by the FCA or other governing bodies in the method used for determining LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR. If that were to occur, our interest payments could change. In addition, uncertainty about the extent and manner of future changes may result in interest rates and/or payments that are higher or lower than if LIBOR were to remain available in its current form.

We have contracts that are indexed to LIBOR and are monitoring and evaluating the related risks, which include interest amounts on our variable rate debt, our unconsolidated joint ventures' variable rate debt and the swap rate for our unconsolidated joint ventures' interest rate swaps. In the event that LIBOR is discontinued, the interest rates will be based on an alternative variable rate specified in the applicable documentation governing such

debt or swaps or as otherwise agreed upon. Such an event would not affect our ability to borrow or maintain already outstanding borrowings or swaps, but the alternative variable rate could be higher and more volatile than LIBOR prior to its discontinuance.

Certain risks arise in connection with transitioning contracts to an alternative variable rate, including any resulting value transfer that may occur. The value of loans, securities, or derivative instruments tied to LIBOR could also be impacted if LIBOR is limited or discontinued. For some instruments, the method of transitioning to an alternative rate may be challenging, as they may require substantial negotiation with each respective counterparty. If a contract is not transitioned to an alternative variable rate and LIBOR is discontinued, the impact is likely to vary by contract. If LIBOR is discontinued or if the method of calculating LIBOR changes from its current form, interest rates on our current or future indebtedness may be adversely affected.

While we expect LIBOR to be available in substantially its current form until the end of 2021, it is possible that LIBOR will become unavailable prior to that point. This could result, for example, if sufficient banks decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative variable rate will be accelerated and magnified.

Covenants in our debt agreements could adversely affect our financial condition.

The mortgages on our properties contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to modify or discontinue insurance coverage. Our unsecured credit facility, unsecured debt securities and certain secured loans contain customary restrictions, requirements and other limitations on our ability to incur indebtedness, including total debt to asset ratios, secured debt to total asset ratios, debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt, which we must maintain. Our continued ability to borrow under our credit facilities is subject to compliance with our financial and other covenants. In addition, our failure to comply with such covenants could cause a default under the applicable debt agreement, and we may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us, or be available only on unattractive terms. Additionally, in the future our ability to satisfy current or prospective lenders' insurance requirements may be adversely affected if lenders generally insist upon greater insurance coverage against acts of terrorism or losses resulting from earthquakes than is available to us in the marketplace or on commercially reasonable terms.

We rely on debt financing, including borrowings under our unsecured credit facility, issuances of unsecured debt securities and debt secured by individual properties, to finance our existing portfolio, our acquisition and development activities and for working capital. If we are unable to obtain debt financing from these or other sources, or to refinance existing indebtedness upon maturity, our financial condition and results of operations would likely be adversely affected. If we breach covenants in our debt agreements, the lenders can declare a default and, if the debt is secured, can take possession of the property securing the defaulted loan. In addition, our unsecured debt agreements contain specific cross-default provisions with respect to specified other indebtedness, giving the unsecured lenders the right to declare a default if we are in default under other loans in some circumstances. Defaults under our debt agreements could materially and adversely affect our financial condition and results of operations.

Our degree of leverage could limit our ability to obtain additional financing or affect the market price of our equity and debt securities.

As of February 21, 2020, our Consolidated Debt was approximately \$11.9 billion (excluding unconsolidated joint venture debt).

The following table presents Consolidated Market Capitalization as well as the corresponding ratios of Consolidated Debt to Consolidated Market Capitalization (dollars and shares / units in thousands):

	February 21, 2020		
	Shares / Units Outstanding	Common Stock Equivalent	Equivalent Value (1)
Common Stock	155,122	155,122	\$ 22,613,685
Common Operating Partnership Units	17,943	17,943	2,615,731 (2)
5.25% Series B Cumulative Redeemable Preferred Stock	80	—	200,000
<u>Total Equity (A)</u>		<u>173,065</u>	<u>\$ 25,429,416</u>
<u>Consolidated Debt (B)</u>			<u>\$ 11,852,157</u>
<u>Consolidated Market Capitalization (A + B)</u>			<u>\$ 37,281,573</u>
<u>Consolidated Debt/Consolidated Market Capitalization [B / (A + B)]</u>			31.79%

- (1) Except for the Series B Cumulative Redeemable Preferred Stock, which have been valued at the liquidation preference of \$2,500 per share, values are based on the closing price per share of BXP's Common Stock on February 21, 2020 of \$145.78.
- (2) Includes 1,354,111 LTIP Units (including 105,080 2012 OPP Units, 64,468 2013 MYLTIP Units, 23,100 2014 MYLTIP Units, 28,724 2015 MYLTIP Units, 90,255 2016 MYLTIP Units and 123,979 2017 MYLTIP Units), but excludes an aggregate of 760,207 MYLTIP Units granted between 2018 and 2020.

Our degree of leverage could affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes. Our senior unsecured debt is currently rated investment grade by two major rating agencies. However, there can be no assurance that we will be able to maintain this rating, and in the event our senior debt is downgraded from its current rating, we would likely incur higher borrowing costs and/or difficulty in obtaining additional financing. Our degree of leverage could also make us more vulnerable to a downturn in business or the economy generally. There is a risk that changes in our debt to market capitalization ratio, which is in part a function of BXP's stock price, or BPLP's ratio of indebtedness to other measures of asset value used by financial analysts may have an adverse effect on the market price of our equity or debt securities.

We face risks associated with property acquisitions.

We have acquired in the past and intend to continue to pursue the acquisition of properties and portfolios of properties, including large portfolios that could increase our size and result in alterations to our capital structure. Our acquisition activities and their success are subject to the following risks:

- even if we enter into an acquisition agreement for a property, we may be unable to complete that acquisition after making a non-refundable deposit and incurring certain other acquisition-related costs;
- we may be unable to obtain or assume financing for acquisitions on favorable terms or at all;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning, redeveloping or maintaining acquired properties may be greater than our estimates;
- the acquisition agreement will likely contain conditions to closing, including completion of due diligence investigations to our satisfaction or other conditions that are not within our control, which may not be satisfied;
- acquired properties may be located in new markets, either within or outside the United States, where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area, costs associated with opening a new regional office and unfamiliarity with local governmental and permitting procedures;

- we may acquire real estate through the acquisition of the ownership entity subjecting us to the risks of that entity; and
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and this could have an adverse effect on our results of operations and financial condition.

We have acquired in the past and in the future may acquire properties through the acquisition of first mortgage or mezzanine debt. Investments in these loans must be carefully structured to ensure that BXP continues to satisfy the various asset and income requirements applicable to REITs. If we fail to structure any such acquisition properly, BXP could fail to qualify as a REIT. In addition, acquisitions of first mortgage or mezzanine loans subject us to the risks associated with the borrower's default, including potential bankruptcy, and there may be significant delays and costs associated with the process of foreclosure on collateral securing or supporting these investments. There can be no assurance that we would recover any or all of our investment in the event of such a default or bankruptcy.

We have acquired in the past and in the future may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in BPLP. This acquisition structure has the effect, among others, of reducing the amount of tax depreciation we can deduct over the tax life of the acquired properties, and typically requires that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

Acquired properties may expose us to unknown liability.

We may acquire properties or invest in joint ventures that own properties subject to liabilities and without any recourse, or with only limited recourse, against the prior owners or other third parties with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our results of operations and cash flow. Unknown liabilities with respect to acquired properties might include:

- liabilities for clean-up of undisclosed environmental contamination;
- claims by tenants, vendors or other persons against the former owners of the properties;
- liabilities incurred in the ordinary course of business; and
- claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Competition for acquisitions may result in increased prices for properties.

We plan to continue to acquire properties as we are presented with attractive opportunities. We may face competition for acquisition opportunities with other investors, and this competition may adversely affect us by subjecting us to the following risks:

- we may be unable to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded and private REITs, institutional investment funds and other real estate investors; and
- even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price.

Any future international activities will be subject to special risks and we may not be able to effectively manage our international business.

We have underwritten, and in the future may acquire, properties, portfolios of properties or interests in real estate-related entities on a strategic or selective basis in international markets that are new to us. If we acquire properties or platforms located in these markets, we will face risks associated with a lack of market knowledge and understanding of the local economy, forging new business relationships in the area and unfamiliarity with local laws and government and permitting procedures. In addition, our international operations will be subject to the usual risks of doing business abroad such as possible revisions in tax treaties or other laws and regulations, including those governing the taxation of our international income, restrictions on the transfer of funds and uncertainty over

terrorist activities. We cannot predict the likelihood that any of these developments may occur. Further, we may in the future enter into agreements with non-U.S. entities that are governed by the laws of, and are subject to dispute resolution in the courts of, another country or region. We cannot accurately predict whether such a forum would provide us with an effective and efficient means of resolving disputes that may arise.

Investments in international markets may also subject us to risks associated with funding increasing headcount, integrating new offices, and establishing effective controls and procedures to regulate the operations of new offices and to monitor compliance with U.S. laws and regulations such as the Foreign Corrupt Practices Act and similar foreign laws and regulations, such as the U.K. Bribery Act.

We may be subject to risks from potential fluctuations in exchange rates between the U.S. dollar and the currencies of the other countries in which we invest.

If we invest in countries where the U.S. dollar is not the national currency, we will be subject to international currency risks from the potential fluctuations in exchange rates between the U.S. dollar and the currencies of those other countries. A significant depreciation in the value of the currency of one or more countries where we have a significant investment may materially affect our results of operations. We may attempt to mitigate any such effects by borrowing in the currency of the country in which we are investing and, under certain circumstances, by hedging exchange rate fluctuations; however, access to capital may be more restricted, or unavailable on favorable terms or at all, in certain locations. For leases denominated in international currencies, we may use derivative financial instruments to manage the international currency exchange risk. We cannot assure you, however, that our efforts will successfully neutralize all international currency risks.

Our use of joint ventures may limit our flexibility with jointly owned investments.

In appropriate circumstances, we intend to develop, acquire and recapitalize properties in joint ventures with other persons or entities. We currently have joint ventures that are and are not consolidated within our financial statements. Our participation in joint ventures subjects us to risks, including but not limited to, the following risks that:

- we could become engaged in a dispute with any of our joint venture partners that might affect our ability to develop, finance or operate a property and could lead to the sale of either parties' ownership interest or the property;
- some of our joint ventures are subject to debt and in the current credit markets the refinancing of such debt may require equity capital calls;
- our joint venture partners may default on their obligations necessitating that we fulfill their obligation ourselves;
- our joint venture partners may have different objectives than we have regarding the appropriate timing and terms of any sale or refinancing of properties or the commencement of development activities;
- our joint venture partners may be structured differently than us for tax purposes and this could create conflicts of interest;
- our joint venture partners may have competing interests in our markets that could create conflicts of interest;
- our joint ventures may be unable to repay any amounts that we may loan to them; and
- our joint venture agreements may contain provisions limiting the liquidity of our interest for sale or sale of the entire asset.

We may have difficulty selling our properties, which may limit our flexibility.

Properties like the ones that we own could be difficult to sell. This may limit our ability to change our portfolio promptly in response to changes in economic or other conditions. In addition, federal tax laws limit our ability to sell properties and this may affect our ability to sell properties without adversely affecting returns to our securityholders. These restrictions reduce our ability to respond to changes in the performance of our investments and could adversely affect our financial condition and results of operations.

Our ability to dispose of some of our properties is constrained by their tax attributes. Properties which we developed and have owned for a significant period of time or which we acquired through tax deferred contribution transactions in exchange for partnership interests in BPLP often have low tax bases. Furthermore, as a REIT, BXP may be subject to a 100% “prohibited transactions” tax on the gain from dispositions of property if BXP is deemed to hold the property primarily for sale to customers in the ordinary course of business, unless the disposition qualifies under a safe harbor exception for properties that have been held for at least two years and with respect to which certain other requirements are met. The potential application of the prohibited transactions tax could cause us to forego potential dispositions of property or other opportunities that might otherwise be attractive to us, or to undertake such dispositions or other opportunities through a taxable REIT subsidiary, which would generally result in income taxes being incurred. If we dispose of these properties outright in taxable transactions, we may be required to distribute a significant amount of the taxable gain to our securityholders under the requirements of the Internal Revenue Code for REITs, which in turn would impact our future cash flow and may increase our leverage. In some cases, without incurring additional costs we may be restricted from disposing of properties contributed in exchange for our partnership interests under tax protection agreements with contributors. To dispose of low basis or tax-protected properties efficiently we from time to time use like-kind exchanges, which are intended to qualify for non-recognition of taxable gain, but can be difficult to consummate and result in the property for which the disposed assets are exchanged inheriting their low tax bases and other tax attributes (including tax protection covenants).

Conflicts of interest exist with holders of interests in BPLP.

Sales of properties and repayment of related indebtedness will have different effects on holders of interests in BPLP than on BXP’s stockholders.

Some holders of interests in BPLP could incur adverse tax consequences upon the sale of certain of our properties and on the repayment of related debt which differ from the tax consequences to BXP and its stockholders. Consequently, such holders of partnership interests in BPLP may have different objectives regarding the appropriate pricing and timing of any such sale or repayment of debt. While BXP has exclusive authority under the limited partnership agreement of BPLP to determine when to refinance or repay debt or whether, when, and on what terms to sell a property, subject, in the case of certain properties, to the contractual commitments described below, any such decision would require the approval of BXP’s Board of Directors. While the Board of Directors has a policy with respect to these matters directors and executive officers could exercise their influence in a manner inconsistent with the interests of some, or a majority, of BXP’s stockholders, including in a manner which could prevent completion of a sale of a property or the repayment of indebtedness.

Agreement not to sell some properties.

We have had and may have in the future agreements with the contributors of some properties that we have acquired in exchange for partnership interests in BPLP pursuant to which we have agreed not to sell or otherwise transfer the properties, prior to specified dates, in any transaction that would trigger taxable income to the contributor. In addition, we are responsible for the reimbursement of certain tax-related costs to the prior owners if the subject properties are sold in a taxable sale. In general, our obligations to the prior owners are limited in time and only apply to actual damages suffered.

Also, BPLP has had and may have in the future agreements providing prior owners of properties with the right to guarantee specific amounts of indebtedness and, in the event that the specific indebtedness they guarantee is repaid or reduced, additional and/or substitute indebtedness. These agreements may hinder actions that BPLP may otherwise desire to take to repay or refinance guaranteed indebtedness because BPLP would be required to make payments to the beneficiaries of such agreements if it violates these agreements.

Because we own a hotel property, we face the risks associated with the hospitality industry.

The following factors, among others, are common to the hotel industry, and may reduce the receipts generated by our hotel property:

- our hotel property competes for guests with other hotels, a number of which may have greater marketing and financial resources than our hotel-operating business partners;
- if there is an increase in operating costs resulting from inflation and other factors, our hotel-operating business partners may not be able to offset such increase by increasing room rates;
- our hotel property is subject to the fluctuating and seasonal demands of business travelers and tourism; and

- our hotel property is subject to general and local economic and social conditions that may affect demand for travel in general, including war and terrorism.

In addition, because our hotel property is located in Cambridge, Massachusetts, it is subject to the Cambridge market's fluctuations in demand, increases in operating costs and increased competition from additions in supply.

We face risks associated with short-term liquid investments.

We may invest cash balances in a variety of short-term investments that are intended to preserve principal value and maintain a high degree of liquidity while providing current income. From time to time, these investments may include (either directly or indirectly):

- direct obligations issued by the U.S. Treasury;
- obligations issued or guaranteed by the U.S. Government or its agencies;
- taxable municipal securities;
- obligations (including certificates of deposit) of banks and thrifts;
- commercial paper and other instruments consisting of short-term U.S. dollar denominated obligations issued by corporations and banks;
- repurchase agreements collateralized by corporate and asset-backed obligations;
- both registered and unregistered money market funds; and
- other highly rated short-term securities.

Investments in these securities and funds are not insured against loss of principal. Under certain circumstances we may be required to redeem all or part of our investment, and our right to redeem some or all of our investment may be delayed or suspended. In addition, there is no guarantee that our investments in these securities or funds will be redeemable at par value. A decline in the value of our investment or a delay or suspension of our right to redeem may have a material adverse effect on our results of operations or financial condition.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts of key personnel, particularly Owen D. Thomas, Chief Executive Officer, Douglas T. Linde, President, and Raymond A. Ritchey, Senior Executive Vice President. Among the reasons that Messrs. Thomas, Linde and Ritchey are important to our success is that each has a national reputation, which attracts business and investment opportunities and assists us in negotiations with lenders, joint venture partners and other investors. If we lost their services, our relationships with lenders, potential tenants and industry personnel could diminish.

Our Chief Financial Officer and Regional Managers also have strong reputations. Their reputations aid us in identifying opportunities, having opportunities brought to us, and negotiating with tenants and build-to-suit prospects. While we believe that we could find replacements for these key personnel, the loss of their services could materially and adversely affect our operations because of diminished relationships with lenders, prospective tenants and industry personnel.

Compliance or failure to comply with the Americans with Disabilities Act or other safety regulations and requirements could result in substantial costs.

The Americans with Disabilities Act generally requires that certain buildings, including office buildings, residential buildings and hotels, be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If, under the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to our securityholders.

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

Failure to comply with Federal Government contractor requirements could result in substantial costs and loss of substantial revenue.

As of December 31, 2019, the U.S. Government was our largest tenant by square feet. We are subject to compliance with a wide variety of complex legal requirements because we are a Federal Government contractor. These laws regulate how we conduct business, require us to administer various compliance programs and require us to impose compliance responsibilities on some of our contractors. Our failure to comply with these laws could subject us to fines, penalties and damages, cause us to be in default of our leases and other contracts with the Federal Government and bar us from entering into future leases and other contracts with the Federal Government. There can be no assurance that these costs and loss of revenue will not have a material adverse effect on our properties, operations or business.

Some potential losses are not covered by insurance.

Our property insurance program per occurrence limits are \$1.0 billion for its portfolio insurance program, including coverage for acts of terrorism other than nuclear, biological, chemical or radiological terrorism (“Terrorism Coverage”). We also carry \$250 million of Terrorism Coverage for 601 Lexington Avenue, New York, New York (“601 Lexington Avenue”) in excess of the \$1.0 billion of coverage in our property insurance program. Certain properties, including the General Motors Building located at 767 Fifth Avenue in New York, New York (“767 Fifth Avenue”), are currently insured in separate insurance programs. The property insurance program per occurrence limits for 767 Fifth Avenue are \$1.625 billion, including Terrorism Coverage. We also currently carry nuclear, biological, chemical and radiological terrorism insurance coverage for acts of terrorism certified under the Federal Terrorism Risk Insurance Act (as amended, “TRIA”) (“NBCR Coverage”), which is provided by IXP as a direct insurer, for the properties in our portfolio, including 767 Fifth Avenue, but excluding certain other properties owned in joint ventures with third parties or which we manage. The per occurrence limit for NBCR Coverage is \$1.0 billion. Under TRIA, after the payment of the required deductible and coinsurance, the NBCR Coverage provided by IXP is backstopped by the Federal Government if the aggregate industry insured losses resulting from a certified act of terrorism exceed a “program trigger.” In 2019, the program trigger was \$180 million and the coinsurance was 19%, however, both will increase in subsequent years pursuant to TRIA. If the Federal Government pays out for a loss under TRIA, it is mandatory that the Federal Government recoup the full amount of the loss from insurers offering TRIA coverage after the payment of the loss pursuant to a formula in TRIA. We may elect to terminate the NBCR Coverage if the Federal Government seeks recoupment for losses paid under TRIA, if TRIA is not extended after its expiration on December 31, 2027, if there is a change in our portfolio or for any other reason. We intend to continue to monitor the scope, nature and cost of available terrorism insurance.

We also currently carry earthquake insurance on our properties located in areas known to be subject to earthquakes. In addition, this insurance is subject to a deductible in the amount of 3% of the value of the affected property. Specifically, we currently carry earthquake insurance which covers our San Francisco and Los Angeles regions with a \$240 million per occurrence limit and a \$240 million annual aggregate limit, \$20 million of which is provided by IXP, as a direct insurer. The amount of our earthquake insurance coverage may not be sufficient to cover losses from earthquakes. In addition, the amount of earthquake coverage could impact our ability to finance properties subject to earthquake risk. We may discontinue earthquake insurance or change the structure of our earthquake insurance program on some or all of our properties in the future if the premiums exceed our estimation of the value of the coverage.

IXP, a captive insurance company which is a wholly-owned subsidiary, acts as a direct insurer with respect to a portion of our earthquake insurance coverage for our Greater San Francisco and Los Angeles properties and our NBCR Coverage. Insofar as we own IXP, we are responsible for its liquidity and capital resources, and the accounts of IXP are part of our consolidated financial statements. In particular, if a loss occurs which is covered by our NBCR Coverage but is less than the applicable program trigger under TRIA, IXP would be responsible for the full amount of the loss without any backstop by the Federal Government. IXP would also be responsible for any recoupment charges by the Federal Government in the event losses are paid out and its insurance policy is maintained after the payout by the Federal Government. If we experience a loss and IXP is required to pay under its insurance policy, we would ultimately record the loss to the extent of the required payment. Therefore, insurance

coverage provided by IXP should not be considered as the equivalent of third-party insurance, but rather as a modified form of self-insurance. In addition, BPLP has issued a guarantee to cover liabilities of IXP in the amount of \$20.0 million.

We continue to monitor the state of the insurance market in general, and the scope and costs of coverage for acts of terrorism and California earthquake risk in particular, but we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. There are other types of losses, such as from wars, for which we cannot obtain insurance at all or at a reasonable cost. With respect to such losses and losses from acts of terrorism, earthquakes or other catastrophic events, if we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties, as well as the anticipated future revenues from those properties. Depending on the specific circumstances of each affected property, it is possible that we could be liable for mortgage indebtedness or other obligations related to the property. Any such loss could materially and adversely affect our business and financial condition and results of operations.

Actual or threatened terrorist attacks may adversely affect our ability to generate revenues and the value of our properties.

We have significant investments in large metropolitan markets that have been or may be in the future the targets of actual or threatened terrorism attacks, including Boston, Los Angeles, New York, San Francisco and Washington, DC. As a result, some tenants in these markets may choose to relocate their businesses to other markets or to lower-profile office buildings within these markets that may be perceived to be less likely targets of future terrorist activity. This could result in an overall decrease in the demand for office space in these markets generally or in our properties in particular, which could increase vacancies in our properties or necessitate that we lease our properties on less favorable terms or both. In addition, future terrorist attacks in these markets could directly or indirectly damage our properties, both physically and financially, or cause losses that materially exceed our insurance coverage. As a result of the foregoing, our ability to generate revenues and the value of our properties could decline materially. See also “—Some potential losses are not covered by insurance.”

We face risks associated with our tenants and contractual counterparties being designated “Prohibited Persons” by the Office of Foreign Assets Control.

Pursuant to Executive Order 13224 and other laws, the Office of Foreign Assets Control of the United States Department of the Treasury (“OFAC”) maintains a list of persons designated as terrorists or who are otherwise blocked or banned (“Prohibited Persons”). OFAC regulations and other laws prohibit conducting business or engaging in transactions with Prohibited Persons (the “OFAC Requirements”). Certain of our loan and other agreements require us to comply with OFAC Requirements. We have established a compliance program whereby tenants and others with whom we conduct business are checked against the OFAC list of Prohibited Persons prior to entering into any agreement and on a periodic basis thereafter. Our leases and other agreements, in general, require the other party to comply with OFAC Requirements. If a tenant or other party with whom we contract is placed on the OFAC list we may be required by the OFAC Requirements to terminate the lease or other agreement. Any such termination could result in a loss of revenue or a damage claim by the other party that the termination was wrongful.

We face possible risks associated with the physical effects of climate change.

The physical effects of climate change could have a material adverse effect on our properties, operations and business. For example, many of our properties are located along the East and West coasts, particularly those in the central business districts of Boston, Los Angeles, New York, San Francisco and Washington, DC. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity, extreme temperatures, rising sea-levels and/or drought. Over time, these conditions could result in declining demand for office space in our buildings or costs associated with infrastructure-related remediation projects. Climate change may also have indirect effects on our business by making property insurance unavailable or by increasing the cost of (i) property insurance on terms we find acceptable, (ii) real estate taxes or other assessments, (iii) energy and (iv) snow removal at our properties. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

For additional discussion regarding our approach to climate resiliency and our continued commitment to transparent reporting of ESG performance indicators, see “Item 1. Business—Business and Growth Strategies—Policies with Respect to Certain Activities—Sustainability” and our annual sustainability report available on our website at <http://www.bxp.com> under the heading “Sustainability.”

Potential liability for environmental contamination could result in substantial costs.

Under federal, state and local environmental laws, ordinances and regulations, we may be required to investigate and clean up the effects of releases of hazardous or toxic substances or petroleum products at or migrating from our properties simply because of our current or past ownership or operation of the real estate. If unidentified environmental problems arise, we may have to make substantial payments, which could adversely affect our cash flow and our ability to make distributions to our securityholders, because: as owner or operator we may have to pay for property damage and for investigation and clean-up costs incurred in connection with the contamination; the law typically imposes clean-up responsibility and liability regardless of whether the owner or operator knew of or caused the contamination; even if more than one person may be responsible for the contamination, each person who shares legal liability under the environmental laws may be held responsible for all of the clean-up costs; and governmental entities and third parties may sue the owner or operator of a contaminated site for damages and costs.

These costs could be substantial and in extreme cases could exceed the amount of our insurance or the value of the contaminated property. We currently carry environmental insurance in an amount and subject to deductibles that we believe are commercially reasonable. Specifically, we carry a pollution legal liability policy with a \$20 million limit per incident and a policy aggregate limit of \$40 million. The presence or migration of hazardous or toxic substances or petroleum products or the failure to properly remediate contamination may give rise to third-party claims for bodily injury, property damage and/or response costs and may materially and adversely affect our ability to borrow against, sell or rent an affected property. In addition, applicable environmental laws create liens on contaminated sites in favor of the government for damages and costs it incurs in connection with contamination. Changes in laws, regulations and practices and their implementation increasing the potential liability for environmental conditions existing at our properties, or increasing the restrictions on the handling, storage or discharge of hazardous or toxic substances or petroleum products or other actions may result in significant unanticipated expenditures.

Environmental laws also govern the presence, maintenance and removal of asbestos and other building materials. For example, laws require that owners or operators of buildings containing asbestos:

- properly manage and maintain the asbestos;
- notify and train those who may come into contact with asbestos; and
- undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building.

Such laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Some of our properties are located in urban and previously developed areas where fill or current or historic industrial uses of the areas have caused site contamination. It is our policy to retain independent environmental consultants to conduct or update Phase I environmental site assessments and asbestos surveys with respect to our acquisition of properties. These assessments generally include a visual inspection of the properties and the surrounding areas, an examination of current and historical uses of the properties and the surrounding areas and a review of relevant state, federal and historical documents, but do not involve invasive techniques such as soil and ground water sampling. Where appropriate, on a property-by-property basis, our practice is to have these consultants conduct additional testing, including sampling for asbestos, for lead and other contaminants in drinking water and, for soil and/or groundwater contamination where underground storage tanks are or were located or where other past site usage creates a potential environmental problem. Even though these environmental assessments are conducted, there is still the risk that:

- the environmental assessments and updates did not identify or properly address all potential environmental liabilities;
- a prior owner created a material environmental condition that is not known to us or the independent consultants preparing the assessments;
- new environmental liabilities have developed since the environmental assessments were conducted; and

- future uses or conditions such as changes in applicable environmental laws and regulations could result in environmental liability for us.

Inquiries about indoor air quality may necessitate special investigation and, depending on the results, remediation beyond our regular indoor air quality testing and maintenance programs. Indoor air quality issues can stem from inadequate ventilation, chemical contaminants from indoor or outdoor sources, and biological contaminants such as molds, pollen, viruses and bacteria. Indoor exposure to chemical or biological contaminants above certain levels can be alleged to be connected to allergic reactions or other health effects and symptoms in susceptible individuals. If these conditions were to occur at one of our properties, we may be subject to third-party claims for personal injury, or may need to undertake a targeted remediation program, including without limitation, steps to increase indoor ventilation rates and eliminate sources of contaminants. Such remediation programs could be costly, necessitate the temporary relocation of some or all of the property's tenants or require rehabilitation of the affected property.

We face risks associated with security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems.

We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day-to-day operations (including managing our building systems) and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well-protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases, are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

A security breach or other significant disruption involving our IT networks and related systems could:

- disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our tenants;
- result in misstated financial reports, violations of loan covenants, missed reporting deadlines and/or missed permitting deadlines;
- result in our inability to properly monitor our compliance with the rules and regulations regarding BXP's qualification as a REIT;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or which could expose us to damage claims by third-parties for disruptive, destructive or otherwise harmful purposes and outcomes;
- result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space;
- require significant management attention and resources to remedy any damages that result;
- subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; and
- damage our reputation among our tenants and investors generally.

Any or all of the foregoing could have a material adverse effect on our results of operations, financial condition and cash flows.

We did not obtain new owner's title insurance policies in connection with properties acquired during BXP's initial public offering.

We acquired many of our properties from our predecessors at the completion of BXP's initial public offering in June 1997. Before we acquired these properties, each of them was insured by a title insurance policy. We did not obtain new owner's title insurance policies in connection with the acquisition of these properties. To the extent we have financed properties after acquiring them in connection with the initial public offering, we have obtained new title insurance policies, however, the amount of these policies may be less than the current or future value of the applicable properties. Nevertheless, because in many instances we acquired these properties indirectly by acquiring ownership of the entity that owned the property and those owners remain in existence as our subsidiaries, some of these title insurance policies may continue to benefit us. Many of these title insurance policies may be for amounts less than the current or future values of the applicable properties. If there was a title defect related to any of these properties, or to any of the properties acquired at the time of the initial public offering of BXP, that is no longer covered by a title insurance policy, we could lose both our capital invested in and our anticipated profits from such property. We have obtained title insurance policies for all properties that we have acquired after the initial public offering of BXP, however, these policies may be for amounts less than the current or future values of the applicable properties.

We may be subject to adverse legislative or regulatory tax changes that could negatively impact our financial condition.

At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended, including with respect to our hotel ownership structure. We cannot predict if or when any new U.S. federal income tax law, regulation, or administrative interpretation, or any amendment to any existing U.S. federal income tax law, Treasury regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. BXP, its taxable REIT subsidiaries, and our securityholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, Treasury regulation or administrative interpretation.

The Tax Cuts and Jobs Act of 2017 (the "TCJA"), signed into law on December 22, 2017, represents sweeping tax reform legislation that makes significant changes to corporate and individual tax rates and the calculation of taxes. While we currently do not expect the TCJA will have a significant direct impact on us, it may impact us indirectly as our tenants and the jurisdictions in which we do business as well as the overall investment thesis for REITs may be impacted both positively and negatively in ways that are difficult to predict. Additionally, the overall impact of the TCJA depends on future interpretations and regulations that may be issued by federal tax authorities, as well as changes in state and local taxation in response to the TCJA, and it is possible that such future interpretations, regulations and other changes could adversely impact us.

We face possible adverse state local tax audits and changes in state and local tax law.

Because BXP is organized and qualifies as a REIT, it is generally not subject to federal income taxes, but we are subject to certain state and local taxes. In the normal course of business, certain entities through which we own real estate either have undergone, or are currently undergoing, tax audits. Although we believe that we have substantial arguments in favor of our positions in the ongoing audits, in some instances there is no controlling precedent or interpretive guidance on the specific point at issue. Collectively, tax deficiency notices received to date from the jurisdictions conducting the ongoing audits have not been material. However, there can be no assurance that future audits will not occur with increased frequency or that the ultimate result of such audits will not have a material adverse effect on our results of operations.

From time to time changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. A shortfall in tax revenues for states and municipalities in which we operate may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income. These increased tax costs could adversely affect our financial condition and results of operations and the amount of cash available for the payment of dividends and distributions to our securityholders.

Litigation could have a material adverse effect.

From time to time, we are involved in legal proceedings and other claims. We may also be named as defendants in lawsuits allegedly arising out of our actions or the actions of our vendors, contractors, tenants or other contractual parties in which such parties have agreed to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with their respective businesses and/or added as an additional insured under certain insurance policies. An unfavorable resolution of any legal proceeding or other claim could have a material adverse effect on our financial condition or results from operations. Regardless of its outcome, legal proceedings and other claims may result in substantial costs and expenses and significantly divert the attention of our management. With respect to any legal proceeding or other claim, there can be no assurance that we will be able to prevail, or achieve a favorable settlement or outcome, or that our insurance or the insurance and/or any contractual indemnities of our vendors, contractors, tenants or other contractual parties will be enough to cover all of our defense costs or any resulting liabilities.

Changes in accounting pronouncements could adversely affect our operating results, in addition to the reported financial performance of our tenants.

Accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Uncertainties posed by various initiatives of accounting standard-setting by the Financial Accounting Standards Board and the Securities and Exchange Commission, which create and interpret applicable accounting standards for U.S. companies, may change the financial accounting and reporting standards or their interpretation and application of these standards that govern the preparation of our financial statements. Changes include, but are not limited to, changes in revenue recognition, lease accounting and the adoption of accounting standards likely to require the increased use of “fair-value” measures.

These changes could have a material impact on our reported financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in potentially material restatements of prior period financial statements. Similarly, these changes could have a material impact on our tenants’ reported financial condition or results of operations or could affect our tenants’ preferences regarding leasing real estate.

Failure to qualify as a REIT would cause BXP to be taxed as a corporation, which would substantially reduce funds available for payment of dividends.

If BXP fails to qualify as a REIT for federal income tax purposes, it will be taxed as a corporation unless certain relief provisions apply. We believe that BXP is organized and qualified as a REIT and intends to operate in a manner that will allow BXP to continue to qualify as a REIT. However, we cannot assure you that BXP is qualified as such, or that it will remain qualified as such in the future. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code as to which there are only limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of such qualification.

In addition, we currently hold certain of our properties through subsidiaries that have elected to be taxed as REITs and we may in the future determine that it is in our best interests to hold one or more of our other properties through one or more subsidiaries that elect to be taxed as REITs. If any of these subsidiaries fails to qualify as a REIT for federal income tax purposes, then BXP may also fail to qualify as a REIT for federal income tax purposes.

If BXP or any of its subsidiaries that are REITs fails to qualify as a REIT then, unless certain relief provisions apply, it will face serious tax consequences that will substantially reduce the funds available for payment of dividends for each of the years involved because:

- BXP would not be allowed a deduction for dividends paid to stockholders in computing its taxable income and would be subject to federal income tax at regular corporate rates;
- BXP also could be subject to the federal alternative minimum tax for tax years ending before January 1, 2018 and possibly increased state and local taxes; and
- unless BXP is entitled to relief under statutory provisions, BXP could not elect to be subject to tax as a REIT for four taxable years following the year during which it was disqualified.

In addition, if BXP fails to qualify as a REIT and the relief provisions do not apply, it will no longer be required to pay dividends. As a result of all these factors, BXP's failure to qualify as a REIT could impair our ability to raise capital and expand our business, and it would adversely affect the value of BXP's common stock. If BXP or any of its subsidiaries that are REITs fails to qualify as a REIT but is eligible for certain relief provisions, then it may retain its status as a REIT, but may be required to pay a penalty tax, which could be substantial.

In order to maintain BXP's REIT status, we may be forced to borrow funds during unfavorable market conditions.

In order to maintain BXP's REIT status, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements, even if the then-prevailing market conditions are not favorable for these borrowings. To qualify as a REIT, BXP generally must distribute to its stockholders at least 90% of its taxable income each year, excluding capital gains and with certain other adjustments. In addition, BXP will be subject to a 4% nondeductible excise tax on the amount, if any, by which dividends paid in any calendar year are less than the sum of 85% of ordinary income, 95% of capital gain net income and 100% of undistributed income from prior years. We may need short-term debt or long-term debt or proceeds from asset sales, creation of joint ventures or sales of common stock to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. Any inability of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short- and long-term debt or sell equity securities in order to fund distributions required to maintain BXP's REIT status.

Limits on changes in control may discourage takeover attempts beneficial to stockholders.

Provisions in BXP's charter and bylaws, BXP's shareholder rights agreement and the limited partnership agreement of BPLP, as well as provisions of the Internal Revenue Code and Delaware corporate law, may:

- delay or prevent a change of control over BXP or a tender offer, even if such action might be beneficial to BXP's stockholders; and
- limit BXP's stockholders' opportunity to receive a potential premium for their shares of common stock over then-prevailing market prices.

Stock Ownership Limit

To facilitate maintenance of BXP's qualification as a REIT and to otherwise address concerns relating to concentration of stock ownership, BXP's charter generally prohibits ownership, directly, indirectly or beneficially, by any single stockholder of more than 6.6% of the number of outstanding shares of any class or series of its common stock. We refer to this limitation as the "ownership limit." BXP's Board of Directors may waive, in its sole discretion, or modify the ownership limit with respect to one or more persons if it is satisfied that ownership in excess of this limit will not jeopardize BXP's status as a REIT for federal income tax purposes. In addition, under BXP's charter, each of Mortimer B. Zuckerman and the respective families and affiliates of Mortimer B. Zuckerman and Edward H. Linde, as well as, in general, pension plans and mutual funds, may actually and beneficially own up to 15% of the number of outstanding shares of any class or series of BXP's equity common stock. Shares owned in violation of the ownership limit will be subject to the loss of rights to distributions and voting and other penalties. The ownership limit may have the effect of inhibiting or impeding a change in control.

BPLP's Partnership Agreement

BXP has agreed in the limited partnership agreement of BPLP not to engage in specified extraordinary transactions, including, among others, business combinations, unless limited partners of BPLP other than BXP receives, or have the opportunity to receive, either (1) the same consideration for their partnership interests as holders of BXP common stock in the transaction or (2) limited partnership units that, among other things, would entitle the holders, upon redemption of these units, to receive shares of common equity of a publicly traded company or the same consideration as holders of BXP common stock received in the transaction. If these limited partners would not receive such consideration, we cannot engage in the transaction unless limited partners holding at least 75% of the common units of limited partnership interest, other than those held by BXP or its affiliates, consent to the transaction. In addition, BXP has agreed in the limited partnership agreement of BPLP that it will not complete specified extraordinary transactions, including among others, business combinations, in which BXP receive the approval of its common stockholders unless (1) limited partners holding at least 75% of the common units of limited partnership interest, other than those held by BXP or its affiliates, consent to the transaction or (2)

the limited partners of BPLP are also allowed to vote and the transaction would have been approved had these limited partners been able to vote as common stockholders on the transaction. Therefore, if BXP's common stockholders approve a specified extraordinary transaction, the partnership agreement requires the following before it can complete the transaction:

- holders of partnership interests in BPLP, including BXP, must vote on the matter;
- BXP must vote its partnership interests in the same proportion as its stockholders voted on the transaction; and
- the result of the vote of holders of partnership interests in BPLP must be such that had such vote been a vote of stockholders, the business combination would have been approved.

With respect to specified extraordinary transactions, BXP has agreed in BPLP's partnership agreement to use its commercially reasonable efforts to structure such a transaction to avoid causing its limited partners to recognize gain for federal income tax purposes by virtue of the occurrence of or their participation in such a transaction.

As a result of these provisions, a potential acquirer may be deterred from making an acquisition proposal, and BXP may be prohibited by contract from engaging in a proposed extraordinary transaction, including a proposed business combination, even though BXP stockholders approve of the transaction.

Changes in market conditions could adversely affect the market price of BXP's common stock.

As with other publicly traded equity securities, the value of BXP's common stock depends on various market conditions that may change from time to time. Among the market conditions that may affect the value of BXP's common stock are the following:

- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;
- investor confidence in the stock and bond markets, generally;
- national economic conditions;
- changes in tax laws;
- our financial performance;
- changes in our credit ratings; and
- general stock and bond market conditions, including changes in interest rates.

The market value of BXP's common stock is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash dividends. Consequently, BXP's common stock may trade at prices that are greater or less than BXP's net asset value per share of common stock. If our future earnings or cash dividends are less than expected, it is likely that the market price of BXP's common stock will diminish.

Further issuances of equity securities may be dilutive to current securityholders.

The interests of our existing securityholders could be diluted if additional equity securities are issued to finance future developments, acquisitions or repay indebtedness. Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity.

The number of shares available for future sale could adversely affect the market price of BXP's stock.

In connection with and subsequent to BXP's initial public offering, we have completed many private placement transactions in which shares of stock of BXP or partnership interests in BPLP were issued to owners of properties we acquired or to institutional investors. This common stock, or common stock issuable in exchange for such partnership interests in BPLP, may be sold in the public securities markets over time under registration rights we

granted to these investors. Additional common stock issuable under our employee benefit and other incentive plans, including as a result of the grant of stock options and restricted equity securities, may also be sold in the market at some time in the future. Future sales of BXP common stock in the market could adversely affect the price of its common stock. We cannot predict the effect the perception in the market that such sales may occur will have on the market price of BXP's common stock.

We may change our policies without obtaining the approval of our stockholders.

Our operating and financial policies, including our policies with respect to acquisitions of real estate, growth, operations, indebtedness, capitalization and dividends, are exclusively determined by BXP's Board of Directors. Accordingly, our securityholders do not control these policies.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties.*

At December 31, 2019, we owned or had interests in 196 commercial real estate properties, aggregating approximately 52.0 million net rentable square feet of primarily Class A office properties, including 11 properties under construction/redevelopment totaling approximately 5.5 million net rentable square feet. Our properties consisted of (1) 177 office properties (including nine properties under construction/redevelopment), (2) twelve retail properties, (3) six residential properties (including two properties under construction) and (4) one hotel. The table set forth below shows information relating to the properties we owned, or in which we had an ownership interest, at December 31, 2019, and it includes properties held by both consolidated and unconsolidated joint ventures.

Properties	Location	% Leased as of December 31, 2019 (1)	Number of Buildings	Net Rentable Square Feet
Office				
767 Fifth Avenue (The GM Building) (60% ownership)	New York, NY	89.9%	1	1,968,613
200 Clarendon Street	Boston, MA	96.7%	1	1,766,534
399 Park Avenue	New York, NY	89.1%	1	1,575,809
601 Lexington Avenue (55% ownership) (2)	New York, NY	100.0%	1	1,444,272
Salesforce Tower	San Francisco, CA	99.3%	1	1,420,682
Times Square Tower (55% ownership)	New York, NY	94.7%	1	1,248,902
100 Federal Street (55% ownership)	Boston, MA	98.2%	1	1,238,461
800 Boylston Street - The Prudential Center	Boston, MA	98.2%	1	1,235,538
Colorado Center (50% ownership) (3)	Santa Monica, CA	100.0%	6	1,128,600
Santa Monica Business Park (55% ownership) (3)	Santa Monica, CA	93.5%	14	1,102,191
599 Lexington Avenue	New York, NY	98.2%	1	1,062,916
Bay Colony Corporate Center	Waltham, MA	85.8%	4	999,131
250 West 55th Street	New York, NY	98.6%	1	966,965
Embarcadero Center Four	San Francisco, CA	97.9%	1	940,890
111 Huntington Avenue - The Prudential Center	Boston, MA	100.0%	1	860,455
Embarcadero Center One	San Francisco, CA	91.1%	1	822,122
Atlantic Wharf Office (55% ownership)	Boston, MA	100.0%	1	793,823
Embarcadero Center Two	San Francisco, CA	94.9%	1	791,712
Embarcadero Center Three	San Francisco, CA	98.5%	1	783,120
Metropolitan Square (20% ownership) (3)	Washington, DC	59.0%	1	641,814
Capital Gallery	Washington, DC	96.5%	1	631,131
South of Market	Reston, VA	93.1%	3	623,271
Mountain View Research Park	Mountain View, CA	90.1%	15	542,289
901 New York Avenue (25% ownership) (3)	Washington, DC	72.6%	1	539,817
Reservoir Place	Waltham, MA	89.6%	1	526,985
680 Folsom Street	San Francisco, CA	100.0%	2	524,793
601 and 651 Gateway (4)	South San Francisco, CA	74.5%	2	509,899
101 Huntington Avenue - The Prudential Center	Boston, MA	100.0%	1	506,476
Fountain Square	Reston, VA	76.4%	2	498,260
145 Broadway	Cambridge, MA	98.4%	1	483,482
601 Massachusetts Avenue	Washington, DC	98.9%	1	478,818

Properties	Location	% Leased as of December 31, 2019 (1)	Number of Buildings	Net Rentable Square Feet
2200 Pennsylvania Avenue	Washington, DC	100.0%	1	458,831
One Freedom Square	Reston, VA	92.7%	1	432,585
Two Freedom Square	Reston, VA	100.0%	1	421,757
Market Square North (50% ownership) (3)	Washington, DC	79.5%	1	417,768
880 & 890 Winter Street	Waltham, MA	84.1%	2	392,400
The Hub on Causeway - Podium (50% ownership) (3)	Boston, MA	91.3%	1	382,497
140 Kendrick Street	Needham, MA	100.0%	3	380,987
One and Two Discovery Square	Reston, VA	97.2%	2	366,990
888 Boylston Street - The Prudential Center	Boston, MA	100.0%	1	363,320
Weston Corporate Center	Weston, MA	100.0%	1	356,995
510 Madison Avenue	New York, NY	96.4%	1	355,083
One Reston Overlook	Reston, VA	100.0%	1	319,519
535 Mission Street	San Francisco, CA	100.0%	1	307,235
Waltham Weston Corporate Center	Waltham, MA	91.6%	1	301,607
Wisconsin Place Office	Chevy Chase, MD	90.0%	1	299,186
230 CityPoint	Waltham, MA	89.9%	1	296,212
Reston Corporate Center	Reston, VA	100.0%	2	261,046
355 Main Street	Cambridge, MA	96.3%	1	259,640
Democracy Tower	Reston, VA	100.0%	1	259,441
611 Gateway (4)	South San Francisco, CA	71.4%	1	258,031
New Dominion Technology Park - Building Two (5)	Herndon, VA	100.0%	1	257,400
1330 Connecticut Avenue	Washington, DC	91.7%	1	254,011
10 CityPoint	Waltham, MA	98.1%	1	241,199
New Dominion Technology Park - Building One (5)	Herndon, VA	100.0%	1	235,201
510 Carnegie Center	Princeton, NJ	100.0%	1	234,160
500 North Capitol Street, N.W. (30% ownership) (3)	Washington, DC	98.5%	1	230,860
90 Broadway	Cambridge, MA	100.0%	1	223,771
3625-3635 Peterson Way (6)	Santa Clara, CA	100.0%	1	218,366
255 Main Street	Cambridge, MA	100.0%	1	215,394
77 CityPoint	Waltham, MA	91.9%	1	209,708
Sumner Square	Washington, DC	91.8%	1	208,892
University Place	Cambridge, MA	100.0%	1	195,282
300 Binney Street	Cambridge, MA	100.0%	1	195,191
North First Business Park (6)	San Jose, CA	81.1%	5	190,636
150 Broadway	Cambridge, MA	100.0%	1	177,226
191 Spring Street	Lexington, MA	100.0%	1	170,997
Lexington Office Park	Lexington, MA	72.7%	2	166,775
206 Carnegie Center	Princeton, NJ	100.0%	1	161,763
210 Carnegie Center	Princeton, NJ	100.0%	1	159,468
Kingstowne Two	Alexandria, VA	63.3%	1	156,089
105 Broadway	Cambridge, MA	100.0%	1	152,664
212 Carnegie Center	Princeton, NJ	67.5%	1	151,547
Kingstowne One	Alexandria, VA	89.6%	1	151,483

Properties	Location	% Leased as of December 31, 2019 (1)	Number of Buildings	Net Rentable Square Feet
214 Carnegie Center	Princeton, NJ	52.2%	1	146,979
2440 West El Camino Real	Mountain View, CA	87.2%	1	141,392
506 Carnegie Center	Princeton, NJ	66.0%	1	140,312
200 West Street (7)	Waltham, MA	100.0%	1	134,917
Two Reston Overlook	Reston, VA	75.3%	1	134,615
508 Carnegie Center	Princeton, NJ	100.0%	1	134,433
202 Carnegie Center	Princeton, NJ	93.5%	1	134,381
804 Carnegie Center	Princeton, NJ	100.0%	1	130,000
Annapolis Junction Building Seven (50% ownership) (3)	Annapolis, MD	100.0%	1	127,229
Annapolis Junction Building Eight (50% ownership) (3)	Annapolis, MD	—%	1	125,685
504 Carnegie Center	Princeton, NJ	100.0%	1	121,990
101 Carnegie Center	Princeton, NJ	100.0%	1	121,620
502 Carnegie Center	Princeton, NJ	94.8%	1	121,460
701 Carnegie Center	Princeton, NJ	100.0%	1	120,000
Annapolis Junction Building Six (50% ownership) (3)	Annapolis, MD	75.2%	1	119,339
1265 Main Street (50% ownership) (3)	Waltham, MA	100.0%	1	114,969
7601 Boston Boulevard	Springfield, VA	100.0%	1	114,028
201 Spring Street	Lexington, MA	100.0%	1	106,300
7435 Boston Boulevard	Springfield, VA	83.4%	1	103,557
104 Carnegie Center	Princeton, NJ	55.1%	1	102,830
103 Carnegie Center	Princeton, NJ	69.8%	1	96,332
8000 Grainger Court	Springfield, VA	—%	1	88,775
33 Hayden Avenue	Lexington, MA	100.0%	1	80,872
7500 Boston Boulevard	Springfield, VA	100.0%	1	79,971
7501 Boston Boulevard	Springfield VA	100.0%	1	75,756
Reservoir Place North	Waltham, MA	100.0%	1	73,258
105 Carnegie Center	Princeton, NJ	56.3%	1	69,955
32 Hartwell Avenue	Lexington, MA	100.0%	1	69,154
250 Binney Street	Cambridge, MA	100.0%	1	67,362
302 Carnegie Center	Princeton, NJ	89.3%	1	64,926
195 West Street	Waltham, MA	—%	1	63,500
7450 Boston Boulevard	Springfield, VA	100.0%	1	62,402
7374 Boston Boulevard	Springfield, VA	100.0%	1	57,321
100 Hayden Avenue	Lexington, MA	100.0%	1	55,924
181 Spring Street	Lexington, MA	100.0%	1	55,793
8000 Corporate Court	Springfield, VA	100.0%	1	52,539
211 Carnegie Center	Princeton, NJ	100.0%	1	47,025
7451 Boston Boulevard	Springfield, VA	67.4%	1	45,615
7300 Boston Boulevard	Springfield, VA	100.0%	1	32,000
92 Hayden Avenue	Lexington, MA	100.0%	1	31,100
17 Hartwell Avenue	Lexington, MA	100.0%	1	30,000
453 Ravendale Drive	Mountain View, CA	85.8%	1	29,620
7375 Boston Boulevard	Springfield, VA	100.0%	1	26,865
690 Folsom Street	San Francisco, CA	100.0%	1	26,080
201 Carnegie Center	Princeton, NJ	100.0%	—	6,500

Properties	Location	% Leased as of December 31, 2019 (1)	Number of Buildings	Net Rentable Square Feet
Subtotal for Office Properties		93.0%	168	43,991,665
Retail				
Prudential Center (retail shops)	Boston, MA	99.0%	1	595,212
Fountain Square Retail	Reston, VA	90.1%	1	220,503
Kingstowne Retail	Alexandria, VA	100.0%	1	88,288
Santa Monica Business Park Retail (55% ownership) (3)	Santa Monica, CA	92.3%	7	74,242
Star Market at the Prudential Center	Boston, MA	100.0%	1	57,235
The Point	Waltham, MA	84.7%	1	16,300
Subtotal for Retail Properties		96.6%	12	1,051,780
Residential Properties				
Signature at Reston (508 units)	Reston, VA	78.0% (8)	1	517,783
The Avant at Reston Town Center (359 units)	Reston, VA	90.0% (9)	1	355,374
Proto Kendall Square (280 units)	Cambridge, MA	97.1% (9)	1	166,717
The Lofts at Atlantic Wharf (86 units)	Boston, MA	96.5% (9)	1	87,097
Subtotal for Residential Properties		87.1%	4	1,126,971 (10)
Hotel Property				
Boston Marriott Cambridge (437 rooms)	Cambridge, MA	83.8% (11)	1	334,260 (12)
Subtotal for Hotel Property		83.8%	1	334,260
Subtotal for In-Service Properties		93.0%	185	46,504,676
Properties Under Construction/Redevelopment (13)				
Office				
17Fifty Presidents Street	Reston, VA	100.0%	1	276,000
20 CityPoint	Waltham, MA	63.0%	1	211,000
Dock 72 (50% ownership) (3)	Brooklyn, NY	33.0%	1	670,000
325 Main Street	Cambridge, MA	90.0%	1	420,000
100 Causeway Street (50% ownership) (3)	Boston, MA	94.0%	1	632,000
7750 Wisconsin Avenue (Marriott International Headquarters) (50% ownership) (3)	Bethesda, MD	100.0%	1	734,000
Reston Gateway	Reston, VA	80.0%	2	1,062,000
2100 Pennsylvania Avenue	Washington, DC	61.0%	1	469,000
Redevelopment				
One Five Nine East 53rd Street (55% ownership) (14)	New York, NY	96.0%	—	220,000
200 West Street (15)	Waltham, MA	—%	—	126,000
Residential				
Hub50House (The Hub on Causeway - Residential) (440 units) (50% ownership) (3)	Boston, MA	37.0%	1	320,000
The Skylyne (MacArthur Station Residences) (402 units) (16)	Oakland, CA	—%	1	324,000

Properties	Location	% Leased as of December 31, 2019 (1)	Number of Buildings	Net Rentable Square Feet
Subtotal for Properties Under Construction/ Redevelopment		76.0% (17)	11	5,464,000
Total Portfolio			196	51,968,676

- (1) Represents signed leases for in-service properties which revenue recognition has commenced in accordance with accounting principles generally accepted in the United States ("GAAP").
- (2) Excludes the portion that was removed from the in-service portfolio during the third quarter of 2016 as part of a planned redevelopment.
- (3) Property is an unconsolidated joint venture.
- (4) On January 28, 2020, we entered into a joint venture with a third party and contributed these properties (See Note 19 to the Consolidated Financial Statements).
- (5) On February 20, 2020, we completed the sale of this property (See Note 19 to the Consolidated Financial Statements).
- (6) Property is held for redevelopment.
- (7) Excludes the portion that was removed from the in-service portfolio during the third quarter of 2019 as part of a planned redevelopment.
- (8) This project was completed and fully placed in-service on June 7, 2018 and is still in its initial lease-up period. Percentage leased is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2019.
- (9) Percentage leased is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2019.
- (10) Includes 74,865 square feet of retail space which is approximately 97.0% leased as of December 31, 2019. Note that this amount is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2019.
- (11) Represents the weighted-average room occupancy for the year ended December 31, 2019. Note that this amount is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2019.
- (12) Includes 4,260 square feet of retail space which is 100% leased as of December 31, 2019. Note that this amount is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2019.
- (13) Represents percentage leased as of February 21, 2020, including leases with future commencement dates.
- (14) The low-rise portion of 601 Lexington Avenue.
- (15) Represents a portion of the property under redevelopment for conversion to laboratory space.
- (16) This project is subject to a 99-year ground lease (including extension options) with an option to purchase in the future.
- (17) Excludes residential units.

Percentage Leased and Average Annualized Revenue per Square Foot for In-Service Properties

The following table sets forth our percentage leased and average annualized revenue per square foot on a historical basis for our In-Service Properties.

	December 31,				
	2019	2018	2017	2016	2015
Percentage leased (1)	93.0%	91.4%	90.7%	90.2%	91.4%
Average annualized revenue per square foot (2)	\$69.72	\$66.63	\$63.66	\$62.54	\$60.89

- (1) Represents signed leases, excluding hotel and residential properties, for which revenue recognition has commenced in accordance with GAAP.
- (2) Represents the monthly contractual base rents and recoveries from tenants under existing leases as of December 31, 2019, 2018, 2017, 2016 and 2015 multiplied by twelve. These annualized amounts are before rent abatements and include expense reimbursements, which may be estimates as of such date. The aggregate amounts of rent abatements per square foot under existing leases as of December 31, 2019, 2018, 2017, 2016 and 2015 for the succeeding twelve-month period were \$1.70, \$0.97, \$1.67, \$1.18 and \$0.60, respectively.

Top 20 Tenants by Square Feet

Our 20 largest tenants by square feet as of December 31, 2019 were as follows:

	Tenant	Square Feet		% of In-Service Portfolio
1.	U.S. Government	1,387,368	(1)	3.07%
2.	salesforce.com	885,738		1.96%
3.	Arnold & Porter Kaye Scholer	804,200		1.78%
4.	Biogen	772,212		1.71%
5.	WeWork	734,515	(2)	1.63%
6.	Akamai Technologies	671,210		1.49%
7.	Kirkland & Ellis	645,130	(3)	1.43%
8.	Wellington Management	628,336	(4)	1.39%
9.	Bank of America	618,908	(5)	1.37%
10.	Ropes & Gray	539,467		1.20%
11.	Shearman & Sterling	506,237	(6)	1.12%
12.	Google	476,285		1.06%
13.	Weil Gotshal & Manges	469,763	(7)	1.04%
14.	O'Melveny & Myers	458,399	(8)	1.02%
15.	Snap	386,302	(9)	0.86%
16.	Ann Inc. (fka Ann Taylor Corp.)	368,463	(10)	0.82%
17.	Bechtel Corporation	365,606		0.81%
18.	Blue Cross Blue Shield	347,618		0.77%
19.	Mass Financial Services	336,981		0.75%
20.	Finnegan Henderson Farabow	321,798	(11)	0.71%

(1) Includes 157,029 square feet of space in properties in which we have a 50% interest.

(2) Includes 221,607 and 226,493 square feet of space in properties in which we have a 50% and 20% interest, respectively.

(3) Includes 584,138 square feet of space in a property in which we have a 55% interest.

(4) Includes 618,297 square feet of space in properties in which we have a 55% interest.

(5) Includes 50,887 and 540,555 square feet of space in properties in which we have a 60% and 55% interest, respectively.

(6) Includes 43,661 square feet of space in a property in which we have a 50% interest.

(7) Includes 441,616 and 28,147 square feet of space in properties in which we have a 60% and 55% interest, respectively.

(8) Includes 304,619 square feet of space in a property in which we have a 55% interest.

(9) Includes 386,302 square feet of space in properties in which we have a 55% interest.

(10) Includes 351,865 square feet of space in a property in which we have a 55% interest.

(11) Includes 251,941 square feet of space in a property in which we have a 25% interest.

Tenant Diversification

Our tenant diversification by square feet as of December 31, 2019 was as follows:

<u>Sector</u>	<u>% of In-Service Portfolio</u>
Media & Technology	29%
Legal Services	18%
Financial Services - all other	13%
Other Professional Services	9%
Financial Services - commercial and investment banking	7%
Real Estate & Insurance	6%
Retail	6%
Government / Public Administration	4%
Manufacturing	4%
Other	4%

Lease Expirations (1)(2)

<u>Year of Lease Expiration</u>	<u>Rentable Square Feet Subject to Expiring Leases</u>	<u>Current Annualized Contractual Rent Under Expiring Leases Without Future Step-Ups (3)</u>	<u>Current Annualized Contractual Rent Under Expiring Leases Without Future Step-Ups p.s.f. (3)</u>	<u>Current Annualized Contractual Rent Under Expiring Leases With Future Step-Ups (4)</u>	<u>Current Annualized Contractual Rent Under Expiring Leases With Future Step-Ups p.s.f. (4)</u>	<u>Percentage of Total Square Feet</u>
2019 (5)	68,540	\$3,453,938	\$50.39	\$3,453,938	\$50.39	0.15%
2020	2,995,401	166,021,728	55.43	168,815,044	56.36	6.64%
2021	3,250,457	184,136,598	56.65	188,866,373	58.10	7.20%
2022	3,000,032	198,857,226	66.29	201,635,554	67.21	6.65%
2023	2,185,651	150,167,410	68.71	161,262,374	73.78	4.84%
2024	3,638,013	229,171,879	62.99	240,776,440	66.18	8.06%
2025	2,611,465	168,851,778	64.66	186,914,235	71.57	5.79%
2026	3,296,431	266,086,676	80.72	289,154,142	87.72	7.31%
2027	2,118,228	146,581,523	69.20	166,426,392	78.57	4.69%
2028	2,679,079	183,296,314	68.42	210,390,846	78.53	5.94%
Thereafter	16,124,682	1,216,366,302	75.44	1,517,817,212	94.13	35.74%

(1) Includes 100% of unconsolidated joint venture properties. Does not include residential units or the hotel.

(2) Does not include data for leases expiring in a particular year when leases for the same space have already been signed with replacement tenants with future commencement dates. In those cases, the data is included in the year in which the future lease with the replacement tenant expires.

(3) Represents the monthly contractual base rent and recoveries from tenants under existing leases as of December 31, 2019 multiplied by twelve. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimates as of such date.

(4) Represents the monthly contractual base rent under expiring leases with future contractual increases upon expiration and recoveries from tenants under existing leases as of December 31, 2019 multiplied by twelve. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimates as of such date.

(5) Represents leases that expired on December 31, 2019.

Item 3. Legal Proceedings

We are subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the final outcome of such matters will not have a material adverse effect on our financial position, results of operations or liquidity.

Item 4. *Mine Safety Disclosures*

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) The common stock of Boston Properties, Inc. is listed on the New York Stock Exchange under the symbol "BXP." At February 21, 2020, BXP had approximately 1,121 stockholders of record.

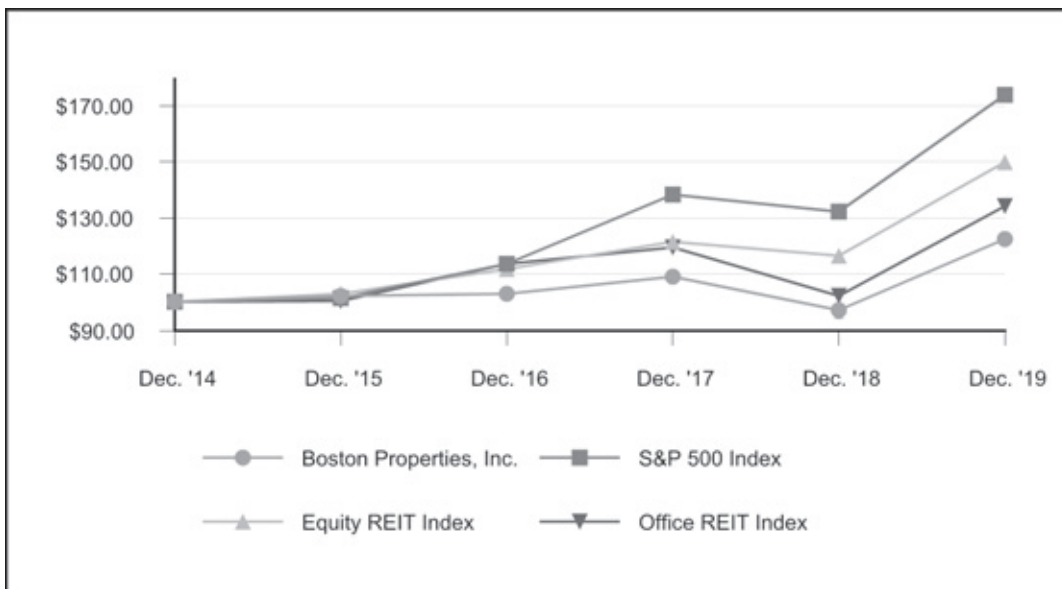
There is no established public trading market for BPLP's common units. On February 21, 2020, there were approximately 313 holders of record and 173,064,320 common units outstanding, 155,121,560 of which were held by BXP.

In order to enable BXP to maintain its qualification as a REIT, it must make annual distributions to its stockholders of at least 90% of its taxable income (not including net capital gains and with certain other adjustments). BXP has adopted a policy of paying regular quarterly dividends on its common stock, and, as BPLP's general partner, BXP has adopted a policy of paying regular quarterly distributions on common units of BPLP.

Cash distributions have been paid on the common stock of BXP and BPLP's common units since BXP's initial public offering. Distributions are declared at the discretion of the Board of Directors of BXP and depend on actual and anticipated cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors the Board of Directors of BXP may consider relevant.

Stock Performance Graph

The following graph provides a comparison of cumulative total stockholder return for the period from December 31, 2014 through December 31, 2019, among BXP, Standard & Poor's ("S&P") 500 Index, Nareit Equity REIT Total Return Index (the "Equity REIT Index") and the Nareit Office REIT Index (the "Office REIT Index"). The Equity REIT Index includes all tax-qualified equity REITs listed on the New York Stock Exchange, the American Stock Exchange and the Nasdaq Stock Market. Equity REITs are defined as those with 75% or more of their gross invested book value of assets invested directly or indirectly in the equity ownership of real estate. The Office REIT Index includes all office REITs included in the Equity REIT Index. Data for BXP, the S&P 500 Index, the Equity REIT Index and the Office REIT Index was provided to us by Nareit. Upon written request, we will provide any stockholder with a list of the REITs included in the Equity REIT Index and the Office REIT Index. The stock performance graph assumes an investment of \$100 in each of BXP and the three indices, and the reinvestment of any dividends. The historical information set forth below is not necessarily indicative of future performance. The data shown is based on the share prices or index values, as applicable, at the end of each month shown.



	As of the year ended December 31,					
	2014	2015	2016	2017	2018	2019
Boston Properties, Inc.	\$ 100.00	\$ 102.13	\$ 102.85	\$ 108.92	\$ 97.06	\$ 122.38
S&P 500 Index	\$ 100.00	\$ 101.38	\$ 113.51	\$ 138.29	\$ 132.23	\$ 173.86
Equity REIT Index	\$ 100.00	\$ 102.83	\$ 111.70	\$ 121.39	\$ 116.48	\$ 149.86
Office REIT Index	\$ 100.00	\$ 100.29	\$ 113.49	\$ 119.45	\$ 102.13	\$ 134.22

Boston Properties, Inc.

(a) During the three months ended December 31, 2019, BXP issued an aggregate of 102,904 shares of common stock in exchange for 102,904 common units of limited partnership held by certain limited partners of BPLP. Of these shares, 5,318 shares were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended. We relied on the exemption under Section 4(a)(2) based upon factual representations received from the limited partner who received the common shares.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities.

Period	(a) Total Number of Shares of Common Stock Purchased	(b) Average Price Paid per Common Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased
October 1, 2019 - October 31, 2019	—	\$ —	N/A	N/A
November 1, 2019 - November 30, 2019	63 (1)	0.01	N/A	N/A
December 1, 2019 - December 31, 2019	—	—	N/A	N/A
Total	63	\$ 0.01	N/A	N/A

(1) Represents shares of restricted common stock of BXP repurchased in connection with the termination of an employee's employment with BXP. Under the terms of the applicable restricted stock award agreement, the shares were repurchased by BXP at a price of \$0.01 per share, which was the amount originally paid by such employee for such shares.

Boston Properties Limited Partnership

(a) Each time BXP issues shares of stock (other than in exchange for common units when such common units are presented for redemption), it contributes the proceeds of such issuance to BPLP in return for an equivalent number of partnership units with rights and preferences analogous to the shares issued. During the three months ended December 31, 2019, in connection with issuances of common stock by BXP pursuant to exercises of non-qualified stock options under the BXP 2012 Stock Option and Incentive Plan and the BXP 1997 Stock Option and Incentive Plan, we issued an aggregate of 115,384 common units to BXP in exchange for approximately \$11.2 million, the aggregate proceeds of such common stock issuances to BXP. Such units were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities.

Period	(a) Total Number of Units Purchased	(b) Average Price Paid per Unit	(c) Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Units that May Yet be Purchased
October 1, 2019 - October 31, 2019	—	\$ —	N/A	N/A
November 1, 2019 - November 30, 2019	215 (1)	0.18	N/A	N/A
December 1, 2019 - December 31, 2019	—	—	N/A	N/A
Total	215	\$ 0.18	N/A	N/A

(1) Includes 63 common units previously held by BXP that were redeemed in connection with the repurchase of shares of restricted common stock of BXP in connection with the termination of an employee's employment with BXP and 152 LTIP units that were repurchased by BPLP in connection with the termination of certain employees' employment with BXP.

Item 6. Selected Financial Data

The following tables set forth selected financial and operating data on a historical basis for each of BXP and BPLP. The following data should be read in conjunction with BXP's and BPLP's financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K. Our historical operating results may not be comparable to our future operating results.

Boston Properties, Inc.

	For the year ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands, except per share data)				
Statement of Operations Information:					
Total revenue	\$ 2,960,562	\$ 2,717,076	\$ 2,602,076	\$ 2,550,820	\$ 2,490,821
Expenses:					
Rental operating	1,050,010	979,151	929,977	889,768	872,252
Hotel operating	34,004	33,863	32,059	31,466	32,084
General and administrative	140,777	121,722	113,715	105,229	96,319
Payroll and related costs from management services contracts	10,386	9,590	—	—	—
Transaction costs	1,984	1,604	668	2,387	1,259
Depreciation and amortization	677,764	645,649	617,547	694,403	639,542
Total expenses	1,914,925	1,791,579	1,693,966	1,723,253	1,641,456
Other income (expense):					
Income from unconsolidated joint ventures	46,592	2,222	11,232	8,074	22,770
Gain on sale of investment in unconsolidated joint venture	—	—	—	59,370	—
Gains on sales of real estate	709	182,356	7,663	80,606	375,895
Interest and other income	18,939	10,823	5,783	7,230	6,777
Gains (losses) from investments in securities	6,417	(1,865)	3,678	2,273	(653)
Gains (losses) from early extinguishments of debt	(29,540)	(16,490)	496	(371)	(22,040)
Impairment losses	(24,038)	(11,812)	—	(1,783)	—
Losses from interest rate contracts	—	—	—	(140)	—
Interest expense	(412,717)	(378,168)	(374,481)	(412,849)	(432,196)
Net income	651,999	712,563	562,481	569,977	799,918
Net income attributable to noncontrolling interests	(130,465)	(129,716)	(100,042)	(57,192)	(216,812)
Net income attributable to Boston Properties, Inc.	521,534	582,847	462,439	512,785	583,106
Preferred dividends	(10,500)	(10,500)	(10,500)	(10,500)	(10,500)
Net income attributable to Boston Properties, Inc. common shareholders	\$ 511,034	\$ 572,347	\$ 451,939	\$ 502,285	\$ 572,606
Basic earnings per common share attributable to Boston Properties, Inc.:					
Net income	\$ 3.31	\$ 3.71	\$ 2.93	\$ 3.27	\$ 3.73
Weighted average number of common shares outstanding	154,582	154,427	154,190	153,715	153,471
Diluted earnings per common share attributable to Boston Properties, Inc.:					
Net income	\$ 3.30	\$ 3.70	\$ 2.93	\$ 3.26	\$ 3.72
Weighted average number of common and common equivalent shares outstanding	154,883	154,682	154,390	153,977	153,844

December 31,

	2019	2018	2017	2016	2015
	(in thousands)				
Balance Sheet information:					
Real estate, gross	\$ 22,889,010	\$ 21,649,896	\$ 21,096,642	\$ 20,147,263	\$ 19,481,535
Real estate, net	17,622,212	16,752,119	16,507,008	15,925,028	15,555,641
Cash and cash equivalents	644,950	543,359	434,767	356,914	723,718
Total assets (1)	21,284,905	20,256,477	19,372,233	18,851,643	18,351,486
Total indebtedness (1)	11,811,806	11,007,757	10,271,611	9,796,133	9,188,543
Redeemable deferred stock units	8,365	—	—	—	—
Stockholders' equity attributable to Boston Properties, Inc.	5,684,687	5,883,171	5,813,957	5,786,295	5,709,435
Equity noncontrolling interests	2,329,549	2,330,797	2,288,499	2,145,629	2,177,492

For the year ended December 31,

	2019	2018	2017	2016	2015
	(in thousands, except per share and percentage data)				
Other Information:					
Funds from Operations attributable to Boston Properties, Inc. common shareholders (2)	\$ 1,085,844	\$ 974,489	\$ 959,412	\$ 927,747	\$ 823,715
Dividends declared per share (3)	3.83	3.50	3.05	2.70	3.85
Cash flows provided by operating activities (4)	1,181,165	1,150,245	911,979	1,034,548	817,898
Cash flows used in investing activities (4)	(1,015,091)	(1,098,876)	(882,044)	(1,337,347)	(711,980)
Cash flows provided by (used in) financing activities (4)	(113,379)	82,453	55,346	(74,621)	(1,558,810)
Total square feet at end of year (including development projects)	51,969	51,586	50,339	47,704	46,495
In-service percentage leased at end of year	93.0%	91.4%	90.7%	90.2%	91.4%

- (1) On January 1, 2016, we adopted Accounting Standards Update (“ASU”) 2015-03 and retrospectively applied the guidance to our Mortgage Notes Payable and Unsecured Senior Notes for all periods presented. Unamortized deferred financing costs, with the exception of December 31, 2019, 2018, 2017 and 2016, were previously included in Total Assets totaling approximately \$28.0 million are now included in Total Indebtedness as of December 31, 2015.
- (2) Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of Nareit, we calculate Funds from Operations, or “FFO,” for BXP by adjusting net income attributable to Boston Properties, Inc. common shareholders (computed in accordance with GAAP) for gains (or losses) from sales of properties, impairment losses on depreciable real estate consolidated on BXP’s balance sheet, impairment losses on our investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated joint ventures and our share of real estate-related depreciation and amortization. FFO is a non-GAAP financial measure. We believe the presentation of FFO, combined with the presentation of required GAAP financial measures, has improved the understanding of operating results of REITs among the investing public and has helped make comparisons of REIT operating results more meaningful. Management generally considers FFO to be a useful measure for understanding and comparing BXP’s operating results because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairment losses and real estate asset depreciation and amortization (which can differ across owners of similar assets in similar condition based on historical cost accounting and useful life estimates), FFO can help investors compare the operating performance of a company’s real estate across reporting periods and to the operating performance of other companies. Amount represents BXP’s share, which was 89.77%, 89.83%, 89.82%, 89.70% and 89.68% for the years ended December 31, 2019, 2018, 2017, 2016 and 2015, respectively, after allocation to the noncontrolling interests.

Our computation of FFO may not be comparable to FFO reported by other REITs or real estate companies that do not define the term in accordance with the current Nareit definition or that interpret the current Nareit definition differently. We believe that in order to facilitate a clear understanding of our operating results, FFO should be examined in conjunction with net income attributable to Boston Properties, Inc. common shareholders as presented in BXP’s Consolidated Financial Statements. FFO should not be considered as a substitute for net income attributable to Boston Properties, Inc. common shareholders (determined in accordance with GAAP) or any other GAAP financial measures and should only be considered together with and as a supplement to BXP’s financial information prepared in accordance with GAAP.

A reconciliation of FFO attributable to Boston Properties, Inc. common shareholders to net income attributable to Boston Properties, Inc. common shareholders computed in accordance with GAAP is provided under the heading “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Funds from Operations.*”

- (3) Includes a special dividend of \$1.25 per share paid on January 28, 2016 to shareholders of record as of the close of business on December 31, 2015.
- (4) On January 1, 2018, we adopted ASU 2016-15 and ASU 2016-18 and retrospectively applied the guidance to our Consolidated Statements of Cash Flows for all periods presented. The adoption of ASU 2016-15 and ASU 2016-18 required us to include Cash Held in Escrows with Cash and Cash Equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Consolidated Statements of Cash Flows and required us to classify debt prepayment and extinguishment costs as a component of financing activities instead of as a component of operating activities in our Consolidated Statements of Cash Flows resulting in changes to the reported amounts of cash flows provided by (used in) operating, investing and financing activities.

Boston Properties Limited Partnership

	For the year ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands, except per unit data)				
Statement of Operations Information:					
Total revenue	\$ 2,960,562	\$ 2,717,076	\$ 2,602,076	\$ 2,550,820	\$ 2,490,821
Expenses:					
Rental operating	1,050,010	979,151	929,977	889,768	872,252
Hotel operating	34,004	33,863	32,059	31,466	32,084
General and administrative	140,777	121,722	113,715	105,229	96,319
Payroll and related costs from management services contracts	10,386	9,590	—	—	—
Transaction costs	1,984	1,604	668	2,387	1,259
Depreciation and amortization	669,956	637,891	609,407	682,776	631,549
Total expenses	1,907,117	1,783,821	1,685,826	1,711,626	1,633,463
Other income (expense):					
Income from unconsolidated joint ventures	46,592	2,222	11,232	8,074	22,770
Gain on sale of investment in unconsolidated joint venture	—	—	—	59,370	—
Gains on sales of real estate	858	190,716	8,240	82,775	377,093
Interest and other income	18,939	10,823	5,783	7,230	6,777
Gains (losses) from investments in securities	6,417	(1,865)	3,678	2,273	(653)
Gains (losses) from early extinguishments of debt	(29,540)	(16,490)	496	(371)	(22,040)
Impairment losses	(22,272)	(10,181)	—	(1,783)	—
Losses from interest rate contracts	—	—	—	(140)	—
Interest expense	(412,717)	(378,168)	(374,481)	(412,849)	(432,196)
Net income	661,722	730,312	571,198	583,773	809,109
Net income attributable to noncontrolling interests:					
Noncontrolling interests in property partnerships	(71,120)	(62,909)	(47,832)	2,068	(149,855)
Noncontrolling interest-redeemable preferred units	—	—	—	—	(6)
Net income attributable to Boston Properties Limited Partnership	590,602	667,403	523,366	585,841	659,248
Preferred distributions	(10,500)	(10,500)	(10,500)	(10,500)	(10,500)
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 580,102	\$ 656,903	\$ 512,866	\$ 575,341	\$ 648,748
Basic earnings per common unit attributable to Boston Properties Limited Partnership:					
Net income	\$ 3.37	\$ 3.82	\$ 2.99	\$ 3.36	\$ 3.79
Weighted average number of common units outstanding	172,200	171,912	171,661	171,361	171,139
Diluted earnings per common unit attributable to Boston Properties Limited Partnership:					
Net income	\$ 3.36	\$ 3.81	\$ 2.98	\$ 3.35	\$ 3.78
Weighted average number of common and common equivalent units outstanding	172,501	172,167	171,861	171,623	171,512

December 31,

	2019	2018	2017	2016	2015
	(in thousands)				
Balance Sheet information:					
Real estate, gross	\$ 22,493,789	\$ 21,251,540	\$ 20,685,164	\$ 19,733,872	\$ 19,061,141
Real estate, net	17,330,881	16,451,065	16,188,205	15,597,508	15,214,325
Cash and cash equivalents	644,950	543,359	434,767	356,914	723,718
Total assets (1)	20,993,574	19,955,423	19,053,430	18,524,123	18,010,170
Total indebtedness (1)	11,811,806	11,007,757	10,271,611	9,796,133	9,188,543
Noncontrolling interests	2,468,753	2,000,591	2,292,263	2,262,040	2,286,689
Redeemable deferred stock units	8,365	—	—	—	—
Boston Properties Limited Partnership partners' capital	3,525,463	4,200,878	3,807,630	3,811,717	3,684,522
Noncontrolling interests in property partnerships	1,728,689	1,711,445	1,683,760	1,530,647	1,574,400

For the year ended December 31,

	2019	2018	2017	2016	2015
	(in thousands, except per unit and percentage data)				
Other Information:					
Funds from operations attributable to Boston Properties Limited Partnership common unitholders (2)	\$ 1,209,601	\$ 1,084,827	\$ 1,068,119	\$ 1,034,251	\$ 918,543
Distributions per common unit (3)	3.83	3.50	3.05	2.70	3.85
Cash flows provided by operating activities (4)	1,181,165	1,150,245	911,979	1,034,548	817,898
Cash flows used in investing activities (4)	(1,015,091)	(1,098,876)	(882,044)	(1,337,347)	(711,980)
Cash flows provided by (used in) financing activities (4)	(113,379)	82,453	55,346	(74,621)	(1,558,810)
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- (2) Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of Nareit, we calculate Funds from Operations, or “FFO,” for BPLP by adjusting net income attributable to Boston Properties Limited Partnership common unitholders (computed in accordance with GAAP) for gains (or losses) from sales of properties, impairment losses on depreciable real estate consolidated on BPLP’s balance sheet, impairment losses on our investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated joint ventures and our share of real estate-related depreciation and amortization. FFO is a non-GAAP financial measure. We believe the presentation of FFO, combined with the presentation of required GAAP financial measures, has improved the understanding of operating results of REITs among the investing public and has helped make comparisons of REIT operating results more meaningful. Management generally considers FFO to be useful measures for understanding and comparing BPLP’s operating results because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairment losses and real estate asset depreciation and amortization (which can differ across owners of similar assets in similar condition based on historical cost accounting and useful life estimates), FFO can help investors compare the operating performance of a company’s real estate across reporting periods and to the operating performance of other companies.

Our computation of FFO may not be comparable to FFO reported by other REITs or real estate companies that do not define the term in accordance with the current Nareit definition or that interpret the current Nareit definition differently. We believe that in order to facilitate a clear understanding of our operating results, FFO should be examined in conjunction with net income attributable to Boston Properties Limited Partnership common unitholders as presented in BPLP’s Consolidated Financial Statements. FFO should not be considered as a substitute for net income attributable to Boston Properties Limited Partnership common unitholders (determined in accordance with GAAP) or any other GAAP financial measures and should only be considered together with and as a supplement to BPLP’s financial information prepared in accordance with GAAP.

A reconciliation of FFO attributable to Boston Properties Limited Partnership common unitholders to net income attributable to Boston Properties Limited Partnership common unitholders computed in accordance with GAAP is provided under the heading *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Funds from Operations.”*

- (3) Includes a special distribution of \$1.25 per common unit paid on January 28, 2016 to unitholders of record as of the close of business on December 31, 2015.
- (4) On January 1, 2018, we adopted ASU 2016-15 and ASU 2016-18 and retrospectively applied the guidance to our Consolidated Statements of Cash Flows for all periods presented. The adoption of ASU 2016-15 and ASU 2016-18 required us to include Cash Held in Escrows with Cash and Cash Equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Consolidated Statements of Cash Flows and required us to classify debt prepayment and extinguishment costs as a component of financing activities instead of as a component of operating activities in our Consolidated Statements of Cash Flows resulting in changes to the reported amounts of cash flows provided by (used in) operating, investing and financing activities.

Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report.

Forward-Looking Statements

The Annual Reports on Form 10-K, including the documents incorporated by reference, contain forward-looking statements within the meaning of the federal securities laws, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. Such statements are contained principally, but not only, under the captions “Business—Business and Growth Strategies,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We caution investors that any such forward-looking statements are based on beliefs and on assumptions made by, and information currently available to, our management. When used, the words “anticipate,” “believe,” “budget,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “should,” “will” and similar expressions which do not relate solely to historical matters are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected by the forward-looking statements. We caution you that, while forward-looking statements reflect our good-faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. Accordingly, investors should use caution in relying on forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- if there is a negative change in the economy, including, but not limited to, a reversal of current job growth trends and an increase in unemployment, it could have a negative effect on the following, among other things:
 - the fundamentals of our business, including overall market occupancy, tenant space utilization and rental rates;
 - the financial condition of our tenants, many of which are financial, legal, media/telecommunication, technology and other professional firms, our lenders, counterparties to our derivative financial instruments and institutions that hold our cash balances and short-term investments, which may expose us to increased risks of default by these parties; and
 - the value of our real estate assets, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis;
- volatile or adverse global economic and political conditions, health crises and dislocations in the credit markets could adversely affect our access to cost-effective capital and have a resulting material adverse effect on our business opportunities, results of operations and financial condition;
- general risks affecting the real estate industry (including, without limitation, the inability to enter into or renew leases, tenant space utilization, dependence on tenants’ financial condition, and competition from other developers, owners and operators of real estate);
- failure to manage effectively our growth and expansion into new markets and sub-markets or to integrate acquisitions and developments successfully;
- the ability of our joint venture partners to satisfy their obligations;
- risks and uncertainties affecting property development and construction (including, without limitation, construction delays, increased construction costs, cost overruns, inability to obtain necessary permits, tenant accounting considerations that may result in negotiated lease provisions that limit a tenant’s liability during construction, and public opposition to such activities);
- risks associated with the availability and terms of financing and the use of debt to fund acquisitions and developments or refinance existing indebtedness, including the impact of higher interest rates on the cost and/or availability of financing;

- risks associated with forward interest rate contracts and the effectiveness of such arrangements;
- risks associated with downturns in the national and local economies, increases in interest rates, and volatility in the securities markets;
- risks associated with actual or threatened terrorist attacks;
- costs of compliance with the Americans with Disabilities Act and other similar laws;
- potential liability for uninsured losses and environmental contamination;
- risks associated with the physical effects of climate change;
- risks associated with security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems, which support our operations and our buildings;
- risks associated with BXP's potential failure to qualify as a REIT under the Internal Revenue Code of 1986, as amended;
- possible adverse changes in tax and environmental laws;
- the impact of newly adopted accounting principles on our accounting policies and on period-to-period comparisons of financial results;
- risks associated with possible state and local tax audits; and
- risks associated with our dependence on key personnel whose continued service is not guaranteed.

The risks set forth above are not exhaustive. Other sections of this report, including “*Part I, Item 1A—Risk Factors*,” include additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all risk factors, nor can we assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Investors should also refer to our Quarterly Reports on Form 10-Q for future periods and Current Reports on Form 8-K as we file them with the SEC, and to other materials we may furnish to the public from time to time through Current Reports on Form 8-K or otherwise, for a discussion of risks and uncertainties that may cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements. We expressly disclaim any responsibility to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events, or otherwise, and you should not rely upon these forward-looking statements after the date of this report.

Overview

BXP is the largest publicly-traded office real estate investment trust (REIT) (based on total market capitalization) as of December 31, 2019 in the United States that develops, owns and manages primarily Class A office properties concentrated in five markets in the United States - Boston, Los Angeles, New York, San Francisco and Washington, DC. BPLP is the entity through which BXP conducts substantially all of its business and owns (either directly or through subsidiaries) substantially all of its assets. We generate revenue and cash primarily by leasing Class A office space to our tenants. When making leasing decisions, we consider, among other things, the creditworthiness of the tenant, the length of the lease, the rental rate to be paid at inception and throughout the lease term, the costs of tenant improvements and other landlord concessions, anticipated operating expenses and real estate taxes, current and anticipated vacancy, current and expected future demand for the space, the impact of any expansion rights and general economic factors.

Our core strategy has always been to develop, acquire and manage high-quality properties in supply-constrained markets with high barriers-to-entry and to focus on executing long-term leases with financially strong tenants. Our tenant base is diverse across market sectors and the weighted-average lease term for our in-place leases was approximately 8.4 years, as of December 31, 2019, including leases signed by our unconsolidated joint ventures. The weighted-average lease term for our top 20 office tenant leases was approximately 11.4 years. Historically, these factors have minimized our exposure in weaker economic cycles and enhanced revenues as market conditions improve. To be successful in any leasing environment, we believe we must consider all aspects of the tenant-landlord relationship. In this regard, we believe that our competitive advantage is based on the following attributes:

- our understanding of tenants' short- and long-term space utilization and amenity needs in the local markets;
- our reputation as a premier developer, owner and manager of primarily Class A office properties;
- our financial strength and our ability to maintain high building standards;
- our focus on developing and operating in a sustainable and responsible manner; and
- our relationships with local brokers.

Outlook

Macroeconomic conditions remained stable and overall favorable for us in the fourth quarter of 2019. U.S. GDP continues to increase at an estimated annual rate of 2.1% in the fourth quarter and job creation remained steady as the U.S. economy created approximately 593,000 jobs in the fourth quarter of 2019 and the unemployment rate remained low at 3.5%. The 10-year U.S. Treasury rate remains attractive and the Federal Reserve continues to keep the overnight lending rates low and has not indicated any near-term changes.

While political and global risks have tempered, recent events regarding the coronavirus have prompted concerns and its long-term impact on global economics and our business is not yet known. We continue to be optimistic for our industry generally and our company in particular given the positive economic statistics, low interest rates, strong leasing trends in most of our core markets and the continued success of our development efforts. As a leading developer, owner and manager of marquee Class A office properties in the U.S., our priorities remain focused on the following:

- ensuring tenant satisfaction;
- leasing available space in our in-service and development properties, as well as proactively focusing on future lease expirations;
- completing the construction of our development properties;
- continuing and completing the redevelopment and repositioning of several key properties to increase future revenue and asset values over the long-term;
- maintaining discipline in our underwriting of investment opportunities;
- managing our near-term debt maturities and maintaining our conservative balance sheet; and
- actively managing our operations in a sustainable and responsible manner.

The overall occupancy of our in-service office and retail properties was 93.0% at December 31, 2019, an increase of 160 basis points year-over-year as compared to December 31, 2018 and an increase of 40 basis points as compared to September 30, 2019. During the fourth quarter of 2019, we signed leases across our portfolio totaling approximately 1.7 million square feet and we commenced revenue recognition on approximately 1.1 million square feet of leases in second generation space. Of these second generation leases, approximately 826,000 square feet had been vacant for less than one year and, in the aggregate, they represent an increase in net rental obligations (gross rent less operating expenses) of approximately 48% over the prior leases.

Our core investment strategy remains unchanged. Other than possible selective acquisitions of "value-add" assets (e.g., assets that require lease-up or repositioning), and acquisitions that are otherwise consistent with our long-term strategy, we intend to continue to focus on investing primarily in higher-yielding new development opportunities. From time to time, due to anticipated market demand, specific tenant considerations and similar factors, we may commence a development project prior to signing leases with tenants.

Consistent with this strategy, in 2019, we completed and fully placed in-service approximately 865,000 net rentable square feet of new development at approximately 98% leased, including leases with future commencement dates. During the fourth quarter of 2019, we fully placed in-service The Hub on Causeway - Podium, an approximately 382,000 net rentable square foot property containing retail and office space located in Boston, Massachusetts. The property is 99% leased, including leases with future commencement dates. The Hub on Causeway - Podium is part of a 1.3 million square foot mixed-use development project adjacent to the North Station transit center. We have a 50% ownership interest in the development. We also placed in service 145

Broadway, an approximately 483,000 net rentable square foot property located in Cambridge, Massachusetts. The property is 98% leased to a single tenant.

As of December 31, 2019, our construction/redevelopment pipeline consisted of 11 properties that, when completed, we expect will total approximately 5.5 million net rentable square feet. Our share of the estimated total cost for these projects is approximately \$3.1 billion, of which approximately \$1.4 billion remains to be invested as of December 31, 2019. Approximately 76% of the commercial space in these development projects was pre-leased as of February 21, 2020.

As we continue to focus on the development and acquisition of assets to enhance our long-term growth, we also continually review our portfolio to identify properties as potential sales candidates that either no longer fit within our portfolio strategy or could attract premium pricing in the current market environment. For example, during the fourth quarter of 2019, we entered into an agreement for the sale of our New Dominion Technology Park located in Herndon, Virginia for a gross sale price of \$256.0 million. The sale was completed on February 20, 2020. New Dominion Technology Park consists of two Class A office properties aggregating approximately 493,000 net rentable square feet. In 2019, we disposed of approximately \$406 million of assets. We expect to continue to sell select assets as we move through 2020, subject to market conditions.

A brief overview of each of our markets follows.

Boston

The leasing market in the greater Boston region remains active and strong. Demand in the Boston central business district (“CBD”) continues to be driven by a strong flow of new and expanding technology and life science companies, traditional financial and professional services tenants and the ongoing trend of urbanization. During the fourth quarter of 2019, we executed approximately 317,000 square feet of leases and had approximately 1.0 million square feet of leases commence in the Boston region. Approximately 356,000 square feet of the leases that commenced had been vacant for less than one year and represent an increase in net rental obligations of approximately 79% over the prior leases. We are also actively working to meet tenant demand in Boston through new development. In addition to fully placing in-service The Hub on Causeway - Podium and partially placing in-service the Hub50House in the fourth quarter of 2019, we continued development of 100 Causeway Street, a 632,000 net rentable square foot office tower located in Boston, Massachusetts, of which we own 50%, that is 94% pre-leased, as of February 21, 2020, and is expected to be delivered in 2021.

Our approximately 2.0 million square foot in-service office portfolio in Cambridge is 99% leased, as of December 31, 2019, dominated by large users and continues to generate strong rental rates. On October 24, 2019, we completed and placed in-service 145 Broadway, an approximately 483,000 net rentable square foot office property that is 98% leased. We also continued the development of 325 Main Street at Kendall Center in Cambridge, Massachusetts, which is 90% pre-leased to a tenant for a term of 15 years.

In the suburban Waltham/Lexington sub-market, we continue to experience significant demand within our existing tenant base and from other tenants in the market, particularly from technology and life science companies seeking space to accommodate their expanding workforces. To capitalize on this demand, we commenced the redevelopment of a portion of 200 West Street, an approximately 261,000 net rentable square foot Class A office property in Waltham, Massachusetts. The redevelopment is a conversion of a portion of the property to laboratory space to meet growing demand in the life sciences sector.

The primary challenge we have in our Boston portfolio is the lack of available space to meet tenant demand. As a result, we are focused on future lease expirations and are working on expansions and early renewals that are expected to result in increases in future rents. We are also actively marketing new development sites in Boston and Waltham. The Boston, Cambridge and the suburban Waltham/Lexington sub-market have continued to experience strong increases in rental rates.

Los Angeles

The market in Los Angeles (“LA”) remains strong, particularly in West LA where our Colorado Center complex, of which we own 50%, and our 21-building Santa Monica Business Park, of which we own 55%, are located. We believe both properties provide us with ample opportunity for future growth, as a majority of the current leases are at below-market rents. As of December 31, 2019, our LA in-service properties are approximately 97% leased. We have the opportunity to increase revenue through completing renewals at higher rents on most of the approximately

707,000 square feet of office leases that will expire at the end of 2020 through 2021. We will continue to explore opportunities to increase our presence in the LA market by seeking investments where our financial, operational, redevelopment and development expertise provide the opportunity to achieve accretive returns.

New York

As of December 31, 2019, our New York CBD in-service portfolio was approximately 94% leased. In the fourth quarter of 2019, we commenced approximately 537,000 square feet of leases in the New York region. Of these leases, approximately 271,000 square feet had been vacant for less than one year and represent an increase in net rental obligations of approximately 17% over the prior leases.

Although overall leasing activity remains strong due to ongoing demand for new or recently renovated high-quality office space, particularly in midtown Manhattan, rental rate growth in New York City remains muted due to increased supply. During 2019, we increased the occupancy in our New York City portfolio by 2.6% to 94.4% at December 31, 2019. As a result, we continue to expect stable rent and tenant improvement allowances in our New York submarkets.

San Francisco

Our San Francisco CBD in-service properties are approximately 97% leased as of December 31, 2019. During the fourth quarter of 2019, we commenced approximately 241,000 square feet of leases in the San Francisco region. Of these leases, approximately 167,000 square feet had been vacant for less than one year and represent an increase in net rental obligations of approximately 57% over the prior leases. The San Francisco market conditions remain favorable with market vacancy rates in the low single digits. During the fourth quarter of 2019, we secured approval from the City of San Francisco Planning Commission for our 425 Fourth Street development project located in San Francisco's Central SoMa District. The approval includes the Large Project Authorization for the design and massing of an approximately 820,000 square foot project, as well as an initial allocation of 505,000 square feet under the San Francisco Office Development Annual Limitation Program (Prop M) for the first phase of the project.

San Francisco CBD continues to experience strong employment trends and limited supply of Class A office space. As market demand from technology and life sciences companies continues to grow, companies often seek locations in close proximity to the San Francisco CBD that offer access to public transportation and more efficient commutes for their employees. To meet this demand, we have several large scale development opportunities in Silicon Valley that we are marketing to tenants, including Platform 16, an approximately 1.1 million square foot Class A urban office campus located on a 5.6-acre site in downtown San Jose, California in which we have a 55% interest. On January 28, 2020, the joint venture commenced development of the first phase of Platform 16, which will consist of an approximately 390,000 net rentable square foot Class A office building and a below grade parking garage. Platform 16 is adjacent to Google's planned multimillion square foot transit village and Diridon Station, the largest multi-modal transportation hub in the Bay Area consisting of Caltrain, VTA light-rail, the ACE train and the planned BART and high-speed rail lines.

On January 28, 2020, we entered into a joint venture with Alexandria Real Estate Equities to own, operate and develop approximately 1.1 million square feet of existing office and lab properties in South San Francisco, California, with the opportunity for approximately 640,000 square feet of additional future development. Upon completion, the joint venture is expected to own an approximately 1.7 million square foot life sciences campus, including a mix of office and lab buildings. Under the joint venture agreement, we contributed 601, 611 and 651 Gateway Boulevard, three existing office properties that total approximately 768,000 net rentable square feet, and developable land. Alexandria Real Estate Equities contributed approximately 313,000 square feet of existing properties including lab, office and amenity buildings, and developable land. We have a 50% ownership interest in the joint venture (See Note 19 to the Consolidated Financial Statements). The South San Francisco market has experienced strong demand from companies in the life sciences sector. We expect this joint venture will allow us to expand the amount of developable land on the combined site and efficiently capitalize on tenant demand in the life sciences sector.

Washington, DC

Market conditions in the Washington, DC CBD have not changed in any meaningful way over the past few quarters. In the Washington, DC region, our focus remains on (1) expanding our development potential in Reston, Virginia, where demand from technology and cybersecurity tenants remains strong, (2) divesting of assets in

Washington, DC and select suburban markets and (3) matching development sites with tenants to begin development with significant pre-leasing commitments.

In our Reston, Virginia portfolio, we continued development of Reston Gateway, our mixed-use development project, which will consist of an aggregate of approximately 4.5 million net rentable square feet. The initial phase is approximately 1.1 million net rentable square feet, of which approximately 80% is pre-leased to Fannie Mae. Our Reston, Virginia in-service portfolio was approximately 93% leased as of December 31, 2019 and continues to be the strongest submarket in the region.

Conversely, leasing activity in the Washington, DC CBD remains very competitive primarily because there has been an increase in supply without a corresponding increase in demand. We are reasonably well-leased in the CBD with modest near-term exposure and we have reduced our exposure in the Washington, DC CBD market significantly over the past few years through dispositions of assets.

Leasing Statistics

The table below details the leasing activity, including 100% of the unconsolidated joint ventures, that commenced during the year ended December 31, 2019:

	Year Ended December 31, 2019
	Total Square Feet
Vacant space available at the beginning of the period	3,859,897
Property dispositions/properties taken out of service (1)	(662,790)
Vacant space in properties acquired	70,954
Properties placed (and partially placed) in-service (2)	1,219,535
Leases expiring or terminated during the period	5,442,229
Total space available for lease	9,929,825
1 st generation leases	1,741,018
2 nd generation leases with new tenants	2,618,560
2 nd generation lease renewals	2,435,077
Total space leased (3)	6,794,655
Vacant space available for lease at the end of the period	3,135,170
Leases executed during the period, in square feet (4)	7,623,836
Second generation leasing information: (5)	
Leases commencing during the period, in square feet	5,053,637
Weighted Average Lease Term	114 Months
Weighted Average Free Rent Period	93 Days
Total Transaction Costs Per Square Foot (6)	\$82.12
Increase in Gross Rents (7)	17.19%
Increase in Net Rents (8)	26.19%

(1) Total square feet of available space associated with properties taken out of service during the year ended December 31, 2019 consists of 109,658 square feet at 325 Main Street and 104,084 square feet at 200 West Street. Total square feet of available space associated with property dispositions during the year ended December 31, 2019 consists of 85,019 square feet at 2600 Tower Oaks Boulevard, 64,140 square feet at 164 Lexington Road, 50,150 square feet at 540 Madison Avenue and 249,739 square feet at One Tower Center.

(2) Total square feet of properties placed (and partially placed) in-service during the year ended December 31, 2019 consists of 131,949 at 20 CityPoint, 382,497 at The Hub on Causeway - Podium, 221,607 at Dock 72 and 483,482 at 145 Broadway.

(3) Represents leases for which lease revenue recognition has commenced in accordance with GAAP during the year ended December 31, 2019.

- (4) Represents leases executed during the year ended December 31, 2019 for which we either (1) commenced lease revenue recognition in such period or (2) will commence lease revenue recognition in subsequent periods, in accordance with GAAP, and includes leases at properties currently under development. The total square feet of leases executed and recognized in the year ended December 31, 2019 is 888,950.
- (5) Second generation leases are defined as leases for space that had previously been leased by us. Of the 5,053,637 square feet of second generation leases that commenced during the year ended December 31, 2019, leases for 4,172,378 square feet were signed in prior periods.
- (6) Total transaction costs include tenant improvements and leasing commissions, but exclude free rent concessions and other inducements in accordance with GAAP.
- (7) Represents the increase in gross rent (base rent plus expense reimbursements) on the new versus expired leases on the 3,995,351 square feet of second generation leases that had been occupied within the prior 12 months for the year ended December 31, 2019; excludes leases that management considers temporary because the tenant is not expected to occupy the space on a long-term basis.
- (8) Represents the increase in net rent (gross rent less operating expenses) on the new versus expired leases on the 3,995,351 square feet of second generation leases that had been occupied within the prior 12 months for the year ended December 31, 2019; excludes leases that management considers temporary because the tenant is not expected to occupy the space on a long-term basis.

For descriptions of significant transactions that we completed during 2019, see “*Item 1. Business—Transactions During 2019.*”

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, requires management to use judgment in the application of accounting policies, including making estimates and assumptions. We base our estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied resulting in a different presentation of our financial statements. From time to time, we evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current information. Below is a discussion of accounting policies that we consider critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Real Estate

Upon acquisitions of real estate, we assess whether the transaction should be accounted for as an asset acquisition or as a business combination by applying a screen to determine whether the integrated set of assets and activities acquired meets the definition of a business. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. Our acquisitions of real estate or in-substance real estate generally will not meet the definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

We assess the fair value of acquired tangible and intangible assets (including land, buildings, tenant improvements, “above-” and “below-market” leases, leasing and assumed financing origination costs, acquired in-place leases, other identified intangible assets and assumed liabilities) and allocate the purchase price to the acquired assets and assumed liabilities, including land and buildings as if vacant. We assess fair value based on estimated cash flow projections that utilize discount and/or capitalization rates that we deem appropriate, as well as available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known and anticipated trends, and market and economic conditions.

The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant. We also consider an allocation of purchase price of other acquired intangibles, including acquired in-place leases that may have a customer relationship intangible value, including (but not limited to) the nature and extent of the existing relationship with the tenants, the tenants’ credit quality and expectations of lease renewals. Based on our acquisitions to date, our allocation to customer relationship intangible assets has been immaterial.

We record acquired “above-” and “below-market” leases at their fair values (using a discount rate which reflects the risks associated with the leases acquired) equal to the difference between (1) the contractual amounts to be paid pursuant to each in-place lease and (2) management’s estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. Acquired “above-” and “below-market” lease values have been reflected within Prepaid Expenses and Other Assets and Other Liabilities, respectively, in our Consolidated Balance Sheets. Other intangible assets acquired include amounts for in-place lease values that are based on our evaluation of the specific characteristics of each tenant’s lease. Factors to be considered include estimates of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, we consider leasing commissions, legal and other related expenses.

Management reviews its long-lived assets for impairment following the end of each quarter and when there is an event or change in circumstances that indicates carrying amounts may not be recoverable. An impairment loss is recognized if the carrying amount of an asset is not recoverable and exceeds its fair value. The evaluation of anticipated cash flows is subjective and is based in part on assumptions regarding anticipated hold periods, future occupancy, future rental rates, future capital requirements, discount rates and capitalization rates that could differ materially from actual results in future periods. Because cash flows on properties considered to be “long-lived assets to be held and used” are considered on an undiscounted basis to determine whether an asset has been impaired, our established strategy of holding properties over the long term directly decreases the likelihood of recording an impairment loss. If our hold strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized and such loss could be material. If we determine that an impairment has occurred, the affected assets must be reduced to their fair value.

Guidance in Accounting Standards Codification (“ASC”) 360 “Property Plant and Equipment” (“ASC 360”) requires that qualifying assets and liabilities and the results of operations that have been sold, or otherwise qualify as “held for sale,” be presented as discontinued operations in all periods presented if the property operations are expected to be eliminated and we will not have significant continuing involvement following the sale. Discontinued operations presentation applies only to disposals representing a strategic shift that has (or will have) a major effect on an entity’s operations and financial results (e.g., a disposal of a major geographical area, a major line of business, a major equity method investment or other major parts of an entity). The components of the property’s net income that are reflected as discontinued operations include the net gain (or loss) upon the disposition of the property held for sale, operating results, depreciation and interest expense (if the property is subject to a secured loan). We generally consider assets to be “held for sale” when the transaction has been approved by BXP’s Board of Directors, or a committee thereof, and there are no known significant contingencies relating to the sale, such that a sale of the property within one year is considered probable. Following the classification of a property as “held for sale,” no further depreciation is recorded on the assets, and the asset is written down to the lower of carrying value or fair market value, less cost to sell.

Real estate is stated at depreciated cost. A variety of costs are incurred in the acquisition, development and leasing of properties. The cost of buildings and improvements includes the purchase price of property, legal fees and other acquisition costs. We capitalize acquisition costs that we incur to effect an asset acquisition and expense acquisition costs that we incur to effect a business combination, including legal, due diligence and other closing related costs. Costs directly related to the development of properties are capitalized. Capitalized development costs include interest, internal wages, property taxes, insurance, and other project costs incurred during the period of development. After the determination is made to capitalize a cost, it is allocated to the specific component of the project that benefited from the investment. Determination of when a development project commences and capitalization begins, and when a development project is substantially complete and held available for occupancy and capitalization must cease, involves a degree of judgment. Our capitalization policy on development properties follows the guidance in ASC 835-20 “Capitalization of Interest” and ASC 970 “Real Estate-General.” The costs of land and buildings under development include specifically identifiable costs.

Capitalized costs include pre-construction costs necessary to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We begin the capitalization of costs during the pre-construction period, which we define as activities that are necessary for the development of the property. We consider a construction project as substantially complete and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portion (1) substantially

completed, (2) occupied or held available for occupancy, and capitalize only those costs associated with the portion under construction or (3) if activities necessary for the development of the property have been suspended.

Investments in Unconsolidated Joint Ventures

We consolidate variable interest entities (“VIEs”) in which we are considered to be the primary beneficiary. VIEs are entities in which the equity investors do not have sufficient equity at risk to finance their endeavors without additional financial support or that the holders of the equity investment at risk do not have substantive participating rights. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the variable interest entity’s performance, and (2) the obligation to absorb losses and the right to receive the returns from the variable interest entity that could potentially be significant to the VIE. For ventures that are not VIEs, we consolidate entities for which we have significant decision making control over the ventures’ operations. Our judgment with respect to our level of influence or control of an entity involves the consideration of various factors including the form of our ownership interest, our representation in the entity’s governance, the size of our investment (including loans), estimates of future cash flows, our ability to participate in policy making decisions and the rights of the other investors to participate in the decision making process and to replace us as manager and/or liquidate the venture, if applicable. Our assessment of our influence or control over an entity affects the presentation of these investments in our consolidated financial statements. In addition to evaluating control rights, we consolidate entities in which the outside partner has no substantive kick-out rights to remove us as the managing member.

Accounts of the consolidated entity are included in our accounts and the noncontrolling interest is reflected on the Consolidated Balance Sheets as a component of equity or in temporary equity between liabilities and equity. Investments in unconsolidated joint ventures are recorded initially at cost, and subsequently adjusted for equity in earnings and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in earnings of unconsolidated joint ventures over the life of the related asset. Under the equity method of accounting, our net equity investment is reflected within the Consolidated Balance Sheets, and our share of net income or loss from the joint ventures is included within the Consolidated Statements of Operations. The joint venture agreements may designate different percentage allocations among investors for profits and losses; however, our recognition of joint venture income or loss generally follows the joint venture’s distribution priorities, which may change upon the achievement of certain investment return thresholds. We may account for cash distributions in excess of our investment in an unconsolidated joint venture as income when we are not the general partner in a limited partnership and when we have neither the requirement nor the intent to provide financial support to the joint venture. We classify distributions received from equity method investees within our Consolidated Statements of Cash Flows using the nature of the distribution approach, which classifies the distributions received on the basis of the nature of the activity or activities of the investee that generated the distribution as either a return on investment (classified as cash inflows from operating activities) or a return of investment (classified as cash inflows from investing activities). Our investments in unconsolidated joint ventures are reviewed for impairment periodically and we record impairment charges when events or circumstances change indicating that a decline in the fair values below the carrying amounts has occurred and such decline is other-than-temporary. The evaluation of fair value is subjective and is based in part on assumptions regarding future occupancy, future rental rates, future capital requirements, discount rates and capitalization rates that could differ materially from actual results in future periods. The ultimate realization of the investment in unconsolidated joint ventures is dependent on a number of factors, including the performance of each investment and market conditions. We will record an impairment charge if we determine that a decline in the fair value below the carrying amount of an investment in an unconsolidated joint venture is other-than-temporary.

To the extent that we contribute assets to a joint venture, our investment in the joint venture is recorded at our cost basis in the assets that were contributed to the joint venture. To the extent that our cost basis is different than the basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in our share of equity in net income of the joint venture. In accordance with the provisions of ASC 610-20 “Gains and Losses from the Derecognition of Nonfinancial Assets” (“ASC 610-20”), we will recognize a full gain on both the retained and sold portions of real estate contributed or sold to a joint venture by recognizing our new equity method investment interest at fair value.

The combined summarized financial information of the unconsolidated joint ventures is disclosed in Note 5 to the Consolidated Financial Statements.

Revenue Recognition

In general, we commence lease/rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. Contractual lease/rental revenue is reported on a straight-line basis over the terms of the respective leases. We recognize acquired in-place “above-” and “below-market” leases at their fair values as lease/rental revenue over the original term of the respective leases. Accrued rental income as reported on the Consolidated Balance Sheets represents cumulative lease/rental income earned in excess of rent payments received pursuant to the terms of the individual lease agreements.

For the year ended December 31, 2019, the impact of the net adjustments of rents from “above-” and “below-market” leases increased lease revenue by approximately \$20.9 million. For the year ended December 31, 2019, the impact of the straight-line rent adjustment increased lease revenue by approximately \$58.4 million. Those amounts exclude the adjustment of rents from “above-” and “below-market” leases and straight-line income from unconsolidated joint ventures, which are disclosed in Note 5 to the Consolidated Financial Statements.

Our leasing strategy is generally to secure creditworthy tenants that meet our underwriting guidelines. Furthermore, following the initiation of a lease, we continue to actively monitor the tenant’s creditworthiness to ensure that all tenant related assets are recorded at their realizable value. When assessing tenant credit quality, we:

- review relevant financial information, including:
 - financial ratios;
 - net worth;
 - revenue;
 - cash flows;
 - leverage; and
 - liquidity;
- evaluate the depth and experience of the tenant’s management team; and
- assess the strength/growth of the tenant’s industry.

As a result of the underwriting process, tenants are then categorized into one of three categories:

- (1) acceptable-risk tenants;
- (2) the tenant’s credit is such that we may require collateral, in which case we:
 - may require a security deposit; and/or
 - may reduce upfront tenant improvement investments; or
- (3) the tenant’s credit is below our acceptable parameters.

We review our trade accounts receivable, including our straight-line rent receivable, related to base rents, straight-line rent, expense reimbursements and other revenues for collectability. We analyze our accounts receivable, customer creditworthiness and current economic trends when evaluating the adequacy of the collectability of the lessee’s total accounts receivable balance on a lease-by-lease basis. In addition, tenants in bankruptcy are analyzed and considerations are made in connection with the expected recovery of pre-petition and post-petition claims. If a lessee’s accounts receivable balance is considered uncollectible, we will write-off the receivable balances associated with the lease to Lease revenue and cease to recognize lease income, including straight-line rent, unless cash is received. If we subsequently determine that it is probable we will collect substantially all the remaining lessee’s lease payments under the lease term, we will then reinstate the straight-line balance, adjusting for the amount related to the period when the lease payments were considered not probable. Our reported net earnings are directly affected by management’s estimate of the collectability of its trade accounts receivable.

The average remaining term of our in-place tenant leases, including unconsolidated joint ventures, was approximately 8.4 years as of December 31, 2019. The credit risk is mitigated by the high quality of our existing tenant base, reviews of prospective tenants’ risk profiles prior to lease execution and consistent monitoring of our portfolio to identify potential problem tenants.

Recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, are recognized as revenue in the period during which the expenses are incurred (See “*New Accounting Pronouncements Adopted—Leases*” within Note 2 to the Consolidated Financial

Statements). We recognize these reimbursements on a gross basis, as we obtain control of the goods and services before they are transferred to the tenant. We also receive reimbursements of payroll and payroll related costs from unconsolidated joint venture entities and third party property owners in connection with management services contracts which we reflect on a gross basis instead of on a net basis as we have determined that we are the principal and not the agent under these arrangements in accordance with guidance in ASC 606 “Revenue from Contracts with Customers” (“ASC 606”).

Our parking revenue is derived primarily from monthly and transient daily parking. In addition, we have certain lease arrangements for parking accounted for under the guidance in ASC 842 “Leases” (“ASC 842”). The monthly and transient daily parking revenue falls within the scope of ASC 606 and is accounted for at the point in time when control of the goods or services transfers to the customer and our performance obligation is satisfied.

Our hotel revenue is derived from room rentals and other sources such as charges to guests for telephone service, movie and vending commissions, meeting and banquet room revenue and laundry services. Hotel revenue is recognized as the hotel rooms are occupied and the services are rendered to the hotel customers.

We earn management and development fees. Development and management services revenue is earned from unconsolidated joint venture entities and third-party property owners. We determined that the performance obligations associated with our development services contracts are satisfied over time and that we would recognize our development services revenue under the output method evenly over time from the development commencement date through the substantial completion date of the development management services project due to the stand-ready nature of the contracts. Significant judgments impacting the amount and timing of revenue recognized from our development services contracts include estimates of total development project costs from which the fees are typically derived and estimates of the period of time until substantial completion of the development project, the period of time over which the development services are required to be performed. We recognize development fees earned from unconsolidated joint venture projects equal to its cost plus profit to the extent of the third party partners’ ownership interest. Property management fees are recorded and earned based on a percentage of collected rents at the properties under management, and not on a straight-line basis, because such fees are contingent upon the collection of rents.

Gains on sales of real estate are recognized pursuant to the provisions included in ASC 610-20. Under ASC 610-20, we must first determine whether the transaction is a sale to a customer or non-customer. We typically sell real estate on a selective basis and not within the ordinary course of our business and therefore expects that our sale transactions will not be contracts with customers. We next determine whether we have a controlling financial interest in the property after the sale, consistent with the consolidation model in ASC 810 “Consolidation” (“ASC 810”). If we determine that we do not have a controlling financial interest in the real estate, we evaluate whether a contract exists under ASC 606 and whether the buyer has obtained control of the asset that was sold. We recognize a full gain on sale of real estate when the derecognition criteria under ASC 610-20 have been met.

Depreciation and Amortization

We compute depreciation and amortization on our properties using the straight-line method based on estimated useful asset lives. We allocate the acquisition cost of real estate to its components and depreciate or amortize these assets (or liabilities) over their useful lives. The amortization of acquired “above-” and “below-market” leases and acquired in-place leases is recorded as an adjustment to revenue and depreciation and amortization, respectively, in the Consolidated Statements of Operations.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, marketable securities, escrows, receivables, accounts payable, accrued expenses and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments.

We follow the authoritative guidance for fair value measurements when valuing our financial instruments for disclosure purposes. BPLP determines the fair value of its unsecured senior notes using market prices. The inputs used in determining the fair value of BPLP’s unsecured senior notes are categorized at a Level 1 basis (as defined in ASC 820 “Fair Value Measurements and Disclosures” (“ASC 820”)) due to the fact that it uses quoted market rates to value these instruments. However, the inputs used in determining the fair value could be categorized at a Level 2 basis (as defined in ASC 820) if trading volumes are low. We determine the fair value of our related party note receivable, note receivable and mortgage notes payable using discounted cash flow analysis by discounting the spread between the future contractual interest payments and hypothetical future interest payments on note

receivables / mortgage debt based on current market rates for similar securities. In determining the current market rates, we add our estimates of market spreads to the quoted yields on federal government treasury securities with similar maturity dates to our debt. The inputs used in determining the fair value of our related party note receivable, note receivable, and mortgage notes payable are categorized at a Level 3 basis (as defined in ASC 820) due to the fact that we consider the rates used in the valuation techniques to be unobservable inputs. To the extent that there are outstanding borrowings under the unsecured line of credit or unsecured term loan, we utilize a discounted cash flow methodology in order to estimate the fair value. To the extent that credit spreads have changed since the origination, the net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate would represent the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate, considering current market conditions and BPLP's specific credit profile, at which we estimate we could obtain similar borrowings. To the extent there are outstanding borrowings, this current market rate is estimated and therefore would be primarily based upon a Level 3 input (See "New Accounting Pronouncements Issued But Not Yet Adopted—Fair Value Measurement" within Note 2 to the Consolidated Financial Statements").

Derivative Instruments and Hedging Activities

Derivative instruments and hedging activities require management to make judgments on the nature of its derivatives and their effectiveness as hedges. These judgments determine if the changes in fair value of the derivative instruments are reported in the Consolidated Statements of Operations as a component of net income or as a component of comprehensive income and as a component of equity on the Consolidated Balance Sheets. While management believes its judgments are reasonable, a change in a derivative's effectiveness as a hedge could materially affect expenses, net income and equity. We account for both the effective and ineffective portions of changes in the fair value of a derivative in other comprehensive income (loss) and subsequently reclassify the fair value of the derivative to earnings over the term that the hedged transaction affects earnings and in the same line item as the hedged transaction within the statements of operations

Income Taxes

Boston Properties Inc.

BXP has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ended December 31, 1997. As a result, it generally will not be subject to federal corporate income tax on its taxable income that is distributed to its stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual taxable income (with certain adjustments). BXP's policy is to distribute at least 100% of its taxable income. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to BXP's consolidated taxable REIT subsidiaries. BXP's taxable REIT subsidiaries did not have significant tax provisions or deferred income tax items. BXP has no uncertain tax positions recognized as of December 31, 2019 and 2018.

We own a hotel property that we lease to one of our taxable REIT subsidiaries and that is managed by Marriott International, Inc. The hotel taxable REIT subsidiary, a wholly owned subsidiary of BPLP, is the lessee pursuant to the lease for the hotel property. As lessor, BPLP is entitled to a percentage of gross receipts from the hotel property. Marriott International, Inc. continues to manage the hotel property under the Marriott name and under terms of a management agreement. The hotel taxable REIT subsidiary is subject to tax at the federal and state level and, accordingly, BXP has recorded a tax provision in its Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017.

The net difference between the tax basis and the reported amounts of BXP's assets and liabilities was approximately \$1.7 billion and \$1.9 billion as of December 31, 2019 and 2018, respectively, which was primarily related to the difference in basis of contributed property and accrued rental income.

Certain entities included in BXP's Consolidated Financial Statements are subject to certain state and local taxes. These taxes are recorded as operating expenses in the accompanying consolidated financial statements.

The following table reconciles GAAP net income attributable to Boston Properties, Inc. to taxable income (unaudited):

	For the year ended December 31,		
	2019	2018	2017
	(in thousands)		
Net income attributable to Boston Properties, Inc.	\$ 521,534	\$ 582,847	\$ 462,439
Straight-line rent and net “above-” and “below-market” rent adjustments	(65,111)	(53,080)	(77,801)
Book/Tax differences from depreciation and amortization	125,281	109,756	142,234
Book/Tax differences from interest expense	—	(18,190)	(18,136)
Book/Tax differences on gains/(losses) from capital transactions	51,555	(26,428)	1,123
Book/Tax differences from stock-based compensation	49,123	48,817	37,990
Tangible Property Regulations	(148,157)	(128,639)	(116,265)
Other book/tax differences, net	(15,221)	56,870	33,411
Taxable income	<u>\$ 519,004</u>	<u>\$ 571,953</u>	<u>\$ 464,995</u>

Boston Properties Limited Partnership

The partners are required to report their respective share of BPLP’s taxable income or loss on their respective tax returns and are liable for any related taxes thereon. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to BPLP’s consolidated taxable REIT subsidiaries. BPLP’s taxable REIT subsidiaries did not have significant tax provisions or deferred income tax items. BPLP has no uncertain tax positions recognized as of December 31, 2019 and 2018.

We own a hotel property which is managed through a taxable REIT subsidiary. The hotel taxable REIT subsidiary, a wholly owned subsidiary BPLP, is the lessee pursuant to the lease for the hotel property. As lessor, BPLP is entitled to a percentage of gross receipts from the hotel property. Marriott International, Inc. continues to manage the hotel property under the Marriott name and under terms of a management agreement. The hotel taxable REIT subsidiary is subject to tax at the federal and state level and, accordingly, BPLP has recorded a tax provision in its Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017.

The net difference between the tax basis and the reported amounts of BPLP’s assets and liabilities was approximately \$2.7 billion and \$2.8 billion as of December 31, 2019 and 2018, respectively, which was primarily related to the difference in basis of contributed property and accrued rental income.

Certain entities included in BPLP’s consolidated financial statements are subject to certain state and local taxes. These taxes are recorded as operating expenses in the accompanying consolidated financial statements.

The following table reconciles GAAP net income attributable to Boston Properties Limited Partnership to taxable income (unaudited):

	For the year ended December 31,		
	2019	2018	2017
	(in thousands)		
Net income attributable to Boston Properties Limited Partnership	\$ 590,602	\$ 667,403	\$ 523,366
Straight-line rent and net “above-” and “below-market” rent adjustments	(72,687)	(59,199)	(86,773)
Book/Tax differences from depreciation and amortization	124,108	109,673	144,436
Book/Tax differences from interest expense	—	(20,287)	(20,227)
Book/Tax differences on gains/(losses) from capital transactions	56,955	5,762	784
Book/Tax differences from stock-based compensation	54,838	54,445	42,371
Tangible Property Regulations	(165,395)	(143,468)	(129,673)
Other book/tax differences, net	(20,177)	70,003	37,607
Taxable income	<u>\$ 568,244</u>	<u>\$ 684,332</u>	<u>\$ 511,891</u>

Recent Accounting Pronouncements

For a discussion concerning new accounting pronouncements that may have an effect on our Consolidated Financial Statements (See Note 2 to the Consolidated Financial Statements).

Results of Operations for the Years Ended December 31, 2019 and 2018

This section of this Form 10-K generally discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Form 10-K can be found in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the SEC on February 28, 2019.

Net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders decreased approximately \$61.3 million and \$76.8 million for the year ended December 31, 2019 compared to 2018, respectively, as detailed in the following tables and for the reasons discussed below under the heading “*Comparison of the year ended December 31, 2019 to the year ended December 31, 2018*” within “*Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

The following are reconciliations of Net Income Attributable to Boston Properties, Inc. Common Shareholders to Net Operating Income and Net Income Attributable to Boston Properties Limited Partnership Common Unitholders to Net Operating Income for the years ended December 31, 2019 and 2018 (in thousands):

Boston Properties, Inc.

	Total Property Portfolio			
	2019	2018	Increase/ (Decrease)	% Change
Net Income Attributable to Boston Properties, Inc. Common Shareholders	\$ 511,034	\$ 572,347	\$ (61,313)	(10.71)%
Preferred dividends	10,500	10,500	—	— %
Net Income Attributable to Boston Properties, Inc.	521,534	582,847	(61,313)	(10.52)%
Net Income Attributable to Noncontrolling Interests:				
Noncontrolling interest—common units of the Operating Partnership	59,345	66,807	(7,462)	(11.17)%
Noncontrolling interests in property partnerships	71,120	62,909	8,211	13.05 %
Net Income	651,999	712,563	(60,564)	(8.50)%
Other Expenses:				
Add:				
Interest expense	412,717	378,168	34,549	9.14 %
Losses from early extinguishments of debt	29,540	16,490	13,050	79.14 %
Impairment losses	24,038	11,812	12,226	103.50 %
Other Income:				
Less:				
Gains (losses) from investments in securities	6,417	(1,865)	8,282	444.08 %
Interest and other income	18,939	10,823	8,116	74.99 %
Gains on sales of real estate	709	182,356	(181,647)	(99.61)%
Income from unconsolidated joint ventures	46,592	2,222	44,370	1,996.85 %
Other Expenses:				
Add:				
Depreciation and amortization expense	677,764	645,649	32,115	4.97 %
Transaction costs	1,984	1,604	380	23.69 %
Payroll and related costs from management services contracts	10,386	9,590	796	8.30 %
General and administrative expense	140,777	121,722	19,055	15.65 %
Other Revenue:				
Less:				
Direct reimbursements of payroll and related costs from management services contracts	10,386	9,590	796	8.30 %
Development and management services revenue	40,039	45,158	(5,119)	(11.34)%
Net Operating Income	<u>\$ 1,826,123</u>	<u>\$ 1,649,314</u>	<u>\$ 176,809</u>	<u>10.72 %</u>

Boston Properties Limited Partnership

	Total Property Portfolio			
	2019	2018	Increase/ (Decrease)	% Change
Net Income Attributable to Boston Properties Limited Partnership Common Unitholders	\$ 580,102	\$ 656,903	\$ (76,801)	(11.69)%
Preferred distributions	10,500	10,500	—	— %
Net Income Attributable to Boston Properties Limited Partnership	590,602	667,403	(76,801)	(11.51)%
Net Income Attributable to Noncontrolling Interests:				
Noncontrolling interests in property partnerships	71,120	62,909	8,211	13.05 %
Net Income	661,722	730,312	(68,590)	(9.39)%
Other Expenses:				
Add:				
Interest expense	412,717	378,168	34,549	9.14 %
Losses from early extinguishments of debt	29,540	16,490	13,050	79.14 %
Impairment losses	22,272	10,181	12,091	118.76 %
Other Income:				
Less:				
Gains (losses) from investments in securities	6,417	(1,865)	8,282	444.08 %
Interest and other income	18,939	10,823	8,116	74.99 %
Gains on sales of real estate	858	190,716	(189,858)	(99.55)%
Income from unconsolidated joint ventures	46,592	2,222	44,370	1,996.85 %
Other Expenses:				
Add:				
Depreciation and amortization expense	669,956	637,891	32,065	5.03 %
Transaction costs	1,984	1,604	380	23.69 %
Payroll and related costs from management services contracts	10,386	9,590	796	8.30 %
General and administrative expense	140,777	121,722	19,055	15.65 %
Other Revenue:				
Less:				
Direct reimbursements of payroll and related costs from management services contracts	10,386	9,590	796	8.30 %
Development and management services revenue	40,039	45,158	(5,119)	(11.34)%
Net Operating Income	<u>\$ 1,826,123</u>	<u>\$ 1,649,314</u>	<u>\$ 176,809</u>	<u>10.72 %</u>

At December 31, 2019 and 2018, we owned or had interests in a portfolio of 196 and 197 commercial real estate properties, respectively (in each case, the "Total Property Portfolio"). As a result of changes within our Total Property Portfolio, the financial data presented below shows significant changes in revenue and expenses from period-to-period. Accordingly, we do not believe that our period-to-period financial data with respect to the Total Property Portfolio are necessarily meaningful. Therefore, the comparison of operating results for the years ended December 31, 2019 and 2018 show separately the changes attributable to the properties that were owned by us and in-service throughout each period compared (the "Same Property Portfolio") and the changes attributable to the properties included in the Placed In-Service, Acquired, Development or Redevelopment or Sold Portfolios.

In our analysis of operating results, particularly to make comparisons of net operating income between periods meaningful, it is important to provide information for properties that were in-service and owned by us throughout each period presented. We refer to properties acquired or placed in-service prior to the beginning of the earliest period presented and owned by us and in-service through the end of the latest period presented as our Same Property Portfolio. The Same Property Portfolio therefore excludes properties placed in-service, acquired or in development or redevelopment after the beginning of the earliest period presented or disposed of prior to the end of the latest period presented.

Net operating income (“NOI”) is a non-GAAP financial measure equal to net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders, as applicable, the most directly comparable GAAP financial measures, plus (1) preferred dividends/distributions, net income attributable to noncontrolling interests, interest expense, losses from early extinguishments of debt, impairment losses, depreciation and amortization expense, transaction costs, payroll and related costs from management services contracts and corporate general and administrative expense less (2) gains (losses) from investments in securities, interest and other income, gains on sales of real estate, income from unconsolidated joint ventures, direct reimbursements of payroll and related costs from management services contracts and development and management services revenue. We use NOI internally as a performance measure and believe it provides useful information to investors regarding our results of operations and financial condition because, when compared across periods, it reflects the impact on operations from trends in occupancy rates, rental rates, operating costs and acquisition and development activity on an unleveraged basis, providing perspective not immediately apparent from net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders. For example, interest expense is not necessarily linked to the operating performance of a real estate asset and is often incurred at the corporate level as opposed to the property level. Similarly, interest expense may be incurred at the property level even though the financing proceeds may be used at the corporate level (e.g., used for other investment activity). In addition, depreciation and amortization expense, because of historical cost accounting and useful life estimates, may distort operating performance measures at the property level. NOI presented by us may not be comparable to NOI reported by other REITs or real estate companies that define NOI differently.

We believe that, in order to facilitate a clear understanding of our operating results, NOI should be examined in conjunction with net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders as presented in our Consolidated Financial Statements. NOI should not be considered as a substitute for net income attributable to Boston Properties, Inc. common shareholders or net income attributable to Boston Properties Limited Partnership common unitholders (determined in accordance with GAAP) or any other GAAP financial measures and should only be considered together with and as a supplement to our financial information prepared in accordance with GAAP.

The gains on sales of real estate, depreciation expense and impairment losses may differ between BXP and BPLP as a result of previously applied acquisition accounting by BXP for the issuance of common stock in connection with non-sponsor OP Unit redemptions by BPLP. This accounting resulted in a step-up of the real estate assets at BXP that was allocated to certain properties. The difference between the real estate assets of BXP as compared to BPLP for certain properties having an allocation of the real estate step-up will result in a corresponding difference in the gains on sales of real estate and depreciation expense when those properties are sold. For additional information see the Explanatory Note that follows the cover page of this Annual Report on Form 10-K.

Comparison of the year ended December 31, 2019 to the year ended December 31, 2018

The table below shows selected operating information for the Same Property Portfolio and the Total Property Portfolio. The Same Property Portfolio consists of 141 properties totaling approximately 38.2 million net rentable square feet of space, excluding unconsolidated joint ventures. The Same Property Portfolio includes properties acquired or placed in-service on or prior to January 1, 2018 and owned and in service through December 31, 2019. The Total Property Portfolio includes the effects of the other properties either acquired, placed in-service, or in development or redevelopment after January 1, 2018 or disposed of on or prior to December 31, 2019. This table includes a reconciliation from the Same Property Portfolio to the Total Property Portfolio by also providing information for the years ended December 31, 2019 and 2018 with respect to the properties that were placed in-service, acquired, in development or redevelopment or sold.

	Same Property Portfolio			% Change	Properties Acquired Portfolio			Properties Placed In-Service Portfolio			Properties in Development or Redevelopment Portfolio			Properties Sold Portfolio			Total Property Portfolio			
	2019	2018	Increase/(Decrease)		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	Increase/(Decrease)	% Change
(dollars in thousands)																				
Rental Revenue: (1)																				
Lease Revenue (Excluding Termination Income)	\$ 2,533,364	\$ 2,386,764	\$ 146,600	6.14 %	\$ 4,920	\$ —	\$ 154,836	\$ 46,451	\$ 10,368	\$ 18,847	\$ 2,986	\$ 23,849	\$ 2,706,474	\$ 2,475,911	\$ 230,563	9.31 %				
Termination Income	15,399	6,248	9,151	146.46 %	—	—	—	—	—	5	(196)	1,952	15,203	8,205	6,998	85.29 %				
Lease Revenue	2,548,763	2,393,012	155,751	6.51 %	4,920	—	154,836	46,451	10,368	18,852	2,790	25,801	2,721,677	2,484,116	237,561	9.56 %				
Parking and Other	101,738	104,783	(3,045)	(2.91)%	—	—	1,056	736	127	88	36	936	102,957	106,543	(3,586)	(3.37)%				
Total Rental Revenue (1)	2,650,501	2,497,795	152,706	6.11 %	4,920	—	155,892	47,187	10,495	18,940	2,826	26,737	2,824,634	2,590,659	233,975	9.03 %				
Real Estate Operating Expenses	962,151	921,405	40,746	4.42 %	1,989	—	58,559	21,889	8,820	8,599	2,506	14,654	1,034,025	966,547	67,478	6.98 %				
Net Operating Income, Excluding Residential and Hotel	1,688,350	1,576,390	111,960	7.10 %	2,931	—	97,333	25,298	1,675	10,341	320	12,083	1,790,609	1,624,112	166,497	10.25 %				
Residential Net Operating Income (Loss) (2)	9,846	10,121	(275)	(2.72)%	—	—	1,083	(174)	—	—	—	—	20,929	9,947	10,982	110.41 %				
Hotel Net Operating Income (2)	14,585	15,255	(670)	(4.39)%	—	—	—	—	—	—	—	—	14,585	15,255	(670)	(4.39)%				
Net Operating Income	\$ 1,712,781	\$ 1,601,766	\$ 111,015	6.93 %	\$ 2,931	\$ —	\$ 108,416	\$ 25,124	\$ 1,675	\$ 10,341	\$ 320	\$ 12,083	\$ 1,826,123	\$ 1,649,314	\$ 176,809	10.72 %				

(1) Rental Revenue is equal to Revenue less Development and Management Services Revenue and Direct Reimbursements of Payroll and Related Costs from Management Services Revenue per the Consolidated Statements of Operations, excluding the residential and hotel revenue that is noted below. Upon the adoption of ASU-2016-02 "Leases" on January 1, 2019, service income from tenants is included in Lease revenue. Prior to adoption, these amounts were included in the line item for Development and Management Services Revenue. We use Rental Revenue internally as a performance measure and in calculating other non-GAAP financial measures (e.g., NOI), which provides investors with information regarding our performance that is not immediately apparent from the comparable non-GAAP measures and allows investors to compare operating performance between periods.

(2) For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see page 71. Residential Net Operating Income for the year ended December 31, 2019 and 2018 are comprised of Residential Revenue of \$36,914 and \$22,551 less Residential Expenses of \$15,985 and \$12,604, respectively. Hotel Net Operating Income for the year ended December 31, 2019 and 2018 are comprised of Hotel Revenue of \$48,589 and \$49,118 less Hotel Expenses of \$34,004 and \$33,863, respectively, per the Consolidated Statements of Operations.

Same Property Portfolio

Lease Revenue (Excluding Termination Income)

Lease revenue from the Same Property Portfolio increased by approximately \$146.6 million for the year ended December 31, 2019 compared to 2018. The increase was primarily the result of an increase in revenue from our leases and the reclassification of service income from tenants and other income of approximately \$127.1 million and \$19.5 million, respectively. Lease revenue from our leases increased by approximately \$127.1 million as a result of our average revenue per square foot increasing by approximately \$2.85, contributing approximately \$94.3 million, and an approximately \$32.8 million increase due to our average occupancy increasing from 92.6% to 93.9%.

On January 1, 2019, we adopted ASU 2016-02. As a result of the adoption, there were certain nonlease components (service income from tenants, overtime HVAC, late fees and other items) that were reclassified on a prospective basis from the development and management services revenue and parking and other income line items of our Consolidated Statements of Operations. As a result, lease revenue increased by approximately \$19.5 million and development and management services revenue and parking and other income decreased by approximately \$12.3 million and \$7.2 million, respectively, for the year ended December 31, 2019 (See Note 2 to the Consolidated Financial Statements).

Termination Income

Termination income increased by approximately \$9.2 million for the year ended December 31, 2019 compared to 2018.

Termination income for the year ended December 31, 2019 related to 42 tenants across the Same Property Portfolio and totaled approximately \$15.4 million, of which approximately \$8.2 million is from two tenants that terminated leases early at 399 Park Avenue in New York City.

Termination income for the year ended December 31, 2018 resulted from the termination of 32 tenants across the Same Property Portfolio and totaled approximately \$6.2 million, of which approximately \$4.8 million was attributable to the New York Region. In addition, we received the sixth interim distribution from our unsecured creditor's claim against Lehman Brothers, Inc. of approximately \$0.3 million (See Note 9 to the Consolidated Financial Statements).

Parking and Other

Parking and other decreased by approximately \$3.0 million for the year ended December 31, 2019 compared to 2018, which was primarily due to the reclassification of approximately \$7.2 million of certain nonlease components resulting from the adoption of ASU 2016-02, described above (See Note 2 to the Consolidated Financial Statements). Excluding this reclassification, parking and other increased by approximately \$4.2 million.

Real Estate Operating Expenses

Real estate operating expenses from the Same Property Portfolio increased by approximately \$40.7 million, or 4.4%, for the year ended December 31, 2019 compared to 2018, due primarily to increases in real estate taxes and other real estate operating expenses of approximately \$31.2 million, or 6.8%, and \$9.5 million, or 2.0%, respectively. The increase in real estate taxes was primarily experienced in the New York CBD properties.

Properties Acquired Portfolio

The table below lists the properties acquired between January 1, 2018 and December 31, 2019. Rental revenue and real estate operating expenses increased by approximately \$4.9 million and \$2.0 million, respectively, for the year ended December 31, 2019 compared to 2018, as detailed below.

Name	Date acquired	Square Feet	Rental Revenue			Real Estate Operating Expenses		
			2019	2018	Change	2019	2018	Change
(dollars in thousands)								
880 and 890 Winter Street	August 27, 2019	392,400	\$ 4,920	\$ —	\$ 4,920	\$ 1,989	\$ —	\$ 1,989
		392,400	\$ 4,920	\$ —	\$ 4,920	\$ 1,989	\$ —	\$ 1,989

Properties Placed In-Service Portfolio

The table below lists the properties that were placed in-service or partially placed in-service between January 1, 2018 and December 31, 2019. Rental revenue and real estate operating expenses from our Properties Placed In-Service Portfolio increased by approximately \$123.2 million and \$39.9 million, respectively, for the year ended December 31, 2019 compared to 2018, as detailed below.

Name	Quarter Initially Placed In-Service	Quarter Fully Placed In-Service	Square Feet	Rental Revenue			Real Estate Operating Expenses		
				2019	2018	Change	2019	2018	Change
(dollars in thousands)									
Office									
191 Spring Street	Fourth Quarter, 2017	Fourth Quarter, 2018	170,997	\$ 7,721	\$ 4,917	\$ 2,804	\$ 2,077	\$ 1,723	\$ 354
Salesforce Tower	Fourth Quarter, 2017	Fourth Quarter, 2018	1,420,682	137,184	42,270	94,914	54,687	20,166	34,521
20 CityPoint	Second Quarter, 2019	N/A	211,000	3,320	—	3,320	1,048	—	1,048
145 Broadway	Fourth Quarter, 2019	Fourth Quarter, 2019	483,482	7,667	—	7,667	747	—	747
Total Office			2,286,161	155,892	47,187	108,705	58,559	21,889	36,670
Residential									
Signature at Reston	First Quarter, 2018	Second Quarter, 2018	517,783	11,421	3,879	7,542	6,302	4,510	1,792
Proto Kendall Square	Second Quarter, 2018	Third Quarter, 2018	166,717	8,930	1,944	6,986	2,966	1,487	1,479
Total Residential			684,500	20,351	5,823	14,528	9,268	5,997	3,271
			2,970,661	\$ 176,243	\$ 53,010	\$ 123,233	\$ 67,827	\$ 27,886	\$ 39,941

Properties in Development or Redevelopment Portfolio

The table below lists the properties that were in development or redevelopment between January 1, 2018 and December 31, 2019. Rental revenue from our Properties in Development or Redevelopment Portfolio decreased by approximately \$8.4 million and real estate operating expenses increased approximately \$0.2 million for the year ended December 31, 2019 compared to 2018.

Name	Date Commenced Development / Redevelopment	Square Feet	Rental Revenue			Real Estate Operating Expenses		
			2019	2018	Change	2019	2018	Change
(dollars in thousands)								
One Five Nine East 53rd Street	August 19, 2016	220,000	\$ 3,736	\$ 3,472	\$ 264	\$ 1,999	\$ 1,702	\$ 297
325 Main Street (1)	May 9, 2019	115,000	(704)	5,864	(6,568)	2,128	1,841	287
200 West Street (2)	September 30, 2019	261,000	7,463	9,604	(2,141)	4,693	5,056	(363)
		596,000	\$ 10,495	\$ 18,940	\$ (8,445)	\$ 8,820	\$ 8,599	\$ 221

- (1) Rental revenue for the year ended December 31, 2019 includes the acceleration and write-off of straight-line rent associated with the early termination of a lease at this property. Real estate operating expenses for the year ended December 31, 2019 includes approximately \$1.5 million of demolition costs.
- (2) Rental revenue and real estate operating expenses for the year ended December 31, 2019 are related to the entire building. The redevelopment is a conversion of a 126,000 square foot portion of the property to laboratory space.

Properties Sold Portfolio

The table below lists the properties we sold between January 1, 2018 and December 31, 2019. Rental revenue and real estate operating expenses from our Properties Sold Portfolio decreased by approximately \$23.9 million and \$12.1 million, respectively, for the year ended December 31, 2019 compared to 2018, as detailed below.

Name	Date Sold	Property Type	Square Feet	Rental Revenue			Real Estate Operating Expenses		
				2019	2018	Change	2019	2018	Change
(dollars in thousands)									
500 E Street, S.W.	January 9, 2018	Office	262,000	\$ —	\$ 270	\$ (270)	\$ —	\$ 129	\$ (129)
91 Hartwell Avenue	May 24, 2018	Office	119,000	—	1,224	(1,224)	—	654	(654)
Quorum Office Park	September 27, 2018	Office	268,000	—	3,348	(3,348)	—	1,818	(1,818)
1333 New Hampshire Avenue (1)	November 30, 2018	Office	315,000	—	14,407	(14,407)	—	5,180	(5,180)
Tower Oaks	December 20, 2018	Land	N/A	—	255	(255)	—	207	(207)
2600 Tower Oaks Boulevard	January 24, 2019	Office	179,000	159	2,763	(2,604)	189	1,974	(1,785)
One Tower Center	June 3, 2019	Office	410,000	2,605	4,470	(1,865)	2,078	4,411	(2,333)
164 Lexington Road	June 28, 2019	Office	64,000	—	—	—	82	170	(88)
Washingtonian North	December 20, 2019	Land	N/A	62	—	62	157	111	46
			<u>1,617,000</u>	<u>\$ 2,826</u>	<u>\$ 26,737</u>	<u>\$ (23,911)</u>	<u>\$ 2,506</u>	<u>\$ 14,654</u>	<u>\$ (12,148)</u>

(1) Rental revenue includes termination income of approximately \$2.0 million for the year ended December 31, 2018.

For additional information on the sale of the above properties and land parcels refer to “Results of Operations—Other Income and Expense Items - Gains on Sales of Real Estate” within “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Residential Net Operating Income

Net operating income for our residential same properties decreased by approximately \$0.3 million for the year ended December 31, 2019 compared to 2018.

The following reflects our occupancy and rate information for The Lofts at Atlantic Wharf and The Avant at Reston Town Center for the years ended December 31, 2019 and 2018.

	The Lofts at Atlantic Wharf			The Avant at Reston Town Center		
	2019	2018	Percentage Change	2019	2018	Percentage Change
Average Monthly Rental Rate (1)	\$ 4,482	\$ 4,272	4.9%	\$ 2,417	\$ 2,411	0.2%
Average Rental Rate Per Occupied Square Foot	\$ 4.95	\$ 4.74	4.4%	\$ 2.64	\$ 2.65	(0.4)%
Average Physical Occupancy (2)	95.1%	93.9%	1.3%	92.0%	93.6%	(1.7)%
Average Economic Occupancy (3)	95.2%	93.5%	1.8%	91.6%	92.9%	(1.4)%

(1) Average Monthly Rental Rate is calculated as the average of the quotients obtained by dividing (A) rental revenue as determined in accordance with GAAP, by (B) the number of occupied units for each month within the applicable fiscal period.

(2) Average Physical Occupancy is defined as (1) the average number of occupied units divided by (2) the total number of units, expressed as a percentage.

(3) Average Economic Occupancy is defined as (1) total possible revenue less vacancy loss divided by (2) total possible revenue, expressed as a percentage. Total possible revenue is determined by valuing average occupied units at contract rates and average vacant units at Market Rents. Vacancy loss is determined by valuing vacant units at current Market Rents. By measuring vacant units at their Market Rents, Average Economic Occupancy takes into account the fact that units of different sizes and locations within a residential property have different economic impacts on a residential property’s total possible gross revenue. Market Rents used by us in calculating Economic Occupancy are based on the current market rates set by the managers of our residential properties based on their experience in renting their residential property’s units and publicly available market data. Trends in market rents for a region as reported by

others could vary. Market Rents for a period are based on the average Market Rents during that period and do not reflect any impact for cash concessions.

Hotel Net Operating Income

Net operating income for the Boston Marriott Cambridge hotel property decreased by approximately \$0.7 million for the year ended December 31, 2019 compared to 2018.

The following reflects our occupancy and rate information for the Boston Marriott Cambridge hotel for the years ended December 31, 2019 and 2018.

	2019	2018	Percentage Change
Occupancy	83.8%	84.6%	(0.9)%
Average daily rate	\$ 281.15	\$ 282.54	(0.5)%
REVPAR	\$ 235.64	\$ 239.07	(1.4)%

Other Operating Income and Expense Items

Development and Management Services Revenue

Development and management services revenue decreased by approximately \$5.1 million for the year ended December 31, 2019 compared to 2018. Development services revenue increased by approximately \$7.8 million while management services revenue decreased by approximately \$12.9 million. The increase in development services revenue was primarily related to an increase in development fees and fees associated with tenant improvement projects earned from a third-party owned project in the Washington, DC region.

On January 1, 2019, we adopted ASU 2016-02. As a result of the adoption, there were certain nonlease components (service income from tenants) that were reclassified on a prospective basis from this line item of our Consolidated Statements of Operations to lease revenue. For the year ended December 31, 2018, management services revenue included \$11.3 million of service income from tenants. Excluding this reclassification, management services revenue would have decreased by approximately \$1.6 million due primarily to a \$4.5 million decrease in leasing commissions offset by a \$2.9 million increase in other management services revenue. The decrease in leasing commissions was primarily from a Boston unconsolidated joint venture and a third-party managed building in New York City. The increase in other management services revenue was primarily due to property and asset management fees we earned from our Santa Monica Business Park unconsolidated joint venture, which we acquired on July 19, 2018.

General and Administrative Expense

General and administrative expense increased by approximately \$19.1 million for the year ended December 31, 2019 compared to 2018 primarily due to compensation expense and other general and administrative expenses increasing by approximately \$17.9 million and \$1.2 million, respectively. The increase in compensation expense was related to (1) an approximately \$10.0 million increase related to a decrease in capitalized wages as a result of (a) approximately \$7.6 million attributable to no longer being able to capitalize internal leasing and legal wages related to successful lease execution, and (b) approximately \$2.4 million of external legal costs that could no longer be capitalized and (2) an approximately \$8.3 million increase in the value of our deferred compensation plan partially offset by an approximately \$0.4 million decrease related to other compensation expenses. The decrease in capitalized wages is shown as an increase to general and administrative expense as some of these costs were capitalized and included in real estate assets on our Consolidated Balance Sheets (see below). The increase in other general and administrative expenses was primarily related to an increase in professional fees.

Wages directly related to the development of rental properties are capitalized and included in real estate assets on our Consolidated Balance Sheets and they are amortized over the useful lives of the applicable asset or lease term. On January 1, 2019, we adopted ASU 2016-02 and therefore, as a lessor, we may only capitalize incremental direct leasing costs. As a result, we no longer capitalize internal and external legal costs and internal leasing wages; instead, we are required to expense these and other non-incremental costs as incurred (See Note 2 to the Consolidated Financial Statements).

Capitalized wages for the year ended December 31, 2019 and 2018 were approximately \$10.4 million and \$18.0 million, respectively. These costs are not included in the general and administrative expenses discussed above.

Transaction Costs

Transaction costs increased by approximately \$0.4 million for the year ended December 31, 2019 compared to 2018 due primarily to transaction costs related to the pursuit and formation of new joint ventures. In general, transaction costs relating to the formation of new and pending joint ventures and the pursuit of other transactions are expensed as incurred.

Depreciation and Amortization Expense

Depreciation expense may differ between BXP and BPLP as a result of previously applied acquisition accounting by BXP for the issuance of common stock in connection with non-sponsor OP Unit redemptions by BPLP. This accounting resulted in a step-up of the real estate assets at BXP that was allocated to certain properties. The difference between the real estate assets of BXP as compared to BPLP for certain properties having an allocation of the real estate step-up will result in a corresponding difference in depreciation expense. For additional information see the Explanatory Note that follows the cover page of this Annual Report on Form 10-K.

Boston Properties, Inc.

Depreciation and amortization expense increased by approximately \$32.1 million for the year ended December 31, 2019 compared to 2018, as detailed below.

<u>Portfolio</u>	Depreciation and Amortization for the year ended December 31,		
	2019	2018	Change
	(in thousands)		
Same Property Portfolio	\$ 614,538	\$ 616,419	\$ (1,881)
Properties Placed in-Service Portfolio	46,320	18,447	27,873
Properties Acquired Portfolio	3,449	—	3,449
Properties in Development or Redevelopment Portfolio (1)	12,381	2,912	9,469
Properties Sold Portfolio	1,076	7,871	(6,795)
	<u>\$ 677,764</u>	<u>\$ 645,649</u>	<u>\$ 32,115</u>

(1) On May 9, 2019, we commenced development of 325 Main Street in Cambridge, Massachusetts (See Note 3 to the Consolidated Financial Statements). As a result, during the year ended December 31, 2019, we recorded approximately \$9.9 million of accelerated depreciation expense for the demolition of the building, of which approximately \$0.4 million related to the step-up of real estate assets.

Boston Properties Limited Partnership

Depreciation and amortization expense increased by approximately \$32.1 million for the year ended December 31, 2019 compared to 2018, as detailed below.

<u>Portfolio</u>	Depreciation and Amortization for the year ended December 31,		
	2019	2018	Change
	(in thousands)		
Same Property Portfolio	\$ 607,109	\$ 608,661	\$ (1,552)
Properties Placed in-Service Portfolio	46,320	18,447	27,873
Properties Acquired Portfolio	3,449	—	3,449
Properties in Development or Redevelopment Portfolio (1)	12,002	2,912	9,090
Properties Sold Portfolio	1,076	7,871	(6,795)
	<u>\$ 669,956</u>	<u>\$ 637,891</u>	<u>\$ 32,065</u>

(1) On May 9, 2019, we commenced development of 325 Main Street in Cambridge, Massachusetts (See Note 3 to the Consolidated Financial Statements). As a result, during the year ended December 31, 2019, we recorded approximately \$9.5 million of accelerated depreciation expense for the demolition of the building.

Direct Reimbursements of Payroll and Related Costs From Management Services Contracts and Payroll and Related Costs From Management Service Contracts

ASU 2016-08 “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations” updated the principal versus agent considerations and as a result we determined that amounts reimbursed for payroll and related costs received from third parties in connection with management services contracts should be reflected on a gross basis instead of on a net basis as we have determined that we are the principal under these arrangements. It is anticipated that these two financial statement line items will generally offset each other.

Other Income and Expense Items

Income from Unconsolidated Joint Ventures

For the year ended December 31, 2019 compared to 2018, income from unconsolidated joint ventures increased by approximately \$44.4 million primarily due to an approximately \$47.2 million gain on sale of real estate from the sale of 540 Madison Avenue and approximately \$22.4 million of accelerated depreciation during the year ended December 31, 2018 that resulted in a decrease of approximately \$4.5 million to our net income from our Metropolitan Square joint venture in Washington, DC that did not recur in 2019. These increases were partially offset by a gain on sale of real estate totaling approximately \$8.3 million, recognized during the year ended December 31, 2018, related to the distribution of Annapolis Junction Building One.

On June 27, 2019, a joint venture in which we have a 60% interest completed the sale of its 540 Madison Avenue property located in New York City for a gross sale price of approximately \$310.3 million, including the assumption by the buyer of the mortgage loan collateralized by the property totaling \$120.0 million. Net cash proceeds totaled approximately \$178.7 million, of which our share was approximately \$107.1 million, after the payment of transaction costs. We recognized a gain on sale of real estate totaling approximately \$47.2 million (See Note 5 to the Consolidated Financial Statements).

Gains on Sales of Real Estate

The gains on sales of real estate may differ between BXP and BPLP as a result of previously applied acquisition accounting by BXP for the issuance of common stock in connection with non-sponsor OP Unit redemptions by BPLP. This accounting resulted in a step-up of the real estate assets at BXP that was allocated to certain properties. The difference between the real estate assets of BXP as compared to BPLP for certain properties having an allocation of the real estate step-up will result in a corresponding difference in the gains on sales of real estate when those properties are sold. For additional information, see the Explanatory Note that follows the cover page of this Form 10-K.

Boston Properties, Inc.

Gains on sales of real estate decreased by approximately \$181.6 million for the year ended December 31, 2019 compared to 2018, as detailed below.

Name	Date Sold	Property Type	Square Feet	Sale Price	Net Cash Proceeds	Gain (Loss) on Sale of Real Estate
(dollars in millions)						
2019						
2600 Tower Oaks Boulevard	January 24, 2019	Office	179,000	\$ 22.7	\$ 21.4	\$ (0.6)
One Tower Center	June 3, 2019	Office	410,000	38.0	36.6	(0.8)
164 Lexington Road	June 28, 2019	Office	64,000	4.0	3.8	2.5
Washingtonian North	December 20, 2019	Land	N/A	7.8	7.3	(0.1)
				<u>\$ 72.5</u>	<u>\$ 69.1</u>	<u>\$ 1.0</u> (1)

2018						
500 E Street, S.W.	January 9, 2018	Office	262,000	\$ 118.6	\$ 116.1	\$ 96.4
91 Hartwell Avenue	May 24, 2018	Office	119,000	22.2	21.7	15.5
Quorum Office Park	September 27, 2018	Office	268,000	35.3	34.3	7.9
1333 New Hampshire Avenue	November 30, 2018	Office	315,000	142.0	133.7	44.4
Tower Oaks	December 20, 2018	Land	N/A	46.0	25.9	15.7
				<u>\$ 364.1</u>	<u>\$ 331.7</u>	<u>\$ 179.9</u> (2)

(1) Excludes approximately \$0.3 million of losses on sales of real estate recognized during the year ended December 31, 2019 related to loss amounts from sales of real estate occurring in prior years.

(2) Excludes approximately \$2.6 million of gains on sales of real estate recognized during the year ended December 31, 2018 related to gain amounts from sales of real estate occurring in prior years.

Boston Properties Limited Partnership

Gains on sales of real estate decreased by approximately \$189.9 million for the year ended December 31, 2019 compared to 2018, as detailed below.

Name	Date Sold	Property Type	Square Feet	Sale Price	Net Cash Proceeds	Gain (Loss) on Sale of Real Estate
(dollars in millions)						
2019						
2600 Tower Oaks Boulevard	January 24, 2019	Office	179,000	\$ 22.7	\$ 21.4	\$ (0.6)
One Tower Center	June 3, 2019	Office	410,000	38.0	36.6	(0.8)
164 Lexington Road	June 28, 2019	Office	64,000	4.0	3.8	2.6
Washingtonian North	December 20, 2019	Land	N/A	7.8	7.3	(0.1)
				<u>\$ 72.5</u>	<u>\$ 69.1</u>	<u>\$ 1.1</u> (1)
2018						
500 E Street, S.W.	January 9, 2018	Office	262,000	\$ 118.6	\$ 116.1	\$ 98.9
91 Hartwell Avenue	May 24, 2018	Office	119,000	22.2	21.7	15.9
Quorum Office Park	September 27, 2018	Office	268,000	35.3	34.3	9.2
1333 New Hampshire Avenue	November 30, 2018	Office	315,000	142.0	133.7	48.4
Tower Oaks	December 20, 2018	Land	N/A	46.0	25.9	15.7
				<u>\$ 364.1</u>	<u>\$ 331.7</u>	<u>\$ 188.1</u> (2)

(1) Excludes approximately \$0.3 million of losses on sales of real estate recognized during the year ended December 31, 2019 related to loss amounts from sales of real estate occurring in prior years.

- (2) Excludes approximately \$2.6 million of gains on sales of real estate recognized during the year ended December 31, 2018 related to gain amounts from sales of real estate occurring in prior years.

Interest and Other Income

Interest and other income increased by approximately \$8.1 million for the year ended December 31, 2019 compared to 2018 due primarily to increased cash balances.

Gains (Losses) from Investments in Securities

Gains (losses) from investments in securities for the years ended December 31, 2019 and 2018 related to investments that we have made to reduce our market risk relating to deferred compensation plans that we maintain for BXP's officers and non-employee directors. Under the deferred compensation plans, each officer or non-employee director who is eligible to participate is permitted to defer a portion of the officer's current income or the non-employee director's compensation on a pre-tax basis and receive a tax-deferred return on these deferrals based on the performance of specific investments selected by the officer or non-employee director. In order to reduce our market risk relating to these plans, we typically acquire, in a separate account that is not restricted as to its use, similar or identical investments as those selected by each officer or non-employee director. This enables us to generally match our liabilities to BXP's officers or non-employee directors under our deferred compensation plans with equivalent assets and thereby limit our market risk. The performance of these investments is recorded as gains (losses) from investments in securities. During the years ended December 31, 2019 and 2018, we recognized gains (losses) of approximately \$6.4 million and \$(1.9) million, respectively, on these investments. By comparison, our general and administrative expense increased (decreased) by approximately \$6.4 million and \$(1.9) million during the years ended December 31, 2019 and 2018, respectively, as a result of increases (decreases) in our liability under our deferred compensation plans that was associated with the performance of the specific investments selected by officers and non-employee directors of BXP participating in the plans.

Impairment Losses

Impairment loss may differ between BXP and BPLP as a result of previously applied acquisition accounting by BXP for the issuance of common stock in connection with non-sponsor OP Unit redemptions by BPLP. This accounting resulted in a step-up of the real estate assets at BXP that was allocated to certain properties. The difference between the real estate assets of BXP as compared to BPLP for certain properties having an allocation of the real estate step-up will result in a corresponding difference in depreciation expense. For additional information see the Explanatory Note that follows the cover page of this Annual Report on Form 10-K.

At March 31, 2019, we evaluated the expected hold period of our One Tower Center property located in East Brunswick, New Jersey and, based on a shorter-than-expected hold period, we reduced the carrying value of the property to its estimated fair value at March 31, 2019 and recognized an impairment loss totaling approximately \$24.0 million for BXP and approximately \$22.3 million for BPLP. Our estimated fair value was based on a pending offer from a third party to acquire the property and the subsequent execution of a purchase and sale agreement on April 18, 2019 for a gross sale price of approximately \$38.0 million (See Note 3 to the Consolidated Financial Statements). On June 3, 2019, we completed the sale of the property. One Tower Center is an approximately 410,000 net rentable square foot Class A office property.

On December 13, 2018, we completed the sale of our 6595 Springfield Center Drive development project located in Springfield, Virginia, for a sale price of approximately \$98.1 million, consisting of the land and project costs incurred through the closing date. Net cash proceeds totaled approximately \$97.1 million. Concurrently with the sale, we agreed to act as development manager and have guaranteed the completion of the project. The book value of the property exceeded its estimated fair value prior to the sale, and as a result, we recognized an impairment loss totaling approximately \$8.7 million during the three months ended December 31, 2018. 6595 Springfield Center Drive is an approximately 634,000 net rentable square foot Class A office project.

During the three months ended December 31, 2018, we reevaluated our strategy for the sale of our 2600 Tower Oaks Boulevard property. Based on a shorter than expected hold period, we reduced the carrying value of the property to its estimated fair value at December 31, 2018 and recognized an impairment loss totaling approximately \$3.1 million for BXP and approximately \$1.5 million for BPLP. Our estimated fair value was based on a pending offer for the sale of the property. 2600 Tower Oaks Boulevard is an approximately 179,000 net rentable square foot Class A office property (See Note 3 to the Consolidated Financial Statements).

Losses from Early Extinguishments of Debt

On December 19, 2019, we used available cash to repay the bond financing collateralized by our New Dominion Technology Park, Building One property totaling approximately \$26.5 million. The bond financing bore interest at a weighted-average fixed rate of approximately 7.69% per annum and was scheduled to mature on January 15, 2021. We recognized a loss from early extinguishment of debt totaling approximately \$1.5 million, which amount included the payment of a prepayment penalty totaling approximately \$1.4 million. New Dominion Technology Park, Building One is an approximately 235,000 net rentable square foot Class A office property located in Herndon, Virginia (See Note 19 to the Consolidated Financial Statements).

On September 18, 2019, BPLP completed the redemption of \$700.0 million in aggregate principal amount of its 5.625% senior notes due November 15, 2020. The redemption price was approximately \$740.7 million. The redemption price included approximately \$13.5 million of accrued and unpaid interest to, but not including, the redemption date. Excluding the accrued and unpaid interest, the redemption price was approximately 103.90% of the principal amount being redeemed. We recognized a loss from early extinguishment of debt totaling approximately \$28.0 million, which amount included the payment of the redemption premium totaling approximately \$27.3 million.

On December 13, 2018, BPLP completed the redemption of \$700.0 million in aggregate principal amount of its 5.875% senior notes due October 15, 2019. The redemption price was approximately \$722.6 million. The redemption price included approximately \$6.6 million of accrued and unpaid interest to, but not including, the redemption date. Excluding the accrued and unpaid interest, the redemption price was approximately 102.28% of the principal amount being redeemed. We recognized a loss from early extinguishment of debt totaling approximately \$16.5 million, which amount included the payment of the redemption premium totaling approximately \$16.0 million.

Interest Expense

Interest expense increased by approximately \$34.5 million for the year ended December 31, 2019 compared to 2018, as detailed below.

<u>Component</u>	Change in interest expense for the year ended December 31, 2019 compared to December 31, 2018	
	(in thousands)	
Increases to interest expense due to:		
Issuance of \$1 billion in aggregate principal of 4.500% senior notes due 2028 on November 28, 2018	\$	41,141
Decrease in capitalized interest related to development projects		18,656
Issuance of \$850 million in aggregate principal of 3.400% senior notes due 2029 on June 21, 2019		15,320
Increase in interest due to finance leases		7,801
Issuance of \$700 million in aggregate principal of 2.900% senior notes due 2030 on September 3, 2019		6,661
Utilization of the 2017 Credit Facility		3,636
Total increases to interest expense		<u>93,215</u>
Decreases to interest expense due to:		
Redemption of \$700 million in aggregate principal of 5.875% senior notes due 2019 on December 13, 2018		(39,124)
Redemption of \$700 million in aggregate principal of 5.625% senior notes due 2020 on September 18, 2019		(11,286)
Increase in capitalized interest related to development projects that had finance leases		(7,801)
Other interest expense (excluding senior notes)		(455)
Total decreases to interest expense		<u>(58,666)</u>
Total change in interest expense	\$	<u><u>34,549</u></u>

Interest expense directly related to the development of rental properties is capitalized and included in real estate assets on our Consolidated Balance Sheets and amortized over the useful lives of the real estate or lease term. As portions of properties are placed in-service, we cease capitalizing interest on that portion and interest is then expensed. Interest capitalized for the years ended December 31, 2019 and 2018 was approximately \$54.9 million and \$65.8 million, respectively. These costs are not included in the interest expense referenced above.

At December 31, 2019, our outstanding variable rate debt consisted of BPLP's \$2.0 billion unsecured revolving credit facility (the "2017 Credit Facility"), which includes the \$500.0 million delayed draw term loan facility (the "Delayed Draw Facility") and the \$1.5 billion revolving line of credit (the "Revolving Facility"). The Delayed Draw Facility had \$500.0 million outstanding as of December 31, 2019. At December 31, 2019, the Revolving Facility did not have any borrowings outstanding. For a summary of our consolidated debt as of December 31, 2019 and December 31, 2018 refer to the heading "*Liquidity and Capital Resources—Capitalization—Debt Financing*" within "*Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

Noncontrolling Interests in Property Partnerships

Noncontrolling interests in property partnerships increased by approximately \$8.2 million for the year ended December 31, 2019 compared to 2018, as detailed below.

Property	Noncontrolling Interests in Property Partnerships for the year ended December 31,		
	2019	2018	Change
		(in thousands)	
Salesforce Tower (1)	\$ 116	\$ (439)	\$ 555
767 Fifth Avenue (the General Motors Building)	2,638	1,791	847
Times Square Tower	27,146	26,997	149
601 Lexington Avenue	19,143	18,802	341
100 Federal Street (2)	12,614	6,350	6,264
Atlantic Wharf Office Building	9,463	9,408	55
	<u>\$ 71,120</u>	<u>\$ 62,909</u>	<u>\$ 8,211</u>

(1) On April 1, 2019, we acquired our partner's 5% interest. See Note 10 to the Consolidated Financial Statements.

(2) The increase was primarily due to an increase in lease revenue from our tenants.

Noncontrolling Interest—Common Units of the Operating Partnership

For BXP, noncontrolling interest—common units of the Operating Partnership decreased by approximately \$7.5 million for the year ended December 31, 2019 compared to 2018 due primarily to a decrease in allocable income, which was the result of recognizing a greater gain on sales of real estate amount during 2018, partially offset by an increase in the noncontrolling interest's ownership percentage. Due to our ownership structure, there is no corresponding line item on BPLP's financial statements.

Liquidity and Capital Resources

General

Our principal liquidity needs for the next twelve months and beyond are to:

- fund normal recurring expenses;
- meet debt service and principal repayment obligations;
- fund development/redevelopment costs;
- fund capital expenditures, including major renovations, tenant improvements and leasing costs;
- fund planned and possible acquisitions of properties, either directly or indirectly through the acquisition of equity interests therein;
- fund dividend requirements on BXP's Series B Preferred Stock; and
- make the minimum distribution required to enable BXP to maintain its REIT qualification under the Internal Revenue Code of 1986, as amended.

We expect to satisfy these needs using one or more of the following:

- cash flow from operations;
- distribution of cash flows from joint ventures;
- cash and cash equivalent balances;
- BPLP's 2017 Credit Facility and other short-term bridge facilities;
- construction loans;
- long-term secured and unsecured indebtedness (including unsecured exchangeable indebtedness);
- sales of real estate; and
- issuances of BXP equity securities and/or additional preferred or common units of partnership interest in BPLP.

We draw on multiple financing sources to fund our long-term capital needs. Our current development properties are expected to be primarily funded with our available cash balances, construction loans and BPLP's Revolving Facility. We use BPLP's Revolving Facility primarily as a bridge facility to fund acquisition opportunities, refinance outstanding indebtedness and meet short-term development and working capital needs. Although we may seek to fund our development projects with construction loans, which may require guarantees by BPLP, the financing for each particular project ultimately depends on several factors, including, among others, the project's size and duration, the extent of pre-leasing and our available cash and access to cost effective capital at the given time.

The following table presents information on properties under construction as of December 31, 2019 (dollars in thousands):

Office	Construction Properties	Estimated Stabilization Date	Location	# of Buildings	Estimated Square Foot	Investment to Date (1)(2)(3)	Estimated Total Investment (1)(2)	Financings			Percentage Leased (5)
								Total Available (1)	Outstanding at 12/31/2019 (1)	Estimated Future Equity Requirement (1)(2)(4)	
	17Fifty Presidents Street	Second Quarter, 2020	Reston, VA	1	276,000	\$ 118,441	\$ 142,900	\$ —	\$ —	\$ 24,459	100%
	20 CityPoint	First Quarter, 2021	Waltham, MA	1	211,000	77,966	97,000	—	—	19,034	63% (6)
	Dock 72 (50% ownership)	Third Quarter, 2021	Brooklyn, NY	1	670,000	195,908	243,150	125,000	86,887	9,129	33% (7)
	325 Main Street	Third Quarter, 2022	Cambridge, MA	1	420,000	89,099	418,400	—	—	329,301	90%
	100 Causeway Street (50% ownership)	Third Quarter, 2022	Boston, MA	1	632,000	114,584	267,300	200,000	40,553	—	94%
	7750 Wisconsin Avenue (Marriott International Headquarters) (50% ownership)	Third Quarter, 2022	Bethesda, MD	1	734,000	94,978	198,900	127,500	32,228	8,650	100%
	Reston Gateway	Fourth Quarter, 2023	Reston, VA	2	1,062,000	159,881	715,300	—	—	555,419	80%
	2100 Pennsylvania Avenue	Third Quarter, 2024	Washington, DC	1	469,000	66,400	356,100	—	—	289,700	61%
	Total Office Properties under Construction			9	4,474,000	\$ 917,257	\$ 2,439,050	\$ 452,500	\$ 159,668	\$ 1,235,692	78%
	Residential										
	Hub50House (The Hub on Causeway - Residential) (440 units) (50% ownership)	Fourth Quarter, 2021	Boston, MA	1	320,000	\$ 134,853	\$ 153,500	\$ 90,000	\$ 70,594	\$ —	37% (8)
	The Skylyne (MacArthur Station Residences) (402 units)	Fourth Quarter, 2021	Oakland, CA	1	324,000	197,383	263,600	—	—	66,217	— (9)
	Total Residential Properties under Construction			2	644,000	\$ 332,236	\$ 417,100	\$ 90,000	\$ 70,594	\$ 66,217	37%
	Redevelopment Properties										
	One Five Nine East 53rd Street (55% ownership)	Third Quarter, 2020	New York, NY	—	220,000	\$ 132,008	\$ 150,000	\$ —	\$ —	\$ 17,992	96% (10)
	200 West Street	Fourth Quarter, 2021	Waltham, MA	—	126,000	2,104	47,800	—	—	45,696	—% (11)
	Total Redevelopment Properties under Construction			—	346,000	134,112	197,800	—	—	63,688	61%
	Total Properties under Construction and Redevelopment			11	5,464,000	\$ 1,383,605	\$ 3,053,950	\$ 542,500	\$ 230,262	\$ 1,365,597	76% (12)

(1) Represents our share.

(2) Investment to Date, Estimated Total Investment and Estimated Future Equity Requirement all include our share of acquisition expenses, as applicable, and reflect our share of the estimated net revenue/expenses that we expect to incur prior to stabilization of the project, including any amounts actually received or paid through December 31, 2019.

(3) Includes approximately \$103.5 million of unpaid but accrued construction costs and leasing commissions.

(4) Excludes approximately \$103.5 million of unpaid but accrued construction costs and leasing commissions.

(5) Represents percentage leased as of February 21, 2020, including leases with future commencement dates.

(6) This property is 65% placed in-service as of December 31, 2019.

(7) This property is 34% placed in-service as of December 31, 2019.

(8) This property is 43% placed in-service as of December 31, 2019.

(9) This development is subject to a 99-year ground lease (including extension options) with an option to purchase in the future.

(10) The low-rise portion of 601 Lexington Avenue.

(11) Represents a portion of the property under redevelopment for conversion to laboratory space.

(12) Percentage leased excludes residential units.

Lease revenue (which includes recoveries from tenants), other income from operations, available cash balances, mortgage financings and draws on BPLP's Revolving Facility are the principal sources of capital that we use to fund operating expenses, debt service, maintenance and repositioning capital expenditures, tenant improvements and the minimum distribution required to enable BXP to maintain its REIT qualification. We seek to maximize income from our existing properties by maintaining quality standards for our properties that promote high occupancy rates and permit increases in rental rates while reducing tenant turnover and controlling operating expenses. Our sources of revenue also include third-party fees generated by our property management, leasing and development and construction businesses, as well as the sale of assets from time to time. We believe our revenue, together with our cash balances and proceeds from financing activities, will continue to provide the funds necessary for our short-term liquidity needs, including our properties under development and redevelopment.

Material adverse changes in one or more sources of capital may adversely affect our net cash flows. In turn, these changes could adversely affect our ability to fund operating expenses, dividends and distributions, debt service payments, maintenance and repositioning capital expenditures and tenant improvements. In addition, a material adverse change in the cash provided by our operations may affect our ability to comply with the financial covenants under BPLP's 2017 Credit Facility and unsecured senior notes.

Our primary uses of capital will be the completion of our current and committed development and redevelopment projects. As of December 31, 2019, our share of the remaining development and redevelopment costs that we expect to fund through 2024 is approximately \$1.4 billion.

As of February 21, 2020, we have approximately \$395 million of cash and cash equivalents, of which approximately \$105 million is attributable to our consolidated joint venture partners, and approximately \$1.5 billion available under BPLP's Revolving Facility. We believe that our strong liquidity, including the availability under BPLP's Revolving Facility, and proceeds from debt financings and asset sales will provide sufficient liquidity to fund our remaining capital requirements on existing development and redevelopment projects, fund pending new developments and still be able to act opportunistically on attractive investment opportunities. During the fourth quarter of 2019, we executed an agreement to sell our New Dominion Technology Park property located in Herndon, Virginia for a gross sale price of \$256 million. The sale was completed on February 20, 2020. Excluding our unconsolidated joint venture assets, we have no debt maturing in 2020.

We have not sold any shares under BXP's \$600.0 million at the market (ATM) program.

We may seek to enhance our liquidity to provide sufficient capacity to fund our remaining capital requirements on existing development/redevelopment projects, our foreseeable potential development activity and pursue additional attractive investment opportunities. Depending on interest rates and overall conditions in the debt and equity markets, we may decide to access either or both of these markets in advance of the need for the funds. Doing so may result in us carrying additional cash and cash equivalents pending BPLP's use of the proceeds, which would increase our net interest expense and be dilutive to our earnings.

REIT Tax Distribution Considerations

Dividend

BXP as a REIT is subject to a number of organizational and operational requirements, including a requirement that BXP currently distribute at least 90% of its annual taxable income (excluding capital gains and with certain other adjustments). Our policy is for BXP to distribute at least 100% of its taxable income, including capital gains, to avoid paying federal tax. On December 17, 2019, the Board of Directors of BXP increased our regular quarterly dividend from \$0.95 per common share to \$0.98 per common share, or 3%, beginning with the fourth quarter of 2019. Common and LTIP unitholders of limited partnership interest in BPLP, as of the close of business on December 31, 2019, received the same total distribution per unit on January 30, 2020.

BXP's Board of Directors will continue to evaluate BXP's dividend rate in light of our actual and projected taxable income, liquidity requirements and other circumstances, and there can be no assurance that the future dividends declared by BXP's Board of Directors will not differ materially from the current quarterly dividend amount.

Sales

To the extent that we sell assets at a gain and cannot efficiently use the proceeds in a tax deferred manner for either our development activities or attractive acquisitions, BXP would, at the appropriate time, decide whether it is better to declare a special dividend, adopt a stock repurchase program, reduce indebtedness or retain the cash for

future investment opportunities. Such a decision will depend on many factors including, among others, the timing, availability and terms of development and acquisition opportunities, our then-current and anticipated leverage, the cost and availability of capital from other sources, the price of BXP's common stock and REIT distribution requirements. At a minimum, we expect that BXP would distribute at least that amount of proceeds necessary for BXP to avoid paying corporate level tax on the applicable gains realized from any asset sales.

From time to time in selected cases, whether due to a change in use, structuring issues to comply with applicable REIT regulations or other reasons, we may sell an asset that is held by a taxable REIT subsidiary ("TRS"). Such a sale by a TRS would be subject to federal and local taxes.

Cash Flow Summary

The following summary discussion of our cash flows is based on the Consolidated Statements of Cash Flows and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below.

Cash and cash equivalents and cash held in escrows aggregated approximately \$691.9 million and \$639.2 million at December 31, 2019 and 2018, respectively, representing an increase of approximately \$52.7 million. The following table sets forth changes in cash flows:

	Year ended December 31,		
	2019	2018	Increase (Decrease)
	(in thousands)		
Net cash provided by operating activities	\$ 1,181,165	\$ 1,150,245	\$ 30,920
Net cash used in investing activities	(1,015,091)	(1,098,876)	83,785
Net cash (used in) provided by financing activities	(113,379)	82,453	(195,832)

Our principal source of cash flow is related to the operation of our properties. The weighted-average term of our in-place tenant leases, including our unconsolidated joint ventures, is approximately 8.4 years with occupancy rates historically in the range of 90% to 94%. Our properties generate a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund regular quarterly dividend and distribution payment requirements. In addition, over the past several years, we have raised capital through the sale of some of our properties and through secured and unsecured borrowings.

Cash is used in investing activities to fund acquisitions, development, net investments in unconsolidated joint ventures and maintenance and repositioning capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills and invest in existing buildings to enhance or maintain their market position. Cash used in investing activities for the year ended December 31, 2019 consisted primarily of acquisitions of real estate, development projects, building and tenant improvements and capital contributions to unconsolidated joint ventures, partially offset by the proceeds from the sales of real estate and capital distributions from unconsolidated joint ventures. Cash used in investing activities for the year ended December 31, 2018 consisted primarily of development projects, building and tenant improvements, capital contributions to unconsolidated joint ventures and issuances of notes receivable, partially offset by the proceeds from the sales of real estate, as detailed below:

	Year ended December 31,	
	2019	2018
	(in thousands)	
Acquisitions of real estate (1)	\$ (149,031)	\$ —
Construction in progress (2)	(546,060)	(694,791)
Building and other capital improvements	(180,556)	(189,771)
Tenant improvements	(251,831)	(210,034)
Right of use assets - finance leases	(5,152)	—
Proceeds from sales of real estate (3)	90,824	455,409
Capital contributions to unconsolidated joint ventures (4)	(87,392)	(345,717)
Capital distributions from unconsolidated joint ventures (5)	136,807	—
Cash and cash equivalents deconsolidated	(24,112)	—
Deposit on capital lease	—	(13,615)
Issuance of related party note receivable (6)	—	(80,000)
Issuance of note receivable (7)	—	(19,455)
Proceeds from note receivable (7)	3,544	—
Investments in securities, net	(2,132)	(902)
Net cash used in investing activities	<u>\$ (1,015,091)</u>	<u>\$ (1,098,876)</u>

Cash used in investing activities changed primarily due to the following:

- (1) On January 10, 2019, we acquired land parcels at our Carnegie Center property located in Princeton, New Jersey for a gross purchase price of approximately \$51.5 million, which includes an aggregate of approximately \$8.6 million of additional amounts that are payable in the future to the seller upon the development or sale of each of the parcels. The land parcels will support approximately 1.7 million square feet of development.

On August 27, 2019, we acquired 880 and 890 Winter Street located in Waltham, Massachusetts for a gross purchase price of approximately \$106.0 million in cash, including transaction costs. 880 and 890 Winter Street consists of two Class A office properties aggregating approximately 392,000 net rentable square feet.

- (2) Construction in progress for the year ended December 31, 2019 includes ongoing expenditures associated with Salesforce Tower, which was placed in-service during the year ended December 31, 2018 and 20 CityPoint and 145 Broadway, which were placed in-service during the year ended December 31, 2019. In addition, we incurred costs associated with our continued development/redevelopment of One Five Nine East 53rd Street, 17Fifty Presidents Street, Reston Gateway, 2100 Pennsylvania Avenue, 200 West Street, The Skylyne (MacArthur Station Residences) and 325 Main Street.

Construction in progress for the year ended December 31, 2018 includes ongoing expenditures associated with 191 Spring Street, Salesforce Tower, Signature at Reston and Proto Kendall Square, which were fully placed in-service during the year ended December 31, 2018. In addition, we incurred costs associated with our continued development/redevelopment of One Five Nine East 53rd Street, 145 Broadway, 20 CityPoint, 17Fifty Presidents Street, 6595 Springfield Center Drive, Reston Gateway and The Skylyne (MacArthur Station Residences).

- (3) On January 24, 2019, we completed the sale of our 2600 Tower Oaks Boulevard property located in Rockville, Maryland for a gross sale price of approximately \$22.7 million. Net cash proceeds totaled approximately \$21.4 million, resulting in a loss on sale of real estate totaling approximately \$0.6 million. 2600 Tower Oaks Boulevard is an approximately 179,000 net rentable square foot Class A office property.

On June 3, 2019, we completed the sale of our One Tower Center property located in East Brunswick, New Jersey for a gross sale price of \$38.0 million. Net cash proceeds totaled approximately \$36.6 million, resulting in a loss on sale of real estate totaling approximately \$0.8 million. One Tower Center is an approximately 410,000 net rentable Class A office property.

On June 28, 2019, we completed the sale of our 164 Lexington Road property located in Billerica, Massachusetts for a gross sale price of \$4.0 million. Net cash proceeds totaled approximately \$3.8 million, resulting in a gain on sale of real estate totaling approximately \$2.5 million for BXP and approximately \$2.6 million for BPLP. 164 Lexington Road is an approximately 64,000 net rentable square foot Class A office property.

On September 20, 2019, we sold a 45% interest in our Platform 16 property located in San Jose, California for a gross sale price of approximately \$23.1 million. Net cash proceeds totaled approximately \$23.1 million. We ceased accounting for the property on a consolidated basis and now account for the property on an unconsolidated basis using the equity method of accounting, as we reduced our ownership interest and no longer have a controlling financial or operating interest in the property. We did not recognize a gain on the retained or sold interest in the property as the fair value of the property approximated its carrying value (See Notes 3, 5 and 19 to the Consolidated Financial Statements). Platform 16 consists of land totaling approximately 5.6 acres that will support the development of approximately 1.1 million square feet of commercial office space.

On December 20, 2019, we completed the sale of the remaining parcel of land at our Washingtonian North property located in Gaithersburg, Maryland for a gross sale price of approximately \$7.8 million. Net cash proceeds totaled approximately \$7.3 million, resulting in a loss on sale of real estate totaling approximately \$0.1 million.

On January 9, 2018, we completed the sale of our 500 E Street, S.W. property located in Washington, DC for a net contract sale price of approximately \$118.6 million. Net cash proceeds totaled approximately \$116.1 million, resulting in a gain on sale of real estate totaling approximately \$96.4 million for BXP and approximately \$98.9 million for BPLP. 500 E Street, S.W. is an approximately 262,000 net rentable square foot Class A office property.

On May 24, 2018, we completed the sale of our 91 Hartwell Avenue property located in Lexington, Massachusetts for a gross sale price of approximately \$22.2 million. Net cash proceeds totaled approximately \$21.7 million, resulting in a gain on sale of real estate totaling approximately \$15.5 million for BXP and approximately \$15.9 million for BPLP. 91 Hartwell Avenue is an approximately 119,000 net rentable square foot Class A office property.

On September 27, 2018, we completed the sale of our Quorum Office Park property located in Chelmsford, Massachusetts for a gross sale price of approximately \$35.3 million. Net cash proceeds totaled approximately \$34.3 million, resulting in a gain on sale of real estate totaling approximately \$7.9 million for BXP and approximately \$9.2 million for BPLP. Quorum Office Park is an approximately 268,000 net rentable square foot Class A office property.

On November 30, 2018, we completed the sale of our 1333 New Hampshire Avenue property located in Washington, DC for a gross sale price of approximately \$142.0 million, including the retention of a \$5.5 million future payment by the anchor tenant. Net cash proceeds totaled approximately \$133.7 million, resulting in a gain on sale of real estate totaling approximately \$44.4 million for BXP and approximately \$48.4 million for BPLP. 1333 New Hampshire Avenue is an approximately 315,000 net rentable square foot Class A office property.

On December 13, 2018, we completed the sale of our 6595 Springfield Center Drive development project located in Springfield, Virginia, for a sale price of approximately \$98.1 million, consisting of the land and project costs incurred through the closing date. Net cash proceeds totaled approximately \$97.1 million. The book value of the property exceeded its estimated fair value prior to the sale, and as a result, we recognized an impairment loss totaling approximately \$8.7 million during the three months ended December 31, 2018. 6595 Springfield Center Drive is an approximately 634,000 net rentable square foot Class A office project.

On December 20, 2018, we completed the sale of a 41-acre parcel of land at our Tower Oaks property located in Rockville, Maryland for a gross sale price of approximately \$46.0 million. Net cash proceeds totaled approximately \$25.9 million, resulting in a gain on sale of real estate totaling approximately \$15.7 million. We have agreed to provide seller financing to the buyer totaling \$21.0 million, which is collateralized by a portion of the land parcel, bears interest at an effective rate of 1.92% per annum and matures on December 20, 2021.

- (4) Capital contributions to unconsolidated joint ventures for the year ended December 31, 2019 consisted primarily of cash contributions of approximately \$45.0 million, \$20.4 million, \$12.8 million and \$7.2 million to our Hub on Causeway, 3 Hudson Boulevard, Dock 72 and Metropolitan Square joint ventures, respectively.

Capital contributions to unconsolidated joint ventures for the year ended December 31, 2018 consisted primarily of cash contributions of approximately \$189.1 million, \$47.6 million, \$46.9 million, \$46.3 million and \$11.0 million to our Santa Monica Business Park, 7750 Wisconsin Avenue, 3 Hudson Boulevard, Hub on Causeway and Dock 72 joint ventures, respectively.

- (5) Capital distributions from unconsolidated joint ventures for the year ended December 31, 2019 consisted of (1) cash distributions totaling approximately \$104.1 million from our 540 Madison Avenue joint venture resulting from the net proceeds from the sale of the property, (2) a cash distribution totaling approximately \$17.6 million from our 100 Causeway Street joint venture resulting from the proceeds from the construction loan financing and (3) a cash distribution totaling approximately \$15.1 million from our 7750 Wisconsin Avenue joint venture resulting from the proceeds from the construction loan financing.
- (6) Issuance of related party note receivable consisted of the \$80.0 million of mortgage financing that we provided to our unconsolidated joint venture that owns 3 Hudson Boulevard in New York City. The financing bears interest at a variable rate equal to LIBOR plus 3.50% per annum and matures on July 13, 2023, with extension options, subject to certain conditions.
- (7) Issuance of note receivable consisted of the \$21.0 million of seller financing provided by us to the buyer in connection with the sale of land at our Tower Oaks property located in Rockville, Maryland, which is collateralized by a portion of the land parcel, bears interest at an effective rate of 1.92% per annum and matures on December 20, 2021.

Cash used in financing activities for the year ended December 31, 2019 totaled approximately \$113.4 million. This consisted primarily of the proceeds from the issuance by BPLP of \$850.0 million in aggregate principal amount of its 3.400% senior unsecured notes due 2029 and \$700.0 million in aggregate principal amount of its 2.900% senior unsecured notes due 2030, partially offset by the redemption by BPLP of \$700.0 million in aggregate principal amount of its 5.625% senior unsecured notes due 2020, the payment of our regular dividends and distributions to our shareholders and unitholders and the acquisition of our partner's 5% ownership interest and promoted profits interest in the consolidated entity that owns Salesforce Tower located in San Francisco, California. Future debt payments are discussed below under the heading "*Capitalization—Debt Financing.*"

Capitalization

The following table presents Consolidated Market Capitalization and BXP's Share of Market Capitalization, as well as the corresponding ratios of Consolidated Debt to Consolidated Market Capitalization and BXP's Share of Debt to BXP's Share of Market Capitalization (in thousands except for percentages):

December 31, 2019

	Shares / Units Outstanding	Common Stock Equivalent	Equivalent Value (1)
Common Stock	154,790	154,790	\$ 21,339,349
Common Operating Partnership Units	17,908	17,908	2,468,797 (2)
5.25% Series B Cumulative Redeemable Preferred Stock	80	—	200,000
Total Equity		<u>172,698</u>	<u>\$ 24,008,146</u>
Consolidated Debt			\$ 11,811,806
Add:			
BXP's share of unconsolidated joint venture debt (3)			980,110
Subtract:			
Partners' share of Consolidated Debt (4)			(1,199,854)
BXP's Share of Debt			<u>\$ 11,592,062</u>
Consolidated Market Capitalization			\$ 35,819,952
BXP's Share of Market Capitalization			\$ 35,600,208
Consolidated Debt/Consolidated Market Capitalization			32.98%
BXP's Share of Debt/BXP's Share of Market Capitalization			32.56%

- (1) Except for the Series B Cumulative Redeemable Preferred Stock, which is valued at the liquidation preference of \$2,500 per share, values are based on the closing price per share of BXP's Common Stock on December 31, 2019 of \$137.86.
- (2) Includes long-term incentive plan units (including 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units, 2015 MYLTIP Units and 2016 MYLTIP Units), but excludes MYLTIP Units granted between 2017 and 2019.
- (3) See page 102 for additional information.
- (4) See page 94 for additional information.

Consolidated Debt to Consolidated Market Capitalization Ratio is a measure of leverage commonly used by analysts in the REIT sector. We present this measure as a percentage and it is calculated by dividing (A) our consolidated debt by (B) our consolidated market capitalization, which is the market value of our outstanding equity securities plus our consolidated debt. Consolidated market capitalization is the sum of:

- (1) our consolidated debt; plus
- (2) the product of (x) the closing price per share of BXP common stock on December 31, 2019, as reported by the New York Stock Exchange, multiplied by (y) the sum of:
 - (i) the number of outstanding shares of common stock of BXP,
 - (ii) the number of outstanding OP Units in BPLP (excluding OP Units held by BXP),
 - (iii) the number of OP Units issuable upon conversion of all outstanding LTIP Units, assuming all conditions have been met for the conversion of the LTIP Units, and
 - (iv) the number of OP Units issuable upon conversion of 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units, 2015 MYLTIP Units and 2016 MYLTIP Units that were issued in the form of LTIP Units; plus
- (3) the aggregate liquidation preference (\$2,500 per share) of the outstanding shares of BXP's 5.25% Series B Cumulative Redeemable Preferred Stock.

The calculation of consolidated market capitalization does not include LTIP Units issued in the form of MYLTIP Awards unless and until certain performance thresholds are achieved and they are earned. Because their three-year performance periods have not yet ended, 2017, 2018 and 2019 MYLTIP Units (See Note 19 to the Consolidated Financial Statements) are not included in this calculation as of December 31, 2019.

We also present BXP's Share of Market Capitalization and BXP's Share of Debt/BXP's Share of Market Capitalization, which are calculated in the same manner, except that BXP's Share of Debt is utilized instead of our consolidated debt in both the numerator and the denominator. BXP's Share of Debt is defined as our consolidated debt plus our share of debt from our unconsolidated joint ventures (calculated based upon our ownership percentage), minus our partners' share of debt from our consolidated joint ventures (calculated based upon the partners' percentage ownership interests adjusted for basis differentials). Management believes that BXP's Share of Debt provides useful information to investors regarding our financial condition because it includes our share of debt from unconsolidated joint ventures and excludes our partners' share of debt from consolidated joint ventures, in each case presented on the same basis. We have several significant joint ventures and presenting various measures of financial condition in this manner can help investors better understand our financial condition and/or results of operations after taking into account our economic interest in these joint ventures. We caution investors that the ownership percentages used in calculating BXP's Share of Debt may not completely and accurately depict all of the legal and economic implications of holding an interest in a consolidated or unconsolidated joint venture. For example, in addition to partners' interests in profits and capital, venture agreements vary in the allocation of rights regarding decision making (both for routine and major decisions), distributions, transferability of interests, financing and guarantees, liquidations and other matters. Moreover, in some cases we exercise significant influence over, but do not control, the joint venture in which case GAAP requires that we account for the joint venture entity using the equity method of accounting and we do not consolidate it for financial reporting purposes. In other cases, GAAP requires that we consolidate the venture even though our partner(s) own(s) a significant percentage interest. As a result, management believes that the presentation of BXP's Share of a financial measure should not be considered a substitute for, and should only be considered with and as a supplement to our financial information presented in accordance with GAAP.

We present these supplemental ratios because our degree of leverage could affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes and because different investors and lenders consider one or both of these ratios. Investors should understand that these ratios are, in part, a function of the market price of the common stock of BXP and as such will fluctuate with changes in such price, and they do not necessarily reflect our capacity to incur additional debt to finance our activities or our ability to manage our existing debt obligations. However, for a company like BXP, whose assets are primarily income-producing real estate, these ratios may provide investors with an alternate indication of leverage, so long as they are evaluated along with the ratio of indebtedness to other measures of asset value used by financial analysts and other financial ratios, as well as the various components of our outstanding indebtedness.

For a discussion of our unconsolidated joint venture indebtedness, see "*Liquidity and Capital Resources—Capitalization—Off-Balance Sheet Arrangements—Joint Venture Indebtedness*" within "*Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.*" and for a discussion of our consolidated joint venture indebtedness see "*Liquidity and Capital Resources—Capitalization—Mortgage Notes Payable, Net*" within "*Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

Debt Financing

As of December 31, 2019, we had approximately \$11.8 billion of outstanding consolidated indebtedness, representing approximately 32.98% of our Consolidated Market Capitalization as calculated above consisting of approximately (1) \$8.4 billion (net of discount and deferred financing fees) in publicly traded unsecured senior notes having a GAAP weighted-average interest rate of 3.76% per annum and maturities in 2021 through 2030, (2) \$2.9 billion (net of deferred financing fees) of property-specific mortgage debt having a GAAP weighted-average interest rate of 3.90% per annum and weighted-average term of 6.3 years and (3) \$498.9 million (net of deferred financing fees) outstanding under BPLP's 2017 Credit Facility that matures on April 24, 2022.

The table below summarizes the aggregate carrying value of our mortgage notes payable and BPLP's unsecured senior notes, line of credit and term loan, as well as Consolidated Debt Financing Statistics at December 31, 2019 and December 31, 2018.

December 31,	
2019	2018

(dollars in thousands)

Debt Summary:

Balance		
Fixed rate mortgage notes payable, net	\$ 2,922,408	\$ 2,964,572
Unsecured senior notes, net	8,390,459	7,544,697
Unsecured line of credit	—	—
Unsecured term loan, net	498,939	498,488
Consolidated Debt	11,811,806	11,007,757
Add:		
BXP's share of unconsolidated joint venture debt, net (1)	980,110	890,574
Subtract:		
Partners' share of consolidated mortgage notes payable, net (2)	(1,199,854)	(1,204,774)
BXP's Share of Debt	<u>\$ 11,592,062</u>	<u>\$ 10,693,557</u>

December 31,	
2019	2018

Consolidated Debt Financing Statistics:

Percent of total debt:		
Fixed rate	95.78%	95.47%
Variable rate	4.22%	4.53%
Total	<u>100.00%</u>	<u>100.00%</u>
GAAP Weighted-average interest rate at end of period:		
Fixed rate	3.80%	4.01%
Variable rate	2.75%	3.36%
Total	<u>3.75%</u>	<u>3.99%</u>
Coupon/Stated Weighted-average interest rate at end of period:		
Fixed rate	3.69%	3.91%
Variable rate	2.66%	3.27%
Total	<u>3.65%</u>	<u>3.88%</u>
Weighted-average maturity at end of period (in years):		
Fixed rate	6.0	6.1
Variable rate	2.3	3.3
Total	<u>5.9</u>	<u>6.0</u>

(1) See page 102 for additional information.

(2) See page 94 for additional information.

Unsecured Credit Facility

On April 24, 2017, BPLP entered into the 2017 Credit Facility. Among other things, the 2017 Credit Facility (1) increased the total commitment of the Revolving Facility from \$1.0 billion to \$1.5 billion, (2) extended the maturity date from July 26, 2018 to April 24, 2022, (3) reduced the per annum variable interest rates, and (4) added a \$500.0 million Delayed Draw Facility that permitted BPLP to draw until the first anniversary of the closing date. Based on BPLP's current credit rating, (1) the applicable Eurocurrency margins for the Revolving Facility and Delayed Draw Facility are 82.5 basis points and 90 basis points, respectively, and (2) the facility fee on the Revolving Facility commitment is 0.125% per annum.

On April 24, 2018, BPLP exercised its option to draw \$500.0 million on its Delayed Draw Facility. The Delayed Draw Facility bears interest at a variable rate equal to LIBOR plus 0.90% per annum based on BPLP's December 31, 2019 credit rating and matures on April 24, 2022.

As of December 31, 2019 and February 21, 2020, BPLP had \$500.0 million of borrowings outstanding under its Delayed Draw Facility, no borrowings under its Revolving Facility and letters of credit totaling approximately \$2.5 million outstanding with the ability to borrow approximately \$1.5 billion under the Revolving Facility.

Unsecured Senior Notes, Net

For a description of BPLP's outstanding unsecured senior notes as of December 31, 2019, see Note 7 to the Consolidated Financial Statements.

On June 21, 2019, BPLP completed a public offering of \$850.0 million in aggregate principal amount of its 3.400% unsecured senior notes due 2029. The notes were priced at 99.815% of the principal amount to yield an effective rate (including financing fees) of approximately 3.505% per annum to maturity. The notes will mature on June 21, 2029, unless earlier redeemed. The aggregate net proceeds from the offering were approximately \$841.4 million after deducting underwriting discounts and transaction expenses.

On September 3, 2019, BPLP completed a public offering of \$700.0 million in aggregate principal amount of its 2.900% unsecured senior notes due 2030. The notes were priced at 99.954% of the principal amount to yield an effective rate (including financing fees) of approximately 2.984% per annum to maturity. The notes will mature on March 15, 2030, unless earlier redeemed. The aggregate net proceeds from the offering were approximately \$693.8 million after deducting underwriting discounts and transaction expenses.

On September 18, 2019, BPLP completed the redemption of \$700.0 million in aggregate principal amount of its 5.625% senior notes due November 15, 2020. The redemption price was approximately \$740.7 million. The redemption price included approximately \$13.5 million of accrued and unpaid interest to, but not including, the redemption date. Excluding the accrued and unpaid interest, the redemption price was approximately 103.90% of the principal amount being redeemed. We recognized a loss from early extinguishment of debt totaling approximately \$28.0 million, which amount included the payment of the redemption premium totaling approximately \$27.3 million.

The indenture relating to the unsecured senior notes contains certain financial restrictions and requirements, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 50%, (3) an interest coverage ratio of greater than 1.50, and (4) an unencumbered asset value of not less than 150% of unsecured debt. At December 31, 2019, BPLP was in compliance with each of these financial restrictions and requirements.

Mortgage Notes Payable, Net

The following represents the outstanding principal balances due under the mortgage notes payable at December 31, 2019:

Properties	Stated Interest Rate	GAAP Interest Rate (1)	Stated Principal Amount	Deferred Financing Costs, Net	Carrying Amount	Carrying Amount (Partners' Share)	Maturity Date
(dollars in thousands)							
<u>Wholly-owned</u>							
University Place	6.94%	6.99%	\$ 3,623	\$ (21)	\$ 3,602	N/A	August 1, 2021
<u>Consolidated Joint Ventures</u>							
767 Fifth Avenue (the General Motors Building)	3.43%	3.64%	2,300,000	(25,972)	2,274,028	\$ 909,704	(2)(3)(4) June 9, 2027
601 Lexington Avenue	4.75%	4.79%	645,531	(753)	644,778	290,150	(5) April 10, 2022
			<u>2,945,531</u>	<u>(26,725)</u>	<u>2,918,806</u>	<u>1,199,854</u>	
Total			<u>\$2,949,154</u>	<u>\$ (26,746)</u>	<u>\$2,922,408</u>	<u>\$1,199,854</u>	

- (1) GAAP interest rate differs from the stated interest rate due to the inclusion of the amortization of financing charges and the effects of hedging transactions (if any).
- (2) The mortgage loan requires interest only payments with a balloon payment due at maturity.
- (3) This property is owned by a consolidated entity in which we have a 60% interest. The partners' share of the carrying amount has been adjusted for basis differentials.

- (4) In connection with the refinancing of the loan, we guaranteed the consolidated entity's obligation to fund various reserves for tenant improvement costs and allowances, leasing commissions and free rent obligations in lieu of cash deposits. As of December 31, 2019, the maximum funding obligation under the guarantee was approximately \$70.2 million. We earn a fee from the joint venture for providing the guarantee and have an agreement with our partners to reimburse the joint venture for their share of any payments made under the guarantee (See Note 9 to the Consolidated Financial Statements).
- (5) This property is owned by a consolidated entity in which we have a 55% interest.

Contractual aggregate principal payments of mortgage notes payable at December 31, 2019 are as follows:

<u>Year</u>	<u>Principal Payments</u> <u>(in thousands)</u>
2020	\$ 17,168
2021	17,276
2022	614,710
2023	—
2024	—
Thereafter	2,300,000
	<u>\$ 2,949,154</u>

Market Risk

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our future earnings, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Our primary market risk results from our indebtedness, which bears interest at fixed and variable rates. The fair value of our debt obligations are affected by changes in the market interest rates. We manage our market risk by matching long-term leases with long-term, fixed-rate, non-recourse debt of similar duration. We continue to follow a conservative strategy of generally pre-leasing development projects on a long-term basis to creditworthy tenants in order to achieve the most favorable construction and permanent financing terms. Approximately 95.8% of our outstanding debt, excluding our unconsolidated joint ventures, has fixed interest rates, which minimizes the interest rate risk through the maturity of such outstanding debt. We also manage our market risk by entering into hedging arrangements with financial institutions. Our primary objectives when undertaking hedging transactions and derivative positions is to reduce our floating rate exposure and to fix a portion of the interest rate for anticipated financing and refinancing transactions. This in turn, reduces the risks that the variability of cash flows imposes on variable rate debt. Our strategy mitigates against future increases in our interest rates.

At December 31, 2019, our weighted-average coupon/stated rate on our fixed rate outstanding Consolidated Debt was 3.69% per annum. At December 31, 2019, we had \$500.0 million outstanding of consolidated variable rate debt. At December 31, 2019, the GAAP interest rate on our variable rate debt was approximately 2.75% per annum. If market interest rates on our variable rate debt had been 100 basis points greater, total interest expense would have increased approximately \$5.0 million, on an annualized basis, for the year ended December 31, 2019.

Funds from Operations

Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("Nareit"), we calculate Funds from Operations, or "FFO," for each of BXP and BPLP by adjusting net income (loss) attributable to Boston Properties, Inc. common shareholders and net income (loss) attributable to Boston Properties Limited Partnership common unitholders (computed in accordance with GAAP), respectively, for gains (or losses) from sales of properties, impairment losses on depreciable real estate consolidated on our balance sheet, impairment losses on our investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated joint ventures and our share of real estate-related depreciation and amortization. FFO is a non-GAAP financial measure. We believe the presentation of FFO, combined with the presentation of required GAAP financial measures, has improved the understanding of operating results of REITs among the investing public and has helped make comparisons of REIT operating results more meaningful. Management generally considers FFO to be useful measures for understanding and comparing our operating results because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairment losses and real estate asset depreciation and amortization (which can differ across owners of similar assets in similar condition based on

historical cost accounting and useful life estimates), FFO can help investors compare the operating performance of a company's real estate across reporting periods and to the operating performance of other companies.

Our computation of FFO may not be comparable to FFO reported by other REITs or real estate companies that do not define the term in accordance with the current Nareit definition or that interpret the current Nareit definition differently. We believe that in order to facilitate a clear understanding of our operating results, FFO should be examined in conjunction with net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership as presented in our Consolidated Financial Statements. FFO should not be considered as a substitute for net income attributable to Boston Properties, Inc. common shareholders or net income attributable to Boston Properties Limited Partnership common unitholders (determined in accordance with GAAP) or any other GAAP financial measures and should only be considered together with and as a supplement to our financial information prepared in accordance with GAAP.

Boston Properties, Inc.

The following table presents a reconciliation of net income attributable to Boston Properties, Inc. common shareholders to FFO attributable to Boston Properties, Inc. common shareholders for the years ended December 31, 2019, 2018, 2017, 2016 and 2015:

	Year ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Net income attributable to Boston Properties, Inc. common shareholders	\$ 511,034	\$ 572,347	\$ 451,939	\$ 502,285	\$ 572,606
Add:					
Preferred dividends	10,500	10,500	10,500	10,500	10,500
Noncontrolling interest—common units of the Operating Partnership	59,345	66,807	52,210	59,260	66,951
Noncontrolling interest—redeemable preferred units of the Operating Partnership	—	—	—	—	6
Noncontrolling interests in property partnerships	71,120	62,909	47,832	(2,068)	149,855
Net income	651,999	712,563	562,481	569,977	799,918
Add:					
Depreciation and amortization	677,764	645,649	617,547	694,403	639,542
Noncontrolling interests in property partnerships' share of depreciation and amortization	(71,389)	(73,880)	(78,190)	(107,087)	(90,832)
BXP's share of depreciation and amortization from unconsolidated joint ventures	58,451	54,352	34,262	26,934	6,556
Corporate-related depreciation and amortization	(1,695)	(1,634)	(1,986)	(1,568)	(1,503)
Impairment losses	24,038	11,812	—	—	—
Less:					
Gains on sales of real estate	709	182,356	7,663	80,606	375,895
Gain on sale of investment in unconsolidated joint venture (1)	—	—	—	59,370	—
Gains on sales of real estate included within income from unconsolidated joint ventures (2)	47,238	8,270	—	—	—
Noncontrolling interests in property partnerships (3)	71,120	62,909	47,832	(2,068)	48,737
Noncontrolling interest—redeemable preferred units of the Operating Partnership	—	—	—	—	6
Preferred dividends	10,500	10,500	10,500	10,500	10,500
Funds from Operations (FFO) attributable to the Operating Partnership common unitholders (including Boston Properties, Inc.)	1,209,601	1,084,827	1,068,119	1,034,251	918,543
Less:					
Noncontrolling interest—common units of the Operating Partnership's share of funds from operations	123,757	110,338	108,707	106,504	94,828
Funds from Operations attributable to Boston Properties, Inc. common shareholders	\$1,085,844	\$ 974,489	\$ 959,412	\$ 927,747	\$ 823,715
Our percentage share of Funds from Operations—basic	89.77%	89.83%	89.82%	89.70%	89.68%
Weighted average shares outstanding—basic	154,582	154,427	154,190	153,715	153,471

- (1) The gain on sale of investment in unconsolidated joint venture consists of the gain on sale of a 31% interest in Metropolitan Square. We continue to own a 20% interest in the joint venture.
- (2) Consists of the portion of income from unconsolidated joint ventures related to the gain on sale of real estate associated with the sale of 540 Madison Avenue for the year ended December 31, 2019 and the gain on the distribution of Annapolis Junction Building One for the year ended December 31, 2018.
- (3) For the year ended December 31, 2015, excludes the noncontrolling interests in property partnerships' share of a gain on sale of real estate totaling approximately \$101.1 million.

Reconciliation to Diluted Funds from Operations:

	For the years ended December 31,									
	2019		2018		2017		2016		2015	
	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)
Basic Funds from Operations	\$ 1,209,601	172,200	\$ 1,084,827	171,912	\$ 1,068,119	171,661	\$ 1,034,251	171,361	\$ 918,543	171,139
Effect of Dilutive Securities:										
Stock based compensation	—	301	—	255	—	200	—	262	—	373
Diluted Funds from Operations	\$ 1,209,601	172,501	\$ 1,084,827	172,167	\$ 1,068,119	171,861	\$ 1,034,251	171,623	\$ 918,543	171,512
Less: Noncontrolling interest—common units of the Operating Partnership's share of diluted Funds from Operations	123,541	17,618	110,175	17,485	108,580	17,471	106,341	17,646	94,622	17,668
Diluted Funds from Operations attributable to Boston Properties, Inc. (1)	\$ 1,086,060	154,883	\$ 974,652	154,682	\$ 959,539	154,390	\$ 927,910	153,977	\$ 823,921	153,844

(1) BXP's share of diluted Funds from Operations was 89.79%, 89.84%, 89.83%, 89.72% and 89.70% for the years ended December 31, 2019, 2018, 2017, 2016 and 2015, respectively.

Boston Properties Limited Partnership

The following table presents a reconciliation of net income attributable to Boston Properties Limited Partnership common unitholders to FFO attributable to Boston Properties Limited Partnership common unitholders for the years ended December 31, 2019, 2018, 2017, 2016 and 2015:

	Year ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 580,102	\$ 656,903	\$ 512,866	\$ 575,341	\$ 648,748
Add:					
Preferred distributions	10,500	10,500	10,500	10,500	10,500
Noncontrolling interest—redeemable preferred units	—	—	—	—	6
Noncontrolling interests in property partnerships	71,120	62,909	47,832	(2,068)	149,855
Net income	661,722	730,312	571,198	583,773	809,109
Add:					
Real estate depreciation and amortization	669,956	637,891	609,407	682,776	631,549
Noncontrolling interests in property partnerships' share of depreciation and amortization	(71,389)	(73,880)	(78,190)	(107,087)	(90,832)
BPLP's share of depreciation and amortization from unconsolidated joint ventures	58,451	54,352	34,262	26,934	6,556
Corporate-related depreciation and amortization	(1,695)	(1,634)	(1,986)	(1,568)	(1,503)
Impairment losses	22,272	10,181	—	—	—
Less:					
Gains on sales of real estate	858	190,716	8,240	82,775	377,093
Gain on sale of investment in unconsolidated joint venture (1)	—	—	—	59,370	—
Gains on sales of real estate included within income from unconsolidated joint ventures (2)	47,238	8,270	—	—	—
Noncontrolling interests in property partnerships (3)	71,120	62,909	47,832	(2,068)	48,737
Noncontrolling interest—redeemable preferred units	—	—	—	—	6
Preferred distributions	10,500	10,500	10,500	10,500	10,500
Funds from operations attributable to Boston Properties Limited Partnership common unitholders (4)	\$ 1,209,601	\$ 1,084,827	\$ 1,068,119	\$ 1,034,251	\$ 918,543
Weighted average units outstanding—basic	172,200	171,912	171,661	171,361	171,139

- (1) The gain on sale of investment in unconsolidated joint venture consists of the gain on sale of a 31% interest in Metropolitan Square. We continue to own a 20% interest in the joint venture.
- (2) Consists of the portion of income from unconsolidated joint ventures related to the gain on sale of real estate associated with the sale of 540 Madison Avenue for the year ended December 31, 2019 and the gain on the distribution of Annapolis Junction Building One for the year ended December 31, 2018.
- (3) For the year ended December 31, 2015, excludes the noncontrolling interests in property partnerships' share of a gain on sale of real estate totaling approximately \$101.1 million.
- (4) Our calculation includes OP Units and vested LTIP Units (including vested 2012 OPP Units, vested 2013 MYLTIP Units, vested 2014 MYLTIP Units, vested 2015 MYLTIP Units and vested 2016 MYLTIP Units).

Reconciliation to Diluted Funds from Operations:

	For the years ended December 31,					
	2019	2018	2017	2016	2015	
	(in thousands)					
	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)
Basic Funds from Operations	\$ 1,209,601	172,200	\$ 1,068,119	171,661	\$ 1,034,251	171,361
Effect of Dilutive Securities:						
Stock based compensation	—	301	—	200	—	262
Diluted Funds from Operations	\$ 1,209,601	172,501	\$ 1,068,119	171,861	\$ 1,034,251	171,623
					\$ 918,543	171,139

Contractual Obligations

As of December 31, 2019, we were subject to contractual payment obligations as described in the table below.

	Payments Due by Period						Thereafter
	Total	2020	2021	2022	2023	2024	
(in thousands)							
Contractual Obligations:							
Long-term debt							
Mortgage debt (1)	\$ 3,605,835	\$ 126,581	\$ 125,811	\$ 703,301	\$ 78,890	\$ 78,890	\$ 2,492,362
Unsecured senior notes (1)	10,244,731	301,188	1,133,656	266,125	1,733,344	892,050	5,918,368
Unsecured line of credit / term loan (1) (2)	530,681	13,300	13,300	504,081	—	—	—
Ground leases	630,617	10,050	24,973	18,041	10,322	9,277	557,954
Tenant obligations (3)	643,511	493,140	97,836	20,938	21,166	10,431	—
Construction contracts on development projects	1,334,235	548,681	432,963	322,951	29,337	303	—
Finance leases	1,458,470	834	5,960	10,208	9,708	48,518	1,383,242
Other obligations	4,514	4,507	7	—	—	—	—
Total Contractual Obligations	\$ 18,452,594	\$ 1,498,281	\$ 1,834,506	\$ 1,845,645	\$ 1,882,767	\$ 1,039,469	\$10,351,926

(1) Amounts include principal and interest payments.

(2) Interest payments are calculated using the December 31, 2019 interest rate of 2.66%.

(3) Committed tenant-related obligations based on executed leases as of December 31, 2019 (tenant improvements and lease commissions).

We have various service contracts with vendors related to our property management. In addition, we have certain other contracts we enter into in the ordinary course of business that may extend beyond one year. These contracts include terms that provide for cancellation with insignificant or no cancellation penalties. Contract terms are generally between three and five years.

During 2019, we paid approximately \$369.1 million to fund tenant-related obligations, including tenant improvements and leasing commissions.

In addition, we and our unconsolidated joint venture partners incurred approximately \$547 million of new tenant-related obligations associated with approximately 7.0 million square feet of second generation leases, or approximately \$78 per square foot. In addition, we signed leases for approximately 618,000 square feet at our development properties. The tenant-related obligations for the development properties are included within the projects' "Estimated Total Investment" referred to in "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." In the aggregate, during 2019, we signed leases for approximately 7.6 million square feet of space and incurred aggregate tenant-related obligations of approximately \$625 million, or approximately \$82 per square foot.

Off-Balance Sheet Arrangements—Joint Venture Indebtedness

We have investments in unconsolidated joint ventures with our effective ownership interests ranging from 20% to 60%. Fourteen of these ventures have mortgage indebtedness. We exercise significant influence over, but do not control, these entities. As a result, we account for them using the equity method of accounting. See also Note 5 to the Consolidated Financial Statements. At December 31, 2019, the aggregate carrying amount of debt, including both our and our partners' share, incurred by these ventures was approximately \$2.2 billion (of which our proportionate share is approximately \$980.1 million). The table below summarizes the outstanding debt of these joint venture properties at December 31, 2019. In addition to other guarantees specifically noted in the table, we have agreed to customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) as well as the completion of development projects on certain of the loans.

Properties	Venture Ownership %	Stated Interest Rate	GAAP Interest Rate (1)	Stated Principal Amount	Deferred Financing Costs, Net	Carrying Amount	Carrying Amount (Our share)		Maturity Date
(dollars in thousands)									
Santa Monica Business Park	55%	4.06%	4.24%	\$ 300,000	\$ (2,917)	\$ 297,083	\$ 163,396	(2)(3)	July 19, 2025
Market Square North	50%	4.85%	4.91%	116,181	(63)	116,118	58,059		October 1, 2020
Annapolis Junction Building Six	50%	3.76%	3.91%	12,536	(20)	12,516	6,258	(4)	November 17, 2020
Annapolis Junction Building Seven and Eight	50%	4.19%	4.30%	34,793	(7)	34,786	17,393	(5)	March 6, 2020
1265 Main Street	50%	3.77%	3.84%	38,160	(334)	37,826	18,913		January 1, 2032
Colorado Center	50%	3.56%	3.58%	550,000	(782)	549,218	274,609	(2)	August 9, 2027
Dock 72	50%	4.02%	5.16%	173,773	(3,362)	170,411	85,206	(2)(6)	December 18, 2020
The Hub on Causeway - Podium	50%	4.06%	4.55%	158,648	(1,718)	156,930	78,465	(2)(7)	September 6, 2021
Hub50House	50%	3.77%	4.06%	141,187	(1,190)	139,997	69,999	(2)(8)	April 19, 2022
100 Causeway Street	50%	3.31%	3.52%	81,105	(3,106)	77,999	39,000	(2)(9)	September 5, 2023
7750 Wisconsin Avenue (Marriott International Headquarters)	50%	3.07%	3.62%	64,456	(4,641)	59,815	29,908	(2)(10)	April 26, 2023
500 North Capitol Street, NW	30%	4.15%	4.20%	105,000	(202)	104,798	31,439	(2)	June 6, 2023
901 New York Avenue	25%	3.61%	3.69%	225,000	(892)	224,108	56,027		January 5, 2025
3 Hudson Boulevard	25%	5.34%	5.42%	80,000	(224)	79,776	19,944	(2)(11)	July 13, 2023
Metropolitan Square	20%	5.75%	5.81%	157,505	(33)	157,472	31,494		May 5, 2020
Total				<u>\$ 2,238,344</u>	<u>\$ (19,491)</u>	<u>\$ 2,218,853</u>	<u>\$ 980,110</u>		

- (1) GAAP interest rate differs from the stated interest rate due to the inclusion of the amortization of financing charges, which includes mortgage recording fees.
- (2) The loan requires interest only payments with a balloon payment due at maturity.
- (3) The loan bears interest at a variable rate equal to LIBOR plus 1.28% per annum and matures on July 19, 2025. A subsidiary of the joint venture entered into interest rate swap contracts with notional amounts aggregating \$300.0 million through April 1, 2025, resulting in a fixed rate of approximately 4.063% per annum through the expiration of the interest rate swap contracts.
- (4) The loan bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on November 17, 2020.
- (5) The loan bears interest at a variable rate equal to LIBOR plus 2.35% per annum and matures on March 6, 2020.
- (6) The construction financing has a borrowing capacity of \$250.0 million. The construction financing bears interest at a variable rate equal to LIBOR plus 2.25% per annum and matures on December 18, 2020, with two, one-year extension options, subject to certain conditions.
- (7) The construction financing had a borrowing capacity of \$204.6 million. On September 16, 2019, the joint venture paid down the construction loan principal balance in the amount of approximately \$28.8 million, reducing the borrowing capacity to \$175.8 million. The construction financing bears interest at a variable rate equal to LIBOR plus 2.25% per annum and matures on September 6, 2021, with two, one-year extension options, subject to certain conditions.
- (8) The construction financing has a borrowing capacity of \$180.0 million. The construction financing bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on April 19, 2022, with two, one-year extension options, subject to certain conditions.
- (9) The construction financing has a borrowing capacity of \$400.0 million. The construction financing bears interest at a variable rate equal to LIBOR plus 1.50% per annum (LIBOR plus 1.375% per annum upon stabilization, as defined in the loan agreement) and matures on September 5, 2023, with two, one-year extension options, subject to certain conditions.

- (10) The construction financing has a borrowing capacity of \$255.0 million. The construction financing bears interest at a variable rate equal to LIBOR plus 1.25% per annum and matures on April 26, 2023, with two, one-year extension options, subject to certain conditions.
- (11) We provided \$80.0 million of mortgage financing to the joint venture. The loan bears interest at a variable rate equal to LIBOR plus 3.50% per annum and matures on July 13, 2023, with extension options, subject to certain conditions. The loan has been reflected as Related Party Note Receivable on our Consolidated Balance Sheets.

New Accounting Pronouncements

For a discussion of the new accounting pronouncements that may have an effect on our Consolidated Financial Statements (See Note 2 to the Consolidated Financial Statements).

Inflation

Substantially all of our leases provide for separate real estate tax and operating expense escalations over a base amount. In addition, many of our leases provide for fixed base rent increases or indexed increases. We believe that inflationary increases in costs may be at least partially offset by the contractual rent increases and operating expense escalations.

Item 7A—Quantitative and Qualitative Disclosures about Market Risk.

The following table presents the aggregate carrying value of our mortgage notes payable, net, unsecured senior notes, net, unsecured line of credit, unsecured term loan, net and our corresponding estimate of fair value as of December 31, 2019. As of December 31, 2019, approximately \$11.3 billion of these borrowings bore interest at fixed rates and therefore the fair value of these instruments is affected by changes in the market interest rates. As of December 31, 2019, the weighted-average interest rate on our variable rate debt was LIBOR plus 0.90% (2.66%) per annum. The following table presents our aggregate fixed rate debt obligations with corresponding weighted-average interest rates sorted by maturity date and our aggregate variable rate debt obligations sorted by maturity date.

The table below does not include our unconsolidated joint venture debt. For a discussion concerning our unconsolidated joint venture debt, see Note 5 to the Consolidated Financial Statements and “*Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capitalization—Off-Balance Sheet Arrangements—Joint Venture Indebtedness.*”

	2020	2021	2022	2023	2024	2025+	Total	Estimated Fair Value
(dollars in thousands)								
Mortgage debt, net								
Fixed Rate	\$ 13,327	\$ 13,440	\$ 611,132	\$ (3,494)	\$ (3,494)	\$ 2,291,497	\$ 2,922,408	\$ 2,984,956
GAAP Average Interest Rate	5.07%	4.98%	4.79%	—%	—%	3.64%	3.90%	
Variable Rate	—	—	—	—	—	—	—	—
Unsecured debt, net								
Fixed Rate	\$ (10,278)	\$ 840,467	\$ (9,071)	\$ 1,492,010	\$ 693,287	\$ 5,384,044	\$ 8,390,459	\$ 8,826,375
GAAP Average Interest Rate	—%	4.29%	—%	3.73%	3.92%	3.67%	3.76%	
Variable Rate	(460)	(451)	499,850	—	—	—	498,939	500,561
Total Debt	\$ 2,589	\$ 853,456	\$ 1,101,911	\$ 1,488,516	\$ 689,793	\$ 7,675,541	\$ 11,811,806	\$ 12,311,892

At December 31, 2019, the weighted-average coupon/stated rates on the fixed rate debt stated above was 3.69% per annum. At December 31, 2019, our outstanding variable rate debt based on LIBOR totaled approximately \$500.0 million. At December 31, 2019, the coupon/stated rate on our variable rate debt was approximately 2.66% per annum. If market interest rates on our variable rate debt had been 100 basis points greater, total interest expense would have increased approximately \$5.0 million, on an annualized basis, for the year ended December 31, 2019.

The fair value amounts were determined solely by considering the impact of hypothetical interest rates on our financial instruments. Due to the uncertainty of specific actions we may undertake to minimize possible effects of market interest rate increases, this analysis assumes no changes in our financial structure.

Due to the uncertainty of specific actions we may undertake to minimize possible effects of market interest rate increases, this analysis assumes no changes in our financial structure. In the event that LIBOR is discontinued, the interest rate for our variable rate debt and our unconsolidated joint ventures’ variable rate debt and the swap rate for our unconsolidated joint ventures’ interest rate swaps following such event will be based on an alternative variable rate as specified in the applicable documentation governing such debt or swaps or as otherwise agreed upon. Such an event would not affect our ability to borrow or maintain already outstanding borrowings or our unconsolidated joint ventures’ ability to maintain its outstanding swaps, but the alternative variable rate could be higher and more volatile than LIBOR prior to its discontinuance. We understand that LIBOR is expected to remain available through the end of 2021, but may be discontinued or otherwise become unavailable thereafter.

Additional disclosure about market risk is incorporated herein by reference from “*Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Market Risk.*”

Item 8. Financial Statements and Supplementary Data

**BOSTON PROPERTIES, INC. AND BOSTON PROPERTIES LIMITED PARTNERSHIP
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All other schedules for which a provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable, and therefore have been omitted.

Management's Report on Internal Control over Financial Reporting

Management of Boston Properties, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for Boston Properties, Inc. Boston Properties, Inc.'s internal control over financial reporting is a process designed under the supervision of its principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Boston Properties, Inc.'s financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of the end of Boston Properties, Inc.'s 2019 fiscal year, management conducted assessments of the effectiveness of Boston Properties, Inc.'s internal control over financial reporting based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on these assessments, management has determined that Boston Properties, Inc.'s internal control over financial reporting as of December 31, 2019 was effective.

Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of Boston Properties, Inc.; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Boston Properties, Inc.'s assets that could have a material effect on its financial statements.

The effectiveness of Boston Properties, Inc.'s internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report appearing on page 107, which expresses an unqualified opinion on the effectiveness of Boston Properties, Inc.'s internal control over financial reporting as of December 31, 2019.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Boston Properties, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Boston Properties, Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, of comprehensive income, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable

assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Assessment of Long-Lived Assets

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated real estate, net balance was \$17.6 billion as of December 31, 2019. During the period ended December 31, 2019, the Company recognized an impairment loss related to long lived assets totaling approximately \$24.0 million. As described in Note 2 to the consolidated financial statements, management reviews its long-lived assets for impairment following the end of each quarter and when there is an event or change in circumstances that indicates that carrying amounts may not be recoverable. An impairment loss is recognized if the carrying amount of an asset is not recoverable and exceeds its fair value. As disclosed by management, the evaluation of anticipated cash flows is subjective and is based in part on assumptions regarding anticipated hold periods, future occupancy, future rental rates, future capital requirements, discount rates and capitalization rates that could differ materially from actual results in future periods.

The principal considerations for our determination that performing procedures relating to the impairment assessment of long-lived assets is a critical audit matter are (i) there was significant judgment by management in identifying events or changes in circumstances indicating that the carrying amounts of long-lived assets may not be recoverable, and to determine the hold period assumption used to assess whether the carrying amount of a long-lived asset was not recoverable, which led to a high degree of auditor judgment and subjectivity in performing procedures relating to the determination of those events or changes in circumstances and the hold period assumption; and (ii) there was significant auditor judgment and effort in evaluating the audit evidence.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the impairment assessment of long-lived assets, including controls over management's identification of events or changes in circumstances that indicate an impairment of long-lived assets has occurred, and the development of significant assumptions used to determine the impairment loss. These procedures also included, among others, testing management's process over (i) the identification of events or changes in circumstances that indicate an impairment of long lived assets has occurred; and (ii) developing the estimate of anticipated cash flows and estimate of the fair value of long-lived assets. Testing management's process involved evaluating the reasonableness of the anticipated hold period assumption used by management, by considering; (i) the past performance of the asset; and (ii) whether the assumption was consistent with evidence obtained in other areas of the audit. Procedures were also performed to test the completeness and accuracy of the data utilized by management, and to evaluate the mathematical accuracy of the cash flows and impairment loss.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 2, 2020

We have served as the Company's auditor since 1997.

BOSTON PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share and par value amounts)

	December 31, 2019	December 31, 2018
ASSETS		
Real estate, at cost (amounts related to variable interest entities ("VIEs") of \$6,497,031 and \$7,481,015 at December 31, 2019 and 2018, respectively)	\$ 22,502,976	\$ 21,649,896
Right of use assets - finance leases (amount related to VIEs of \$21,000 at December 31, 2019)	237,394	—
Right of use assets - operating leases	148,640	—
Less: accumulated depreciation (amounts related to VIEs of \$(1,058,495) and \$(965,500) at December 31, 2019 and 2018, respectively)	(5,266,798)	(4,897,777)
Total real estate	17,622,212	16,752,119
Cash and cash equivalents (amounts related to VIEs of \$280,033 and \$296,806 at December 31, 2019 and 2018, respectively)	644,950	543,359
Cash held in escrows	46,936	95,832
Investments in securities	36,747	28,198
Tenant and other receivables, net (amounts related to VIEs of \$28,918 and \$15,519 at December 31, 2019 and 2018, respectively)	112,807	86,629
Related party note receivable	80,000	80,000
Note receivable	15,920	19,468
Accrued rental income, net (amounts related to VIEs of \$298,318 and \$272,466 at December 31, 2019 and 2018, respectively)	1,038,788	934,896
Deferred charges, net (amounts related to VIEs of \$214,769 and \$263,402 at December 31, 2019 and 2018, respectively)	689,213	678,724
Prepaid expenses and other assets (amounts related to VIEs of \$20,931 and \$26,513 at December 31, 2019 and 2018, respectively)	41,685	80,943
Investments in unconsolidated joint ventures	955,647	956,309
Total assets	<u>\$ 21,284,905</u>	<u>\$ 20,256,477</u>
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net (amounts related to VIEs of \$2,918,806 and \$2,929,326 at December 31, 2019 and 2018, respectively)	\$ 2,922,408	\$ 2,964,572
Unsecured senior notes, net	8,390,459	7,544,697
Unsecured line of credit	—	—
Unsecured term loan, net	498,939	498,488
Lease liabilities - finance leases (amount related to VIEs of \$20,189 at December 31, 2019)	224,042	—
Lease liabilities - operating leases	200,180	—
Accounts payable and accrued expenses (amounts related to VIEs of \$45,777 and \$75,786 at December 31, 2019 and 2018, respectively)	377,553	276,645
Dividends and distributions payable	170,713	165,114
Accrued interest payable	90,016	89,267
Other liabilities (amounts related to VIEs of \$140,110 and \$200,344 at December 31, 2019 and 2018, respectively)	387,994	503,726
Total liabilities	<u>13,262,304</u>	<u>12,042,509</u>
Commitments and contingencies	<u>—</u>	<u>—</u>
Redeemable deferred stock units— 60,676 units outstanding at redemption value at December 31, 2019	8,365	—

BOSTON PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share and par value amounts)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity:		
Stockholders' equity attributable to Boston Properties, Inc.:		
Excess stock, \$0.01 par value, 150,000,000 shares authorized, none issued or outstanding	—	—
Preferred stock, \$0.01 par value, 50,000,000 shares authorized;		
5.25% Series B cumulative redeemable preferred stock, \$0.01 par value, liquidation preference \$2,500 per share, 92,000 shares authorized, 80,000 shares issued and outstanding at December 31, 2019 and December 31, 2018	200,000	200,000
Common stock, \$0.01 par value, 250,000,000 shares authorized, 154,869,198 and 154,537,378 issued and 154,790,298 and 154,458,478 outstanding at December 31, 2019 and December 31, 2018, respectively	1,548	1,545
Additional paid-in capital	6,294,719	6,407,623
Dividends in excess of earnings	(760,523)	(675,534)
Treasury common stock at cost, 78,900 shares at December 31, 2019 and December 31, 2018	(2,722)	(2,722)
Accumulated other comprehensive loss	(48,335)	(47,741)
Total stockholders' equity attributable to Boston Properties, Inc.	<u>5,684,687</u>	<u>5,883,171</u>
Noncontrolling interests:		
Common units of Boston Properties Limited Partnership	600,860	619,352
Property partnerships	1,728,689	1,711,445
Total equity	<u>8,014,236</u>	<u>8,213,968</u>
Total liabilities and equity	<u>\$ 21,284,905</u>	<u>\$ 20,256,477</u>

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

BOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,		
	2019	2018	2017
	(in thousands, except for per share amounts)		
Revenue			
Lease	\$ 2,758,014	\$ —	\$ —
Base rent	—	2,103,723	2,049,368
Recoveries from tenants	—	402,066	367,500
Parking and other	103,534	107,421	105,000
Hotel revenue	48,589	49,118	45,603
Development and management services	40,039	45,158	34,605
Direct reimbursements of payroll and related costs from management services contracts	10,386	9,590	—
Total revenue	<u>2,960,562</u>	<u>2,717,076</u>	<u>2,602,076</u>
Expenses			
Operating			
Rental	1,050,010	979,151	929,977
Hotel	34,004	33,863	32,059
General and administrative	140,777	121,722	113,715
Payroll and related costs from management services contracts	10,386	9,590	—
Transaction costs	1,984	1,604	668
Depreciation and amortization	677,764	645,649	617,547
Total expenses	<u>1,914,925</u>	<u>1,791,579</u>	<u>1,693,966</u>
Other income (expense)			
Income from unconsolidated joint ventures	46,592	2,222	11,232
Gains on sales of real estate	709	182,356	7,663
Interest and other income	18,939	10,823	5,783
Gains (losses) from investments in securities	6,417	(1,865)	3,678
Impairment losses	(24,038)	(11,812)	—
Interest expense	(412,717)	(378,168)	(374,481)
(Losses) gains from early extinguishments of debt	(29,540)	(16,490)	496
Net income	<u>651,999</u>	<u>712,563</u>	<u>562,481</u>
Net income attributable to noncontrolling interests			
Noncontrolling interests in property partnerships	(71,120)	(62,909)	(47,832)
Noncontrolling interest—common units of the Operating Partnership	(59,345)	(66,807)	(52,210)
Net income attributable to Boston Properties, Inc.	<u>521,534</u>	<u>582,847</u>	<u>462,439</u>
Preferred dividends	(10,500)	(10,500)	(10,500)
Net income attributable to Boston Properties, Inc. common shareholders	<u>\$ 511,034</u>	<u>\$ 572,347</u>	<u>\$ 451,939</u>
Basic earnings per common share attributable to Boston Properties, Inc. common shareholders:			
Net income	<u>\$ 3.31</u>	<u>\$ 3.71</u>	<u>\$ 2.93</u>
Weighted average number of common shares outstanding	<u>154,582</u>	<u>154,427</u>	<u>154,190</u>
Diluted earnings per common share attributable to Boston Properties, Inc. common shareholders:			
Net income	<u>\$ 3.30</u>	<u>\$ 3.70</u>	<u>\$ 2.93</u>
Weighted average number of common and common equivalent shares outstanding	<u>154,883</u>	<u>154,682</u>	<u>154,390</u>

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

BOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended December 31,		
	2019	2018	2017
	(in thousands)		
Net income	\$ 651,999	\$ 712,563	\$ 562,481
Other comprehensive income (loss):			
Effective portion of interest rate contracts	(6,751)	(3,096)	(6,133)
Amortization of interest rate contracts (1)	6,664	6,664	6,033
Other comprehensive income (loss)	(87)	3,568	(100)
Comprehensive income	651,912	716,131	562,381
Net income attributable to noncontrolling interests	(130,465)	(129,716)	(100,042)
Other comprehensive income (loss) attributable to noncontrolling interests	(507)	(880)	1,922
Comprehensive income attributable to Boston Properties, Inc.	<u>\$ 520,940</u>	<u>\$ 585,535</u>	<u>\$ 464,261</u>

(1) Amounts reclassified from comprehensive income primarily to interest expense within Boston Properties, Inc.'s Consolidated Statements of Operations.

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

BOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Preferred Stock	Additional Paid-in Capital	Dividends in Excess of Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Loss	Noncontrolling Interests - Common Units	Noncontrolling Interests - Property Partnerships	Total
	Shares	Amount								
Equity, December 31, 2016	153,790	1,538	\$ 200,000	\$ 6,333,424	\$ (693,694)	\$ (2,722)	\$ (52,251)	\$ 614,982	\$ 1,530,647	\$ 7,931,924
Cumulative effect of a change in accounting principle	—	—	—	—	(272)	—	—	(1,763)	—	(2,035)
Redemption of operating partnership units to common stock	495	5	—	16,911	—	—	—	(16,916)	—	—
Allocated net income for the year	—	—	—	—	462,439	—	—	52,210	47,832	562,481
Dividends/distributions declared	—	—	—	—	(480,816)	—	—	(54,494)	—	(535,310)
Shares issued pursuant to stock purchase plan	6	—	—	795	—	—	—	—	—	795
Net activity from stock option and incentive plan	34	—	—	3,899	—	—	—	33,393	—	37,292
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	—	—	—	161,585	161,585
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	—	—	—	(54,176)	(54,176)
Effective portion of interest rate contracts	—	—	—	—	—	—	(3,305)	(375)	(2,453)	(6,133)
Amortization of interest rate contracts	—	—	—	—	—	—	5,127	581	325	6,033
Reallocation of noncontrolling interest	—	—	—	22,879	—	—	—	(22,879)	—	—
Equity, December 31, 2017	154,325	1,543	200,000	6,377,908	(712,343)	(2,722)	(50,429)	604,739	1,683,760	8,102,456
Cumulative effect of a change in accounting principle	—	—	—	—	4,933	—	—	563	—	5,496
Redemption of operating partnership units to common stock	83	2	—	2,878	—	—	—	(2,880)	—	—
Allocated net income for the year	—	—	—	—	582,847	—	—	66,807	62,909	712,563
Dividends/distributions declared	—	—	—	—	(550,971)	—	—	(62,731)	—	(613,702)
Shares issued pursuant to stock purchase plan	6	—	—	797	—	—	—	—	—	797
Net activity from stock option and incentive plan	44	—	—	1,729	—	—	—	36,861	—	38,590
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	—	—	—	46,701	46,701
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	—	—	—	(82,501)	(82,501)
Effective portion of interest rate contracts	—	—	—	—	—	—	(2,781)	(315)	—	(3,096)
Amortization of interest rate contracts	—	—	—	—	—	—	5,469	619	576	6,664
Reallocation of noncontrolling interest	—	—	—	24,311	—	—	—	(24,311)	—	—
Equity, December 31, 2018	154,458	1,545	200,000	6,407,623	(675,534)	(2,722)	(47,741)	619,352	1,711,445	8,213,968

BOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Preferred Stock	Additional Paid-in Capital	Dividends in Excess of Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Loss	Noncontrolling Interests - Common Units	Noncontrolling Interests - Property Partnerships	Total
	Shares	Amount								
Cumulative effect of a change in accounting principle	—	—	—	—	(3,864)	—	—	(445)	(70)	(4,379)
Redemption of operating partnership units to common stock	145	2	—	4,883	—	—	—	(4,885)	—	—
Allocated net income for the year	—	—	—	—	521,534	—	—	59,345	71,120	651,999
Dividends/distributions declared	—	—	—	—	(602,659)	—	—	(69,234)	—	(671,893)
Shares issued pursuant to stock purchase plan	6	—	—	688	—	—	—	—	—	688
Net activity from stock option and incentive plan	181	1	—	8,771	—	—	—	36,228	—	45,000
Sale of an interest in property partnerships	—	—	—	(4,216)	—	—	—	—	4,216	—
Acquisition of noncontrolling interest in property partnerships	—	—	—	(162,462)	—	—	—	—	(24,501)	(186,963)
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	—	—	—	35,816	35,816
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	—	—	—	(69,913)	(69,913)
Effective portion of interest rate contracts	—	—	—	—	—	—	(6,060)	(691)	—	(6,751)
Amortization of interest rate contracts	—	—	—	—	—	—	5,466	622	576	6,664
Reallocation of noncontrolling interest	—	—	—	39,432	—	—	—	(39,432)	—	—
Equity, December 31, 2019	154,790	\$ 1,548	\$ 200,000	\$ 6,294,719	\$ (760,523)	\$ (2,722)	\$ (48,335)	\$ 600,860	\$ 1,728,689	\$ 8,014,236

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

BOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2019	2018	2017
	(in thousands)		
Cash flows from operating activities:			
Net income	\$ 651,999	\$ 712,563	\$ 562,481
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	677,764	645,649	617,547
Amortization of right-of-use assets - operating leases	2,412	—	—
Impairment losses	24,038	11,812	—
Non-cash compensation expense	40,958	40,117	35,361
Income from unconsolidated joint ventures	(46,592)	(2,222)	(11,232)
Distributions of net cash flow from operations of unconsolidated joint ventures	17,155	6,703	26,858
(Gains) losses from investments in securities	(6,417)	1,865	(3,678)
Non-cash portion of interest expense	22,254	21,303	(1,284)
Settlement of accreted debt discount on redemption of unsecured senior notes	(763)	(483)	(1,980)
Losses (gains) from early extinguishments of debt	29,540	16,490	(496)
Gains on sales of real estate	(709)	(182,356)	(7,663)
Change in assets and liabilities:			
Tenant and other receivables, net	(24,876)	29,204	2,433
Note receivable	4	(13)	—
Accrued rental income, net	(56,817)	(43,662)	(58,355)
Prepaid expenses and other assets	2,965	12,472	51,425
Lease liabilities - operating leases	1,616	—	—
Accounts payable and accrued expenses	12,627	1,353	10,482
Accrued interest payable	858	5,237	(160,521)
Other liabilities	(49,569)	4,955	(44,970)
Tenant leasing costs	(117,282)	(130,742)	(104,429)
Total adjustments	529,166	437,682	349,498
Net cash provided by operating activities	1,181,165	1,150,245	911,979
Cash flows from investing activities:			
Acquisitions of real estate	(149,031)	—	(15,953)
Construction in progress	(546,060)	(694,791)	(608,404)
Building and other capital improvements	(180,556)	(189,771)	(222,482)
Tenant improvements	(251,831)	(210,034)	(205,331)
Right of use assets - finance leases	(5,152)	—	—
Proceeds from sales of real estate	90,824	455,409	29,810
Capital contributions to unconsolidated joint ventures	(87,392)	(345,717)	(109,015)
Capital distributions from unconsolidated joint ventures	136,807	—	251,000
Cash and cash equivalents deconsolidated	(24,112)	—	—
Deposit on capital lease	—	(13,615)	—
Issuance of related party note receivable	—	(80,000)	—
Issuance of note receivable	—	(19,455)	—
Proceeds from note receivable	3,544	—	—
Investments in securities, net	(2,132)	(902)	(1,669)
Net cash used in investing activities	(1,015,091)	(1,098,876)	(882,044)

BOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2019	2018	2017
	(in thousands)		
Cash flows from financing activities:			
Proceeds from mortgage notes payable	—	—	2,300,000
Repayments of mortgage notes payable	(46,173)	(18,634)	(1,317,653)
Proceeds from unsecured senior notes	1,548,106	996,410	847,935
Redemption of unsecured senior notes	(699,237)	(699,517)	(848,020)
Borrowings on unsecured line of credit	380,000	745,000	580,000
Repayments of unsecured line of credit	(380,000)	(790,000)	(535,000)
Proceeds from unsecured term loan	—	500,000	—
Repayments of mezzanine notes payable	—	—	(306,000)
Repayments of outside members' notes payable	—	—	(70,424)
Payments on finance lease obligations	(502)	—	—
Payments on capital lease obligations	—	(1,353)	(493)
Payments on real estate financing transactions	—	(960)	(2,840)
Deposit on mortgage note payable interest rate lock	—	—	(23,200)
Return of deposit on mortgage note payable interest rate lock	—	—	23,200
Deferred financing costs	(13,213)	(8,362)	(50,705)
Debt prepayment and extinguishment costs	(28,716)	(15,973)	(12,784)
Net proceeds from equity transactions	13,710	(730)	241
Dividends and distributions	(666,294)	(587,628)	(526,578)
Contributions from noncontrolling interests in property partnerships	35,816	46,701	52,009
Distributions to noncontrolling interests in property partnerships	(69,913)	(82,501)	(54,342)
Acquisition of noncontrolling interest in property partnership	(186,963)	—	—
Net cash (used in) provided by financing activities	<u>(113,379)</u>	<u>82,453</u>	<u>55,346</u>
Net increase in cash and cash equivalents and cash held in escrows	52,695	133,822	85,281
Cash and cash equivalents and cash held in escrows, beginning of year	639,191	505,369	420,088
Cash and cash equivalents and cash held in escrows, end of year	<u>\$ 691,886</u>	<u>\$ 639,191</u>	<u>\$ 505,369</u>
Reconciliation of cash and cash equivalents and cash held in escrows:			
Cash and cash equivalents, beginning of period	\$ 543,359	\$ 434,767	\$ 356,914
Cash held in escrows, beginning of period	95,832	70,602	63,174
Cash and cash equivalents and cash held in escrows, beginning of period	<u>\$ 639,191</u>	<u>\$ 505,369</u>	<u>\$ 420,088</u>
Cash and cash equivalents, end of period	\$ 644,950	\$ 543,359	\$ 434,767
Cash held in escrows, end of period	46,936	95,832	70,602
Cash and cash equivalents and cash held in escrows, end of period	<u>\$ 691,886</u>	<u>\$ 639,191</u>	<u>\$ 505,369</u>
Supplemental disclosures:			
Cash paid for interest	\$ 439,059	\$ 416,019	\$ 598,486
Interest capitalized	\$ 54,911	\$ 65,766	\$ 61,070

BOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2019	2018	2017
	(in thousands)		
Non-cash investing and financing activities:			
Write-off of fully depreciated real estate	\$ (129,831)	\$ (135,431)	\$ (124,891)
Change in real estate included in accounts payable and accrued expenses	\$ 89,245	\$ (44,866)	\$ 27,978
Real estate acquired through capital lease	\$ —	\$ 12,397	\$ 28,962
Right-of-use assets obtained in exchange for lease liabilities	\$ 287,540	\$ —	\$ —
Prepaid rent reclassified to right of use asset	\$ 15,000	\$ —	\$ —
Building and other capital improvements deconsolidated	\$ (12,767)	\$ —	\$ —
Right of use asset - finance lease deconsolidated	\$ (135,004)	\$ —	\$ —
Investment in unconsolidated joint venture recorded on deconsolidation	\$ 29,246	\$ —	\$ —
Lease liability - finance lease deconsolidated	\$ 119,534	\$ —	\$ —
Outside members' notes payable contributed to noncontrolling interests in property partnerships	\$ —	\$ —	\$ 109,576
Dividends and distributions declared but not paid	\$ 170,713	\$ 165,114	\$ 139,040
Conversions of noncontrolling interests to stockholders' equity	\$ 4,885	\$ 2,880	\$ 16,916
Issuance of restricted securities to employees and directors	\$ 37,622	\$ 37,052	\$ 35,989

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

Management's Report on Internal Control over Financial Reporting

Management of Boston Properties, Inc., the sole general partner of Boston Properties Limited Partnership, is responsible for establishing and maintaining adequate internal control over financial reporting for Boston Properties Limited Partnership. Boston Properties Limited Partnership's internal control over financial reporting is a process designed under the supervision of the principal executive officer and principal financial officer of Boston Properties, Inc. to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Boston Properties Limited Partnership's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of the end of Boston Properties Limited Partnership's 2019 fiscal year, management conducted assessments of the effectiveness of Boston Properties Limited Partnership's internal control over financial reporting based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on these assessments, management has determined that Boston Properties Limited Partnership's internal control over financial reporting as of December 31, 2019 was effective.

Boston Properties Limited Partnership's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of Boston Properties, Inc.; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Boston Properties Limited Partnership's assets that could have a material effect on our financial statements.

The effectiveness of Boston Properties Limited Partnership's internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report appearing on page 119, which expresses an unqualified opinion on the effectiveness of Boston Properties Limited Partnership's internal control over financial reporting as of December 31, 2019.

Report of Independent Registered Public Accounting Firm

To the Partners of Boston Properties Limited Partnership

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Boston Properties Limited Partnership and its subsidiaries (the "Partnership") as of December 31, 2019 and 2018, and the related consolidated statements of operations, of comprehensive income, of capital and noncontrolling interests and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Partnership's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Partnership's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Partnership's consolidated financial statements and on the Partnership's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable

assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Assessment of Long-Lived Assets

As described in Notes 2 and 3 to the consolidated financial statements, the Partnership's consolidated real estate, net balance was \$17.3 billion as of December 31, 2019. During the period ended December 31, 2019, the Partnership recognized an impairment loss related to long lived assets totaling approximately \$22.3 million. As described in Note 2 to the consolidated financial statements, management reviews its long-lived assets for impairment following the end of each quarter and when there is an event or change in circumstances that indicates that carrying amounts may not be recoverable. An impairment loss is recognized if the carrying amount of an asset is not recoverable and exceeds its fair value. As disclosed by management, the evaluation of anticipated cash flows is subjective and is based in part on assumptions regarding anticipated hold periods, future occupancy, future rental rates, future capital requirements, discount rates and capitalization rates that could differ materially from actual results in future periods.

The principal considerations for our determination that performing procedures relating to the impairment assessment of long-lived assets is a critical audit matter are (i) there was significant judgment by management in identifying events or changes in circumstances indicating that the carrying amounts of long-lived assets may not be recoverable, and to determine the hold period assumption used to assess whether the carrying amount of a long-lived asset was not recoverable, which led to a high degree of auditor judgment and subjectivity in performing procedures relating to the determination of those events or changes in circumstances and the hold period assumption; and (ii) there was significant auditor judgment and effort in evaluating the audit evidence.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the impairment assessment of long-lived assets, including controls over management's identification of events or changes in circumstances that indicate an impairment of long-lived assets has occurred, and the development of significant assumptions used to determine the impairment loss. These procedures also included, among others, testing management's process over (i) the identification of events or changes in circumstances that indicate an impairment of long lived assets has occurred; and (ii) developing the estimate of anticipated cash flows and estimate of the fair value of long-lived assets. Testing management's process involved evaluating the reasonableness of the anticipated hold period assumption used by management, by considering; (i) the past performance of the asset; and (ii) whether the assumption was consistent with evidence obtained in other areas of the audit. Procedures were also performed to test the completeness and accuracy of the data utilized by management, and to evaluate the mathematical accuracy of the cash flows and impairment loss.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 2, 2020

We have served as the Partnership's auditor since 1997.

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEETS
(in thousands, except for unit amounts)

	December 31, 2019	December 31, 2018
ASSETS		
Real estate, at cost (amounts related to variable interest entities ("VIEs") of \$6,497,031 and \$7,481,015 at December 31, 2019 and 2018, respectively)	\$ 22,107,755	\$ 21,251,540
Right of use assets - finance leases (amount related to VIEs of \$21,000 at December 31, 2019)	237,394	—
Right of use assets - operating leases	148,640	—
Less: accumulated depreciation (amounts related to VIEs of \$(1,058,495) and \$(965,500) at December 31, 2019 and 2018, respectively)	(5,162,908)	(4,800,475)
Total real estate	17,330,881	16,451,065
Cash and cash equivalents (amounts related to VIEs of \$280,033 and \$296,806 at December 31, 2019 and 2018, respectively)	644,950	543,359
Cash held in escrows	46,936	95,832
Investments in securities	36,747	28,198
Tenant and other receivables, net (amounts related to VIEs of \$28,918 and \$15,519 at December 31, 2019 and 2018, respectively)	112,807	86,629
Related party note receivable	80,000	80,000
Note receivable	15,920	19,468
Accrued rental income, net (amounts related to VIEs of \$298,318 and \$272,466 at December 31, 2019 and 2018, respectively)	1,038,788	934,896
Deferred charges, net (amounts related to VIEs of \$214,769 and \$263,402 at December 31, 2019 and 2018, respectively)	689,213	678,724
Prepaid expenses and other assets (amounts related to VIEs of \$20,931 and \$26,513 at December 31, 2019 and 2018, respectively)	41,685	80,943
Investments in unconsolidated joint ventures	955,647	956,309
Total assets	<u>\$ 20,993,574</u>	<u>\$ 19,955,423</u>
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable, net (amounts related to VIEs of \$2,918,806 and \$2,929,326 at December 31, 2019 and 2018, respectively)	\$ 2,922,408	\$ 2,964,572
Unsecured senior notes, net	8,390,459	7,544,697
Unsecured line of credit	—	—
Unsecured term loan, net	498,939	498,488
Lease liabilities - finance leases (amount related to VIEs of \$20,189 at December 31, 2019)	224,042	—
Lease liabilities - operating leases	200,180	—
Accounts payable and accrued expenses (amounts related to VIEs of \$45,777 and \$75,786 at December 31, 2019 and 2018, respectively)	377,553	276,645
Dividends and distributions payable	170,713	165,114
Accrued interest payable	90,016	89,267
Other liabilities (amounts related to VIEs of \$140,110 and \$200,344 at December 31, 2019 and 2018, respectively)	387,994	503,726
Total liabilities	<u>13,262,304</u>	<u>12,042,509</u>
Commitments and contingencies	—	—
Redeemable deferred stock units— 60,676 units outstanding at redemption value at December 31, 2019	<u>8,365</u>	<u>—</u>

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEETS
(in thousands, except for unit amounts)

	December 31, 2019	December 31, 2018
Noncontrolling interests:		
Redeemable partnership units—16,764,466 and 16,783,558 common units and 1,143,215 and 991,577 long term incentive units outstanding at redemption value at December 31, 2019 and December 31, 2018, respectively	2,468,753	2,000,591
Capital:		
5.25% Series B cumulative redeemable preferred units, liquidation preference \$2,500 per unit, 80,000 units issued and outstanding at December 31, 2019 and December 31, 2018	193,623	193,623
Boston Properties Limited Partnership partners' capital—1,726,980 and 1,722,336 general partner units and 153,063,318 and 152,736,142 limited partner units outstanding at December 31, 2019 and December 31, 2018, respectively	3,380,175	4,054,996
Accumulated other comprehensive loss	(48,335)	(47,741)
Total partners' capital	3,525,463	4,200,878
Noncontrolling interests in property partnerships	1,728,689	1,711,445
Total capital	5,254,152	5,912,323
Total liabilities and capital	\$ 20,993,574	\$ 19,955,423

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

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,		
	2019	2018	2017
	(in thousands, except for per unit amounts)		
Revenue			
Lease	\$ 2,758,014	\$ —	\$ —
Base rent	—	2,103,723	2,049,368
Recoveries from tenants	—	402,066	367,500
Parking and other	103,534	107,421	105,000
Hotel revenue	48,589	49,118	45,603
Development and management services	40,039	45,158	34,605
Direct reimbursements of payroll and related costs from management services contracts	10,386	9,590	—
Total revenue	<u>2,960,562</u>	<u>2,717,076</u>	<u>2,602,076</u>
Expenses			
Operating			
Rental	1,050,010	979,151	929,977
Hotel	34,004	33,863	32,059
General and administrative	140,777	121,722	113,715
Payroll and related costs from management services contracts	10,386	9,590	—
Transaction costs	1,984	1,604	668
Depreciation and amortization	669,956	637,891	609,407
Total expenses	<u>1,907,117</u>	<u>1,783,821</u>	<u>1,685,826</u>
Other income (expense)			
Income from unconsolidated joint ventures	46,592	2,222	11,232
Gains on sales of real estate	858	190,716	8,240
Interest and other income	18,939	10,823	5,783
Gains (losses) from investments in securities	6,417	(1,865)	3,678
Impairment losses	(22,272)	(10,181)	—
Interest expense	(412,717)	(378,168)	(374,481)
(Losses) gains from early extinguishments of debt	(29,540)	(16,490)	496
Net income	<u>661,722</u>	<u>730,312</u>	<u>571,198</u>
Net income attributable to noncontrolling interests			
Noncontrolling interests in property partnerships	(71,120)	(62,909)	(47,832)
Net income attributable to Boston Properties Limited Partnership	<u>590,602</u>	<u>667,403</u>	<u>523,366</u>
Preferred distributions	(10,500)	(10,500)	(10,500)
Net income attributable to Boston Properties Limited Partnership common unitholders	<u>\$ 580,102</u>	<u>\$ 656,903</u>	<u>\$ 512,866</u>
Basic earnings per common unit attributable to Boston Properties Limited Partnership			
Net income	\$ 3.37	\$ 3.82	\$ 2.99
Weighted average number of common units outstanding	<u>172,200</u>	<u>171,912</u>	<u>171,661</u>
Diluted earnings per common unit attributable to Boston Properties Limited Partnership			
Net income	\$ 3.36	\$ 3.81	\$ 2.98
Weighted average number of common and common equivalent units outstanding	<u>172,501</u>	<u>172,167</u>	<u>171,861</u>

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

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended December 31,		
	2019	2018	2017
	(in thousands)		
Net income	\$ 661,722	\$ 730,312	\$ 571,198
Other comprehensive income (loss):			
Effective portion of interest rate contracts	(6,751)	(3,096)	(6,133)
Amortization of interest rate contracts (1)	6,664	6,664	6,033
Other comprehensive income (loss)	(87)	3,568	(100)
Comprehensive income	661,635	733,880	571,098
Comprehensive income attributable to noncontrolling interests	(71,696)	(63,485)	(45,704)
Comprehensive income attributable to Boston Properties Limited Partnership	<u>\$ 589,939</u>	<u>\$ 670,395</u>	<u>\$ 525,394</u>

(1) Amounts reclassified from comprehensive income primarily to interest expense within Boston Properties Limited Partnership's Consolidated Statements of Operations.

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

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CAPITAL AND NONCONTROLLING INTERESTS
(in thousands)

	Units		Capital				Noncontrolling Interests - Redeemable Partnership Units
	General Partner	Limited Partner	Partners' Capital (General and Limited Partners)	Preferred Units	Accumulated Other Comprehensive Loss	Noncontrolling Interests - Property Partnerships	
Equity, December 31, 2016	1,718	152,072	\$ 3,670,345	\$ 193,623	\$ (52,251)	\$ 1,550,647	\$ 5,342,364
Cumulative effect of a change in accounting principle	—	—	(272)	—	—	—	(272)
Contributions	—	40	4,937	—	—	—	4,937
Allocated net income for the period	—	—	460,656	10,500	—	47,832	518,988
Distributions	—	—	(470,316)	(10,500)	—	—	(480,816)
Unearned compensation	—	—	(243)	—	—	—	(243)
Conversion of redeemable partnership units	2	494	16,916	—	—	—	16,916
Adjustment to reflect redeemable partnership units at redemption value	—	—	(17,587)	—	—	—	(17,587)
Effective portion of interest rate contracts	—	—	—	—	(3,305)	(2,453)	(5,758)
Amortization of interest rate contracts	—	—	—	—	5,127	325	5,452
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	161,585	161,585
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	(54,176)	(54,176)
Equity, December 31, 2017	1,720	152,606	3,664,436	193,623	(50,429)	1,683,760	5,491,390
Cumulative effect of a change in accounting principle	—	—	4,933	—	—	—	4,933
Contributions	1	49	1,642	—	—	—	1,642
Allocated net income for the period	—	—	590,096	10,500	—	62,909	663,505
Distributions	—	—	(540,471)	(10,500)	—	—	(550,971)
Unearned compensation	—	—	884	—	—	—	884
Conversion of redeemable partnership units	1	81	2,880	—	—	—	2,880
Adjustment to reflect redeemable partnership units at redemption value	—	—	330,596	—	—	—	330,596
Effective portion of interest rate contracts	—	—	—	—	(2,781)	—	(2,781)
Amortization of interest rate contracts	—	—	—	—	5,469	576	6,045
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	46,701	46,701
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	(82,501)	(82,501)
Equity, December 31, 2018	1,722	152,736	4,054,996	193,623	(47,741)	1,711,445	5,912,323
							2,000,591

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CAPITAL AND NONCONTROLLING INTERESTS
(in thousands)

	Units		Capital					Noncontrolling Interests - Redeemable Partnership Units
	General Partner	Limited Partner	Partners' Capital (General and Limited Partners)	Preferred Units	Accumulated Other Comprehensive Loss	Noncontrolling Interests - Property Partnerships	Total Capital	
Cumulative effect of a change in accounting principle	—	—	(3,864)	—	—	(70)	(3,934)	(445)
Contributions	3	185	17,115	—	—	—	17,115	34,217
Allocated net income for the period	—	—	520,757	10,500	—	71,120	602,377	59,345
Distributions	—	—	(592,159)	(10,500)	—	—	(602,659)	(69,234)
Unearned compensation	—	—	(7,655)	—	—	—	(7,655)	2,011
Conversion of redeemable partnership units	2	142	4,885	—	—	—	4,885	(4,885)
Adjustment to reflect redeemable partnership units at redemption value	—	—	(447,222)	—	—	—	(447,222)	447,222
Effective portion of interest rate contracts	—	—	—	—	(6,060)	—	(6,060)	(691)
Amortization of interest rate contracts	—	—	—	—	5,466	576	6,042	622
Acquisition of noncontrolling interest in property partnership	—	—	(162,462)	—	—	(24,501)	(186,963)	—
Sale of an interest in property partnerships	—	—	(4,216)	—	—	4,216	—	—
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	35,816	35,816	—
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	(69,913)	(69,913)	—
Equity, December 31, 2019	1,727	153,063	\$ 3,380,175	\$ 193,623	\$ (48,335)	\$ 1,728,689	\$ 5,254,152	\$ 2,468,753

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

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2019	2018	2017
	(in thousands)		
Cash flows from operating activities:			
Net income	\$ 661,722	\$ 730,312	\$ 571,198
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	669,956	637,891	609,407
Amortization of right-of-use assets - operating leases	2,412	—	—
Impairment losses	22,272	10,181	—
Non-cash compensation expense	40,958	40,117	35,361
Income from unconsolidated joint ventures	(46,592)	(2,222)	(11,232)
Distributions of net cash flow from operations of unconsolidated joint ventures	17,155	6,703	26,858
(Gains) losses from investments in securities	(6,417)	1,865	(3,678)
Non-cash portion of interest expense	22,254	21,303	(1,284)
Settlement of accreted debt discount on redemption of unsecured senior notes	(763)	(483)	(1,980)
Losses (gains) from early extinguishments of debt	29,540	16,490	(496)
Gains on sales of real estate	(858)	(190,716)	(8,240)
Change in assets and liabilities:			
Tenant and other receivables, net	(24,876)	29,204	2,433
Note receivable	4	(13)	—
Accrued rental income, net	(56,817)	(43,662)	(58,355)
Prepaid expenses and other assets	2,965	12,472	51,425
Lease liabilities - operating leases	1,616	—	—
Accounts payable and accrued expenses	12,627	1,353	10,482
Accrued interest payable	858	5,237	(160,521)
Other liabilities	(49,569)	4,955	(44,970)
Tenant leasing costs	(117,282)	(130,742)	(104,429)
Total adjustments	519,443	419,933	340,781
Net cash provided by operating activities	1,181,165	1,150,245	911,979
Cash flows from investing activities:			
Acquisitions of real estate	(149,031)	—	(15,953)
Construction in progress	(546,060)	(694,791)	(608,404)
Building and other capital improvements	(180,556)	(189,771)	(222,482)
Tenant improvements	(251,831)	(210,034)	(205,331)
Right of use assets - finance leases	(5,152)	—	—
Proceeds from sales of real estate	90,824	455,409	29,810
Capital contributions to unconsolidated joint ventures	(87,392)	(345,717)	(109,015)
Capital distributions from unconsolidated joint ventures	136,807	—	251,000
Cash and cash equivalents deconsolidated	(24,112)	—	—
Deposit on capital lease	—	(13,615)	—
Issuance of related party note receivable	—	(80,000)	—
Issuance of note receivable	—	(19,455)	—
Proceeds from note receivable	3,544	—	—
Investments in securities, net	(2,132)	(902)	(1,669)
Net cash used in investing activities	(1,015,091)	(1,098,876)	(882,044)

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2019	2018	2017
	(in thousands)		
Cash flows from financing activities:			
Proceeds from mortgage notes payable	—	—	2,300,000
Repayments of mortgage notes payable	(46,173)	(18,634)	(1,317,653)
Proceeds from unsecured senior notes	1,548,106	996,410	847,935
Redemption/repurchase of unsecured senior notes	(699,237)	(699,517)	(848,020)
Borrowings on unsecured line of credit	380,000	745,000	580,000
Repayments of unsecured line of credit	(380,000)	(790,000)	(535,000)
Proceeds from unsecured term loan	—	500,000	—
Repayments of mezzanine notes payable	—	—	(306,000)
Repayments of outside members' notes payable	—	—	(70,424)
Payments on finance lease obligations	(502)	(1,353)	(493)
Payments on real estate financing transactions	—	(960)	(2,840)
Deposit on mortgage note payable interest rate lock	—	—	(23,200)
Return of deposit on mortgage note payable interest rate lock	—	—	23,200
Deferred financing costs	(13,213)	(8,362)	(50,705)
Debt prepayment and extinguishment costs	(28,716)	(15,973)	(12,784)
Net proceeds from equity transactions	13,710	(730)	241
Distributions	(666,294)	(587,628)	(526,578)
Contributions from noncontrolling interests in property partnerships	35,816	46,701	52,009
Distributions to noncontrolling interests in property partnerships	(69,913)	(82,501)	(54,342)
Acquisition of noncontrolling interest in property partnership	(186,963)	—	—
Net cash (used in) provided by financing activities	(113,379)	82,453	55,346
Net increase in cash and cash equivalents and cash held in escrows	52,695	133,822	85,281
Cash and cash equivalents and cash held in escrows, beginning of year	639,191	505,369	420,088
Cash and cash equivalents and cash held in escrows, end of year	<u>\$ 691,886</u>	<u>\$ 639,191</u>	<u>\$ 505,369</u>
Reconciliation of cash and cash equivalents and cash held in escrows:			
Cash and cash equivalents, beginning of period	\$ 543,359	\$ 434,767	\$ 356,914
Cash held in escrows, beginning of period	95,832	70,602	63,174
Cash and cash equivalents and cash held in escrows, beginning of period	<u>\$ 639,191</u>	<u>\$ 505,369</u>	<u>\$ 420,088</u>
Cash and cash equivalents, end of period	\$ 644,950	\$ 543,359	\$ 434,767
Cash held in escrows, end of period	46,936	95,832	70,602
Cash and cash equivalents and cash held in escrows, end of period	<u>\$ 691,886</u>	<u>\$ 639,191</u>	<u>\$ 505,369</u>
Supplemental disclosures:			
Cash paid for interest	\$ 439,059	\$ 416,019	\$ 598,486
Interest capitalized	<u>\$ 54,911</u>	<u>\$ 65,766</u>	<u>\$ 61,070</u>

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2019	2018	2017
	(in thousands)		
Non-cash investing and financing activities:			
Write-off of fully depreciated real estate	\$ (129,253)	\$ (135,431)	\$ (123,714)
Change in real estate included in accounts payable and accrued expenses	\$ 89,245	\$ (44,866)	\$ 27,978
Real estate acquired through capital lease	\$ —	\$ 12,397	\$ 28,962
Right-of-use assets obtained in exchange for lease liabilities	\$ 287,540	\$ —	\$ —
Prepaid rent reclassified to right of use asset	\$ 15,000	\$ —	\$ —
Building and other capital improvements deconsolidated	\$ (12,767)	\$ —	\$ —
Right of use asset - finance lease deconsolidated	\$ (135,004)	\$ —	\$ —
Investment in unconsolidated joint venture recorded on deconsolidation	\$ 29,246	\$ —	\$ —
Lease liability - finance lease deconsolidated	\$ 119,534	\$ —	\$ —
Outside members' notes payable contributed to noncontrolling interests in property partnerships	\$ —	\$ —	\$ 109,576
Distributions declared but not paid	\$ 170,713	\$ 165,114	\$ 139,040
Conversions of redeemable partnership units to partners' capital	\$ 4,885	\$ 2,880	\$ 16,916
Issuance of restricted securities to employees and directors	\$ 37,622	\$ 37,052	\$ 35,989

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

BOSTON PROPERTIES, INC. AND BOSTON PROPERTIES LIMITED PARTNERSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Boston Properties, Inc., a Delaware corporation, is a fully integrated, self-administered and self-managed real estate investment trust (“REIT”). Boston Properties, Inc. is the sole general partner of Boston Properties Limited Partnership, its operating partnership and at December 31, 2019 owned an approximate 89.6% (89.7% at December 31, 2018) general and limited partnership interest in Boston Properties Limited Partnership. Unless stated otherwise or the context requires, the “Company” refers to Boston Properties, Inc. and its subsidiaries, including Boston Properties Limited Partnership and its consolidated subsidiaries. Partnership interests in Boston Properties Limited Partnership include:

- common units of partnership interest (also referred to as “OP Units”),
- long term incentive units of partnership interest (also referred to as “LTIP Units”), and
- preferred units of partnership interest (also referred to as “Preferred Units”).

Unless specifically noted otherwise, all references to OP Units exclude units held by Boston Properties, Inc. A holder of an OP Unit may present such OP Unit to Boston Properties Limited Partnership for redemption at any time (subject to restrictions agreed upon at the time of issuance of OP Units to particular holders that may restrict such redemption right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, Boston Properties Limited Partnership is obligated to redeem the OP Unit for cash equal to the value of a share of common stock of Boston Properties, Inc. (“Common Stock”). In lieu of a cash redemption, Boston Properties, Inc. may elect to acquire the OP Unit for one share of Common Stock. Because the number of shares of Common Stock outstanding at all times equals the number of OP Units that Boston Properties, Inc. owns, one share of Common Stock is generally the economic equivalent of one OP Unit, and the quarterly distribution that may be paid to the holder of an OP Unit equals the quarterly dividend that may be paid to the holder of a share of Common Stock.

The Company uses LTIP Units as a form of equity-based award for annual long-term incentive equity compensation. The Company has also issued LTIP Units to employees in the form of (1) 2012 outperformance plan awards (“2012 OPP Units”) and (2) 2013, 2014, 2015, 2016, 2017, 2018 and 2019 multi-year, long-term incentive program awards (also referred to as “MYLTIP Units”), each of which, upon the satisfaction of certain performance and vesting conditions, is convertible into one OP Unit. The three-year measurement periods for the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units, 2015 MYLTIP Units and 2016 MYLTIP Units expired on February 6, 2015, February 4, 2016, February 3, 2017, February 4, 2018 and February 9, 2019, respectively, and Boston Properties, Inc.’s total stockholder return (“TSR”) was sufficient for employees to earn and therefore become eligible to vest in a portion of the awards. Unless and until they are earned, the rights, preferences and privileges of the 2017 MYLTIP Units, 2018 MYLTIP Units and 2019 MYLTIP Units differ from other LTIP Units granted to employees (including the 2012 OPP Units, the 2013 MYLTIP Units, the 2014 MYLTIP Units, the 2015 MYLTIP Units and the 2016 MYLTIP Units, which have been earned). Therefore, unless specifically noted otherwise, all references to LTIP Units exclude the 2017 MYLTIP Units, 2018 MYLTIP Units and 2019 MYLTIP Units. LTIP Units (including the earned 2012 OPP Units, the 2013 MYLTIP Units, the 2014 MYLTIP Units, the 2015 MYLTIP Units and 2016 MYLTIP Units), whether vested or not, will receive the same quarterly per unit distributions as OP Units, which equal per share dividends on Common Stock (See Notes 10, 16 and 19).

At December 31, 2019, there was one series of Preferred Units outstanding (i.e., Series B Preferred Units). The Series B Preferred Units were issued to Boston Properties, Inc. on March 27, 2013 in connection with the issuance of 80,000 shares (8,000,000 depository shares each representing 1/100th of a share) of 5.25% Series B Cumulative Redeemable Preferred Stock (the “Series B Preferred Stock”). Boston Properties, Inc. contributed the net proceeds from the offering to Boston Properties Limited Partnership in exchange for 80,000 Series B Preferred Units having terms and preferences generally mirroring those of the Series B Preferred Stock (See Note 11).

Properties

At December 31, 2019, the Company owned or had interests in a portfolio of 196 commercial real estate properties (the “Properties”) aggregating approximately 52.0 million net rentable square feet of primarily Class A office properties, including 11 properties under construction/redevelopment totaling approximately 5.5 million net rentable square feet. At December 31, 2019, the Properties consisted of:

- 177 office properties (including nine properties under construction/redevelopment);
- twelve retail properties;
- six residential properties (including two properties under construction); and
- one hotel.

The Company considers Class A office properties to be well located buildings that are professionally managed and maintained, attract high-quality tenants and command upper-tier rental rates, and that are modern structures or have been modernized to compete with newer buildings.

Basis of Presentation

The accompanying consolidated financial statements are presented using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Boston Properties, Inc. does not have any other significant assets, liabilities or operations, other than its investment in Boston Properties Limited Partnership, nor does it have employees of its own. Boston Properties Limited Partnership, not Boston Properties, Inc., generally executes all significant business relationships other than transactions involving securities of Boston Properties, Inc. All majority-owned subsidiaries and joint ventures over which the Company has financial and operating control and variable interest entities (“VIEs”) in which the Company has determined it is the primary beneficiary are included in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. The Company accounts for all other unconsolidated joint ventures using the equity method of accounting. Accordingly, the Company’s share of the earnings of these joint ventures and companies is included in consolidated net income.

Variable Interest Entities (VIEs)

Consolidated VIEs are those for which the Company is considered to be the primary beneficiary of a VIE. The primary beneficiary is the entity that has a controlling financial interest in the VIE, which is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the VIE’s performance and (2) the obligation to absorb losses or the right to receive the returns from the VIE that could potentially be significant to the VIE. The Company has determined that it is the primary beneficiary for six of the eight entities that are VIEs (see “*New Accounting Pronouncements Issued but not yet Adopted—Consolidation*” within Note 2).

Consolidated Variable Interest Entities

As of December 31, 2019, Boston Properties, Inc. has identified six consolidated VIEs, including Boston Properties Limited Partnership. Excluding Boston Properties Limited Partnership, the VIEs consisted of the following five in-service properties: 767 Fifth Avenue (the General Motors Building), Time Square Tower, 601 Lexington Avenue, Atlantic Wharf Office Building and 100 Federal Street.

The Company consolidates these VIEs because it is the primary beneficiary. The third parties’ interests in these consolidated entities (i.e., excluding Boston Properties Limited Partnership’s interest) are reflected as noncontrolling interest in property partnerships in the accompanying Consolidated Financial Statements (See Note 10).

In addition, Boston Properties, Inc.’s only significant asset is its investment in Boston Properties Limited Partnership and, consequently, substantially all of Boston Properties, Inc.’s assets and liabilities are the assets and liabilities of Boston Properties Limited Partnership.

Variable Interest Entities Not Consolidated

The Company has determined that Platform 16 Holdings LP and the landlord entity for its Platform 16 ground lease are VIEs. The Company does not consolidate these entities as the Company does not have the power to direct the activities that, when taken together, most significantly impact the VIE’s performance and, therefore, the Company is not considered to be the primary beneficiary.

2. Summary of Significant Accounting Policies

Real Estate

Upon acquisitions of real estate, the Company assesses whether the transaction should be accounted for as an asset acquisition or as a business combination by applying a screen to determine whether the integrated set of assets and activities acquired meets the definition of a business. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. The Company's acquisitions of real estate or in-substance real estate generally will not meet the definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

The Company assesses the fair value of acquired tangible and intangible assets (including land, buildings, tenant improvements, "above-" and "below-market" leases, leasing and assumed financing origination costs, acquired in-place leases, other identified intangible assets and assumed liabilities) and allocates the purchase price to the acquired assets and assumed liabilities, including land and buildings as if vacant. The Company assesses fair value based on estimated cash flow projections that utilize discount and/or capitalization rates that it deems appropriate, as well as available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known and anticipated trends, and market and economic conditions.

The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant. The Company also considers an allocation of purchase price of other acquired intangibles, including acquired in-place leases that may have a customer relationship intangible value, including (but not limited to) the nature and extent of the existing relationship with the tenants, the tenants' credit quality and expectations of lease renewals. Based on its acquisitions to date, the Company's allocation to customer relationship intangible assets has been immaterial.

The Company records acquired "above-" and "below-market" leases at their fair values (using a discount rate which reflects the risks associated with the leases acquired) equal to the difference between (1) the contractual amounts to be paid pursuant to each in-place lease and (2) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. Acquired "above-" and "below-market" lease values have been reflected within Prepaid Expenses and Other Assets and Other Liabilities, respectively, in the Company's Consolidated Balance Sheets. Other intangible assets acquired include amounts for in-place lease values that are based on the Company's evaluation of the specific characteristics of each tenant's lease. Factors to be considered include estimates of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, the Company considers leasing commissions, legal and other related expenses.

Management reviews its long-lived assets for impairment following the end of each quarter and when there is an event or change in circumstances that indicates carrying amounts may not be recoverable. An impairment loss is recognized if the carrying amount of an asset is not recoverable and exceeds its fair value. The evaluation of anticipated cash flows is subjective and is based in part on assumptions regarding anticipated hold periods, future occupancy, future rental rates, future capital requirements, discount rates and capitalization rates that could differ materially from actual results in future periods. Because cash flows on properties considered to be "long-lived assets to be held and used" are considered on an undiscounted basis to determine whether an asset has been impaired, the Company's established strategy of holding properties over the long term directly decreases the likelihood of recording an impairment loss. If the Company's strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized and such loss could be material. If the Company determines that an impairment has occurred, the affected assets must be reduced to their fair value.

Guidance in Accounting Standards Codification ("ASC") 360 "Property Plant and Equipment" ("ASC 360") requires that qualifying assets and liabilities and the results of operations that have been sold, or otherwise qualify as "held for sale," be presented as discontinued operations in all periods presented if the property operations are expected to be eliminated and the Company will not have significant continuing involvement following the sale. Discontinued operations presentation applies only to disposals representing a strategic shift that has (or will have) a major effect on an entity's operations and financial results (e.g., a disposal of a major geographical area, a major line of business, a

major equity method investment or other major parts of an entity). The components of the property's net income that are reflected as discontinued operations include the net gain (or loss) upon the disposition of the property held for sale, operating results, depreciation and interest expense (if the property is subject to a secured loan). The Company generally considers assets to be "held for sale" when the transaction has been approved by Boston Properties, Inc.'s Board of Directors, or a committee thereof, and there are no known significant contingencies relating to the sale, such that a sale of the property within one year is considered probable. Following the classification of a property as "held for sale," no further depreciation is recorded on the assets, and the asset is written down to the lower of carrying value or fair market value, less cost to sell.

Real estate is stated at depreciated cost. A variety of costs are incurred in the acquisition, development and leasing of properties. The cost of buildings and improvements includes the purchase price of property, legal fees and other acquisition costs. The Company capitalizes acquisition costs that it incurs to effect an asset acquisition and expenses acquisition costs that it incurs to effect a business combination, including legal, due diligence and other closing related costs. Costs directly related to the development of properties are capitalized. Capitalized development costs include interest, internal wages, property taxes, insurance, and other project costs incurred during the period of development. After the determination is made to capitalize a cost, it is allocated to the specific component of the project that benefited from the investment. Determination of when a development project commences and capitalization begins, and when a development project is substantially complete and held available for occupancy and capitalization must cease, involves a degree of judgment. The Company's capitalization policy on development properties follows the guidance in ASC 835-20 "Capitalization of Interest" and ASC 970 "Real Estate-General." The costs of land and buildings under development include specifically identifiable costs.

Capitalized costs include pre-construction costs necessary to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. The Company begins the capitalization of costs during the pre-construction period, which it defines as activities that are necessary for the development of the property. The Company considers a construction project as substantially complete and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. The Company ceases capitalization on the portion (1) substantially completed, (2) occupied or held available for occupancy, and capitalizes only those costs associated with the portion under construction or (3) if activities necessary for the development of the property have been suspended. Interest costs capitalized for the years ended December 31, 2019, 2018 and 2017 were approximately \$54.9 million, \$65.8 million and \$61.1 million, respectively. Salaries and related costs capitalized for the years ended December 31, 2019, 2018 and 2017 were approximately \$10.4 million, \$12.5 million and \$13.2 million, respectively.

Expenditures for repairs and maintenance are charged to operations as incurred. Significant betterments are capitalized. When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in net income or loss for the period.

The Company computes depreciation and amortization on properties using the straight-line method based on estimated useful asset lives. The Company allocates the acquisition cost of real estate to its components and depreciates or amortizes these assets (or liabilities) over their useful lives. The amortization of acquired "above-" and "below-market" leases and acquired in-place leases is recorded as an adjustment to revenue and depreciation and amortization, respectively, in the Consolidated Statements of Operations.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	25 to 40 years
Buildings and improvements	10 to 40 years
Tenant improvements	Shorter of useful life or terms of related lease
Furniture, fixtures, and equipment	3 to 7 years

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and investments with maturities of three months or less from the date of purchase. The majority of the Company's cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit of \$250,000.

Cash Held in Escrows

Escrows include amounts established pursuant to various agreements for security deposits, property taxes, insurance and other costs. Escrows also include cash held by qualified intermediaries for possible investments in like-kind exchanges in accordance with Section 1031 of the Internal Revenue Code, as amended (the “Code”), in connection with sales of the Company’s properties.

Investments in Securities

The Company accounts for investments in equity securities at fair value, with gains or losses resulting from changes in fair value recognized currently in earnings. The Company maintains deferred compensation plans that are designed to allow officers and non-employee directors of Boston Properties, Inc. to defer a portion of the officer’s current income or the non-employee director’s current compensation on a pre-tax basis and receive a tax-deferred return on these deferrals based on the performance of specific investments selected by the officer or non-employee director. The Company’s obligation under the plans is that of an unsecured promise to pay the deferred compensation to the plan participants in the future. At December 31, 2019 and 2018, the Company had maintained approximately \$36.7 million and \$28.2 million, respectively, in separate accounts, which are not restricted as to their use. The Company recognized gains (losses) of approximately \$6.4 million, \$(1.9) million and \$3.7 million on its investments in the accounts associated with the Company’s deferred compensation plans during the years ended December 31, 2019, 2018 and 2017, respectively.

Tenant and Other Receivables

Tenant and other accounts receivable, other than accrued rents receivable, are expected to be collected within one year.

Notes Receivable

The Company accounts for notes receivable at their unamortized cost, net of any unamortized deferred fees or costs, premiums or discounts and an allowance for loan losses (see “*New Accounting Pronouncements Issued but not yet Adopted—Financial Instruments - Credit Losses*”). Loan fees and direct costs associated with loans originated by the Company are deferred and amortized over the term of the note as interest income.

Deferred Charges

Deferred charges include leasing costs and certain financing fees. Leasing costs include acquired intangible in-place lease values and direct and incremental fees and costs incurred in the successful negotiation of leases, including brokerage and other costs which have been deferred and are being amortized on a straight-line basis over the terms of the respective leases. Unamortized leasing costs are charged to expense upon the early termination of the lease. Fully amortized deferred leasing costs are removed from the books upon the expiration of the lease. The Company did not capitalize any external legal costs and internal leasing salaries and related costs for the year ended December 31, 2019 (see “*New Accounting Pronouncements Adopted—Leases*”). Internal leasing salaries and related costs capitalized for the years ended December 31, 2018 and 2017 were approximately \$5.4 million and \$5.0 million, respectively. Financing fees included in deferred charges consist of external fees and costs incurred to obtain the Company’s revolving facility and if applicable, the delayed draw facility and construction financing arrangements where there are not sufficient amounts outstanding. Such financing costs have been deferred and are being amortized over the terms of the respective financing and included within interest expense. Unamortized financing costs are charged to expense upon the early repayment or significant modification of the financing. Fully amortized deferred financing costs are removed from the books upon the maturity of the debt.

External fees and costs incurred to obtain mortgage financings and unsecured senior notes have been deferred and are presented as direct deductions from the carrying amounts of the corresponding debt liability. Such financing costs are being amortized over the terms of the respective financing and included within interest expense. Unamortized financing costs are charged to expense upon the early repayment or significant modification of the financing.

Investments in Unconsolidated Joint Ventures

The Company consolidates VIEs in which it is considered to be the primary beneficiary. VIEs are entities in which the equity investors do not have sufficient equity at risk to finance their endeavors without additional financial support or that the holders of the equity investment at risk do not have substantive participating rights. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken

together, most significantly impact the variable interest entity's performance, and (2) the obligation to absorb losses and the right to receive the returns from the variable interest entity that could potentially be significant to the VIE. For ventures that are not VIEs, the Company consolidates entities for which it has significant decision making control over the ventures' operations. The Company's judgment with respect to its level of influence or control of an entity involves the consideration of various factors including the form of the Company's ownership interest, its representation in the entity's governance, the size of its investment (including loans), estimates of future cash flows, its ability to participate in policy making decisions and the rights of the other investors to participate in the decision making process and to replace the Company as manager and/or liquidate the venture, if applicable. The Company's assessment of its influence or control over an entity affects the presentation of these investments in the Company's consolidated financial statements. In addition to evaluating control rights, the Company consolidates entities in which the outside partner has no substantive kick-out rights to remove the Company as the managing member.

Accounts of the consolidated entity are included in the accounts of the Company and the noncontrolling interest is reflected on the Consolidated Balance Sheets as a component of equity or in temporary equity between liabilities and equity. Investments in unconsolidated joint ventures are recorded initially at cost, and subsequently adjusted for equity in earnings and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in earnings of unconsolidated joint ventures over the life of the related asset. Under the equity method of accounting, the net equity investment of the Company is reflected within the Consolidated Balance Sheets, and the Company's share of net income or loss from the joint ventures is included within the Consolidated Statements of Operations. The joint venture agreements may designate different percentage allocations among investors for profits and losses; however, the Company's recognition of joint venture income or loss generally follows the joint venture's distribution priorities, which may change upon the achievement of certain investment return thresholds. The Company may account for cash distributions in excess of its investment in an unconsolidated joint venture as income when the Company is not the general partner in a limited partnership and when the Company has neither the requirement nor the intent to provide financial support to the joint venture. The Company classifies distributions received from equity method investees within its Consolidated Statements of Cash Flows using the nature of the distribution approach, which classifies the distributions received on the basis of the nature of the activity or activities of the investee that generated the distribution as either a return on investment (classified as cash inflows from operating activities) or a return of investment (classified as cash inflows from investing activities). The Company's investments in unconsolidated joint ventures are reviewed for impairment periodically and the Company records impairment charges when events or circumstances change indicating that a decline in the fair values below the carrying amounts has occurred and such decline is other-than-temporary. The evaluation of fair value is subjective and is based in part on assumptions regarding future occupancy, future rental rates, future capital requirements, discount rates and capitalization rates that could differ materially from actual results in future periods. The ultimate realization of the investment in unconsolidated joint ventures is dependent on a number of factors, including the performance of each investment and market conditions. The Company will record an impairment charge if it determines that a decline in the fair value below the carrying amount of an investment in an unconsolidated joint venture is other-than-temporary.

To the extent that the Company contributed assets to a joint venture, the Company's investment in the joint venture was recorded at the Company's cost basis in the assets that were contributed to the joint venture. To the extent that the Company's cost basis is different than the basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in the Company's share of equity in net income of the joint venture. In accordance with the provisions of ASC 610-20 "Gains and Losses from the Derecognition of Nonfinancial Assets" ("ASC 610-20"), the Company will recognize a full gain on both the retained and sold portions of real estate contributed or sold to a joint venture by recognizing its new equity method investment interest at fair value.

The combined summarized financial information of the unconsolidated joint ventures is disclosed in Note 5.

Revenue Recognition

In general, the Company commences lease/rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. Contractual lease/rental revenue is reported on a straight-line basis over the terms of the respective leases. The impact of the straight-line rent adjustment increased revenue by approximately \$58.4 million, \$51.9 million and \$54.8 million for the years ended December 31, 2019, 2018 and 2017, respectively, as the revenue recorded exceeded amounts billed. Accrued rental income, as reported on the Consolidated Balance Sheets, represents cumulative lease/rental income earned in excess of rent payments received pursuant to the terms of the individual lease agreements. The Company maintains an allowance against accrued rental income for future potential tenant credit losses. The credit assessment is based on the

estimated accrued rental income that is recoverable over the term of the lease. The Company also maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required rent payments. The computation of this allowance is based on the tenants' payment history and current credit status, as well as certain industry or geographic specific credit considerations. If the Company's estimates of collectability differ from the cash received, then the timing and amount of the Company's reported revenue could be impacted. The credit risk is mitigated by the high quality of the Company's existing tenant base, reviews of prospective tenants' risk profiles prior to lease execution and consistent monitoring of the Company's portfolio to identify potential problem tenants.

In accordance with ASC 805, the Company recognizes acquired in-place "above-" and "below-market" leases at their fair values as rental revenue over the original term of the respective leases. The impact of the acquired in-place "above-" and "below-market" leases increased revenue by approximately \$20.9 million, \$23.8 million and \$23.5 million for the years ended December 31, 2019, 2018 and 2017, respectively. The following table summarizes the scheduled amortization of the Company's acquired "above-" and "below-market" lease intangibles for each of the five succeeding years (in thousands).

	Acquired Above-Market Lease Intangibles	Acquired Below-Market Lease Intangibles
2020	\$ 5,440	\$ 10,673
2021	3,054	6,455
2022	357	5,699
2023	183	5,558
2024	135	4,043

Recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, are recognized as revenue in the period during which the expenses are incurred (see "*New Accounting Pronouncements Adopted—Leases*"). The Company recognizes these reimbursements on a gross basis, as the Company obtains control of the goods and services before they are transferred to the tenant. The Company also receives reimbursements of payroll and payroll related costs from unconsolidated joint venture entities and third party property owners in connection with management services contracts which the Company reflects on a gross basis instead of on a net basis as the Company has determined that it is the principal and not the agent under these arrangements in accordance with the guidance in ASC 606 "Revenue from Contracts with Customers" ("ASC 606").

The Company's parking revenue is derived primarily from monthly and transient daily parking. In addition, the Company has certain lease arrangements for parking accounted for under the guidance in ASC 842 "Leases" ("ASC 842"). The monthly and transient daily parking revenue falls within the scope of ASC 606 and is accounted for at the point in time when control of the goods or services transfers to the customer and the Company's performance obligation is satisfied.

The Company's hotel revenue is derived from room rentals and other sources such as charges to guests for telephone service, movie and vending commissions, meeting and banquet room revenue and laundry services. Hotel revenue is recognized as the hotel rooms are occupied and the services are rendered to the hotel customers.

The Company earns management and development fees. Development and management services revenue is earned from unconsolidated joint venture entities and third-party property owners. The Company determined that the performance obligations associated with its development services contracts are satisfied over time and that the Company would recognize its development services revenue under the output method evenly over time from the development commencement date through the substantial completion date of the development management services project due to the stand-ready nature of the contracts. Significant judgments impacting the amount and timing of revenue recognized from the Company's development services contracts include estimates of total development project costs from which the fees are typically derived and estimates of the period of time until substantial completion of the development project, the period of time over which the development services are required to be performed. The Company recognizes development fees earned from unconsolidated joint venture projects equal to its cost plus profit to the extent of the third party partners' ownership interest. Property management fees are recorded and earned based on a percentage of collected rents at the properties under management, and not on a straight-line basis, because such fees are contingent upon the collection of rents.

Gains on sales of real estate are recognized pursuant to the provisions included in ASC 610-20. Under ASC 610-20, the Company must first determine whether the transaction is a sale to a customer or non-customer. The Company typically sells real estate on a selective basis and not within the ordinary course of its business and therefore expects that its sale transactions will not be contracts with customers. The Company next determines whether it has a controlling financial interest in the property after the sale, consistent with the consolidation model in ASC 810 "Consolidation" ("ASC 810"). If the Company determines that it does not have a controlling financial interest in the real estate, it evaluates whether a contract exists under ASC 606 and whether the buyer has obtained control of the asset that was sold. The Company recognizes a full gain on sale of real estate when the derecognition criteria under ASC 610-20 have been met.

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income available to common shareholders, as adjusted for undistributed earnings (if any) of certain securities issued by Boston Properties Limited Partnership, by the weighted average number of shares of Common Stock outstanding during the year. Diluted EPS reflects the potential dilution that could occur from shares issuable in connection with awards under stock-based compensation plans, including upon the exercise of stock options, and securities of Boston Properties Limited Partnership that are exchangeable for Common Stock.

Earnings Per Common Unit

Basic earnings per common unit is computed by dividing net income available to common unitholders, as adjusted for undistributed earnings (if any) of certain securities issued by Boston Properties Limited Partnership, by the weighted average number of common units outstanding during the year. Diluted earnings per common unit reflects the potential dilution that could occur from units issuable in connection with awards under Boston Properties, Inc.'s stock-based compensation plans, including upon the exercise of stock options, and conversion of preferred units of Boston Properties Limited Partnership.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, marketable securities, escrows, receivables, accounts payable, accrued expenses and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments.

The Company follows the authoritative guidance for fair value measurements when valuing its financial instruments for disclosure purposes. Boston Properties Limited Partnership determines the fair value of its unsecured senior notes using market prices. The inputs used in determining the fair value of Boston Properties Limited Partnership's unsecured senior notes is categorized at a Level 1 basis (as defined in ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820")) due to the fact that it uses quoted market rates to value these instruments. However, the inputs used in determining the fair value could be categorized at a Level 2 basis (as defined in ASC 820) if trading volumes are low. The Company determines the fair value of its related party note receivable, note receivable and mortgage notes payable using discounted cash flow analysis by discounting the spread between the future contractual interest payments and hypothetical future interest payments on note receivables / mortgage debt based on current market rates for similar securities. In determining the current market rates, the Company adds its estimates of market spreads to the quoted yields on federal government treasury securities with similar maturity dates to its debt. The inputs used in determining the fair value of the Company's related party note receivable, note receivable, and mortgage notes payable are categorized at a Level 3 basis (as defined in ASC 820) due to the fact that the Company considers the rates used in the valuation techniques to be unobservable inputs. To the extent that there are outstanding borrowings under the unsecured line of credit or unsecured term loan, the Company utilizes a discounted cash flow methodology in order to estimate the fair value. To the extent that credit spreads have changed since the origination, the net present value of the difference between future contractual interest payments and future interest payments based on the Company's estimate of a current market rate would represent the difference between the book value and the fair value. The Company's estimate of a current market rate is based upon the rate, considering current market conditions and Boston Properties Limited Partnership's specific credit profile, at which it estimates it could obtain similar borrowings. To the extent there are outstanding borrowings, this current market rate is estimated and therefore would be primarily based upon a Level 3 input (see "*New Accounting Pronouncements Issued but not yet Adopted—Fair Value Measurement*").

Because the Company's valuations of its financial instruments are based on these types of estimates, the actual fair values of its financial instruments may differ materially if the Company's estimates do not prove to be accurate, and the Company's estimated fair values for these instruments as of the end of the applicable reporting period are not necessarily indicative of estimated or actual fair values in future reporting periods. The following table presents the aggregate carrying value of the Company's related party note receivable, note receivable, mortgage notes payable, net, unsecured senior notes, net, unsecured line of credit and unsecured term loan, net and the Company's corresponding estimate of fair value as of December 31, 2019 and December 31, 2018 (in thousands):

	December 31, 2019		December 31, 2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Related party note receivable	\$ 80,000	\$ 81,931	\$ 80,000	\$ 80,000
Note receivable	15,920	14,978	19,468	19,468
Total	<u>\$ 95,920</u>	<u>\$ 96,909</u>	<u>\$ 99,468</u>	<u>\$ 99,468</u>
Mortgage notes payable, net	\$ 2,922,408	\$ 2,984,956	\$ 2,964,572	\$ 2,903,925
Unsecured senior notes, net	8,390,459	8,826,375	7,544,697	7,469,338
Unsecured line of credit	—	—	—	—
Unsecured term loan, net	498,939	500,561	498,488	500,783
Total	<u>\$ 11,811,806</u>	<u>\$ 12,311,892</u>	<u>\$ 11,007,757</u>	<u>\$ 10,874,046</u>

The Company uses interest rate swap agreements to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. To comply with the provisions of ASC 820, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although the Company determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. The Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Derivative Instruments and Hedging Activities

Derivative instruments and hedging activities require management to make judgments on the nature of its derivatives and their effectiveness as hedges. These judgments determine if the changes in fair value of the derivative instruments are reported in the Consolidated Statements of Operations as a component of net income or as a component of comprehensive income and as a component of equity on the Consolidated Balance Sheets. While management believes its judgments are reasonable, a change in a derivative's effectiveness as a hedge could materially affect expenses, net income and equity. The Company accounts for both the effective and ineffective portions of changes in the fair value of a derivative in other comprehensive income (loss) and subsequently reclassifies the fair value of the derivative to earnings over the term that the hedged transaction affects earnings and in the same line item as the hedged transaction within the statements of operations.

Stock-Based Employee Compensation Plans

At December 31, 2019, the Company has a stock-based employee compensation plan. The Company accounts for the plan under the guidance in ASC 718 "Compensation – Stock Compensation" ("ASC 718"), which revised the fair value based method of accounting for share-based payment liabilities, forfeitures and modifications of stock-based awards and clarified previous guidance in several areas, including measuring fair value, classifying an award as equity or as a liability and attributing compensation cost to reporting periods.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates include such items as depreciation and allowances for doubtful accounts. Actual results could differ from those estimates.

Out-of-Period Adjustment

During the year ended December 31, 2019, the Company recorded a change in the balance sheet classification of deferred stock units held by non-employee directors of Boston Properties, Inc. that are outstanding under Boston Properties, Inc.'s 1997 Stock Option and Incentive Plan and 2012 Stock Option and Incentive Plan (the "Plans"). The reclassification resulted from a modification to the terms of the non-employee director compensation program to provide, subject to certain conditions, the non-employee directors holding these units with the ability to elect, following cessation of their service on the Company's Board of Directors, to diversify their investment elections into non-employer securities, which will ultimately be settled in cash. The modification required a change to the classification of these deferred stock units from permanent equity to temporary equity on the Consolidated Balance Sheets of Boston Properties, Inc. and Boston Properties Limited Partnership within Redeemable Deferred Stock Units. During the year ended December 31, 2019, the Company recorded a change in the balance sheet classification of certain deferred stock units outstanding to correct the approximately \$8.4 million overstatement of each of Additional Paid-in Capital of Boston Properties, Inc. and Partners' Capital of Boston Properties Limited Partnership, the approximately \$8.1 million understatement of each of Redeemable Deferred Stock Units of Boston Properties, Inc. and Boston Properties Limited Partnership, and the approximately \$0.3 million understatement of each of Accounts Payable and Accrued Expenses of Boston Properties, Inc. and Boston Properties Limited Partnership in the year ended December 31, 2018. Because this adjustment was not material to the prior year's consolidated financial statements and the impact of recording the adjustment in the year ended December 31, 2019 was not material to Boston Properties, Inc.'s or Boston Properties Limited Partnership's consolidated financial statements, the Company recorded the related adjustment during the year ended December 31, 2019. The out-of-period adjustment was identified and recorded during the three months ended September 30, 2019.

New Accounting Pronouncements Adopted

Leases

General Adoption

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease for accounting purposes is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to the prior guidance in ASC 840 - "Leases" ("Topic 840"). ASU 2016-02 requires lessors to account for leases using an approach that is substantially equivalent to Topic 840 for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes previous leasing standards.

On July 30, 2018, the FASB issued ASU 2018-11, "Leases (Topic 842): Targeted Improvements" ("ASU 2018-11"), that (1) simplifies transition requirements for both lessees and lessors by adding an option that permits an organization to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in its financial statements and (2) allows lessors to elect, as a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the revenue guidance in ASC 606 that was adopted on January 1, 2018, and both of the following are met:

- (1) the timing and pattern of transfer of the nonlease component(s) and associated lease components are the same; and
- (2) the lease component, if accounted for separately, would be classified as an operating lease.

If the nonlease component or components associated with the lease component are the predominant component of the combined component, an entity is required to account for the combined component in accordance with ASC 606.

The Company adopted ASU 2016-02 and ASU 2018-11 effective January 1, 2019. For purposes of transition, the Company elected the practical expedient package, which has been applied consistently to all of its leases, but did not elect the hindsight practical expedient. The practical expedient package did not require the Company to reassess the following: (i) whether an expired or existing contract meets the definition of a lease; (ii) the lease classification at the adoption date for existing leases; and (iii) whether costs previously capitalized as initial direct costs would continue to be amortized. This allows the Company to continue to account for its ground leases as operating leases. However, as of January 1, 2019, any new or modified ground leases may be classified as financing leases unless they meet certain conditions. The Company also elected to apply the transition provisions as of the adoption date, January 1, 2019, and not change its comparative statements. The Company recorded an adjustment to the opening balance of retained earnings related to initial direct costs that, as of January 1, 2019, had not started to amortize and are no longer allowed to be capitalized in accordance with ASU 2016-02, totaling approximately \$3.9 million to Dividends in Excess of Earnings of Boston Properties, Inc. and Partners' Capital of Boston Properties Limited Partnership, approximately \$0.4 million to Noncontrolling interests - Common Units of Boston Properties, Inc. and Noncontrolling Interest - Redeemable Partnership Units of Boston Properties Limited Partnership and \$70,000 to Noncontrolling Interests - Property Partnerships of Boston Properties, Inc. and Noncontrolling Interests in Property Partnerships of Boston Properties Limited Partnership on the corresponding Consolidated Balance Sheets.

The Company made the policy election, when it is the lessee, to not apply the revenue recognition requirements of Topic 842 to short-term leases. This policy election is made by class of underlying assets and as described below, the Company considers real estate to be a class of underlying assets, and will not be further delineating it into specific uses of the real estate asset as the risk profiles are similar in nature. The Company will recognize the lease payments in net income on a straight-line basis over the lease term.

Lease payments from operating leases are recognized on a straight-line basis over the term of the leases. The cumulative difference between lease revenue recognized under this method and the contractual lease payment terms is recorded as deferred rent receivable on the Company's Consolidated Balance Sheets. The Company reviews its trade accounts receivable, including its straight-line rent receivable, related to base rents, straight-line rent, expense reimbursements and other revenues for collectability. The Company analyzes its accounts receivable, customer creditworthiness and current economic trends when evaluating the adequacy of the collectability of the lessee's total accounts receivable balance on a lease-by-lease basis. In addition, tenants in bankruptcy are analyzed and considerations are made in connection with the expected recovery of pre-petition and post-petition claims. If a lessee's accounts receivable balance is considered uncollectible, the Company will write-off the receivable balances associated with the lease to Lease revenue and cease to recognize lease income, including straight-line rent, unless cash is received. If the Company subsequently determines that it is probable it will collect substantially all the remaining lessee's lease payments under the lease term, the Company will then reinstate the straight-line balance, adjusting for the amount related to the period when the lease payments were considered not probable. The Company's reported net earnings are directly affected by management's estimate of the collectability of its trade accounts receivable.

In January 2018, the FASB issued ASU 2018-01, "Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842" ("ASU 2018-01"), which provides an optional transition practical expedient to not evaluate, under Topic 842, existing or expired land easements that were not previously accounted for as leases under the leases guidance in Topic 840. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date that the entity adopts Topic 842. An entity that does not elect this practical expedient should evaluate all existing or expired land easements in connection with the adoption of the new lease requirements in Topic 842 to assess whether they meet the definition of a lease. The effective date and transition requirements for ASU 2018-01 are the same as the effective date and transition requirements in ASU 2016-02. The Company adopted ASU 2018-01 on January 1, 2019.

Lessee

For leases in which the Company is the lessee (generally ground leases), on January 1, 2019, the Company recognized a right-of-use asset and a lease liability of approximately \$151.8 million and \$199.3 million, respectively. The lease liability was equal to the present value of the minimum lease payments in accordance with Topic ASC 840. In addition, the Company did not know the rate implicit in any of its ground leases that were classified as operating leases, and accordingly used the Company's incremental borrowing rate ("IBR") to determine the net present value of the minimum lease payments.

In order to determine the IBR, the Company utilized a market-based approach to estimate the incremental borrowing rate for each individual lease. The approach required significant judgment. Therefore, the Company utilized different data sets to estimate base IBRs via an analysis of the following weighted-components:

- the interpolated rates from yields on outstanding U.S. Treasury issuances for up to 30 years and for years 31 and beyond, longer-term publicly traded educational institution debt issued by high credit quality educational institutions with maturity dates up to 2116,
- observable mortgage rates spread over U.S. Treasury issuances, and
- unlevered property yields and discount rates.

The Company then applied adjustments to account for considerations related to term and interpolated the IBR.

The Company has four non-cancelable ground lease obligations, which were classified as operating leases, with various initial term expiration dates through 2114. The Company recognizes ground rent expense on a straight-line basis over the term of the respective ground lease agreements. None of the amounts disclosed below for these ground leases contain variable payments, extension options or residual value guarantees. One of the ground leases does have an extension option. However, lease payments for this ground lease are based on fair market value and as such have not been included in the analysis below.

The Company has four finance lease obligations with various initial term expiration dates through 2094, see Note 3.

The following table provides lease cost information for the Company's operating and finance leases for the year ended December 31, 2019 (in thousands):

Lease costs		
Operating lease costs	\$	14,573
Finance lease costs		
Amortization of right of use asset (1)	\$	29
Interest on lease liabilities (2)	\$	47

- (1) The finance leases relate to either land, buildings or assets that remain in development. For land leases classified as finance leases because of a purchase option that the Company views as an economic incentive, the Company follows its existing policy and does not depreciate land because it is assumed to have an indefinite life. For all other finance leases, the Company would amortize the right of use asset over the shorter of the useful life of the asset or the lease term. If the finance lease relates to a property under development, the amortization of the right of use asset may be eligible for capitalization. For assets under development, depreciation may commence once the asset is placed in-service and depreciation would be recognized in accordance with the Company's policy.
- (2) Three of the finance leases relate to assets under development and as such, the entire interest amount was capitalized.

The following table provides other quantitative information for the Company's operating and finance leases as of December 31, 2019:

	December 31, 2019
Other information	
Weighted-average remaining lease term (in years)	
Operating leases	51
Finance leases	71
Weighted-average discount rate	
Operating leases	5.7%
Finance leases	6.2%

The following table provides a maturity analysis for the Company's future contractual minimum lease payments to be made by the Company as of December 31, 2018, under non-cancelable ground leases which expire on various dates through 2114:

Years Ending December 31,	(in thousands)
2019	\$ 11,425
2020	18,425
2021	25,310
2022	8,894
2023	9,084
Thereafter	567,232

The following table provides a maturity analysis for the Company's future minimum lease payments, as of December 31, 2018, related to the four capital leases, through 2036:

Years Ending December 31,	(in thousands)
2019	\$ 1,441
2020	12,682
2021	2,123
2022	1,253
2023	944
Thereafter	73,241
Total expected minimum lease payments	91,684
Interest portion	(27,497)
Present value of expected net minimum lease payments	<u>\$ 64,187</u>

The following table provides a maturity analysis for the Company's lease liabilities related to its operating and finance leases as of December 31, 2019 (in thousands):

	Operating	Finance
2020	\$ 10,050	\$ 834
2021	24,973	5,960
2022	18,041	10,208
2023	10,322	9,708
2024 (1)	9,277	48,518
Thereafter	557,954	1,383,242
Total lease payments	630,617	1,458,470
Less: interest portion	(430,437)	(1,234,428)
Present value of lease payments	<u>\$ 200,180</u>	<u>\$ 224,042</u>

(1) Finance lease payments in 2024 include approximately \$38.7 million related to a purchase option that the Company is reasonably certain it will exercise.

Lessor

The Company leases primarily Class A office, retail and residential space to tenants. These leases may contain extension and termination options that are predominately at the sole discretion of the tenant, provided certain conditions are satisfied. In a few instances, the leases also contain purchase options, which would be exercisable at fair market value. Also, certain of the Company's leases include rental payments that are based on a percentage of the tenant sales in excess of contractual amounts.

ASU 2018-11 provides lessors a practical expedient to not separate nonlease components from the associated lease component if certain criteria stated above are met for each class of underlying assets. The guidance in Topic 842 defines “underlying asset” as “an asset that is the subject of a lease for which a right to use that asset has been conveyed to a lessee. The underlying asset could be a physically distinct portion of a single asset.” Based on the above guidance, the Company considers real estate assets as a class of underlying assets and will not be further delineating it into specific uses of the real estate asset as the risk profiles are similar in nature.

Lease components are elements of an arrangement that provide the customer with the right to use an identified asset. Nonlease components are distinct elements of a contract that are not related to securing the use of the leased asset and revenue is recognized in accordance with ASC 606. The Company considers common area maintenance (CAM) and service income associated with tenant work orders to be nonlease components because they represent delivery of a separate service but are not considered a cost of securing the identified asset. In the case of the Company’s business, the identified asset would be the leased real estate (office, retail or residential).

The Company assessed and concluded that the timing and pattern of transfer for nonlease components and the associated lease component are the same. The Company determined that the predominant component was the lease component and as such its leases will continue to qualify as operating leases and the Company has made a policy election to account for and present the lease component and the nonlease component as a single component in the revenue section of the Consolidated Statements of Operations labeled Lease. Prior to the adoption of Topic 842, nonlease components had been included within Recoveries from Tenants Revenue, Parking and Other Revenue and Development and Management Services Revenue on the Company’s Consolidated Statements of Operations.

In addition, under ASU 2016-02, lessors will only capitalize incremental direct leasing costs. As a result, starting January 1, 2019, the Company no longer capitalizes non-incremental legal costs and internal leasing wages. These costs are expensed as incurred. The expensing of these items is included within General and Administrative Expense on the Consolidated Statements of Operations.

The following table summarizes the components of lease revenue recognized during the year ended December 31, 2019 included within the Company’s Consolidated Statements of Operations (in thousands):

Lease Revenue	
Fixed contractual payments	\$ 2,261,260
Variable lease payments	496,754
	<u>\$ 2,758,014</u>

The Company’s properties are leased to tenants under operating leases with initial term expiration dates ranging from 2020 to 2049. For the future contractual lease payments to be received by the Company, refer to Note 12.

New Accounting Pronouncements Issued but not yet Adopted

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date by replacing the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2018, the FASB issued ASU 2018-19, “Codification Improvements to Topic 326, Financial Instruments - Credit Losses” (“ASU 2018-19”). ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of ASC 326-20, “Financial Instruments - Credit Losses - Measured at Amortized Cost,” which addresses financial assets measured at amortized cost basis, including net investments in leases arising from sales-type and direct financing leases. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842. ASU 2016-13 and ASU 2018-19 are effective for the Company for reporting periods beginning after December 15, 2019, with early adoption permitted. ASU 2016-13 and ASU 2018-19 are applicable to the Company with respect to (1) certain of its accounts receivable, except for amounts arising from operating leases accounted for under ASC 842, (2) its related party note receivable, (3) its note receivable and (4) certain of its off-balance sheet credit exposures. The Company adopted ASU 2016-13 and ASU 2018-19 effective January 1, 2020 using the modified retrospective approach. The

adoption of ASU 2016-13 and ASU 2018-19 did not have a material impact on the Company's consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 is intended to improve the effectiveness of disclosures required by entities regarding recurring and nonrecurring fair value measurements. ASU 2018-13 is effective for the Company for reporting periods beginning after December 15, 2019, with early adoption permitted. The adoption of ASU 2018-13 will not have a material impact on the Company's consolidated financial statements.

Derivatives and Hedging

In October 2018, the FASB issued ASU 2018-16, "Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes" ("ASU 2018-16"). ASU 2018-16 permits the use of the overnight index swap rate based on the Secured Overnight Financing Rate ("SOFR") to be used as a U.S. benchmark interest rate for purposes of applying hedge accounting under ASC 815. ASU 2018-16 is effective for the Company, which has already adopted ASU 2017-12, for reporting periods beginning after December 15, 2018 and is required to be adopted on a prospective basis for qualifying new or re-designated hedging relationships entered into on or after the date of adoption. The adoption of ASU 2018-16 will not have a material impact on the Company's consolidated financial statements.

Consolidation

In October 2018, the FASB issued ASU 2018-17, "Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities" ("ASU 2018-17"). ASU 2018-17 is intended to improve the accounting when considering indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests. ASU 2018-17 is effective for the Company for reporting periods beginning after December 15, 2019, with early adoption permitted. The adoption of ASU 2018-17 will not have a material impact on the Company's consolidated financial statements.

Boston Properties, Inc.

Equity Offering Costs

Underwriting commissions and offering costs have been reflected as a reduction of additional paid-in capital.

Treasury Stock

Boston Properties, Inc.'s share repurchases are reflected as treasury stock utilizing the cost method of accounting and are presented as a reduction to consolidated stockholders' equity.

Dividends

Earnings and profits, which determine the taxability of dividends to stockholders, will differ from income reported for financial reporting purposes due to the differences for federal income tax purposes in the treatment of gains/losses on the sale of real property, revenue and expense recognition, compensation expense, and in the estimated useful lives and basis used to compute depreciation.

The tax treatment of common dividends per share for federal income tax purposes is as follows:

	For the year ended December 31,					
	2019		2018		2017	
	Per Share	%	Per Share	%	Per Share	%
Ordinary income	\$ 2.99	94.84%	\$ 2.79	78.17%	\$ 2.86	98.29%
Capital gain income	0.16	5.16%	0.78	21.83%	0.05	1.71%
Total	\$ 3.15 (1)	100.00%	\$ 3.57 (2)	100.00%	\$ 2.91 (3)	100.00%

(1) The fourth quarter 2019 regular quarterly dividend was \$0.98 per common share of which approximately \$0.04 per common share was allocable to 2019 and approximately \$0.94 per common share is allocable to 2020.

- (2) The fourth quarter 2018 regular quarterly dividend was \$0.95 per common share of which approximately \$0.69 per common share was allocable to 2018 and approximately \$0.26 per common share is allocable to 2019.
- (3) The fourth quarter 2017 regular quarterly dividend was \$0.80 per common share of which approximately \$0.47 per common share was allocable to 2017 and approximately \$0.33 per common share is allocable to 2018.

Income Taxes

Boston Properties, Inc. has elected to be treated as a REIT under Sections 856 through 860 of the Code, commencing with its taxable year ended December 31, 1997. As a result, it generally will not be subject to federal corporate income tax on its taxable income that is distributed to its stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual taxable income (with certain adjustments). Boston Properties, Inc.'s policy is to distribute at least 100% of its taxable income. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to Boston Properties, Inc.'s consolidated taxable REIT subsidiaries. Boston Properties, Inc.'s taxable REIT subsidiaries did not have significant tax provisions or deferred income tax items. Boston Properties, Inc. has no uncertain tax positions recognized as of December 31, 2019 and 2018.

The Company owns a hotel property that it leases to one of its taxable REIT subsidiaries and that is managed by Marriott International, Inc. The hotel taxable REIT subsidiary, a wholly owned subsidiary of Boston Properties Limited Partnership, is the lessee pursuant to the lease for the hotel property. As lessor, Boston Properties Limited Partnership is entitled to a percentage of gross receipts from the hotel property. Marriott International, Inc. continues to manage the hotel property under the Marriott name and under terms of a management agreement. The hotel taxable REIT subsidiary is subject to tax at the federal and state level and, accordingly, Boston Properties, Inc. has recorded a tax provision in its Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017.

Certain entities included in Boston Properties, Inc.'s consolidated financial statements are subject to certain state and local taxes. These taxes are recorded as operating expenses in the accompanying consolidated financial statements.

Boston Properties Limited Partnership

Income Taxes

The partners are required to report their respective share of Boston Properties Limited Partnership's taxable income or loss on their respective tax returns and are liable for any related taxes thereon. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to Boston Properties Limited Partnership's consolidated taxable REIT subsidiaries. Boston Properties Limited Partnership's taxable REIT subsidiaries did not have significant tax provisions or deferred income tax items. Boston Properties Limited Partnership has no uncertain tax positions recognized as of December 31, 2019 and 2018.

The Company owns a hotel property which is managed through a taxable REIT subsidiary. The hotel taxable REIT subsidiary, a wholly owned subsidiary Boston Properties Limited Partnership, is the lessee pursuant to the lease for the hotel property. As lessor, Boston Properties Limited Partnership is entitled to a percentage of gross receipts from the hotel property. Marriott International, Inc. continues to manage the hotel property under the Marriott name and under terms of a management agreement. The hotel taxable REIT subsidiary is subject to tax at the federal and state level and, accordingly, Boston Properties Limited Partnership has recorded a tax provision in its Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017.

Certain entities included in Boston Properties Limited Partnership's consolidated financial statements are subject to certain state and local taxes. These taxes are recorded as operating expenses in the accompanying consolidated financial statements.

3. Real Estate

Boston Properties, Inc.

Real estate consisted of the following at December 31, 2019 and December 31, 2018 (in thousands):

	2019	2018
Land	\$ 5,111,606	\$ 5,072,568
Right of use assets - finance leases	237,394	—
Right of use assets - operating leases	148,640	—
Land held for future development (1)	254,828	200,498
Buildings and improvements	13,646,054	13,356,751
Tenant improvements	2,656,439	2,396,932
Furniture, fixtures and equipment	44,313	44,351
Construction in progress	789,736	578,796
Total	<u>22,889,010</u>	<u>21,649,896</u>
Less: Accumulated depreciation	(5,266,798)	(4,897,777)
	<u>\$ 17,622,212</u>	<u>\$ 16,752,119</u>

(1) Includes pre-development costs.

Boston Properties Limited Partnership

Real estate consisted of the following at December 31, 2019 and December 31, 2018 (in thousands):

	2019	2018
Land	\$ 5,011,153	\$ 4,971,475
Right of use assets - finance leases	237,394	—
Right of use assets - operating leases	148,640	—
Land held for future development (1)	254,828	200,498
Buildings and improvements	13,351,286	13,059,488
Tenant improvements	2,656,439	2,396,932
Furniture, fixtures and equipment	44,313	44,351
Construction in progress	789,736	578,796
Total	<u>22,493,789</u>	<u>21,251,540</u>
Less: Accumulated depreciation	(5,162,908)	(4,800,475)
	<u>\$ 17,330,881</u>	<u>\$ 16,451,065</u>

(1) Includes pre-development costs.

Developments/Redevelopments

On May 9, 2019, the Company entered into a 15-year lease with Google, LLC for approximately 379,000 net rentable square feet of Class A office space in a build-to-suit development project located at the Company's 325 Main Street property at Kendall Center in Cambridge, Massachusetts. 325 Main Street consisted of an approximately 115,000 net rentable square foot Class A office property that was demolished and is being developed into an approximately 420,000 net rentable square foot Class A office property, including approximately 41,000 net rentable square feet of retail space. On May 9, 2019, the Company commenced development of the project. Boston Properties, Inc. and Boston Properties Limited Partnership recognized approximately \$9.9 million and \$9.5 million, respectively, of depreciation expense associated with the acceleration of depreciation on the assets being removed from service and demolished as part of the redevelopment of the property.

On June 1, 2019, the Company partially placed in-service 20 CityPoint, a Class A office project with approximately 211,000 net rentable square feet located in Waltham, Massachusetts.

On September 30, 2019, the Company commenced the redevelopment of 200 West Street, a Class A office project with approximately 261,000 net rentable square feet located in Waltham, Massachusetts. The redevelopment is a conversion of a 126,000 square foot portion of the property to laboratory space.

On October 24, 2019, the Company completed and placed in-service 145 Broadway, a build-to-suit Class A office project with approximately 483,000 net rentable square feet located in Cambridge, Massachusetts.

Ground Leases

On January 24, 2019, the ground lessor under the Company's 65-year ground lease for land totaling approximately 5.6 acres at Platform 16 located in San Jose, California made available for lease to the Company the remaining land parcels. As a result, the Company recognized the remaining portion of the right of use finance lease asset and finance lease liability. The Company entered into the ground lease in 2018, however, at the inception of the ground lease only a portion of the land was available for lease from the lessor, resulting in the Company recognizing only a portion of the ground lease. In the aggregate, the land will support the development of approximately 1.1 million square feet of commercial office space. The ground lease provides the Company with the right to purchase all of the land during a 12-month period commencing February 1, 2020 at a purchase price of approximately \$134.8 million. The Company was reasonably certain it would exercise the option to purchase the land and as a result, the Company concluded that the lease should be accounted for as a finance lease. As a result, the Company recorded an approximately \$122.6 million right of use asset - finance lease and a lease liability - finance lease on the Company's Consolidated Balance Sheets reflecting the remaining land parcels made available for lease to the Company. Finance lease assets and liabilities are accounted for at the lower of fair market value or the present value of future lease payments. For land leases classified as finance leases because of a purchase option that the Company views as an economic incentive, the Company follows its existing policy and does not depreciate land because it is assumed to have an indefinite life. See also "Dispositions" below and Notes 5 and 19.

As of January 24, 2019, the lease payments from the finance lease related to the remaining parcels made available for lease to the Company were as follows (in thousands):

Period from January 24, 2019 through December 31, 2019	\$	17,918
2020		109,460
Total expected minimum lease payments		<u>127,378</u>
Interest portion		(4,815)
Present value of expected net lease payments	\$	<u><u>122,563</u></u>

On July 16, 2019, the Company executed a 75-year ground lease with The George Washington University for land parcels at 2100 Pennsylvania Avenue located in Washington, DC and commenced development of an approximately 470,000 net rentable square foot Class A office property pursuant to a development agreement that the Company entered into with The George Washington University in 2016. The development agreement provided for the execution of the ground lease upon completion of the entitlement process and relocation of existing tenants. Also in 2016, the Company made a deposit of \$15.0 million that, upon execution of the ground lease, is credited against ground rent payable under the ground lease. The present value of the lease payments exceeds substantially all of the fair value of the underlying asset and as a result, the Company has concluded that the ground lease should be accounted for as a finance lease. As a result, the Company recorded an approximately \$185.1 million right of use asset - finance lease and an approximately \$165.0 million lease liability - finance lease on the Company's Consolidated Balance Sheets. The difference between the right of use asset - finance lease and lease liability - finance lease is the \$15.0 million deposit that was made in 2016 and approximately \$5.1 million of initial direct costs. Although the finance lease is for land only, as this was not classified as a finance lease because of a purchase option, the right of use asset will be amortized over the shorter of the useful life of the asset or the lease term. As land is assumed to have an indefinite life, the right of use asset - finance lease will be amortized on a straight-line basis over the 75-year term. In 2017, the Company entered into a 16-year lease with a tenant for approximately 300,000 net rentable square feet of space at the property.

As of July 16, 2019, the lease payments from the finance lease were as follows (in thousands):

Period from July 16, 2019 through December 31, 2019	\$	—
2020		—
2021		3,863
2022		8,576
2023		8,669
Thereafter		1,358,518
Total expected minimum lease payments		<u>1,379,626</u>
Interest portion		(1,214,649)
Present value of expected net lease payments	\$	<u>164,977</u>

Acquisitions

On January 10, 2019, the Company acquired land parcels at its Carnegie Center property located in Princeton, New Jersey for a gross purchase price of approximately \$51.5 million, which includes an aggregate of approximately \$8.6 million of additional amounts that are payable in the future to the seller upon the development or sale of each of the parcels. The land parcels could support approximately 1.7 million square feet of development.

On August 27, 2019, the Company acquired 880 and 890 Winter Street located in Waltham, Massachusetts for a gross purchase price of approximately \$106.0 million in cash. 880 and 890 Winter Street consists of two Class A office properties aggregating approximately 392,000 net rentable square feet. The following table summarizes the allocation of the purchase price, including transaction costs, of 880 and 890 Winter Street at the date of acquisition (in thousands):

Land	\$	29,510
Building and improvements		59,788
Tenant improvements		6,024
In-place lease intangibles		11,494
Above-market lease intangibles		246
Below-market lease intangibles		(1,092)
Net assets acquired	\$	<u>105,970</u>

The following table summarizes the estimated annual amortization of the acquired in-place lease intangibles, the acquired above-market lease intangibles and the acquired below-market lease intangibles for 880 and 890 Winter Street for the remainder of 2019 and each of the next five succeeding fiscal years (in thousands):

	<u>Acquired In-Place Lease Intangibles</u>	<u>Acquired Above-Market Lease Intangibles</u>	<u>Acquired Below- Market Lease Intangibles</u>
Period from August 27, 2019 through December 31, 2019	\$ 1,801	\$ 28	\$ (226)
2020	4,485	80	(599)
2021	2,391	80	(237)
2022	1,121	43	(30)
2023	179	15	—
2024	60	—	—

880 and 890 Winter Street contributed approximately \$4.9 million of revenue and approximately (\$0.6) million of earnings to the Company for the period from August 27, 2019 through December 31, 2019.

Dispositions

On January 24, 2019, the Company completed the sale of its 2600 Tower Oaks Boulevard property located in Rockville, Maryland for a gross sale price of approximately \$22.7 million. Net cash proceeds totaled approximately \$21.4 million, resulting in a loss on sale of real estate totaling approximately \$0.6 million. The Company recognized an impairment loss totaling approximately \$3.1 million for Boston Properties, Inc. and approximately \$1.5 million for Boston Properties Limited Partnership during the year ended December 31, 2018. 2600 Tower Oaks Boulevard is an approximately 179,000 net rentable square foot Class A office property. 2600 Tower Oaks contributed approximately \$(0.2) million of net loss to the Company for the period from January 1, 2019 through January 23, 2019 and contributed approximately \$(0.6) million and \$(0.1) million of net loss to the Company for the years ended December 31, 2018 and 2017, respectively.

At March 31, 2019, the Company evaluated the expected hold period of its One Tower Center property located in East Brunswick, New Jersey and, based on a shorter-than-expected hold period, the Company reduced the carrying value of the property to its estimated fair value at March 31, 2019 and recognized an impairment loss totaling approximately \$24.0 million for Boston Properties, Inc. and approximately \$22.3 million for Boston Properties Limited Partnership. The Company's estimated fair value was based on a pending offer from a third party to acquire the property and the subsequent execution of a purchase and sale agreement on April 18, 2019 for a gross sale price of \$38.0 million. On June 3, 2019, the Company completed the sale of the property. Net cash proceeds totaled approximately \$36.6 million, resulting in a loss on sale of real estate totaling approximately \$0.8 million. One Tower Center is an approximately 410,000 net rentable square foot Class A office property. One Tower Center contributed approximately \$(0.9) million of net loss to the Company for the period from January 1, 2019 through June 2, 2019 and contributed approximately \$(2.7) million and \$(3.5) million of net loss to the Company for the years ended December 31, 2018 and 2017, respectively.

On June 28, 2019, the Company completed the sale of its 164 Lexington Road property located in Billerica, Massachusetts for a gross sale price of \$4.0 million. Net cash proceeds totaled approximately \$3.8 million, resulting in a gain on sale of real estate totaling approximately \$2.5 million for Boston Properties, Inc. and approximately \$2.6 million for Boston Properties Limited Partnership. 164 Lexington Road is an approximately 64,000 net rentable square foot Class A office property. 164 Lexington Road contributed approximately \$(0.1) million of net loss to the Company for the period from January 1, 2019 through June 27, 2019 and contributed approximately \$(0.2) million and \$(0.2) million of net loss to the Company for the years ended December 31, 2018 and 2017, respectively.

On September 20, 2019, the Company entered into a joint venture with Canada Pension Plan Investment Board ("CPPIB") to develop Platform 16 located in San Jose, California. Platform 16 consists of a 65-year ground lease for land totaling approximately 5.6 acres that will support the development of approximately 1.1 million square feet of commercial office space. During 2018, the Company entered into the ground lease, which provides for the right to purchase all of the land during a 12-month period commencing February 1, 2020 at a purchase price of approximately \$134.8 million. The Company contributed the ground lease interest and improvements totaling approximately \$28.2 million for its initial 55% interest in the joint venture. CPPIB contributed cash totaling approximately \$23.1 million for its initial 45% interest in the joint venture. Upon the CPPIB contribution, the Company ceased accounting for the joint venture entity on a consolidated basis and is accounting for the joint venture entity on an unconsolidated basis using the equity method of accounting, as it has reduced its ownership interest and no longer has a controlling financial or operating interest in the joint venture entity (See Note 5). The Company did not recognize a gain on the retained or sold interest in the real estate contributed to the joint venture, as the fair value of the real estate approximated its carrying value.

On December 20, 2019, the Company completed the sale of the remaining parcel of land at its Washingtonian North property located in Gaithersburg, Maryland for a gross sale price of approximately \$7.8 million. Net cash proceeds totaled approximately \$7.3 million, resulting in a loss on sale of real estate totaling approximately \$0.1 million. The Company recognized an impairment loss totaling approximately \$1.8 million during the year ended December 31, 2016.

4. Deferred Charges

Deferred charges consisted of the following at December 31, 2019 and December 31, 2018 (in thousands):

	2019	2018
Leasing costs, including lease related intangibles	\$ 1,155,958	\$ 1,191,297
Financing costs	12,728	12,796
	<u>1,168,686</u>	<u>1,204,093</u>
Less: Accumulated amortization	(479,473)	(525,369)
	<u>\$ 689,213</u>	<u>\$ 678,724</u>

The following table summarizes the scheduled amortization of the Company's acquired in-place lease intangibles for each of the five succeeding years (in thousands).

	Acquired In-Place Lease Intangibles
2020	\$ 17,536
2021	11,001
2022	5,918
2023	4,286
2024	2,510

5. Investments in Unconsolidated Joint Ventures

The investments in unconsolidated joint ventures consist of the following at December 31, 2019 and 2018:

Entity	Properties	Nominal % Ownership	Carrying Value of Investment (1)	
			December 31, 2019	December 31, 2018
(in thousands)				
Square 407 Limited Partnership	Market Square North	50.0%	\$ (4,872)	\$ (6,424)
BP/CRF Metropolitan Square, LLC	Metropolitan Square	20.0%	9,134	2,644
901 New York, LLC	901 New York Avenue	25.0% (2)	(12,113)	(13,640)
WP Project Developer LLC	Wisconsin Place Land and Infrastructure	33.3% (3)	36,789	38,214
Annapolis Junction NFM LLC	Annapolis Junction	50.0% (4)	25,391	25,268
540 Madison Venture LLC	540 Madison Avenue	60.0% (5)	2,953	66,391
500 North Capitol Venture LLC	500 North Capitol Street, NW	30.0%	(5,439)	(5,026)
501 K Street LLC	1001 6th Street	50.0% (6)	42,496	42,557
Podium Developer LLC	The Hub on Causeway - Podium	50.0%	49,466	69,302
Residential Tower Developer LLC	Hub50House	50.0%	55,092	47,505
Hotel Tower Developer LLC	The Hub on Causeway - Hotel Air Rights	50.0%	9,883	3,022
Office Tower Developer LLC	100 Causeway Street	50.0%	56,606	23,804
1265 Main Office JV LLC	1265 Main Street	50.0%	3,780	3,918
BNY Tower Holdings LLC	Dock 72	50.0%	94,804	82,520
BNYTA Amenity Operator LLC	Dock 72	50.0%	—	N/A
CA-Colorado Center Limited Partnership	Colorado Center	50.0%	252,069	253,495
7750 Wisconsin Avenue LLC	7750 Wisconsin Avenue	50.0%	56,247	69,724
BP-M 3HB Venture LLC	3 Hudson Boulevard	25.0%	67,499	46,993
SMBP Venture LP	Santa Monica Business Park	55.0%	163,937	180,952
Platform 16 Holdings LP	Platform 16	55.0% (7)	29,501	N/A
			\$ 933,223	\$ 931,219

- (1) Investments with deficit balances aggregating approximately \$22.4 million and \$25.1 million at December 31, 2019 and 2018, respectively, are included within Other Liabilities in the Company's Consolidated Balance Sheets.
- (2) The Company's economic ownership has increased based on the achievement of certain return thresholds.
- (3) The Company's wholly-owned subsidiary that owns Wisconsin Place Office also owns a 33.3% interest in the joint venture entity that owns the land, parking garage and infrastructure of the project.
- (4) The joint venture owns three in-service buildings and two undeveloped land parcels.
- (5) The property was sold on June 27, 2019. As of December 31, 2019, the investment is comprised of undistributed cash. See note below for additional details.
- (6) Under the joint venture agreement for this land parcel, the partner will be entitled to up to two additional payments from the venture based on increases in total entitled square footage of the project above 520,000 square feet and achieving certain project returns at stabilization.
- (7) This entity is a VIE (See Note 1).

Certain of the Company's unconsolidated joint venture agreements include provisions whereby, at certain specified times, each partner has the right to initiate a purchase or sale of its interest in the joint ventures. With limited exceptions under these provisions, the Company is not compelled to purchase the interest of its outside joint venture partners. Under certain of the Company's joint venture agreements, if certain return thresholds are achieved the partners or the Company will be entitled to an additional promoted interest or payments.

The combined summarized balance sheets of the Company's unconsolidated joint ventures are as follows:

	December 31, 2019	December 31, 2018
	(in thousands)	
ASSETS		
Real estate and development in process, net (1)	\$ 3,904,400	\$ 3,545,906
Other assets	502,706	543,512
Total assets	<u>\$ 4,407,106</u>	<u>\$ 4,089,418</u>
LIABILITIES AND MEMBERS'/PARTNERS' EQUITY		
Mortgage and notes payable, net	\$ 2,218,853	\$ 2,017,609
Other liabilities (2)	749,675	582,006
Members'/Partners' equity	1,438,578	1,489,803
Total liabilities and members'/partners' equity	<u>\$ 4,407,106</u>	<u>\$ 4,089,418</u>
Company's share of equity	\$ 591,905	\$ 622,498
Basis differentials (3)	341,318	308,721
Carrying value of the Company's investments in unconsolidated joint ventures (4)	<u>\$ 933,223</u>	<u>\$ 931,219</u>

- (1) At December 31, 2019, this amount includes right of use assets - finance leases and right of use assets - operating leases totaling approximately \$383.9 million and \$12.1 million, respectively.
- (2) At December 31, 2019, this amount includes lease liabilities - finance leases and lease liabilities - operating leases totaling approximately \$510.8 million and \$17.3 million, respectively.
- (3) This amount represents the aggregate difference between the Company's historical cost basis and the basis reflected at the joint venture level, which is typically amortized over the life of the related assets and liabilities. Basis differentials result from impairments of investments, acquisitions through joint ventures with no change in control and upon the transfer of assets that were previously owned by the Company into a joint venture. In addition, certain acquisition, transaction and other costs may not be reflected in the net assets at the joint venture level. At December 31, 2019 and 2018, there was an aggregate basis differential of approximately \$311.3 million and \$316.7 million, respectively, between the carrying value of the Company's investment in the joint venture that owns Colorado Center and the joint venture's basis in the assets and liabilities, which differential (excluding land) shall be amortized over the remaining lives of the related assets and liabilities.
- (4) Investments with deficit balances aggregating approximately \$22.4 million and \$25.1 million at December 31, 2019 and 2018, respectively, have been reflected within Other Liabilities in the Company's Consolidated Balance Sheets.

The combined summarized statements of operations of the Company's unconsolidated joint ventures are as follows:

	For the year ended December 31,		
	2019	2018	2017
	(in thousands)		
Total revenue (1)	\$ 322,817	\$ 271,951	\$ 222,517
Expenses			
Operating	122,992	106,610	90,542
Transaction costs	1,000	—	—
Depreciation and amortization (2)	102,296	103,079	57,079
Total expenses	<u>226,288</u>	<u>209,689</u>	<u>147,621</u>
Other income (expense)			
Gains on sales of real estate (3)	32,706	16,951	—
Interest expense	(84,409)	(71,308)	(46,371)
Net income	<u>\$ 44,826</u>	<u>\$ 7,905</u>	<u>\$ 28,525</u>
Company's share of net income	\$ 24,423	\$ 8,084	\$ 18,439
Basis differential (3)(4)	22,169	(5,862)	(7,207)
Income from unconsolidated joint ventures	<u>\$ 46,592</u>	<u>\$ 2,222</u>	<u>\$ 11,232</u>

-
- (1) Includes straight-line rent adjustments of approximately \$32.4 million, \$15.9 million and \$21.7 million for the years ended December 31, 2019, 2018 and 2017, respectively.
 - (2) During the year ended December 31, 2018, the joint venture that owns Metropolitan Square in Washington, DC, commenced a renovation project and recorded accelerated depreciation expense of approximately \$22.4 million related to the remaining book value of the assets to be replaced. The Company's share of the accelerated depreciation expense totaled approximately \$4.5 million.
 - (3) For the year ended December 31, 2019, represents the gain on sale of 540 Madison Avenue recognized by the joint venture, as described below. During 2008, the Company recognized an other-than-temporary impairment loss on its investment in the unconsolidated joint venture resulting in a basis differential between the carrying value of the Company's investment in the joint venture and the joint venture's basis in the assets and liabilities of the property. As a result of the historical basis difference, the Company recognized a gain on sale of real estate totaling approximately \$47.2 million for the year ended December 31, 2019, which consists of its share of the gain on sale reported by the joint venture as well as an adjustment for the basis differential. The gain on sale of real estate is included in Income from Unconsolidated Joint Ventures in the Company's Consolidated Statements of Operations.
 - (4) Includes straight-line rent adjustments of approximately \$2.1 million, \$2.4 million and \$1.9 million for the years ended December 31, 2019, 2018 and 2017, respectively. Also includes net above-/below-market rent adjustments of approximately \$1.7 million, \$1.6 million and \$2.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

On January 24, 2019, a joint venture in which the Company has a 50% interest extended the loan collateralized by its Annapolis Junction Building Six property. At the time of the extension, the outstanding balance of the loan totaled approximately \$13.0 million and was scheduled to mature on November 17, 2019, with a one-year extension option, subject to certain conditions. The extended loan has a total commitment amount of approximately \$14.3 million, bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on November 17, 2020. Annapolis Junction Building Six is a Class A office property with approximately 119,000 net rentable square feet located in Annapolis, Maryland.

On April 26, 2019, a joint venture in which the Company has a 50% interest obtained construction financing with a total commitment of \$255.0 million collateralized by its 7750 Wisconsin Avenue development project located in Bethesda, Maryland. The construction financing bears interest at a variable rate equal to LIBOR plus 1.25% per annum and matures on April 26, 2023, with two, one-year extension options, subject to certain conditions. As of December 31, 2019, approximately \$64.5 million has been drawn under the loan. 7750 Wisconsin Avenue is a 734,000 net rentable square foot build-to-suit Class A office project and below-grade parking garage.

On May 28, 2019, joint ventures in which the Company has a 50% interest and that own The Hub on Causeway - Podium and 100 Causeway Street development projects entered into an infrastructure development assistance agreement (the "IDAA") with the Commonwealth of Massachusetts and the City of Boston. Per the IDAA, The Hub on Causeway - Podium development project would be reimbursed for certain costs of public infrastructure improvements using the proceeds of up to \$30.0 million in aggregate principal amount of municipal bonds issued by the Commonwealth of Massachusetts. On September 16, 2019, the joint venture received the full reimbursement of costs for the public infrastructure improvements totaling approximately \$28.8 million, which has been reflected as a reduction to the carrying value of the real estate of The Hub on Causeway - Podium property. The construction loan agreement for The Hub on Causeway - Podium was modified to require the joint venture to pay down the construction loan principal balance using the proceeds received from the reimbursement of costs of the public infrastructure improvements and on September 16, 2019, the joint venture that owns The Hub on Causeway - Podium development project paid down the construction loan principal balance in the amount of approximately \$28.8 million. On November 22, 2019, the joint venture that owns The Hub on Causeway - Podium development project completed and fully placed in-service The Hub on Causeway - Podium development project, an approximately 382,000 net rentable square foot project containing retail and office space located in Boston, Massachusetts.

On June 27, 2019, a joint venture in which the Company has a 60% interest completed the sale of 540 Madison Avenue in New York City for a gross sale price of approximately \$310.3 million, including the assumption by the buyer of the mortgage loan collateralized by the property totaling \$120.0 million. The mortgage loan bore interest at a variable rate equal to LIBOR plus 1.10% per annum and was scheduled to mature on June 5, 2023. Net cash proceeds totaled approximately \$178.7 million, of which the Company's share was approximately \$107.1 million, after the payment of transaction costs. During 2008, the Company recognized an other-than-temporary impairment loss on its investment in the unconsolidated joint venture. As a result, the Company recognized a gain on sale of real estate totaling approximately \$47.2 million, which is included in Income from Unconsolidated Joint

Ventures in the accompanying Consolidated Statements of Operations. 540 Madison Avenue is an approximately 284,000 net rentable square foot Class A office property.

On September 5, 2019, a joint venture in which the Company has a 50% interest obtained construction financing with a total commitment of \$400.0 million collateralized by its 100 Causeway Street development project located in Boston, Massachusetts. The construction financing bears interest at a variable rate equal to LIBOR plus 1.50% per annum (LIBOR plus 1.375% per annum upon stabilization, as defined in the loan agreement) and matures on September 5, 2023, with two, one-year extension options, subject to certain conditions. As of December 31, 2019, approximately \$81.1 million has been drawn under the loan. 100 Causeway Street is an approximately 632,000 net rentable square foot Class A office project.

On September 20, 2019, the Company entered into a joint venture with CPPIB to develop Platform 16 located in San Jose, California. Platform 16 consists of a 65-year ground lease for land totaling approximately 5.6 acres that will support the development of approximately 1.1 million square feet of commercial office space (See Note 19). The Company contributed the ground lease interest and improvements totaling approximately \$28.2 million for its initial 55% interest in the joint venture (See Note 3). CPPIB contributed cash totaling approximately \$23.1 million for its initial 45% interest in the joint venture. The Company will provide customary development, property management and leasing services to the joint venture.

On October 1, 2019, a joint venture in which the Company has a 50% interest partially placed in-service Dock 72, a Class A office project with approximately 670,000 net rentable square feet located in Brooklyn, New York.

On October 1, 2019, a joint venture in which the Company has a 50% interest partially placed in-service Hub50House, an approximately 320,000 square foot project comprised of 440 residential units located in Boston, Massachusetts.

On December 6, 2019, a joint venture in which the Company has a 50% interest extended the mortgage loan collateralized by Annapolis Junction Building Seven and Building Eight. At the time of the extension, the outstanding balance of the loan totaled approximately \$34.8 million, bore interest at a variable rate equal to LIBOR plus 2.35% per annum and was scheduled to mature on December 7, 2019, with three, one-year extension options, subject to certain conditions. The extended loan matures on March 6, 2020. Annapolis Junction Building Seven and Building Eight are Class A office properties with approximately 127,000 and 126,000 net rentable square feet, respectively, located in Annapolis, Maryland.

6. Mortgage Notes Payable, Net

The Company had outstanding mortgage notes payable totaling approximately \$2.9 billion and \$3.0 billion as of December 31, 2019 and 2018, respectively, each collateralized by one or more buildings and related land included in real estate assets. The mortgage notes payable are generally due in monthly installments and mature at various dates through June 9, 2027.

Fixed rate mortgage notes payable totaled approximately \$2.9 billion and \$3.0 billion at December 31, 2019 and 2018, respectively, with contractual interest rates ranging from 3.43% to 6.94% per annum at December 31, 2019 and 3.43% to 7.69% at December 31, 2018 (with a weighted-average interest rate of 3.73% and 3.77% per annum at December 31, 2019 and 2018, respectively). There were no variable rate mortgage loans at December 31, 2019 and 2018.

On December 19, 2019, the Company used available cash to repay the bond financing collateralized by its New Dominion Technology Park, Building One property totaling approximately \$26.5 million. The bond financing bore interest at a weighted-average fixed rate of approximately 7.69% per annum and was scheduled to mature on January 15, 2021. The Company recognized a loss from early extinguishment of debt totaling approximately \$1.5 million, which amount included the payment of a prepayment penalty totaling approximately \$1.4 million. New Dominion Technology Park, Building One is an approximately 235,000 net rentable square foot Class A office property located in Herndon, Virginia (See Note 19).

No mortgage loans at December 31, 2019 and December 31, 2018 had been accounted for at fair value. Prior to December 31, 2017, the Company had mortgage loans that were accounted for at fair value and the impact of recording them at fair value resulted in a decrease to interest expense of approximately \$19.6 million for the year ended December 31, 2017.

Contractual aggregate principal payments of mortgage notes payable at December 31, 2019 are as follows (in thousands):

	Principal Payments
2020	\$ 17,168
2021	17,276
2022	614,710
2023	—
2024	—
Thereafter	2,300,000
Total aggregate principal payments	2,949,154
Deferred financing costs, net	(26,746)
Total carrying value of mortgage notes payable, net	<u>\$ 2,922,408</u>

7. Unsecured Senior Notes

The following summarizes the unsecured senior notes outstanding as of December 31, 2019 (dollars in thousands):

	Coupon/ Stated Rate	Effective Rate(1)	Principal Amount	Maturity Date(2)
10 Year Unsecured Senior Notes	4.125%	4.289%	\$ 850,000	May 15, 2021
11 Year Unsecured Senior Notes	3.850%	3.954%	1,000,000	February 1, 2023
10.5 Year Unsecured Senior Notes	3.125%	3.279%	500,000	September 1, 2023
10.5 Year Unsecured Senior Notes	3.800%	3.916%	700,000	February 1, 2024
7 Year Unsecured Senior Notes	3.200%	3.350%	850,000	January 15, 2025
10 Year Unsecured Senior Notes	3.650%	3.766%	1,000,000	February 1, 2026
10 Year Unsecured Senior Notes	2.750%	3.495%	1,000,000	October 1, 2026
10 Year Unsecured Senior Notes	4.500%	4.628%	1,000,000	December 1, 2028
10 Year Unsecured Senior Notes	3.400%	3.505%	850,000	June 21, 2029
10.5 Year Unsecured Senior Notes	2.900%	2.984%	700,000	March 15, 2030
Total principal			8,450,000	
Net unamortized discount			(17,451)	
Deferred financing costs, net			(42,090)	
Total			<u>\$ 8,390,459</u>	

(1) Yield on issuance date including the effects of discounts on the notes, settlements of interest rate contracts and the amortization of financing costs.

(2) No principal amounts are due prior to maturity.

On June 21, 2019, Boston Properties Limited Partnership completed a public offering of \$850.0 million in aggregate principal amount of its 3.400% unsecured senior notes due 2029. The notes were priced at 99.815% of the principal amount to yield an effective rate (including financing fees) of approximately 3.505% per annum to maturity. The notes will mature on June 21, 2029, unless earlier redeemed. The aggregate net proceeds from the offering were approximately \$841.4 million after deducting underwriting discounts and transaction expenses.

On September 3, 2019, Boston Properties Limited Partnership completed a public offering of \$700.0 million in aggregate principal amount of its 2.900% unsecured senior notes due 2030. The notes were priced at 99.954% of the principal amount to yield an effective rate (including financing fees) of approximately 2.984% per annum to maturity. The notes will mature on March 15, 2030, unless earlier redeemed. The aggregate net proceeds from the offering were approximately \$693.8 million after deducting underwriting discounts and transaction expenses.

On September 18, 2019, Boston Properties Limited Partnership completed the redemption of \$700.0 million in aggregate principal amount of its 5.625% senior notes due November 15, 2020. The redemption price was approximately \$740.7 million. The redemption price included approximately \$13.5 million of accrued and unpaid interest to, but not including, the redemption date. Excluding the accrued and unpaid interest, the redemption price was approximately 103.90% of the principal amount being redeemed. The Company recognized a loss from early extinguishment of debt totaling approximately \$28.0 million, which amount included the payment of the redemption premium totaling approximately \$27.3 million.

The indenture relating to the unsecured senior notes contains certain financial restrictions and requirements, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 50%, (3) an interest coverage ratio of greater than 1.50, and (4) an unencumbered asset value of not less than 150% of unsecured debt. At December 31, 2019, Boston Properties Limited Partnership was in compliance with each of these financial restrictions and requirements.

8. Unsecured Credit Facility

On April 24, 2017, Boston Properties Limited Partnership amended and restated its unsecured revolving credit agreement (as amended and restated, the "2017 Credit Facility"). Among other things, the 2017 Credit Facility (1) increased the total commitment of the revolving line of credit (the "Revolving Facility") from \$1.0 billion to \$1.5 billion, (2) extended the maturity date from July 26, 2018 to April 24, 2022, (3) reduced the per annum variable interest rates, and (4) added a \$500.0 million delayed draw term loan facility (the "Delayed Draw Facility") that permitted Boston Properties Limited Partnership to draw upon it provided that amounts drawn and subsequently repaid may not be borrowed again. In addition, Boston Properties Limited Partnership may increase the total commitment under the 2017 Credit Facility by up to \$500.0 million through increases in the Revolving Facility or the Delayed Draw Facility, or both, subject to syndication of the increase and other conditions.

On April 24, 2018, Boston Properties Limited Partnership exercised its option to draw \$500.0 million on its Delayed Draw Facility. The Delayed Draw Facility bears interest at a variable rate equal to LIBOR plus 0.90% per annum based on Boston Properties Limited Partnership's current credit rating and matures on April 24, 2022.

At Boston Properties Limited Partnership's option, loans under the Revolving Facility and Delayed Draw Facility will bear interest at a rate per annum equal to (1) (a) in the case of loans denominated in Dollars, Euro or Sterling, LIBOR, and (b) in the case of loans denominated in Canadian Dollars, CDOR, in each case, plus a margin ranging from 77.5 to 155 basis points for the Revolving Commitment and 85 to 175 basis points for the Delayed Draw Facility, based on Boston Properties Limited Partnership's credit rating or (2) an alternate base rate equal to the greatest of (x) the Administrative Agent's prime rate, (y) the Federal Funds rate plus 0.50% or (z) LIBOR for a one-month period plus 1.00%, in each case, plus a margin ranging from 0 to 55 basis points for the Revolving Facility and 0 to 75 basis points for the Delayed Draw Facility, based on Boston Properties Limited Partnership's credit rating. The 2017 Credit Facility also contains a competitive bid option for up to 65% of the Revolving Facility that allows banks that are part of the lender consortium to bid to make loan advances to Boston Properties Limited Partnership at a reduced interest rate.

In addition, Boston Properties Limited Partnership is obligated to pay (1) in quarterly installments a facility fee on the total commitment under the Revolving Facility at a rate per annum ranging from 0.10% to 0.30% based on Boston Properties Limited Partnership's credit rating, (2) an annual fee on the undrawn amount of each letter of credit equal to the LIBOR margin on the Revolving Facility and (3) a fee on the unused commitments under the Delayed Draw Facility equal to 0.15% per annum. Based on Boston Properties Limited Partnership's December 31, 2019 credit rating, (1) the applicable Eurocurrency margins for the Revolving Facility and Delayed Draw Facility are 0.825% and 0.90%, respectively, (2) the alternate base rate margin is zero basis points for each of the Revolving Facility and Delayed Draw Facility and (3) the facility fee on the Revolving Facility commitment is 0.125% per annum.

At December 31, 2019 and 2018, Boston Properties Limited Partnership had \$500.0 million of borrowings outstanding under its Delayed Draw Facility and no amounts outstanding under its Revolving Facility.

The 2017 Credit Facility contains customary representations and warranties, affirmative and negative covenants and events of default provisions, including failure to pay indebtedness, breaches of covenants, and bankruptcy and other insolvency events, which could result in the acceleration of all amounts and cancellation of all commitments outstanding under the Credit Agreement. Among other covenants, the 2017 Credit Facility requires that Boston Properties Limited Partnership maintain on an ongoing basis: (1) a leverage ratio not to exceed 60%, however, the leverage ratio may increase to no greater than 65% provided that it is reduced back to 60% within one

year, (2) a secured debt leverage ratio not to exceed 55%, (3) a fixed charge coverage ratio of at least 1.40, (4) an unsecured debt leverage ratio not to exceed 60%, however, the unsecured debt leverage ratio may increase to no greater than 65% provided that it is reduced to 60% within one year, (5) an unsecured debt interest coverage ratio of at least 1.75 and (6) limitations on permitted investments. At December 31, 2019, Boston Properties Limited Partnership was in compliance with each of these financial and other covenant requirements.

9. Commitments and Contingencies

General

In the normal course of business, the Company guarantees its performance of services or indemnifies third parties against its negligence. In addition, in the normal course of business, the Company guarantees to certain tenants the obligations of its subsidiaries for the payment of tenant improvement allowances and brokerage commissions in connection with their leases and limited costs arising from delays in delivery of their premises.

The Company has letter of credit and performance obligations related to lender and development requirements that total approximately \$21.0 million.

Certain of the Company's joint venture agreements include provisions whereby, at certain specified times, each partner has the right to initiate a purchase or sale of its interest in the joint ventures. With limited exception, under these provisions, the Company is not compelled to purchase the interest of its outside joint venture partners. From time to time, under certain of the Company's joint venture agreements, if certain return thresholds are achieved, either the Company or its partners may be entitled to an additional promoted interest or payments. See also Note 10.

From time to time, the Company (or ventures in which the Company has an ownership interest) has agreed, and may in the future agree, to (1) guarantee portions of the principal, interest and other amounts in connection with their borrowings, (2) provide customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) in connection with their borrowings and (3) provide guarantees to lenders, tenants and other third parties for the completion of development projects. The Company has agreements with its outside partners whereby the partners agree to reimburse the joint venture for their share of any payments made under the guarantee. In some cases, the Company earns a fee from the applicable joint venture for providing the guarantee.

In connection with the refinancing of 767 Fifth Avenue's (the General Motors Building) secured loan by the Company's consolidated joint venture entity, 767 Venture, LLC, the Company guaranteed the consolidated entity's obligation to fund various reserves for tenant improvement costs and allowances, leasing commissions and free rent obligations in lieu of cash deposits. As of December 31, 2019, the maximum funding obligation under the guarantee was approximately \$70.2 million. The Company earns a fee from the joint venture for providing the guarantee and has an agreement with the outside partners to reimburse the joint venture for their share of any payments made under the guarantee. As of December 31, 2019, no amounts related to the guarantee are recorded as liabilities in the Company's consolidated financial statements.

Pursuant to the lease agreement with Marriott, the Company has guaranteed the completion of the office building and parking garage on behalf of its 7750 Wisconsin Avenue joint venture and has also agreed to provide any financing guaranty that may be required with respect to third-party construction financing. The Company earns fees from the joint venture for providing the guarantees and any amounts the Company pays under the guarantee(s) will be deemed to be capital contributions by the Company to the joint venture. The Company has also agreed to fund construction costs through capital contributions to the joint venture in the event of unavailability or insufficiency of third-party construction financing. In addition, the Company has guaranteed to Marriott, as hotel manager, the completion of a hotel being developed by an affiliate of The Bernstein Companies (the Company's partner in the 7750 Wisconsin Avenue joint venture) adjacent to the office property, for which the Company earns a fee from the affiliate of The Bernstein Companies. In addition, the Company entered into agreements with affiliates of The Bernstein Companies whereby the Company could be required to act as a mezzanine and/or mortgage lender and finance the construction of the hotel property. To secure such financing arrangements, affiliates of The Bernstein Companies are required to provide certain security, which varies depending on the specific loan, by pledges of their equity interest in the office property, a fee mortgage on the hotel property, or both. As of December 31, 2019, no amounts related to the contingent aspect of any of the guarantees are recorded as liabilities in the Company's consolidated financial statements.

In connection with the sale and development of the Company's 6595 Springfield Center Drive development project, the Company has guaranteed the completion of the project and the payment of certain cost overruns in accordance with the development management agreement with the buyer. Although the project has been sold and the lease with the Federal Government tenant has been assigned to the buyer, pursuant to the terms of the Federal Government lease, the Federal Government tenant is not obligated to release the prior owner/landlord from such landlord's obligations under the lease until completion of the construction. As a result, the entity which previously owned the land remains liable to the Federal Government tenant for the completion of the construction obligations under the lease. The buyer is obligated to fund the balance of the costs to meet such construction obligations, subject to the Company's obligation to fund cost overruns (if any), as noted above. An affiliate of the buyer has provided a guaranty of the obligations of the buyer to fund such construction costs and the buyer has agreed to use commercially reasonable efforts to require the construction lender to provide certain remedies to the Company in the event the buyer does not fund such construction obligations. As of December 31, 2019, no amounts related to the contingent aspect of the guarantee are recorded as a liability in the Company's consolidated financial statements (See Note 3).

In connection with the redevelopment of the Company's 325 Main Street property located in Cambridge, Massachusetts, the Company is required, pursuant to the local zoning ordinance, to commence construction of a residential building of at least 200,000 square feet with 25% of the project designated as income-restricted (with a minimum of 20% of the square footage devoted to home ownership units) prior to the occupancy of the 325 Main Street property. 325 Main Street consisted of an approximately 115,000 net rentable square foot Class A office property that was demolished and is being developed into an approximately 420,000 net rentable square foot Class A office property, including approximately 41,000 net rentable square feet of retail space (See Note 3).

In 2009, the Company filed a general unsecured creditor's claim against Lehman Brothers, Inc. for approximately \$45.3 million related to its rejection of a lease at 399 Park Avenue in New York City. On January 10, 2014, the trustee for the liquidation of the business of Lehman Brothers allowed the Company's claim in the amount of approximately \$45.2 million. During the years 2014 through 2018, the Company received distributions aggregating approximately \$18.0 million, leaving a remaining claim of approximately \$27.2 million. The Company will continue to evaluate whether to attempt to sell the remaining claim or wait until the trustee distributes proceeds from the Lehman Brothers estate. Given the inherent uncertainties in bankruptcy proceedings, there can be no assurance as to the timing or amount of additional proceeds, if any, that the Company may ultimately realize on the remaining claim, whether by sale to a third party or by one or more distributions from the trustee. Accordingly, the Company has not recorded any estimated recoveries associated with this gain contingency within its Consolidated Financial Statements at December 31, 2019.

Concentrations of Credit Risk

Management of the Company performs ongoing credit evaluations of tenants and may require tenants to provide some form of credit support such as corporate guarantees and/or other financial guarantees. Although the Company's properties are geographically diverse and the tenants operate in a variety of industries, to the extent the Company has a significant concentration of rental revenue from any single tenant, the inability of that tenant to make its lease payments could have an adverse effect on the Company.

Insurance

The Company's property insurance program per occurrence limits are \$1.0 billion for its portfolio insurance program, including coverage for acts of terrorism other than nuclear, biological, chemical or radiological terrorism ("Terrorism Coverage"). The Company also carries \$250 million of Terrorism Coverage for 601 Lexington Avenue, New York, New York ("601 Lexington Avenue") in excess of the \$1.0 billion of coverage in the Company's property insurance program. Certain properties, including the General Motors Building located at 767 Fifth Avenue in New York, New York ("767 Fifth Avenue"), are currently insured in separate insurance programs. The property insurance program per occurrence limits for 767 Fifth Avenue are \$1.625 billion, including Terrorism Coverage. The Company also currently carries nuclear, biological, chemical and radiological terrorism insurance coverage for acts of terrorism certified under the Federal Terrorism Risk Insurance Act (as amended, "TRIA") ("NBCR Coverage"), which is provided by IXP as a direct insurer, for the properties in the Company's portfolio, including 767 Fifth Avenue, but excluding certain other properties owned in joint ventures with third parties or which the Company manages. The per occurrence limit for NBCR Coverage is \$1.0 billion. Under TRIA, after the payment of the required deductible and coinsurance, the NBCR Coverage provided by IXP is backstopped by the Federal Government if the aggregate industry insured losses resulting from a certified act of terrorism exceed a "program trigger." In 2019, the program trigger was \$180 million and the coinsurance was 19%, however, both will increase in subsequent years pursuant to

TRIA. If the Federal Government pays out for a loss under TRIA, it is mandatory that the Federal Government recoup the full amount of the loss from insurers offering TRIA coverage after the payment of the loss pursuant to a formula in TRIA. The Company may elect to terminate the NBCR Coverage if the Federal Government seeks recoupment for losses paid under TRIA, if TRIA is not extended after its expiration on December 31, 2027, if there is a change in its portfolio or for any other reason. The Company intends to continue to monitor the scope, nature and cost of available terrorism insurance.

The Company also currently carries earthquake insurance on its properties located in areas known to be subject to earthquakes. In addition, this insurance is subject to a deductible in the amount of 3% of the value of the affected property. Specifically, the Company currently carries earthquake insurance which covers its San Francisco and Los Angeles regions with a \$240 million per occurrence limit, and a \$240 million annual aggregate limit, \$20 million of which is provided by IXP, as a direct insurer. The amount of the Company's earthquake insurance coverage may not be sufficient to cover losses from earthquakes. In addition, the amount of earthquake coverage could impact the Company's ability to finance properties subject to earthquake risk. The Company may discontinue earthquake insurance or change the structure of its earthquake insurance program on some or all of its properties in the future if the premiums exceed the Company's estimation of the value of the coverage.

IXP, a captive insurance company which is a wholly-owned subsidiary of the Company, acts as a direct insurer with respect to a portion of the Company's earthquake insurance coverage for its Greater San Francisco and Los Angeles properties and the Company's NBCR Coverage. Insofar as the Company owns IXP, it is responsible for its liquidity and capital resources, and the accounts of IXP are part of the Company's consolidated financial statements. In particular, if a loss occurs which is covered by the Company's NBCR Coverage but is less than the applicable program trigger under TRIA, IXP would be responsible for the full amount of the loss without any backstop by the Federal Government. IXP would also be responsible for any recoupment charges by the Federal Government in the event losses are paid out and its insurance policy is maintained after the payout by the Federal Government. If the Company experiences a loss and IXP is required to pay under its insurance policy, the Company would ultimately record the loss to the extent of the required payment. Therefore, insurance coverage provided by IXP should not be considered as the equivalent of third-party insurance, but rather as a modified form of self-insurance. In addition, Boston Properties Limited Partnership has issued a guarantee to cover liabilities of IXP in the amount of \$20.0 million.

The Company continues to monitor the state of the insurance market in general, and the scope and costs of coverage for acts of terrorism and California earthquake risk in particular, but the Company cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. There are other types of losses, such as from wars, for which the Company cannot obtain insurance at all or at a reasonable cost. With respect to such losses and losses from acts of terrorism, earthquakes or other catastrophic events, if the Company experiences a loss that is uninsured or that exceeds policy limits, the Company could lose the capital invested in the damaged properties, as well as the anticipated future revenues from those properties. Depending on the specific circumstances of each affected property, it is possible that the Company could be liable for mortgage indebtedness or other obligations related to the property. Any such loss could materially and adversely affect the Company's business and financial condition and results of operations.

Legal Matters

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of the Company.

State and Local Tax Matters

Because Boston Properties, Inc. is organized and qualifies as a REIT, it is generally not subject to federal income taxes, but is subject to certain state and local taxes. In the normal course of business, certain entities through which the Company owns real estate either have undergone, or are currently undergoing, tax audits. Although the Company believes that it has substantial arguments in favor of its positions in the ongoing audits, in some instances there is no controlling precedent or interpretive guidance on the specific point at issue. Collectively, tax deficiency notices received to date from the jurisdictions conducting the ongoing audits have not been material. However, there can be no assurance that future audits will not occur with increased frequency or that the ultimate result of such audits will not have a material adverse effect on the Company's results of operations.

Environmental Matters

It is the Company's policy to retain independent environmental consultants to conduct or update Phase I environmental assessments (which generally do not involve invasive techniques such as soil or ground water sampling) and asbestos surveys in connection with the Company's acquisition of properties. These pre-purchase environmental assessments have not revealed environmental conditions that the Company believes will have a material adverse effect on its business, assets, financial condition, results of operations or liquidity, and the Company is not otherwise aware of environmental conditions with respect to its properties that the Company believes would have such a material adverse effect. However, from time to time environmental conditions at the Company's properties have required and may in the future require environmental testing and/or regulatory filings, as well as remedial action.

In February 1999, the Company (through a joint venture) acquired from Exxon Corporation a property in Massachusetts that was formerly used as a petroleum bulk storage and distribution facility and was known by the state regulatory authority to contain soil and groundwater contamination. The Company developed an office park on the property. The Company engaged a specially licensed environmental consultant to oversee the management of contaminated soil and groundwater that was disturbed in the course of construction. Under the property acquisition agreement, Exxon agreed to (1) bear the liability arising from releases or discharges of oil and hazardous substances which occurred at the site prior to the Company's ownership, (2) continue monitoring and/or remediating such releases and discharges as necessary and appropriate to comply with applicable requirements, and (3) indemnify the Company for certain losses arising from preexisting site conditions. Any indemnity claim may be subject to various defenses, and there can be no assurance that the amounts paid under the indemnity, if any, would be sufficient to cover the liabilities arising from any such releases and discharges.

Environmental investigations at some of the Company's properties and certain properties owned by affiliates of the Company have identified groundwater contamination migrating from off-site source properties. In each case the Company engaged a licensed environmental consultant to perform the necessary investigations and assessments and to prepare any required submittals to the regulatory authorities. In each case the environmental consultant concluded that the properties qualify under the regulatory program or the regulatory practice for a status which eliminates certain deadlines for conducting response actions at a site. The Company also believes that these properties qualify for liability relief under certain statutory provisions or regulatory practices regarding upgradient releases. Although the Company believes that the current or former owners of the upgradient source properties may bear responsibility for some or all of the costs of addressing the identified groundwater contamination, the Company will take such further response actions (if any) that it deems necessary or advisable. Other than periodic testing at some of these properties, no such additional response actions are anticipated at this time.

Some of the Company's properties and certain properties owned by the Company's affiliates are located in urban, industrial and other previously developed areas where fill or current or historical uses of the areas have caused site contamination. Accordingly, it is sometimes necessary to institute special soil and/or groundwater handling procedures and/or include particular building design features in connection with development, construction and other property operations in order to achieve regulatory closure and/or ensure that contaminated materials are addressed in an appropriate manner. In these situations, it is the Company's practice to investigate the nature and extent of detected contamination, including potential issues associated with contaminant migration, assess potential liability risks and estimate the costs of required response actions and special handling procedures. The Company then uses this information as part of its decision-making process with respect to the acquisition, deal structure and/or development of the property. For example, the Company owns a parcel in Massachusetts which was formerly used as a quarry/asphalt batching facility. Pre-purchase testing indicated that the site contained relatively low levels of certain contaminants. The Company has developed an office park on this property. Prior to and during redevelopment activities, the Company engaged a specially licensed environmental consultant to monitor environmental conditions at the site and prepare necessary regulatory submittals based on the results of an environmental risk characterization. A submittal has been made to the regulatory authorities in order to achieve regulatory closure at this site. The submittal included an environmental deed restriction that mandates compliance with certain protective measures in a portion of the site where low levels of residual soil contamination have been left in place in accordance with applicable laws.

The Company expects that resolution of the environmental matters relating to the above will not have a material impact on its business, assets, financial condition, results of operations or liquidity. However, the Company cannot assure you that it has identified all environmental liabilities at its properties, that all necessary remediation actions have been or will be undertaken at the Company's properties or that the Company will be indemnified, in full or at all, in the event that such environmental liabilities arise.

10. Noncontrolling Interests

Noncontrolling interests relate to the interests in Boston Properties Limited Partnership not owned by Boston Properties, Inc. and interests in consolidated property partnerships not wholly-owned by the Company. As of December 31, 2019, the noncontrolling interests in Boston Properties Limited Partnership consisted of 16,764,466 OP Units, 1,143,215 LTIP Units (including 118,067 2012 OPP Units, 68,659 2013 MYLTIP Units, 23,100 2014 MYLTIP Units, 28,724 2015 MYLTIP Units and 98,706 2016 MYLTIP Units), 394,921 2017 MYLTIP Units, 336,195 2018 MYLTIP Units and 220,734 2019 MYLTIP Units held by parties other than Boston Properties, Inc.

Noncontrolling Interest—Common Units

During the years ended December 31, 2019 and 2018, 144,481 and 83,136 OP Units, respectively, were presented by the holders for redemption (including 92,678 and 48,389 OP Units, respectively, issued upon conversion of LTIP Units, 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2016 MYLTIP Units) and were redeemed by Boston Properties, Inc. in exchange for an equal number of shares of Common Stock.

At December 31, 2019, Boston Properties Limited Partnership had outstanding 394,921 2017 MYLTIP Units, 336,195 2018 MYLTIP Units and 220,734 2019 MYLTIP Units (See Note 16). Prior to the applicable measurement date (February 6, 2020 for 2017 MYLTIP Units (See Note 19), February 5, 2021 for 2018 MYLTIP Units and February 4, 2022 for 2019 MYLTIP Units), holders of MYLTIP Units will be entitled to receive per unit distributions equal to one-tenth (10%) of the regular quarterly distributions payable on an OP Unit, but will not be entitled to receive any special distributions. After the measurement date, the number of MYLTIP Units, both vested and unvested, that MYLTIP award recipients have earned, if any, based on the establishment of a performance pool, will be entitled to receive distributions in an amount per unit equal to distributions, both regular and special, payable on an OP Unit.

On February 3, 2017, the measurement period for the Company's 2014 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 27.7% of target or an aggregate of approximately \$3.5 million (after giving effect to employee separations and the unallocated reserve). As a result, an aggregate of 447,386 2014 MYLTIP Units that had been previously granted were automatically forfeited.

On February 4, 2018, the measurement period for the Company's 2015 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 22.0% of target or an aggregate of approximately \$3.6 million (after giving effect to employee separations). As a result, an aggregate of 337,847 2015 MYLTIP Units that had been previously granted were automatically forfeited.

On February 9, 2019, the measurement period for the Company's 2016 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 69.5% of target or an aggregate of approximately \$13.6 million (after giving effect to employee separations). As a result, an aggregate of 364,980 2016 MYLTIP Units that had been previously granted were automatically forfeited.

The following table presents Boston Properties Limited Partnership's distributions on the OP Units and LTIP Units (including the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2015 MYLTIP Units and, after the February 9, 2019 measurement date, the 2016 MYLTIP Units) and its distributions on the 2016 MYLTIP Units (prior to the February 9, 2019 measurement date), 2017 MYLTIP Units, 2018 MYLTIP Units and 2019 MYLTIP Units (after the February 5, 2019 issuance date) that occurred during the year ended December 31, 2019:

<u>Record Date</u>	<u>Payment Date</u>	<u>Distributions per OP Unit and LTIP Unit</u>	<u>Distributions per MYLTIP Unit</u>
December 31, 2019	January 30, 2020	\$0.98	\$0.098
September 30, 2019	October 31, 2019	\$0.95	\$0.095
June 28, 2019	July 31, 2019	\$0.95	\$0.095
March 29, 2019	April 30, 2019	\$0.95	\$0.095
December 31, 2018	January 30, 2019	\$0.95	\$0.095

The following table presents Boston Properties Limited Partnership's distributions on the OP Units and LTIP Units (including the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and, after the February 4, 2018 measurement date, the 2015 MYLTIP Units) and its distributions on the 2015 MYLTIP Units (prior to the February 4, 2018 measurement date), 2016 MYLTIP Units, 2017 MYLTIP Units and 2018 MYLTIP Units (after the February 6, 2018 issuance date) that occurred during the year ended December 31, 2018:

<u>Record Date</u>	<u>Payment Date</u>	<u>Distributions per OP Unit and LTIP Unit</u>	<u>Distributions per MYLTIP Unit</u>
December 31, 2018	January 30, 2019	\$0.95	\$0.095
September 28, 2018	October 31, 2018	\$0.95	\$0.095
June 29, 2018	July 31, 2018	\$0.80	\$0.080
March 29, 2018	April 30, 2018	\$0.80	\$0.080
December 29, 2017	January 30, 2018	\$0.80	\$0.080

A holder of an OP Unit may present the OP Unit to Boston Properties Limited Partnership for redemption at any time (subject to restrictions agreed upon at the time of issuance of OP Units to particular holders that may restrict such redemption right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, Boston Properties Limited Partnership must redeem the OP Unit for cash equal to the then value of a share of common stock of Boston Properties, Inc. Boston Properties, Inc. may, in its sole discretion, elect to assume and satisfy the redemption obligation by paying either cash or issuing one share of Common Stock. The value of the OP Units (not owned by Boston Properties, Inc. and LTIP Units (including the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units, 2015 MYLTIP Units and 2016 MYLTIP Units) assuming that all conditions had been met for the conversion thereof) had all of such units been redeemed at December 31, 2019 was approximately \$2.5 billion based on the last reported price of a share of Common Stock on the New York Stock Exchange of \$137.86 per share on December 31, 2019.

Noncontrolling Interests—Property Partnerships

The noncontrolling interests in property partnerships consist of the outside equity interests in ventures that are consolidated with the financial results of the Company because the Company exercises control over the entities that own the properties. The equity interests in these ventures that are not owned by the Company, totaling approximately \$1.7 billion at December 31, 2019 and 2018, are included in Noncontrolling Interests—Property Partnerships on the accompanying Consolidated Balance Sheets.

On May 12, 2016, the partners in the Company's consolidated entity that owns Salesforce Tower located in San Francisco, California amended the venture agreement. Under the original venture agreement, if the Company elected to fund the construction of Salesforce Tower without a construction loan (or a construction loan of less than 50% of project costs) and the venture commenced vertical construction of the project, then the partner's capital funding obligation would be limited, in which event the Company would fund up to 2.5% of the total project costs (i.e., 50% of the partner's 5% interest in the venture) in the form of a loan to the partner. This loan would bear interest at the then prevailing market interest rates for construction loans. Under the amended venture agreement, the partners agreed to structure this funding by the Company as preferred equity rather than a loan. The preferred equity contributed by the Company earned a preferred return equal to LIBOR plus 3.00% per annum and was payable to the Company out of any distributions to which the partner would otherwise be entitled until such preferred equity and preferred return was repaid to the Company. The Company contributed an aggregate of approximately \$22.6 million of preferred equity to the venture. Also, under the amended venture agreement, (a) from and after the stabilization date, the partner had the right to cause the Company to purchase all (but not less than all) of the partner's interest and (b) from and after the third anniversary of the stabilization date, the Company had the right to acquire all (but not less than all) of the partner's interest, in each case, at an agreed upon purchase price or appraised value. In addition, if certain threshold returns were achieved the partner may be entitled to receive an additional promoted interest with respect to cash flow distributions. The term stabilization date was defined in the agreement to generally mean the first date after completion upon which Salesforce Tower is (1) at least 90% leased and (2) 50% occupied by tenants that are paying rent. Salesforce Tower is an approximately 1,421,000 net rentable square foot Class A office property.

On January 18, 2019, the Company and its partner further amended the venture agreement. Per the amendment, the partner exercised its right to cause the Company to purchase, on April 1, 2019, its 5% ownership interest and promoted profits interest in the venture for cash totaling approximately \$210.9 million, which amount was reduced by approximately \$24.1 million, consisting of the repayment of the Company's preferred equity and preferred return as provided for in the amended venture agreement.

On April 1, 2019, the Company completed the acquisition of its partner's 5% ownership interest and promoted profits interest in the consolidated entity for cash totaling approximately \$210.9 million, which amount was reduced by approximately \$24.1 million to \$186.8 million to reflect the repayment of the Company's preferred equity and preferred return in the venture, as described above. The Company now owns 100% of Salesforce Tower. The Company has accounted for the transaction as an equity transaction for financial reporting purposes and has reflected the difference between the fair value of the total consideration paid and the related carrying value of the noncontrolling interest - property partnership totaling approximately \$162.5 million as a decrease to Additional Paid-in Capital and Partners' Capital in the Consolidated Balance Sheets of Boston Properties, Inc. and Boston Properties Limited Partnership, respectively.

On June 6, 2017, in conjunction with the refinancing of the indebtedness of the Company's consolidated entity in which it has a 60% interest and that owns 767 Fifth Avenue (the General Motors Building) located in New York City, the members of the consolidated entity amended the limited liability company agreement to provide for the contribution of the remaining unpaid principal balance of the members' notes payable totaling approximately \$273.9 million (of which the Company's share of approximately \$164.4 million is eliminated in consolidation) to equity in the consolidated entity, resulting in an increase of approximately \$109.6 million to Noncontrolling Interests in Property Partnerships on the Company's Consolidated Balance Sheets. There were no changes to the ownership interests or rights of the members as a result of the amendment.

11. Stockholders' Equity / Partners' Capital

Boston Properties, Inc.

As of December 31, 2019, Boston Properties, Inc. had 154,790,298 shares of Common Stock outstanding.

As of December 31, 2019, Boston Properties, Inc. owned 1,726,980 general partnership units and 153,063,318 limited partnership units in Boston Properties Limited Partnership.

On June 2, 2017, Boston Properties, Inc. renewed its "at the market" ("ATM") stock offering program through which it may sell from time to time up to an aggregate of \$600.0 million of its common stock through sales agents over a three-year period. This program replaced the Company's prior \$600.0 million ATM stock offering program that was scheduled to expire on June 3, 2017. The Company intends to use the net proceeds from any offering for general business purposes, which may include investment opportunities and debt reduction. No shares of common stock have been issued under this ATM stock offering program.

During the year ended December 31, 2019, Boston Properties, Inc. issued 145,088 shares of Common Stock upon the exercise of options to purchase Common Stock. During the year ended December 31, 2018, there were no options to purchase Common Stock exercised.

During the years ended December 31, 2019 and 2018, Boston Properties, Inc. issued 144,481 and 83,136 shares of Common Stock, respectively, in connection with the redemption of an equal number of redeemable OP Units from limited partners.

The following table presents Boston Properties, Inc.'s dividends per share and Boston Properties Limited Partnership's distributions per OP Unit and LTIP Unit paid or payable in 2019 and 2018:

Record Date	Payment Date	Dividend (Per Share)	Distribution (Per Unit)
December 31, 2019	January 30, 2020	\$0.98	\$0.98
September 30, 2019	October 31, 2019	\$0.95	\$0.95
June 28, 2019	July 31, 2019	\$0.95	\$0.95
March 29, 2019	April 30, 2019	\$0.95	\$0.95
December 31, 2018	January 30, 2019	\$0.95	\$0.95
September 28, 2018	October 31, 2018	\$0.95	\$0.95
June 29, 2018	July 31, 2018	\$0.80	\$0.80
March 29, 2018	April 30, 2018	\$0.80	\$0.80
December 29, 2017	January 30, 2018	\$0.80	\$0.80

Preferred Stock

As of December 31, 2019, Boston Properties, Inc. had 80,000 shares (8,000,000 depositary shares each representing 1/100th of a share) outstanding of its 5.25% Series B Cumulative Redeemable Preferred Stock with a liquidation preference of \$2,500.00 per share (\$25.00 per depositary share). Boston Properties, Inc. pays cumulative cash dividends on the Series B Preferred Stock at a rate of 5.25% per annum of the \$2,500.00 liquidation preference per share. Boston Properties, Inc. did not redeem the Series B Preferred Stock prior to March 27, 2018, except in certain circumstances relating to the preservation of Boston Properties, Inc.'s REIT status. On and after March 27, 2018, Boston Properties, Inc., at its option, may redeem the Series B Preferred Stock for a cash redemption price of \$2,500.00 per share (\$25.00 per depositary share), plus all accrued and unpaid dividends. The Series B Preferred Stock is not redeemable by the holders, has no maturity date and is not convertible into any other security of Boston Properties, Inc. or its affiliates.

The following table presents Boston Properties Inc.'s dividends per share on its outstanding Series B Preferred Stock paid or payable in 2019 and 2018:

Record Date	Payment Date	Dividend (Per Share)
February 4, 2020	February 18, 2020	\$32.8125
November 1, 2019	November 15, 2019	\$32.8125
August 2, 2019	August 15, 2019	\$32.8125
May 3, 2019	May 15, 2019	\$32.8125
February 4, 2019	February 15, 2019	\$32.8125
November 2, 2018	November 15, 2018	\$32.8125
August 3, 2018	August 15, 2018	\$32.8125
May 4, 2018	May 15, 2018	\$32.8125
February 2, 2018	February 15, 2018	\$32.8125

12. Future Minimum Rents

On January 1, 2019, the Company adopted ASU 2016-02, "Leases" (see "New Accounting Pronouncements Adopted—Leases" section of Note 2).

The Company's properties are leased to tenants under operating leases with initial term expiration dates ranging from 2020 to 2049.

The future contractual minimum lease payments to be received (excluding operating expense reimbursements) by the Company as of December 31, 2018, under non-cancelable operating leases which expire on various dates through 2049:

Years Ending December 31,	(in thousands)
2019	\$ 2,088,171
2020	2,106,963
2021	2,015,031
2022	1,838,699
2023	1,736,636
Thereafter	12,295,464

The future contractual lease payments to be received (excluding operating expense reimbursements) by the Company as of December 31, 2019, under non-cancelable operating leases which expire on various dates through 2049:

Years Ending December 31,	(in thousands)
2020	\$ 2,205,675
2021	2,222,643
2022	2,126,968
2023	2,068,871
2024	1,974,144
Thereafter	13,892,504

No single tenant represented more than 10.0% of the Company's total rental revenue for the years ended December 31, 2018 and 2017 and no single tenant represented more than 10.0% of the Company's total lease revenue for the year ended December 31, 2019.

13. Segment Information

The following tables present reconciliations of Net Income Attributable to Boston Properties, Inc. Common Shareholders to the Company's share of Net Operating Income and Net Income Attributable to Boston Properties Limited Partnership Common Unitholders to the Company's share of Net Operating Income for the years ended December 31, 2019, 2018 and 2017.

Boston Properties, Inc.

Year ended December 31,

	2019	2018	2017
	(in thousands)		
Net income attributable to Boston Properties, Inc. common shareholders	\$ 511,034	\$ 572,347	\$ 451,939
Add:			
Preferred dividends	10,500	10,500	10,500
Noncontrolling interest—common units of the Operating Partnership	59,345	66,807	52,210
Noncontrolling interests in property partnerships	71,120	62,909	47,832
Interest expense	412,717	378,168	374,481
Losses (gains) from early extinguishments of debt	29,540	16,490	(496)
Impairment losses	24,038	11,812	—
Net operating income from unconsolidated joint ventures	97,716	79,893	64,008
Depreciation and amortization expense	677,764	645,649	617,547
Transaction costs	1,984	1,604	668
Payroll and related costs from management services contracts	10,386	9,590	—
General and administrative expense	140,777	121,722	113,715
Less:			
Net operating income attributable to noncontrolling interests in property partnerships	183,989	177,365	174,245
Gains (losses) from investments in securities	6,417	(1,865)	3,678
Interest and other income	18,939	10,823	5,783
Gains on sales of real estate	709	182,356	7,663
Income from unconsolidated joint ventures	46,592	2,222	11,232
Direct reimbursements of payroll and related costs from management services contracts	10,386	9,590	—
Development and management services revenue	40,039	45,158	34,605
Company's share of Net Operating Income	\$ 1,739,850	\$ 1,551,842	\$ 1,495,198

Boston Properties Limited Partnership

	Year ended December 31,		
	2019	2018	2017
	(in thousands)		
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 580,102	\$ 656,903	\$ 512,866
Add:			
Preferred distributions	10,500	10,500	10,500
Noncontrolling interests in property partnerships	71,120	62,909	47,832
Interest expense	412,717	378,168	374,481
Losses (gains) from early extinguishments of debt	29,540	16,490	(496)
Impairment losses	22,272	10,181	—
Net operating income from unconsolidated joint ventures	97,716	79,893	64,008
Depreciation and amortization expense	669,956	637,891	609,407
Transaction costs	1,984	1,604	668
Payroll and related costs from management services contracts	10,386	9,590	—
General and administrative expense	140,777	121,722	113,715
Less:			
Net operating income attributable to noncontrolling interests in property partnerships	183,989	177,365	174,245
Gains (losses) from investments in securities	6,417	(1,865)	3,678
Interest and other income	18,939	10,823	5,783
Gains on sales of real estate	858	190,716	8,240
Income from unconsolidated joint ventures	46,592	2,222	11,232
Direct reimbursements of payroll and related costs from management services contracts	10,386	9,590	—
Development and management services revenue	40,039	45,158	34,605
Company's share of Net Operating Income	<u>\$ 1,739,850</u>	<u>\$ 1,551,842</u>	<u>\$ 1,495,198</u>

Net operating income ("NOI") is a non-GAAP financial measure equal to net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders, as applicable, the most directly comparable GAAP financial measures, plus (1) preferred dividends/distributions, net income attributable to noncontrolling interests, interest expense, losses (gains) from early extinguishments of debt, impairment losses, depreciation and amortization expense, transaction costs, payroll and related costs from management services contracts and corporate general and administrative expense less (2) gains (losses) from investments in securities, interest and other income, gains on sales of real estate, income from unconsolidated joint ventures, direct reimbursements of payroll and related costs from management services contracts and development and management services revenue. The Company believes NOI is useful to investors as a performance measure and believes it provides useful information to investors regarding its results of operations and financial condition because, when compared across periods, it reflects the impact on operations from trends in occupancy rates, rental rates, operating costs and acquisition and development activity on an unleveraged basis, providing perspective not immediately apparent from net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders. For example, interest expense is not necessarily linked to the operating performance of a real estate asset and is often incurred at the corporate level as opposed to the property level. Similarly, interest expense may be incurred at the property level even though the financing proceeds may be used at the corporate level (e.g., used for other investment activity). In addition, depreciation and amortization expense, because of historical cost accounting and useful life estimates, may distort operating performance measures at the property level. NOI presented by the Company may not be comparable to NOI reported by other REITs or real estate companies that define NOI differently.

Asset information by segment is not reported because the Company does not use this measure to assess performance. Therefore, depreciation and amortization expense is not allocated among segments. Preferred dividends/distributions, interest expense, losses (gains) from early extinguishments of debt, impairment losses, depreciation and amortization expense, transaction costs, payroll and related costs from management services contracts, corporate general and administrative expense, gains (losses) from investments in securities, interest and other income, gains on sales of real estate, direct reimbursements of payroll and related costs from management services contracts and development and management services revenue are not included in NOI and are provided as reconciling items to the Company's reconciliations of its share of NOI to net income attributable to common shareholders/unitholders.

The Company's segments are based on the Company's method of internal reporting which classifies its operations by geographic area. The Company's segments by geographic area are Boston, Los Angeles, New York, San Francisco and Washington, DC. The Company also presents information for each segment by property type, including Office, Residential and Hotel.

Beginning in 2019, the Company modified the presentation of its geographic area classification for all periods presented to include the Los Angeles geographic area to align with its method of internal reporting. The Company expanded its presence in the Los Angeles geographic area with its equity method investment in Santa Monica Business Park located in Santa Monica, California. As of December 31, 2019, the Company has equity interests in a portfolio of 27 office and retail properties in the Los Angeles geographic area aggregating approximately 2.3 million net rentable square feet, all of which are owned through investments in unconsolidated joint ventures. The Company began presenting the Los Angeles geographic area as a reportable segment to align with its method of internal reporting given the increased significance as a result of commencing a full reporting period of ownership of the Santa Monica Business Park portfolio. The inclusion of the Los Angeles geographic area has also resulted in a change in the reported measure of segment profit or loss from NOI to the Company's share of NOI. This change has been reflected in all periods presented and the impact of the change can be seen within the tables below. The Company has not presented rental revenue and rental expenses for properties owned through investments in unconsolidated joint ventures, including those in the Los Angeles geographic area, as the Company accounts for these properties using the equity method of accounting.

Information by geographic area and property type (dollars in thousands):

For the year ended December 31, 2019:

	Boston	Los Angeles	New York	San Francisco	Washington, DC	Total
Rental Revenue: (1)						
Office	\$ 895,098	\$ —	\$ 1,011,912	\$ 533,189	\$ 384,435	\$ 2,824,634
Residential	13,786	—	—	—	23,128	36,914
Hotel	48,589	—	—	—	—	48,589
Total	957,473	—	1,011,912	533,189	407,563	2,910,137
% of Grand Totals	32.90%	—%	34.78%	18.32%	14.00%	100.00%
Rental Expenses:						
Office	322,282	—	389,532	177,994	144,217	1,034,025
Residential	5,071	—	—	—	10,914	15,985
Hotel	34,004	—	—	—	—	34,004
Total	361,357	—	389,532	177,994	155,131	1,084,014
% of Grand Totals	33.34%	—%	35.93%	16.42%	14.31%	100.00%
Net operating income	\$ 596,116	\$ —	\$ 622,380	\$ 355,195	\$ 252,432	\$ 1,826,123
% of Grand Totals	32.64%	—%	34.09%	19.45%	13.82%	100.00%
Less: Net operating income attributable to noncontrolling interests in property partnerships	(40,109)	—	(143,432)	(448)	—	(183,989)
Add: Company's share of net operating income from unconsolidated joint ventures	5,494	61,338	4,174	—	26,710	97,716
Company's share of net operating income	\$ 561,501	\$ 61,338	\$ 483,122	\$ 354,747	\$ 279,142	\$ 1,739,850
% of Grand Totals	32.27%	3.53%	27.77%	20.39%	16.04%	100.00%

(1) Rental Revenue is equal to Total Revenue per the Company's Consolidated Statements of Operations, less Development and Management Services Revenue and Direct Reimbursements of Payroll and Related Costs from Management Services Contracts Revenue per the Consolidated Statements of Operations.

For the year ended December 31, 2018:

	Boston	Los Angeles	New York	San Francisco	Washington, DC	Total
Rental Revenue: (1)						
Office	\$ 838,341	\$ —	\$ 959,050	\$ 397,180	\$ 396,088	\$ 2,590,659
Residential	6,694	—	—	—	15,857	22,551
Hotel	49,118	—	—	—	—	49,118
Total	894,153	—	959,050	397,180	411,945	2,662,328
% of Grand Totals	33.59%	—%	36.02%	14.92%	15.47%	100.00%
Rental Expenses:						
Office	315,653	—	377,992	130,016	142,886	966,547
Residential	3,632	—	—	—	8,972	12,604
Hotel	33,863	—	—	—	—	33,863
Total	353,148	—	377,992	130,016	151,858	1,013,014
% of Grand Totals	34.86%	—%	37.32%	12.83%	14.99%	100.00%
Net operating income	\$ 541,005	\$ —	\$ 581,058	\$ 267,164	\$ 260,087	\$ 1,649,314
% of Grand Totals	32.80%	—%	35.23%	16.20%	15.77%	100.00%
Less: Net operating income attributable to noncontrolling interests in property partnerships	(33,862)	—	(143,562)	59	—	(177,365)
Add: Company's share of net operating income from unconsolidated joint ventures	2,866	42,750	6,590	—	27,687	79,893
Company's share of net operating income	\$ 510,009	\$ 42,750	\$ 444,086	\$ 267,223	\$ 287,774	\$ 1,551,842
% of Grand Totals	32.86%	2.75%	28.63%	17.22%	18.54%	100.00%

(1) Rental Revenue is equal to total Revenue per the Company's Consolidated Statements of Operations, less Development and Management Services Revenue and Direct Reimbursements of Payroll and Related Costs from Management Services Contracts Revenue per the Consolidated Statements of Operations.

For the year ended December 31, 2017:

	Boston	Los Angeles	New York	San Francisco	Washington, DC	Total
Rental Revenue: (1)						
Office	\$ 776,279	\$ —	\$ 969,371	\$ 345,519	\$ 414,103	\$ 2,505,272
Residential	4,745	—	—	—	11,851	16,596
Hotel	45,603	—	—	—	—	45,603
Total	826,627	—	969,371	345,519	425,954	2,567,471
% of Grand Totals	32.20%	—%	37.75%	13.46%	16.59%	100.00%
Rental Expenses:						
Office	301,097	—	372,810	105,253	144,515	923,675
Residential	2,044	—	—	—	4,258	6,302
Hotel	32,059	—	—	—	—	32,059
Total	335,200	—	372,810	105,253	148,773	962,036
% of Grand Totals	34.84%	—%	38.76%	10.94%	15.46%	100.00%
Net operating income	\$ 491,427	\$ —	\$ 596,561	\$ 240,266	\$ 277,181	\$ 1,605,435
% of Grand Totals	30.61%	—%	37.15%	14.97%	17.27%	100.00%
Less: Net operating income attributable to noncontrolling interests in property partnerships	(31,857)	—	(142,916)	528	—	(174,245)
Add: Company's share of net operating income from unconsolidated joint ventures	1,962	26,816	8,832	—	26,398	64,008
Company's share of net operating income	\$ 461,532	\$ 26,816	\$ 462,477	\$ 240,794	\$ 303,579	\$ 1,495,198
% of Grand Totals	30.87%	1.79%	30.94%	16.10%	20.30%	100.00%

(1) Rental Revenue is equal to total Revenue per the Company's Consolidated Statements of Operations, less Development and Management Services Revenue and Direct Reimbursements of Payroll and Related Costs from Management Services Contracts Revenue per the Consolidated Statements of Operations.

14. Earnings Per Share / Common Unit

Boston Properties, Inc.

The following table provides a reconciliation of both the net income attributable to Boston Properties, Inc. common shareholders and the number of common shares used in the computation of basic earnings per share ("EPS"), which is calculated by dividing net income attributable to Boston Properties, Inc. common shareholders by the weighted-average number of common shares outstanding during the period. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are also participating securities. As such, unvested restricted common stock of Boston Properties, Inc. and Boston Properties Limited Partnership's LTIP Units, 2012 OPP Units and MYLTIP Units are considered participating securities. Participating securities are included in the computation of basic EPS of Boston Properties, Inc. using the two-class method. Participating securities are included in the computation of diluted EPS of Boston Properties, Inc. using the if-converted method if the impact is dilutive. Because the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units, 2015 MYLTIP Units and 2016 MYLTIP Units required, and the 2017-2019 MYLTIP Units require, Boston Properties, Inc. to outperform absolute and relative return thresholds, unless such thresholds have been met by the end of the applicable reporting period, Boston Properties, Inc. excludes such units from the diluted EPS calculation. Other potentially dilutive common shares, including stock options, restricted stock and other securities of Boston Properties Limited Partnership that are exchangeable for Boston Properties, Inc.'s Common Stock, and the related impact on earnings, are considered when calculating diluted EPS.

For the Year Ended December 31, 2019			
	Income (Numerator)	Shares (Denominator)	Per Share Amount
(in thousands, except for per share amounts)			
Basic Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	\$ 511,034	154,582	\$ 3.31
Effect of Dilutive Securities:			
Stock Based Compensation	—	301	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	<u>\$ 511,034</u>	<u>154,883</u>	<u>\$ 3.30</u>

For the Year ended December 31, 2018			
	Income (Numerator)	Shares (Denominator)	Per Share Amount
(in thousands, except for per share amounts)			
Basic Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	\$ 572,347	154,427	\$ 3.71
Allocation of undistributed earnings to participating securities	(101)	—	—
Net income attributable to Boston Properties, Inc. common shareholders	\$ 572,246	154,427	\$ 3.71
Effect of Dilutive Securities:			
Stock Based Compensation	—	255	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	<u>\$ 572,246</u>	<u>154,682</u>	<u>\$ 3.70</u>

For the Year ended December 31, 2017			
	Income (Numerator)	Shares (Denominator)	Per Share Amount
(in thousands, except for per share amounts)			
Basic Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	\$ 451,939	154,190	\$ 2.93
Effect of Dilutive Securities:			
Stock Based Compensation	—	200	—
Diluted Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	<u>\$ 451,939</u>	<u>154,390</u>	<u>\$ 2.93</u>

Boston Properties Limited Partnership

The following table provides a reconciliation of both the net income attributable to Boston Properties Limited Partnership common unitholders and the number of common units used in the computation of basic earnings per common unit, which is calculated by dividing net income attributable to Boston Properties Limited Partnership common unitholders by the weighted-average number of common units outstanding during the period. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are also participating securities. As such, unvested restricted common stock of Boston Properties, Inc. and Boston Properties Limited Partnership's LTIP Units, 2012 OPP Units and MYLTIP Units are considered participating securities. Participating securities are included in the computation of basic earnings per common unit using the two-class method. Participating securities are included in the computation of diluted earnings per common unit using the if-converted method if the impact is dilutive. Because the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units, 2015 MYLTIP Units and 2016 MYLTIP Units required, and the 2017-2019 MYLTIP Units require, Boston Properties, Inc. to outperform absolute and relative return thresholds, unless such thresholds have been met by the end of the applicable reporting period, Boston Properties Limited Partnership excludes such units from the diluted earnings per common unit calculation. Other potentially dilutive common units and the related impact on earnings are considered when calculating diluted earnings per common unit. Included in the number of units (the denominator) below are approximately 17,618,000, 17,485,000 and 17,471,000 redeemable common units for the years ended December 31, 2019, 2018 and 2017, respectively.

	For the Year Ended December 31, 2019		
	Income (Numerator)	Units (Denominator)	Per Unit Amount
(in thousands, except for per unit amounts)			
Basic Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 580,102	172,200	\$ 3.37
Effect of Dilutive Securities:			
Stock Based Compensation	—	301	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 580,102	172,501	\$ 3.36
	For the Year ended December 31, 2018		
	Income (Numerator)	Units (Denominator)	Per Unit Amount
(in thousands, except for per unit amounts)			
Basic Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 656,903	171,912	\$ 3.82
Allocation of undistributed earnings to participating securities	(113)	—	—
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 656,790	171,912	\$ 3.82
Effect of Dilutive Securities:			
Stock Based Compensation	—	255	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 656,790	172,167	\$ 3.81

	For the Year ended December 31, 2017		
	Income (Numerator)	Units (Denominator)	Per Unit Amount
(in thousands, except for per unit amounts)			
Basic Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 512,866	171,661	\$ 2.99
Effect of Dilutive Securities:			
Stock Based Compensation	—	200	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 512,866	171,861	\$ 2.98

15. Employee Benefit Plans

Effective January 1, 1985, the predecessor of the Company adopted a 401(k) Savings Plan (the “Plan”) for its employees. Upon formation, the Company adopted the Plan and the terms of the Plan.

Under the Plan, as amended, the Company’s matching contribution equals 200% of the first 3% of participant’s eligible earnings contributed (utilizing earnings that are not in excess of an amount established by the IRS (\$280,000, \$275,000 and \$270,000 in 2019, 2018 and 2017, respectively), indexed for inflation) with no vesting requirement. The Company’s aggregate matching contribution for the years ended December 31, 2019, 2018 and 2017 was approximately \$4.2 million, \$4.1 million and \$4.1 million, respectively.

The Company also maintains a deferred compensation plan that is designed to allow officers of Boston Properties, Inc. to defer a portion of the officer’s current income on a pre-tax basis and receive a tax-deferred return on these deferrals based on the performance of specific investments selected by the officer. The Company’s obligation under the plan is that of an unsecured promise to pay the deferred compensation to the plan participants in the future. At December 31, 2019 and 2018, the Company had maintained approximately \$36.0 million and \$28.2 million, respectively, in a separate account, which is not restricted as to its use. The Company’s liability under the plan is equal to the total amount of compensation deferred by the plan participants and earnings on the deferred compensation pursuant to investments elected by the plan participants. The Company’s liability as of December 31, 2019 and 2018 was approximately \$36.0 million and \$28.2 million, respectively, which are included in the accompanying Consolidated Balance Sheets.

16. Stock Option and Incentive Plan

At Boston Properties, Inc.’s 2012 annual meeting of stockholders held on May 15, 2012, its stockholders approved the Boston Properties, Inc. 2012 Stock Option and Incentive Plan (the “2012 Plan”). The 2012 Plan replaced the 1997 Stock Option and Incentive Plan (the “1997 Plan”). The material terms of the 2012 Plan include, among other things: (1) the maximum number of shares of common stock reserved and available for issuance under the 2012 Plan is the sum of (i) 13,000,000 newly authorized shares, plus (ii) the number of shares available for grant under the 1997 Stock Plan immediately prior to the effective date of the 2012 Plan, plus (iii) any shares underlying grants under the 1997 Plan that are forfeited, canceled or terminated (other than by exercise) in the future; (2) “full-value” awards (i.e., awards other than stock options) are multiplied by a 2.32 conversion ratio to calculate the number of shares available under the 2012 Plan that are used for each full-value award, as opposed to a 1.0 conversion ratio for each stock option awarded under the 2012 Plan; (3) shares tendered or held back for taxes will not be added back to the reserved pool under the 2012 Plan; (4) stock options may not be re-priced without stockholder approval; and (5) the term of the 2012 Plan is for 10 years from the date of stockholder approval.

On February 5, 2019, Boston Properties, Inc.’s Compensation Committee approved the 2019 MYLTIP awards under the 2012 Plan to certain officers and employees of Boston Properties, Inc. The 2019 MYLTIP awards utilize Boston Properties, Inc.’s TSR over a three-year measurement period, on an annualized, compounded basis, as the performance metric. Earned awards will be based on Boston Properties, Inc.’s TSR relative to the Nareit Office Index, adjusted to include Vornado Realty Trust. Earned awards will range from zero to a maximum of 220,734

LTIP Units depending on Boston Properties, Inc.'s TSR relative to the Nareit Office Index, adjusted to include Vornado Realty Trust, with a target of approximately 110,367 LTIP Units and linear interpolation between zero and maximum. Earned awards (if any) will vest 50% on February 4, 2022 and 50% on February 4, 2023, based on continued employment. Vesting will be accelerated in the event of a change in control, termination of employment by Boston Properties, Inc. without cause, or termination of employment by the award recipient for good reason, death, disability or retirement. If there is a change of control prior to February 4, 2022, earned awards will be calculated based on TSR performance up to the date of the change of control. The 2019 MYLTIP awards are in the form of LTIP Units issued on the grant date which (i) are subject to forfeiture to the extent awards are not earned and (ii) prior to the performance measurement date are only entitled to one-tenth (10%) of the regular quarterly distributions payable on common partnership units. Under ASC 718 "Compensation - Stock Compensation", the 2019 MYLTIP awards have an aggregate value of approximately \$13.5 million, which amount will generally be amortized into earnings over the four year plan period under the graded vesting method.

On February 9, 2019, the measurement period for the Company's 2016 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 69.5% of target or an aggregate of approximately \$13.6 million (after giving effect to employee separations). As a result, an aggregate of 364,980 2016 MYLTIP Units that had been previously granted were automatically forfeited.

On February 4, 2018, the measurement period for the Company's 2015 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 22.0% of target or an aggregate of approximately \$3.6 million (after giving effect to employee separations). As a result, an aggregate of 337,847 2015 MYLTIP Units that had been previously granted were automatically forfeited.

On February 3, 2017, the measurement period for the Company's 2014 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 27.7% of target or an aggregate of approximately \$3.5 million (after giving effect to employee separations and the unallocated reserve). As a result, an aggregate of 447,386 2014 MYLTIP Units that had been previously granted were automatically forfeited.

Boston Properties, Inc. issued 26,503, 20,320 and 37,414 shares of restricted common stock and Boston Properties Limited Partnership issued 181,919, 205,838 and 113,918 LTIP Units to employees and non-employee directors under the 2012 Plan during the years ended December 31, 2019, 2018 and 2017, respectively. Boston Properties, Inc. did not issue any non-qualified stock options under the 2012 Plan during the years ended December 31, 2019, 2018 and 2017. Boston Properties Limited Partnership issued 220,734 2019 MYLTIP Units, 342,659 2018 MYLTIP Units and 400,000 2017 MYLTIP Units to employees under the 2012 Plan during the years ended December 31, 2019, 2018 and 2017, respectively. Employees and non-employee directors paid \$0.01 per share of restricted common stock and \$0.25 per LTIP Unit, OPP Unit and MYLTIP Unit. When issued, LTIP Units are not economically equivalent in value to a share of Common Stock, but over time can increase in value to one-for-one parity with Common Stock if there is sufficient appreciation in the value of the Company's assets. The aggregate value of the LTIP Units is included in noncontrolling interests in the Consolidated Balance Sheets. Grants of restricted stock and LTIP Units to employees vest in four equal annual installments. Restricted stock is measured at fair value on the date of grant based on the number of shares granted and the closing price of Boston Properties, Inc.'s Common Stock on the date of grant as quoted on the New York Stock Exchange. Such value is recognized as an expense ratably over the corresponding employee service period. Non-qualified stock options, which are valued using the Black-Scholes option-pricing model, are recognized as an expense ratably over the corresponding employee service period. As the 2012 OPP Awards, 2013 MYLTIP Awards, 2014 MYLTIP Awards, 2015 MYLTIP Awards, 2016 MYLTIP Awards, 2017 MYLTIP Awards, 2018 MYLTIP Awards and 2019 MYLTIP Awards are subject to both a service condition and a market condition, the Company recognizes the compensation expense related to the 2012 OPP Awards, 2013 MYLTIP Awards, 2014 MYLTIP Awards, 2015 MYLTIP Awards 2016 MYLTIP Awards, 2017 MYLTIP Awards, 2018 MYLTIP Awards and 2019 MYLTIP Awards under the graded vesting attribution method. Under the graded vesting attribution method, each portion of the award that vests at a different date is accounted for as a separate award and recognized over the period appropriate to that portion so that the compensation cost for each portion should be recognized in full by the time that portion vests. The Company recognizes forfeitures as they occur on its awards of stock-based compensation. Dividends paid on both vested and unvested shares of restricted stock are charged directly to Dividends in Excess of Earnings in Boston Properties, Inc.'s Consolidated Balance Sheets and Partners' Capital in Boston Properties Limited Partnership's Consolidated Balance Sheets. Aggregate stock-based compensation expense associated with restricted stock, non-qualified stock options, LTIP Units, 2013 MYLTIP Units, 2014 MYLTIP Units, 2015 MYLTIP Units, 2016 MYLTIP Units, 2017 MYLTIP Units, 2018 MYLTIP Units and 2019 MYLTIP Units was approximately \$39.8 million, \$38.0 million and \$33.2 million for the years ended December 31, 2019, 2018 and 2017, respectively. At December 31,

2019, there was (1) an aggregate of approximately \$23.3 million of unrecognized compensation expense related to unvested restricted stock and LTIP Units and (2) an aggregate of approximately \$12.4 million of unrecognized compensation expense related to unvested 2017 MYLTIP Units, 2018 MYLTIP Units and 2019 MYLTIP Units that is expected to be recognized over a weighted-average period of approximately 2.4 years.

The shares of restricted stock were valued at approximately \$3.5 million (\$131.27 per share weighted-average), \$2.4 million (\$119.27 per share weighted-average) and \$4.9 million (\$130.32 per share weighted-average) for the years ended December 31, 2019, 2018 and 2017, respectively.

LTIP Units were valued using a Monte Carlo simulation method model in accordance with the provisions of ASC 718. LTIP Units issued during the years ended December 31, 2019, 2018 and 2017 were valued at approximately \$22.1 million, \$22.7 million and \$13.6 million, respectively. The weighted-average per unit fair value of LTIP Unit grants in 2019, 2018 and 2017 was \$121.50, \$110.29 and \$119.41, respectively. The per unit fair value of each LTIP Unit granted in 2019, 2018 and 2017 was estimated on the date of grant using the following assumptions; an expected life of 5.7 years, 5.7 years and 5.7 years, a risk-free interest rate of 2.68%, 2.63% and 2.14% and an expected price volatility of 27.0%, 27.0% and 28.0%, respectively.

There were no non-qualified stock options granted during the years ended December 31, 2019, 2018 and 2017.

A summary of the status of Boston Properties, Inc.'s stock options as of December 31, 2019, 2018 and 2017 and changes during the years then ended are presented below:

	Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2016	547,129	\$ 96.38
Exercised	(6,688)	\$ 99.15
Outstanding at December 31, 2017	540,441	\$ 96.35
Exercised	—	\$ —
Outstanding at December 31, 2018	540,441	\$ 96.35
Exercised	(145,088)	\$ 96.27
Outstanding at December 31, 2019	395,353	\$ 96.37

The following table summarizes information about Boston Properties, Inc.'s stock options outstanding at December 31, 2019:

Options Outstanding			Options Exercisable		
Number Outstanding at 12/31/19	Weighted-Average Remaining Contractual Life	Exercise Price	Number Exercisable at 12/31/19	Exercise Price	
81,458	1.1 years	\$ 86.86	81,458	\$ 86.86	
54,282	3.3 years	\$ 95.69	54,282	\$ 95.69	
142,422	3.1 years	\$ 98.46	142,422	\$ 98.46	
117,191	2.1 years	\$ 100.77	117,191	\$ 100.77	

The total intrinsic value of the outstanding and exercisable stock options as of December 31, 2019 was approximately \$16.4 million. In addition, Boston Properties, Inc. had 540,441 options exercisable at a weighted-average exercise price of \$96.35 at December 31, 2018 and 2017.

Boston Properties, Inc. adopted the 1999 Non-Qualified Employee Stock Purchase Plan (the "Stock Purchase Plan") to encourage the ownership of Common Stock by eligible employees. The Stock Purchase Plan became effective on January 1, 1999 with an aggregate maximum of 250,000 shares of Common Stock available for issuance. The Stock Purchase Plan provides for eligible employees to purchase on the business day immediately following the end of the biannual purchase periods (i.e., January 1-June 30 and July 1-December 31) shares of Common Stock at a purchase price equal to 85% of the average closing prices of the Common Stock during the last ten business days of the purchase period. Boston Properties, Inc. issued 5,862, 6,268 and 6,317 shares with the weighted-average purchase price equal to \$104.11 per share, \$107.20 per share and \$105.97 per share under the Stock Purchase Plan during the years ended December 31, 2019, 2018 and 2017, respectively.

17. Related Party Transactions

A firm controlled by Mr. Raymond A. Ritchey's brother was paid aggregate leasing commissions of approximately \$21,000, \$921,000 and \$368,000 for the years ended December 31, 2019, 2018 and 2017, respectively, related to certain exclusive leasing arrangements for certain Northern Virginia properties. Mr. Ritchey is a Senior Executive Vice President of Boston Properties, Inc.

In accordance with Boston Properties, Inc.'s 2012 Plan, and as approved by its Board of Directors, seven non-employee directors made elections to receive deferred stock units in lieu of cash fees for 2019. As a result of these elections, the aggregate cash fees otherwise payable to a non-employee director during a fiscal quarter are converted into a number of deferred stock units equal to the aggregate cash fees divided by the last reported sales price of a share of Boston Properties, Inc.'s Common Stock on the last trading of the applicable fiscal quarter. The deferred stock units are also credited with dividend equivalents as dividends are paid by Boston Properties, Inc. The deferred stock units may be settled in shares of Common Stock upon the cessation of such director's service on the Board of Directors of Boston Properties, Inc. The Company modified the terms of the non-employee director compensation program to provide, subject to certain conditions, the non-employee directors holding deferred stock units with the ability to elect, following cessation of their service on the Company's Board of Directors, to diversify their investment elections into non-employer securities on a pre-tax basis and receive tax-deferred returns on such deferrals, which will ultimately be settled in cash. The Company's obligation under the plan is that of an unsecured promise to pay the deferred compensation to the non-employee director in the future. At December 31, 2019, the Company had maintained approximately \$0.7 million in a separate account, which is not restricted as to its use. The Company's liability under the plan is equal to the total amount of compensation deferred by the non-employee director and earnings on the deferred compensation pursuant to investments elected by the non-employee director. The Company's liability as of December 31, 2019 was approximately \$0.7 million, which is included in the accompanying Consolidated Balance Sheets. The modification of the terms of the non-employee director compensation program required a change to the classification of these deferred stock units from permanent equity to temporary equity on the Consolidated Balance Sheets of Boston Properties, Inc. and Boston Properties Limited Partnership within Redeemable Deferred Stock Units (See Note 2). On May 21, 2019, in connection with the cessation of a director's service on the Board of Directors of Boston Properties, Inc., Boston Properties, Inc. issued 17,949 shares of Common Stock in settlement of a portion of the director's outstanding deferred stock units. In addition, on September 3, 2019, the Company converted 4,917 of such director's deferred stock units as a result of such director's election to diversify their investment elections into non-employer securities. On May 23, 2018, in connection with the cessation of a director's service on the Board of Directors of Boston Properties, Inc., Boston Properties, Inc. issued 36,836 shares of Common Stock in settlement of the director's outstanding deferred stock units. At December 31, 2019 and 2018, Boston Properties, Inc. had outstanding 60,676 and 74,966 deferred stock units, respectively.

18. Selected Interim Financial Information (unaudited)

Boston Properties, Inc.

The tables below reflect Boston Properties, Inc.'s selected quarterly information for the years ended December 31, 2019 and 2018.

	2019 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per share amounts)			
Total revenue	\$ 725,767	\$ 733,741	\$ 743,553	\$ 757,501
Net income	\$ 131,159	\$ 203,461	\$ 141,370	\$ 176,009
Net income attributable to Boston Properties, Inc. common shareholders	\$ 98,105	\$ 164,318	\$ 107,771	\$ 140,824
Income attributable to Boston Properties, Inc. per share—basic	\$ 0.63	\$ 1.06	\$ 0.70	\$ 0.91
Income attributable to Boston Properties, Inc. per share—diluted	\$ 0.63	\$ 1.06	\$ 0.70	\$ 0.91

2018 Quarter Ended

	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per share amounts)			
Total revenue	\$ 661,151	\$ 664,484	\$ 686,284	\$ 705,157
Net income	\$ 216,312	\$ 160,565	\$ 150,445	\$ 185,241
Net income attributable to Boston Properties, Inc. common shareholders	\$ 176,021	\$ 128,681	\$ 119,118	\$ 148,529
Income attributable to Boston Properties, Inc. per share—basic	\$ 1.14	\$ 0.83	\$ 0.77	\$ 0.96
Income attributable to Boston Properties, Inc. per share—diluted	\$ 1.14	\$ 0.83	\$ 0.77	\$ 0.96

Boston Properties Limited Partnership

The tables below reflect Boston Properties Limited Partnership's selected quarterly information for the years ended December 31, 2019 and 2018.

2019 Quarter Ended

	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per unit amounts)			
Total revenue	\$ 725,767	\$ 733,741	\$ 743,553	\$ 757,501
Net income	\$ 134,837	\$ 205,822	\$ 143,212	\$ 177,851
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 113,382	\$ 185,715	\$ 122,117	\$ 158,888
Income attributable to Boston Properties Limited Partnership per unit—basic	\$ 0.66	\$ 1.08	\$ 0.71	\$ 0.92
Income attributable to Boston Properties Limited Partnership per unit—diluted	\$ 0.66	\$ 1.08	\$ 0.71	\$ 0.92

2018 Quarter Ended

	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per unit amounts)			
Total revenue	\$ 661,151	\$ 664,484	\$ 686,284	\$ 705,157
Net income	\$ 220,766	\$ 162,986	\$ 153,676	\$ 192,884
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 200,907	\$ 145,961	\$ 136,201	\$ 173,834
Income attributable to Boston Properties Limited Partnership per unit—basic	\$ 1.17	\$ 0.85	\$ 0.79	\$ 1.01
Income attributable to Boston Properties Limited Partnership per unit—diluted	\$ 1.17	\$ 0.85	\$ 0.79	\$ 1.01

19. Subsequent Events

On January 28, 2020, the Company entered into a joint venture with a third party to own, operate and develop properties at its Gateway Commons complex located in South San Francisco, California. The Company contributed its 601, 611 and 651 Gateway properties and development rights with an agreed upon value aggregating approximately \$350.0 million for its 50% interest in the joint venture. 601, 611 and 651 Gateway consist of three Class A office properties aggregating approximately 768,000 net rentable square feet. The partner contributed three properties and development rights with an agreed upon value aggregating approximately \$280.8 million at closing and will contribute cash totaling approximately \$69.2 million in the future for its 50% ownership interest in the joint venture.

On January 28, 2020, a joint venture in which the Company has a 55% interest commenced development of the first phase of its Platform 16 project located in San Jose, California. The first phase of the Platform 16 development project consists of an approximately 390,000 net rentable square foot Class A office building and a below-grade parking garage. On February 20, 2020, the joint venture acquired the land under the ground lease for a purchase price totaling approximately \$134.8 million. The joint venture had previously made a deposit totaling \$15.0 million, which deposit was credited against the purchase price. Platform 16 consists of a parcel of land totaling approximately 5.6 acres that will support the development of approximately 1.1 million square feet of commercial office space (See Notes 3 and 5).

On January 28, 2020, the Company exercised its option to acquire real property at 425 Fourth Street located in San Francisco, California for a purchase price totaling approximately \$134.1 million. 425 Fourth Street will support the development of approximately 804,000 square feet of primarily commercial office space. The Company expects to complete the acquisition during the second quarter of 2020.

On January 31, 2020 and February 4, 2020, Boston Properties, Inc. issued an aggregate of 24,503 shares of restricted Common Stock and Boston Properties Limited Partnership issued an aggregate of 196,927 LTIP Units under the 2012 Plan to certain employees of Boston Properties, Inc.

On February 4, 2020, Boston Properties, Inc.'s Compensation Committee approved the 2020 Multi-Year Long-Term Incentive Program (the "2020 MYLTIP") awards under Boston Properties, Inc.'s 2012 Plan to certain officers and employees of Boston Properties, Inc. Earned awards will range from zero to a maximum of 203,278 LTIP Units depending on Boston Properties, Inc.'s TSR relative to the FTSE Nareit Office Index, adjusted to include Vornado Realty Trust, with a target of approximately 101,638 LTIP Units and linear interpolation between zero and maximum. Under ASC 718, the 2020 MYLTIP awards have an aggregate value of approximately \$13.7 million.

On February 6, 2020, the measurement period for the Company's 2017 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 83.8% of target or an aggregate of approximately \$17.6 million (after giving effect to employee separations). As a result, an aggregate of 270,942 2017 MYLTIP Units that had been previously granted were automatically forfeited.

On February 20, 2020, the Company completed the sale of its New Dominion Technology Park located in Herndon, Virginia for a gross sale price of \$256.0 million. New Dominion Technology Park is comprised of two Class A office properties aggregating approximately 493,000 net rentable square feet (See Note 6).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Boston Properties, Inc.

As of the end of the period covered by this report, an evaluation was carried out by our management, with the participation of Boston Properties, Inc.'s Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, Boston Properties, Inc.'s Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in Boston Properties, Inc.'s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fourth quarter of Boston Properties, Inc.'s fiscal year ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, Boston Properties, Inc.'s internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting is set forth on page 106 of this Annual Report on Form 10-K and is incorporated herein by reference.

Boston Properties Limited Partnership

As of the end of the period covered by this report, an evaluation was carried out by the management of Boston Properties, Inc., the sole general partner of Boston Properties Limited Partnership, with the participation of its Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer of Boston Properties, Inc. concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in its internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fourth quarter of its fiscal year ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting is set forth on page 118 of this Annual Report on Form 10-K and is incorporated herein by reference.

Item 9B. *Other Information*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by Item 10 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 11. *Executive Compensation*

The information required by Item 11 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The following table summarizes Boston Properties, Inc.'s equity compensation plans as of December 31, 2019.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	3,876,539 (2)	\$ 96.37 (2)	8,465,049 (3)
Equity compensation plans not approved by security holders (4)	N/A	N/A	85,347
Total	3,876,539	\$ 96.37	8,550,396

(1) Includes information related to BXP's 1997 Plan and 2012 Plan.

(2) Includes (a) 395,353 shares of common stock issuable upon the exercise of outstanding options (all of which are vested and exercisable), (b) 1,143,215 long term incentive units (LTIP units) (375,679 of which are vested) that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (c) 1,325,445 common units issued upon conversion of LTIP units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (d) 394,921 2017 MYLTIP Awards that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (e) 336,195 2018 MYLTIP Awards that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (f) 220,734 2019 MYLTIP Awards that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock and (g) 60,676 deferred stock units which were granted pursuant to elections by certain of BXP's non-employee directors to defer all cash compensation to be paid to such directors and to receive their deferred cash compensation in shares of BXP's common stock upon their retirement from its Board of Directors.

Does not include 51,892 shares of restricted stock, as they have been reflected in BXP's total shares outstanding. Because there is no exercise price associated with LTIP units, common units, 2017 MYLTIP Awards, 2018 MYLTIP Awards, 2019 MYLTIP Awards or deferred stock units, such shares are not included in the weighed-average exercise price calculation.

(3) Represents awards available for issuance under BXP's 2012 Plan. "Full-value" awards (i.e., awards other than stock options) are multiplied by a 2.32 conversion ratio to calculate the number of shares available under the 2012 Plan that are used for each full-value award, as opposed to a 1.0 conversion ratio for each stock option awarded under the 2012 Plan.

- (4) Includes information related to the 1999 Non-Qualified Employee Stock Purchase Plan (ESPP). The ESPP was adopted by the Board of Directors of BXP on October 29, 1998. The ESPP has not been approved by BXP's stockholders. The ESPP is available to all our employees that are employed on the first day of the purchase period. Under the ESPP, each eligible employee may purchase shares of our common stock at semi-annual intervals each year at a purchase price equal to 85% of the average closing prices of our common stock on the New York Stock Exchange during the last ten business days of the purchase period. Each eligible employee may contribute no more than \$10,000 per year to purchase our common stock under the ESPP.

Additional information concerning security ownership of certain beneficial owners and management required by Item 12 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by Item 13 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

The information required by Item 14 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statement Schedule

Boston Properties, Inc.
Schedule 3 - Real Estate and Accumulated Depreciation
December 31, 2019
(dollars in thousands)

Property Name	Type	Location	Encumbrances	Original		Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/ Renovated	Year(s) Acquired	Depreciable Lives (Years)
				Land	Building									
767 Fifth Avenue (the General Motors Building)	Office	New York, NY	\$ 2,274,028	\$ 1,796,252	\$ 1,532,654	\$ 202,612	\$ 1,796,252	\$ —	\$ —	\$ 3,531,518	\$ 313,158	1969/2019	2013	(1)
Prudential Center	Office	Boston, MA	—	92,077	948,357	556,458	115,638	1,478,578	2,676	1,596,892	596,740	1965/1993/2002/2015/2017	1998/1999/2000	(1)
Embarcadero Center	Office	San Francisco, CA	—	179,697	847,410	415,228	195,987	1,246,348	—	1,442,335	633,711	1970/1989	1998-1999	(1)
399 Park Avenue	Office	New York, NY	—	339,200	700,358	300,519	354,107	985,970	—	1,340,077	358,960	1961/2018	2002	(1)
601 Lexington Avenue	Office	New York, NY	644,778	241,600	494,782	454,902	289,639	688,550	213,095	1,191,284	289,482	1977/1997	2001	(1)
Salesforce Tower	Office	San Francisco, CA	—	200,349	946,205	—	200,349	946,205	—	1,146,554	38,727	2018	2013	(1)
200 Clarendon Street and Garage	Office	Boston, MA	—	219,543	667,884	210,160	250,134	829,529	17,924	1,097,587	214,533	1976	2010	(1)
250 West 55th Street	Office	New York, NY	—	285,263	603,167	51,928	285,263	655,095	—	940,358	116,857	2014	2007	(1)
100 Federal Street	Office	Boston, MA	—	131,067	435,954	102,984	131,067	538,938	—	670,005	122,799	1971-1975/2017	2012	(1)
Times Square Tower	Office	New York, NY	—	165,413	380,438	113,222	169,193	489,880	—	659,073	217,303	2004	2000	(1)
Carnegie Center	Office	Princeton, NJ	—	142,666	316,856	152,280	94,240	462,882	54,680	611,802	208,331	1983-2016	2019	(1)
Atlantic Wharf	Office	Boston, MA	—	63,988	454,537	18,709	63,988	473,246	—	537,234	131,828	2011	2007	(1)
510 Madison Avenue	Office	New York, NY	—	103,000	253,665	25,495	103,000	279,160	—	382,160	72,213	2012	2010	(1)
Fountain Square	Office	Reston, VA	—	56,853	306,298	12,140	56,853	318,438	—	375,291	78,498	1986-1990	2012	(1)
599 Lexington Avenue	Office	New York, NY	—	81,040	100,507	188,572	87,852	282,267	—	370,119	183,291	1986	1997	(1)
680 Folsom Street	Office	San Francisco, CA	—	72,545	219,766	7,907	72,545	227,673	—	300,218	46,777	2014	2012	(1)
2200 Pennsylvania Avenue	Office	Washington, DC	—	—	183,541	113,627	109,038	188,130	—	297,168	59,190	2011	2008	(1)
145 Broadway	Office	Cambridge, MA	—	121	273,013	23,246	23,367	273,013	—	296,380	1,511	2019	1997	(1)
South of Market and Democracy Tower	Office	Reston, VA	—	13,603	237,479	26,415	13,687	263,810	—	277,487	99,478	2008-2009	2003	(1)
601 Massachusetts Avenue	Office	Washington, DC	—	95,310	165,173	3,945	95,322	169,106	—	264,428	24,502	2016	2008	(1)
Bay Colony Corporate Center	Office	Waltham, MA	—	18,789	148,451	80,077	18,789	228,528	—	247,317	79,824	1985-1989	2011	(1)
Gateway Center	Office	San Francisco, CA	—	28,255	139,245	61,791	30,627	198,664	—	229,291	106,680	1984/1986/2002	1999	(1)
535 Mission Street	Office	San Francisco, CA	—	40,933	148,378	3,276	40,933	151,654	—	192,587	26,293	2015	2013	(1)
Reservoir Place	Office	Waltham, MA	—	18,605	104,124	53,718	20,108	156,339	—	176,447	70,870	1955/1987/2017	1997/1998	(1)
Mountain View Research Park	Office	Mountain View, CA	—	95,066	68,373	12,704	95,066	81,077	—	176,143	19,807	1977-1981/2007-2013	2013	(1)
1330 Connecticut Avenue	Office	Washington, DC	—	25,982	82,311	36,847	27,135	118,005	—	145,140	32,775	1984/2018	2004	(1)

Boston Properties, Inc.
Schedule 3 - Real Estate and Accumulated Depreciation
December 31, 2019
(dollars in thousands)

Property Name	Type	Location	Encumbrances	Original		Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/Renovated	Year(s) Acquired	Depreciable Lives (Years)
				Land	Building									
Kingstowne Towne Center	Office	Alexandria, VA	—	18,021	109,038	18,062	112,373	—	—	130,435	44,294	2003-2006	2007	(1)
One Freedom Square	Office	Reston, VA	—	9,929	84,504	11,293	117,512	—	—	128,805	59,006	2000	2003	(1)
Capital Gallery	Office	Washington, DC	—	4,725	29,565	8,662	114,332	—	—	122,994	71,631	1981/2006	2007	(1)
Weston Corporate Center	Office	Weston, MA	—	25,753	92,312	(123)	25,854	—	—	117,942	29,227	2010	2001	(1)
Two Freedom Square	Office	Reston, VA	—	13,930	77,739	15,420	99,458	—	—	114,878	50,668	2001	2003	(1)
One and Two Reston Overlook	Office	Reston, VA	—	16,456	66,192	16,179	90,650	—	—	106,829	51,503	1999	2000	(1)
Discovery Square	Office	Reston, VA	—	11,198	71,762	12,533	91,352	—	—	103,885	43,619	2001	2003	(1)
140 Kendrick Street	Office	Needham, MA	—	18,095	66,905	17,574	83,482	—	—	102,574	35,721	2000	2004	(1)
355 Main Street	Office	Cambridge, MA	—	18,863	53,346	21,173	78,618	—	—	99,791	26,439	1981/1996/2013	2006	(1)
880 & 890 Winter Street	Office	Waltham, MA	—	29,510	65,812	—	65,812	—	—	95,322	1,458	1998-1999	2019	(1)
10 CityPoint	Office	Waltham, MA	—	1,953	85,752	2,290	90,112	—	—	92,402	10,928	2016	1997	(1)
90 Broadway	Office	Cambridge, MA	—	19,104	52,078	19,857	70,254	—	—	91,039	23,621	1983/1998/2013	2006	(1)
230 CityPoint	Office	Waltham, MA	—	13,189	49,823	13,807	71,262	—	—	85,069	29,255	1992	2005	(1)
77 CityPoint	Office	Waltham, MA	—	13,847	60,383	14,023	70,763	—	—	84,786	27,172	2008	2001	(1)
Waltham Weston Corporate Center	Office	Waltham, MA	—	10,385	60,694	11,097	73,147	—	—	84,244	35,567	2003	1999	(1)
3625-3635 Peterson Way	Office	Santa Clara, CA	—	63,206	14,879	63,206	14,879	752	—	78,837	11,172	1979	2016	(1)
2440 West El Camino Real	Office	Mountain View, CA	—	16,741	51,285	16,741	56,739	—	—	73,480	13,090	1987/2003	2011	(1)
191 Spring Street	Office	Lexington, MA	—	2,850	59,751	3,151	67,145	—	—	70,296	21,917	1971/1995/2018	1997	(1)
300 Binney Street	Office	Cambridge, MA	—	18,080	51,262	18,080	51,402	—	—	69,482	11,146	2013	2009	(1)
Wisconsin Place	Office	Chevy Chase, MD	—	—	53,349	—	68,273	—	—	68,273	25,934	2009	2004	(1)
Reston Corporate Center	Office	Reston, VA	—	9,135	50,857	10,148	56,080	—	—	66,228	29,860	1984	1998	(1)
New Dominion Technology Park, Bldg. Two	Office	Herndon, VA	—	5,584	51,868	6,510	55,099	—	—	61,609	26,894	2004	1998	(1)
255 Main Street	Office	Cambridge, MA	—	134	25,110	548	58,820	—	—	59,368	33,543	1987	1997	(1)
University Place	Office	Cambridge, MA	3,602	—	37,091	7,418	45,674	—	—	53,092	29,423	1985	1998	(1)
New Dominion Technology Park, Bldg. One	Office	Herndon, VA	—	3,880	43,227	4,583	46,451	—	—	51,034	29,141	2001	1998	(1)
Summer Square	Office	Washington, DC	—	624	28,745	3,535	47,178	—	—	50,713	27,093	1985	1999	(1)
200 West Street	Office	Waltham, MA	—	16,148	24,983	16,813	30,425	—	2,104	49,342	17,001	1999	1997	(1)
North First Business Park	Office	San Jose, CA	—	23,398	13,069	23,377	17,661	—	—	41,038	16,411	1981	2007	(1)
150 Broadway	Office	Cambridge, MA	—	850	25,042	1,323	33,109	—	—	34,432	19,875	1999	1997	(1)
105 Broadway	Office	Cambridge, MA	—	1,299	12,943	2,395	23,253	—	—	25,648	11,870	1990	1997	(1)
Lexington Office Park	Office	Lexington, MA	—	998	1,426	1,264	19,707	—	—	20,971	14,312	1982	1997	(1)
201 Spring Street	Office	Lexington, MA	—	2,849	15,303	3,124	16,200	—	—	19,324	8,587	1997	1997	(1)
The Point	Office	Waltham, MA	—	6,395	10,040	6,492	10,364	—	—	16,856	1,349	2015	2007	(1)
33 Hayden Avenue	Office	Lexington, MA	—	266	3,234	425	15,973	—	—	16,398	5,678	1979	1997	(1)
690 Folsom Street	Office	San Francisco, CA	—	3,219	11,038	3,219	12,195	—	—	15,414	2,284	2015	2012	(1)

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Property Name	Type	Location	Encumbrances	Original		Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/Renovated	Year(s) Acquired	Depreciable Lives (Years)
				Land	Building									
92-100 Hayden Avenue	Office	Lexington, MA	—	594	6,748	802	14,069	—	—	14,871	12,041	1985	1997	(1)
181 Spring Street	Office	Lexington, MA	—	1,066	9,520	1,160	11,603	—	—	12,763	5,597	1999	1997	(1)
195 West Street	Office	Waltham, MA	—	1,611	6,652	1,858	10,623	—	—	12,481	8,352	1990	1997	(1)
7501 Boston Boulevard, Building Seven	Office	Springfield, VA	—	665	9,273	816	9,963	—	—	10,754	5,393	1997	1997	(1)
7435 Boston Boulevard, Building One	Office	Springfield, VA	—	392	3,822	4,983	8,538	—	—	9,197	6,344	1982	1997	(1)
7450 Boston Boulevard, Building Three	Office	Springfield, VA	—	1,165	4,681	2,591	7,007	—	—	8,437	3,575	1987	1998	(1)
32 Hartwell Avenue	Office	Lexington, MA	—	168	1,943	314	7,912	—	—	8,226	1,975	1968/1979/1987	1997	(1)
250 Binney Street	Office	Cambridge, MA	—	110	4,483	273	7,913	—	—	8,186	5,929	1983	1997	(1)
8000 Granger Court, Building Five	Office	Springfield, VA	—	366	4,282	601	7,245	—	—	7,846	5,752	1984	1997	(1)
453 Ravendale Drive	Office	Mountain View, CA	—	5,477	1,090	676	5,477	—	—	7,243	690	1977	2012	(1)
7300 Boston Boulevard, Building Thirteen	Office	Springfield, VA	—	608	4,773	1,007	5,727	—	—	6,388	1,984	2002	1997	(1)
17 Hartwell Avenue	Office	Lexington, MA	—	26	150	6,064	6,175	—	—	6,240	1,966	1968	1997	(1)
7601 Boston Boulevard, Building Eight	Office	Springfield, VA	—	200	878	551	5,587	—	—	6,138	4,689	1986	1997	(1)
7500 Boston Boulevard, Building Six	Office	Springfield, VA	—	138	3,749	367	5,160	—	—	5,527	4,237	1985	1997	(1)
8000 Corporate Court, Building Eleven	Office	Springfield, VA	—	136	3,071	774	4,029	—	—	4,803	3,191	1989	1997	(1)
7375 Boston Boulevard, Building Ten	Office	Springfield, VA	—	23	2,685	93	3,647	—	—	3,740	2,606	1988	1997	(1)
7374 Boston Boulevard, Building Four	Office	Springfield, VA	—	241	1,605	398	3,276	—	—	3,674	2,779	1984	1997	(1)
7451 Boston Boulevard, Building Two	Office	Springfield, VA	—	249	1,542	613	2,845	—	—	3,458	2,610	1982	1997	(1)
Signature at Reston	Residential	Reston, VA	—	27,076	190,580	393	190,973	—	—	218,049	8,773	2018	2013	(1)
Proto Kendall Square	Residential	Cambridge, MA	—	9,243	127,248	2,939	130,185	—	—	139,430	4,566	2018	2015	(1)
The Avant at Reston Town Center	Residential	Reston, VA	—	20,350	91,995	830	92,825	—	—	113,175	14,728	2014	2010	(1)
The Lofts at Atlantic Wharf	Residential	Boston, MA	—	3,529	54,891	1,897	56,788	—	—	60,317	12,639	2011	2007	(1)
Boston Marriott Cambridge	Hotel	Cambridge, MA	—	478	37,918	35,813	73,008	—	—	74,209	46,605	1986/2017	1997	(1)
Kendall Center Green Garage	Garage	Cambridge, MA	—	—	35,035	103	42,261	—	—	42,364	13,512	1984	2006	(1)
Kendall Center Yellow Garage	Garage	Cambridge, MA	—	1,256	15,697	1,552	17,071	—	—	18,505	6,031	2006	2004	(1)
Kendall Center Blue Garage	Garage	Cambridge, MA	—	1,163	11,633	2,151	13,388	—	—	14,947	9,728	1990	1997	(1)
The Skyline (MacArthur Station Residences)	Development	Oakland, CA	—	—	—	29,807	—	—	196,719	226,526	—	N/A	N/A	N/A
2100 Pennsylvania Avenue	Development	Washington, DC	—	—	—	185,129	—	—	39,251	224,380	1,024	N/A	N/A	N/A
Reston Gateway	Development	Reston, VA	—	—	—	150,632	—	—	150,632	150,632	—	N/A	1998	N/A
17Fifty Presidents Street	Development	Reston, VA	—	—	—	99,816	—	—	99,816	99,816	—	N/A	2013	N/A

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Property Name	Type	Location	Encumbrances	Original		Capitalized Subsequent Acquisition	Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/Renovated	Year(s) Acquired	Depreciable Lives (Years)
				Land	Building										
20 CityPoint	Development	Waltham, MA	—	4,721	52,039	20,007	4,721	52,039	—	20,007	76,767	1,136	N/A	2007	N/A
325 Main Street	Development	Waltham, MA	—	174	—	68,903	966	—	—	68,112	69,077	—	N/A	1997	N/A
North First Master Plan	Land	San Jose, CA	—	35,004	—	3,932	—	—	38,936	—	38,936	—	N/A	2007	N/A
Plaza at Almaden	Land	San Jose, CA	—	—	—	34,889	—	—	34,889	—	34,889	—	N/A	2006	N/A
425 Fourth Street	Land	San Francisco, CA	—	—	—	22,074	—	—	22,074	—	22,074	—	N/A	N/A	N/A
Springfield Metro Center	Land	Springfield, VA	—	—	—	19,844	—	—	19,844	—	19,844	—	N/A	2007	N/A
Reston Gateway Master Plan	Land	Reston, VA	—	—	—	18,292	—	—	18,292	—	18,292	—	N/A	1998	N/A
214 Third Avenue	Land	Waltham, MA	—	—	—	17,692	—	—	17,692	—	17,692	—	N/A	2006	N/A
103 Fourth Avenue	Land	Waltham, MA	—	—	—	12,826	—	—	12,826	—	12,826	—	N/A	2007	N/A
Crane Meadow	Land	Marlborough, MA	—	—	—	8,866	—	—	8,866	—	8,866	—	N/A	2000	N/A
Broad Run Business Park	Land	Loudoun County, VA	—	—	—	2,396	—	—	2,396	—	2,396	—	N/A	1998	N/A
Kendall Center Master Plan	Land	Cambridge, MA	—	—	—	1,693	—	—	1,693	—	1,693	—	N/A	1997	N/A
Weston Quarry	Land	Weston, MA	—	—	—	1,249	—	—	1,249	—	1,249	—	N/A	2001	N/A
Reston Overlook Master Plan	Land	Reston, VA	—	—	—	39	—	—	39	—	39	—	N/A	2000	N/A
				\$ 2,922,408	(2) \$ 5,024,060	\$ 13,057,336	\$ 5,474,337	(3) \$ 16,325,796	(4) \$ 254,828	(5) \$ 789,736	\$ 22,844,697	\$ 5,239,179			

Note: Total Real Estate does not include Furniture, Fixtures and Equipment totaling approximately \$44,313. Accumulated Depreciation does not include approximately \$27,619 of accumulated depreciation related to Furniture, Fixtures and Equipment.

The aggregate cost and accumulated depreciation for tax purposes was approximately \$18.6 billion and \$4.0 billion, respectively.

- (1) Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to 40 years.
- (2) Includes unamortized deferred financing costs totaling approximately \$(26.7) million.
- (3) Includes Right of Use Assets - Finance Leases and Right of Use Assets - Operating Leases of approximately \$214,091 and \$148,640, respectively.
- (4) Includes Right of Use Assets - Finance Leases of approximately \$23,303.
- (5) Includes pre-development costs.

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A summary of activity for real estate and accumulated depreciation is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Real Estate:			
Balance at the beginning of the year	\$ 21,605,545	\$ 21,058,714	\$ 20,114,576
Additions to/improvements of real estate	1,671,898	1,043,379	1,099,286
Assets sold/written-off	(432,746)	(496,548)	(155,148)
Balance at the end of the year	<u>\$ 22,844,697</u>	<u>\$ 21,605,545</u>	<u>\$ 21,058,714</u>
Accumulated Depreciation:			
Balance at the beginning of the year	\$ 4,871,102	\$ 4,566,570	\$ 4,201,891
Depreciation expense	564,938	533,342	497,059
Assets sold/written-off	(196,861)	(228,810)	(132,380)
Balance at the end of the year	<u>\$ 5,239,179</u>	<u>\$ 4,871,102</u>	<u>\$ 4,566,570</u>

Note: Real Estate and Accumulated Depreciation amounts do not include Furniture, Fixtures and Equipment.

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Property Name	Type	Location	Encumbrances	Original		Costs Incurred and Subsequent to Acquisition		Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/Renovated	Year(s) Acquired	Depreciable Lives (Years)
				Land	Building	Costs Incurred and Subsequent to Acquisition	Land and Improvements									
767 Fifth Avenue (the General Motors Building)	Office	New York, NY	\$ 2,274,028	\$ 1,796,252	\$ 1,532,654	\$ 202,612	\$ 1,796,252	\$ 1,735,266	\$ —	\$ —	\$ —	\$ 3,531,518	\$ 313,158	1969/2019	2013	(1)
Prudential Center	Office	Boston, MA	—	92,077	948,357	496,088	100,540	1,433,306	—	2,676	—	1,536,522	580,797	1965/1993/2002/2016-2017	1998/1999/2000	(1)
Embarcadero Center	Office	San Francisco, CA	—	179,697	847,410	352,847	180,420	1,199,534	—	—	—	1,379,954	617,163	1970/1989	1998-1999	(1)
399 Park Avenue	Office	New York, NY	—	339,200	700,358	240,911	339,200	941,269	—	—	—	1,280,469	343,191	1961/2018	2002	(1)
601 Lexington Avenue	Office	New York, NY	644,778	241,600	494,782	417,816	279,281	661,822	—	—	213,095	1,154,198	280,028	1977/1997	2001	(1)
Salesforce Tower	Office	San Francisco, CA	—	200,349	946,205	—	200,349	946,205	—	—	—	1,146,554	38,727	2018	2013	(1)
200 Clarendon Street and Garage	Office	Boston, MA	—	219,543	667,884	210,160	250,134	829,529	—	17,924	—	1,097,587	214,533	1976	2010	(1)
250 West 55th Street	Office	New York, NY	—	285,263	603,167	51,928	285,263	655,095	—	—	—	940,358	116,857	2014	2007	(1)
100 Federal Street	Office	Boston, MA	—	131,067	435,954	102,984	131,067	538,938	—	—	—	670,005	122,799	1971-1975/2017	2012	(1)
Times Square Tower	Office	New York, NY	—	165,413	380,438	75,243	159,694	461,400	—	—	—	621,094	207,272	2004	2000	(1)
Carnegie Center	Office	Princeton, NJ	—	142,666	316,856	137,317	90,498	451,661	—	54,680	—	596,839	204,380	1983-2016	1998/1999/2000/2007/2014/2017/2019	(1)
Atlantic Wharf	Office	Boston, MA	—	63,988	454,537	18,709	63,988	473,246	—	—	—	537,234	131,828	2011	2007	(1)
510 Madison Avenue	Office	New York, NY	—	103,000	253,665	25,495	103,000	279,160	—	—	—	382,160	72,213	2012	2010	(1)
Fountain Square	Office	Reston, VA	—	56,853	306,298	12,140	56,853	318,438	—	—	—	375,291	78,498	1986-1990	2012	(1)
599 Lexington Avenue	Office	New York, NY	—	81,040	100,507	161,330	81,040	261,837	—	—	—	342,877	176,101	1986	1997	(1)
680 Folsom Street	Office	San Francisco, CA	—	72,545	219,766	7,907	72,545	227,673	—	—	—	300,218	46,777	2014	2012	(1)
2200 Pennsylvania Avenue	Office	Washington, DC	—	—	183,541	113,627	109,038	188,130	—	—	—	297,168	59,190	2011	2008	(1)
145 Broadway	Office	Cambridge, MA	—	121	273,013	23,043	23,164	273,013	—	—	—	296,177	1,511	2019	1997	(1)
South of Market and Democracy Tower	Office	Reston, VA	—	13,603	237,479	26,079	13,603	263,558	—	—	—	277,161	99,406	2008-2009	2003	(1)
601 Massachusetts Avenue	Office	Washington, DC	—	95,310	165,173	3,933	95,310	169,106	—	—	—	264,416	24,502	2016	2008	(1)
Bay Colony Corporate Center	Office	Waltham, MA	—	18,789	148,451	80,077	18,789	228,528	—	—	—	247,317	79,824	1985-1989	2011	(1)
Gateway Center	Office	San Francisco, CA	—	28,255	139,245	55,402	29,029	193,873	—	—	—	222,902	104,993	1984/1986/2002	1999	(1)
535 Mission Street	Office	San Francisco, CA	—	40,933	148,378	3,276	40,933	151,654	—	—	—	192,587	26,293	2015	2013	(1)
Mountain View Research Park	Office	Mountain View, CA	—	95,066	68,373	12,704	95,066	81,077	—	—	—	176,143	19,807	1977-1981/2007-2013	2013	(1)
Reservoir Place	Office	Waltham, MA	—	18,605	104,124	49,643	19,089	153,283	—	—	—	172,372	69,794	1955/1987/2017	1997/1998	(1)
1330 Connecticut Avenue	Office	Washington, DC	—	25,982	82,311	32,234	25,982	114,545	—	—	—	140,527	31,553	1984/2018	2004	(1)
Kingsdown Towne Center	Office	Alexandria, VA	—	18,021	109,038	3,212	18,021	112,250	—	—	—	130,271	44,258	2003-2006	2007	(1)
One Freedom Square	Office	Reston, VA	—	9,929	84,504	28,735	9,883	113,285	—	—	—	123,168	57,516	2000	2003	(1)
Weston Corporate Center	Office	Weston, MA	—	25,753	92,312	(123)	25,854	92,088	—	—	—	117,942	29,227	2010	2001	(1)
Capital Gallery	Office	Washington, DC	—	4,725	29,565	78,573	6,128	106,735	—	—	—	112,863	68,953	1981/2006	2007	(1)
Two Freedom Square	Office	Reston, VA	—	13,930	77,739	16,997	13,866	94,800	—	—	—	108,666	49,028	2001	2003	(1)

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Property Name	Type	Location	Encumbrances	Original		Costs Incurred and Subsequent to Acquisition		Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/Renovated	Year(s) Acquired	Depreciable Lives (Years)
				Land	Building	Land	Building									
One and Two Reston Overlook	Office	Reston, VA	—	16,456	66,192	19,763	15,074	87,337	—	—	—	102,411	50,336	1999	2000	(1)
355 Main Street	Office	Cambridge, MA	—	18,863	53,346	27,284	21,098	78,395	—	—	—	99,493	26,362	1981/1996/2013	2006	(1)
140 Kendrick Street	Office	Needham, MA	—	18,095	66,905	13,584	18,095	80,489	—	—	—	98,584	34,667	2000	2004	(1)
Discovery Square	Office	Reston, VA	—	11,198	71,782	15,360	11,146	87,194	—	—	—	98,340	42,152	2001	2003	(1)
880 & 890 Winter Street	Office	Waltham, MA	—	29,510	65,812	—	29,510	65,812	—	—	—	95,322	1,458	1998-1999	2019	(1)
10 CityPoint	Office	Waltham, MA	—	1,953	85,752	4,534	2,127	90,112	—	—	—	92,239	10,928	2016	1997	(1)
90 Broadway	Office	Cambridge, MA	—	19,104	52,078	19,678	20,741	70,119	—	—	—	90,860	23,581	1983/1998/2013	2006	(1)
77 CityPoint	Office	Waltham, MA	—	13,847	60,383	10,451	13,997	70,684	—	—	—	84,681	27,148	2008	2001	(1)
230 CityPoint	Office	Waltham, MA	—	13,189	49,823	20,440	13,403	70,049	—	—	—	83,452	28,831	1992	2005	(1)
Waltham Weston Corporate Center	Office	Waltham, MA	—	10,385	60,694	10,178	10,350	70,907	—	—	—	81,257	34,777	2003	1999	(1)
3625-3635 Peterson Way	Office	Santa Clara, CA	—	63,206	14,879	752	63,206	14,879	752	—	—	78,837	11,172	1979	2016	(1)
2440 West El Camino Real	Office	Mountain View, CA	—	16,741	51,285	5,454	16,741	56,739	—	—	—	73,480	13,090	1987/2003	2011	(1)
191 Spring Street	Office	Lexington, MA	—	2,850	59,751	7,063	2,850	66,814	—	—	—	69,664	21,801	1971/1995/2018	1997	(1)
300 Binney Street	Office	Cambridge, MA	—	18,080	51,262	140	18,080	51,402	—	—	—	69,482	11,146	2013	2009	(1)
Wisconsin Place	Office	Chevy Chase, MD	—	—	53,349	14,924	—	68,273	—	—	—	68,273	25,934	2009	2004	(1)
Reston Corporate Center	Office	Reston, VA	—	9,135	50,857	3,625	9,496	54,121	—	—	—	63,617	29,170	1984	1988	(1)
New Dominion Technology Park, Bldg. Two	Office	Herndon, VA	—	5,584	51,868	412	5,574	52,290	—	—	—	57,864	25,900	2004	1998	(1)
255 Main Street	Office	Cambridge, MA	—	134	25,110	32,468	134	57,578	—	—	—	57,712	33,108	1987	1997	(1)
University Place	Office	Cambridge, MA	3,602	—	37,091	14,551	7,055	44,587	—	—	—	51,642	29,044	1985	1998	(1)
Summer Square	Office	Washington, DC	—	624	28,745	19,264	3,015	45,618	—	—	—	48,633	26,547	1985	1999	(1)
New Dominion Technology Park, Bldg. One	Office	Herndon, VA	—	3,880	43,227	1,117	3,880	44,344	—	—	—	48,224	28,398	2001	1998	(1)
200 West Street	Office	Waltham, MA	—	16,148	24,983	5,550	16,148	28,429	—	2,104	—	46,681	16,298	1999	1997	(1)
North First Business Park	Office	San Jose, CA	—	23,398	13,069	4,548	23,371	17,644	—	—	—	41,015	16,411	1981	2007	(1)
150 Broadway	Office	Cambridge, MA	—	850	25,042	6,535	822	31,605	—	—	—	32,427	19,342	1999	1997	(1)
105 Broadway	Office	Cambridge, MA	—	1,299	12,943	9,300	1,868	21,674	—	—	—	23,542	11,312	1990	1997	(1)
Lexington Office Park	Office	Lexington, MA	—	998	1,426	17,783	1,073	19,134	—	—	—	20,207	14,114	1982	1997	(1)
201 Spring Street	Office	Lexington, MA	—	2,849	15,303	73	2,849	15,376	—	—	—	18,225	8,295	1997	1997	(1)
The Point	Office	Waltham, MA	—	6,395	10,040	421	6,492	10,364	—	—	—	16,866	1,349	2015	2007	(1)
33 Hayden Avenue	Office	Lexington, MA	—	266	3,234	12,261	266	15,495	—	—	—	15,761	5,510	1979	1997	(1)
690 Folsom Street	Office	San Francisco, CA	—	3,219	11,038	1,157	3,219	12,195	—	—	—	15,414	2,284	2015	2012	(1)
92-100 Hayden Avenue	Office	Lexington, MA	—	594	6,748	6,800	619	13,523	—	—	—	14,142	11,847	1985	1997	(1)
181 Spring Street	Office	Lexington, MA	—	1,066	9,520	1,800	1,066	11,320	—	—	—	12,386	5,498	1999	1997	(1)
195 West Street	Office	Waltham, MA	—	1,611	6,652	3,229	1,611	9,881	—	—	—	11,492	6,087	1990	1997	(1)
7501 Boston Boulevard, Building Seven	Office	Springfield, VA	—	665	9,273	311	665	9,584	—	—	—	10,249	5,257	1997	1997	(1)

Boston Properties Limited Partnership
Schedule 3—Real Estate and Accumulated Depreciation
December 31, 2019
(dollars in thousands)

Property Name	Type	Location	Encumbrances	Original		Costs Incurred and Subsequent to Acquisition		Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/Renovated	Year(s) Acquired	Depreciable Lives (Years)
				Land	Building	Land	Building									
7435 Boston Boulevard, Building One	Office	Springfield, VA	—	392	3,822	4,290	486	8,018	—	—	—	8,504	6,162	1982	1987	(1)
7450 Boston Boulevard, Building Three	Office	Springfield, VA	—	1,165	4,681	2,177	1,327	6,696	—	—	—	8,023	3,462	1987	1988	(1)
32 Hartwell Avenue	Office	Lexington, MA	—	168	1,943	5,529	168	7,472	—	—	—	7,640	1,819	1968/1979/1987	1997	(1)
250 Binney Street	Office	Cambridge, MA	—	110	4,483	2,939	110	7,422	—	—	—	7,532	5,660	1983	1997	(1)
8000 Grainger Court, Building Five	Office	Springfield, VA	—	366	4,282	2,604	453	6,799	—	—	—	7,252	5,597	1984	1997	(1)
453 Ravendale Drive	Office	Mountain View, CA	—	5,477	1,090	676	5,477	1,766	—	—	—	7,243	690	1977	2012	(1)
7300 Boston Boulevard, Building Thirteen	Office	Springfield, VA	—	608	4,773	795	608	5,568	—	—	—	6,176	1,928	2002	1997	(1)
17 Hartwell Avenue	Office	Lexington, MA	—	26	150	5,907	26	6,057	—	—	—	6,083	1,924	1968	1997	(1)
7601 Boston Boulevard, Building Eight	Office	Springfield, VA	—	200	878	4,367	378	5,067	—	—	—	5,445	4,507	1986	1997	(1)
7500 Boston Boulevard, Building Six	Office	Springfield, VA	—	138	3,749	1,107	234	4,760	—	—	—	4,984	4,097	1985	1997	(1)
8000 Corporate Court, Building Eleven	Office	Springfield, VA	—	136	3,071	1,245	686	3,766	—	—	—	4,452	3,094	1989	1997	(1)
7375 Boston Boulevard, Building Ten	Office	Springfield, VA	—	23	2,685	851	47	3,512	—	—	—	3,559	2,562	1988	1997	(1)
7374 Boston Boulevard, Building Four	Office	Springfield, VA	—	241	1,605	1,445	303	2,988	—	—	—	3,291	2,581	1984	1997	(1)
7451 Boston Boulevard, Building Two	Office	Springfield, VA	—	249	1,542	1,354	535	2,610	—	—	—	3,145	2,526	1982	1997	(1)
Signature at Reston	Residential	Reston, VA	—	27,076	190,580	393	27,076	190,973	—	—	—	218,049	8,773	2018	2013	(1)
Prolo Kendall Square	Residential	Cambridge, MA	—	9,243	127,248	2,939	9,245	130,185	—	—	—	139,430	4,566	2018	2015	(1)
The Avant at Reston Town Center	Residential	Reston, VA	—	20,350	91,995	830	20,350	92,825	—	—	—	113,175	14,728	2014	2010	(1)
The Lofts at Atlantic Wharf	Residential	Boston, MA	—	3,529	54,891	1,897	3,529	56,788	—	—	—	60,317	12,639	2011	2007	(1)
Boston Marriott Cambridge	Hotel	Cambridge, MA	—	478	37,918	32,922	478	70,840	—	—	—	71,318	45,842	1986/2017	1997	(1)
Kendall Center Green Garage	Garage	Cambridge, MA	—	—	35,035	6,915	—	41,950	—	—	—	41,950	13,404	1984	2006	(1)
Kendall Center Yellow Garage	Garage	Cambridge, MA	—	1,256	15,697	840	1,256	16,537	—	—	—	17,793	5,847	2006	2004	(1)
Kendall Center Blue Garage	Garage	Cambridge, MA	—	1,163	11,633	486	1,163	12,119	—	—	—	13,282	9,290	1990	1997	(1)
The Skyline (MacArthur Station Residences)	Development	Oakland, CA	—	—	—	226,526	29,807	—	—	—	196,719	226,526	—	N/A	N/A	N/A
2100 Pennsylvania Avenue	Development	Washington, DC	—	—	—	224,380	185,129	—	—	—	39,251	224,380	1,024	N/A	N/A	N/A
Reston Gateway	Development	Reston, VA	—	—	—	150,632	—	—	—	—	150,632	150,632	—	N/A	1998	N/A
17Fifty Presidents Street	Development	Reston, VA	—	—	—	99,816	—	—	—	—	99,816	99,816	—	N/A	N/A	N/A
20 CityPoint	Development	Walham, MA	—	4,721	52,039	20,007	4,721	52,039	—	—	20,007	76,767	1,136	N/A	2007	N/A
325 Main Street	Development	Cambridge, MA	—	174	—	68,710	772	—	—	—	68,112	68,884	—	N/A	1997	N/A
North First Master Plan	Land	San Jose, CA	—	35,004	—	3,932	—	—	—	38,936	—	38,936	—	N/A	2007	N/A
Plaza at Almaden	Land	San Jose, CA	—	—	—	34,889	—	—	—	—	—	34,889	—	N/A	2006	N/A

Boston Properties Limited Partnership
Schedule 3—Real Estate and Accumulated Depreciation
December 31, 2019
(dollars in thousands)

Property Name	Type	Location	Encumbrances	Original		Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Land Held for Development	Development Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/Renovated	Year(s) Acquired	Depreciable Lives (Years)
				Land	Building										
425 Fourth Street	Land	San Francisco, CA	—	—	—	22,074	—	—	22,074	—	22,074	—	N/A	N/A	N/A
Springfield Metro Center	Land	Springfield, VA	—	—	—	19,844	—	—	19,844	—	19,844	—	N/A	2007	N/A
Reston Gateway Master Plan	Land	Reston, VA	—	—	—	18,292	—	—	18,292	—	18,292	—	N/A	1998	N/A
214 Third Avenue	Land	Waltham, MA	—	—	—	17,692	—	—	17,692	—	17,692	—	N/A	2006	N/A
103 Fourth Avenue	Land	Waltham, MA	—	—	—	12,826	—	—	12,826	—	12,826	—	N/A	2007	N/A
Crane Meadow	Land	Marlborough, MA	—	—	—	8,866	—	—	8,866	—	8,866	—	N/A	2000	N/A
Broad Run Business Park	Land	Loudoun County, VA	—	—	—	2,396	—	—	2,396	—	2,396	—	N/A	1998	N/A
Kendall Center Master Plan	Land	Cambridge, MA	—	—	—	1,693	—	—	1,693	—	1,693	—	N/A	1997	N/A
Weston Quarry	Land	Weston, MA	—	—	—	1,249	—	—	1,249	—	1,249	—	N/A	2001	N/A
Reston Overlook Master Plan	Land	Reston, VA	—	—	—	39	—	—	39	—	39	—	N/A	2000	N/A
			\$ 2,922,408	(2) \$ 5,024,060	\$ 13,057,336	\$ 4,368,080	\$ 5,373,884	(3) \$ 16,031,028	(4) \$ 254,828	(5) \$ 789,736	\$ 22,449,476	\$ 5,135,289			

Note: Total Real Estate does not include Furniture, Fixtures and Equipment totaling approximately \$44,313. Accumulated Depreciation does not include approximately \$27,619 of accumulated depreciation related to Furniture, Fixtures and Equipment.

The aggregate cost and accumulated depreciation for tax purposes was approximately \$20.7 billion and \$4.5 billion, respectively.

- (1) Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to 40 years.
- (2) Includes unamortized deferred financing costs totaling approximately \$(26.7) million.
- (3) Includes Right of Use Assets - Finance Leases and Right of Use Assets - Operating Leases of approximately \$214,091 and \$148,640, respectively.
- (4) Includes Right of Use Assets - Finance Leases of approximately \$23,303.
- (5) Includes pre-development costs.

Boston Properties Limited Partnership
Real Estate and Accumulated Depreciation
December 31, 2019, 2018 and 2017
(dollars in thousands)

A summary of activity for real estate and accumulated depreciation is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Real Estate:			
Balance at the beginning of the year	\$ 21,207,189	\$ 20,647,236	\$ 19,701,185
Additions to/improvements of real estate	1,671,898	1,043,379	1,099,286
Assets sold/written-off	(429,611)	(483,426)	(153,235)
Balance at the end of the year	<u>\$ 22,449,476</u>	<u>\$ 21,207,189</u>	<u>\$ 20,647,236</u>
Accumulated Depreciation:			
Balance at the beginning of the year	\$ 4,773,800	\$ 4,473,895	\$ 4,116,020
Depreciation expense	557,130	525,584	488,919
Assets sold/written-off	(195,641)	(225,679)	(131,044)
Balance at the end of the year	<u>\$ 5,135,289</u>	<u>\$ 4,773,800</u>	<u>\$ 4,473,895</u>

Note: Real Estate and Accumulated Depreciation amounts do not include Furniture, Fixtures and Equipment.

(b) Exhibits

- 2.1 — Transfer Agreement, dated May 31, 2013, by and among BP 767 Fifth LLC, Sungate Fifth Avenue LLC, 767 LLC and BP/DC 767 Fifth LLC. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Boston Properties, Inc. filed on June 3, 2013.)
- 2.2 — Purchase and Sale Agreement by and among NBIM Walker 601 LEX NYC LLC, NBIM Walker 100 FED BOS LLC, NBIM Walker ATW BOS LLC and Boston Properties Limited Partnership, dated September 16, 2014. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on September 18, 2014.)
- 3.1 — Form of Amended and Restated Certificate of Incorporation of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to Boston Properties, Inc.'s Registration Statement on Form S-11, File No. 333-25279.)
- 3.2 — Amended and Restated Certificate of Designations of Series E Junior Participating Cumulative Preferred Stock of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to Boston Properties, Inc.'s Current Report on Form 8-K filed on June 18, 2007.)
- 3.3 — Certificate of Amendment of Amended and Restated Certificate of Incorporation of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to Boston Properties, Inc.'s Current Report on Form 8-K filed on May 20, 2010.)
- 3.4 — Certificate of Designations of 92,000 shares of 5.25% Series B Cumulative Redeemable Preferred Stock of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.3 to the Registration Statement on Form 8-A of Boston Properties, Inc. filed on March 22, 2013.)
- 3.5 — Third Amended and Restated By-laws of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Boston Properties, Inc. filed on May 19, 2016.)
- 3.6 — Form of Certificate of Designations for Series A Preferred Stock. (Incorporated by reference to Exhibit 99.26 to Boston Properties, Inc.'s Current Report on Form 8-K filed on November 25, 1998.)
- 4.1 — Form of Common Stock Certificate. (Incorporated by reference to Exhibit 4.3 to Boston Properties, Inc.'s Registration Statement on Form S-11, File No. 333-25279.)
- 4.2 — Description of the Securities of Boston Properties, Inc. and Boston Properties Limited Partnership. (Filed herewith.)
- 4.3 — Master Deposit Agreement among Boston Properties, Inc., Computershare Inc. and Computershare Trust Company, N.A., collectively, as depository, and the holders from time to time of depository shares as described therein, dated March 22, 2013. (Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A of Boston Properties, Inc. filed on March 22, 2013.)
- 4.4 — Indenture, dated as of December 13, 2002, by and between Boston Properties Limited Partnership and The Bank of New York, as Trustee. (Incorporated by reference to Exhibit 4.1 to Boston Properties, Inc.'s Current Report on Form 8-K/A filed on December 13, 2002.)
- 4.5 — Supplemental Indenture No. 10, dated as of November 18, 2010, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 4.125% Senior Note due 2021 (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on November 18, 2010.)
- 4.6 — Supplemental Indenture No. 12, dated as of June 11, 2012, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.85% Senior Note due 2023. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on June 11, 2012.)
- 4.7 — Supplemental Indenture No. 13, dated as of April 11, 2013, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.125% Senior Note due 2023. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on April 11, 2013.)
- 4.8 — Supplemental Indenture No. 14, dated as of June 27, 2013, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.800% Senior Note due 2024. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on July 1, 2013.)

- 4.9 — Supplemental Indenture No. 15, dated as of January 20, 2016, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.650% Senior Note due 2026. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on January 20, 2016.)
- 4.10 — Supplemental Indenture No. 16, dated as of August 17, 2016, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee; including a form of the 2.750% Senior Note due 2026. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership and Boston Properties, Inc. filed on August 17, 2016.)
- 4.11 — Supplemental Indenture No. 17, dated as of December 4, 2017, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee; including a form of the 3.200% Senior Note due 2025. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership and Boston Properties, Inc. filed on December 4, 2017.)
- 4.12 — Supplemental Indenture No. 18, dated as of November 28, 2018, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee; including a form of the 4.500% Senior Note due 2028. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership and Boston Properties, Inc. filed on November 28, 2018.)
- 4.13 — Supplemental Indenture No. 19, dated as of June 21, 2019, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee; including a form of the 3.400% Senior Note due 2029. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership and Boston Properties, Inc. filed on June 21, 2019.)
- 4.14 — Supplemental Indenture No. 20, dated as of September 3, 2019, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee; including a form of the 2.900% Senior Note due 2030. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership and Boston Properties, Inc. filed on September 3, 2019.)
- 10.1 — Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of June 29, 1998. (Incorporated by reference to Exhibit 99.1 to Boston Properties, Inc.'s Current Report on Form 8-K filed on July 15, 1998.)
- 10.2 — Certificate of Designations for the Series Four Preferred Units, dated as of August 29, 2012, constituting an amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 10-Q of Boston Properties, Inc. filed on November 8, 2012.)
- 10.3 — Certificate of Designations for the 5.25% Series B Cumulative Redeemable Preferred Units, dated as of March 20, 2013, constituting an amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Boston Properties, Inc. filed on March 22, 2013.)
- 10.4 — Forty-Seventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of April 11, 2003, by Boston Properties, Inc., as general partner. (Incorporated by reference to Exhibit 10.1 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on August 14, 2003.)
- 10.5 — Seventy-Seventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of January 24, 2008, by Boston Properties, Inc., as general partner. (Incorporated by reference to Exhibit 10.3 to Boston Properties, Inc.'s Current Report on Form 8-K filed on January 29, 2008.)
- 10.6 — Ninety-Eighth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of October 21, 2010. (Incorporated by reference to Exhibit 10.1 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 5, 2010.)
- 10.7 — One Hundred Forty-Ninth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of December 15, 2017. (Incorporated by reference to Exhibit 10.7 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2018.)

- 10.8* — Second Amendment and Restatement of Boston Properties, Inc. 1997 Stock Option and Incentive Plan. (Incorporated by reference to Exhibit A to Boston Properties, Inc.'s Proxy Statement on Schedule 14A filed on April 6, 2007.)
- 10.9* — Boston Properties, Inc. 2012 Stock Option and Incentive Plan. (Incorporated by reference to Exhibit A to Boston Properties, Inc.'s Proxy Statement on Schedule 14A filed on March 30, 2012.)
- 10.10* — Boston Properties, Inc. 1999 Non-Qualified Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 10.59 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 15, 2005.)
- 10.11* — First Amendment to the Boston Properties, Inc. 1999 Non-Qualified Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 10.60 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 15, 2005.)
- 10.12* — Second Amendment to the Boston Properties, Inc. 1999 Non-Qualified Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 10.61 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 15, 2005.)
- 10.13* — Boston Properties Deferred Compensation Plan, Amended and Restated Effective as of January 1, 2009. (Incorporated by reference to Exhibit 10.10 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.14* — Employment Agreement by and between Douglas T. Linde and Boston Properties, Inc. dated as of November 29, 2002. (Incorporated by reference to Exhibit 10.12 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
- 10.15* — First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Douglas T. Linde. (Incorporated by reference to Exhibit 10.3 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.16* — Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Douglas T. Linde. (Incorporated by reference to Exhibit 10.19 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.17* — Amended and Restated Employment Agreement by and between Raymond A. Ritchey and Boston Properties, Inc. dated as of November 29, 2002. (Incorporated by reference to Exhibit 10.15 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
- 10.18* — First Amendment to Amended and Restated Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Raymond A. Ritchey. (Incorporated by reference to Exhibit 10.4 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.19* — Second Amendment to Amended and Restated Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Raymond A. Ritchey. (Incorporated by reference to Exhibit 10.22 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.20* — Employment Agreement by and between Michael E. LaBelle and Boston Properties, Inc. dated as of January 24, 2008. (Incorporated by reference to Exhibit 10.2 to Boston Properties, Inc.'s Current Report on Form 8-K filed on January 29, 2008.)
- 10.21* — First Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Michael E. LaBelle. (Incorporated by reference to Exhibit 10.27 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.22* — Employment Agreement by and between Peter D. Johnston and Boston Properties, Inc. dated as of August 25, 2005. (Incorporated by reference to Exhibit 10.2 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2005.)
- 10.23* — First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Peter D. Johnston. (Incorporated by reference to Exhibit 10.6 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.24* — Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Peter D. Johnston. (Incorporated by reference to Exhibit 10.30 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.25* — Employment Agreement by and between Bryan J. Koop and Boston Properties, Inc. dated as of November 29, 2002. (Incorporated by reference to Exhibit 10.10 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)

- 10.26* — First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Bryan J. Koop. (Incorporated by reference to Exhibit 10.7 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.27* — Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Bryan J. Koop. (Incorporated by reference to Exhibit 10.33 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.28* — Employment Agreement by and between Robert E. Pester and Boston Properties, Inc. dated as of December 16, 2002. (Incorporated by reference to Exhibit 10.14 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
- 10.29* — First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Robert E. Pester. (Incorporated by reference to Exhibit 10.9 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.30* — Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Robert E. Pester. (Incorporated by reference to Exhibit 10.40 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.31* — Employment Agreement by and between John F. Powers and Boston Properties, Inc. dated as of January 2, 2018. (Incorporated by reference to Exhibit 10.32 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2018.)
- 10.32* — Employment Agreement by and between Owen D. Thomas and Boston Properties, Inc. dated as of April 2, 2018. (Incorporated by reference to Exhibit 10.2 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on May 8, 2018.)
- 10.33* — Boston Properties, Inc. Senior Executive Severance Plan. (Incorporated by reference to Exhibit 10.19 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
- 10.34* — First Amendment to the Boston Properties, Inc. Senior Executive Severance Plan, dated as of October 18, 2007. (Incorporated by reference to Exhibit 10.13 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.35* — Second Amendment to the Boston Properties, Inc. Senior Executive Severance Plan, dated as of December 15, 2008. (Incorporated by reference to Exhibit 10.52 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.36* — Third Amendment to the Boston Properties, Inc. Senior Executive Severance Plan, dated as of January 8, 2014. (Incorporated by reference to Exhibit 10.48 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2014.)
- 10.37* — Boston Properties, Inc. Executive Severance Plan, dated as of July 30, 1998. (Incorporated by reference to Exhibit 10.20 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
- 10.38* — First Amendment to the Boston Properties, Inc. Executive Severance Plan, dated as of October 18, 2007. (Incorporated by reference to Exhibit 10.14 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.39* — Second Amendment to the Boston Properties, Inc. Executive Severance Plan, dated as of January 8, 2014. (Incorporated by reference to Exhibit 10.51 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2014.)
- 10.40* — Boston Properties, Inc. Officer Severance Plan, dated as of July 30, 1998. (Incorporated by reference to Exhibit 10.15 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.41* — First Amendment to the Boston Properties, Inc. Officer Severance Plan, dated as of October 18, 2007. (Incorporated by reference to Exhibit 10.16 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.42* — Second Amendment to the Boston Properties, Inc. Officer Severance Plan, dated as of December 15, 2008. (Incorporated by reference to Exhibit 10.57 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.43* — Form of Indemnification Agreement by and among Boston Properties, Inc., Boston Properties Limited Partnership and certain officers and directors of the Company. (Filed herewith.)

- 10.44* — Director Appointment Agreement, dated as of January 20, 2011, by and between Matthew J. Lustig and Boston Properties, Inc. (Incorporated by reference to Exhibit 10.55 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 25, 2011.)
- 10.45* — Boston Properties, Inc. Non-Employee Director Compensation Plan. (Incorporated by reference to Appendix B to Boston Properties, Inc.'s Proxy Statement on Schedule 14A filed on April 5, 2019.)
- 10.46 — Eighth Amended and Restated Credit Agreement, dated as of April 24, 2017, among Boston Properties Limited Partnership and the lenders identified therein. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on April 25, 2017.)
- 21.1 — Subsidiaries of Boston Properties, Inc. and Boston Properties Limited Partnership (Filed herewith.)
- 23.1 — Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting firm for Boston Properties, Inc. (Filed herewith.)
- 23.2 — Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting firm for Boston Properties Limited Partnership. (Filed herewith.)
- 31.1 — Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Boston Properties, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
- 31.2 — Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Boston Properties, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
- 31.3 — Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Boston Properties Limited Partnership pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
- 31.4 — Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Boston Properties Limited Partnership pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
- 32.1 — Section 1350 Certification of Chief Executive Officer of Boston Properties, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
- 32.2 — Section 1350 Certification of Chief Financial Officer of Boston Properties, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
- 32.3 — Section 1350 Certification of Chief Executive Officer of Boston Properties Limited Partnership pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
- 32.4 — Section 1350 Certification of Chief Financial Officer of Boston Properties Limited Partnership pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
- 101.SCH — Inline XBRL Taxonomy Extension Schema Document. (Filed herewith.)
- 101.CAL — Inline XBRL Taxonomy Extension Calculation Linkbase Document. (Filed herewith.)
- 101.LAB — Inline XBRL Taxonomy Extension Label Linkbase Document. (Filed herewith.)
- 101.PRE — Inline XBRL Taxonomy Extension Presentation Linkbase Document. (Filed herewith.)
- 101.DEF — Inline XBRL Taxonomy Extension Definition Linkbase Document. (Filed herewith.)
- 104 — Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*). (Filed herewith.)

* Indicates management contract or compensatory plan or arrangement required to be filed or incorporated by reference as an exhibit to this Form 10-K pursuant to Item 15(b) of Form 10-K.

Item 16. Form 10-K Summary

Not Applicable.

SIGNATURES

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

BOSTON PROPERTIES, INC.

March 2, 2020

/s/ MICHAEL E. LABELLE

Michael E. LaBelle
Chief Financial Officer
(duly authorized officer and principal financial officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Boston Properties, Inc., and in the capacities and on the dates indicated.

March 2, 2020

By:

/s/ OWEN D. THOMAS

Owen D. Thomas
Director, Chief Executive Officer and Principal Executive Officer

By:

/s/ DOUGLAS T. LINDE

Douglas T. Linde
Director and President

By:

/s/ KELLY A. AYOTTE

Kelly A. Ayotte
Director

By:

/s/ BRUCE W. DUNCAN

Bruce W. Duncan
Director

By:

/s/ KAREN E. DYKSTRA

Karen E. Dykstra
Director

By:

/s/ CAROL B. EINIGER

Carol B. Einiger
Director

By:

/s/ DIANE J. HOSKINS

Diane J. Hoskins
Director

By:

/s/ JOEL I. KLEIN

Joel I. Klein
Chairman of the Board

By: /s/ MATTHEW J. LUSTIG
Matthew J. Lustig
Director

By: /s/ DAVID A. TWARDOCK
David A. Twardock
Director

By: /s/ WILLIAM H. WALTON, III
William H. Walton, III
Director

By: /s/ MICHAEL E. LABELLE
Michael E. LaBelle
Executive Vice President, Chief Financial Officer and
Principal Financial Officer

By: /s/ MICHAEL R. WALSH
Michael R. Walsh
Senior Vice President, Chief Accounting Officer and
Principal Accounting Officer

SIGNATURES

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

BOSTON PROPERTIES LIMITED PARTNERSHIP

By: Boston Properties, Inc., its General Partner

/s/ MICHAEL E. LABELLE

Michael E. LaBelle

**Chief Financial Officer
(duly authorized officer and principal financial officer)**

March 2, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Boston Properties, Inc., as general partner of Boston Properties Limited Partnership, and in the capacities and on the dates indicated.

March 2, 2020

By:

/s/ OWEN D. THOMAS

**Owen D. Thomas
Director, Chief Executive Officer and Principal Executive Officer**

By:

/s/ DOUGLAS T. LINDE

**Douglas T. Linde
Director and President**

By:

/s/ KELLY A. AYOTTE

**Kelly A. Ayotte
Director**

By:

/s/ BRUCE W. DUNCAN

**Bruce W. Duncan
Director**

By:

/s/ KAREN E. DYKSTRA

**Karen E. Dykstra
Director**

By:

/s/ CAROL B. EINIGER

**Carol B. Einiger
Director**

By:

/s/ DIANE J. HOSKINS

**Diane J. Hoskins
Director**

By:

/s/ JOEL I. KLEIN

**Joel I. Klein
Chairman of the Board**

By: /s/ MATTHEW J. LUSTIG

Matthew J. Lustig
Director

By: /s/ DAVID A. TWARDOCK

David A. Twardock
Director

By: /s/ WILLIAM H. WALTON, III

William H. Walton, III
Director

By: /s/ MICHAEL E. LABELLE

Michael E. LaBelle
Executive Vice President, Chief Financial Officer and
Principal Financial Officer

By: /s/ MICHAEL R. WALSH

Michael R. Walsh
Senior Vice President, Chief Accounting Officer and
Principal Accounting Officer

CERTIFICATION

I, Owen D. Thomas, certify that:

1. I have reviewed this Annual Report on Form 10-K of Boston Properties, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

/s/ OWEN D. THOMAS

Owen D. Thomas
Chief Executive Officer

CERTIFICATION

I, Michael E. LaBelle, certify that:

1. I have reviewed this Annual Report on Form 10-K of Boston Properties, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

/s/ MICHAEL E. LABELLE

Michael E. LaBelle
Chief Financial Officer

CERTIFICATION

I, Owen D. Thomas, certify that:

1. I have reviewed this Annual Report on Form 10-K of Boston Properties Limited Partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

/s/ OWEN D. THOMAS

Owen D. Thomas
Chief Executive Officer of Boston Properties, Inc.
General Partner of Boston Properties Limited
Partnership

CERTIFICATION

I, Michael E. LaBelle, certify that:

1. I have reviewed this Annual Report on Form 10-K of Boston Properties Limited Partnership;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2020

/s/ MICHAEL E. LABELLE

Michael E. LaBelle
Chief Financial Officer of Boston Properties, Inc.
General Partner of Boston Properties Limited
Partnership

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Boston Properties, Inc. (the "Company") hereby certifies to his knowledge that the Company's Annual Report on Form 10-K for the period ended December 31, 2019 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 regardless of any general incorporation language in such filing.

Date: March 2, 2020

/s/ OWEN D. THOMAS

Owen D. Thomas
Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Boston Properties, Inc. (the "Company") hereby certifies to his knowledge that the Company's Annual Report on Form 10-K for the period ended December 31, 2019 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 regardless of any general incorporation language in such filing.

Date: March 2, 2020

/s/ MICHAEL E. LABELLE

Michael E. LaBelle
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Boston Properties, Inc., the sole general partner of Boston Properties Limited Partnership (the "Operating Partnership"), hereby certifies to his knowledge that the Operating Partnership's Annual Report on Form 10-K for the period ended December 31, 2019 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership. This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 regardless of any general incorporation language in such filing.

Date: March 2, 2020

/s/ OWEN D. THOMAS

Owen D. Thomas
Chief Executive Officer of Boston Properties, Inc.
General Partner of Boston Properties Limited
Partnership

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Boston Properties, Inc., the sole general partner of Boston Properties Limited Partnership (the "Operating Partnership"), hereby certifies to his knowledge that the Operating Partnership's Annual Report on Form 10-K for the period ended December 31, 2019 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership. This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 regardless of any general incorporation language in such filing.

Date: March 2, 2020

/s/ MICHAEL E. LABELLE

Michael E. LaBelle
Chief Financial Officer of Boston Properties, Inc.
General Partner of Boston Properties Limited
Partnership

Disclosures Related to Non-GAAP Financial Measures

The following sets forth reconciliations of certain Non-GAAP financial measures used in the Annual Report to the most directly comparable GAAP financial measures. Additional details can be found in the Company's most recent Supplemental Operating and Financial Data for the quarter ended December 31, 2019 that was included as Exhibit 99.1 to the Company's Form 8-K furnished to the SEC on January 28, 2020.

BXP's Share of Net Debt to BXP's Share of EBITDAre

(unaudited and dollars in thousands)

The following sets forth the reconciliation of BXP's Share of Net Debt to BXP's Share of EBITDAre, as used in the Annual Report, including a reconciliation of any non-GAAP financial measure used to calculate such ratio to the most directly comparable GAAP financial measure.

	December 31, 2019
Consolidated debt	\$ 11,811,806
Add:	
Special dividend payable	—
Less:	
Cash and cash equivalents	644,950
Cash held in escrow for 1031 exchange	—
Net debt	11,166,856
Add:	
BXP's share of unconsolidated joint venture ("JV") debt	980,110
Partners' share of cash and cash equivalents from consolidated JVs	120,791
Less:	
BXP's share of cash and cash equivalents from unconsolidated JVs	90,206
Partners' share of consolidated JV debt	1,199,854
BXP's Share of Net Debt (A)	\$ 10,977,697
BXP's Share of EBITDAre ¹ (B)	\$ 1,721,124
BXP's Share of Net Debt to BXP's Share of EBITDAre (A ÷ B)	6.4

¹ BXP's Share of EBITDAre is annualized and calculated as the product of such amount for the quarter ended December 31, 2019 (\$430,281) multiplied by four (4). See reconciliation below for additional details.

Reconciliation of Net Income Attributable to Boston Properties, Inc. Common Shareholders to BXP's Share of EBITDAre

(unaudited and in thousands)

	Three months ended December 31, 2019
Net income attributable to Boston Properties, Inc. common shareholders	\$ 140,824
Add:	
Preferred dividends	2,625
Net income attributable to noncontrolling interests	32,560
Losses from early extinguishments of debt	1,530
Interest expense	102,880
Depreciation and amortization expense	169,897
Less:	
Losses on sales of real estate	(57)
Losses from unconsolidated JVs	(936)
Add:	
BXP's share of EBITDAre from unconsolidated JVs ¹	24,328
EBITDAre	475,637
Less:	
Partners' share of EBITDAre from consolidated JVs ²	45,356
BXP's Share of EBITDAre	\$ 430,281
BXP's Share of EBITDAre	\$ 430,281
Add:	
Lease transaction costs that qualify as rent inducements ³	2,170
BXP's share of lease transaction costs that qualify as rent inducements from unconsolidated JVs ^{1,3}	7,401
Straight-line ground rent expense adjustment	1,016
BXP's share of straight-line ground rent expense adjustment from unconsolidated JVs ¹	40
Stock-based compensation expense	7,705
Less:	
Partners' share of lease transaction costs that qualify as rent inducements from consolidated JVs ^{2,3}	168
Straight-line rent and fair value lease revenue	43,425
BXP's share of straight-line rent and fair value lease revenue from unconsolidated JVs ¹	7,438
Add:	
Partners' share of straight-line rent and fair value of lease revenue from consolidated JVs ²	4,064
BXP's Share of EBITDAre—cash	\$ 401,646

¹ See "Unconsolidated Joint Ventures" for additional details.

² See "Consolidated Joint Ventures" for additional details.

³ Lease transaction costs are generally included in second generation tenant improvements and leasing commissions in the period in which the lease commences.

Reconciliation of Revenue to BXP's Share of Revenue

(unaudited and in thousands)

The following sets forth the reconciliation of Revenue to BXP's Share of Revenue, as used in the Annual Report, to the most directly comparable GAAP financial measure.

	Year ended
	December 31, 2019
Revenue	\$ 2,960,562
Add:	
BXP's share of revenue from unconsolidated JVs ¹	155,070
Less:	
Partners' share of revenue from consolidated JVs ²	301,930
Termination income	15,203
BXP's share of termination income from unconsolidated JVs ¹	86
Add:	
Partners' share of termination income from consolidated JVs ²	109
BXP's Share of Revenue (excluding termination income)	\$ 2,798,522
Add:	
Termination income	15,203
BXP's share of termination income from unconsolidated JVs ¹	86
Less:	
Partners' share of termination income from consolidated JVs ²	109
BXP's Share of Revenue	<u>\$ 2,813,702</u>

¹ See "Unconsolidated Joint Ventures" for additional details.

² See "Consolidated Joint Ventures" for additional details.

Reconciliation of Net Income Attributable to Boston Properties, Inc. Common Shareholders to BXP's Share of Same Property Net Operating Income (NOI) - Cash (excluding termination income)

(unaudited and in thousands)

The following sets forth the reconciliation of BXP's Share of Same Property Net Operating Income (NOI) - Cash (excluding termination income), as used in the Annual Report, to the most directly comparable GAAP financial measure.

	For the year ended December 31,	
	2019	2018
Net Income Attributable to Boston Properties, Inc. Common Shareholders	\$ 511,034	\$ 572,347
Preferred dividends	10,500	10,500
Net Income Attributable to Boston Properties, Inc.	521,534	582,847
Net Income Attributable to Noncontrolling Interests:		
Noncontrolling interest—common units of the Operating Partnership	59,345	66,807
Noncontrolling interests in property partnerships	71,120	62,909
Net Income	651,999	712,563
Add:		
Interest expense	412,717	378,168
Losses from early extinguishments of debt	29,540	16,490
Impairment losses	24,038	11,812
Depreciation and amortization	677,764	645,649
Transaction costs	1,984	1,604
Payroll and related costs from management services contracts	10,386	9,590
General and administrative expense	140,777	121,722
Less:		
Gains (losses) from investments in securities	6,417	(1,865)
Interest and other income	18,939	10,823
Gains on sales of real estate	709	182,356
Income from unconsolidated joint ventures	46,592	2,222
Direct reimbursements of payroll and related costs from management services contracts	10,386	9,590
Development and management services	40,039	45,158
Net Operating Income (NOI)	1,826,123	1,649,314
Less:		
Straight-line rent	63,157	48,054
Straight-line rent from deferred revenue ¹	36,926	—
Fair value lease revenue	20,186	23,811
Termination income	15,203	8,205
Add:		
Straight-line ground rent expense adjustment ²	3,384	3,559
Lease transaction costs that qualify as rent inducements	6,627	8,692
NOI - cash (excluding termination income)	1,700,662	1,581,495
Less:		
NOI - cash from non Same Properties (excluding termination income)	111,998	69,123
Same Property NOI - cash (excluding termination income)	1,588,664	1,512,372
Less:		
Partners' share of NOI - cash from consolidated joint ventures (excluding termination income and after priority allocations) ³	168,791	163,854
BXP's share of NOI - cash from non Same Properties from unconsolidated joint ventures (excluding termination income)	31,092	16,779
Add:		
Partners' share of NOI - cash from non Same Properties from consolidated joint ventures (excluding termination income and after priority allocations)	1,511	1,950
BXP's share of NOI - cash from unconsolidated joint ventures (excluding termination income) ⁴	86,459	66,742
BXP's Share of Same Property NOI - cash (excluding termination income)	<u>\$ 1,476,751</u>	<u>\$ 1,400,431</u>

¹ Represents the straight-line impact related to deferred revenue from a tenant. The tenant paid for improvements to a long-lived asset of the Company resulting in deferred revenue for the period until the asset was substantially complete, which occurred in the third quarter 2019.

² In light of the front-ended, uneven rental payments required by the Company's 99-year ground and air rights lease for the 100 Clarendon Street garage and Back Bay Transit Station in Boston, MA, and to make period-to-period comparisons more meaningful to investors, the adjustment does not include the straight-line impact of approximately \$645 and \$414 for the year ended December 31, 2019 and 2018, respectively. As of December 31, 2019, the Company has remaining lease payments aggregating approximately \$26.0 million, all of which it expects to incur by the end of 2023 with no payments thereafter. Under GAAP, the Company is recognizing expense of \$(348) per year on a straight-line basis over the term of the lease. However, unlike more traditional ground and air rights leases, the timing and amounts of the rental payments by the Company correlate to the uneven timing and funding by the Company of capital expenditures related to improvements at Back Bay Transit Station. As a result, the amounts excluded from the adjustment each quarter through 2023 may vary significantly.

³ See "Consolidated Joint Ventures" for additional details.

⁴ See "Unconsolidated Joint Ventures" for additional details.

Consolidated Joint Ventures
for the year ended December 31, 2019
(unaudited and dollars in thousands)

	Norges Joint Ventures			
	Times Square Tower			
	601 Lexington Avenue /			
	One Five Nine East 53rd Street			
	767 Fifth Avenue	100 Federal Street	Salesforce	Total
	(The GM Building)	Atlantic Wharf Office	Tower	Consolidated
				Joint Ventures
Revenue				
Lease ¹	\$ 308,338	\$ 385,628	\$ 27,572	\$ 721,538
Straight-line rent	(25,026)	10,859	176	(13,991)
Fair value lease revenue	14,006	621	—	14,627
Termination income	227	40	—	267
Total lease revenue	297,545	397,148	27,748	722,441
Parking and other	8	6,109	229	6,346
Total rental revenue	297,553	403,257	27,977	728,787
Expenses				
Operating	120,185	139,626	12,336	272,147
Net Operating Income (NOI)	177,368	263,631	15,641	456,640
Other income (expense)				
Development and management services revenue	—	82	126	208
Interest and other income	1,848	2,417	78	4,343
Interest expense	(82,377)	(22,115)	—	(104,492)
Depreciation and amortization expense	(83,766)	(83,835)	(7,668)	(175,269)
General and administrative expense	(155)	(547)	(3)	(705)
Total other income (expense)	(164,450)	(103,998)	(7,467)	(275,915)
Net income	\$ 12,918	\$ 159,633	\$ 8,174	\$ 180,725
BXP's nominal ownership percentage	60.00%	55.00%	95.00%	
Reconciliation of Partners' share of NOI²				
Rental revenue	\$ 119,022	\$ 181,466	\$ 1,399	\$ 301,887
Less: Termination income	91	18	—	109
Rental revenue (excluding termination income)	118,931	181,448	1,399	301,778
Less: Operating expenses (including partners' share of management and other fees)	50,682	66,307	665	117,654
Income allocation to private REIT shareholders and priority allocations	—	(42)	286	244
NOI (excluding termination income and after income allocation to private REIT shareholders and priority allocations)	\$ 68,249	\$ 115,183	\$ 448	\$ 183,880

	Norges Joint Ventures				
	Times Square Tower				
	601 Lexington Avenue /				
	One Five Nine East 53rd Street				
	767 Fifth Avenue (The GM Building)	100 Federal Street Atlantic Wharf Office	Salesforce Tower	Total Consolidated Joint Ventures	
Rental revenue (excluding termination income)	\$ 118,931	\$ 181,448	\$ 1,399	\$	301,778
Less: Straight-line rent	(10,010)	4,886	9		(5,115)
Straight-line rent from deferred revenue ³	14,770	—	—		14,770
Fair value lease revenue	5,602	281	—		5,883
Add: Lease transaction costs that qualify as rent inducements	—	449	—		449
Subtotal	<u>\$ 108,569</u>	<u>\$ 176,730</u>	<u>\$ 1,390</u>	<u>\$</u>	<u>286,689</u>
Less: Operating expenses (including partners' share of management and other fees)	50,682	66,307	665		117,654
Income allocation to private REIT shareholders and priority allocations	—	(42)	286		244
NOI - cash (excluding termination income and after income allocation to private REIT shareholders and priority allocations)	<u>\$ 57,887</u>	<u>\$ 110,465</u>	<u>\$ 439</u>	<u>\$</u>	<u>168,791</u>
Reconciliation of Partners' share of Revenue²					
Rental revenue	\$ 119,022	\$ 181,466	\$ 1,399	\$	301,887
Add: Development and management services revenue	—	37	6		43
Revenue	<u>\$ 119,022</u>	<u>\$ 181,503</u>	<u>\$ 1,405</u>	<u>\$</u>	<u>301,930</u>

¹ Lease revenue includes recoveries from tenants and service income from tenants.

² Amounts represent the partners' share based on their respective ownership percentage.

³ Represents the straight-line impact related to deferred revenue from a tenant. The tenant paid for improvements to a long-lived asset of the Company resulting in deferred revenue for the period until the asset was substantially complete, which occurred in the third quarter 2019.

Consolidated Joint Ventures
for the year ended December 31, 2018
(unaudited and dollars in thousands)

	Norges Joint Ventures			
	Times Square Tower 601 Lexington Avenue / One Five Nine East 53rd Street			
	767 Fifth Avenue (The GM Building)	100 Federal Street Atlantic Wharf Office	Salesforce Tower	Total Consolidated Joint Ventures
Revenue				
Rent	\$ 220,509	\$ 299,299	\$ 48,951	\$ 568,759
Straight-line rent	4,593	12,095	(21,370)	(4,682)
Fair value lease revenue	17,644	960	—	18,604
Termination income	275	16	—	291
Base rent	243,021	312,370	27,581	582,972
Recoveries from tenants	50,625	62,926	13,952	127,503
Parking and other	2,976	6,095	736	9,807
Total rental revenue	296,622	381,391	42,269	720,282
Expenses				
Operating	116,403	134,219	20,166	270,788
Net Operating Income (NOI)	180,219	247,172	22,103	449,494
Other income (expense)				
Development and management services revenue	1,942	3,008	1,219	6,169
Interest and other income	2,027	1,961	362	4,350
Interest expense	(82,158)	(25,455)	—	(107,613)
Depreciation and amortization expense	(90,955)	(82,823)	(10,207)	(183,985)
Total other income (expense)	(169,144)	(103,309)	(8,626)	(281,079)
Net income	\$ 11,075	\$ 143,863	\$ 13,477	\$ 168,415
BXP's nominal ownership percentage	60.00%	55.00%	95.00%	
Reconciliation of Partners' share of NOI ¹				
Rental revenue	\$ 118,650	\$ 171,627	\$ 2,114	\$ 292,391
Less: Termination income	110	7	—	117
Rental revenue (excluding termination income)	118,540	171,620	2,114	292,274
Less: Operating expenses (including partners' share of management and other fees)	49,282	63,615	1,091	113,988
Income allocation to private REIT shareholders and priority allocations	—	(42)	1,050	1,008
NOI (excluding termination income and after income allocation to private REIT shareholders and priority allocations)	\$ 69,258	\$ 108,047	\$ (27)	\$ 177,278
Rental revenue (excluding termination income)	\$ 118,540	\$ 171,620	\$ 2,114	\$ 292,274
Less: Straight-line rent	1,837	5,442	(1,068)	6,211
Fair value lease revenue	7,059	431	—	7,490
Add: Lease transaction costs that qualify as rent inducements	—	277	—	277
Subtotal	109,644	166,024	3,182	278,850
Less: Operating expenses (including partners' share of management and other fees)	49,282	63,615	1,091	113,988
Income allocation to private REIT shareholders and priority allocations	—	(42)	1,050	1,008
NOI - cash (excluding termination income and after income allocation to private REIT shareholders and priority allocations)	\$ 60,362	\$ 102,451	\$ 1,041	\$ 163,854

¹ Amounts represent the partners' share based on their respective ownership percentage.

Consolidated Joint Ventures

for the three months ended December 31, 2019
(unaudited and dollars in thousands)

	Norges Joint Ventures		
	Times Square Tower 601 Lexington Avenue / One Five Nine East 53rd Street		
	767 Fifth Avenue (The GM Building)	100 Federal Street Atlantic Wharf Office	Total Consolidated Joint Ventures
Revenue			
Lease ¹	\$ 67,017	\$ 96,417	\$ 163,434
Straight-line rent	4,070	4,007	8,077
Fair value lease revenue	1,448	119	1,567
Termination income	—	—	—
Total lease revenue	72,535	100,543	173,078
Parking and other	2	1,597	1,599
Total rental revenue	72,537	102,140	174,677
Expenses			
Operating	30,474	35,960	66,434
Net Operating Income (NOI)	42,063	66,180	108,243
Other income (expense)			
Development and management services revenue	—	49	49
Interest and other income	433	587	1,020
Interest expense	(21,396)	(5,216)	(26,612)
Depreciation and amortization expense	(19,878)	(22,712)	(42,590)
General and administrative expense	(64)	(300)	(364)
Total other income (expense)	(40,905)	(27,592)	(68,497)
Net income	\$ 1,158	\$ 38,588	\$ 39,746
BXP's nominal ownership percentage			
	60.00%	55.00%	
Partners' share of select items ²			
Partners' share of lease transaction costs that qualify as rent inducements	\$ —	\$ 168	\$ 168
Partners' share of straight-line rent	\$ 1,628	\$ 1,803	\$ 3,431
Partners' share of fair value lease revenue	\$ 579	\$ 54	\$ 633
Reconciliation of Partners' share of EBITDAre ²			
Partners' NCI	\$ (173)	\$ 16,511	\$ 16,338
Add:			
Partners' share of interest expense	8,555	2,347	10,902
Partners' share of depreciation and amortization expense after BXP's basis differential	7,931	10,185	18,116
Partners' share of EBITDAre ³	\$ 16,313	\$ 29,043	\$ 45,356

¹ Lease revenue includes recoveries from tenants and service income from tenants.

² Amounts represent the partners' share based on their respective ownership percentage.

³ Amounts represent the partners' share based on their respective ownership percentage and is adjusted for basis differentials and the allocations of management and other fees and interest to BXP.

Unconsolidated Joint Ventures
for the year ended December 31, 2019
(unaudited and dollars in thousands)

	Market Square North	Metropolitan Square	901 New York Avenue	Annapolis Junction ³	500 North Capital Street, N.W.	Colorado Center	Santa Monica Business Park	The Hub on Causeway	Other Joint Ventures ²	Total Unconsolidated Joint Ventures
Revenue										
Lease ³	\$ 20,522	\$ 16,460	\$ 33,041	\$ 7,445	\$ 18,109	\$ 72,114	\$ 61,241	\$ 5,411	\$ 19,161	\$ 253,504
Straight-line rent	2,071	11,201	239	532	(110)	3,943	4,615	6,825	3,111	32,427
Fair value lease revenue	—	—	—	—	—	189	3,785	—	—	3,974
Termination income	—	(31)	50	—	—	—	101	—	18	138
Total lease revenue	22,593	27,630	33,330	7,977	17,999	76,246	69,742	12,236	22,290	290,043
Parking and other	851	2,501	1,533	220	499	11,173	7,844	215	5,081	29,917
Total rental revenue	23,444	30,131	34,863	8,197	18,498	87,419	77,586	12,451	27,371	319,960
Expenses										
Operating	10,208	13,844	14,335	3,077	7,295	24,803	29,934	5,411	14,032 ⁴	122,939
Net Operating Income	13,236	16,287	20,528	5,120	11,203	62,616	47,652	7,040	13,339	197,021
Other income/(expense)										
Development and management services revenue	23	—	5	4	—	—	—	—	—	32
Interest and other income	356	1	418	317	99	878	5	269	1,026	3,369
Interest expense	(5,775)	(7,833)	(8,300)	(2,329)	(4,476)	(19,969)	(28,037)	(3,156)	(4,530)	(84,405)
Transaction costs	—	—	—	—	—	—	—	—	(1,000)	(1,000)
Depreciation and amortization expense	(4,390)	(11,664)	(6,141)	(2,831)	(3,702)	(20,258)	(38,018)	(3,415)	(11,875)	(102,294)
General and administrative expense	(29)	(77)	(64)	(1)	(6)	(8)	(92)	(260)	(61)	(598)
Gain on sale of real estate	—	—	—	—	—	—	—	—	33,707	33,707
Total other income/(expense)	(9,815)	(19,573)	(14,082)	(4,840)	(8,085)	(39,357)	(66,142)	(6,562)	17,267	(151,189)
Net income/(loss)	\$ 3,421	\$ (3,286)	\$ 6,446	\$ 280	\$ 3,118	\$ 23,259	\$ (18,490)	\$ 478	\$ 30,606	\$ 45,832
BXP's nominal ownership percentage	50%	20%	25%	50%	30%	50%	55%	50%		
Reconciliation of BXP's share of Net Operating Income/(Loss)										
BXP's share of rental revenue	\$ 11,723	\$ 6,027	\$ 17,432 ⁵	\$ 4,099	\$ 5,550	\$ 47,532 ⁶	\$ 42,672	\$ 6,227	\$ 13,792	\$ 155,054
BXP's share of operating expenses	5,105	2,768	7,168 ⁵	1,540	2,189	12,402	16,463	2,705	6,998	57,338
BXP's share of net operating income	6,618	3,259	10,264 ⁵	2,559	3,361	35,130	26,209	3,522	6,794	97,716
Less:										
BXP's share of termination income	—	(6)	25 ⁵	—	—	—	56	—	11	86
BXP's share of net operating income (excluding termination income)	6,618	3,265	10,239 ⁵	2,559	3,361	35,130	26,153	3,522	6,783	97,630
Less:										
BXP's share of straight-line rent	1,037	2,240	120 ⁵	268	(33)	4,090 ⁶	2,538	3,413	1,560	15,233
BXP's share of fair value lease revenue	—	—	— ⁵	—	—	1,801 ⁶	2,082	—	—	3,883
Add:										
BXP's share of straight-line ground rent adjustment	—	—	— ⁵	—	—	—	—	—	40	40
BXP's share of lease transaction costs that qualify as rent inducements	61	382	106 ⁵	—	4	591	—	2,109	4,652	7,905
BXP's share of net operating income - cash (excluding termination income)	\$ 5,642	\$ 1,407	\$ 10,225 ⁵	\$ 2,291	\$ 3,398	\$ 29,830 ⁶	\$ 21,533	\$ 2,218	\$ 9,915	\$ 86,459

	Market Square North	Metropolitan Square	901 New York Avenue	Annapolis Junction ¹	500 North Capitol Street, N.W.	Colorado Center	Santa Monica Business Park	The Hub on Causeway	Other Joint Ventures ²	Total Unconsolidated Joint Ventures
Reconciliation of BXP's share of Revenue										
BXP's share of rental revenue	\$ 11,723	\$ 6,027	\$ 17,432 ⁵	\$ 4,099	\$ 5,550	\$ 47,532 ⁶	\$ 42,672	\$ 6,227	\$ 13,792	\$ 155,054
Add:										
BXP's share of development and management services revenue	12	—	2	2	—	—	—	—	—	16
BXP's share of revenue	\$ 11,735	\$ 6,027	\$ 17,434 ⁵	\$ 4,101	\$ 5,550	\$ 47,532 ⁶	\$ 42,672	\$ 6,227	\$ 13,792	\$ 155,070

¹ Annapolis Junction includes three in-service properties and two undeveloped land parcels.

² Includes 1001 6th Street, Dock 72, 7750 Wisconsin Avenue, 1265 Main Street, Wisconsin Place Parking Facility, 3 Hudson Boulevard, 540 Madison Avenue and Platform 16.

³ Lease revenue includes recoveries from tenants and service income from tenants.

⁴ Includes approximately \$80 of straight-line ground rent expense.

⁵ Reflects the allocation percentages pursuant to the achievement of specified investment return thresholds as provided for in the joint venture agreement.

⁶ The Company's purchase price allocation under ASC 805 for Colorado Center differs from the historical basis of the venture resulting in the majority of the basis differential for this venture.

Unconsolidated Joint Ventures
for the year ended December 31, 2018
(unaudited and dollars in thousands)

	540 Madison Avenue	Market Square North	Metropolitan Square	901 New York Avenue	Annapolis Junction ¹	500 North Capitol Street, N.W.	Colorado Center	Santa Monica Business Park	Other Joint Ventures ²	Total Unconsolidated Joint Ventures
Revenue										
Rental	\$ 22,049	\$ 17,439	\$ 23,262	\$ 27,977	\$ 10,558	\$ 11,517	\$ 52,325	\$ 22,722	\$ 6,301	\$ 194,150
Straight-line rent	553	1,125	(214)	78	230	(31)	10,774	3,661	(243)	15,933
Fair value lease revenue	—	—	—	—	—	—	384	1,651	—	2,035
Termination income	3	—	(16)	50	—	—	—	—	—	37
Base rent	22,605	18,564	23,032	28,105	10,788	11,486	63,483	28,034	6,058	212,155
Recoveries from tenants	2,300	3,714	4,730	5,168	1,980	5,346	2,578	3,312	2,630	31,758
Parking and other	91	868	2,698	1,676	223	503	10,961	3,111	4,719	24,850
Total rental revenue	24,996	23,146	30,460	34,949	12,991	17,335	77,022	34,457	13,407	268,763
Expenses										
Operating	14,012	9,585	14,804	14,229	6,409	5,983	22,805	13,412	5,380	106,619
Net Operating Income	10,984	13,561	15,656	20,720	6,582	11,352	54,217	21,045	8,027	162,144
Other income/(expense)										
Development and management services revenue	283	10	18	—	—	—	29	16	3	359
Interest and other income	249	256	17	249	284	65	508	—	1,185	2,813
Interest expense	(4,077)	(5,896)	(8,864)	(8,300)	(5,458)	(4,476)	(19,970)	(12,758)	(1,510)	(71,309)
Depreciation and amortization expense	(7,763)	(4,109)	(34,024)	(6,007)	(4,064)	(3,779)	(18,811)	(17,424)	(7,094)	(103,075)
Gain on distribution of real estate	—	—	—	—	16,959	—	—	—	—	16,959
Subtotal	(11,308)	(9,739)	(42,853)	(14,058)	7,721	(8,190)	(38,244)	(30,166)	(7,416)	(154,253)
Net income/(loss)	\$ (324)	\$ 3,822	\$ (27,197)	\$ 6,662	\$ 14,303	\$ 3,162	\$ 15,973	\$ (9,121)	\$ 611	\$ 7,891
BXP's nominal ownership percentage	60%	50%	20%	25%	50%	30%	50%	55%		
Reconciliation of BXP's share of Net Operating Income										
BXP's share of rental revenue	\$ 14,998	\$ 11,574	\$ 6,093	\$ 17,004	\$ 6,497	\$ 5,201	\$ 42,580	\$ 18,952	\$ 5,837	\$ 128,736
BXP's share of operating expenses	8,408	4,793	2,961	6,922	3,206	1,796	11,404	7,377	2,257	49,124
BXP's share of net operating income	6,590	6,781	3,132	10,082	3,291	3,405	31,176	11,575	3,580	79,612
Less:										
BXP's share of termination income	2	—	(3)	25	—	—	—	—	—	24
BXP's share of net operating income (excluding termination income)	6,588	6,781	3,135	10,057	3,291	3,405	31,176	11,575	3,580	79,588
Less:										
BXP's share of straight-line rent	331	563	(43)	42	115	(9)	7,822	2,014	(122)	10,713
BXP's share of fair value lease revenue	—	—	—	—	—	—	1,826	908	—	2,734
Add:										
BXP's share of lease transaction costs that qualify as rent inducements	—	241	50	84	—	—	180	46	—	601
BXP's share of net operating income - cash (excluding termination income)	\$ 6,257	\$ 6,459	\$ 3,228	\$ 10,099	\$ 3,176	\$ 3,414	\$ 21,708	\$ 8,699	\$ 3,702	\$ 66,742

¹ Annapolis Junction includes four in-service properties and two undeveloped land parcels. On December 31, 2018 the Company and its partner in the joint venture entered into a distribution agreement whereby the joint venture distributed one of the four in-service properties to the partner including the assumption by the partner of the mortgage indebtedness collateralized by the property. Mortgage indebtedness at the time of the distribution totaled \$45.4 million including accrued interest. The gain on distribution of real estate is included within income from unconsolidated joint ventures in the Company's consolidated statements of operations.

² Includes The Hub on Causeway, 1001 6th Street, Dock 72, 7750 Wisconsin Avenue, 1265 Main Street, Wisconsin Place Parking Facility and 3 Hudson Boulevard.

³ Reflects the allocation percentages pursuant to the achievement of specified investment return thresholds as provided for in the joint venture agreement.

⁴ The Company's purchase price allocation under ASC 805 for Colorado Center differs from the historical basis of the venture resulting in the majority of the basis differential for this venture.

Unconsolidated Joint Ventures
for the three months ended December 31, 2019
(unaudited and dollars in thousands)

	Market Square North	Metropolitan Square	901 New York Avenue	Annapolis Junction ¹	500 North Capitol Street, N.W.	Colorado Center	Santa Monica Business Park	The Hub on Causeway	Other Joint Ventures ²	Total Unconsolidated Joint Ventures
Revenue										
Lease ³	\$ 4,909	\$ 3,224	\$ 7,897	\$ 1,915	\$ 4,436	\$ 19,086	\$ 15,647	\$ 1,903	\$ 1,690	\$ 60,707
Straight-line rent	512	3,221	85	55	21	482	1,091	5,215	3,079	13,761
Fair value lease revenue	—	—	—	—	—	9	953	—	—	962
Termination income	—	—	—	—	—	—	—	—	—	—
Total lease revenue	5,421	6,445	7,982	1,970	4,457	19,577	17,691	7,118	4,769	75,430
Parking and other	209	643	348	55	123	2,659	2,159	215	1,115	7,526
Total rental revenue	5,630	7,088	8,330	2,025	4,580	22,236	19,850	7,333	5,884	82,956
Expenses										
Operating	2,589	3,487	3,676	753	1,861	6,397	7,828	3,872	2,917 ⁴	33,380
Net Operating Income	<u>3,041</u>	<u>3,601</u>	<u>4,654</u>	<u>1,272</u>	<u>2,719</u>	<u>15,839</u>	<u>12,022</u>	<u>3,461</u>	<u>2,967</u>	<u>49,576</u>
Other income/(expense)										
Development and management services revenue	2	—	—	4	—	—	—	—	—	6
Interest and other income	75	—	141	70	21	223	1	43	183	757
Transaction costs	—	—	—	—	—	—	—	—	(1,000)	(1,000)
Interest expense	(1,432)	(1,789)	(2,075)	(521)	(1,128)	(5,033)	(7,031)	(2,105)	(1,250)	(22,364)
Depreciation and amortization expense	(1,113)	(1,668)	(1,534)	(666)	(881)	(5,273)	(9,329)	(2,224)	(2,676)	(25,354)
General and administrative expense	(1)	(42)	(24)	(1)	—	—	(26)	(18)	(30)	(142)
Gain on sale of real estate	—	—	—	—	—	—	—	—	(53)	(53)
Total other income/(expense)	<u>(2,469)</u>	<u>(3,489)</u>	<u>(3,492)</u>	<u>(1,114)</u>	<u>(1,988)</u>	<u>(10,083)</u>	<u>(16,385)</u>	<u>(4,304)</u>	<u>(4,826)</u>	<u>(48,150)</u>
Net income/(loss)	<u>\$ 572</u>	<u>\$ 112</u>	<u>\$ 1,162</u>	<u>\$ 158</u>	<u>\$ 731</u>	<u>\$ 5,756</u>	<u>\$ (4,363)</u>	<u>\$ (843)</u>	<u>\$ (1,859)</u>	<u>\$ 1,426</u>
BXP's nominal ownership percentage	50%	20%	25%	50%	30%	50%	55%	50%		
Reconciliation of BXP's share of Funds from Operations (FFO)										
BXP's share of net income/(loss)	\$ 286	\$ 20	\$ 288 ⁵	\$ 79	\$ 219	\$ 2,878	\$ (2,409)	\$ (422)	\$ (865)	\$ 74
Basis differential										
Straight-line rent	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 506 ⁶	\$ —	\$ —	\$ —	\$ 506
Fair value lease revenue	—	—	—	—	—	437 ⁶	—	—	—	437
Depreciation and amortization expense	(47)	3	(24)	(2)	2	(1,899)	5	21	(12)	(1,953)
Total basis differential ⁷	<u>(47)</u>	<u>3</u>	<u>(24)</u>	<u>(2)</u>	<u>2</u>	<u>(956)</u>	<u>5</u>	<u>21</u>	<u>(12)</u>	<u>(1,010)</u>
Income/(loss) from unconsolidated joint ventures	239	23	264 ⁵	77	221	1,922	(2,404)	(401)	(877)	(936)
Add:										
BXP's share of depreciation and amortization expense	604	328	1,055 ⁵	335	263	4,535	5,125	1,096	1,117	14,458
Less:										
BXP's share of gain on sale of real estate	—	—	—	—	—	—	—	—	(32)	(32)
BXP's share of FFO	<u>\$ 843</u>	<u>\$ 351</u>	<u>\$ 1,319</u>	<u>\$ 412</u>	<u>\$ 484</u>	<u>\$ 6,457</u>	<u>\$ 2,721</u>	<u>\$ 695</u>	<u>\$ 272</u>	<u>\$ 13,554</u>

	Market Square North	Metropolitan Square	901 New York Avenue	Annapolis Junction ¹	500 North Capitol Street, N.W.	Colorado Center	Santa Monica Business Park	The Hub on Causeway	Other Joint Ventures ²	Total Unconsolidated Joint Ventures
BXP's share of select items										
BXP's share of straight-line rent	\$ 256	\$ 644	\$ 43	\$ 28	\$ 6	\$ 747	\$ 600	\$ 2,608	\$ 1,540	\$ 6,472
BXP's share of fair value lease revenue	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 442	\$ 524	\$ —	\$ —	\$ 966
BXP's share of straight-line ground rent expense adjustment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 40	\$ 40
BXP's share of lease transaction costs that qualify as rent inducements	\$ —	\$ 233	\$ 2	\$ —	\$ —	\$ 411	\$ —	\$ 2,103	\$ 4,652	\$ 7,401
Reconciliation of BXP's share of EBITDare										
Income/(loss) from unconsolidated joint ventures	\$ 239	\$ 23	\$ 264	\$ 77	\$ 221	\$ 1,922	\$ (2,404)	\$ (401)	\$ (877)	\$ (936)
Add:										
BXP's share of interest expense	716	368	1,038	261	338	2,517	3,867	1,053	626	10,774
BXP's share of depreciation and amortization expense	604	328	1,055	335	263	4,535	5,125	1,096	1,117	14,458
Less:										
BXP's share of gain on sale of real estate	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (32)	\$ (32)
BXP's share of EBITDare	\$ 1,559	\$ 709	\$ 2,357	\$ 673	\$ 822	\$ 8,974	\$ 6,588	\$ 1,748	\$ 898	\$ 24,328

¹ Annapolis Junction includes three in-service properties and two undeveloped land parcels.

² Includes 1001 6th Street, Dock 72, 7750 Wisconsin Avenue, 1265 Main Street, Wisconsin Place Parking Facility, 3 Hudson Boulevard, 540 Madison Avenue and Platform 16.

³ Lease revenue includes recoveries from tenants and service income from tenants.

⁴ Includes approximately \$80 of straight-line ground rent expense.

⁵ Reflects the allocation percentages pursuant to the achievement of specified investment return thresholds as provided for in the joint venture agreement.

⁶ The Company's purchase price allocation under ASC 805 for Colorado Center differs from the historical basis of the venture resulting in the majority of the basis differential for this venture.

⁷ Represents adjustments related to the carrying values and depreciation of certain of the Company's investment in unconsolidated joint ventures.

Corporate Information

Corporate Counsel

Goodwin Procter LLP
100 Northern Avenue
Boston, MA 02210

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
101 Seaport Boulevard
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Transfer Agent and Registrar

Registered shareholders with questions about their account or inquiries related to our Dividend Reinvestment and Stock Purchase Plan should contact:

Computershare Trust Company, N.A.
P.O. Box 505000
Louisville, KY 40233
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www.computershare.com

Investor Relations

Investor inquiries may be directed to:

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Boston Properties
800 Boylston Street, Suite 1900
Boston, MA 02199
(617) 236-3822
investorrelations@bxp.com

You may also contact us through our website at www.bxp.com.

Form 10-K

Boston Properties' Form 10-K is incorporated herein and has been filed with the Securities and Exchange Commission. Additional copies of the Annual Report and Form 10-K may be obtained from the Company free of charge by calling Investor Relations at (617) 236-3822; or by submitting a request through the Contact feature on the Company's website at www.bxp.com.

The Annual Meeting of Shareholders

The annual meeting of shareholders will be held on May 20, 2020 at 9:00 a.m. Eastern Time at Metropolitan Square 655 15th Street NW, 2nd floor, Washington, DC 20005. If the Company decides to hold the meeting by live audio webcast instead of an in-person meeting due to COVID-19, a webcast will take place at the same date and time and will be available in the investor relations section of www.bxp.com. The Company will announce any changes to the location and format of the annual meeting via press release in advance of the meeting.

Stock Information

Our common stock is listed on the New York Stock Exchange (NYSE) under the ticker symbol "BXP." On January 31, 2020, the closing sale price per common share on the NYSE was \$143.35 and there were approximately 1,117 common shareholders of record. This does not include the number of persons whose shares are held in nominee or "street name" accounts through banks or brokers. The table below sets forth the quarterly high and low sales prices and distributions per common share for fiscal year 2019.

2019	Quarter Ended	High	Low	Distributions
	December 31	\$140.30	\$124.58	\$0.98
	September 30	\$136.63	\$125.24	\$0.95
	June 30	\$140.35	\$126.90	\$0.95
	March 31	\$136.22	\$107.94	\$0.95



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