COLUMBIA PROPERTY TRUST, INC.
Form 10-K
February 13, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(mark one)

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2018

OR

o 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 001-36113

COLUMBIA PROPERTY TRUST, INC.
(Exact name of registrant as specified in its charter)

Maryland	20-0068852
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1170 Peachtree Street NE, Suite 600
Atlanta, Georgia 30309
(Address of principal executive offices) (Zip Code)
(404) 465-2200
(Registrant's telephone number, including area code)

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

Title of each class	Name of exchange on which registered
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes o No x

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

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).
Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§232.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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", "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o Emerging Growth Company o
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 provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes o No x
As of June 30, 2018, the aggregate market value of the common stock of Columbia Property Trust, Inc. held by non-affiliates was
$2,228,008,000 based on the closing price as reported by the New York Stock Exchange.
As of January 31, 2019, 116,879,665 shares of common stock were outstanding.
Registrant incorporates by reference portions of the Columbia Property Trust, Inc. Definitive Proxy Statement for the 2019 Annual Meeting of Stockholders (Items 10, 11, 12, 13, and 14 of Part III) to be filed prior to April 30, 2019.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Form 10-K of Columbia Property Trust, Inc. and its subsidiaries ("Columbia Property Trust," "we," "our," or "us"), other than historical facts may constitute "forward-looking statements" within the meaning of the Private Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). We intend for all such forward-looking statements presented in this annual report on Form 10-K ("Form 10-K"), or that management may make orally or in writing from time to time, to be covered by the applicable safe harbor provisions for forward-looking statements contained in those acts.

Such statements in this Form 10-K include, among other things, information about possible or assumed future results of the business and our financial condition, liquidity, results of operations, plans, strategies, prospects, and objectives. Such forward- looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," or other similar words. As forward-looking statements, these statements are subject to certain risks and uncertainties, including known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. These risks, uncertainties, and other factors include, without limitation:

- risks affecting the real estate industry, and the office sector in particular, (such as the inability to enter into new leases, dependence on tenants' financial condition, and competition from other owners of real estate);
- risks relating to our ability to maintain and increase property occupancy rates and rental rates;
- adverse economic or real estate market developments in our target markets;
- risks relating to the use of debt to fund acquisitions;
- availability and terms of financing;
- ability to refinance indebtedness as it comes due;
- sensitivity of our operations and financing arrangements to fluctuations in interest rates;
- reductions in asset valuations and related impairment charges;
- risks relating to construction, development, and redevelopment activities;
- risks associated with joint ventures, including disagreements with, or misconduct by, joint venture partners;
- risks relating to repositioning our portfolio;
- risks relating to reduced demand for, or over supply of, office space in our markets;
- risks relating to lease terminations, lease defaults, or changes in the financial condition of our tenants, particularly by a significant tenant;
- risks relating to acquisition and disposition activities;
- risks associated with our ability to continue to qualify as a real estate investment trust ("REIT");
- risks associated with possible cybersecurity attacks against us or any of our tenants;
- potential liability for uninsured losses and environmental contamination;
- potential adverse impact of market interest rates on the market price for our securities; and
- risks associated with our dependence on key personnel whose continued service is not guaranteed.

For further discussion of these and additional risks and uncertainties that may cause actual results to differ from expectation, see Item 1A, Risk Factors, and other information contained in this Form 10-K and our other periodic reports filed with the SEC. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, we can give no assurances that our expectations will be achieved. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this Form 10-K is filed with the U.S. Securities and Exchange Commission ("SEC"). We do not intend to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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PART I
ITEM 1. BUSINESS
General
Columbia Property Trust, Inc. ("Columbia Property Trust") (NYSE: CXP) is a Maryland corporation that operates as a real estate investment trust ("REIT") for federal income tax purposes and owns and operates commercial real estate properties. Columbia Property Trust was incorporated in 2003, commenced operations in 2004, and conducts business primarily through Columbia Property Trust Operating Partnership, L.P. ("Columbia Property Trust OP"), a Delaware limited partnership. Columbia Property Trust is the general partner and sole owner of Columbia Property Trust OP and possesses full legal control and authority over its operations. Columbia Property Trust OP acquires, develops, redevelops, owns, leases, and operates real properties directly, through wholly owned subsidiaries, and through unconsolidated joint ventures. Unless otherwise noted, references to Columbia Property Trust, "we," "us," or "our" herein shall include Columbia Property Trust and all subsidiaries of Columbia Property Trust, direct and indirect.
We typically acquire, develop, or redevelop high-quality, income-generating office properties located in certain high-barrier-to-entry markets. As of December 31, 2018, we owned 18 operating properties and two properties under development or redevelopment, of which 14 were wholly owned and six were owned through unconsolidated joint ventures. These properties are located primarily in New York, San Francisco, Washington, D.C., and Atlanta, contain a total of 8.9 million rentable square feet, and were approximately 97.4% leased as of December 31, 2018.
Real Estate Investment Objectives
We seek to acquire, develop, or redevelop and manage a commercial real estate portfolio that provides the size, quality, and market specialization needed to deliver both income and long-term growth, as measured in the total return to our stockholders. Our primary strategic objective is to generate long-term stockholder returns from a combination of steadily growing cash flows and appreciation in our net asset values, through the acquisition and ownership of high-quality office buildings located principally in high-barrier-to-entry markets. Our value creation and growth strategies are founded in the following:
Targeted Market Strategy
Our portfolio consists of a combination of multi- and single-tenant office properties located primarily in Central Business Districts ("CBD"). We focus our acquisition efforts in select primary markets with strong fundamentals and liquidity, including CBD and urban in-fill locations. We believe that the major U.S. office markets provide the greatest opportunity for increasing net income and property values over time. We maintain a long-term goal of increasing our presence in our target markets in order to leverage our scale, efficiency, and market knowledge.
New Investment Targets
We look to acquire, develop, or redevelop strategic and premier office assets with quality tenants in our target markets. We concentrate on office buildings that are competitive within the top tier of their markets or that can be repositioned as such through value-add initiatives. In addition, our investment objectives include optimizing our portfolio allocation between stabilized investments and more growth-oriented, value-add investments, with an emphasis on CBDs and multi-tenant buildings.
Strong and Flexible Balance Sheet
We are committed to maintaining an investment-grade balance sheet with a strong liquidity profile and proven access to capital. Our leverage level and other credit metrics provide the financial flexibility to pursue new acquisitions and other growth opportunities that will further our long-term performance objectives.
Capital Recycling
To date, we have primarily sold non-strategic assets (generally, defined as assets outside our target markets) to increase our concentration in our target markets. In the future, we also anticipate selling some assets from our target markets to maintain a well-balanced portfolio and to harvest capital from mature assets. Our goals are to foster long-term growth and capital appreciation in our portfolio by maintaining the following: an appropriate balance of core investments relative to value-add investments, building profiles that will continue to attract prospects for future rent growth, and activity levels that will continue to support our connections in the real estate community. We routinely evaluate our portfolio to identify assets that are good candidates for disposition in the furtherance of these

goals.

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Proactive Asset Management

We believe our team is well-equipped to deliver operating results in all facets of the management process. Our leasing efforts are founded in understanding the varied and complex needs of tenants in the marketplace today. We pursue meeting those needs through new and renewal leases, as well as lease restructures that further our long-term goals. We are committed to prudent capital investment in our assets to ensure their competitive positioning and status, and rigorously pursue efficient operations and cost containment at the property level.

Transaction Activity

In connection with repositioning our portfolio, and in furtherance of our real estate investment objectives, we have executed the following real estate transactions during 2018, 2017, and 2016. See Note 3, Real Estate Transactions, of the accompanying consolidated financial statements for additional details.

Acquisitions

Property	Location	% Acquired	Square Feet	Acquisition Date	Purchase Price (in thousands)[1]
2018					
799 Broadway	New York, NY	49.7 %	182,000	October 3, 2018	$30,200 [2]
Lindbergh Center – Retail	Atlanta, GA	100.0 %	147,000	October 24, 2018	$23,000
2017					
149 Madison Avenue	New York, NY	100.0 %	127,000	November 28, 2017	$87,700
249 West 17th Street & 218 West 18th Street	New York, NY	100.0 %	447,000	October 11, 2017	$514,100
1800 M Street	Washington, D.C.	55.0 %	581,000	October 11, 2017	$231,550 [2]
114 Fifth Avenue	New York, NY	49.5 %	352,000	July 6, 2017	$108,900 [2]

(1) Exclusive of transaction costs and price adjustments.

(2) Purchase price is for our partial interests in the properties. These properties are owned through unconsolidated joint ventures. Please refer to Note 3, Real Estate Transactions, and Note 4, Unconsolidated Joint Ventures, of the accompanying consolidated financial statements for more information.

Dispositions

Property	Location	% Sold	Rentable Square Feet	Disposition Date	Sale Price (in thousands)
2018					
222 East 41st Street	New York, NY	100.0%	390,000	May 29, 2018	$332,500
263 Shuman Boulevard	Chicago, IL	100.0%	354,000	April 13, 2018	$49,000 [1]
University Circle & 333 Market Street Joint Ventures	San Francisco, CA	22.5 %[2]	1,108,000	February 1, 2018	$235,300[2]
2017					
University Circle	San Francisco, CA	22.5 %[2]	451,000	July 6, 2017	$121,500[3]
333 Market Street	San Francisco, CA	22.5 %[2]	657,000	July 6, 2017	$112,500[3]
Key Center Tower & Marriott	Cleveland, OH	100.0%	1,326,000	January 31, 2017	$267,500
Houston Property Sale	Houston, TX	100.0%	1,187,000	January 6, 2017	$272,000
2016					

SanTan Corporate Center	Phoenix, AZ	100.0%	267,000	December 15, 2016	$58,500
Sterling Commerce	Dallas, TX	100.0%	310,000	November 30, 2016	$51,000
9127 South Jamaica Street	Denver, CO	100.0%	108,000	October 12, 2016	$19,500
80 Park Plaza	Newark, NJ	100.0%	961,000	September 30, 2016	$174,500
9189, 9191 & 9193 South Jamaica Street	Denver, CO	100.0%	370,000	September 22, 2016	$122,000
800 North Frederick	Suburban MD	100.0%	393,000	July 8, 2016	$48,000
100 East Pratt	Baltimore, MD	100.0%	653,000	March 31, 2016	$187,000

(1) On April 13, 2018, we returned 263 Shuman to the lender in settlement of the related $49 million mortgage note.

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(2) On February 1, 2018, we sold an additional 22.5% interest in both University Circle and 333 Market Street to our joint venture partner, Allianz for $235.3 million, as described in Note 3, Real Estate Transactions, of the accompanying consolidated financial statements.

(3) Sale price is for the partial interests in the properties. After partial sale, these properties are owned through unconsolidated joint ventures. Please refer to Note 3, Real Estate Transactions, and Note 4, Unconsolidated Joint Ventures, of the accompanying consolidated financial statements for more information.

Segment Information

As of December 31, 2018, our reportable segments are determined based on high-barrier-to-entry markets and other geographic markets in which we have significant investments. We consider geographic location when evaluating our portfolio composition and in assessing the ongoing operations and performance of our properties. See Note 15, Segment Information, to the accompanying consolidated financial statements.

Employees

As of December 31, 2018, we employed 95 people.

Competition

Leasing real estate is highly competitive in the current market. As a result, we experience competition for high-quality tenants from owners and managers of competing projects. Therefore, we may experience delays in re-leasing vacant space, or we may have to provide rent concessions, incur charges for tenant improvements, or offer other inducements to enable us to timely lease vacant space, all of which may have an adverse impact on our results of operations. In addition, we are in competition with other potential buyers for the acquisition of the same properties, which may result in an increase in the amount we must pay to purchase a property. Further, at the time we elect to dispose of our properties, we will also be in competition with sellers of similar properties to locate suitable purchasers.

Concentration of Credit Risk

We are dependent upon the ability of our tenants to pay their contractual rent amounts as they become due. The inability of a tenant to pay future rental amounts could result in a material adverse impact on our results of operations. We are not aware of any reason why our current tenants would not be able to pay their contractual rental amounts as they become due in all material respects. Based on our 2018 annualized lease revenue, no single tenant accounts for more than 6% of our portfolio.

Website Address

Access to copies of each of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and other documents filed with, or furnished to, the SEC, including amendments to such filings, may be obtained free of charge from our website, www.columbia.reit, or through a link to the www.sec.gov website. The information contained on our website is not incorporated by reference herein. These filings are available promptly after we file them with, or furnish them to, the SEC.

ITEM 1A. RISK FACTORS

Below are some of the risks and uncertainties that could cause our actual results to differ materially from those presented in our forward-looking statements. The risks and uncertainties described below are not the only ones we face but do represent those risks and uncertainties that we believe are material to our business, operating results, prospects, and financial condition. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business.

Risks Related to Our Business and Properties

If we are unable to find suitable investments or they become too expensive, we may not be able to achieve our investment objectives, and the returns on our investments will be lower than they otherwise would be; if we are unable to sell a property when we plan to do so, our operational and financial flexibility may become limited, including our ability to pay cash distributions to our stockholders.

We are competing for real estate investments with other REITs; real estate limited partnerships; pension funds and their advisors; bank and insurance company investment accounts; individuals; non U.S. investors; and other entities. The market for high-quality commercial real estate assets is highly competitive, given how infrequently those assets become available for purchase. As a result, many real estate investors, including us, face aggressive competition to

purchase quality office real estate assets. A significant number of entities and resources competing for high-quality office properties support relatively high acquisition prices for such properties, which may reduce the number of acquisition opportunities available to, or affordable for, us and could put pressure on

our profitability and our ability to pay distributions to stockholders. We cannot be sure that we will be successful in obtaining suitable investments with financially attractive terms or that, if we make investments, our objectives will be achieved.

Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial, and investment conditions may be limited. Purchasers may not be willing to pay acceptable prices for properties that we wish to sell. General economic conditions, availability of financing, interest rates, capitalization rates, and other factors, including supply and demand, all of which are beyond our control, affect the real estate market. Therefore, we may be unable to sell a property for the price, on the terms, or within the time frame that we want. That inability could reduce our cash flow and cause our results of operations to suffer, limiting our ability to make distributions to our stockholders. Additionally, our properties' market values depend principally upon the value of the properties' leases and the net operating income generated by the leases. A property may incur vacancies either by the default of tenants under their leases or the expiration of tenant leases. If vacancies occur and continue for a prolonged period of time, it may become difficult to locate suitable buyers for any such property, and property resale values may suffer, which could result in lower returns for our stockholders. Further, timing differences in our acquisitions and dispositions may create temporary fluctuations in our earnings and cash available for distribution to stockholders.

Economic conditions may cause the creditworthiness of our tenants to deteriorate and occupancy and market rental rates to decline.

Although U.S. macroeconomic conditions continued to be relatively stable during 2018, several economic factors, including increases in interest rates, may adversely affect the financial condition and liquidity of many businesses, as well as the demand for office space generally. Should economic conditions worsen, our tenants' ability to honor their contractual obligations may suffer. Further, it may become increasingly difficult to maintain our occupancy rate and achieve future rental rates comparable to the rental rates of our currently in-place leases as we seek to re-lease space and/or renew existing leases.

Our office properties were approximately 97.4% leased at December 31, 2018, and provisions for uncollectible tenant receivables, net of recoveries, were less than 0.1% of total revenues for the year then ended. As a percentage of 2018 annualized lease revenue, approximately 3% of leases expire in 2019, 6% of leases expire in 2020, and 16% of leases expire in 2021 (see Item 2, Properties). No assurances can be given that economic conditions will not have a material adverse effect on our ability to re-lease space at favorable rates or on our ability to maintain our current occupancy rate and our low provisions for uncollectible tenant receivables.

Changes in general economic conditions and regulatory matters germane to the real estate industry may cause our operating results to suffer and the value of our real estate properties to decline.

Our operating results are subject to risks generally incident to the ownership of real estate, including:

- changes in general or local economic conditions;
- changes in supply of or demand for similar or competing properties in an area;
- changes in interest rates and availability of permanent mortgage funds, which may render the sale of a property difficult or unattractive;
- inability to finance property development or acquisitions on favorable terms;
- the relative illiquidity of real estate investments;
- changes in space utilization by our tenants due to technology, economic conditions, and business culture;
- changes in tax, real estate, environmental, and zoning laws; and
- periods of rising or higher interest rates and tight money supply.

These and other reasons may prevent us from being profitable or from realizing growth or maintaining the value of our real estate properties.

We are dependent upon the economic climates of our markets – New York; San Francisco; Washington, D.C.; Boston; Los Angeles; and Atlanta.

In addition, market and economic conditions in the metropolitan areas in which we derive a substantial portion of our revenue such as New York, San Francisco, Washington, D.C., Boston, and Atlanta, may have a significant impact on

our overall occupancy levels and rental rates and, therefore, our profitability. Furthermore, our business strategy involves continued focus on select core markets, which will increase the impact of the local economic conditions in such markets on our results of operations in future periods. These and other reasons may prevent us from being profitable or from realizing growth or maintaining the value of our real estate properties.

We depend on tenants for our revenue, and lease defaults or terminations, particularly by a significant tenant, could negatively affect our financial condition and results of operations and limit our ability to make distributions to our stockholders.

The success of our investments materially depends on the financial stability of our tenants. A default or termination by a significant tenant on its lease payments to us would cause us to lose the revenue associated with such lease and require us to find an alternative source of revenue to meet debt payments and prevent a foreclosure if the property is subject to a mortgage, could cause us to violate our bank debt covenants, or could impact our credit rating. In the event of a tenant default or bankruptcy, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and re-letting our property. If a tenant defaults on or terminates a significant lease, we may be unable to lease the property for the rent previously received or sell the property without incurring a loss. In addition, significant expenditures for our properties and our company, such as real estate taxes, insurance and maintenance costs, together with general and administrative costs and debt payments, do not decrease when revenues decrease. Therefore, these events could have a material adverse effect on our results of operations or cause us to reduce the amount of distributions to stockholders.

As of December 31, 2018, no more than 6% of our 2018 annualized lease revenue was attributable to any individual tenant. In the future, however, we may have a significant tenant who does account for more than 6% of our 2018 annualized lease revenue, and accordingly, any event of bankruptcy, insolvency, or a general downturn in the business of such tenant may result in the failure or delay of the tenant's rental payments, which may have a substantial adverse effect on our operating performance.

Future acquisitions may fail to perform in accordance with our expectations, may require renovation costs exceeding our estimates or expose us to unknown liabilities, and may be located in new markets where we may face risks associated with investing in an unfamiliar market.

In the normal course of business, we typically evaluate potential acquisitions, enter into nonbinding letters of intent, and may, at any time, enter into contracts to acquire, develop, or redevelop additional properties. Our properties may fail to perform in accordance with our expectations due to lease-up risk, renovation cost risks, and other factors. In addition, the renovation and improvement costs we incur to bring a property up to market standards may exceed our estimates. We may not have the financial resources to make suitable acquisitions or renovations on favorable terms or at all. The properties we acquire, develop, or redevelop may be subject to liabilities for which we have no recourse, or 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 our 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.

Furthermore, we may acquire, develop, or redevelop properties located in markets in which we do not have an established presence. We may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area, and unfamiliarity with local government and permitting procedures. As a result, the operating performance of properties acquired, developed, or redeveloped in new markets may be less than we anticipate, and we may have difficulty integrating such properties into our existing portfolio. In addition, the time and resources that may be required to obtain market knowledge and/or integrate such properties into our existing portfolio could divert our management's attention from our existing business or other attractive opportunities in our established markets.

Uninsured losses relating to real property or excessively expensive premiums for insurance coverage could reduce our net income, and materially and adversely affect our business or financial condition.

We may incur losses from time to time that are uninsurable or not economically feasible to insure, or may be insured subject to limitations, such as large deductibles or co-payments. Some of these losses could be catastrophic in nature, such as losses due to earthquakes, acts of terrorism, fire, floods, tornadoes, hurricanes, pollution, wars, or environmental matters. For example, we have properties located in San Francisco, California, an area especially susceptible to earthquakes, and, collectively, these properties represent approximately 26% of our 2018 annualized lease revenue, as described in Item 2, Properties. Because several of these properties are located in close proximity to one another, an earthquake in the San Francisco area could materially damage, destroy, or impair the use by tenants of all of these properties. Furthermore, insurance risks associated with potential terrorist acts could sharply increase the premiums we pay for coverage against property and casualty claims. Additionally, mortgage lenders in some cases insist that commercial property owners purchase coverage against terrorism as a condition of providing mortgage loans. Such insurance policies may not be available at a reasonable cost, if at all, which could inhibit our ability to finance or refinance our properties. In such instances, we may be required to provide other financial support, either through financial assurances or

self-insurance, to cover potential losses. In addition, we may not have adequate coverage for losses. If any of our properties incur a loss that is not fully insured, the value of that asset will be reduced by such uninsured loss. Furthermore, other than any working capital reserves or other reserves that we may establish, or our existing line of credit, we do not have additional sources of funding specifically designated for repairs or reconstruction of any our properties. To the extent we incur significant uninsured losses, or are required to pay unexpectedly large amounts for insurance, our results of operations or financial condition could be adversely affected.

If we are unable to fund the future capital needs of our properties, cash distributions to our stockholders and the value of our investments could decline.

When tenants do not renew their leases or otherwise vacate their space, we often need to expend substantial funds for tenant improvements to the vacated space in order to attract replacement tenants. In addition, although we expect that our leases with tenants will require tenants to pay routine property maintenance costs, we will likely be responsible for any major structural repairs, such as repairs to the foundation, exterior walls, and rooftops.

If we need significant capital in the future to improve or maintain our properties or for any other reason, we will have to obtain financing from sources such as cash flow from operations, borrowings, property sales, or future equity offerings. These sources of funding may not be available on attractive terms or at all. If we cannot procure the necessary funding for capital improvements, our investments may generate lower cash flows or decline in value, or both, which would limit our ability to make distributions to our stockholders.

We have incurred and may continue to incur indebtedness, which may increase our business risks.

As of February 4, 2019, our total consolidated indebtedness was approximately $1.3 billion, which includes a $150.0 million term loan and $700.0 million of bonds with fixed interest rates, or with interest rates that are effectively fixed when considered in connection with an interest rate swap agreement; and $498.0 million in outstanding borrowings on our line of credit, with a variable interest rate. We may incur additional indebtedness to acquire, develop, or redevelop properties, to fund property improvements and other capital expenditures, to pay our distributions, and for other purposes.

Significant borrowings by us increase the risks of an investment in us. If there is a shortfall between the cash flow from properties and the cash flow needed to service our indebtedness, then the amount available for distributions to stockholders may be reduced. In addition, incurring mortgage debt increases the risk of loss since defaults on indebtedness secured by a property may result in lenders initiating foreclosure actions. In that case, we could lose the property securing the loan that is in default. If any of our properties are foreclosed due to a default, our ability to pay cash distributions to our stockholders will be limited. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but we would not receive any cash proceeds. We may give full or partial guarantees to lenders of mortgage debt on behalf of the entities that own our properties. When we give a guaranty on behalf of an entity that owns one of our properties, we are responsible to the lender for satisfaction of the debt if it is not paid by such entity.

If any indebtedness contains cross-collateralization or cross-default provisions, a default on a single loan could affect multiple properties. Our unsecured credit facility (the "Revolving Credit Facility") and our two unsecured term loan facilities each include a cross-default provision that provides that a payment default under any recourse obligation of $50 million or more by us, Columbia Property Trust OP, or any of our subsidiaries, constitutes a default under the line of credit and term loan facilities.

Increases in interest rates could increase the amount of our debt payments and make it difficult for us to refinance our unsecured bank debt or bonds, or to finance or refinance properties, which could reduce the number of properties we can acquire, develop, or redevelop, our net income, and the amount of cash distributions we can make.

We expect to incur additional indebtedness in the future, which may include term loans, borrowings under a credit facility, unsecured bonds, or mortgages. Increases in interest rates will increase interest costs on our variable-interest debt instruments, which would reduce our cash flows and our ability to pay distributions. If mortgage debt is unavailable at reasonable interest rates, we may not be able to finance the purchase of properties. If we place mortgage

debt on properties, we run the risk of being unable to refinance the properties when the loans become due, or of being unable to refinance on favorable terms. In addition, if we need to repay existing debt during periods of higher interest rates, we may need to sell one or more of our investments in order to repay the debt, which sale at that time might not permit realization of the maximum return on such investments.

Our variable-interest debt instruments may use London Interbank Offering Rate ("LIBOR") as a benchmark for establishing the rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these

developments cannot be entirely predicted but could include an increase in the cost of our variable-interest debt instruments. If LIBOR is no longer widely available, or otherwise at our option, our Revolving Credit Facility and term loan facilities provide for alternate interest rate calculations.

If any of these events occur, our cash flow would be reduced. This, in turn, would reduce cash available for distribution to our stockholders and may hinder our ability to raise capital in the future through additional borrowings or debt or equity offerings. For additional information, please refer to Item 7A, Quantitative and Qualitative Disclosures about Market Risk, for additional information regarding interest rate risk.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan documents we enter into may contain covenants that limit our ability to further mortgage the property or discontinue insurance coverage. These or other limitations may limit our flexibility and our ability to execute on our operating plans.

A downgrade in the credit rating of our debt could materially adversely affect our business and financial condition.

Our senior unsecured debt is rated investment grade by Standard & Poor's Corporation and Moody's Investors Service. In determining our credit ratings, the rating agencies consider a number of both quantitative and qualitative factors, including earnings, fixed charges, cash flows, total debt outstanding, total secured debt, off balance sheet obligations, total capitalization, and various ratios calculated from these factors. The rating agencies also consider predictability of cash flows, business strategy, joint venture activity, property development risks, industry conditions, and contingencies. Therefore, any deterioration in our operating performance could cause our investment-grade rating to come under pressure. Our corporate credit rating at Standard & Poor's Ratings Service is currently "BBB" with a stable outlook, and our corporate credit rating at Moody's Investor Service is currently "Baa2" with a stable outlook. There can be no assurance that our credit ratings will not be lowered or withdrawn in their entirety. A negative change in our ratings outlook or any downgrade in our current investment-grade credit ratings by rating agencies could adversely affect our cost and access to sources of liquidity and capital. Additionally, a downgrade could, among other things, increase the costs of borrowing under our credit facility and term loans, adversely impact our ability to obtain unsecured debt or refinance our unsecured debt on competitive terms in the future, or require us to take certain actions to support our obligations, any of which would adversely affect our business and financial condition.

We face risks relating to the occurrence of cyber incidents, or a deficiency in our cybersecurity, which could negatively impact our business by causing a disruption to our operations, a compromise of confidential information, and/or damage to our business relationships.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information. A breach of our privacy or information security systems or our tenants' privacy or information security systems, particularly through cyber attacks or cyber intrusion, could materially adversely affect our business and financial condition. Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyber attacks. As our reliance on technology has increased, so have the risks of cyber attacks to our systems, both internal and those we have outsourced. Cyber attacks can be both individual and highly organized attempts planned by very sophisticated hacking organizations. Risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to our relationships with our tenants, potential errors from misstated financial reports, missed reporting deadlines, and private data exposure, among others. Any or all of the preceding risks could have a material adverse effect on our results of operations, financial condition, and cash flows.

We employ a number of measures to prevent, detect, and mitigate these threats, which include dual factor authentication, frequent password change events, firewall detection systems, frequent backups, a redundant data system for core applications and annual breach testing. While, to date, we have not had a significant cyber breach or attack that has had a material impact on our business or results of operations, there can be no assurance that our efforts

to maintain the security and integrity of our systems will be effective, or that we will be able to maintain our systems free from security breaches or other operational interruptions.
A cybersecurity attack could compromise the confidential information of our employees, customers, and vendors. A successful attack could disrupt and affect our business operations, damage our reputation, and result in significant remediation and litigation costs. Further, one or more of our tenants could experience a cyber incident which could impact their operations and ability to perform under the terms of their lease with us. While we maintain insurance coverage that may, subject to policy terms and conditions including deductibles, cover specific aspects of cyber risks, such insurance coverage may be insufficient to cover all

losses. As cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and to investigate and remediate any information security vulnerabilities.

We are and may continue to be subject to litigation, which could have a material adverse effect on our financial condition.

We currently are, and are likely to continue to be, subject to a variety of claims arising in the ordinary course of business. Such claims could include personal injury claims, contract claims, and claims alleging violations of federal and state law regarding workplace and employment matters, discrimination, and similar matters. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. Although we defend ourselves against any such claims, we cannot be certain of the ultimate outcomes of currently asserted claims or of those that arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, would adversely impact our earnings and cash flows, thereby impacting our ability to service debt and make distributions to our stockholders.

Costs of complying with governmental laws and regulations may reduce our net income and the cash available for distributions to our stockholders.

All real property and the operations conducted on real property are subject to federal, state, and local laws and regulations relating to environmental protection and human health and safety. Some of these laws and regulations may impose joint and several liability on tenants, owners, or operators for the costs to investigate or remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. In addition, the presence of hazardous substances, or the failure to properly remediate these substances, may hinder our ability to sell, rent, or pledge such property as collateral for future borrowings.

Compliance with new laws or regulations, or stricter interpretation of existing laws, may require us to incur material expenditures. Future laws, ordinances, or regulations may impose material environmental liability. Additionally, our tenants' operations, the existing condition of land when we buy it, operations in the vicinity of our properties, such as the presence of underground storage tanks or activities of unrelated third parties may affect our properties. Furthermore, there are various local, state, and federal regulatory requirements, such as fire, health, life-safety, and similar regulations, and the Americans with Disabilities Act, with which we may be required to comply, and which may subject us to liability in the form of fines or damages for noncompliance. Any material expenditures, fines, or damages we must pay would adversely impact our earnings and cash flows, thereby impacting our ability to service debt and make distributions to our stockholders.

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, 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 impact our earnings and cash flows, thereby impacting our ability to service debt and make distributions to our stockholders.

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.

Discovery of previously undetected environmentally hazardous conditions may decrease our revenues and limit our ability to make distributions.

Under various federal, state, and local environmental laws, ordinances, and regulations, a current or previous real property owner or operator may be liable for the cost to remove or remediate hazardous or toxic substances on, under, or in such property. These costs could be substantial. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also

may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures or prevent us from entering into leases with prospective tenants that may be impacted by such laws. Environmental laws provide for sanctions for noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances, including asbestos-containing materials. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of complying with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could have an adverse impact on our business and results of operations.

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Property ownership through joint ventures may limit our ability to act exclusively in our interest.

We have entered into six joint venture arrangements and in the future may acquire, develop, or redevelop properties in, or contribute properties to, joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. We could become engaged in a dispute with one or more of our joint venture partners, which might affect our ability to operate a jointly owned property. Moreover, joint venture partners may have business, economic, or other objectives that are inconsistent with our objectives, including objectives that relate to the appropriate timing and terms of any sale or refinancing of a property. In some instances, joint venture partners may have competing interests in our markets that could create conflicts of interest. Also, our joint venture partners might refuse to make capital contributions when due, and we may be responsible to our partners for indemnifiable losses. We and our partners may each have the right to trigger a buy-sell arrangement, which could cause us to sell our interest, or acquire our partners' interest, at a time when we otherwise would not have initiated such a transaction and may result in the valuation of our interest in the joint venture (if we are the seller) or of the other partner's interest in the joint venture (if we are the buyer) at levels which may not be representative of the valuation that would result from an arm's length marketing process. We are also subject to the following risks, the likelihood of which may be higher when our joint venture partner is an institutional owner and required to aggregate approvals from multiple beneficial owners: (i) a deadlock if we and our joint venture partner are unable to agree upon certain major and other decisions, (ii) the limitation of our ability to liquidate our position in the joint venture without the consent of the other joint venture partner, and (iii) the requirement to provide guarantees in favor of lenders with respect to the indebtedness of the joint venture.

If we sell properties and provide financing to purchasers, defaults by the purchasers would decrease our cash flows and limit our ability to make distributions.

In some instances we may sell our properties by providing financing to purchasers. When we provide financing to purchasers, we will bear the risk that the purchaser may default, which could negatively impact our liquidity and results of operations. Even in the absence of a purchaser default, the distribution of the proceeds of sales to our stockholders, or the reinvestment of proceeds in other assets, will be delayed until the promissory notes or other property we may accept upon a sale are actually paid, sold, refinanced, or otherwise disposed.

We are dependent on our executive officers and employees.

We rely on a small number of persons, particularly E. Nelson Mills and James A. Fleming, to carry out our business and investment strategies. Any of our senior management, including Messrs. Mills and Fleming, may cease to provide services to us at any time. The loss of the services of any of our key management personnel or our inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results. We will continue to try to attract and retain qualified additional senior management and other employees, but may not be able to do so on acceptable terms.

We face risks associated with property development or redevelopment.

We may acquire and develop or redevelop properties, including unimproved real estate, upon which we will construct improvements. Such activities present a number of risks for us, including risks that:

- if we are unable to obtain all necessary zoning and other required governmental permits and authorizations or cease development of the project for any other reason, the development opportunity may be abandoned or postponed after expending significant resources, resulting in the loss of deposits or failure to recover expenses already incurred;
- the development and construction costs of the project may exceed original estimates due to increased interest rates and increased cost of materials, labor, leasing or other expenditures, which could make the completion of the project less profitable because market rents may not increase sufficiently to compensate for the increase in construction costs;
- construction and/or permanent financing may not be available on favorable terms or may not be available at all, which may cause the cost of the project to increase and lower the expected return;
- the project may not be completed on schedule, or at all, as a result of a variety of factors, many of which are beyond our control, such as weather, labor conditions, and material shortages, which would result in increases in construction costs and debt service expenses;

if a contractor's performance is affected or delayed by conditions beyond the contractor's control, we may incur

- additional risks when we make periodic progress payments or other advances to contractors before they complete construction;
- the time between commencement of a development project and the stabilization of the completed property exposes us to risks associated with fluctuations in local and regional economic conditions; and
- occupancy rates and rents at the completed property may not meet the expected levels and could be insufficient to make the property profitable.

Properties developed or acquired for development or redevelopment may generate little or no cash flow from the date of acquisition

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through the date of completion of development. In addition, new development activities, regardless of whether or not they are ultimately successful, may require a substantial portion of management's time and attention.
These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken. Any of the foregoing could have an adverse effect on our financial condition, results of operations or ability to satisfy our debt service obligations.
If our disclosure controls or internal control over financial reporting are not effective, investors could lose confidence in our reported financial information, which could adversely affect the perception of our business and the trading price of our common stock.
Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate the effectiveness of our internal control over financial reporting as of the end of each fiscal year and to include a management report assessing the effectiveness of our internal control over financial reporting. Deficiencies, including any material weakness, in our internal control over financial reporting that may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in the trading price of our common stock, or otherwise materially adversely affect our business, reputation, results of operations, financial condition, or liquidity.
Risks Related to Ownership of Our Common Stock
We may be unable to pay or maintain cash distributions or increase distributions over time, which could reduce the funds we have available for investment and the return to our investors.
There are many factors that can affect the availability and timing of distributions to stockholders. We expect to continue to fund distributions principally from cash flow from operations; however, from time to time, we may elect to fund a portion of our distributions from borrowings. If we fund distributions from financings, we will have fewer funds available for the investment in, and acquisition of, properties; thus, the overall return to our investors may be reduced. We can give no assurance that we will be able to pay or maintain cash distributions or increase distributions over time.
Our stock price may be volatile or may decline regardless of our operating performance, and may impede our stockholders' ability to sell their shares at a desirable price.
The market price of our common stock may vary significantly in response to a number of factors, most of which we cannot control, including those described under this section and the following:

- changes in capital market conditions that could affect valuations of real estate companies in general or other adverse economic conditions;
- our failure to meet any earnings estimates or expectations;
- future sales of our common stock by our officers, directors, and significant stockholders;
- global economic, legal, and regulatory factors unrelated to our performance;
- investors' perceptions of our prospects;
- announcements by us or our competitors of significant contracts, acquisitions, joint ventures, or capital commitments; and
- investor perceptions of the investment opportunity associated with our common stock relative to other investment alternatives.

In addition, from time to time, the New York Stock Exchange (the "NYSE"), has experienced extreme price and volume fluctuations that have affected the market prices of equity securities of many real estate companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs, and our resources and the attention of management could be diverted from our business. Furthermore, we currently have limited research coverage by securities and industry analysts. If additional securities or industry analysts do not commence coverage of our company, the long-term trading price for our common stock could be negatively impacted. If one or more of present or future analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which could cause our stock price and trading volume to decline.

Further issuances of equity securities may be dilutive to current stockholders.
The interests of our existing stockholders could be diluted if additional equity securities are issued to finance future acquisitions, developments, or redevelopments, or to 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.

Our charter limits the number of shares a person may own, which may discourage a takeover that could otherwise result in a premium price to our stockholders.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, no person may own more than 9.8% of our outstanding common stock. This restriction may have the effect of delaying, deferring, or preventing a change in control, including an extraordinary transaction (such as a merger, tender offer, or sale of all or substantially all of our assets) that might provide a premium price for holders of our common stock.

Our organizational documents contain provisions that may discourage a takeover of us and could depress the price of our shares of common stock.

Our organizational documents contain provisions that may discourage a takeover of us and could depress the price of our common stock. Our organizational documents contain provisions that may have an anti-takeover effect, inhibit a change of our management, or inhibit, in certain circumstances, tender offers for our common stock or proxy contests to change our board. These provisions include: ownership limits and restrictions on transferability that are intended to enable us to continue to qualify as a REIT; broad discretion of our board to take action, without stockholder approval, to issue new classes of securities that may discourage a third party from acquiring us; the ability, through board action or bylaw amendment to opt in to certain provisions of Maryland law that may impede efforts to effect a change in control of us; advance notice requirements for stockholder proposals and stockholder nominations of directors; and the absence of cumulative voting rights.

In addition, our board of directors may classify or reclassify any unissued preferred stock and establish the preferences; conversion; or other rights, voting powers, restrictions, or limitations as to distributions, qualifications, and terms or conditions of redemption of any such stock. Thus, our board of directors could authorize the issuance of preferred stock with terms and conditions that could have priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring, or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer, or sale of all or substantially all of our assets) that might provide a premium price to holders of our common stock.

Maryland General Corporation Law provides certain protections relating to deterring or defending hostile takeovers, which may discourage others from trying to acquire control of us and may prevent our stockholders from receiving a premium price for their stock in connection with a business combination.

Our board of directors has determined to opt out of certain provisions of Maryland law that may impede efforts to effect a change in control of us as further described below; in the case of the business combination provisions of Maryland law, by resolution of our board of directors; in the case of the control share provisions of Maryland law, pursuant to a provision in our bylaws; and in the case of certain provisions of the Maryland Unsolicited Takeover Act, pursuant to Articles Supplementary. Only upon stockholder approval of an amendment to our Articles of Incorporation may our board of directors repeal the foregoing opt-outs from the anti-takeover provisions of Maryland General Corporation Law.

Under Maryland law, "business combinations" between a Maryland corporation and certain interested stockholders or affiliates of interested stockholders are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. Also under Maryland law, control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquirer, an officer of the corporation, or an employee of the corporation who is also a director of the corporation are excluded from the vote on whether to accord voting rights to the control shares. These provisions may therefore discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. Similarly, provisions of Title 3, Subtitle 8 of the Maryland General Corporation Law,

commonly referred to as the "Maryland Unsolicited Takeover Act," could provide similar anti-takeover protection.

Federal Income Tax Risks

Failure to qualify as a REIT would reduce our net income and cash available for distributions.

Our qualification as a REIT depends upon our ability to meet requirements regarding our organization and ownership, distributions of our income, the nature and diversification of our income and assets, and other tests imposed by the Internal Revenue Code (the "Code"). If we fail to qualify as a REIT for any taxable year, we will be subject to federal and state income tax on our taxable

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income at corporate rates, including interest and any applicable penalties. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability. In addition, distributions to stockholders would no longer qualify for the dividends-paid deduction, and we would no longer be required to make distributions. If this occurs, we might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

Recharacterization of sale-leaseback transactions may cause us to lose our REIT status, which would reduce the return to our stockholders.

We may purchase properties and lease them back to the sellers of such properties. While we will use our best efforts to structure any such sale-leaseback transaction such that the lease will be characterized as a "true lease," thereby allowing us to be treated as the owner of the property for federal income tax purposes, we can give no assurance that the Internal Revenue Service will not challenge such characterization. In the event that any such sale-leaseback transaction is challenged and recharacterized as a financing transaction or loan for federal income tax purposes, deductions for depreciation and cost recovery relating to such property would be disallowed. If a sale-leaseback transaction were so recharacterized, we might fail to satisfy the REIT qualification asset tests or income tests and, consequently, lose our REIT status. Alternatively, the amount of our REIT taxable income could be recalculated, which might also cause us to fail to meet the distribution requirement for a taxable year.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to other tax liabilities that reduce our cash flow and our ability to make distributions to our stockholders.

Even if we remain qualified as a REIT for federal income tax purposes, we may be subject to some federal, state, and local taxes on our income or property. For example:

- In order to qualify as a REIT, we must distribute annually at least 90% of our REIT taxable income to our stockholders (which is determined without regard to the dividends-paid deduction or net capital gain). To the extent that we satisfy the distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to federal and state corporate income tax on the undistributed income.
- We will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions we pay in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gains net income, and 100% of our undistributed income from prior years.
- If we have net income from the sale of foreclosure property that we hold primarily for sale to customers in the ordinary course of business or other nonqualifying income from foreclosure property, we must pay a tax on that income at the highest corporate income tax rate.
- If we sell a property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business, our gain would be subject to the 100% "prohibited transaction" tax.
- We may perform additional, noncustomary services for tenants of our buildings through our taxable REIT subsidiary, including real estate or non-real-estate-related services; however, any earnings related to such services are subject to federal and state income taxes.

Legislative or regulatory action could adversely affect investors.

In recent years, numerous legislative, judicial, and administrative changes have been made in the provisions of federal and state income tax laws applicable to investments similar to an investment in our shares. In particular, the comprehensive tax reform legislation enacted in December 2017 and commonly known as the Tax Cuts and Jobs Act, or TCJA, makes many significant changes to the U.S. federal income tax laws that will profoundly impact the taxation of individuals and corporations (including both regular C corporations and corporations that have elected to be taxed as REITs). A number of changes that affect noncorporate taxpayers will expire at the end of 2025 unless Congress acts to extend them. These changes will impact us and our stockholders in various ways, some of which are adverse or potentially adverse compared to prior law. Although the IRS has issued guidance with respect to certain of the new provisions, there are numerous interpretive issues that will require further guidance. It is highly likely that technical corrections legislation will be needed to clarify certain aspects of the new law and give proper effect to Congressional intent. There can be no assurance, however, that technical clarifications or changes needed to prevent unintended or

unforeseen tax consequences will be enacted by Congress in the near future. Additional changes to tax laws are likely to continue to occur in the future, and we cannot assure investors that any such changes will not adversely affect the taxation of our stockholders. Any such changes could have an adverse effect on an investment in shares or on the market value or the resale potential of our properties. Investors are urged to consult with their own tax advisor with respect to the impact of recent legislation on ownership of shares and the status of legislative, regulatory, or administrative developments and proposals, and their potential effect on ownership of shares.

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To maintain our REIT status, we may be forced to borrow funds or dispose of assets during unfavorable market conditions to make distributions to our stockholders, which could increase our operating costs and decrease the value of an investment in us.

We intend to make distributions to our stockholders to comply with the requirements of the Code for REITs and to minimize or eliminate our corporate tax obligations; however, differences between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the distribution requirements of the Code. Certain types of assets generate substantial disparity between taxable income and available cash, such as real estate that has been financed through financing structures which require some or all of available cash flows to be used to service borrowings. In addition, changes made by TCJA will require us to accrue certain income for U.S. federal income tax purposes no later than when such income is taken into account as revenue on our financial statements (subject to an exception for certain income that is already subject to a special method of accounting under the Internal Revenue Code). This could cause us to recognize taxable income prior to the receipt of the associated cash. TCJA also includes limitations on the deductibility of certain compensation paid to our executives, certain interest payments, and certain net operating loss carryforwards, each of which could potentially increase our taxable income and our required distributions. As a result, the requirement to distribute a substantial portion of our taxable income could cause us to: (1) sell assets in adverse market conditions, (2) borrow on unfavorable terms, or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures, or repayment of debt, in order to comply with REIT requirements. Any such actions could increase our costs and reduce the value of our common stock. Further, we may be required to make distributions to our stockholders when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Compliance with REIT qualification requirements may, therefore, hinder our ability to operate solely on the basis of maximizing profits.

To maintain our REIT status, we may be forced to forego otherwise attractive opportunities, which could delay or hinder our ability to meet our investment objectives and lower the return to our stockholders.

To qualify as a REIT, we must satisfy tests on an ongoing basis concerning, among other things, the sources of our income, the nature of our assets, and the amounts we distribute to our stockholders. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Overview

As of December 31, 2018, we owned 18 operating properties and two properties under development or redevelopment, of which 14 were wholly owned and six were owned through unconsolidated joint ventures. These properties are located primarily in New York, San Francisco, Washington, D.C., and Atlanta and were approximately 97.4% leased as of December 31, 2018.

Property Statistics

The tables below include statistics for the 13 consolidated operating properties, which we own directly, and our proportional share of the annualized lease revenue and rentable square feet for the five operating properties we own through unconsolidated joint ventures. 2018 annualized lease revenue is an operating metric, calculated as (i) annualized rental payments (defined as base rent plus operating expense reimbursements, excluding rental abatements) for executed and commenced leases as of December 31, 2018, as well as leases executed but not yet commenced for vacant space that will commence within 12 months, and (ii) annualized parking revenues, payable either under the terms of an executed lease or vendor contract ("2018 Annualized Lease Revenue"). 2018 Annualized Lease Revenue excludes rental payments for executed leases that have not yet commenced for space covered by an existing lease.

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The following table shows lease expirations of our office properties as of December 31, 2018, during each of the next 10 years and thereafter. This table assumes no exercise of renewal options or termination rights.

Year of Lease Expiration	Rentable Square Feet (in thousands)	2018 Annualized Lease Revenue (in thousands)	Percentage of 2018 Annualized Lease Revenue	
Vacant	202	$ —	—	%
2019	156	11,462	3	%
2020	354	21,772	6	%
2021	1,753	61,959	16	%
2022	480	24,828	7	%
2023	527	34,838	9	%
2024	290	21,861	6	%
2025	604	44,312	12	%
2026	678	32,006	8	%
2027	184	14,171	4	%
2028	100	6,668	2	%
Thereafter	2,316	103,247	27	%
	7,644	$ 377,124	100	%

The following table shows the geographic locations of our office properties as of December 31, 2018. For more information about our geographic locations, see Note 15, Segment Information, of the accompanying consolidated financial statements.

Location	Leased Square Feet (in thousands)	2018 Annualized Lease Revenue (in thousands)	Percentage of 2018 Annualized Lease Revenue	
New York	2,046	$ 139,700	37	%
San Francisco	1,410	98,508	26	%
Washington, D.C.	878	57,470	15	%
Atlanta	1,796	45,274	12	%
Boston	242	12,933	3	%
Los Angeles	246	8,451	2	%
Other	824	14,788	5	%
	7,442	$ 377,124	100	%

The following table shows the industry breakdown of our office tenants as of December 31, 2018.

Industry	Leased Square Feet (in thousands)	2018 Annualized Lease Revenue (in thousands)	Percentage of 2018 Annualized Lease Revenue	
Business Services	1,295	$ 91,899	24	%
Depository Institutions	879	38,245	10	%
Engineering & Management Services	493	27,294	7	%

Communications	1,003	25,837	7	%
Nondepository Institutions	394	24,097	6	%
Legal Services	260	22,663	6	%
Electric, Gas & Sanitary Services	874	17,733	5	%
Security & Commodity Brokers	195	15,441	4	%
Real Estate	214	12,308	3	%
Manufacturing Plastic Products	411	9,592	3	%
Other[(1)]	1,424	92,015	25	%
	7,442	$ 377,124	100	%

[(1)] No more than 2% of 2018 Annualized Lease Revenue is attributable to any individual industry.

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The following table shows the major tenants of our operating properties as of December 31, 2018.

Tenant	2018 Annualized Lease Revenue (in thousands)	Percentage of 2018 Annualized Lease Revenue	
AT&T	$ 22,795	6	%
Pershing	18,452	5	%
Twitter	16,174	4	%
Wells Fargo	15,520	4	%
Yahoo!	14,794	4	%
Westinghouse Electric	14,788	4	%
DocuSign	10,897	3	%
Snap	9,739	3	%
Newell Rubbermaid	9,592	3	%
WeWork	7,384	2	%
Other[1]	236,989	62	%
	$ 377,124	100	%

[1] No more than 2% of 2018 Annualized Lease Revenue is attributable to any individual tenant.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are party to legal proceedings, which arise in the ordinary course of our business. We are not currently involved in any legal proceedings of which the outcome is reasonably likely to have a material adverse effect on our results of operations or our financial condition, nor are we aware of any such legal proceedings contemplated by governmental authorities.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Holders

Our common stock was listed on the NYSE, on October 10, 2013 under the symbol "CXP." As of January 31, 2019, we had approximately 116.9 million shares of common stock outstanding held by approximately 46,000 stockholders of record.

Distributions

We intend to make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 90% of our taxable income. One of our primary goals is to pay regular quarterly distributions to our stockholders. The amount of distributions paid and the taxable portion thereof in prior periods are not necessarily indicative of amounts anticipated in future periods.

The amount of distributions to common stockholders is determined by our board of directors and is dependent upon a number of factors, including funds deemed available for distribution, based principally on our current and future projected operating cash flows reduced by capital requirements necessary to maintain our existing portfolio, our future capital needs, our future sources of liquidity, and the annual distribution requirements necessary to maintain our status as a REIT under the Code. Investments in new property acquisitions and first-generation capital improvements, as well as equity repurchases, are generally funded with recycled capital proceeds from property sales, debt, or cash on hand. Our board of directors maintained a $0.20 dividend for each quarter of 2018, as well as for the first quarter of 2019.

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Performance Graph

The following graph compares the cumulative total return of our common stock with the S&P 500 Index, Morgan Stanley REIT Index, the FTSE NAREIT US Real Estate Index, and the FTSE NAREIT Equity Office Index for the period beginning on October 10, 2013 (the date of our initial listing on the NYSE) through December 31, 2018. The graph assumes a $100.00 investment in each of the indices on December 31, 2013, and the reinvestment of all dividends.

Index	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Columbia Property Trust	$ 100.00	$ 106.21	$ 103.27	$ 100.43	$ 110.64	$ 108.37
S&P 500 Index	$ 100.00	$ 113.68	$ 115.24	$ 129.02	$ 157.17	$ 164.83
Morgan Stanley REIT Index	$ 100.00	$ 130.38	$ 133.67	$ 145.16	$ 152.52	$ 142.20
FTSE NAREIT US Real Estate Index	$ 100.00	$ 130.44	$ 134.42	$ 144.95	$ 150.61	$ 145.45
FTSE NAREIT Equity Office Index	$ 100.00	$ 125.85	$ 126.15	$ 142.73	$ 150.33	$ 127.77

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Share Repurchases

Our board of directors authorized a stock repurchase program to purchase up to an aggregate of $200.0 million of our common stock from September 4, 2017 through September 4, 2019 (the "2017 Stock Repurchase Program"). During the quarter ended December 31, 2018, we repurchased and retired the following shares in accordance with the 2017 Stock Repurchase Program.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Approximate Dollar Value Available for Future Purchase[1]
October 2018	101,688	$ 22.48	101,688	$150,793,226
November 2018	1,184,474	$ 22.31	1,184,474	$124,373,520
December 2018	—	$ —	—	$124,373,520

(1) Amounts available for future purchase relate only to our 2017 Stock Repurchase Program and represent the remainder of the $200 million authorized by our board of directors for share repurchases.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data for 2018, 2017, 2016, 2015, and 2014 should be read in conjunction with the accompanying consolidated financial statements and related notes in Item 8, Financial Statements and Supplementary Data, hereof (amounts in thousands, except per-share data).

	As of December 31,				
	2018	2017	2016	2015	2014
Total assets[1]	$4,173,993	$4,511,539	$4,299,793	$4,678,118	$ 4,734,240
Total stockholders' equity	$2,741,016	$2,531,936	$2,502,768	$2,614,194	$ 2,733,478
Outstanding debt[2]	$1,332,000	$1,674,176	$1,424,602	$1,735,063	$ 1,680,066
Outstanding long-term debt[2]	$1,332,000	$1,302,000	$1,302,602	$1,577,063	$ 1,469,245
Obligations under capital leases	$—	$120,000	$120,000	$120,000	$ 120,000

	Years Ended December 31,				
	2018	2017	2016	2015	2014
Total revenues[3]	$297,943	$289,000	$473,543	$566,065	$ 540,797
Revenues from discontinued operations[3]	$—	$—	$—	$—	$ 119
Income (loss) from unconsolidated joint venture	$8,003	$2,651	$(7,561)	$(1,142)	$ —
Net income	$9,491	$176,041	$84,821	$44,619	$ 92,635
Net cash provided by operating activities	$97,625	$61,924	$193,091	$223,080	$ 236,906
Net cash provided by (used in) investing activities	$375,730	$(347,723)	$525,613	$(576,699)	$ (23,788)
Net cash provided by (used in) financing activities	$(465,804)	$79,281	$(535,264)	$263,474	$ (163,183)
Investments in real estate (acquisitions, earnest money deposits, capital projects)	$(94,067)	$(691,574)	$(39,521)	$(1,145,402)	$ (416,991)
Investments in unconsolidated joint ventures	$(38,763)	$(369,043)	$(16,212)	$(5,500)	—
Distributions paid[4]	$(95,056)	$(109,561)	$(148,474)	$(112,570)	$ (149,962)
Stock repurchases[4][5]	$(72,495)	$(59,462)	$(53,986)	$(17,057)	$ —
Net debt and bond proceeds (repayments)[4]	$(293,175)	$249,573	$(311,769)	$378,995	$ (11,739)
Per Weighted-Average Common Share Data:					
Net income – basic	$0.08	$1.45	$0.68	$0.36	$ 0.74
Net income – diluted	$0.08	$1.45	$0.68	$0.36	$ 0.74
Distributions declared	$0.80	$0.80	$1.20	$1.20	$ 1.20
Weighted-average common shares outstanding – basic	117,888	120,795	123,130	124,757	124,860
Weighted-average common shares outstanding – diluted	118,311	121,159	123,228	124,847	124,918

(1) The amounts for 2014 have been adjusted to conform with subsequent years' presentation by reclassifying debt issuance costs, other than those related to our revolving credit facility, from total assets to an offset to outstanding debt.

(2) Excludes discounts and deferred financing costs.

(3) The amounts for 2014 have been adjusted from original presentation to classify revenues generated by certain sold properties as discontinued operations.

(4) Activity is presented on a cash basis. Please refer to our accompanying consolidated statements of cash flows.

(5) Stock repurchases were made under board-approved stock repurchase plans or in settlement of taxes related to stock compensation.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Selected Financial Data in Item 6, Selected Financial Data, above and our accompanying consolidated financial statements and notes thereto. See also Cautionary Note Regarding Forward-Looking Statements preceding Part I.

Executive Summary

Our primary strategic objective is to generate long-term stockholder returns from a combination of growing cash flows and appreciation in the values of our properties, by acquiring, developing, or redeveloping, and operating high-quality office properties located in certain high-barrier-to-entry markets. Our approach is to own office buildings that are competitive within the top tier of their markets or that will be repositioned as such through value-add initiatives. In addition, our investment objectives include optimizing our portfolio allocation between stabilized investments and more growth-oriented, value-add investments, with an emphasis on central business districts and multi-tenant buildings.

Over the past several years, we have undertaken a capital recycling program that involved selling more than 50 properties in geographically dispersed markets for aggregate proceeds of $3.6 billion and reinvesting this capital in New York, San Francisco, Washington, D.C., and Boston. In May 2018, we sold 222 East 41st Street in New York after re-leasing the property to a single tenant for 30 years. In October 2018, we acquired a 49.7% interest in a joint venture that will develop a 12-story, 182,000-square-foot office building at 799 Broadway in New York. We are continuing to pursue other strategic investment opportunities in our target markets, as well as selective property dispositions in non-target markets.

Leasing continues to be a key area of focus for both vacant space and upcoming expirations. During 2018, we leased 1.1 million square feet of space, including:

- a 215,000-square-foot, five-year lease extension through 2030 with Twitter for their space at 249 West 17th Street in New York;
- a 115,000-square-foot, long-term lease with WeWork for the entire office portion of 149 Madison in New York; and
- lease expansions totaling 199,000 square feet with Arby's Restaurant Group, a subsidiary of Inspire Brands, at One & Three Glenlake Parkway in Atlanta, resulting in a full-building lease of Three Glenlake Parkway, as well as extending the total 359,000-square-foot lease through March 2033.

We continue to maintain a strong and flexible balance sheet. In 2018, we amended and restated our $500 million unsecured revolving credit facility and $300 million unsecured term loan, resulting in a $950 million combined credit facility. As further described in the Liquidity and Capital Resources section below, the amended and restated facility extends maturities, lowers interest costs and increases the unsecured revolving credit facility from $500 million to $650 million. Further, the new $300 million term loan is currently undrawn and includes a delayed-draw feature, which allows for up to 12 months to fully draw the term loan. As of December 31, 2018, our debt-to-real-estate-asset ratio is 32.7%[(1)(2)]; 92%[(1)] of our portfolio is unencumbered by mortgages; and our weighted average cost of borrowing is 3.85%[(1)] per annum. Our debt maturities are laddered over the next eight years, and $632.0 million of our unsecured borrowings can be repaid prior to maturity without penalty.

From time to time when we believe our stock is undervalued, we may take advantage of market opportunities by using our stock repurchase program to buy shares and return capital to our stockholders. During 2018, we repurchased $70.4 million of our common stock (3.2 million shares at an average price of $21.73 per share).

(1) Statistics include our ownership interest in the gross real estate assets and debt at properties held through unconsolidated joint ventures as described in Note 4, Unconsolidated Joint Ventures, of the accompanying financial statements.

(2) On a net basis (i.e., reduced for cash on hand), our debt-to-real-estate-asset ratio is 31.9%.

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Key Performance Indicators

Our operating results depend primarily upon the level of income generated by the leases at our properties. Occupancy and rental rates are critical drivers of our lease income. Over the last year, our portfolio percentage leased ranged from 96.2% at December 31, 2017 to 97.4% at December 31, 2018. The following table sets forth details related to the financial impact of our recent leasing activities for properties we own directly and based on our proportionate share of properties owned through unconsolidated joint ventures:

	Years Ended December 31,	
	2018	2017
Total number of leases	59	62
Square feet of leasing – renewal	505,612	1,288,056
Square feet of leasing – new	567,288	716,513
Total square feet of leasing	1,072,900	2,004,569
Average lease term (months)	122	103
Tenant improvements, per square foot – renewal	$28.53	$20.17
Tenant improvements, per square foot – new	$82.29	$85.55
Tenant improvements, per square foot – all leases	$66.29	$55.09
Leasing commissions, per square foot – renewal	$24.04	$12.37
Leasing commissions, per square foot – new	$27.56	$27.76
Leasing commissions, per square foot – all leases	$26.51	$20.59
Rent leasing spread – renewal[1]	11.6 %	28.2 %
Rent leasing spread – new[1]	34.4 %	63.3 %
Rent leasing spread – all leases[1]	23.1 %	43.6 %

(1) Rent leasing spreads are calculated based on the change in base rental income measured on a straight-line basis; and, for new leases, only include space that has been vacant for less than one year.

In 2018, rent leasing spreads were positive (23.1%) primarily due to a lease extension with Twitter for 215,000 square feet at 249 West 17th Street and lease expansions for an aggregate of 199,000 square feet with Arby's Restaurant Group, a subsidiary of Inspire Brands, at One & Three Glenlake Parkway in Atlanta. In 2018, tenant improvements include $115.00 per square foot for a new, 16.5-year lease with WeWork for 115,000 square feet at 149 Madison Avenue, which will entail a full-scale redevelopment of the property.

In 2017, rent leasing spreads were significantly positive (43.6%) due to extending the 119,000-square-foot lease with DLA Piper at University Circle in San Francisco and leasing 230,000 square feet at 650 California Street in San Francisco. The leasing at 650 California Street required significant tenant improvements; however, the net economic impact of the leasing at 650 California Street is favorable. Positive rent leasing spreads in 2017 for renewal leases were partially offset by a slight rent roll-down for the 824,000-square-foot lease extension and amendment executed with Westinghouse at Cranberry Woods in Pittsburgh.

Liquidity and Capital Resources

Overview

Cash flows generated from the operation of our properties are primarily used to fund recurring expenditures and stockholder dividends. The amount of distributions to common stockholders is determined by our board of directors and is dependent upon a number of factors, including funds deemed available for distribution based principally on our current and future projected operating cash flows, reduced by capital requirements necessary to maintain our existing portfolio, our future capital needs, and future sources of liquidity, as well as the annual distribution requirements necessary to maintain our status as a REIT under the Code. Investments in new property acquisitions and first-generation capital improvements are generally funded with capital proceeds from property sales, debt, or cash on hand. Our board of directors elected to maintain a $0.20 dividend rate for fourth quarter of 2018, as well as for the first quarter of 2019.

Short-Term Liquidity and Capital Resources

During 2018, we generated net cash flows from operating activities of $97.6 million, which consists primarily of receipts from tenants for rent and reimbursements, reduced by payments for operating costs, administrative expenses, interest expense, and lease inducements. During the same period, we paid total distributions to stockholders of $95.1 million, which included dividend

payments for four quarters ($23.9 million for the fourth quarter of 2017 and an aggregate of $71.2 million for the first three quarters of 2018).

During 2018, we sold 222 East 41st Street and an additional 22.5% interest in the 333 Market Street and University Circle joint ventures for aggregate net proceeds of $519.7 million. We used these proceeds to pay down $293.2 million of debt; to invest $157.6 million in real estate assets, including those held in unconsolidated joint ventures; and to repurchase $70.4 million of our common stock.

Over the short term, we expect our primary sources of capital and liquidity to be operating cash flows, select property dispositions, and debt. We expect that our principal demands for funds will be property acquisitions, capital improvements to our existing portfolio, stockholder distributions, stock repurchases, operating expenses, and interest and principal payments. As of February 4, 2019, we have access to $152.0 million under our Revolving Credit Facility and $300.0 million under our delayed-draw term loan. We believe that we will have adequate liquidity and capital resources to meet our current obligations as they come due.

Long-Term Liquidity and Capital Resources

Over the long term, we expect that our primary sources of capital will include operating cash flows, select property dispositions, and borrowing proceeds. We expect that our primary uses of capital will continue to include stockholder distributions; acquisitions; capital expenditures, such as building improvements, tenant improvements, and leasing costs; and repaying or refinancing debt.

Consistent with our financing objectives and operational strategy, over the long term we have generally maintained debt levels less than 40% of the undepreciated costs of our assets. As of December 31, 2018, our debt-to-real-estate-asset ratio was approximately 32.7%. Our debt-to-real-estate-asset ratio includes our share of joint venture real estate assets and debt, as well as basis adjustments related to joint venture real estate assets.

As described below, our variable rate indebtedness may use London Interbank Offering Rate (“LIBOR”) as a benchmark for establishing the rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments cannot be entirely predicted but could include an increase in the cost of our variable rate indebtedness. If LIBOR is no longer widely available, or otherwise at our option, our Revolving Credit Facility and term loan facilities provide for alternate interest rate calculations.

Unsecured Bank Debt

On December 7, 2018, we amended and restated our $500 million unsecured revolving credit facility and $300 million unsecured term loan with a $950 million combined credit facility. As further described below, the new facility extends maturities, lowers interest costs, and increases the unsecured revolving credit facility from $500 million to $650 million. Concurrent with closing, we repaid the $300 million outstanding balance on the old $300 million term loan. As of December 31, 2018, the new $300 million term loan remained undrawn and includes a delayed-draw feature, which allows us up to 12 months to fully draw the term loan.

Our Revolving Credit Facility has a capacity of $650.0 million and matures in January 2023, with two six-month extension options. As of December 31, 2018, we had $482.0 million in outstanding borrowings on the Revolving Credit Facility. Amounts outstanding under the Revolving Credit Facility bear interest at the London Interbank Office Rate ("LIBOR"), plus an applicable margin ranging from 0.775% to 1.45% for LIBOR borrowings, or an alternate base rate, plus an applicable margin ranging from 0.00% to 0.45% for base rate borrowings, based on our applicable credit rating. The per annum facility fee on the aggregate revolving commitment (used or unused) ranges from 0.125% to 0.30%, also based on our applicable credit rating. Additionally, the Revolving Credit Facility, along with the $300 Million Term Loan, as described below, provides for four accordion options for an aggregate additional amount of up to $500 million, subject to certain limitations.

Our $300.0 million unsecured term loan matures in January 2024 (the "$300 Million Term Loan") and bears interest, at our option, at either (i) LIBOR, plus an applicable margin ranging from 0.85% to 1.65% for LIBOR loans, or (ii) an alternate base rate, plus an applicable margin ranging from 0.00% to 0.65% for base rate loans, based on our applicable credit rating. The per annum facility fee on the aggregate term loan commitment (used or unused) ranges from 0.125% to 0.30%, also based on our applicable credit rating. As of December 31, 2018, the $300 Million Term

Loan remained undrawn with no amounts outstanding.
Our $150.0 million unsecured term loan matures in July 2022 (the "$150 Million Term Loan") and bears interest, at our option, at either (i) LIBOR, plus an applicable margin ranging from 0.90% to 1.75% for LIBOR loans, or (ii) alternative base rate, plus an applicable margin ranging from 0.00% to 0.75% for base rate loans. The interest rate on the $150 Million Term Loan is effectively fixed with an interest rate swap agreement, which is designated as a cash flow hedge. Based on the terms of the interest rate swap and our current credit rating, the interest rate on the $150 Million Term Loan is effectively fixed at 3.07%.

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Debt Covenants

As of December 31, 2018, the $300 Million Term Loan, the $150 Million Term Loan, and the Revolving Credit Facility contain the following restrictive covenants, which are defined in the debt agreements:

- limit the ratio of secured debt to total asset value to 40% or less;
- require the fixed charge coverage ratio to be at least 1.50:1.00;
- limit the ratio of debt to total asset value to 60% or less, or 65% or less following a material transaction;
- require the ratio of unencumbered interest coverage ratio to be at least 1.75:1.00;
- limit the unencumbered leverage ratio to 60% or less, or 65% or less following a material transaction.

As of December 31, 2018, we were in compliance with the restrictive covenants on these outstanding debt obligations.

Bonds Payable

In August 2016, we issued $350.0 million of 10-year, unsecured 3.650% senior notes at 99.626% of their face value (the "2026 Bonds Payable"). The 2026 Bonds Payable require semi-annual interest payments in February and August based on a contractual annual interest rate of 3.650%. The principal amount of the 2026 Bonds Payable is due and payable on the maturity date, August 15, 2026.

In March 2015, we issued $350.0 million of 10-year, unsecured 4.150% senior notes at 99.859% of their face value (the "2025 Bonds Payable"). The 2025 Bonds Payable require semi-annual interest payments in April and October based on a contractual annual interest rate of 4.150%. The principal amount of the 2025 Bonds Payable is due and payable on the maturity date, April 1, 2025.

The restrictive covenants on the 2026 Bonds Payable and the 2025 Bonds Payable as defined pursuant to an indenture include:

- a limitation on the ratio of debt to total assets, as defined, to 60%;
- limits to our ability to incur debt if the consolidated income available for debt service to annual debt service charge, as defined, for four previous consecutive fiscal quarters is less than 1.50:1:00 on a pro forma basis;
- limits to our ability to incur liens if, on an aggregate basis for us, the secured debt amount would exceed 40% of the value of the total assets; and
- a requirement that the ratio of unencumbered asset value, as defined, to total unsecured debt be at least 150% at all times.

As of December 31, 2018, we were in compliance with the restrictive covenants on the 2026 Bonds Payable and the 2025 Bonds Payable.

Debt Settlements and Interest Payments

During 2018, we made the following debt repayments:

- On December 14, 2018, we terminated both the $120.0 million development authority bonds and the corresponding obligations under capital leases related to One & Three Glenlake Parkway in Atlanta.
- On December 7, 2018, concurrent with closing on the amendment and restatement of our term loan and revolving credit facility, we repaid the $300 million remaining balance on the $300 Million Term Loan, which includes a delayed-draw feature, allowing up to 12 months to fully draw the term loan.
- On October 10, 2018, we paid the $20.7 million outstanding balance on the One Glenlake mortgage note two months prior to its original maturity date.
- On April 13, 2018, we transferred 263 Shuman Boulevard to the lender in extinguishment of the $49.0 million loan principal, accrued interest expense, and accrued property operating expenses, which resulted in a gain on extinguishment of debt of $24.0 million in the second quarter of 2018.
- On February 2, 2018, we repaid $120.0 million of the outstanding balance on the $300 Million Bridge Loan with disposition proceeds from the sale of a portion of University Circle and 333 Market Street. On May 30, 2018, we repaid the remaining $180.0 million outstanding balance on the $300 Million Bridge Loan with disposition proceeds from the sale of 222 East 41st Street. The settlement of the $300 Million Bridge Loan resulted in a $0.3 million loss on extinguishment of debt to write off the related unamortized deferred financing costs.

During 2018, we made interest payments of approximately $22.1 million related to our term loans, line of credit, and notes payable, and $27.3 million related to our bonds payable.

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Contractual Commitments and Contingencies

As of December 31, 2018, our contractual obligations will become payable in the following periods (in thousands):

Contractual Obligations	Total	2019	2020-2021	2022-2023	Thereafter
Debt obligations[1]	$1,547,983	$—	$50,233	$797,750	$700,000
Interest obligations on debt[1][2]	318,620	59,646	118,459	87,227	53,288
Operating lease obligations[3]	1,363,648	8,442	17,124	17,388	1,320,694
Total	$3,230,251	$68,088	$185,816	$902,365	$2,073,982

(1) Includes our ownership share of the debt and interest obligations for the Market Square Joint Venture and the 799 Broadway Joint Venture, which we own through unconsolidated joint ventures. The Market Square Joint Venture has a $325.0 million mortgage loan on the Market Square Buildings, which bears interest at 5.07% and matures on July 1, 2023. We own a 51% interest in the Market Square Joint Venture. The 799 Broadway Joint Venture has $101.1 million outstanding on a construction loan, which has a total capacity of $187.0 million; bears interest at LIBOR, capped at 4.00%, plus 4.25%; and matures on October 9, 2021. We own a 49.7% interest in the 799 Broadway Joint Venture. As of December 31, 2018, we guarantee $5.8 million of the Market Square Buildings mortgage loan, and under the 799 Broadway construction loan agreement, we guarantee equity contributions of $25.3 million to be made to the joint venture (see Note 7, Commitments and Contingencies, to the accompanying financial statements).

(2) Interest obligations on variable-rate debt are measured at the rate at which they are effectively fixed with interest rate swap agreements (where applicable) or the rate in effect as of December 31, 2018. Interest obligations on all other debt instruments are measured at the contractual rate. See Item 7A, Quantitative and Qualitative Disclosures about Market Risk, for more information regarding our interest rate swaps.

(3) These obligations are related to ground leases at certain properties, including 49.5% of the ground lease obligation at 114 Fifth Avenue, based on our ownership interest in the unconsolidated joint venture that owns that property, and our corporate office lease. In addition to the amounts shown, certain lease agreements include provisions that, at the option of the tenant, may obligate us to expend capital to expand an existing property or provide other expenditures for the benefit of the tenant.

Results of Operations

Overview

As of December 31, 2018, we owned 18 operating properties and two properties under development or redevelopment, of which 14 were wholly owned and six were owned through unconsolidated joint ventures. These properties are located primarily in New York, San Francisco, Washington, D.C., and Atlanta, and were approximately 97.4% leased as of December 31, 2018. Our period-over-period operating results are heavily impacted by the real estate activities set forth in the "Transaction Activity" section of Item 1, Business, including acquisitions and dispositions made directly and through unconsolidated joint ventures. Other than real estate transactions, we expect real estate operating income to vary, primarily based on leasing activity over the near term.

Comparison of the Year Ended December 31, 2018 Versus the Year Ended December 31, 2017

Rental income and tenant reimbursements were $283.3 million for 2018, which represents a slight increase as compared with $280.6 million for 2017. The additional revenues from acquisitions ($33.5 million) and leasing ($18.1 million) are offset by the impacts of transferring University Circle and 333 Market Street to unconsolidated joint ventures in the third quarter of 2017 ($33.1 million) and dispositions ($15.8 million). We expect future rental income to vary based on recent and future investing and leasing activities.

Hotel income, net of hotel operating costs, was $(0.8) million for 2017. The Key Center Marriott was sold on January 31, 2017.

Asset and property management fee income was $7.4 million for 2018, which represents an increase as compared with $3.8 million for 2017. In the current year, we provided asset and property management services to the Market Square Joint Venture, the San Francisco Joint Ventures, and the 1800 M Street Joint Venture. For the first half of 2017, we only provided management services to the Market Square Joint Venture; effective July 1, 2017, we began to also provide management services to the San Francisco Joint Ventures. We anticipate asset and property management fee

income to remain at similar levels in the near term.
Other property income was $7.3 million for 2018, which represents an increase as compared with $3.3 million for 2017, primarily due to providing additional reimbursable services to our unconsolidated joint ventures ($2.1 million) and lease termination activity ($1.7 million). Other property operating income is expected to vary in the future, based on additional future joint venture activities and lease restructurings.
Property operating costs were $88.8 million for 2018, which represents a slight increase from $87.8 million for 2017. The impacts of acquired properties with primarily gross leases ($6.7 million) are offset by transferring University Circle and 333 Market Street

to unconsolidated joint ventures in the third quarter of 2017 ($5.6 million). Property operating costs are expected to vary with future leasing activity and changes in our portfolio.

Asset and property management fee expenses were $0.9 million for both 2018 and 2017. There was a slight decrease due to expenses incurred in 2017 for the Key Center Marriott which was sold in January 2017 ($0.1 million). Future asset and property management fee expenses are expected to remain stable in the near term and may increase as a result of future investing activities.

Depreciation was $81.8 million for 2018, which represents a slight increase as compared with $80.4 million for 2017. The impacts of additional depreciation from acquisitions ($8.1 million) and from the completion of capital and tenant improvement projects across the portfolio ($4.6 million) are offset by the impacts of transferring University Circle and 333 Market Street to unconsolidated joint ventures in the third quarter of 2017 ($8.4 million), and dispositions ($3.0 million). Depreciation is expected to vary based on recent and future investing activities and capital projects.

Amortization was relatively stable at $32.6 million for 2018 and $32.4 million for 2017. The impact of acquisitions ($5.7 million) is offset by transferring University Circle and 333 Market Street to unconsolidated joint ventures in July 2017 ($2.7 million), prior-period lease expirations and terminations ($2.1 million), and dispositions ($0.9 million). We expect future amortization to vary, based on recent and future investing and leasing activities.

For 2018, we recognized an impairment loss of $30.8 million in connection with changing our holding period expectations for 222 East 41st Street in the second quarter of 2018. Future impairment losses will depend primarily on our holding period intentions and any disposition strategies evaluated for our other properties.

Total general and administrative expenses were relatively stable at $36.1 million for 2018 and $36.4 million for 2017. Effective July 1, 2017, we began to allocate certain general and administrative expenses to unconsolidated joint ventures based on the time incurred to manage assets owned by our unconsolidated joint ventures. We expect future general and administrative expenses to remain at similar levels in the near term.

Interest expense was $56.5 million for 2018, which represents a decrease as compared with $60.5 million for 2017. The decrease is due to mortgage loan repayments ($6.3 million) and interest capitalization activity ($3.3 million), offset by increased outstanding amounts on our unsecured borrowings throughout the current year ($5.7 million). We expect interest expense to vary based on future investing activities.

We recognized a gain on extinguishment of debt of $23.3 million for 2018, and a loss on extinguishment of debt of $0.3 million for 2017. In April 2018, we transferred 263 Shuman Boulevard to the lender in extinguishment of the related mortgage note, resulting in a $24.0 million gain on extinguishment of debt. In May 2018, we repaid the remaining outstanding balance on our bridge loan approximately six months early, resulting in a $0.3 million loss due to the write-off of related deferred financing costs; and in December 2018, we refinanced two of our debt facilities, resulting in a $0.3 million loss due to the write-off of related deferred financing costs. In 2017, we repaid two mortgage notes prior to maturity, resulting in the write-off of an aggregate of $0.3 million related to deferred financing costs. We expect future gains or losses on extinguishments of debt to vary with financing activities.

Interest and other income was $6.9 million for 2018, which represents a decrease as compared with $9.5 million for 2017. The decrease is due to interest income earned on additional cash deposits held in 2017 ($2.3 million). The majority of this income was earned on investments in development authority bonds, which were used to settle a corresponding capital lease obligation in December 2018. Interest income earned on investments in development authority bonds was entirely offset by interest expense incurred on the corresponding capital leases. Interest income is expected to decrease as a result of the development authority bonds.

We recognized a gain on sale of unconsolidated joint venture interests of $0.8 million for 2018, related to the sale of an additional 22.5% interest in University Circle and 333 Market Street joint ventures in February 2018, as further described in Note 3, Real Estate Transactions, to the accompanying consolidated financial statements. We expect future gains or losses on sales of unconsolidated joint venture interests to vary with future joint venture disposition activities.

We recognized income from unconsolidated joint ventures of $8.0 million for 2018, which represents an increase as compared with $2.7 million for 2017. The increase is due to owning interest in the following operating properties through unconsolidated joint ventures for a full year: University Circle, 333 Market Street, 1800 M Street, and 114 5th

Avenue. We expect future income from unconsolidated joint ventures to vary based on future joint venture investing activities and leasing activity at properties owned through unconsolidated joint ventures.

We recognized gains on sales of real estate assets of $175.5 million in 2017, as a result of selling three properties in Houston, Texas, and the Key Center Tower and Marriott in Cleveland, Ohio in January 2017; and selling a 22.5% interest in each of the University Circle property and the 333 Market Street building in July 2017. See Note 3, Real Estate Transactions, of the

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accompanying financial statements, for additional details of these dispositions. We expect future gains on sales of real estate assets to vary with disposition activity.

Net income was $9.5 million, or $0.08 per basic and diluted share, for 2018, which represents a decrease as compared with $176.0 million, or $1.45 per basic and diluted share, for 2017. The decrease is primarily due to prior-period gains on sales of real estate assets ($175.5 million). See the "Supplemental Performance Measures" section below for our same-store results compared with the prior year. We expect future earnings to vary primarily as a result of leasing activity at our existing properties and future investing activity.

Comparison of the Year Ended December 31, 2017 Versus the Year Ended December 31, 2016

Rental income and tenant reimbursements were $280.6 million for 2017, which represents a decrease from $436.0 million for 2016. The decrease is primarily due to dispositions ($129.8 million), transferring University Circle and 333 Market Street to unconsolidated joint ventures ($29.3 million), and the new net lease at 222 East 41st Street ($3.3 million), partially offset by the acquisitions in the fourth quarter of 2017 ($8.4 million).

Hotel income, net of hotel operating costs, was $(0.8) million for 2017, which represents a decrease as compared with $4.0 million for 2016, due to the sale of the Key Center Marriott on January 31, 2017.

Asset and property management fee income was $3.8 million for 2017, which represents an increase as compared with $2.1 million for 2016. The increase is due to the asset and property management services we began to provide to several properties owned in unconsolidated joint ventures in 2017, including 333 Market Street, University Circle, and 1800 M Street. Asset and property management fees have also been earned for services provided to the Market Square Joint Venture since its inception in the fourth quarter of 2015.

Other property income was $3.3 million for 2017, which represents a decrease as compared with $12.8 million for 2016, primarily due to earning an early termination fee of $6.8 million at 222 East 41st Street in June 2016 and $4.0 million for other lease terminations in 2016. The terminated lease at 222 East 41st Street was replaced with a full-building lease, which commenced in the fourth quarter of 2016.

Property operating costs were $87.8 million for 2016, which represents a decrease from $155.0 million for 2016. The decrease is primarily due to dispositions ($58.3 million), the new net lease at 222 East 41st Street ($9.9 million), and transferring University Circle and 333 Market Street to unconsolidated joint ventures ($5.5 million), partially offset by the acquisitions in the fourth quarter of 2017 ($2.2 million).

Asset and property management fee expenses were $0.9 million for 2017, which represents a decrease as compared with $1.4 million for 2016, primarily due to the sale of the Key Center Marriott in January 2017 ($0.4 million).

Depreciation was $80.4 million for 2017, which represents a decrease as compared with $108.5 million for 2016. The decrease is primarily due to dispositions ($24.5 million) and transferring University Circle and 333 Market Street to unconsolidated joint ventures ($6.6 million), partially offset by acquisitions in the fourth quarter of 2017 ($2.3 million).

Amortization was $32.4 million for 2017, which represents a decrease as compared with $56.8 million for 2016. The decrease is primarily due to intangibles written off due to the early termination or expiration of leases ($11.1 million), dispositions ($10.9 million), and transferring University Circle and 333 Market Street to unconsolidated joint ventures ($2.5 million).

Effective July 1, 2017, we began to specifically identify general and administrative costs incurred to manage assets owned by our unconsolidated joint ventures. The method for measuring aggregate general and administrative expenses has not changed. Aggregate general and administrative expenses were $36.4 million for 2017, which represents an increase as compared to $33.9 million for 2016, primarily due to additional vesting under our stock-based incentive plan ($3.0 million) and expenses incurred for managing unconsolidated joint ventures ($1.5 million), partially offset by prior-year costs incurred related to the development of our regional management platform ($1.2 million), prior-year lease termination activity ($0.5 million), and prior period bad debt expenses ($0.2 million).

Interest expense was $60.5 million for 2017, which represents a decrease as compared with $67.6 million for 2016, primarily due to mortgage note payoffs ($5.4 million), bond interest savings resulting from the issuance of the 2026 Bonds Payable and redemption of the 2018 Bonds Payable in 2016 ($2.1 million), and an overall reduction in borrowings on our Revolving Credit Facility in the current period ($1.5 million).

We recognized a loss on extinguishment of debt of $0.3 million and $19.0 million in 2017 and 2016, respectively. In 2017, we repaid two mortgage notes prior to maturity, resulting in the write-off of the related deferred financing costs ($0.3 million). In

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2016, we incurred an early redemption premium on the settlement of the 2018 Bonds Payable ($17.9 million), and write-offs of related deferred financing costs ($1.0 million).

Interest and other income was $9.5 million for 2017, which represents an increase as compared with $7.3 million for 2016. The increase is due to earning interest on our large cash balance for the first nine months of 2017 ($2.2 million). The majority of our interest income is earned on investments in development authority bonds. Interest income earned on investments in development authority bonds is entirely offset by interest expense incurred on the corresponding capital leases.

We recognized income from unconsolidated joint ventures of $2.7 million for 2017, which represents an increase from a loss on unconsolidated joint ventures of $7.6 million for 2016. The increase is due to the July 2017 transfer of University Circle and 333 Market Street to unconsolidated joint ventures, in which we retained a 77.5% ownership interest; the July 2017 acquisition of a 49.5% interest in 114 Fifth Avenue; and the October 2017 acquisition of a 55.0% interest in 1800 M Street.

We recognized gains on sales of real estate assets of $175.5 million in 2017, as a result of selling three properties in Houston, Texas, and the Key Center Tower and Marriott in Cleveland, Ohio in January 2017; and selling a 22.5% interest in each of the University Circle property and the 333 Market Street building in July 2017. We recognized gains on sales of real estate assets of $72.3 million in 2016, as a result of selling seven properties in separate transactions during the the year. See Note 3, Real Estate Transactions, of the accompanying financial statements, for additional details of these dispositions.

Net income was $176.0 million, or $1.45 per basic and diluted share, for 2017, which represents an increase from $84.3 million, or $0.68 per basic and diluted share, for 2016. The increase is due to gains on sale of real estate ($103.2 million) and financing activities resulting in interest savings in the current year and losses on extinguishment of debt in the prior year ($25.8 million), partially offset by lost income from sold properties ($38.4 million).

NOI by Geographic Segment

We consider geographic location when evaluating our portfolio composition, and in assessing the ongoing operations and performance of our properties. As of December 31, 2018, we aggregated our properties into the following geographic segments: New York, San Francisco, Atlanta, Washington, D.C., Boston, Los Angeles, and all other office markets. All other office markets consists of properties in low-barrier-to-entry geographic locations, in which we do not have a substantial presence and do not plan to make further investments. See Note 15, Segment Information, to the accompanying consolidated financial statements.

The following table presents NOI by geographic segment (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
New York	$94,765	$73,893	$70,038
San Francisco	79,354	76,163	80,529
Atlanta	36,657	33,603	32,939
Washington, D.C.	34,750	18,496	16,372
Boston	7,205	5,380	5,114
Los Angeles	4,590	4,529	4,523
All other office markets	14,981	18,550	92,756
Total office segments	272,302	230,614	302,271
Hotel	—	(913)	3,988
Corporate	(803)	(826)	(158)
Total	$271,499	$228,875	$306,101

Comparison of the Year Ended December 31, 2018 Versus the Year Ended December 31, 2017

New York

NOI has increased as a result of the July 2017 acquisition of a 49.5% interest in 114 Fifth Avenue and the October 2017 acquisition of 249 West 17th Street and 218 West 18th Street, which are partially offset by the sale of 222 East

41st Street in May 2018.

Atlanta

NOI has increased due to leases commencing at One & Three Glenlake Parkway. From December 31, 2017 to December 31, 2018, One & Three Glenlake Parkway's commenced occupancy increased from 88.1% to 100.0%.

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Washington, D.C.

NOI has increased as a result of the October 2017 acquisition of a 55.0% interest in 1800 M Street and leasing at Market Square. From December 31, 2017 to December 31, 2018, Market Square's commenced occupancy increased from 78.5% to 84.1%.

Boston

NOI has increased as a result of leasing at 116 Huntington Avenue. From December 31, 2017 to December 31, 2018, 116 Huntington Avenue's commenced occupancy increased from 77.4% to 89.0%.

All Other Office Markets

NOI decreased as a result of asset sales in the first quarter of 2017 and the tenant at 263 Shuman Boulevard vacating the property in May 2017. 263 Shuman Boulevard was transferred to the lender in extinguishment of the related mortgage note on April 13, 2018.

Comparison of the Year Ended December 31, 2017 versus the Year Ended December 31, 2016

San Francisco

NOI has decreased during 2017 due to the sale of a 22.5% interest in both University Circle and 333 Market Street.

Washington, D.C.

NOI has increased during 2017 due to the October 2017 acquisition of a 55% interest in 1800 M Street, as described in Note 3, Real Estate Transactions, of the accompanying consolidated financial statements, which was partially offset by decreased occupancy at 80 M Street and Market Square in 2017.

All other office markets

NOI has decreased significantly year over year as a result of asset sales, as described in Note 3, Real Estate Transactions, of the accompanying consolidated financial statements.

Hotel

The Key Center Marriott, our only hotel, was sold on January 31, 2017.

Supplemental Performance Measures

In addition to net income, we measure the performance of the company using certain non-GAAP supplemental performance measures, including: (i) Funds From Operations ("FFO"), (ii) Net Operating Income ("NOI"), and (iii) Same Store Net Operating Income ("Same Store NOI"). These non-GAAP metrics are commonly used by industry analysts and investors as supplemental operation performance measures of REITs and are viewed by management to be useful indicators of operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies using historical cost accounting alone to be insufficient. Management believes that the use of FFO, NOI, and Same Store NOI, combined with net income, improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful.

Net income is the most comparable GAAP measure to FFO, NOI, and Same Store NOI. Each of these supplemental performance measures exclude expenses that materially impact our overall results of operations and, therefore, should not be considered as a substitute for net income, income from continuing operations before income taxes, or any other measures derived in accordance with GAAP. Furthermore, these metrics may not be comparable to other similarly titled measures used by other companies.

Funds From Operations

FFO is a non-GAAP measure used by many investors and analysts who follow the real estate industry to measure the performance of an equity REIT. We consider FFO a useful measure of our performance principally because it excludes the effects of GAAP depreciation and amortization of real estate assets, which reduce the carrying value of real estate assets systematically over time. Since real estate values have historically risen or fallen with market conditions, we believe that FFO provides a meaningful supplemental measure of our performance. We believe that the use of FFO, combined with the required GAAP presentations, is beneficial in improving our investors' understanding of our operating results and allowing for comparisons among other companies who define FFO as we do.

FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), represents net income (computed in accordance with GAAP), excluding gains or losses on sales of real estate and impairments of real estate assets, plus real estate-

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related depreciation and amortization, after adjustments for unconsolidated partnerships and joint ventures, for both continuing and discontinued operations. We compute FFO in accordance with NAREIT's definition, which may differ from the methodology for calculating FFO, or similarly titled measures, used by other companies, and this may not be comparable to those presentations.

FFO does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties, nor is it indicative of funds available to fund our cash needs, including our ability to make distributions. Our presentation of FFO should not be considered as an alternative to net income (computed in accordance with GAAP) as an indicator of financial performance.

Net income reconciles to FFO as follows (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Reconciliation of Net Income to Funds From Operations:			
Net income	$9,491	$176,041	$84,281
Adjustments:			
Depreciation of real estate assets	81,795	80,394	108,543
Amortization of lease-related costs	32,554	32,403	56,775
Impairment loss on real estate assets	30,812	—	—
Depreciation and amortization included in loss from unconsolidated joint venture[1]	51,377	21,288	8,776
Gain on sale of unconsolidated joint venture interests	(762)	—	—
Gains on sales of real estate assets	—	(175,518)	(72,325)
Total funds from operations adjustments	195,776	(41,433	