

BOSTON PROPERTIES INC

Form 10-K

February 28, 2019

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018

OR

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

For the transition period from _____ to _____

Commission File Number: 1-13087 (Boston Properties, Inc.)

Commission File Number: 0-50209 (Boston Properties Limited Partnership)

BOSTON PROPERTIES, INC.

BOSTON PROPERTIES LIMITED PARTNERSHIP

(Exact name of Registrants as specified in its charter)

Boston Properties, Inc.	Delaware (State or other jurisdiction of incorporation or organization)	04-2473675 (I.R.S. Employer Identification Number)
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Boston Properties Limited Partnership	Delaware (State or other jurisdiction of incorporation or organization)	04-3372948 (I.R.S. Employer Identification Number)
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Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199-8103

(Address of principal executive offices) (Zip Code)

(617) 236-3300

(Registrants' telephone number, including area code)

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

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

Boston Properties, Inc.:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

Boston Properties Limited Partnership:

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Boston Properties, Inc. Boston Properties Limited Partnership

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

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

As of June 30, 2018, the aggregate market value of the 154,123,162 shares of Common Stock held by non-affiliates of Boston Properties, Inc. was \$19,330,126,978 based upon the last reported sale price of \$125.42 per share on the New York Stock Exchange on June 29, 2018. (For this computation, Boston Properties, Inc. has excluded the market value of all shares of Common Stock reported as beneficially owned by executive officers and directors of Boston Properties, Inc.; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of Boston Properties, Inc.)

As of February 22, 2019, there were 154,509,216 shares of Common Stock of Boston Properties, Inc. outstanding. Because no established market for common units of limited partnership of Boston Properties Limited Partnership exists, there is no market value for such units.

Certain information contained in Boston Properties Inc.'s Proxy Statement relating to its Annual Meeting of Stockholders to be held May 21, 2019 is incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III. Boston Properties, Inc. intends to file such Proxy Statement with the Securities and Exchange Commission not later than 120 days after the end of its fiscal year ended December 31, 2018.

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EXPLANATORY NOTE

This report combines the Annual Reports on Form 10-K for the fiscal year ended December 31, 2018 of Boston Properties, Inc. and Boston Properties Limited Partnership. Unless stated otherwise or the context otherwise requires, references to “BXP” mean Boston Properties, Inc., a Delaware corporation and real estate investment trust (“REIT”), and references to “BPLP” and the “Operating Partnership” mean Boston Properties Limited Partnership, a Delaware limited partnership. BPLP is the entity through which BXP conducts substantially all of its business and owns, either directly or through subsidiaries, substantially all of its assets. BXP is the sole general partner and also a limited partner of BPLP. As the sole general partner of BPLP, BXP has exclusive control of BPLP’s day-to-day management. Therefore, unless stated otherwise or the context requires, references to the “Company,” “we,” “us” and “our” mean collectively BXP, BPLP and those entities/subsidiaries consolidated by BXP.

As of December 31, 2018, BXP owned an approximate 89.7% ownership interest in BPLP. The remaining approximate 10.3% interest was owned by limited partners. The other limited partners of BPLP are (1) persons who contributed their direct or indirect interests in properties to BPLP in exchange for common units or preferred units of limited partnership interest in BPLP and/or (2) recipients of long-term incentive plan units of BPLP pursuant to BXP’s Stock Option and Incentive Plans. Under the limited partnership agreement of BPLP, unitholders may present their common units of BPLP for redemption at any time (subject to restrictions agreed upon at the time of issuance of the units that may restrict such right for a period of time, generally one year from issuance). Upon presentation of a common unit for redemption, BPLP must redeem the unit for cash equal to the then value of a share of BXP’s common stock. In lieu of a cash redemption by BPLP, however, BXP may elect to acquire any common units so tendered by issuing shares of BXP common stock in exchange for the common units. If BXP so elects, its common stock will be exchanged for common units on a one-for-one basis. This one-for-one exchange ratio is subject to specified adjustments to prevent dilution. BXP generally expects that it will elect to issue its common stock in connection with each such presentation for redemption rather than having BPLP pay cash. With each such exchange or redemption, BXP’s percentage ownership in BPLP will increase. In addition, whenever BXP issues shares of its common stock other than to acquire common units of BPLP, BXP must contribute any net proceeds it receives to BPLP and BPLP must issue to BXP an equivalent number of common units of BPLP. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

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

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

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

partnerships. The noncontrolling interests in BXP's financial statements include the same

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

In addition, the consolidated financial statements of BXP and BPLP differ in total real estate assets resulting from previously applied acquisition accounting by BXP for the issuance of common stock in connection with non-sponsor redemptions of common units of BPLP. This accounting resulted in a step-up of the real estate assets at BXP. This resulted in a difference between the net real estate of BXP as compared to BPLP of approximately \$301.1 million, or 1.8% at December 31, 2018, and a corresponding difference in depreciation expense, impairment losses and gains on sales of real estate upon the sale of certain properties having an allocation of the real estate step-up. The acquisition accounting was nullified on a prospective basis beginning in 2009 as a result of the Company's adoption of a new accounting standard requiring any future redemptions to be accounted for solely as an equity transaction.

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

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

Item 6. Selected Financial Data;

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations includes information specific to each entity, where applicable;

Item 7. Liquidity and Capital Resources includes separate reconciliations of amounts to each entity's financial statements, where applicable;

Item 8. Financial Statements and Supplementary Data which includes the following specific disclosures for BXP and BPLP:

- Note 2. Summary of Significant Accounting Policies;

- Note 3. Real Estate;

- Note 10. Noncontrolling Interest;

- Note 11. Stockholders' Equity / Partners' Capital;

- Note 13. Segment Information;

- Note 14. Earnings Per Share / Per Common Unit;

- Note 18. Selected Interim Financial Information (unaudited); and

Item 15. Financial Statement Schedule—Schedule 3.

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

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PART I

Item 1. Business

General

BXP, a Delaware corporation organized in 1997, is a fully integrated, self-administered and self-managed real estate investment trust, or “REIT,” and one of the largest developers, owners and managers of office properties in the United States.

Our properties are concentrated in five markets—Boston, Los Angeles, New York, San Francisco and Washington, DC. At December 31, 2018, we owned or had interests in 197 commercial real estate properties, aggregating approximately 51.6 million net rentable square feet of primarily Class A office properties, including 11 properties under construction/redevelopment totaling approximately 5.3 million net rentable square feet. As of December 31, 2018 our properties consisted of:

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

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

We are a full-service real estate company, with substantial in-house expertise and resources in acquisitions, development, financing, capital markets, construction management, property management, marketing, leasing, accounting, risk management, tax and legal services. BXP manages BPLP as its sole general partner. As of December 31, 2018, we had approximately 760 employees. Our 37 senior officers have an average of 31 years of experience in the real estate industry, including an average of 21 years of experience with us. Our principal executive office and Boston regional office are located at Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199 and our telephone number is (617) 236-3300. In addition, we have regional offices at 2400 Broadway, Suite 510, Santa Monica, California 90404, 599 Lexington Avenue, New York, New York 10022, Four Embarcadero Center, San Francisco, California 94111 and 2200 Pennsylvania Avenue NW, Washington, DC 20037. Our internet address is <http://www.bostonproperties.com>. On our website, you can obtain free copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or the SEC. You may also obtain BXP’s and BPLP’s reports by accessing the EDGAR database at the SEC’s website at <http://www.sec.gov>, or we will furnish an electronic or paper copy of these reports free of charge upon written request to: Investor Relations, Boston Properties, Inc., Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199. “Boston Properties” is a registered trademark and the “bpx” logo is a trademark, in both cases, of BPLP.

Boston Properties Limited Partnership

BPLP is a Delaware limited partnership organized in 1997, and the entity through which BXP conducts substantially all of its business and owns, either directly or through subsidiaries, substantially all of its assets. BXP is the sole general partner of BPLP and, as of February 22, 2019, the owner of approximately 89.5% of the economic interests in BPLP. Economic interest was calculated as the number of common partnership units of BPLP owned by BXP as a percentage of the sum of (1) the actual aggregate number of outstanding common partnership units of BPLP, (2) the number of common units issuable upon conversion of all outstanding long term incentive plan units of BPLP, or LTIP Units, other than LTIP Units issued in the form of Multi-Year Long-Term Incentive Plan Awards (“MYLTIP Awards”) that remain subject to performance conditions, assuming all conditions have been met for the conversion of the LTIP

Units, (3) the 2012 Outperformance Awards that were issued in the form of LTIP Units and earned as of February 6, 2015 (the “2012 OPP Units”), (4) the 2013 MYLTIP Units that were issued in the form of LTIP Units and earned as of February 4, 2016 (the “2013 MYLTIP Units”), (5) the 2014 MYLTIP Units that were issued in the form of LTIP Units and earned as of February 3, 2017 (the “2014 MYLTIP Units”), (6)

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

Preferred units of BPLP have the rights, preferences and other privileges set forth in an amendment to the limited partnership agreement of BPLP. As of December 31, 2018 and February 22, 2019, BPLP had one series of Preferred Units outstanding consisting of 80,000 Series B Preferred Units. The Series B Preferred Units have a liquidation preference of \$2,500 per share (or an aggregate of approximately \$193.6 million at December 31, 2018 and February 22, 2019, after deducting the underwriting discount and transaction expenses). The Series B Preferred Units were issued by BPLP on March 27, 2013 in connection with BXP’s issuance of 80,000 shares (8,000,000 depository shares each representing 1/100th of a share) of 5.25% Series B Cumulative Redeemable Preferred Stock (the “Series B Preferred Stock”). BXP contributed the net proceeds from the offering to BPLP in exchange for Series B Preferred Units having rights, performance and privileges generally mirroring those of the Series B Preferred Stock. BXP will pay cumulative cash dividends on the Series B Preferred Stock at a rate of 5.25% per annum of the \$2,500 liquidation preference per share. BXP did not have the right to redeem the Series B Preferred Stock prior to March 27, 2018, except in certain circumstances relating to the preservation of BXP’s REIT status. On and after March 27, 2018, BXP, at its option, may redeem the Series B Preferred Stock for a cash redemption price of \$2,500 per share, plus all accrued and unpaid dividends. The Series B Preferred Stock is not redeemable by the holders, has no maturity date and is not convertible into any other security of the Company or its affiliates.

Transactions During 2018

Dispositions

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

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

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

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

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

On December 13, 2018, we completed the sale of our 6595 Springfield Center Drive development project located in Springfield, Virginia, for a sale price of approximately \$98.1 million, consisting of the land and project costs incurred through the closing date. Net cash proceeds totaled approximately \$97.1 million. Concurrently with the sale, we agreed to act as development manager and have guaranteed the completion of the project. The book

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value of the property exceeded its estimated fair value prior to the sale, and as a result, we recognized an impairment loss totaling approximately \$8.7 million during the three months ended December 31, 2018. 6595 Springfield Center Drive is an approximately 634,000 net rentable square foot Class A office project.

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

Impairment Loss

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

During the three months ended December 31, 2018, we reevaluated our strategy for the sale of our 2600 Tower Oaks Boulevard property. Based on a shorter than expected hold period, we reduced the carrying value of the property to its estimated fair value at December 31, 2018 and recognized an impairment loss totaling approximately \$3.1 million for BXP and approximately \$1.5 million for BPLP. Our estimated fair value was based on a pending offer for the sale of the property. 2600 Tower Oaks Boulevard is an approximately 179,000 net rentable square foot Class A office property (See Note 19 to the Consolidated Financial Statements).

Developments/Redevelopments

As of December 31, 2018, we had 11 properties under construction/redevelopment comprised of nine office properties and two residential properties, which we expect will total approximately 5.3 million net rentable square feet. We estimate the total investment to complete these projects, in the aggregate, is approximately \$2.7 billion of which we had already invested approximately \$1.0 billion as of December 31, 2018. For a detailed list of the properties under construction/redevelopment see "Liquidity and Capital Resources" within "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."

On January 24, 2018, we entered into a lease agreement with an affiliate of Leidos Holdings, Inc. for a build-to-suit project with approximately 276,000 net rentable square feet of Class A office space at our 17Fifty Presidents Street development project located in Reston, Virginia. Concurrently with the execution of the lease, we commenced development of the project and expect the building to be completed and available for occupancy during the second quarter of 2020.

On February 23, 2018, we entered into a lease agreement with Fannie Mae to lease approximately 850,000 net rentable square feet of Class A office space at our Reston Gateway development project located in Reston, Virginia. The initial phase of the project will consist of two Class A office buildings aggregating approximately 1.1 million net rentable square feet. On August 31, 2018, we commenced development of the project.

On June 7, 2018, we completed and fully placed in-service our Signature at Reston development project comprised of 508 apartment units and retail space aggregating approximately 518,000 square feet located in Reston, Virginia. This project was partially placed in-service on January 31, 2018.

On August 7, 2018, we entered into an agreement with a third party to (1) share certain pre-development costs during the pre-lease period and (2) to form a joint venture to thereafter own and develop a leasehold interest in 343 Madison Avenue located in New York City, which will support a Class A office tower with approximately 850,000 net rentable square feet. We will serve as development manager of the project and will own a 55% interest in the joint venture. In 2016, we were selected by the Metropolitan Transportation Authority ("MTA") as the developer of the project and will enter into a pre-lease agreement and a 99-year ground lease with the MTA for the site. There can be no assurances that the transaction will be completed on the terms currently contemplated, or at all.

On September 1, 2018, we completed and fully placed in-service our Proto Kendall Square development project comprised of 280 apartment units and retail space aggregating approximately 167,000 square feet located in Cambridge, Massachusetts. This project was partially placed in-service on June 20, 2018.

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On November 9, 2018, we completed and fully placed in-service 191 Spring Street, a Class A office redevelopment project with approximately 171,000 square feet located in Lexington, Massachusetts. This property is 100% leased. On December 1, 2018, a consolidated entity in which we have a 95% interest completed and fully placed in-service Salesforce Tower, a Class A office project with approximately 1,421,000 net rentable square feet located in San Francisco, California (See Notes 10 and 19 to the Consolidated Financial Statements). Including leases with future commencement dates, this property is 100% leased.

Ground Lease Arrangement

On November 29, 2018, we executed a 65-year ground lease for land totaling approximately 5.6 acres at Platform 16 located in San Jose, California, which will support approximately 1.1 million square feet of commercial office space. The ground lease provides us with the right to purchase the land during a 12-month period commencing in the 13th month following the rent commencement date at a purchase price of approximately \$134.8 million. We made a deposit totaling \$15.0 million, which deposit may only be credited against the purchase price of the land. Our option to purchase the land is considered a bargain purchase option and as a result, we have concluded that the lease should be accounted for as a capital lease. At the inception of the ground lease only a portion of the land was available for lease from the lessor (See Note 19 to the Consolidated Financial Statements). As a result, we recorded an approximately \$12.4 million capital lease asset and liability, which is reflected within Real Estate (Land Held for Future Development) and Other Liabilities on our Consolidated Balance Sheets, reflecting the portion of the land available for lease from the lessor under the ground lease. Capital lease assets and liabilities are accounted for at the lower of fair market value or the present value of future minimum lease payments. The capital lease is for land only. Therefore, we will not depreciate the capital lease asset because land is assumed to have an indefinite life.

Unsecured Debt Transactions

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

On November 28, 2018, BPLP completed a public offering of \$1.0 billion in aggregate principal amount of its 4.500% unsecured senior notes due 2028. The notes were priced at 99.641% of the principal amount to yield an effective rate (including financing fees) of approximately 4.628% per annum to maturity. The notes will mature on December 1, 2028, unless earlier redeemed. The aggregate net proceeds from the offering were approximately \$988.1 million after deducting underwriting discounts and transaction expenses.

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

Equity Transaction

During the year ended December 31, 2018, BXP acquired an aggregate of 83,136 common units of limited partnership interest, including 48,389 common units issued upon the conversion of LTIP Units, 2012 OPP Units, 2013 MYLTIP Units and 2014 MYLTIP Units presented by the holders for redemption, in exchange for an equal number of shares of BXP common stock.

Investments in Unconsolidated Joint Ventures

On April 19, 2018, a joint venture in which we have a 50% interest obtained construction financing with a total commitment of \$180.0 million collateralized by its Hub on Causeway - Residential development project. The construction financing bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on April 19, 2022, with two, one-year extension options, subject to certain conditions. As of December 31, 2018, approximately \$40.5 million has been drawn under the loan. The Hub on Causeway - Residential is an approximately 320,000 square foot project comprised of 440 residential units located in Boston, Massachusetts.

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On April 27, 2018, a joint venture in which we have a 60% interest refinanced the mortgage loan collateralized by its 540 Madison Avenue property located in New York City totaling \$120.0 million. The mortgage loan bears interest at a variable rate equal to LIBOR plus 1.10% per annum and matures on June 5, 2023. The previous mortgage loan bore interest at a variable rate equal to LIBOR plus 1.50% per annum and was scheduled to mature on June 5, 2018. 540 Madison Avenue is an approximately 284,000 net rentable square foot Class A office property.

On July 13, 2018, we entered into a joint venture with a third party to acquire a development site at 3 Hudson Boulevard that, upon the future acquisition of additional available development rights, can accommodate a Class A office tower with up to 2.0 million net rentable square feet located on the entire square block between 11th Avenue and Hudson Boulevard Park from West 34th Street to West 35th Street in New York City. We own a 25% interest in, and are the managing member of the joint venture. The acquisition includes improvements consisting of excavation work and foundation elements that are currently being constructed on the site. We contributed cash totaling approximately \$45.6 million at closing and will contribute approximately \$62.2 million in the future for our initial capital contribution, a portion of which will fund the remaining costs to complete the foundation elements to grade for the future office building. In addition, we provided \$80.0 million of mortgage financing to the joint venture that bears interest at a variable rate equal to LIBOR plus 3.50% per annum and matures on July 13, 2023, with extension options, subject to certain conditions. The loan has been reflected as a Related Party Note Receivable on our Consolidated Balance Sheets.

On July 19, 2018, we entered into a joint venture with Canada Pension Plan Investment Board ("CPPIB") to acquire Santa Monica Business Park in the Ocean Park neighborhood of Santa Monica, California for a net purchase price of approximately \$626.7 million, including \$11.5 million of seller funded leasing costs after the effective date of the purchase and sale agreement. Santa Monica Business Park is a 47-acre office park consisting of 21 buildings totaling approximately 1.2 million net rentable square feet. Approximately 70% of the rentable square footage is subject to a ground lease with 80 years remaining, including renewal periods. The ground lease provides the joint venture with the right to purchase the land underlying the properties in 2028 with subsequent purchase rights every 15 years. CPPIB invested approximately \$147.0 million for a 45% ownership interest in the joint venture. We are providing customary operating, property management and leasing services to, and invested approximately \$179.7 million, in the joint venture. The acquisition was completed with \$300.0 million of financing. The mortgage financing bears interest at a variable rate equal to LIBOR plus 1.28% per annum and matures on July 19, 2025. At closing, the borrower under the loan, which is a subsidiary of the joint venture, entered into interest rate swap contracts with notional amounts aggregating \$300.0 million through April 1, 2025, resulting in a fixed rate of approximately 4.063% per annum through the expiration of the interest rate swap contracts. (See Note 5 to the Consolidated Financial Statements).

On July 27, 2018, we entered into a joint venture with our partner at The Hub on Causeway mixed-use development in Boston, Massachusetts to acquire the air rights for the development of an approximately 627,000 net rentable square foot Class A office tower at the site to be known as 100 Causeway Street. In addition, the joint venture entered into a lease agreement with an affiliate of Verizon Communications, Inc., under which Verizon will lease approximately 70% of the office tower for a term of 20 years. With the execution of the lease, the joint venture commenced development of the project. We will serve as the co-development manager for the project. The joint venture partner contributed an air rights parcel and improvements, with a fair value of approximately \$41.3 million, for its initial 50% interest in the joint venture. We contributed improvements totaling approximately \$3.9 million and will contribute cash totaling approximately \$37.4 million for our initial 50% interest.

On November 16, 2018, a joint venture in which we have a 50% interest extended the loan collateralized by its Annapolis Junction Building Six property. At the time of the extension, the outstanding balance of the loan totaled approximately \$13.1 million and was scheduled to mature on November 17, 2018. The extended loan has a total commitment amount of approximately \$14.3 million, bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on November 17, 2019, with one, one-year extension option, subject to certain conditions. Annapolis Junction Building Six is a Class A office property with approximately 119,000 net rentable square feet located in Annapolis, Maryland (See Note 19 to the Consolidated Financial Statements).

On December 31, 2018, we entered into a distribution agreement with our partner in the joint venture in which we have a 50% interest and that owns Annapolis Junction. Under the agreement, the joint venture distributed its

Annapolis Junction Building One property to the partner and the partner assumed the mortgage indebtedness collateralized by the property. We recognized a gain on sale of real estate totaling approximately \$8.3 million, which is included within Income from Unconsolidated Joint Ventures in our Consolidated Statements of Operations. Annapolis Junction Building One is an approximately 118,000 net rentable square foot Class A office property.

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Stock Option and Incentive Plan

On February 6, 2018, BXP's Compensation Committee approved a new equity-based, multi-year, long-term incentive program (the "2018 MYLTIP") as a performance-based component of our overall compensation program. Under the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 718 "Compensation - Stock Compensation," the 2018 MYLTIP has an aggregate value of approximately \$13.3 million, which amount will generally be amortized into earnings over the four-year plan period under the graded vesting method (See Note 16 to the Consolidated Financial Statements).

On February 4, 2018, the measurement period for our 2015 MYLTIP awards ended and, based on BXP's relative TSR performance, the final awards were determined to be 22.0% of target or an aggregate of approximately \$3.6 million (after giving effect to voluntary employee separations). As a result, an aggregate of 337,847 2015 MYLTIP Units that had been previously granted were automatically forfeited.

Business and Growth Strategies

Business Strategies

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

- to target a few carefully selected geographic markets: Boston, Los Angeles, New York, San Francisco and Washington, DC, and to be one of the leading, if not the leading, developers, owners and managers in each of those markets with a full-service office in each market providing property management, leasing, development, construction and legal expertise. We select markets and submarkets with a diverse economic base and a deep pool of prospective tenants in various industries and where tenants have demonstrated a preference for high-quality office buildings and other facilities. Additionally, our markets have historically been able to recruit new talent to them and as such created job growth that results in growth in rental rates and occupancy over time. We have explored and may continue to explore for future investment select domestic and international markets that exhibit these same traits;
- to emphasize markets and submarkets within those markets where the difficulty of receiving the necessary approvals for development and the necessary financing constitute high barriers to the creation of new supply, and where skill, financial strength and diligence are required to successfully develop, finance and manage high-quality office, research and development space, as well as selected retail and residential space;
- to take on complex, technically challenging development projects, leveraging the skills of our management team to successfully develop, acquire or reposition properties that other organizations may not have the capacity or resources to pursue;
- to own and develop high-quality real estate designed to meet the demands of today's tenants who require sophisticated telecommunications and related infrastructure, support services, sustainable features and amenities, and to manage those facilities so as to become the landlord of choice for both existing and prospective clients;
- to opportunistically acquire assets that increase our market share in the markets in which we have chosen to concentrate, as well as potential new markets, which exhibit an opportunity to improve returns through repositioning (through a combination of capital improvements and shift in marketing strategy), changes in management focus and leasing;
- to explore joint venture opportunities with existing property owners located in desirable locations, who seek to benefit from the depth of development and management expertise we are able to provide and our access to capital, and/or to explore joint venture opportunities with strategic institutional partners, leveraging our skills as developers, owners and managers of Class A office space and mixed-use complexes;
- to pursue on a selective basis the sale of properties or interests therein, including core properties, to either (1) take advantage of the demand for our premier properties and realize the value we have created or (2) pare from our portfolio properties that we believe have slower future growth potential;

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to seek third-party development contracts to enable us to retain and utilize our existing development and construction management staff, especially when our internal development is less active or when new development is less-warranted due to market conditions; and
to enhance our capital structure through our access to a variety of sources of capital and proactively manage our debt expirations. In the current economic climate with relatively low interest rates we have and will continue to attempt to lower the cost of our debt capital and seek opportunities to lock in such low rates through early debt repayment, refinancings and interest rate hedges.

Growth Strategies

External Growth Strategies

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

Other factors that contribute to our competitive position include:

- our control of sites (including sites under contract or option to acquire) in our markets that could support in excess of 17.1 million additional square feet of new office, retail and residential development;
- our reputation gained through 49 years of successful operations and the stability and strength of our existing portfolio of properties;
- our relationships with leading national corporations, universities and public institutions, including government agencies, seeking new facilities and development services;
- our relationships with nationally recognized financial institutions that provide capital to the real estate industry;
- our track record and reputation for executing acquisitions efficiently provide comfort to domestic and foreign institutions, private investors and corporations who seek to sell commercial real estate in our market areas;
- our ability to act quickly on due diligence and financing;
- our relationships with institutional buyers and sellers of high-quality real estate assets;
- our ability to procure entitlements from multiple municipalities to develop sites and attract land owners to sell or partner with us; and
- our relationship with domestic and foreign investors who seek to partner with companies like ours.

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

Development in selected submarkets. We believe the selected development of well-positioned office buildings, residential buildings and mixed-use complexes may be justified in our markets. We believe in acquiring land after taking into consideration timing factors relating to economic cycles and in response to market conditions that allow for its development at the appropriate time. While we purposely concentrate in markets with high barriers-to-entry, we have demonstrated throughout our 49-year history, an ability to make carefully timed land acquisitions in submarkets where we can become one of the market leaders in establishing rent and other business terms. We believe that there are opportunities at key locations in our existing and other markets for a well-capitalized developer to acquire land with development potential.

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

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

Acquisition of assets and portfolios of assets from institutions or individuals. We believe that due to our size, management strength and reputation, we are well positioned to acquire portfolios of assets or individual properties from institutions or individuals if valuations meet our criteria. In addition, we believe that our market knowledge and our liquidity and access to capital may provide us with a competitive advantage when pursuing acquisitions.

Opportunities to acquire properties may also come through the purchase of first mortgage or mezzanine debt. We are also able to appeal to sellers wishing to contribute on a tax-deferred basis their ownership of property for equity in a diversified real estate operating company that offers liquidity through access to the public equity markets in addition to a quarterly distribution. Our ability to offer common and preferred units of limited partnership in BPLP to sellers who would otherwise recognize a taxable gain upon a sale of assets for cash or BXP's common stock may facilitate this type of transaction on a tax-efficient basis. Recent Treasury Regulations, may limit certain of the tax benefits previously available to sellers in these transactions.

Acquisition of underperforming assets and portfolios of assets. We believe that because of our in-depth market knowledge and development experience in each of our markets, our national reputation with brokers, financial institutions, owners of real estate and others involved in the real estate market and our access to competitively-priced capital, we are well-positioned to identify and acquire existing, underperforming properties for competitive prices and to add significant additional value to such properties through our effective marketing strategies, repositioning/redevelopment expertise and a responsive property management program.

Internal Growth Strategies

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

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

The average lease term of our in-place leases, including leases signed by our unconsolidated joint ventures, was approximately 7.5 years at December 31, 2018, and we continue to cultivate long-term leasing relationships with a diverse base of high-quality, financially stable tenants. Based on leases in place at December 31, 2018, leases with respect to approximately 6.0% of the total square feet in our portfolio, including unconsolidated joint ventures, will expire in calendar year 2019.

Directly manage our office properties to maximize the potential for tenant retention. We provide property management services ourselves, rather than contracting for this service, to maintain awareness of and responsiveness to tenant needs. We and our properties also benefit from cost efficiencies produced by an experienced work force attentive to preventive maintenance and energy management and from our continuing programs to assure that our property management personnel at all levels remain aware of their important role in tenant relations. In addition, we reinvest in our properties by adding new services and amenities that are desirable to our tenants.

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Replace tenants quickly at best available market terms and lowest possible transaction costs. We believe that we are well-positioned to attract new tenants and achieve relatively high rental and occupancy rates as a result of our well-located, well-designed and well-maintained properties, our reputation for high-quality building services and responsiveness to tenants, and our ability to offer expansion and relocation alternatives within our submarkets. Extend terms of existing leases to existing tenants prior to expiration. We have also successfully structured early tenant renewals, which have reduced the cost associated with lease downtime while securing the tenancy of our highest quality credit-worthy tenants on a long-term basis and enhancing relationships.

Re-development of existing assets. We believe the select re-development of assets within our portfolio, where through the ability to increase the building size and/or to increase cash flow and generate appropriate returns on incremental investment after consideration of the asset's current and future cash flows, may be desirable. This generally occurs in situations in which we are able to increase the building's size, improve building systems and sustainability features, and/or add tenant amenities, thereby increasing tenant demand, generating acceptable returns on incremental investment and enhancing the long-term value of the property and the company. In the past, we have been particularly successful at gaining local government approval for increased density at several of our assets, providing the opportunity to enhance value at a particular location. Our strong regional relationships and recognized re-development expertise have enabled us to capitalize on unique build-to-suit opportunities. We intend to seek and expect to continue to be presented with such opportunities in the near term allowing us to earn attractive returns on these development opportunities through multiple business cycles.

Policies with Respect to Certain Activities

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

Investment Policies

Investments in Real Estate or Interests in Real Estate

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

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

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

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

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Investments in Real Estate Mortgages

While our current portfolio consists primarily of, and our business objectives emphasize, equity investments in commercial real estate, we may, at the discretion of the Board of Directors of BXP, invest in mortgages and other types of real estate interests consistent with BXP's qualification as a REIT. Investments in real estate mortgages run the risk that one or more borrowers may default under such mortgages and that the collateral securing such mortgages may not be sufficient to enable us to recoup our full investment. We may invest in participating, convertible or traditional mortgages if we conclude that we may benefit from the cash flow, or any appreciation in value of the property or as an entrance to the fee ownership. As of December 31, 2018, we had two note receivables outstanding, which aggregated approximately \$99.5 million.

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

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

Dispositions

Our decision to dispose or partially dispose of properties is based upon the periodic review of our portfolio and the determination by the Board of Directors of BXP that such action would be in our best interests. Any decision to dispose of a property will be authorized by the Board of Directors of BXP or a committee thereof. Some holders of limited partnership interests in BPLP could incur adverse tax consequences upon the sale of certain of our properties that differ from the tax consequences to BXP. Consequently, holders of limited partnership interests in BPLP may have different objectives regarding the appropriate pricing and timing of any such sale. Such different tax treatment derives in most cases from the fact that we acquired these properties in exchange for partnership interests in contribution transactions structured to allow the prior owners to defer taxable gain. Generally, this deferral continues so long as we do not dispose of the properties in a taxable transaction. Unless a sale by us of these properties is structured as a like-kind exchange under Section 1031 of the Internal Revenue of 1986, as amended, or the Code or in a manner that otherwise allows deferral to continue, recognition of the deferred tax gain allocable to these prior owners is generally triggered by a sale. As of December 31, 2018, we have no properties that are subject to a tax protection agreement.

Financing Policies

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

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

Policies with Respect to Other Activities

As the sole general partner of BPLP, BXP has the authority to issue additional common and preferred units of limited partnership interest of BPLP. BXP has issued, and may in the future issue, common or preferred units of limited partnership interest to persons who contribute their direct or indirect interests in properties to us in exchange for such common or preferred units. We have not engaged in trading, underwriting or agency distribution or sale of securities of issuers other than BXP and BPLP does not intend to do so. At all times, we intend to make investments in such a manner as to enable BXP to maintain its qualification as a REIT, unless, due to changes in circumstances or to the tax code, the Board of Directors of BXP determines that it is no longer in the best interest of BXP to qualify as a REIT. We may make loans to third parties, including, without limitation, to joint ventures in which we participate or in

connection with the disposition of a property. We intend to make investments in such a

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way that we will not be treated as an investment company under the 1940 Act. Our policies with respect to these and other activities may be reviewed and modified or amended from time to time by the Board of Directors of BXP.

Sustainability

As one of the largest developers, owners and managers of primarily Class A office properties in the United States, we actively work to promote our growth and operations in a sustainable and responsible manner across our five regions. Our sustainability strategy is broadly focused on the economic, social and environmental aspects of our activities, which include the design and construction of our new developments and the operation of our existing buildings. We are focused on creating healthy workspaces and high performance properties while simultaneously mitigating operational costs and the potential external impacts of energy, water, waste and greenhouse gas emissions. To that end, we have publicly adopted long-term energy, emissions, water and waste goals that establish aggressive reduction targets. As a company with a core strategy of long-term ownership, we are committed to charitable giving, volunteerism and public realm investments that make a positive impact on the communities in which we conduct business. Through these efforts, we demonstrate that operating and developing commercial real estate can be conducted with a conscious regard for the environment while mutually benefiting our tenants, investors, employees and the communities in which we operate.

We have been recognized as an industry leader in sustainability. In 2018, BXP ranked among the top 8% of 874 real estate companies in the Global Real Estate Sustainability Benchmark (“GRESB”) assessment. 2018 was the seventh straight year that BXP has ranked in the top quartile of GRESB assessment participants, earning another “Green Star” recognition and the highest GRESB 5-star Rating. In 2014, 2015, 2017 and 2018, BXP was selected by the National Association of Real Estate Investment Trusts (“Nareit”) as a Leader in the Light Award winner. Nareit's annual Leader in the Light Awards honor Nareit member companies that have demonstrated superior and sustained sustainability practices.

In March 2016, the Sustainability Accounting Standards Board (“SASB”) issued the provisional standard, Real Estate Owners, Developers & Investment Trusts Sustainability Accounting Standard. The provisional standards propose sustainability accounting metrics that have been designed for disclosure in mandatory filings, such as the Form 10-K. The recommended energy and water management activity metrics for the real estate industry include energy consumption data coverage as a percentage of floor area (“Energy Intensity”); percentage of eligible portfolio that is certified ENERGY STAR® (“ENERGY STAR certified”); total energy consumed by portfolio area (“Total Energy Consumption”); water withdrawal as a percentage of total floor area (“Water Intensity”); and total water withdrawn by portfolio area (“Total Water Consumption”). Energy and water data is collected from utility bills and submeters. All utility data is checked by a third-party. A licensed professional has verified all ENERGY STAR applications. The charts below detail our Energy Intensity, Total Energy Consumption, Water Intensity and Total Water Consumption for 2015 through 2017 for which data on occupied and actively managed properties was available.

(1) Full 2018 calendar year energy and water data is not available fully checked by a third party until March 31, 2019. 2017 is the most recent year for which complete energy and water data is available and checked by a third party.

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The charts reflect the performance of our occupied and actively managed office building portfolio in Boston, Los Angeles, New York, San Francisco and Washington, DC. Occupied office buildings are buildings with no more (2) than 50% vacancy. Actively managed buildings are buildings where we have operational control of building system performance and investment decisions. At the end of the 2017 calendar year, this included 101 buildings totaling 39.4 million gross square feet.

Floor area is considered to have complete energy consumption data coverage when energy consumption data (i.e., (3) energy types and amounts consumed) is obtained by us for all types of energy consumed in the relevant floor area during the fiscal year, regardless of when such data was obtained.

(4) The scope of energy includes energy purchased from sources external to us and our tenants or produced by us or our tenants and energy from all sources, including fuel, gas, electricity and steam.

(5) Water sources include surface water (including water from wetlands, rivers, lakes and oceans), groundwater, rainwater collected directly and stored by the registrant, wastewater obtained from other entities, municipal water supplies or supply from other water utilities.

(6) During the 2017 calendar year, 66 buildings representing 61% of our eligible portfolio were ENERGY STAR certified.

We are committed to transparent reporting of environmental, social and governance sustainability indicators. BXP publishes an annual sustainability report that is aligned with the Global Reporting Initiative reporting framework. More detailed sustainability information, including our strategy, key performance indicators, annual like-for-like comparisons, achievements and historical sustainability reports are available on our website at <http://www.bostonproperties.com> under the heading “Sustainability.” Except for the documents specifically incorporated by reference into this Annual Report on Form 10-K, information contained on our website or that can be accessed through our website is not incorporated by reference into this Annual Report on Form 10-K.

Competition

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

Principal factors of competition in our primary business of owning, acquiring and developing office properties are the quality of properties, leasing terms (including rent and other charges and allowances for tenant improvements), attractiveness and convenience of location, the quality and breadth of tenant services and amenities provided, and reputation as an owner and operator of quality office properties in the relevant market. Additionally, our ability to compete depends upon, among other factors, trends of the national and local economies, investment alternatives, financial condition and operating results of current and prospective tenants, availability and cost of capital, construction and renovation costs, taxes, utilities, governmental regulations, legislation and population trends. In addition, we currently have six residential properties (including two under construction) and may in the future decide to acquire or develop additional residential properties. As an owner, we will also face competition for prospective residents from other operators/owners whose properties may be perceived to offer a better location or better amenities or whose rent may be perceived as a better value given the quality, location and amenities that the resident seeks. We will also compete against condominiums and single-family homes that are for sale or rent. Because the scale of our residential portfolio is relatively small, we expect to continue to retain third parties to manage our residential properties.

Our Hotel Property

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

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Corporate Governance

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

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

Independent Director	Audit	Compensation	Nominating and Corporate Governance
Kelly A. Ayotte		X	X
Bruce W. Duncan		X	X
Karen E. Dykstra	X		
Carol B. Einiger		X	*
Dr. Jacob A. Frenkel			X
Joel I. Klein **			
Matthew J. Lustig			X *
Martin Turchin	X		
David A. Twardock	X *	X	

X=Committee member, *=Chair, **=Lead Independent Director

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

The Board of Directors has adopted charters for each of its Audit, Compensation and Nominating and Corporate Governance Committees. A copy of each of these charters is available on our website at <http://www.bostonproperties.com> under the heading "Corporate Governance" and subheading "Committees and Charters."

The Board of Directors has adopted Corporate Governance Guidelines, a copy of which is available on our website at <http://www.bostonproperties.com> under the heading "Corporate Governance" and subheading "Governance Guidelines."

The Board of Directors has adopted a Code of Business Conduct and Ethics, which governs business decisions made and actions taken by BXP's directors, officers and employees. A copy of this code is available on our website at <http://www.bostonproperties.com> under the heading "Corporate Governance" and subheading "Code of Conduct and Ethics." BXP intends to disclose on this website any amendment to, or waiver of, any provisions of this Code applicable to the directors and executive officers of BXP that would otherwise be required to be disclosed under the rules of the SEC or the New York Stock Exchange.

The Board of Directors has established an ethics reporting system that employees may use to anonymously report possible violations of the Code of Business Conduct and Ethics, including concerns regarding questionable accounting, internal accounting controls or auditing matters, by telephone or over the internet.

The Board of Directors has adopted a Policy on our Political Spending, a copy of which is available on our website at <http://www.bostonproperties.com> under the heading "Corporate Governance" and subheading "Policy on Political Spending."

Recent Tax Legislation Affecting BXP and BPLP

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

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Consolidated Appropriations Act

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

Qualified Shareholders. For periods on or after December 18, 2015, to the extent our stock is held directly (or indirectly through one or more partnerships) by a “qualified shareholder,” it will not be treated as a USRPI. Further, to the extent such treatment applies, any distribution to such shareholder will not be treated as gain recognized from the sale or exchange of a USRPI. For these purposes, a qualified shareholder is generally a non-U.S. stockholder that (i)(A) is eligible for treaty benefits under an income tax treaty with the United States that includes an exchange of information program, and the principal class of interests of which is listed and regularly traded on one or more stock exchanges as defined by the treaty, or (B) is a foreign limited partnership organized in a jurisdiction with an exchange of information agreement with the United States and that has a class of regularly traded limited partnership units (having a value greater than 50% of the value of all partnership units) on the New York Stock Exchange or Nasdaq, (ii) is a “qualified collective investment vehicle” (within the meaning of Section 897(k)(3)(B) of the Code) and (iii) maintains records of persons holding 5% or more of the class of interests described in clauses (i)(A) or (i)(B) above. However, in the case of a qualified shareholder having one or more “applicable investors,” the exception described in the first sentence of this paragraph will not apply to the applicable percentage of the qualified shareholder’s stock (with “applicable percentage” generally meaning the percentage of the value of the interests in the qualified shareholder held by applicable investors after applying certain constructive ownership rules). The applicable percentage of the amount realized by a qualified shareholder on the disposition of our stock or with respect to a distribution from us attributable to gain from the sale or exchange of a USRPI will be treated as amounts realized from the disposition of USRPIs. Such treatment shall also apply to applicable investors in respect of distributions treated as a sale or exchange of stock with respect to a qualified shareholder. For these purposes, an “applicable investor” is a person who generally holds an interest in the qualified shareholder and holds more than 10% of our stock applying certain constructive ownership rules. Subject to the exception described above for qualified shareholders having one or more applicable investors, distributions received by qualified shareholders will be taxed as described above at -Dividends as if the distribution is not attributable to the sale of a USRPI. Gain treated as gain from the sale or exchange of our stock (including capital gain dividends and distributions treated as gain from the sale or exchange of our stock under the rules described above at - Dividends) will not be subject to tax unless such gain is treated as effectively connected with the qualified shareholder’s conduct of a U.S. trade or business, in which case the qualified shareholder generally will be subject to a tax at the graduated rates applicable to ordinary income, in the same manner as U.S. stockholders.

Qualified Foreign Pension Funds. For periods on or after December 18, 2015, for FIRPTA purposes neither a “qualified foreign pension fund” nor any entity all of the interests of which are held by a qualified foreign pension fund is treated as a non-U.S. stockholder. A “qualified foreign pension fund” is an organization or arrangement (i) created or organized in a foreign country, (ii) established by a foreign country (or one or more political subdivisions thereof) or one or more employers to provide retirement or pension benefits to current or former employees (including self-employed individuals) or their designees as a result of, or in consideration for, services rendered, (iii) which does not have a single participant or beneficiary that has a right to more than 5% of its assets or income, (iv) which is subject to government regulation and with respect to which annual information about its beneficiaries is provided, or is otherwise available, to relevant local tax authorities and (v) with respect to which, under its local laws, (A) contributions that would otherwise be subject to tax are deductible or excluded from its gross income or taxed at a reduced rate, or (B) taxation of its investment income is deferred, or such income is excluded from its gross income or taxed at a reduced rate. Distributions received by qualified foreign pension funds and their wholly owned non-U.S. subsidiaries will be taxed described above at - Dividends as if the distribution is not attributable to the sale of a

USRPI. Gain of a qualified foreign pension fund or its wholly owned on-U.S. subsidiary treated as gain from the sale or exchange of our stock, as well as our capital gain dividends and distributions treated as gain from the sale or exchange of our stock under the rules described above at - Dividends, will not be subject to tax unless such gain is treated as effectively connected with the qualified foreign pension fund's (or the subsidiary's, as applicable) conduct of a U.S. trade or business, in which case the qualified foreign pension fund (or wholly owned subsidiary) generally will be subject to a tax at the graduated rates applicable to ordinary income, in the same manner as U.S. stockholders.

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Recent FATCA Regulations

On December 18, 2018, the Internal Revenue Service promulgated proposed regulations under Sections 1471-1474 of the Code (commonly referred to as FATCA), which proposed regulations eliminate FATCA withholding on gross proceeds and thus implicate certain tax-related disclosures contained in the prospectus and the prospectus supplement. While these regulations have not yet been finalized, taxpayers are generally entitled to rely on the proposed regulations (subject to certain limited exceptions) As a result, the discussion under “United States Federal Income Tax Considerations-Taxation of Stockholders and Potential Tax Consequences of Their Investment in Shares of Common Stock or Preferred Stock-Taxation of Non-U.S. Stockholders-Withholding on Certain Foreign Accounts and Entities” the prospectus and the prospectus supplement (found on page 66 of each) is replaced with the following: Withholding on Certain Foreign Accounts and Entities. The Foreign Account Tax Compliance Act, or FATCA, imposes withholding taxes on “withholdable payments” (as defined below) made to “foreign financial institutions” and certain other non-U.S. entities unless (1) the foreign financial institution undertakes certain diligence and reporting obligations or (2) the foreign non-financial entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. “Withholdable payment” generally means any payment of interest, dividends, and certain other types of generally passive income if such payment is from sources within the United States. If the payee is a foreign financial institution, it must enter into an agreement with the United States Treasury requiring, among other things, that it undertakes to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent them from complying with these reporting and other requirements. Investors in jurisdictions that have entered into “intergovernmental agreements” may, in lieu of the foregoing requirements, be required to report such information to their home jurisdictions. Prospective investors should consult their tax advisors regarding this legislation.

Item 1A. Risk Factors.

Set forth below are the risks that we believe are material to our investors. We refer to the equity and debt securities of both BXP and BPLP as our “securities,” and the investors who own securities, or both, as our “securityholders.” This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements beginning on page 48.

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

- downturns in the national, regional and local economic conditions (particularly increases in unemployment);
- competition from other office, hotel, retail and residential buildings;
- local real estate market conditions, such as oversupply or reduction in demand for office, hotel, retail or residential space;
- changes in interest rates and availability of financing;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space;
- changes in space utilization by our tenants due to technology, economic conditions and business culture;
- increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs;
- civil disturbances, earthquakes and other natural disasters or terrorist acts or acts of war which may result in uninsured or underinsured losses or decrease the desirability to our tenants in impacted locations;

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significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;

declines in the financial condition of our tenants and our ability to collect rents from our tenants; and

decreases in the underlying value of our real estate.

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

Substantially all of our revenue is derived from properties located in five markets: Boston, Los Angeles, New York, San Francisco and Washington, DC. A downturn in the economies of these markets, or the impact that a downturn in the overall national economy may have upon these economies, could result in reduced demand for office space and/or a reduction in rents. Because our portfolio consists primarily of office buildings (as compared to a more diversified real estate portfolio), a decrease in demand for office space in turn could adversely affect our results of operations.

Additionally, there are submarkets within our markets that are dependent upon a limited number of industries. For example, in our Washington, DC market, we focus on leasing office properties to governmental agencies and contractors, as well as legal firms. A reduction in spending by the federal government could result in reduced demand for office space and adversely affect our results of operations. In addition, in our New York market, we have historically leased properties to financial, legal and other professional firms. A significant downturn in one or more of these sectors could adversely affect our results of operations.

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

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

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

- we may be unable to proceed with the development of properties because we cannot obtain financing on favorable terms or at all;

- we may incur construction costs for a development project that exceed our original estimates due to increases in interest rates and increased materials, labor, leasing or other costs, which could make completion of the project less profitable because market rents may not increase sufficiently to compensate for the increase in construction costs;

- we may be unable to obtain, or face delays in obtaining, required zoning, land-use, building, occupancy, and other governmental permits and authorizations, which could result in increased costs and could require us to abandon our activities entirely with respect to a project;

- we may abandon development opportunities after we begin to explore them and as a result we may lose deposits or fail to recover expenses already incurred;

- we may expend funds on and devote management's time to projects that we do not complete;

- we may be unable to complete construction and/or leasing of a property on schedule or at all; and

- we may suspend development projects after construction has begun due to changes in economic conditions or other factors, and this may result in the write-off of costs, payment of additional costs or increases in overall costs when the development project is restarted.

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

Our developed properties may be exposed to the following risks:

• we may lease developed properties at rental rates that are less than the rates projected at the time we decide to undertake the development;

• operating expenses and construction costs may be greater than projected at the time of development, resulting in our investment being less profitable than we expected; and

• occupancy rates and rents at newly developed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investments being less profitable than we expected or not profitable at all.

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

We operate, are currently developing, and may in the future develop, properties either alone or through joint ventures with other persons that are known as “mixed-use” developments. This means that in addition to the development of office space, the project may also include space for residential, retail, hotel or other commercial purposes. We have less experience in developing and managing non-office and non-retail real estate than we do with office real estate. As a result, if a development project includes a non-office or non-retail use, we may seek to develop that component ourselves, sell the rights to that component to a third-party developer with experience in that use or we may seek to partner with such a developer. If we do not sell the rights or partner with such a developer, or if we choose to develop the other component ourselves, we would be exposed not only to those risks typically associated with the development of commercial real estate generally, but also to specific risks associated with the development and ownership of non-office and non-retail real estate. In addition, even if we sell the rights to develop the other component or elect to participate in the development through a joint venture, we may be exposed to the risks associated with the failure of the other party to complete the development as expected. These include the risk that the other party would default on its obligations necessitating that we complete the other component ourselves (including providing any necessary financing). In the case of residential properties, these risks include competition for prospective residents from other operators whose properties may be perceived to offer a better location or better amenities or whose rent may be perceived as a better value given the quality, location and amenities that the resident seeks. We will also compete against condominiums and single-family homes that are for sale or rent. Because we have less experience with residential properties than with office and retail properties, we expect to retain third parties to manage our residential properties. If we decide to not sell or participate in a joint venture and instead hire a third party manager, we would be dependent on them and their key personnel who provide services to us and we may not find a suitable replacement if the management agreement is terminated, or if key personnel leave or otherwise become unavailable to us.

Our properties face significant competition.

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

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

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

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

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

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

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

the third party may be unable to make full and timely payments of interest and principal on the loan when due; if the third-party buyer to whom we provide seller financing and utilizes the assets as collateral does not manage the property well, or the property otherwise fails to meet financial projections, performs poorly or declines in value, then the buyer may not have the funds or ability to raise new debt with which to make required payments of interest and principal to us;

if we loan funds to a joint venture, and the joint venture is unable to make required payments of interest or principal, or both, or there are disagreements with respect to the repayment of the loan or other matters, then we could have a resulting dispute with our partner(s), and such a dispute could harm our relationship(s) with our partner(s) and cause delays in developing or selling the property or the failure to properly manage the property; and

if we loan funds to a joint venture and the joint venture is unable to make required payments of interest and principal, or both, then we may exercise remedies available to us in the joint venture agreement that could allow us to increase our ownership interest or our control over major decisions, or both, which could result in an unconsolidated joint venture becoming consolidated with our financial statement; doing so could require us to reallocate the purchase price among the various asset and liability components and this could result in material changes to our reported results of operations and financial condition.

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

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

We have had and may have in the future agreements with a number of limited partners of BPLP who contributed properties in exchange for partnership interests that require BPLP to maintain for specified periods of time secured debt on certain of our assets and/or allocate partnership debt to such limited partners to enable them to continue to defer recognition of their taxable gain with respect to the contributed property. These tax protection and debt allocation agreements may restrict our ability to repay or refinance debt. As of December 31, 2018, we had no tax protection or debt allocation agreement requirements that may restrict our ability to repay or finance debt.

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

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

- the financial condition of our tenants, many of which are media and technology, financial, government, legal and other professional firms, may be adversely affected, which may result in tenant defaults under leases due to bankruptcy, lack of liquidity, lack of funding, operational failures or for other reasons;
- significant job losses in the financial and professional services industries may occur, which may decrease demand for our office space, causing market rental rates and property values to be negatively impacted;
- our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future interest expense;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans;
- the value and liquidity of our short-term investments and cash deposits could be reduced as a result of a deterioration of the financial condition of the institutions that hold our cash deposits or the institutions or assets in which we have made short-term investments, a dislocation of the markets for our short-term investments, increased volatility in market rates for such investments or other factors;
- one or more lenders under our line of credit could refuse to fund their financing commitment to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all; and to the extent we enter into derivative financial instruments, one or more counterparties to our derivative financial instruments could default on their obligations to us, or could fail, increasing the risk that we may not realize the benefits of these instruments.

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

As of February 22, 2019, we had approximately \$550 million of outstanding indebtedness, excluding our unconsolidated joint ventures, that bears interest at variable rates, and we may incur more indebtedness in the future. If interest rates increase, then so would the interest costs on our unhedged variable rate debt, which could adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our securityholders. Further, rising interest rates could limit our ability to refinance existing debt when it matures or significantly increase our future interest expense. From time to time, we enter into interest rate swap agreements and other interest rate hedging contracts, including swaps, caps and floors. While these agreements are intended to lessen the impact of rising interest rates on us, they also expose us to the risk that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges under guidance included in ASC 815 "Derivatives and Hedging." In addition, an increase in interest rates could decrease the amounts third-parties are willing to pay for our assets, thereby limiting our ability to change our portfolio promptly in response to changes in economic or other conditions.

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

The mortgages on our properties contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. Our unsecured credit facility, unsecured debt securities and certain secured loans contain customary restrictions, requirements and other limitations on our ability to incur indebtedness, including total debt to asset ratios, secured debt to total asset ratios, debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt, which we must maintain. Our continued ability to borrow under our credit facilities is subject to compliance

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with our financial and other covenants. In addition, our failure to comply with such covenants could cause a default under the applicable debt agreement, and we may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us, or be available only on unattractive terms. Additionally, in the future our ability to satisfy current or prospective lenders' insurance requirements may be adversely affected if lenders generally insist upon greater insurance coverage against acts of terrorism or losses resulting from earthquakes than is available to us in the marketplace or on commercially reasonable terms.

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

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

As of February 22, 2019, our Consolidated Debt was approximately \$11.1 billion (excluding unconsolidated joint venture debt).

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

	February 22, 2019		
	Shares /	Common	Equivalent
	Units	Stock	Value (1)
	Outstand	Equivalent	
Common Stock	154,509	154,509	\$20,962,236
Common Operating Partnership Units	18,041	18,041	2,447,622 (2)
5.25% Series B Cumulative Redeemable Preferred Stock	80	—	200,000
Total Equity (A)		172,550	\$23,609,858
Consolidated Debt (B)			\$11,054,428
Consolidated Market Capitalization (A + B)			\$34,664,286
Consolidated Debt/Consolidated Market Capitalization [B / (A + B)]			31.89 %

Except for the Series B Cumulative Redeemable Preferred Stock, which have been valued at the liquidation (1) preference of \$2,500 per share, values based on the closing price per share of BXP's Common Stock on February 22, 2019 of \$135.67.

Includes 1,197,012 LTIP Units (including 118,067 2012 OPP Units, 68,659 2013 MYLTIP Units, 23,100 2014 (2)MYLTIP Units, 28,724 2015 MYLTIP Units and 105,980 2016 MYLTIP Units), but excludes an aggregate of 951,850 MYLTIP Units granted between 2017 and 2019.

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

of asset value used by financial analysts may have an adverse effect on the market price of our equity or debt securities.

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We face risks associated with property acquisitions.

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

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

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

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

Acquired properties may expose us to unknown liability.

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

Unknown liabilities with respect to acquired properties might include:

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

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Competition for acquisitions may result in increased prices for properties.

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

we may be unable to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded and private REITs, institutional investment funds and other real estate investors; and

even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price.

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

We have underwritten, and in the future may acquire, properties, portfolios of properties or interests in real estate-related entities on a strategic or selective basis in international markets that are new to us. If we acquire properties or platforms located in these markets, we will face risks associated with a lack of market knowledge and understanding of the local economy, forging new business relationships in the area and unfamiliarity with local laws and government and permitting procedures. In addition, our international operations will be subject to the usual risks of doing business abroad such as possible revisions in tax treaties or other laws and regulations, including those governing the taxation of our international income, restrictions on the transfer of funds and uncertainty over terrorist activities. We cannot predict the likelihood that any of these developments may occur. Further, we may in the future enter into agreements with non-U.S. entities that are governed by the laws of, and are subject to dispute resolution in the courts of, another country or region. We cannot accurately predict whether such a forum would provide us with an effective and efficient means of resolving disputes that may arise.

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

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

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

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

In appropriate circumstances, we intend to develop, acquire and recapitalize properties in joint ventures with other persons or entities. We currently have joint ventures that are and are not consolidated within our financial statements.

Our participation in joint ventures subjects us to risks, including but not limited to, the following risks that:

we could become engaged in a dispute with any of our joint venture partners that might affect our ability to develop, finance or operate a property and could lead to the sale of either parties' ownership interest or the property;

some of our joint ventures are subject to debt and in the current credit markets the refinancing of such debt may require equity capital calls;

our joint venture partners may default on their obligations necessitating that we fulfill their obligation ourselves;

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- our joint venture partners may have different objectives than we have regarding the appropriate timing and terms of any sale or refinancing of properties or the commencement of development activities;
- our joint venture partners may be structured differently than us for tax purposes and this could create conflicts of interest;
- our joint venture partners may have competing interests in our markets that could create conflicts of interest;
- our joint ventures may be unable to repay any amounts that we may loan to them; and
- our joint venture agreements may contain provisions limiting the liquidity of our interest for sale or sale of the entire asset.

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

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

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

Conflicts of interest exist with holders of interests in BPLP.

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

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

Agreement not to sell some properties.

We have had and may have in the future agreements with the contributors of some properties that we have acquired in exchange for partnership interests in BPLP pursuant to which we have agreed not to sell or otherwise transfer the properties, prior to specified dates, in any transaction that would trigger taxable income to the contributor. In addition, we are responsible for the reimbursement of certain tax-related costs to the prior owners if

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the subject properties are sold in a taxable sale. In general, our obligations to the prior owners are limited in time and only apply to actual damages suffered.

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

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

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

- our hotel property competes for guests with other hotels, a number of which may have greater marketing and financial resources than our hotel-operating business partners;

- if there is an increase in operating costs resulting from inflation and other factors, our hotel-operating business partners may not be able to offset such increase by increasing room rates;

- our hotel property is subject to the fluctuating and seasonal demands of business travelers and tourism; and

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

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

We face risks associated with short-term liquid investments.

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

- direct obligations issued by the U.S. Treasury;

- obligations issued or guaranteed by the U.S. government or its agencies;

- taxable municipal securities;

- obligations (including certificates of deposit) of banks and thrifts;

- commercial paper and other instruments consisting of short-term U.S. dollar denominated obligations issued by corporations and banks;

- repurchase agreements collateralized by corporate and asset-backed obligations;

- both registered and unregistered money market funds; and

- other highly rated short-term securities.

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

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

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

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investors. If we lost their services, our relationships with lenders, potential tenants and industry personnel could diminish.

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

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

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

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

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

As of December 31, 2018, the U.S. Government was our largest tenant by square feet. We are subject to compliance with a wide variety of complex legal requirements because we are a Federal Government contractor. These laws regulate how we conduct business, require us to administer various compliance programs and require us to impose compliance responsibilities on some of our contractors. Our failure to comply with these laws could subject us to fines, penalties and damages, cause us to be in default of our leases and other contracts with the federal Government and bar us from entering into future leases and other contracts with the federal Government. There can be no assurance that these costs and loss of revenue will not have a material adverse effect on our properties, operations or business.

Some potential losses are not covered by insurance.

Our property insurance program per occurrence limits are \$1.0 billion for its portfolio insurance program, including coverage for acts of terrorism other than nuclear, biological, chemical or radiological terrorism (“Terrorism Coverage”). We also carry \$250 million of Terrorism Coverage for 601 Lexington Avenue, New York, New York (“601 Lexington Avenue”) in excess of the \$1.0 billion of coverage in our property insurance program. Certain properties, including the General Motors Building located at 767 Fifth Avenue in New York, New York (“767 Fifth Avenue”), are currently insured in separate insurance programs. The property insurance program per occurrence limits for 767 Fifth Avenue are \$1.625 billion, including Terrorism Coverage. We also currently carry nuclear, biological, chemical and radiological terrorism insurance coverage for acts of terrorism certified under the Federal Terrorism Risk Insurance Act (as amended, “TRIA”) (“NBCR Coverage”), which is provided by IXP as a direct insurer, for the properties in our portfolio, including 767 Fifth Avenue, but excluding certain other properties owned in joint ventures with third parties or which we manage. The per occurrence limit for NBCR Coverage is \$1.0 billion. Under TRIA, after the payment of the required deductible and coinsurance, the NBCR Coverage provided by IXP is backstopped by the Federal Government if the aggregate industry insured losses resulting from a certified act of terrorism exceed a “program trigger.” In 2018, the program trigger was \$160 million and the coinsurance was 18%, however, both will increase in subsequent years pursuant to TRIA. If the Federal Government pays out for a loss under TRIA, it is mandatory that the Federal Government recoup the full amount of the loss from insurers offering TRIA coverage after the payment of the loss pursuant to a formula in TRIA. We may elect to terminate the NBCR Coverage if the Federal Government seeks recoupment for losses paid under TRIA, if TRIA is not extended after its expiration on December 31, 2020, if there is a change in our portfolio or for any other reason. We intend to continue to monitor the scope, nature and cost

of available terrorism insurance.

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

IXP, a captive insurance company which is a wholly-owned subsidiary, acts as a direct insurer with respect to a portion of our earthquake insurance coverage for our Greater San Francisco and Los Angeles properties and our NBCR Coverage. Insofar as we own IXP, we are responsible for its liquidity and capital resources, and the accounts of IXP are part of our consolidated financial statements. In particular, if a loss occurs which is covered by our NBCR Coverage but is less than the applicable program trigger under TRIA, IXP would be responsible for the full amount of the loss without any backstop by the Federal Government. IXP would also be responsible for any recoupment charges by the Federal Government in the event losses are paid out and its insurance policy is maintained after the payout by the Federal Government. If we experience a loss and IXP is required to pay under its insurance policy, we would ultimately record the loss to the extent of the required payment. Therefore, insurance coverage provided by IXP should not be considered as the equivalent of third-party insurance, but rather as a modified form of self-insurance. In addition, BPLP has issued a guarantee to cover liabilities of IXP in the amount of \$20.0 million.

The mortgages on our properties typically contain requirements concerning the financial ratings of the insurers who provide policies covering the property. We provide the lenders on a regular basis with the identity of the insurance companies in our insurance programs. The ratings of some of our insurers are below the rating requirements in some of our loan agreements and the lenders for these loans could attempt to claim that an event of default has occurred under the loan. We believe we could obtain insurance with insurers which satisfy the rating requirements.

Additionally, in the future, our ability to obtain debt financing secured by individual properties, or the terms of such financing, may be adversely affected if lenders generally insist on ratings for insurers or amounts of insurance which are difficult to obtain or which result in a commercially unreasonable premium. There can be no assurance that a deficiency in the financial ratings of one or more of our insurers will not have a material adverse effect on us.

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

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

We have significant investments in large metropolitan markets that have been or may be in the future the targets of actual or threatened terrorism attacks, including Boston, Los Angeles, New York, San Francisco and Washington, DC. As a result, some tenants in these markets may choose to relocate their businesses to other markets or to lower-profile office buildings within these markets that may be perceived to be less likely targets of future terrorist activity. This could result in an overall decrease in the demand for office space in these markets generally or in our properties in particular, which could increase vacancies in our properties or necessitate that we lease our properties on less favorable terms or both. In addition, future terrorist attacks in these markets could directly or indirectly damage our properties, both physically and financially, or cause losses that materially exceed our insurance coverage. As a result of the foregoing, our ability to generate revenues and the value of our properties could decline materially. See also

“—Some potential losses are not covered by insurance.”

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

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

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

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

Potential liability for environmental contamination could result in substantial costs.

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

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

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

- properly manage and maintain the asbestos;
- notify and train those who may come into contact with asbestos; and

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undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building.

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

Some of our properties are located in urban and previously developed areas where fill or current or historic industrial uses of the areas have caused site contamination. It is our policy to retain independent environmental consultants to conduct or update Phase I environmental site assessments and asbestos surveys with respect to our acquisition of properties. These assessments generally include a visual inspection of the properties and the surrounding areas, an examination of current and historical uses of the properties and the surrounding areas and a review of relevant state, federal and historical documents, but do not involve invasive techniques such as soil and ground water sampling.

Where appropriate, on a property-by-property basis, our practice is to have these consultants conduct additional testing, including sampling for asbestos, for lead and other contaminants in drinking water and, for soil and/or groundwater contamination where underground storage tanks are or were located or where other past site usage creates a potential environmental problem. Even though these environmental assessments are conducted, there is still the risk that:

- the environmental assessments and updates did not identify or properly address all potential environmental liabilities;
- a prior owner created a material environmental condition that is not known to us or the independent consultants preparing the assessments;
- new environmental liabilities have developed since the environmental assessments were conducted; and
- future uses or conditions such as changes in applicable environmental laws and regulations could result in environmental liability for us.

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

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

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

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

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

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

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

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

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

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

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impact of the TCJA depends on future interpretations and regulations that may be issued by federal tax authorities, as well as changes in state and local taxation in response to the TCJA, and it is possible that such future interpretations, regulations and other changes could adversely impact us.

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

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

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

Litigation could have a material adverse effect.

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

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

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

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

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

If BXP fails to qualify as a REIT for federal income tax purposes, it will be taxed as a corporation unless certain relief provisions apply. We believe that BXP is organized and qualified as a REIT and intends to operate in a manner that will allow BXP to continue to qualify as a REIT. However, we cannot assure you that BXP is qualified as such, or that it will remain qualified as such in the future. This is because qualification as a REIT involves the application of highly

technical and complex provisions of the Internal Revenue Code as to which there are only

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limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of such qualification.

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

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

- BXP would not be allowed a deduction for dividends paid to stockholders in computing its taxable income and would be subject to federal income tax at regular corporate rates;

- BXP also could be subject to the federal alternative minimum tax for tax years ending before January 1, 2018 and possibly increased state and local taxes; and

- unless BXP is entitled to relief under statutory provisions, BXP could not elect to be subject to tax as a REIT for four taxable years following the year during which it was disqualified.

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

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

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

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

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

- delay or prevent a change of control over BXP or a tender offer, even if such action might be beneficial to BXP's stockholders; and

- limit BXP's stockholders' opportunity to receive a potential premium for their shares of common stock over then-prevailing market prices.

Stock Ownership Limit

To facilitate maintenance of BXP's qualification as a REIT and to otherwise address concerns relating to concentration of stock ownership, BXP's charter generally prohibits ownership, directly, indirectly or beneficially, by any single stockholder of more than 6.6% of the number of outstanding shares of any class or series of its common stock. We refer to this limitation as the "ownership limit." BXP's Board of Directors may waive, in its sole discretion,

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or modify the ownership limit with respect to one or more persons if it is satisfied that ownership in excess of this limit will not jeopardize BXP's status as a REIT for federal income tax purposes. In addition, under BXP's charter, each of Mortimer B. Zuckerman and the respective families and affiliates of Mortimer B. Zuckerman and Edward H. Linde, as well as, in general, pension plans and mutual funds, may actually and beneficially own up to 15% of the number of outstanding shares of any class or series of BXP's equity common stock. Shares owned in violation of the ownership limit will be subject to the loss of rights to distributions and voting and other penalties. The ownership limit may have the effect of inhibiting or impeding a change in control.

BPLP's Partnership Agreement

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

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

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

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

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

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

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

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changes in our credit ratings; and

general stock and bond market conditions, including changes in interest rates.

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

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

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

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

In connection with and subsequent to BXP's initial public offering, we have completed many private placement transactions in which shares of stock of BXP or partnership interests in BPLP were issued to owners of properties we acquired or to institutional investors. This common stock, or common stock issuable in exchange for such partnership interests in BPLP, may be sold in the public securities markets over time under registration rights we granted to these investors. Additional common stock issuable under our employee benefit and other incentive plans, including as a result of the grant of stock options and restricted equity securities, may also be sold in the market at some time in the future. Future sales of BXP common stock in the market could adversely affect the price of its common stock. We cannot predict the effect the perception in the market that such sales may occur will have on the market price of BXP's common stock.

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

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

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties.

At December 31, 2018, we owned or had interests in 197 commercial real estate properties, aggregating approximately 51.6 million net rentable square feet of primarily Class A office properties, including 11 properties under construction/redevelopment totaling approximately 5.3 million net rentable square feet. Our properties consisted of (1) 178 office properties (including nine properties under construction/redevelopment), (2) twelve retail properties, (3) six residential properties (including two under construction) and (4) one hotel. The table set forth below shows information relating to the properties we owned, or in which we had an ownership interest, at December 31, 2018, and it includes properties held by both consolidated and unconsolidated joint ventures.

Properties	Location	% Leased as of December 31, 2018 (1)		Number of Buildings	Net Rentable Square Feet
Office					
767 Fifth Avenue (the General Motors Building) (60% ownership)	New York, NY	90.2	%	1	1,853,995
200 Clarendon Street	Boston, MA	98.2	%	1	1,763,530
399 Park Avenue	New York, NY	73.3	%	1	1,573,999
601 Lexington Avenue (55% ownership) (2)	New York, NY	99.3	%	1	1,435,543
Salesforce Tower (95% ownership)	San Francisco, CA	69.9	%	1	1,420,682
Times Square Tower (55% ownership)	New York, NY	98.8	%	1	1,247,805
100 Federal Street (55% ownership)	Boston, MA	98.2	%	1	1,238,184
800 Boylston Street - The Prudential Center	Boston, MA	97.8	%	1	1,235,538
Colorado Center (50% ownership) (3)	Santa Monica, CA	99.3	%	6	1,117,647
Santa Monica Business Park (55% ownership) (3)	Santa Monica, CA	94.5	%	14	1,103,882
599 Lexington Avenue	New York, NY	98.9	%	1	1,062,481
Bay Colony Corporate Center	Waltham, MA	93.4	%	4	1,000,449
250 West 55th Street	New York, NY	97.2	%	1	967,323
Embarcadero Center Four	San Francisco, CA	87.6	%	1	939,760
111 Huntington Avenue - The Prudential Center	Boston, MA	100.0	%	1	860,455
Embarcadero Center One	San Francisco, CA	83.5	%	1	830,248
Atlantic Wharf Office (55% ownership)	Boston, MA	100.0	%	1	793,827
Embarcadero Center Two	San Francisco, CA	98.3	%	1	791,294
Embarcadero Center Three	San Francisco, CA	96.8	%	1	781,900
Capital Gallery	Washington, DC	100.0	%	1	631,029
South of Market	Reston, VA	80.5	%	3	623,666
Metropolitan Square (20% ownership) (3)	Washington, DC	83.6	%	1	613,425
Mountain View Research Park	Mountain View, CA	95.5	%	15	542,289
901 New York Avenue (25% ownership) (3)	Washington, DC	90.9	%	1	539,435
Reservoir Place	Waltham, MA	92.7	%	1	526,985
680 Folsom Street	San Francisco, CA	100.0	%	2	524,793
101 Huntington Avenue - The Prudential Center	Boston, MA	94.3	%	1	506,476
601 and 651 Gateway	South San Francisco, CA	94.5	%	2	506,279
Fountain Square	Reston, VA	90.6	%	2	497,259
601 Massachusetts Avenue	Washington, DC	98.4	%	1	478,818

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Properties	Location	% Leased as of December 31, 2018 (1)		Number of Buildings	Net Rentable Square Feet
2200 Pennsylvania Avenue	Washington, DC	100.0	%	1	458,831
One Freedom Square	Reston, VA	96.8	%	1	432,585
Two Freedom Square	Reston, VA	98.7	%	1	421,757
Market Square North (50% ownership) (3)	Washington, DC	82.5	%	1	415,499
One Tower Center	East Brunswick, NJ	36.1	%	1	412,060
140 Kendrick Street	Needham, MA	100.0	%	3	380,987
One and Two Discovery Square	Reston, VA	96.9	%	2	366,990
888 Boylston Street - The Prudential Center	Boston, MA	95.1	%	1	363,320
Weston Corporate Center	Weston, MA	100.0	%	1	356,995
510 Madison Avenue	New York, NY	98.1	%	1	355,592
One Reston Overlook	Reston, VA	100.0	%	1	319,519
535 Mission Street	San Francisco, CA	100.0	%	1	307,235
Waltham Weston Corporate Center	Waltham, MA	89.8	%	1	301,667
Wisconsin Place Office	Chevy Chase, MD	99.0	%	1	299,186
230 CityPoint	Waltham, MA	93.5	%	1	296,306
540 Madison Avenue (60% ownership) (3)	New York, NY	82.3	%	1	283,727
355 Main Street	Cambridge, MA	100.0	%	1	265,342
Reston Corporate Center	Reston, VA	100.0	%	2	261,046
611 Gateway	South San Francisco, CA	50.4	%	1	260,197
Democracy Tower	Reston, VA	100.0	%	1	259,441
New Dominion Technology Park - Building Two	Herndon, VA	100.0	%	1	257,400
200 West Street	Waltham, MA	79.7	%	1	256,245
1330 Connecticut Avenue	Washington, DC	87.2	%	1	251,874
10 CityPoint	Waltham, MA	98.1	%	1	241,199
New Dominion Technology Park - Building One	Herndon, VA	100.0	%	1	235,201
510 Carnegie Center	Princeton, NJ	100.0	%	1	234,160
500 North Capitol Street, N.W. (30% ownership) (3)	Washington, DC	100.0	%	1	230,860
90 Broadway	Cambridge, MA	96.6	%	1	223,771
3625-3635 Peterson Way (4)	Santa Clara, CA	100.0	%	1	218,366
255 Main Street	Cambridge, MA	92.4	%	1	216,023
77 CityPoint	Waltham, MA	100.0	%	1	209,707
Sumner Square	Washington, DC	97.6	%	1	208,892
University Place	Cambridge, MA	100.0	%	1	195,282
300 Binney Street	Cambridge, MA	100.0	%	1	195,191
North First Business Park (4)	San Jose, CA	90.6	%	5	190,636
2600 Tower Oaks Boulevard (5)	Rockville, MD	52.6	%	1	179,421
150 Broadway	Cambridge, MA	100.0	%	1	177,226
191 Spring Street	Lexington, MA	100.0	%	1	170,997
Lexington Office Park	Lexington, MA	77.3	%	2	166,775
206 Carnegie Center	Princeton, NJ	100.0	%	1	161,763
210 Carnegie Center	Princeton, NJ	100.0	%	1	159,468
Kingstowne Two	Alexandria, VA	63.4	%	1	156,089
105 Broadway	Cambridge, MA	100.0	%	1	152,664

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Properties	Location	% Leased as of December 31, 2018 (1)		Number of Buildings	Net Rentable Square Feet
212 Carnegie Center	Princeton, NJ	65.5	%	1	151,547
Kingstowne One	Alexandria, VA	86.4	%	1	151,483
214 Carnegie Center	Princeton, NJ	49.1	%	1	148,942
2440 West El Camino Real	Mountain View, CA	100.0	%	1	141,392
506 Carnegie Center	Princeton, NJ	32.3	%	1	140,312
Two Reston Overlook	Reston, VA	100.0	%	1	134,615
508 Carnegie Center	Princeton, NJ	100.0	%	1	134,433
202 Carnegie Center	Princeton, NJ	85.2	%	1	134,381
804 Carnegie Center	Princeton, NJ	100.0	%	1	130,000
Annapolis Junction Building Seven (50% ownership) (3)	Annapolis, MD	100.0	%	1	127,229
Annapolis Junction Building Eight (50% ownership) (3)	Annapolis, MD	—%		1	125,685
504 Carnegie Center	Princeton, NJ	100.0	%	1	121,990
101 Carnegie Center	Princeton, NJ	100.0	%	1	121,620
502 Carnegie Center	Princeton, NJ	94.8	%	1	121,460
701 Carnegie Center	Princeton, NJ	100.0	%	1	120,000
Annapolis Junction Building Six (50% ownership) (3)	Annapolis, MD	75.2	%	1	119,339
325 Main Street	Cambridge, MA	100.0	%	1	115,361
1265 Main Street (50% ownership) (3)	Waltham, MA	100.0	%	1	114,969
7601 Boston Boulevard	Springfield, VA	100.0	%	1	114,028
201 Spring Street	Lexington, MA	100.0	%	1	106,300
7435 Boston Boulevard	Springfield, VA	83.4	%	1	103,557
104 Carnegie Center	Princeton, NJ	27.0	%	1	102,830
103 Carnegie Center	Princeton, NJ	69.9	%	1	96,332
8000 Grainger Court	Springfield, VA	—%		1	88,775
33 Hayden Avenue	Lexington, MA	100.0	%	1	80,872
7500 Boston Boulevard	Springfield, VA	100.0	%	1	79,971
7501 Boston Boulevard	Springfield VA	100.0	%	1	75,756
Reservoir Place North	Waltham, MA	—%		1	73,258
105 Carnegie Center	Princeton, NJ	56.3	%	1	69,955
32 Hartwell Avenue	Lexington, MA	100.0	%	1	69,154
250 Binney Street	Cambridge, MA	100.0	%	1	67,362
302 Carnegie Center	Princeton, NJ	96.1	%	1	64,926
164 Lexington Road	Billerica, MA	—%		1	64,140
195 West Street	Waltham, MA	100.0	%	1	63,500
7450 Boston Boulevard	Springfield, VA	100.0	%	1	62,402
7374 Boston Boulevard	Springfield, VA	100.0	%	1	57,321
100 Hayden Avenue	Lexington, MA	100.0	%	1	55,924
181 Spring Street	Lexington, MA	100.0	%	1	55,793
8000 Corporate Court	Springfield, VA	100.0	%	1	52,539
211 Carnegie Center	Princeton, NJ	100.0	%	1	47,025
7451 Boston Boulevard	Springfield, VA	67.4	%	1	45,615
7300 Boston Boulevard	Springfield, VA	100.0	%	1	32,000

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92 Hayden Avenue	Lexington, MA	100.0	%	1	31,100
17 Hartwell Avenue	Lexington, MA	100.0	%	1	30,000
453 Ravendale Drive	Mountain View, CA	100.0	%	1	29,620

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Properties	Location	% Leased as of December 31, 2018 (1)		Number of Buildings	Net Rentable Square Feet	
7375 Boston Boulevard	Springfield, VA	100.0	%	1	26,865	
690 Folsom Street	San Francisco, CA	100.0	%	1	26,080	
201 Carnegie Center	Princeton, NJ	100.0	%	—	6,500	
Subtotal for Office Properties		91.3	%	169	43,750,746	
Retail						
Prudential Center (retail shops)	Boston, MA	96.1	%	1	595,334	
Fountain Square Retail	Reston, VA	98.0	%	1	223,030	
Kingstowne Retail	Alexandria, VA	100.0	%	1	88,288	
Santa Monica Business Park Retail (55% ownership) (3)	Santa Monica, CA	92.3	%	7	74,242	
Star Market at the Prudential Center	Boston, MA	100.0	%	1	57,235	
The Point	Waltham, MA	84.7	%	1	16,300	
Subtotal for Retail Properties		96.6	%	12	1,054,429	
Residential Properties						
Signature at Reston (508 units)	Reston, VA	48.8	%	(6) 1	517,783	(7)
The Avant at Reston Town Center (359 units)	Reston, VA	89.4	%	(8) 1	355,374	(9)
Proto Kendall Square (280 units)	Cambridge, MA	56.4	%	(10) 1	166,717	(11)
The Lofts at Atlantic Wharf (86 units)	Boston, MA	95.3	%	(8) 1	87,097	(12)
Subtotal for Residential Properties		65.6	%	4	1,126,971	
Hotel Property						
Boston Marriott Cambridge (437 rooms)	Cambridge, MA	84.6	%	(13) 1	334,260	(14)
Subtotal for Hotel Property		84.6	%	1	334,260	
Subtotal for In-Service Properties		91.4	%	186	46,266,406	
Properties Under Construction/Redevelopment (15)						
Office and Retail						
The Hub on Causeway - Podium (50% ownership) (3)	Boston, MA	88.0	%	1	385,000	
145 Broadway	Cambridge, MA	98.0	%	1	485,000	
Dock 72 (50% ownership) (3)	Brooklyn, NY	33.0	%	1	670,000	
17Fifty Presidents Street	Reston, VA	100.0	%	1	276,000	
20 CityPoint	Waltham, MA	63.0	%	1	211,000	
100 Causeway Street (50% ownership) (3)	Boston, MA	70.0	%	1	627,000	
7750 Wisconsin Avenue (Marriott International Headquarters) (50% ownership) (3)	Bethesda, MD	100.0	%	1	740,000	
Reston Gateway	Reston, VA	80.0	%	2	1,062,000	
Redevelopment						
One Five Nine East 53rd Street (55% ownership) (16)	New York, NY	90.0	%	—	220,000	
Residential						
The Hub on Causeway - Residential (440 units) (50% ownership) (3)	Boston, MA	N/A		1	320,000	
MacArthur Station Residences (402 units) (17)	Oakland, CA	N/A		1	324,000	

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Properties	Location	% Leased as of December 31, 2018 (1)	Number of Buildings	Net Rentable Square Feet
Subtotal for Properties				
Under		78 %	(18) 11	5,320,000
Construction/Redevelopment				
Total Portfolio			197	51,586,406

(1) Represents signed leases for in-service properties which revenue recognition has commenced in accordance with generally accepted accounting principles in the United States (“GAAP”).

(2) Excludes the portion that was removed from the in-service portfolio during the third quarter of 2016 as part of a planned redevelopment.

(3) Property is an unconsolidated joint venture.

(4) Property is held for redevelopment.

(5) On January 24, 2019, we completed the sale of this property (See Note 19 to the Consolidated Financial Statements).

This project was completed and fully placed in-service on June 7, 2018 and is still in its initial lease-up period.

(6) Percentage leased is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2018.

Includes 24,542 square feet of retail space which is 100% leased as of December 31, 2018. Note that these amounts

(7) are not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2018.

(8) Note that these amounts are not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2018.

Includes 26,179 square feet of retail space which is 100% leased as of December 31, 2018. Note that this amount is

(9) not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2018.

This project was completed and fully placed in-service on September 1, 2018 and is still in its initial lease-up

(10) period. Percentage leased is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2018.

Includes 14,527 square feet of retail space which is 100% leased as of December 31, 2018. Note that this amount

(11) is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2018.

Includes 9,617 square feet of retail space which is 100% leased as of December 31, 2018. Note that this amount is

(12) not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2018.

Represents the weighted-average room occupancy for the year ended December 31, 2018. Note that this amount is

(13) not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2018.

Includes 4,260 square feet of retail space which is 100% leased as of December 31, 2018. Note that this amount is

(14) not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2018.

(15) Represents percentage leased as of February 22, 2019, including leases with future commencement dates.

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

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

(18) Excludes residential units.

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

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

	December 31,				
	2018	2017	2016	2015	2014
Percentage leased (1)	91.4 %	90.7 %	90.2 %	91.4 %	91.7 %
Average annualized revenue per square foot (2)	\$66.63	\$63.66	\$62.54	\$60.89	\$58.97

(1) Represents signed leases, excluding hotel and residential properties, for which revenue recognition has commenced in accordance with GAAP.

Represents the monthly contractual base rents and recoveries from tenants under existing leases as of December 31, 2018, 2017, 2016, 2015 and 2014 multiplied by twelve. These annualized amounts are before rent abatement and include expense reimbursements, which may be estimates as of such date. The aggregate amounts of rent abatements per square foot under existing leases as of December 31, 2018, 2017, 2016, 2015 and 2014 for the succeeding twelve-month period were \$0.97, \$1.67, \$1.18, \$0.60, and \$1.05, respectively.

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Top 20 Tenants by Square Feet

Our 20 largest tenants by square feet as of December 31, 2018 were as follows:

Tenant	Square Feet		% of In-Service Portfolio
1. U.S. Government	1,389,348	(1)	3.23 %
2. Arnold & Porter Kaye Scholer	877,484		2.04 %
3. Kirkland & Ellis	861,214	(2)	2.00 %
4. Biogen	772,212		1.79 %
5. Wellington Management	648,032	(3)	1.51 %
6. Bank of America	608,420	(4)	1.41 %
7. salesforce.com	580,741	(5)	1.35 %
8. Google	550,524		1.28 %
9. Ropes & Gray	539,467		1.25 %
10. Shearman & Sterling	472,144	(6)	1.10 %
11. O'Melveny & Myers	458,399	(7)	1.07 %
12. WeWork	448,294	(8)	1.04 %
13. Weil Gotshal & Manges	413,395	(9)	0.96 %
14. Genentech	392,540		0.91 %
15. Ann Inc. (fka Ann Taylor Corp.)	368,463	(10)	0.86 %
16. Bechtel Corporation	365,606		0.85 %
17. Snap	358,077	(11)	0.83 %
18. Mass Financial Services	336,981		0.78 %
19. Blue Cross Blue Shield	324,050		0.75 %
20. Finnegan Henderson Farabow	321,798	(12)	0.75 %

(1) Includes 157,029 and 1,980 square feet of space in properties in which we have a 50% and 20% interest, respectively.

(2) Includes 576,798 and 223,424 square feet of space in properties in which we have a 55% and 20% interest, respectively.

(3) Includes 637,993 square feet of space in properties in which we have a 55% interest.

(4) Includes 50,887 and 540,559 square feet of space in properties in which we have a 60% and 55% interest, respectively.

(5) Includes 580,741 square feet of space in a property in which we have a 95% interest.

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

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

(8) Includes 76,401 and 161,879 square feet of space in properties in which we have a 95% and 20% interest, respectively.

(9) Includes 385,248 and 28,147 square feet of space in properties in which we have a 60% and 55% interest, respectively.

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

(11) Includes 358,077 square feet of space in a property in which we have a 55% interest.

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

Tenant Diversification

Our tenant diversification by square feet as of December 31, 2018 were as follows:

Sector	% of In-Service Portfolio
Media & Technology	29%

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Legal Services	19%
Financial Services - all other	14%
Other	13%
Other Professional Services	8%
Financial Services - commercial and investment banking	6%
Retail	6%
Government / Public Administration	5%

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Lease Expirations (1)(2)

Year of Lease Expiration	Rentable Square Feet Subject to Expiring Leases	Current Annualized Contractual Rent Under Expiring Leases Without Future Step-Ups (3)	Current Annualized Contractual Rent Under Expiring Leases Without Future Step-Ups p.s.f. (3)	Current Annualized Contractual Rent Under Expiring Leases With Future Step-Ups (4)	Current Annualized Contractual Rent Under Expiring Leases With Future Step-Ups p.s.f. (4)	Percentage of Total Square Feet
2018 (5)	85,959	\$14,144,762	\$164.55	\$14,144,762	\$164.55	0.19 %
2019	2,592,707	137,259,806	52.94	138,310,784	53.35	5.78 %
2020	3,946,894	234,577,309	59.43	242,708,896	61.49	8.79 %
2021	3,542,532	212,591,474	60.01	220,729,635	62.31	7.89 %
2022	4,066,621	261,208,582	64.23	269,271,116	66.21	9.06 %
2023	2,255,750	141,070,158	62.54	152,977,171	67.82	5.03 %
2024	3,617,153	219,695,550	60.74	239,256,924	66.15	8.06 %
2025	2,804,390	171,282,622	61.08	191,383,737	68.24	6.25 %
2026	3,221,596	241,309,622	74.90	270,972,698	84.11	7.18 %
2027	1,861,920	127,425,562	68.44	147,493,704	79.22	4.15 %
Thereafter	12,725,917	943,306,135	74.12	1,221,121,708	95.96	28.35 %

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

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

(3) Represents the monthly contractual base rent and recoveries from tenants under existing leases as of December 31, 2018 multiplied by twelve. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimates as of such date.

(4) Represents the monthly contractual base rent under expiring leases with future contractual increases upon expiration and recoveries from tenants under existing leases as of December 31, 2018 multiplied by twelve. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimates as of such date.

(5) Represents leases that expired on December 31, 2018.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not Applicable.

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PART II

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

(a) The common stock of Boston Properties, Inc. is listed on the New York Stock Exchange under the symbol "BXP." At February 22, 2019, BXP had approximately 1,173 stockholders of record.

There is no established public trading market for BPLP's common units. On February 22, 2019, there were approximately 261 holders of record and 171,353,179 common units outstanding, 154,509,216 of which were held by BXP.

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

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

Stock Performance Graph

The following graph provides a comparison of cumulative total stockholder return for the period from December 31, 2013 through December 31, 2018, among BXP, Standard & Poor's ("S&P") 500 Index, Nareit Equity REIT Total Return Index (the "Equity REIT Index") and the Nareit Office REIT Index (the "Office REIT Index"). The Equity REIT Index includes all tax-qualified equity REITs listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ Stock Market. Equity REITs are defined as those with 75% or more of their gross invested book value of assets invested directly or indirectly in the equity ownership of real estate. The Office REIT Index includes all office REITs included in the Equity REIT Index. Data for BXP, the S&P 500 Index, the Equity REIT Index and the Office REIT Index was provided to us by Nareit. Upon written request, we will provide any stockholder with a list of the REITs included in the Equity REIT Index and the Office REIT Index. The stock performance graph assumes an investment of \$100 in each of BXP and the three indices, and the reinvestment of any dividends. The historical information set forth below is not necessarily indicative of future performance. The data shown is based on the share prices or index values, as applicable, at the end of each month shown.

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	As of the year ended December 31,					
	2013	2014	2015	2016	2017	2018
Boston Properties, Inc.	\$100.00	\$135.53	\$138.43	\$139.40	\$147.62	\$131.55
S&P 500 Index	\$100.00	\$113.69	\$115.26	\$129.05	\$157.22	\$150.33
Equity REIT Index	\$100.00	\$128.03	\$131.64	\$143.00	\$155.41	\$149.12
Office REIT Index	\$100.00	\$125.86	\$126.22	\$142.84	\$150.33	\$128.54

Boston Properties, Inc.

(a) None.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities.

Period	(a)	(b)	(c)	(d)
	Total Number of Shares of Common Stock Purchased	Average Price Paid per Common Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased
October 1, 2018 - October 31, 2018	—	\$ —	N/A	N/A
November 1, 2018 - November 30, 2018	210	(1)129.97	N/A	N/A
December 1, 2018 - December 31, 2018	3,666	(1)118.02	N/A	N/A
Total	3,876	\$ 118.67	N/A	N/A

(1) Represents shares of common stock of BXP surrendered by certain employees to BXP to satisfy such employees' tax withholding obligations in connection with the vesting of restricted common stock.

Boston Properties Limited Partnership

(a) None.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities.

Period	(a)	(b)	(c)	(d)
	Total Number of Units Purchased	Average Price Paid per Unit	Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Units that May Yet be Purchased
October 1, 2018 - October 31, 2018	—	\$ —	N/A	N/A
November 1, 2018 - November 30, 2018	210	(1)129.97	N/A	N/A
December 1, 2018 - December 31, 2018	3,666	(1)118.02	N/A	N/A
Total	3,876	\$ 118.67	N/A	N/A

(1) Represents common units previously held by BXP that were redeemed in connection with the surrender of shares of restricted common stock of BXP by certain employees to BXP to satisfy such employees' tax withholding

obligations in connection with the vesting of restricted common stock.

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Item 6. Selected Financial Data

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

Boston Properties, Inc.

	For the year ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except per share data)				
Statement of Operations Information:					
Total revenue	\$2,717,076	\$2,602,076	\$2,550,820	\$2,490,821	\$2,396,998
Expenses:					
Rental operating	979,151	929,977	889,768	872,252	835,290
Hotel operating	33,863	32,059	31,466	32,084	29,236
General and administrative	121,722	113,715	105,229	96,319	98,937
Payroll and related costs from management services contracts	9,590	—	—	—	—
Transaction costs	1,604	668	2,387	1,259	3,140
Depreciation and amortization	645,649	617,547	694,403	639,542	628,573
Total expenses	1,791,579	1,693,966	1,723,253	1,641,456	1,595,176
Other income (expense):					
Income from unconsolidated joint ventures	2,222	11,232	8,074	22,770	12,769
Gain on sale of investment in unconsolidated joint venture	—	—	59,370	—	—
Gains on sales of real estate	182,356	7,663	80,606	375,895	168,039
Interest and other income	10,823	5,783	7,230	6,777	8,765
Gains (losses) from investments in securities	(1,865)	3,678	2,273	(653)	1,038
Gains (losses) from early extinguishments of debt	(16,490)	496	(371)	(22,040)	(10,633)
Impairment losses	(11,812)	—	(1,783)	—	—
Losses from interest rate contracts	—	—	(140)	—	—
Interest expense	(378,168)	(374,481)	(412,849)	(432,196)	(455,743)
Net income	712,563	562,481	569,977	799,918	526,057
Net income attributable to noncontrolling interests	(129,716)	(100,042)	(57,192)	(216,812)	(82,446)
Net income attributable to Boston Properties, Inc.	582,847	462,439	512,785	583,106	443,611
Preferred dividends	(10,500)	(10,500)	(10,500)	(10,500)	(10,500)
Net income attributable to Boston Properties, Inc. common shareholders	\$572,347	\$451,939	\$502,285	\$572,606	\$433,111
Basic earnings per common share attributable to Boston Properties, Inc.:					
Net income	\$3.71	\$2.93	\$3.27	\$3.73	\$2.83
Weighted average number of common shares outstanding	154,427	154,190	153,715	153,471	153,089
Diluted earnings per common share attributable to Boston Properties, Inc.:					
Net income	\$3.70	\$2.93	\$3.26	\$3.72	\$2.83
Weighted average number of common and common equivalent shares outstanding	154,682	154,390	153,977	153,844	153,308

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	December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Balance Sheet information:					
Real estate, gross	\$21,649,896	\$21,096,642	\$20,147,263	\$19,481,535	\$19,236,403
Real estate, net	16,752,119	16,507,008	15,925,028	15,555,641	15,688,744
Cash and cash equivalents	543,359	434,767	356,914	723,718	1,763,079
Total assets (1)	20,256,477	19,372,233	18,851,643	18,351,486	19,852,195
Total indebtedness (1)	11,007,757	10,271,611	9,796,133	9,188,543	10,052,412
Noncontrolling interests	—	—	—	—	105,325
Stockholders' equity attributable to Boston Properties, Inc.	5,883,171	5,813,957	5,786,295	5,709,435	5,697,298
Equity noncontrolling interests	2,330,797	2,288,499	2,145,629	2,177,492	2,205,638
	For the year ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except per share and percentage data)				
Other Information:					
Funds from Operations attributable to Boston Properties, Inc. common shareholders (2)	\$974,489	\$959,412	\$927,747	\$823,715	\$807,506
Dividends declared per share (3)	3.50	3.05	2.70	3.85	7.10
Cash flows provided by operating activities (4)	1,150,245	911,979	1,034,548	817,898	692,120
Cash flows used in investing activities (4)	(1,098,876)	(882,044)	(1,337,347)	(711,980)	(231,571)
Cash flows provided by (used in) financing activities (4)	82,453	55,346	(74,621)	(1,558,810)	(632,487)
Total square feet at end of year (including development projects)	51,586	50,339	47,704	46,495	45,760
In-service percentage leased at end of year	91.4	% 90.7	% 90.2	% 91.4	% 91.7

On January 1, 2016, we adopted ASU 2015-03 and retrospectively applied the guidance to our Mortgage Notes Payable and Unsecured Senior Notes for all periods presented. Unamortized deferred financing costs, with the (1) exception of December 31, 2018, 2017 and 2016, were previously included in Total Assets totaling approximately \$28.0 million and \$34.5 million are now included in Total Indebtedness as of December 31, 2015 and 2014, respectively.

(2) Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of Nareit, we calculate Funds from Operations, or "FFO," for BXP by adjusting net income attributable to Boston Properties, Inc. common shareholders (computed in accordance with GAAP) for gains (or losses) from sales of properties, impairment losses on depreciable real estate consolidated on BXP's balance sheet, impairment losses on our investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated joint ventures and our share of real estate-related depreciation and amortization. FFO is a non-GAAP financial measure, but we believe the presentation of FFO, combined with the presentation of required GAAP financial measures, has improved the understanding of operating results of REITs among the investing public and has helped make comparisons of REIT operating results more meaningful. Management generally considers FFO to be a useful measure for understanding and comparing BXP's operating results because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairment

losses and real estate asset depreciation and amortization (which can differ across owners of similar assets in similar condition based on historical cost accounting and useful life estimates), FFO can help investors compare the operating performance of a company's real estate across reporting periods and to the operating performance of other companies. Amount represents BXP's share, which was 89.83%, 89.82%, 89.70%, 89.68% and 89.81% for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, respectively, after allocation to the noncontrolling interests.

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

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

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Includes the special dividends of \$1.25 per share, \$4.50 per share and \$2.25 per share paid on January 28, 2016, (3) January 28, 2015 and January 29, 2014, respectively, to shareholders of record as of the close of business on December 31, 2015, 2014 and 2013, respectively.

On January 1, 2018, we adopted ASU 2016-15 and ASU 2016-18 and retrospectively applied the guidance to our Consolidated Statements of Cash Flows for all periods presented. The adoption of ASU 2016-15 and ASU 2016-18 required us to include Cash Held in Escrows with Cash and Cash Equivalents when reconciling the (4) beginning-of-period and end-of-period total amounts shown on the Consolidated Statements of Cash Flows and required us to classify debt prepayment and extinguishment costs as a component of financing activities instead of as a component of operating activities in our Consolidated Statements of Cash Flows resulting in changes to the reported amounts of cash flows provided by (used in) operating, investing and financing activities (See Note 2 to the Consolidated Financial Statements).

Boston Properties Limited Partnership

	For the year ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except per unit data)				
Statement of Operations Information:					
Total revenue	\$2,717,076	\$2,602,076	\$2,550,820	\$2,490,821	\$2,396,998
Expenses:					
Rental operating	979,151	929,977	889,768	872,252	835,290
Hotel operating	33,863	32,059	31,466	32,084	29,236
General and administrative	121,722	113,715	105,229	96,319	98,937
Payroll and related costs from management services contracts	9,590	—	—	—	—
Transaction costs	1,604	668	2,387	1,259	3,140
Depreciation and amortization	637,891	609,407	682,776	631,549	620,064
Total expenses	1,783,821	1,685,826	1,711,626	1,633,463	1,586,667
Other income (expense):					
Income from unconsolidated joint ventures	2,222	11,232	8,074	22,770	12,769
Gain on sale of investment in unconsolidated joint venture	—	—	59,370	—	—
Gains on sales of real estate	190,716	8,240	82,775	377,093	174,686
Interest and other income	10,823	5,783	7,230	6,777	8,765
Gains (losses) from investments in securities	(1,865)	) 3,678	2,273	(653)	) 1,038
Gains (losses) from early extinguishments of debt	(16,490)	) 496	(371)	) (22,040)	) (10,633)
Impairment losses	(10,181)	) —	(1,783)) —	—
Losses from interest rate contracts	—	—	(140)) —	—
Interest expense	(378,168)	) (374,481)	) (412,849)	) (432,196)	) (455,743)
Net income	730,312	571,198	583,773	809,109	541,213
Net income attributable to noncontrolling interests:					
Noncontrolling interests in property partnerships	(62,909)	) (47,832)	) 2,068	(149,855)	) (30,561)
Noncontrolling interest-redeemable preferred units	—	—	—	(6)	) (1,023)
Net income attributable to Boston Properties Limited Partnership	667,403	523,366	585,841	659,248	509,629
Preferred distributions	(10,500)	) (10,500)	) (10,500)	) (10,500)	) (10,500)
Net income attributable to Boston Properties Limited Partnership common unitholders	\$656,903	\$512,866	\$575,341	\$648,748	\$499,129

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Basic earnings per common unit attributable to
Boston Properties Limited Partnership:

Net income	\$3.82	\$2.99	\$3.36	\$3.79	\$2.93
Weighted average number of common units outstanding	171,912	171,661	171,361	171,139	170,453

Diluted earnings per common unit attributable to
Boston Properties Limited Partnership:

Net income	\$3.81	\$2.98	\$3.35	\$3.78	\$2.92
Weighted average number of common and common equivalent units outstanding	172,167	171,861	171,623	171,512	170,672

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	December 31,					
	2018	2017	2016	2015	2014	
	(in thousands)					
Balance Sheet information:						
Real estate, gross	\$21,251,540	\$20,685,164	\$19,733,872	\$19,061,141	\$18,814,558	
Real estate, net	16,451,065	16,188,205	15,597,508	15,214,325	15,338,237	
Cash and cash equivalents	543,359	434,767	356,914	723,718	1,763,079	
Total assets (1)	19,955,423	19,053,430	18,524,123	18,010,170	19,501,688	
Total indebtedness (1)	11,007,757	10,271,611	9,796,133	9,188,543	10,052,412	
Noncontrolling interests	2,000,591	2,292,263	2,262,040	2,286,689	2,415,371	
Boston Properties Limited Partnership partners' capital	4,200,878	3,807,630	3,811,717	3,684,522	3,639,916	
Noncontrolling interests in property partnerships	1,711,445	1,683,760	1,530,647	1,574,400	1,602,467	
	For the year ended December 31,					
	2018	2017	2016	2015	2014	
	(in thousands, except per unit and percentage data)					
Other Information:						
Funds from operations attributable to Boston Properties Limited Partnership common unitholders (2)	\$1,084,827	\$1,068,119	\$1,034,251	\$918,543	\$899,094	
Distributions per common unit (3)	3.50	3.05	2.70	3.85	7.10	
Cash flows provided by operating activities (4)	1,150,245	911,979	1,034,548	817,898	692,120	
Cash flows used in investing activities (4)	(1,098,876)	(882,044)	(1,337,347)	(711,980)	(231,571)	
Cash flows provided by (used in) financing activities (4)	82,453	55,346	(74,621)	(1,558,810)	(632,487)	
Total square feet at end of year (including development projects)	51,586	50,339	47,704	46,495	45,760	
In-service percentage leased at end of year	91.4	% 90.7	% 90.2	% 91.4	% 91.7	%

On January 1, 2016, we adopted ASU 2015-03 and retrospectively applied the guidance to our Mortgage Notes Payable and Unsecured Senior Notes for all periods presented. Unamortized deferred financing costs, with the (1) exception of December 31, 2018, 2017 and 2016, were previously included in Total Assets totaling approximately \$28.0 million and \$34.5 million are now included in Total Indebtedness as of December 31, 2015 and 2014, respectively.

(2) Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of Nareit, we calculate Funds from Operations, or "FFO," for BPLP by adjusting net income attributable to Boston Properties Limited Partnership common unitholders (computed in accordance with GAAP) for gains (or losses) from sales of properties, impairment losses on depreciable real estate consolidated on BPLP's balance sheet, impairment losses on our investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated joint ventures and our share of real estate-related depreciation and amortization. FFO is a non-GAAP financial measure, but we believe the presentation of FFO, combined with the presentation of required GAAP financial measures, has improved the understanding of operating results of

REITs among the investing public and has helped make comparisons of REIT operating results more meaningful. Management generally considers FFO to be useful measures for understanding and comparing BPLP's operating results because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairment losses and real estate asset depreciation and amortization (which can differ across owners of similar assets in similar condition based on historical cost accounting and useful life estimates), FFO can help investors compare the operating performance of a company's real estate across reporting periods and to the operating performance of other companies.

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

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

Includes the special distributions of \$1.25 per common unit, \$4.50 per common unit and \$2.25 per common unit (3) paid on January 28, 2016, January 28, 2015 and January 29, 2014, respectively, to unitholders of record as of the close of business on December 31, 2015, 2014 and 2013, respectively.

On January 1, 2018, we adopted ASU 2016-15 and ASU 2016-18 and retrospectively applied the guidance to our Consolidated Statements of Cash Flows for all periods presented. The adoption of ASU 2016-15 and ASU 2016-18 required us to include Cash Held in Escrows with Cash and Cash Equivalents when reconciling the (4) beginning-of-period and end-of-period total amounts shown on the Consolidated Statements of Cash Flows and required us to classify debt prepayment and extinguishment costs as a component of financing activities instead of as a component of operating activities in our Consolidated Statements of Cash Flows resulting in changes to the reported amounts of cash flows provided by (used in) operating, investing and financing activities (See Note 2 to the Consolidated Financial Statements).

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

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

Forward-Looking Statements

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

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

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

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

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

Overview

Boston Properties is one of the largest publicly-traded developers, owners and managers of primarily Class A office properties in the U.S., concentrated in five markets - Boston, Los Angeles, New York, San Francisco and Washington, DC. BXP is a fully integrated real estate company, organized as a real estate investment trust (REIT). BPLP is the entity through which BXP conducts substantially all of its business and owns (either directly or through subsidiaries) substantially all of its assets. We generate revenue and cash primarily by leasing Class A office space to our tenants. When making leasing decisions, we consider, among other things, the creditworthiness of the tenant, the length of the lease, the rental rate to be paid at inception and throughout the lease term, the costs of tenant improvements and other landlord concessions, anticipated operating expenses and real estate taxes, current and anticipated vacancy, current and expected future demand for the space, the impact of any expansion rights and general economic factors. Our core strategy has always been to develop, acquire and manage properties in supply-constrained markets with high barriers-to-entry and to focus on executing long-term leases with financially strong tenants. Our tenant base is diverse across market sectors and our average lease term for our in-place leases, including leases signed by our unconsolidated joint ventures, was approximately 7.5 years as of December 31, 2018. Historically, these factors have minimized our exposure in weaker economic cycles and enhanced revenues as market conditions improve. To be successful in any leasing environment, we believe we must consider all aspects of the tenant-landlord relationship. In this regard, we believe that our competitive advantage is based on the following attributes:

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

Outlook

Despite the market volatility in late 2018, job creation, one of the primary factors impacting our markets, remains constructive as the U.S. economy created approximately 695,000 jobs in the fourth quarter of 2018, and the unemployment rate was near a 50-year low at 3.9%. Moreover, we expect the recent deceleration of growth to plateau, as the Federal Reserve projects 2019 GDP growth of approximately 2.3%, which is down from 2018 GDP growth of 3.0%, and for U.S. economic growth to stabilize above 2.0%.

The combination of favorable job growth trends in our particular markets, a stable outlook for U.S. economic growth, and the continued success of our development and leasing efforts leaves us optimistic for our industry generally and our company in particular.

As a result, while the equity markets may experience volatility, our priorities remain constant. As a leading developer, owner and manager of marquee Class A office properties in the U.S., we continue to focus on the following:

- ensuring tenant satisfaction;
- leasing available space in our in-service and development properties, as well as proactively focusing on sizable future lease expirations;
- completing the construction of our development properties;
- continuing and completing the redevelopment and repositioning of several key properties to increase future revenue and asset values over the long-term;
- maintaining discipline in our underwriting of investment opportunities by (1) seeking significant pre-leasing commitments before beginning new construction, and (2) targeting acquisition activity in non-stabilized assets near innovation centers where we see favorable prospects for overall growth and our operational expertise can create value; and
- managing our near-term debt maturities and maintaining our conservative balance sheet.

The overall occupancy of our in-service properties was 91.4% at December 31, 2018, an increase of 30 basis points from 91.1% at September 30, 2018. During the fourth quarter, we signed leases across our portfolio totaling approximately 1.8 million square feet, and we commenced revenue recognition on approximately 1.3 million square feet of leases in second generation space. Of these second generation leases, approximately 880,000 square feet had been vacant for less than one year and, in the aggregate, they represent an increase in net rental obligations (gross rent less operating expenses) of approximately 11.3% over the prior lease.

Our investment strategy remains unchanged. We will continue to invest primarily in higher-yielding new development opportunities with significant pre-leasing commitments. Other than possible acquisitions of "value-add" assets that require lease-up or repositioning, and acquisitions that are otherwise consistent with our long-term strategy, development remains our core strategy and focus in this current economic environment.

In 2018, we completed and fully placed in-service approximately 2.3 million net rentable square feet of new developments/redevelopment, which included the 1.4 million square foot Salesforce Tower. Approximately 100% of the commercial space in these properties, including leases with future commencement dates, are leased as of December 31, 2018.

As of December 31, 2018, our construction/redevelopment pipeline consisted of 11 projects that, when completed, we expect will total approximately 5.3 million net rentable square feet. Our share of the estimated total cost for these projects is approximately \$2.7 billion, of which approximately \$1.6 billion of equity remains to be

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invested as of December 31, 2018. As of February 22, 2019, approximately 78% of the commercial space in these development projects is pre-leased.

We have additional 2019 projected development starts totaling approximately 869,000 square feet, including an approximately 400,000 square foot Class A office building in Cambridge, Massachusetts, where we have secured pre-leasing for 100% of the office space, and an approximately 469,000 square foot Class A office building in Washington, DC that is 66% pre-leased.

We continue to focus on developments and investments in markets which we believe have the strongest economic growth opportunities and the potential to deliver strong returns over time. Consistent with this strategy, in the fourth quarter of 2018, we entered into a ground lease (with a future purchase option) to develop a site branded as Platform 16, an urban campus in downtown San Jose, California, that could support the development of approximately 1.1 million square feet of commercial office space near Diridon Station, which is becoming one of the region's most prominent office locations for technology firms as well as consulting and financial organizations.

While we continue to focus on our strategy of developing and acquiring assets to perpetuate our long-term growth, we also continually review our portfolio to identify properties as potential sales candidates because they may no longer fit within our portfolio strategy or they could attract premium pricing in the current market environment. For example, during the fourth quarter of 2018, we completed the sale of 6595 Springfield Center Drive (TSA Headquarters), a 634,000 square foot development project in Springfield, Virginia, for a sale price of approximately \$98.1 million, consisting of the land and project costs incurred through the closing date. We also completed the sale of 1333 New Hampshire Avenue, an approximately 315,000 square foot Class A office property in Washington, DC for net cash proceeds of approximately \$133.7 million.

In 2018, we disposed of approximately \$492 million of non-core assets. We expect to sell a modest number of non-core assets in 2019, subject to market conditions.

During the fourth quarter of 2018, we reduced our overall borrowing costs and extended our debt maturities with the completion of a \$1.0 billion green bond offering of 4.500% unsecured senior notes maturing in 2028. We allocated an amount equal to the net proceeds of the offering to the financing and refinancing of completed and future eligible green projects. The net proceeds were initially used to repay outstanding debt, including the redemption of the \$700.0 million of 5.875% unsecured senior notes that were scheduled to mature in October 2019 and to repay borrowings under BPLP's revolving line of credit ("Revolving Facility"). Excluding our unconsolidated joint venture assets, we have no debt maturing in 2019.

Given that interest rates remain relatively low, we may elect to supplement our liquidity position to provide additional capacity to fund our remaining capital requirements for existing development and redevelopment projects, refinance debt before maturity and pursue other attractive investment opportunities. Depending on the type and timing of financing, raising capital may result in us carrying additional cash and cash equivalents pending our use of the proceeds.

A brief overview of each of our markets follows.

Boston

The leasing market in the greater Boston region remains active and strong. The Boston central business district ("CBD") sub-market continues to be driven by demand from traditional financial and professional services tenants, a strong flow of new and expanding technology and life science companies, and an ongoing trend of urbanization. During the fourth quarter of 2018, we completed lease transactions totaling more than 280,000 square feet in the Boston region. Our approximately 1.6 million square foot in-service office portfolio in Cambridge is dominated by large users, is approximately 99% leased and continues to generate strong rental rates. We are also actively working to meet tenant demand through increasing density and redevelopment. For example, we have signed a lease with Google, subject to certain conditions, to expand within Kendall Center, and have plans to replace an existing 115,000 net rentable square foot building with an approximately 400,000 net rentable square foot, modern Class A office building with construction expected to commence in 2019.

In the suburban Waltham/Lexington sub-market, we continue to experience significant demand within our existing tenant base and from other tenants in the market, particularly from technology and life science companies, seeking space to accommodate their expanding workforces. The primary challenge we have in our Boston portfolio

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is the lack of available space to meet tenant demand. As a result, we are focused on future expirations. Rents in Boston, Cambridge and the suburban Waltham/Lexington market had strong increases in 2018.

Los Angeles

The market in Los Angeles (“LA”), particularly in West LA, remains strong. Our Colorado Center complex, which we own 50% of, is approximately 99% leased. Our approach to property management, leasing and commitment to invest capital has transformed this asset, which was 66% leased when we acquired it in July 2016, into a top-tier property in the marketplace.

In 2018, we expanded our footprint in the Santa Monica sub-market through our acquisition of the 21-building Santa Monica Business Park through a joint venture in which we own 55%. Santa Monica Business Park (office and retail combined) is approximately 94% leased. We believe this acquisition provides us with ample opportunity for future growth, as a majority of the current leases are at below-market rents.

We will continue to explore opportunities to increase our presence in the LA market by seeking investments where our financial, operational, redevelopment and development expertise provide the opportunity to achieve accretive returns.

New York

During the fourth quarter of 2018, we completed leases totaling approximately 1.0 million square feet. Most notably, we completed several leases at our 399 Park Avenue property, including an approximately 300,000 square foot lease with a large financial institution. Including this and other recent leases, 399 Park Avenue is approximately 93% leased, including leases with future commencement dates, surpassing our revenue goals for 2019 and 2020.

The New York region experienced strong leasing trends in 2018. While rental growth rates remain muted due to increased supply, leasing activity remains strong due to ongoing demand for high quality office space, particularly in midtown Manhattan. As a result, we experienced strong leasing activity at our 399 Park Avenue property, where we completed more than 525,000 square feet of leases during the year, and general rent stability throughout the region. For 2019, we expect modest rent growth in most submarkets and stable tenant improvement allowances in our New York region.

San Francisco

The San Francisco CBD leasing market remains healthy and among the strongest markets in the U.S. with market absorption at historical highs. With no new uncommitted development projects anticipated through 2021 in the San Francisco CBD, combined with low vacancy and few available large blocks of sublease space, tenants have few options, which has created a supply and demand imbalance. We expect these fundamentals to continue. During the fourth quarter of 2018, we completed approximately 330,000 square feet of leasing in San Francisco and commenced revenue recognition on approximately 170,000 square feet of leases in second generation space. Of these second-generation leases, approximately 55,000 square feet had been vacant for less than one year and represent an increase in net rental obligations (gross rent less operating expenses) of 28% over the prior leases. In addition, we have commitments or are in active negotiations on the remaining three full-floors of available space at our Embarcadero Center property.

Most importantly, during the fourth quarter of 2018, we fully placed in-service Salesforce Tower, our 61-story new development. This property is 100% leased, including leases with future commencement dates, with occupancy and revenues expected to continue to ramp up through the third quarter of 2019.

Outside of San Francisco, the San Jose market has seen an increase in demand, particularly from tenants in the technology sector who seek large-scale sites that are in close proximity to public transportation. As a result, during the fourth quarter 2018, we entered into a ground lease (with a future purchase option), which will enable us to develop a site branded as Platform 16. Platform 16 is a 5.6-acre site that is located within walking distance of the Diridon Station, San Jose’s intermodal transportation hub, and adjacent to Google’s planned eight million square foot transit village. We expect to begin demolition and site improvements in 2019 and are pursuing tenant discussions for pre-leasing to begin development.

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Washington, DC

Market conditions in the Washington, DC CBD have not changed in any meaningful way over the past few quarters. In the Washington, DC region, our focus remains on (1) matching development sites with tenants to begin development with significant pre-leasing commitments, (2) expanding our development potential in Reston, Virginia and (3) divesting of non-core assets. Our fourth quarter of 2018 activity reflects this focus.

During the fourth quarter of 2018, we completed three asset sales for an aggregate gross sale price of approximately \$286.1 million. The sales consisted of (1) 1333 New Hampshire Avenue, an approximately 315,000 square foot office building, (2) a 41-acre parcel of land located in Rockville, Maryland and (3) 6595 Springfield Center Drive (TSA Headquarters), an approximately 634,000 square foot development project in Springfield, Virginia consisting of the land and project costs incurred through the closing date.

Leasing activity remains very competitive primarily because there has been an increase in supply without a corresponding increase in demand.

Conversely, we continue to see strong tenant demand in our Reston, Virginia portfolio. In Reston, we continued development of Reston Gateway, our mixed-use development project, which will consist of an aggregate of approximately 4.5 million net rentable square feet. The initial phase is approximately 1.1 million net rentable square feet of which approximately 80% is pre-leased to Fannie Mae. Our Reston, Virginia in-service portfolio was 94% leased at December 31, 2018 and continues to be the strongest submarket in the region.

Leasing Statistics

The table below details the leases that commenced during the three and twelve months ended December 31, 2018:

	Three Months Ended December 31, 2018	Twelve Months Ended December 31, 2018	
	Total Square Feet		
Vacant space available at the beginning of the period	3,884,161	4,039,528	
Property dispositions/properties taken out of service	(114,243)	(223,520)	
Vacant space in properties acquired	—	56,554	
Properties placed (and partially placed) in-service	845,684	1,473,779	
Leases expiring or terminated during the period	1,000,448	3,922,994	
Total space available for lease	5,616,050	9,269,335	
1 st generation leases	432,125	1,103,039	
2 nd generation leases with new tenants	784,255	2,409,250	
2 nd generation lease renewals	539,773	1,897,149	
Total space leased (1)	1,756,153	5,409,438	
Vacant space available for lease at the end of the period	3,859,897	3,859,897	
Leases executed during the period, in square feet (2)	1,818,368	7,191,362	
Second generation leasing information: (3)			
Leases commencing during the period, in square feet	1,324,028	4,306,399	
Weighted Average Lease Term	101 Months	97 Months	
Weighted Average Free Rent Period	95 Days	97 Days	
Total Transaction Costs Per Square Foot (4)	\$58.14	\$67.49	
Increase in Gross Rents (5)	7.10	% 6.31	%
Increase in Net Rents (6)	11.27	% 9.47	%

- (1) Represents leases for which rental revenue recognition has commenced in accordance to GAAP during the three and twelve months ended December 31, 2018.

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Represents leases executed during the three and twelve months ended December 31, 2018 for which we either (a) commenced rental revenue recognition in such period or (b) will commence rental revenue recognition in (2) subsequent periods, in accordance with GAAP, and includes leases at properties currently under development. The total square feet of leases executed and recognized in the three and twelve months ended December 31, 2018 is 159,600 and 1,093,842, respectively.

(3) Second generation leases are defined as leases for space that had previously been under lease by us. Of the 1,324,028 and 4,306,399 square feet of second generation leases that commenced during the three and twelve months ended December 31, 2018, respectively, 1,164,428 and 3,287,255 square feet were signed in prior periods for the three and twelve months ended December 31, 2018, respectively.

(4) Total transaction costs include tenant improvements and leasing commissions, but exclude free rent concessions and other inducements in accordance with GAAP.

(5) Represents the increase in gross rent (base rent plus expense reimbursements) on the new versus expired leases on the 879,438 and 2,990,009 square feet of second generation leases that had been occupied within the prior 12 months for the three and twelve months ended December 31, 2018, respectively; excludes leases that management considers temporary because the tenant is not expected to occupy the space on a long-term basis.

(6) Represents the increase in net rent (gross rent less operating expenses) on the new versus expired leases on the 879,438 and 2,990,009 square feet of second generation leases that had been occupied within the prior 12 months for the three and twelve months ended December 31, 2018, respectively; excludes leases that management considers temporary because the tenant is not expected to occupy the space on a long-term basis.

For descriptions of significant transactions that we completed during 2018, see “Item 1. Business—Transactions During 2018.”

Critical Accounting Policies

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

Real Estate

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

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

We record acquired “above-” and “below-market” leases at their fair values (using a discount rate which reflects the risks associated with the leases acquired) equal to the difference between (1) the contractual amounts to be paid pursuant to each in-place lease and (2) management’s estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases.

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Acquired “above-” and “below-market” lease values have been reflected within Prepaid Expenses and Other Assets and Other Liabilities, respectively, in our Consolidated Balance Sheets. Other intangible assets acquired include amounts for in-place lease values that are based on our evaluation of the specific characteristics of each tenant’s lease. Factors to be considered include estimates of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, we consider leasing commissions, legal and other related expenses.

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

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

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

Capitalized costs include pre-construction costs necessary to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We begin the capitalization of costs during the pre-construction period, which we define as activities that are necessary for the development of the property. We consider a construction project as substantially complete and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portion (1) substantially completed, (2)

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

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Investments in Unconsolidated Joint Ventures

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

Accounts of the consolidated entity are included in our accounts and the noncontrolling interest is reflected on the Consolidated Balance Sheets as a component of equity or in temporary equity between liabilities and equity. Investments in unconsolidated joint ventures are recorded initially at cost, and subsequently adjusted for equity in earnings and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in earnings of unconsolidated joint ventures over the life of the related asset. Under the equity method of accounting, our net equity investment is reflected within the Consolidated Balance Sheets, and our share of net income or loss from the joint ventures is included within the Consolidated Statements of Operations. The joint venture agreements may designate different percentage allocations among investors for profits and losses; however, our recognition of joint venture income or loss generally follows the joint venture’s distribution priorities, which may change upon the achievement of certain investment return thresholds. We may account for cash distributions in excess of our investment in an unconsolidated joint venture as income when we are not the general partner in a limited partnership and when we have neither the requirement nor the intent to provide financial support to the joint venture. Our investments in unconsolidated joint ventures are reviewed for impairment periodically and we record impairment charges when events or circumstances change indicating that a decline in the fair values below the carrying values has occurred and such decline is other-than-temporary. The ultimate realization of the investment in unconsolidated joint ventures is dependent on a number of factors, including the performance of each investment and market conditions. We will record an impairment charge if we determine that a decline in the value below the carrying value of an investment in an unconsolidated joint venture is other-than-temporary.

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

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

Revenue Recognition

In general, we commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. Contractual rental revenue is reported on a straight-line basis over the terms of the respective leases. We recognize acquired in-place “above-” and “below-market” leases at their fair values as rental revenue over the original term of the respective leases. Accrued rental income as reported on the

Consolidated Balance Sheets represents cumulative rental income earned in excess of rent payments received pursuant to the terms of the individual lease agreements.

For the year ended December 31, 2018, the impact of the net adjustments of rents from “above-” and “below-market” leases increased rental revenue by approximately \$23.8 million. For the year ended December 31, 2018, the impact of the straight-line rent adjustment increased rental revenue by approximately \$51.9 million. Those

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amounts exclude the adjustment of rents from “above-” and “below-market” leases and straight-line income from unconsolidated joint ventures, which are disclosed in Note 5 to the Consolidated Financial Statements.

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

- review relevant financial information, including:

- financial ratios;

- net worth;

- revenue;

- cash flows;

- leverage; and

- liquidity;

- evaluate the depth and experience of the tenant’s management team; and

- assess the strength/growth of the tenant’s industry.

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

(1) acceptable-risk tenants;

(2) the tenant’s credit is such that we may require collateral, in which case we:

- may require a security deposit; and/or

- may reduce upfront tenant improvement investments; or

(3) the tenant’s credit is below our acceptable parameters.

We consistently monitor the credit quality of our tenant base. We provide an allowance for doubtful accounts arising from estimated losses that could result from the tenant’s inability to make required current rent payments and an allowance against accrued rental income for future potential losses that we deem to be unrecoverable over the term of the lease.

Tenants are assigned a credit rating of 1 through 4. A rating of 1 represents the highest possible rating and no allowance is recorded. A rating of 4 represents the lowest credit rating, in which case we record a full reserve against the receivable and accrued rent balances. Among the factors considered in determining the credit rating include:

- payment history;

- credit status and change in status (credit ratings for public companies are used as a primary metric);

- change in tenant space needs (i.e., expansion/downsize);

- tenant financial performance;

- economic conditions in a specific geographic region; and

- industry specific credit considerations.

If our estimates of collectability differ from the cash received, the timing and amount of our reported revenue could be impacted. The average remaining term of our in-place tenant leases, including unconsolidated joint ventures, was approximately 7.5 years as of December 31, 2018. The credit risk is mitigated by the high quality of our existing tenant base, reviews of prospective tenants’ risk profiles prior to lease execution and consistent monitoring of our portfolio to identify potential problem tenants.

Recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, are recognized as revenue in the period during which the expenses are incurred. We recognize these reimbursements on a gross basis, as we obtain control of the goods and services before they are transferred to the tenant. We also receive reimbursements of payroll and payroll related costs from third parties that we reflect on a gross basis.

Our parking revenue is derived primarily from monthly and transient daily parking. In addition, we have certain lease arrangements for parking accounted for under the guidance in ASC 840 “Leases” (“ASC 840”). The monthly and transient daily parking revenue falls within the scope of ASC 606 “Revenue from Contracts with

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Customers” (“ASC 606”) and is accounted for at the point in time when control of the goods or services transfers to the customer and our performance obligation is satisfied (see New Accounting Pronouncements Adopted “Revenue from Contracts with Customers” within Note 2 to the Consolidated Financial Statements).

Our hotel revenue is derived from room rentals and other sources such as charges to guests for telephone service, movie and vending commissions, meeting and banquet room revenue and laundry services. Hotel revenue is recognized as the hotel rooms are occupied and the services are rendered to the hotel customers (see New Accounting Pronouncements Adopted “Revenue from Contracts with Customers” within Note 2 to the Consolidated Financial Statements).

We earn management and development fees. Development and management services revenue is earned from unconsolidated joint venture entities and third-party property owners. We determined that the performance obligations associated with our development services contracts are satisfied over time and that we would recognize our development services revenue under the output method evenly over time from the development commencement date through the substantial completion date of the development management services project due to the stand-ready nature of the contracts. Significant judgments impacting the amount and timing of revenue recognized from our development services contracts include estimates of total development project costs from which the fees are typically derived and estimates of the period of time until substantial completion of the development project, the period of time over which the development services are required to be performed. We recognize development fees earned from unconsolidated joint venture projects equal to its cost plus profit to the extent of the third party partners’ ownership interest. Property management fees are recorded and earned based on a percentage of collected rents at the properties under management, and not on a straight-line basis, because such fees are contingent upon the collection of rents (see New Accounting Pronouncements Adopted “Revenue from Contracts with Customers” within Note 2 to the Consolidated Financial Statements).

Gains on sales of real estate are recognized pursuant to the provisions included in ASC 610-20. Under ASC 610-20, we must first determine whether the transaction is a sale to a customer or non-customer. We typically sell real estate on a selective basis and not within the ordinary course of our business and therefore expects that our sale transactions will not be contracts with customers. We next determine whether we have a controlling financial interest in the property after the sale, consistent with the consolidation model in ASC 810 "Consolidation" ("ASC 810"). If we determine that we do not have a controlling financial interest in the real estate, we evaluate whether a contract exists under ASC 606 and whether the buyer has obtained control of the asset that was sold. We recognize a full gain on sale of real estate when the derecognition criteria under ASC 610-20 have been met (see New Accounting Pronouncements Adopted “Sales of Real Estate” within Note 2 to the Consolidated Financial Statements).

Depreciation and Amortization

We compute depreciation and amortization on our properties using the straight-line method based on estimated useful asset lives. In accordance with ASC 805 “Business Combinations,” we allocate the acquisition cost of real estate to its components and depreciate or amortize these assets (or liabilities) over their useful lives. The amortization of acquired “above-” and “below-market” leases and acquired in-place leases is recorded as an adjustment to revenue and depreciation and amortization, respectively, in the Consolidated Statements of Operations.

Fair Value of Financial Instruments

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

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

based on current market rates for similar securities. In determining the current market

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rates, we add our estimates of market spreads to the quoted yields on federal government treasury securities with similar maturity dates to our debt. The inputs used in determining the fair value of our related party note receivable, note receivable, and mortgage notes payable are categorized at a Level 3 basis (as defined in ASC 820) due to the fact that we consider the rates used in the valuation techniques to be unobservable inputs. To the extent that there are outstanding borrowings under the unsecured line of credit or unsecured term loan, we utilize a discounted cash flow methodology in order to estimate the fair value. To the extent that credit spreads have changed since the origination, the net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate would represent the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate, considering current market conditions and BPLP's specific credit profile, at which we estimate we could obtain similar borrowings. To the extent there are outstanding borrowings, this current market rate is estimated and therefore would be primarily based upon a Level 3 input.

Derivative Instruments and Hedging Activities

Derivative instruments and hedging activities require management to make judgments on the nature of its derivatives and their effectiveness as hedges. These judgments determine if the changes in fair value of the derivative instruments are reported in the Consolidated Statements of Operations as a component of net income or as a component of comprehensive income and as a component of equity on the Consolidated Balance Sheets. While management believes its judgments are reasonable, a change in a derivative's effectiveness as a hedge could materially affect expenses, net income and equity. We account for both the effective and ineffective portions of changes in the fair value of a derivative in other comprehensive income (loss) and subsequently reclassify the fair value of the derivative to earnings over the term that the hedged transaction affects earnings and in the same line item as the hedged transaction within the statements of operations (see New Accounting Pronouncements Adopted "Derivatives and Hedging" within Note 2 to the Consolidated Financial Statements).

Income Taxes**Boston Properties Inc.**

BXP has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ended December 31, 1997. As a result, it generally will not be subject to federal corporate income tax on its taxable income that is distributed to its stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual taxable income (with certain adjustments). BXP's policy is to distribute at least 100% of its taxable income. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to BXP's consolidated taxable REIT subsidiaries. BXP's taxable REIT subsidiaries did not have significant tax provisions or deferred income tax items. BXP has no uncertain tax positions recognized as of December 31, 2018 and 2017.

We own a hotel property that we lease to one of our taxable REIT subsidiary and managed by Marriott International, Inc. The hotel taxable REIT subsidiary, a wholly owned subsidiary of BPLP, is the lessee pursuant to the lease for the hotel property. As lessor, BPLP is entitled to a percentage of gross receipts from the hotel property. Marriott International, Inc. continues to manage the hotel property under the Marriott name and under terms of the existing management agreement. The hotel taxable REIT subsidiary is subject to tax at the federal and state level and, accordingly, BXP has recorded a tax provision in its Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016.

The net difference between the tax basis and the reported amounts of BXP's assets and liabilities is approximately \$1.9 billion and \$1.8 billion as of December 31, 2018 and 2017, respectively, which is primarily related to the difference in basis of contributed property and accrued rental income.

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

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

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income attributable to Boston Properties, Inc.	\$582,847	\$462,439	\$512,785
Straight-line rent and net “above-” and “below-market” rent adjustments	(\$3,080)	(77,801)	(65,861)
Book/Tax differences from depreciation and amortization	109,756	142,234	235,819
Book/Tax differences from interest expense	(18,190)	(18,136)	(36,223)
Book/Tax differences on gains/(losses) from capital transactions	(26,428)	1,123	(70,880)
Book/Tax differences from stock-based compensation	48,817	37,990	33,463
Tangible Property Regulations	(128,639)	(116,265)	(104,783)
Other book/tax differences, net	56,870	33,411	(6,121)
Taxable income	\$571,953	\$464,995	\$498,199

Boston Properties Limited Partnership

The partners are required to report their respective share of BPLP’s taxable income or loss on their respective tax returns and are liable for any related taxes thereon. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to BPLP’s consolidated taxable REIT subsidiaries. BPLP’s taxable REIT subsidiaries did not have significant tax provisions or deferred income tax items. BPLP has no uncertain tax positions recognized as of December 31, 2018 and 2017.

We own a hotel property that we lease to one of our taxable REIT subsidiaries and that is managed by Marriott International, Inc. The hotel taxable REIT subsidiary, a wholly owned subsidiary BPLP is the lessee pursuant to the lease for the hotel property. As lessor, BPLP is entitled to a percentage of gross receipts from the hotel property. Marriott International, Inc. continues to manage the hotel property under the Marriott name and under terms of the existing management agreement. The hotel taxable REIT subsidiary is subject to tax at the federal and state level and, accordingly, BPLP has recorded a tax provision in its Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016.

The net difference between the tax basis and the reported amounts of BPLP’s assets and liabilities is approximately \$2.8 billion and \$2.9 billion as of December 31, 2018 and 2017, respectively, which is primarily related to the difference in basis of contributed property and accrued rental income.

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

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

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income attributable to Boston Properties Limited Partnership	\$667,403	\$523,366	\$585,841
Straight-line rent and net “above-” and “below-market” rent adjustments	(\$9,199)	(86,773)	(73,604)
Book/Tax differences from depreciation and amortization	109,673	144,436	245,239
Book/Tax differences from interest expense	(20,287)	(20,227)	(40,481)
Book/Tax differences on gains/(losses) from capital transactions	5,762	784	(69,683)
Book/Tax differences from stock-based compensation	54,445	42,371	37,397
Tangible Property Regulations	(143,468)	(129,673)	(117,102)
Other book/tax differences, net	70,003	37,607	(3,387)
Taxable income	\$684,332	\$511,891	\$564,220

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Recent Accounting Pronouncements

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

Results of Operations for the Years Ended December 31, 2018 and 2017

Net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders increased approximately \$120.4 million and \$144.0 million for the year ended December 31, 2018 compared to 2017, respectively, as detailed in the following tables and for the reasons discussed below under the heading “Comparison of the year ended December 31, 2018 to the year ended December 31, 2017” within “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The following are reconciliations of Net Income Attributable to Boston Properties, Inc. Common Shareholders to Net Operating Income and Net Income Attributable to Boston Properties Limited Partnership Common Unitholders to Net Operating Income for the years ended December 31, 2018 and 2017 (in thousands):

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Boston Properties, Inc.

	Total Property Portfolio		Increase/ (Decrease)	% Change	
	2018	2017			
Net Income Attributable to Boston Properties, Inc. Common Shareholders	\$572,347	\$451,939	\$120,408	26.64	%
Preferred dividends	10,500	10,500	—	—	%
Net Income Attributable to Boston Properties, Inc.	582,847	462,439	120,408	26.04	%
Net Income Attributable to Noncontrolling Interests:					
Noncontrolling interest—common units of the Operating Partnership	66,807	52,210	14,597	27.96	%
Noncontrolling interests in property partnerships	62,909	47,832	15,077	31.52	%
Net Income	712,563	562,481	150,082	26.68	%
Other Expenses:					
Add:					
Interest expense	378,168	374,481	3,687	0.98	%
Impairment losses	11,812	—	11,812	100.00	%
Other Income:					
Less:					
Gains (losses) from early extinguishments of debt	(16,490)	) 496	(16,986)	(3,424.60)	%
Gains (losses) from investments in securities	(1,865)	) 3,678	(5,543)	(150.71)	%
Interest and other income	10,823	5,783	5,040	87.15	%
Gains on sales of real estate	182,356	7,663	174,693	2,279.69	%
Income from unconsolidated joint ventures	2,222	11,232	(9,010)	(80.22)	%
Other Expenses:					
Add:					
Depreciation and amortization expense	645,649	617,547	28,102	4.55	%
Transaction costs	1,604	668	936	140.12	%
Payroll and related costs from management services contracts	9,590	—	9,590	100.00	%
General and administrative expense	121,722	113,715	8,007	7.04	%
Other Revenue:					
Less:					
Direct reimbursements of payroll and related costs from management services contracts	9,590	—	9,590	100.00	%
Development and management services revenue	45,158	34,605	10,553	30.50	%
Net Operating Income	\$1,649,314	\$1,605,435	\$43,879	2.73	%

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Boston Properties Limited Partnership

	Total Property Portfolio				
	2018	2017	Increase/ (Decrease)	% Change	
Net Income Attributable to Boston Properties Limited Partnership Common Unitholders	\$656,903	\$512,866	\$144,037	28.08	%
Preferred distributions	10,500	10,500	—	—	%
Net Income Attributable to Boston Properties Limited Partnership	667,403	523,366	144,037	27.52	%
Net Income Attributable to Noncontrolling Interests:					
Noncontrolling interests in property partnerships	62,909	47,832	15,077	31.52	%
Net Income	730,312	571,198	159,114	27.86	%
Other Expenses:					
Add:					
Interest expense	378,168	374,481	3,687	0.98	%
Impairment losses	10,181	—	10,181	100.00	%
Other Income:					
Less:					
Gains (losses) from early extinguishments of debt	(16,490)	) 496	(16,986)	(3,424.60)	%
Gains (losses) from investments in securities	(1,865)	) 3,678	(5,543)	(150.71)	%
Interest and other income	10,823	5,783	5,040	87.15	%
Gains on sales of real estate	190,716	8,240	182,476	2,214.51	%
Income from unconsolidated joint ventures	2,222	11,232	(9,010)	(80.22)	%
Other Expenses:					
Add:					
Depreciation and amortization expense	637,891	609,407	28,484	4.67	%
Transaction costs	1,604	668	936	140.12	%
Payroll and related costs from management services contracts	9,590	—	9,590	100.00	%
General and administrative expense	121,722	113,715	8,007	7.04	%
Other Revenue:					
Less:					
Direct reimbursements of payroll and related costs from management services contracts	9,590	—	9,590	100.00	%
Development and management services revenue	45,158	34,605	10,553	30.50	%
Net Operating Income	\$1,649,314	\$1,605,435	\$43,879	2.73	%

At December 31, 2018, 2017 and 2016, we owned or had interests in a portfolio of 197, 179 and 174 commercial real estate properties, respectively (in each case, the “Total Property Portfolio”). As a result of changes within our Total Property Portfolio, the financial data presented below shows significant changes in revenue and expenses from period-to-period. Accordingly, we do not believe that our period-to-period financial data with respect to the Total Property Portfolio are necessarily meaningful. Therefore, the comparison of operating results for the years ended December 31, 2018, 2017 and 2016 show separately the changes attributable to the properties that were owned by us and in-service throughout each period compared (the “Same Property Portfolio”) and the changes attributable to the properties included in the Placed In-Service, Acquired, Development or Redevelopment or Sold Portfolios. In our analysis of operating results, particularly to make comparisons of net operating income between periods meaningful, it is important to provide information for properties that were in-service and owned by us throughout each period presented. We refer to properties acquired or placed in-service prior to the beginning of the earliest period presented and owned by us and in-service through the end of the latest period presented as our Same Property Portfolio. The Same Property Portfolio therefore excludes properties placed in-service, acquired or in development or redevelopment after the beginning of the earliest period presented or disposed of prior to the end of the latest period

presented.

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

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

Comparison of the year ended December 31, 2018 to the year ended December 31, 2017

The table below shows selected operating information for the Same Property Portfolio and the Total Property Portfolio. The Same Property Portfolio consists of 143 properties totaling approximately 38.5 million net rentable square feet of space, excluding unconsolidated joint ventures. The Same Property Portfolio includes properties acquired or placed in-service on or prior to January 1, 2017 and owned and in service through December 31, 2018. The Total Property Portfolio includes the effects of the other properties either placed in-service, acquired or in development or redevelopment after January 1, 2017 or disposed of on or prior to December 31, 2018. This table includes a reconciliation from the Same Property Portfolio to the Total Property Portfolio by also providing information for the years ended December 31, 2018 and 2017 with respect to the properties that were placed in-service, acquired, in development or redevelopment or sold.

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	Same Property Portfolio				Properties Acquired Portfolio		Properties Placed In-Service Portfolio		Properties in Development or Redevelopment Portfolio		Prop Port
	(dollars in thousands) 2018	2017	Increase/ (Decrease)	% Change	2018	2017	2018	2017	2018	2017	
Rental Revenue:											
Rental Revenue	\$2,479,396	\$2,423,282	\$56,114	2.32 %	\$2,720	\$1,733	\$79,319	\$18,186	\$3,467	\$4,375	\$17,188
Termination Income	6,246	22,474	(16,228)	(72.21)%	2	6	—	—	5	(1,415)	1,950
Total Rental Revenue	2,485,642	2,445,756	39,886	1.63 %	2,722	1,739	79,319	18,186	3,472	2,960	19,500
Real Estate Operating Expenses	923,643	888,901	34,742	3.91 %	1,299	838	31,912	7,289	1,705	11,387	7,980
Net Operating Income (Loss), Excluding Residential and Hotel Residential Net Operating Income (Loss) (1)	1,561,999	1,556,855	5,144	0.33 %	1,423	901	47,407	10,897	1,767	(8,427)	11,500
Hotel Net Operating Income (1)	10,121	10,287	(166)	(1.61)%	—	—	(174)	7	—	—	—
Consolidated Net Operating Income (Loss) (1)	\$1,587,375	\$1,580,686	\$6,689	0.42 %	\$1,423	\$901	\$47,233	\$10,904	\$1,767	\$(8,427)	\$11,500

For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see page 64. Residential Net Operating Income for the year ended December 31, 2018 and 2017 are comprised of Residential Revenue of \$22,551 and \$16,596 less Residential Expenses of \$12,604 and \$6,302, respectively. Hotel Net Operating Income for the year ended December 31, 2018 and 2017 are comprised of Hotel Revenue of \$49,118 and \$45,603 less Hotel Expenses of \$33,863 and \$32,059, respectively, per the Consolidated Statements of Operations.

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Same Property Portfolio

Rental Revenue

Rental revenue from the Same Property Portfolio increased by approximately \$56.1 million for the year ended December 31, 2018 compared to 2017. The increase was primarily the result of an increase in revenue from our leases, parking and other income and other recoveries of approximately \$54.2 million, \$1.8 million and \$0.1 million, respectively. Rental revenue from our leases increased by approximately \$54.2 million as a result of our average revenue per square foot increasing by approximately \$1.42, contributing approximately \$45.0 million, and an approximately \$9.2 million increase due to our average occupancy increasing from 91.55% to 91.93%.

Termination Income

Termination income decreased by approximately \$16.2 million for the year ended December 31, 2018 compared to 2017.

Termination income for the year ended December 31, 2018 resulted from the termination of 30 tenants across the Same Property Portfolio which totaled approximately \$6.2 million of which approximately \$4.8 million was attributable to the New York Region. In addition, we received the sixth interim distribution from our unsecured creditor's claim against Lehman Brothers, Inc. of approximately \$0.3 million (See Note 9 to the Consolidated Financial Statements).

Termination income for the year ended December 31, 2017 resulted from the termination of 30 tenants across the Same Property Portfolio which totaled approximately \$22.5 million of which approximately \$21.7 million was attributable to the New York Region. The remaining approximately \$0.8 million of termination income was primarily related to the Washington, DC region. In addition, we received the fifth interim distribution from our unsecured creditor's claim against Lehman Brothers, Inc. of approximately \$0.4 million (See Note 9 to the Consolidated Financial Statements).

Real Estate Operating Expenses

Real estate operating expenses from the Same Property Portfolio increased by approximately \$34.7 million, or 3.9%, for the year ended December 31, 2018 compared to 2017, due primarily to increases in real estate taxes and other real estate operating expenses of approximately \$21.8 million, or 5.0%, and \$12.9 million, or 2.8%, respectively. The increase in real estate taxes was primarily experienced in the New York CBD properties.

Properties Acquired Portfolio

The table below lists the properties acquired between January 1, 2017 and December 31, 2018. Rental revenue and real estate operating expenses increased by approximately \$1.0 million and \$0.5 million, respectively, for the year ended December 31, 2018 compared to 2017, as detailed below.

Name	Date acquired	Square Feet	Rental Revenue			Real Estate Operating Expenses		
			2018	2017	Change	2018	2017	Change
(dollars in thousands)								
103 Carnegie Center (1)	May 15, 2017	96,332	\$2,722	\$1,739	\$ 983	\$1,299	\$838	\$ 461
		96,332	\$2,722	\$1,739	\$ 983	\$1,299	\$838	\$ 461

(1) Rental revenue includes termination income of approximately \$2,000 and \$6,000 for the years ended December 31, 2018 and 2017, respectively.

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Properties Placed In-Service Portfolio

The table below lists the properties that were placed in-service or partially placed in-service between January 1, 2017 and December 31, 2018. Rental revenue and real estate operating expenses from our Properties Placed In-Service Portfolio increased by approximately \$67.0 million and \$30.6 million, respectively, for the year ended December 31, 2018 compared to 2017, as detailed below.

Name	Quarter Initially Placed In-Service	Quarter Fully Placed In-Service	Square Feet	Rental Revenue			Real Estate Operating Expenses		
				2018	2017	Change	2018	2017	Change
(dollars in thousands)									
Office									
Reservoir Place North	Second Quarter, 2016	Second Quarter, 2017	73,258	\$3	\$—	\$3	\$516	\$346	\$170
888 Boylston Street	Third Quarter, 2016	Third Quarter, 2017	417,320	32,129	17,486	14,643	9,507	6,597	2,910
191 Spring Street	Fourth Quarter, 2017	Fourth Quarter 2018	170,997	4,917	29	4,888	1,723	55	1,668
Salesforce Tower	Fourth Quarter, 2017	Fourth Quarter 2018	1,420,682	42,270	671	41,599	20,166	291	19,875
Total Office			2,082,257	79,319	18,186	61,133	31,912	7,289	24,623
Residential									
Signature at Reston	First Quarter, 2018	Second Quarter, 2018	517,783	3,879	—	3,879	4,510	—	4,510
Proto Kendall Square	Second Quarter, 2018	Third Quarter, 2018	166,717	1,944	—	1,944	1,487	—	1,487
Total Residential			684,500	5,823	—	5,823	5,997	—	5,997
			2,766,757	\$85,142	\$18,186	\$66,956	\$37,909	\$7,289	\$30,620

Properties in Development or Redevelopment Portfolio

The table below lists the properties were in development or redevelopment between January 1, 2017 and December 31, 2018. Rental revenue from our Properties in Development or Redevelopment Portfolio increased by approximately \$0.5 million and real estate operating expenses decreased approximately \$9.7 million for the year ended December 31, 2018 compared to 2017.

Name	Date Commenced Development / Redevelopment	Square Feet	Rental Revenue			Real Estate Operating Expenses		
			2018	2017	Change	2018	2017	Change
(dollars in thousands)								
One Five Nine East 53rd Street (1)	August 19, 2016	220,000	\$3,472	\$2,218	\$1,254	\$1,702	\$7,368	\$(5,666)
191 Spring Street (2)	December 29, 2016	160,000	—	—	—	—	2,843	(2,843)
145 Broadway (3)	April 6, 2017	79,616	—	742	(742)	3	1,176	(1,173)
		459,616	\$3,472	\$2,960	\$512	\$1,705	\$11,387	\$(9,682)

(1) This is the low-rise portion of 601 Lexington Avenue in New York City. Rental revenue includes termination income of approximately \$5,000 and \$(1.4) million for the years ended December 31, 2018 and 2017, respectively. In addition, real estate operating expenses for the year ended December 31, 2017 includes approximately \$5.8

million of demolition costs.

(2) Real estate operating expenses for the year ended December 31, 2017 includes approximately \$2.8 million of demolition costs.

(3) On April 6, 2017, we commenced the development of 145 Broadway, a build-to-suit Class A office project with approximately 485,000 net rentable square feet located in Cambridge, Massachusetts. Real estate operating expenses for the year ended December 31, 2017 includes approximately \$0.8 million of demolition costs.

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Properties Sold Portfolio

The table below lists the properties we sold between January 1, 2017 and December 31, 2018. Rental revenue and real estate operating expenses from our Properties Sold Portfolio decreased by approximately \$17.1 million and \$7.3 million, respectively, for the year ended December 31, 2018 compared to 2017, as detailed below.

Name	Date Sold	Property Type	Square Feet	Rental Revenue			Real Estate Operating Expenses			
				2018	2017	Change	2018	2017	Change	
(dollars in thousands)										
30 Shattuck Road	April 19, 2017	Land	N/A	\$—	\$—	\$—	\$—	\$14	\$(14)	
40 Shattuck Road	June 13, 2017	Office	122,000	—	846	(846)	—	599	(599)	
Reston Eastgate	August 30, 2017	Land	N/A	—	—	—	—	76	(76)	
500 E Street, S.W.	January 9, 2018	Office	262,000	270	12,263	(11,993)	129	4,546	(4,417)	
91 Hartwell Avenue (1)	May 24, 2018	Office	119,000	1,224	3,110	(1,886)	654	1,620	(966)	
Quorum Office Park	September 27, 2018	Office	268,000	3,348	4,336	(988)	1,818	2,237	(419)	
1333 New Hampshire Avenue (2)	November 30, 2018	Office	315,000	14,407	16,076	(1,669)	5,180	5,958	(778)	
Tower Oaks	December 20, 2018	Land	N/A	255	—	255	207	210	(3)	
				1,086,000	\$19,504	\$36,631	\$(17,127)	\$7,988	\$15,260	\$(7,272)

(1) Rental revenue includes termination income of approximately \$5,000 for the year ended December 31, 2017.

(2) Rental revenue includes termination income of approximately \$2.0 million for each of the years ended December 31, 2018 and 2017.

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

Other Operating Income and Expense Items

Residential Net Operating Income

Net operating income for our residential same properties decreased by approximately \$166,000 for the year ended December 31, 2018 compared to 2017.

The following reflects our occupancy and rate information for The Lofts at Atlantic Wharf and The Avant at Reston Town Center for the years ended December 31, 2018 and 2017.

	The Lofts at Atlantic Wharf			The Avant at Reston Town Center		
	2018	2017	Percentage Change	2018	2017	Percentage Change
Average Monthly Rental Rate (1)	\$4,272	\$4,245	0.6 %	\$2,411	\$2,391	0.8 %
Average Rental Rate Per Occupied Square Foot	\$4.74	\$4.70	0.9 %	\$2.65	\$2.64	0.4 %
Average Physical Occupancy (2)	93.9 %	94.3 %	(0.4)%	93.6 %	93.8 %	(0.2)%
Average Economic Occupancy (3)	93.5 %	94.8 %	(1.4)%	92.9 %	92.7 %	0.2 %

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

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

Average Economic Occupancy is defined as (1) total possible revenue less vacancy loss divided by (2) total possible revenue, expressed as a percentage. Total possible revenue is determined by valuing average occupied units at contract rates and average vacant units at Market Rents. Vacancy loss is determined by valuing vacant (3) units at current Market Rents. By measuring vacant units at their Market Rents, Average Economic Occupancy takes into account the fact that units of different sizes and locations within a residential property have different economic impacts on a residential property's total possible gross revenue. Market Rents used by us in calculating Economic Occupancy are

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based on the current market rates set by the managers of our residential properties based on their experience in renting their residential property's units and publicly available market data. Trends in market rents for a region as reported by others could vary. Market Rents for a period are based on the average Market Rents during that period and do not reflect any impact for cash concessions.

Hotel Net Operating Income

Net operating income for the Boston Marriott Cambridge hotel property increased by approximately \$1.7 million for the year ended December 31, 2018 compared to 2017.

The following reflects our occupancy and rate information for the Boston Marriott Cambridge hotel for the years ended December 31, 2018 and 2017.

	2018	2017	Percentage Change
Occupancy	84.6	% 79.9	% 5.9
Average daily rate	\$282.54	\$276.67	2.1
REVPAR	\$239.07	\$221.17	8.1

Other Operating Income and Expense Items**Development and Management Services Revenue**

Development and management services revenue increased by approximately \$10.6 million for the year ended December 31, 2018 compared to 2017. Development revenue and management services revenue increased by approximately \$3.2 million and \$7.4 million, respectively. The increase in development revenue is primarily related to an increase in fees associated with tenant improvement projects in our Boston region and at Salesforce Tower located in San Francisco, California. Management services revenue increased primarily due to leasing commissions and other management services revenue. The increase in leasing commissions was primarily derived from our Boston and Washington, DC unconsolidated joint ventures and a third-party managed building in New York City. The increase in other management services revenue was primarily due to property and asset management fees we earned from our Santa Monica Business Park unconsolidated joint venture, which we acquired on July 19, 2018.

General and Administrative Expense

General and administrative expense increased by approximately \$8.0 million for the year ended December 31, 2018 compared to 2017 primarily due to compensation expense and other general and administrative expenses increasing by approximately \$5.8 million and \$2.2 million, respectively. The increase in compensation expense was primarily related to (1) an increase in the expense associated with MYLTIP Awards, which includes the acceleration of amortization that occurred for employees that vested in these awards after satisfying age and service requirements and (2) an increase in other compensation related expenses. These increases were partially offset by a decrease in the value of our deferred compensation plan. The increase in other general and administrative expenses was primarily related to taxes.

We expect our general and administrative expenses to be between \$136 million and \$140 million for fiscal year 2019. Approximately \$10 million of the increase in our 2019 guidance is related to the adoption of ASU 2016-02, "Leases (Topic 842.)" Under ASU 2016-02, lessors will only capitalize incremental direct leasing costs. As a result, we will no longer be able to capitalize legal costs and internal leasing wages and instead will be required to expense these and other non-incremental costs as incurred (See Note 2 to the Consolidated Financial Statements).

Currently wages directly related to the development and leasing of rental properties are capitalized and included in real estate assets or deferred charges on our Consolidated Balance Sheets and amortized over the useful lives of the applicable asset or lease term. Capitalized wages for the years ended December 31, 2018 and 2017 were approximately \$18.0 million and \$18.6 million, respectively. These costs are not included in the general and administrative expenses discussed above.

Transaction Costs

Transaction costs increased by approximately \$0.9 million for the year ended December 31, 2018 compared to 2017.

This increase was primarily related to the formation of the joint ventures that we entered into for 3 Hudson Boulevard in New York City and Santa Monica Business Park in Santa Monica, California (See Note 5 to the

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Consolidated Financial Statements), as well as costs related to the sale of 6595 Springfield Center Drive (TSA Headquarters) in Springfield, Virginia (See Note 3 to the Consolidated Financial Statements) and other potential asset sales. In general, transaction costs relating to the formation of new and pending joint ventures and the pursuit of other transactions are expensed as incurred.

Depreciation and Amortization Expense

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

Boston Properties, Inc.

Depreciation and amortization expense increased by approximately \$28.1 million for the year ended December 31, 2018 compared to 2017, as detailed below.

Portfolio	Depreciation and Amortization for the year ended December 31,		
	2018	2017	Change
	(in thousands)		
Same Property Portfolio	\$613,726	\$602,976	\$10,750
Properties Placed in-Service Portfolio	26,841	4,171	22,670
Properties Acquired Portfolio	1,433	1,151	282
Properties in Development or Redevelopment Portfolio	15	3,026	(3,011)
Properties Sold Portfolio	3,634	6,223	(2,589)
	\$645,649	\$617,547	\$28,102

Boston Properties Limited Partnership

Depreciation and amortization expense increased by approximately \$28.5 million for the year ended December 31, 2018 compared to 2017, as detailed below.

Portfolio	Depreciation and Amortization for the year ended December 31,		
	2018	2017	Change
	(in thousands)		
Same Property Portfolio	\$605,968	\$594,836	\$11,132
Properties Placed in-Service Portfolio	26,841	4,171	22,670
Properties Acquired Portfolio	1,433	1,151	282
Properties in Development or Redevelopment Portfolio	15	3,026	(3,011)
Properties Sold Portfolio	3,634	6,223	(2,589)
	\$637,891	\$609,407	\$28,484

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

ASU 2016-08 "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations" updated the principal versus agent considerations and as a result we determined that amounts reimbursed for payroll and related costs received from third parties in connection with management services contracts should be reflected on a gross basis instead of on a net basis as we have determined that we are the principal under these arrangements (See Note 2 to the Consolidated Financial Statements). It is anticipated that these two financial statement line items will offset each other.

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Other Income and Expense Items

Income from Unconsolidated Joint Ventures

For the year ended December 31, 2018 compared to 2017, income from unconsolidated joint ventures decreased by approximately \$9.0 million due to an approximately \$21.3 million decrease in our share of net income, which primarily resulted from our 901 New York Avenue, Metropolitan Square and Santa Monica Business Park joint ventures, detailed below. These decreases were partially offset by an approximately \$12.3 million increase in our share of net income which primarily resulted from the gain on sale of real estate from the joint venture that owns Annapolis Junction in Annapolis, Maryland.

During the year ended December 31, 2018, our joint venture that owns Metropolitan Square in Washington, DC commenced a renovation project and recorded accelerated depreciation of approximately \$22.4 million related to the remaining book value of the assets to be replaced. We have a 20% ownership interest in the Metropolitan Square joint venture. Therefore, this accelerated depreciation resulted in a decrease of approximately \$4.5 million to our net income from the joint venture.

Our acquisition of a 55% ownership interest in Santa Monica Business Park in Santa Monica, California on July 19, 2018 resulted in an approximately \$5.0 million decrease to our net income from the joint venture. The decrease was primarily related to interest expense and depreciation and amortization expense.

The decrease in net income from our joint venture that owns 901 New York Avenue was related to our allocation of income and distributions for the year ended December 31, 2017. Due to our economic ownership interest as a result of the achievement of specified investment return thresholds, as provided for in the joint venture agreement, a disproportionate distribution was made by the joint venture to us.

On December 31, 2018, we entered into a distribution agreement with our partner in the joint venture in which we have a 50% interest and that owns Annapolis Junction. Under the agreement, the joint venture distributed its Annapolis Junction Building One property to the partner and the partner assumed the mortgage indebtedness collateralized by the property. We recognized a gain on sale of real estate totaling approximately \$8.3 million, which is included within this financial statement line item.

Gains on Sales of Real Estate

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

Boston Properties, Inc.

Gains on sales of real estate increased by approximately \$174.7 million for the year ended December 31, 2018 compared to 2017, as detailed below.

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Name	Date Sold	Property Type	Square Feet	Sale Price	Net Cash Proceeds	Gain on Sale of Real Estate
(dollars in millions)						
2018						
500 E Street, S.W.	January 9, 2018	Office	262,000	\$ 118.6	\$ 116.1	\$ 96.4
91 Hartwell Avenue	May 24, 2018	Office	119,000	22.2	21.7	15.5
Quorum Office Park	September 27, 2018	Office	268,000	35.3	34.3	7.9
1333 New Hampshire Avenue	November 30, 2018	Office	315,000	142.0	133.7	44.4
Tower Oaks	December 20, 2018	Land	N/A	46.0	25.9	15.7
			964,000	\$ 364.1	\$ 331.7	\$ 179.9(1)
2017						
30 Shattuck Road	April 19, 2017	Land	N/A	\$ 5.0	\$ 5.0	\$ 3.7
40 Shattuck Road	June 13, 2017	Office	122,000	12.0	11.9	— (2)
Reston Eastgate	August 30, 2017	Land	N/A	14.0	13.2	2.8
			122,000	\$ 31.0	\$ 30.1	\$ 6.5 (3)

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

(2) The gain on sale of real estate for this property was \$28,000.

(3) Excludes approximately \$1.1 million of gains on sale of real estate recognized during the year ended December 31, 2017 related to a previously deferred gain amount from sales of real estate occurring in prior years.

Boston Properties Limited Partnership

Gains on sales of real estate increased by approximately \$182.5 million for the year ended December 31, 2018 compared to 2017, as detailed below.

Name	Date Sold	Property Type	Square Feet	Sale Price	Net Cash Proceeds	Gain on Sale of Real Estate
(dollars in millions)						
2018						
500 E Street, S.W.	January 9, 2018	Office	262,000	\$ 118.6	\$ 116.1	\$ 98.9
91 Hartwell Avenue	May 24, 2018	Office	119,000	22.2	21.7	15.9
Quorum Office Park	September 27, 2018	Office	268,000	35.3	34.3	9.2
1333 New Hampshire Avenue	November 30, 2018	Office	315,000	142.0	133.7	48.4
Tower Oaks	December 20, 2018	Land	N/A	46.0	25.9	15.7
			964,000	\$ 364.1	\$ 331.7	\$ 188.1(1)
2017						
30 Shattuck Road	April 19, 2017	Land	N/A	\$ 5.0	\$ 5.0	\$ 3.7
40 Shattuck Road	June 13, 2017	Office	122,000	12.0	11.9	0.6
Reston Eastgate	August 30, 2017	Land	N/A	14.0	13.2	2.8
			122,000	\$ 31.0	\$ 30.1	\$ 7.1 (2)

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

(2)

Excludes approximately \$1.1 million of gains on sale of real estate recognized during the year ended December 31, 2017 related to a previously deferred gain amount from sales of real estate occurring in prior years.

Interest and Other Income

Interest and other income increased by approximately \$5.0 million for the year ended December 31, 2018 compared to 2017 due primarily to an increase in interest rates.

Table of Contents**Gains (Losses) from Investments in Securities**

Gains (losses) from investments in securities for the years ended December 31, 2018 and 2017 related to investments that we have made to reduce our market risk relating to a deferred compensation plan that we maintain for BXP's officers. Under this deferred compensation plan, each officer who is eligible to participate is permitted to defer a portion of the officer's current income on a pre-tax basis and receive a tax-deferred return on these deferrals based on the performance of specific investments selected by the officer. In order to reduce our market risk relating to this plan, we typically acquire, in a separate account that is not restricted as to its use, similar or identical investments as those selected by each officer. This enables us to generally match our liabilities to officers of BXP under the deferred compensation plan with equivalent assets and thereby limit our market risk. The performance of these investments is recorded as gains from investments in securities. During the years ended December 31, 2018 and 2017, we recognized gains (losses) of approximately \$(1.9) million and \$3.7 million, respectively, on these investments. By comparison, our general and administrative expense increased (decreased) by approximately \$(1.9) million and \$3.7 million during the years ended December 31, 2018 and 2017, respectively, as a result of increases (decrease) in our liability under our deferred compensation plan that were associated with the performance of the specific investments selected by officers of BXP participating in the plan.

Gains (Losses) from Early Extinguishments of Debt

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

On December 17, 2017, BPLP completed the redemption of \$850 million in aggregate principal amount of its 3.700% senior notes due November 15, 2018. The redemption price was approximately \$865.5 million, which included approximately \$2.8 million of accrued and unpaid interest to, but not including, the redemption date. Excluding the accrued and unpaid interest, the redemption price was approximately 101.49% of the principal amount being redeemed. We recognized a loss from early extinguishment of debt totaling approximately \$13.9 million, which amount included the payment of the redemption premium totaling approximately \$12.7 million.

On June 7, 2017, our consolidated entity in which we have a 60% ownership interest and that owns 767 Fifth Avenue (the General Motors Building) located in New York City completed the refinancing of approximately \$1.6 billion of indebtedness that had been secured by direct and indirect interests in 767 Fifth Avenue. The new mortgage financing has a principal amount of \$2.3 billion, bears interest at a fixed interest rate of 3.43% per annum and matures on June 9, 2027. The loan requires monthly interest-only payments during the 10-year term of the loan, with the entire principal amount due at maturity. The extinguished debt bore interest at a weighted-average rate of approximately 5.96% per annum, an effective GAAP interest rate of approximately 3.03% per annum and was scheduled to mature on October 7, 2017. There was no prepayment penalty associated with the repayment of the prior indebtedness. We recognized a net gain from early extinguishment of debt totaling approximately \$14.6 million primarily consisting of the acceleration of the remaining balance related to the historical fair value debt adjustment.

On April 24, 2017, BPLP entered into the 2017 Credit Facility (See Note 8 to the Consolidated Financial Statements). Certain lenders, under the prior credit facility, chose to not participate in the 2017 Credit Facility and as such we recognized a loss on early extinguishment of debt of approximately \$0.3 million related to the acceleration of finance fees associated with the prior credit agreement.

Impairment Losses

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

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

During the three months ended December 31, 2018, we reevaluated our strategy for the sale of our 2600 Tower Oaks Boulevard property. Based on a shorter than expected hold period, we reduced the carrying value of the property to its estimated fair value at December 31, 2018 and recognized an impairment loss totaling approximately \$3.1 million for BXP and approximately \$1.5 million for BPLP. Our estimated fair value was based on a pending offer for the sale of the property. 2600 Tower Oaks Boulevard is an approximately 179,000 net rentable square foot Class A office property (See Note 19 to the Consolidated Financial Statements).

Interest Expense

Interest expense increased by approximately \$3.7 million for the year ended December 31, 2018 compared to 2017 as detailed below.

Component	Change in interest expense for the year ended December 31, 2018 compared to December 31, 2017 (in thousands)
Increases to interest expense due to:	
Issuance of \$850 million in aggregate principal of 3.200% senior notes due 2025 on December 4, 2017	\$ 25,383
Refinancing of the debt collateralized by 767 Fifth Avenue (the General Motors Building)	15,448
Utilization of the 2017 Credit Facility (1)	12,082
Issuance of \$1 billion in aggregate principal of 4.500% senior notes due 2028 on November 28, 2018	4,148
Other interest expense (excluding senior notes)	153
Total increases to interest expense	57,214
Decreases to interest expense due to:	
Redemption of \$850 million in aggregate principal of 3.700% senior notes due 2018 on December 17, 2017	(30,519)
Decrease in the interest for the Outside Members' Notes Payable for the 767 Fifth Avenue (the General Motors Building) (2)	(16,256)
Increase in capitalized interest	(4,696)
Redemption of \$700 million in aggregate principal of 5.875% senior notes due 2019 on December 13, 2018	(2,056)
Total decreases to interest expense	(53,527)
Total change in interest expense	\$ 3,687

(1) See Note 8 to the Consolidated Financial Statements.

The related interest expense from the Outside Members' Notes Payable totaled approximately \$16.3 million for the year ended December 31, 2017. These amounts are allocated to the outside joint venture partners as an adjustment (2) to Noncontrolling Interests in Property Partnerships in our Consolidated Statements of Operations. On June 7, 2017, a portion of the outside members' notes payable was repaid and the remaining portion was contributed as equity in the consolidated entity.

Interest expense directly related to the development of rental properties is capitalized and included in real estate assets on our Consolidated Balance Sheets and amortized over the useful lives of the real estate or lease term. As portions of properties are placed in-service, we cease capitalizing interest on that portion and interest is

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then expensed. Interest capitalized for the years ended December 31, 2018 and 2017 were approximately \$65.8 million and \$61.1 million, respectively. These costs are not included in the interest expense referenced above. At December 31, 2018, our variable rate debt consisted of BPLP's \$500.0 million Delayed Draw Facility and \$1.5 billion Revolving Facility. The Revolving Facility did not have any borrowings outstanding as of December 31, 2018. The Delayed Draw Facility had \$500.0 million outstanding as of December 31, 2018. For a summary of our consolidated debt as of December 31, 2018 and December 31, 2017 refer to the heading "Liquidity and Capital Resources—Capitalization—Debt Financing" within "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."

Noncontrolling Interests in Property Partnerships

Noncontrolling interests in property partnerships increased by approximately \$15.1 million for the year ended December 31, 2018 compared to 2017, as detailed below.

Property	Noncontrolling Interests in Property Partnerships for the year ended December 31,		
	2018	2017	Change
	(in thousands)		
Salesforce Tower (1)	\$(439)	\$(528)	\$89
767 Fifth Avenue (the General Motors Building) (2)	1,791	(1,913)	3,704
Times Square Tower	26,997	26,808	189
601 Lexington Avenue (3)	18,802	10,317	8,485
100 Federal Street (4)	6,350	3,722	2,628
Atlantic Wharf Office Building	9,408	9,426	(18)
	\$62,909	\$47,832	\$15,077

(1) See Notes 10 and 19 to the Consolidated Financial Statements.

On June 7, 2017, our consolidated entity in which we have a 60% interest completed the refinancing of indebtedness that had been secured by direct and indirect interests in 767 Fifth Avenue. The net loss allocation was primarily due to the partners' share of the interest expense for the outside members' notes payable which was \$16.3 million for the year ended December 31, 2017. However, during the year ended December 31, 2017, we recognized a net gain from early extinguishment of debt totaling approximately \$14.6 million primarily consisting of the acceleration of the remaining balance related to the historical fair value debt adjustments and as a result, this contributed to the property having a reduced net loss allocation. In addition, during the year ended December 31, 2017, we accelerated the depreciation and amortization related to capital improvements being performed at the building and had approximately \$14.2 million of termination income. Neither of these items reoccurred during the year ended December 31, 2018.

On August 19, 2016, the consolidated entity in which we have a 55% interest and that owns this property commenced the redevelopment of the six-story low-rise office and retail building component of the complex. The redeveloped portion of the low-rise building will contain approximately 195,000 net rentable square feet of Class A office space and approximately 25,000 net rentable square feet of retail space. We will capitalize incremental costs during the redevelopment. In addition, real estate operating expenses for the year ended December 31, 2017 included approximately \$5.8 million of demolition costs, which did not reoccur during the year ended December 31, 2018.

(4) The year ended December 31, 2018 included an increase in rental revenue from our tenants.

Noncontrolling Interest—Common Units of the Operating Partnership

For BXP, noncontrolling interest—common units of the Operating Partnership increased by approximately \$14.6 million for the year ended December 31, 2018 compared to 2017 due primarily to an increase in allocable income, which was the result of recognizing a greater gain on sales of real estate amount during 2018, partially offset by a decrease in the noncontrolling interest's ownership percentage. Due to our ownership structure, there is no corresponding line item on

BPLP's financial statements.

Results of Operations for the Years Ended December 31, 2017 and 2016

Net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders decreased approximately \$50.3 million and \$62.5 million for the years ended December 31, 2017 compared to 2016, respectively, as detailed in the following tables

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and for the reasons discussed below under the heading “Comparison of the year ended December 31, 2017 to the year ended December 31, 2016” within “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The following are reconciliations of Net Income Attributable to Boston Properties, Inc. Common Shareholders to Net Operating Income and Net Income Attributable to Boston Properties Limited Partnership Common Unitholders to Net Operating Income for the years ended December 31, 2017 and 2016 (in thousands):

Boston Properties, Inc.

	Total Property Portfolio		Increase/ (Decrease)	% Change	
	2017	2016			
Net Income Attributable to Boston Properties, Inc. Common Shareholders	\$451,939	\$502,285	\$(50,346)	(10.02))%
Preferred dividends	10,500	10,500	—	—)%
Net Income Attributable to Boston Properties, Inc.	462,439	512,785	(50,346)	(9.82))%
Net Income Attributable to Noncontrolling Interests:					
Noncontrolling interest—common units of the Operating Partnership	52,210	59,260	(7,050)	(11.90))%
Noncontrolling interests in property partnerships	47,832	(2,068)	) 49,900	2,412.96)%
Net Income	562,481	569,977	(7,496)	(1.32))%
Other Expenses:					
Add:					
Losses from interest rate contracts	—	140	(140)	(100.00))%
Interest expense	374,481	412,849	(38,368)	(9.29))%
Impairment losses	—	1,783	(1,783)	(100.00))%
Other Income:					
Less:					
Gains (losses) from early extinguishments of debt	496	(371)	) 867	233.69)%
Gains from investments in securities	3,678	2,273	1,405	61.81)%
Interest and other income	5,783	7,230	(1,447)	(20.01))%
Gains on sales of real estate	7,663	80,606	(72,943)	(90.49))%
Gain on sale of investment in unconsolidated joint venture	—	59,370	(59,370)	(100.00))%
Income from unconsolidated joint ventures	11,232	8,074	3,158	39.11)%
Other Expenses:					
Add:					
Depreciation and amortization expense	617,547	694,403	(76,856)	(11.07))%
Transaction costs	668	2,387	(1,719)	(72.02))%
General and administrative expense	113,715	105,229	8,486	8.06)%
Other Revenue:					
Less:					
Development and management services revenue	34,605	28,284	6,321	22.35)%
Net Operating Income	\$1,605,435	\$1,601,302	\$4,133	0.26)%

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Boston Properties Limited Partnership

	Total Property Portfolio		Increase/	%	
	2017	2016	(Decrease)	Change	
Net Income Attributable to Boston Properties Limited Partnership Common Unitholders	\$512,866	\$575,341	\$(62,475)	(10.86)	%
Preferred distributions	10,500	10,500	—	—	%
Net Income Attributable to Boston Properties Limited Partnership	523,366	585,841	(62,475)	(10.66)	%
Net Income Attributable to Noncontrolling Interests:					
Noncontrolling interests in property partnerships	47,832	(2,068)	49,900	2,412.96	%
Net Income	571,198	583,773	(12,575)	(2.15)	%
Other Expenses:					
Add:					
Losses from interest rate contracts	—	140	(140)	(100.00)	%
Interest expense	374,481	412,849	(38,368)	(9.29)	%
Impairment losses	—	1,783	(1,783)	(100.00)	%
Other Income:					
Less:					
Gains (losses) from early extinguishments of debt	496	(371)	867	233.69	%
Gains from investments in securities	3,678	2,273	1,405	61.81	%
Interest and other income	5,783	7,230	(1,447)	(20.01)	%
Gains on sales of real estate	8,240	82,775	(74,535)	(90.05)	%
Gain on sale of investment in unconsolidated joint venture	—	59,370	(59,370)	(100.00)	%
Income from unconsolidated joint ventures	11,232	8,074	3,158	39.11	%
Other Expenses:					
Add:					
Depreciation and amortization expense	609,407	682,776	(73,369)	(10.75)	%
Transaction costs	668	2,387	(1,719)	(72.02)	%
General and administrative expense	113,715	105,229	8,486	8.06	%
Other Revenue:					
Less:					
Development and management services revenue	34,605	28,284	6,321	22.35	%
Net Operating Income	\$1,605,435	\$1,601,302	\$4,133	0.26	%

Comparison of the year ended December 31, 2017 to the year ended December 31, 2016

The table below shows selected operating information for the Same Property Portfolio and the Total Property Portfolio. The Same Property Portfolio consists of 144 properties totaling approximately 38.7 million net rentable square feet of space, excluding unconsolidated joint ventures. The Same Property Portfolio includes properties acquired or placed in-service on or prior to January 1, 2016 and owned and in service through December 31, 2017. The Total Property Portfolio includes the effects of the other properties either placed in-service, acquired or in development or redevelopment after January 1, 2016 or disposed of on or prior to December 31, 2017. This table includes a reconciliation from the Same Property Portfolio to the Total Property Portfolio by also providing information for the years ended December 31, 2017 and 2016 with respect to the properties which were placed in-service, acquired, in development or redevelopment or sold.

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	Same Property Portfolio				Properties Acquired Portfolio		Properties Placed In-Service Portfolio		Properties in Development or Redevelopment Portfolio		Pro Sol	
	(dollars in thousands) 2017	2016	Increase/ (Decrease)	% Change	2017	2016	2017	2016	2017	2016		2017
Rental Revenue:												
Rental Revenue	\$2,395,910	\$2,329,295	\$66,615	2.86 %	\$7,669	\$3,929	\$73,414	\$45,814	\$4,375	\$18,913	\$8	
Termination Income	24,467	60,183	(35,716)	(59.35)%	6	—	—	—	(1,415)	(890)	—	
Total Rental Revenue	2,420,377	2,389,478	30,899	1.29 %	7,675	3,929	73,414	45,814	2,960	18,023	84	
Real Estate Operating Expenses												
Operating Expenses	887,538	856,637	30,901	3.61 %	2,065	857	21,996	11,564	11,387	11,745	68	
Net Operating Income (Loss), Excluding Residential and Hotel (1)												
Residential Net Operating Income	10,294	10,246	48	0.47 %	—	—	—	—	—	(623)	—	
Hotel Net Operating Income (2)	13,544	13,418	126	0.94 %	—	—	—	—	—	—	—	
Consolidated Net Operating Income (Loss) (1) (2)												
Operating Income (Loss) (1) (2)	\$1,556,677	\$1,556,505	\$172	0.01 %	\$5,610	\$3,072	\$51,418	\$34,250	\$(8,427)	\$5,655	\$1	

(1) The change in the Same Property Portfolio was driven by the decrease in termination income. For additional information, see page 79.

For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see page 64. Residential Net Operating Income for the year ended December 31, 2017 and 2016 are comprised of Residential Revenue of \$16,596 and \$16,699 less Residential Expenses of \$6,302 and \$7,076, respectively. Hotel Net Operating Income for the year ended December 31, 2017 and 2016 are comprised of Hotel Revenue of \$45,603 and \$44,884 less Hotel Expenses of \$32,059 and \$31,466, respectively, per the Consolidated Statements of Operations.

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Same Property Portfolio

Rental Revenue

Rental revenue from the Same Property Portfolio increased by approximately \$66.6 million for the year ended December 31, 2017 compared to 2016. The increase was primarily the result of an increase in revenue from our leases and parking and other income of approximately \$62.9 million and \$4.6 million, respectively, partially offset by decreases in other recoveries of approximately \$0.9 million. Rental revenue from our leases increased by approximately \$62.9 million as a result of our average revenue per square foot increasing by approximately \$1.70, contributing approximately \$62.5 million, and an approximately \$0.4 million increase due to our average occupancy increasing from 91.53% to 91.54%.

Termination Income

Termination income decreased by approximately \$35.7 million for the year ended December 31, 2017 compared to 2016.

Termination income for the year ended December 31, 2017 resulted from the termination of 33 tenants across the Same Property Portfolio which totaled approximately \$24.5 million of which approximately \$21.3 million was attributable to the New York Region. The remaining approximately \$2.8 million of termination income was primarily related to the Washington, DC region. In addition, we received the fifth interim distribution from our unsecured creditor's claim against Lehman Brothers, Inc. of approximately \$0.4 million (See Note 9 to the Consolidated Financial Statements).

Termination income for the year ended December 31, 2016 resulted from the termination of 35 tenants across the Same Property Portfolio which totaled approximately \$60.2 million of which approximately \$58.8 million was from our New York region. On February 3, 2016, we entered into a lease termination agreement with a tenant for an approximately 85,000 square foot lease at our 250 West 55th Street property located in New York City. The lease was scheduled to expire on February 28, 2035. In consideration for the termination of the lease, the tenant paid us approximately \$45.0 million. The remaining approximately \$12.4 million of termination income from the New York region was primarily related to negotiated early releases with three other tenants. In addition, during the year ended December 31, 2016, we received the fourth interim distribution from our unsecured creditor's claim against Lehman Brothers, Inc. of approximately \$1.4 million.

Real Estate Operating Expenses

Real estate operating expenses from the Same Property Portfolio increased by approximately \$30.9 million, or 3.6%, for the year ended December 31, 2017 compared to 2016, due primarily to increases in real estate taxes and other real estate operating expenses of approximately \$17.8 million, or 4.3%, and \$13.1 million, or 2.7%, respectively. The increase in real estate taxes was primarily experienced in the New York CBD properties.

Properties Acquired Portfolio

The table below lists the properties acquired between January 1, 2016 and December 31, 2017. Rental revenue and real estate operating expenses increased by approximately \$3.7 million and \$1.2 million, respectively for the year ended December 31, 2017 compared to 2016, as detailed below.

Name	Date acquired	Square Feet	Rental Revenue			Real Estate Operating Expenses		
			2017	2016	Change	2017	2016	Change
(dollars in thousands)								
3625-3635 Peterson Way	April 22, 2016	218,366	\$5,936	\$3,929	\$2,007	\$1,227	\$857	\$370
103 Carnegie Center (1)	May 15, 2017	96,332	1,739	—	1,739	838	—	838
		314,698	\$7,675	\$3,929	\$3,746	\$2,065	\$857	\$1,208

(1) Rental revenue includes termination income of approximately \$6,000 for the year ended December 31, 2017.

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Properties Placed In-Service Portfolio

The table below lists the properties that were placed in-service or partially placed in-service between January 1, 2016 and December 31, 2017. Rental revenue and real estate operating expenses from our Properties Placed In-Service Portfolio increased by approximately \$27.6 million and \$10.4 million, respectively, for the year ended December 31, 2017 compared to 2016, as detailed below.

Name	Quarter Initially Placed In-Service	Quarter Fully Placed In-Service	Square Feet	Rental Revenue			Real Estate Operating Expenses			
				2017	2016	Change	2017	2016	Change	
(dollars in thousands)										
601 Massachusetts Avenue	Third Quarter, 2015	Second Quarter, 2016	478,818	\$37,987	\$34,050	\$3,937	\$9,827	\$7,919	\$1,908	
804 Carnegie Center	Second Quarter, 2016	Second Quarter, 2016	130,000	5,584	3,947	1,637	1,400	1,385	15	
10 CityPoint	Second Quarter, 2016	Second Quarter, 2016	241,199	11,657	5,540	6,117	3,480	1,334	2,146	
Reservoir Place North	Second Quarter, 2016	Second Quarter, 2017	73,258	—	(8)	) 8	346	116	230
888 Boylston Street	Third Quarter, 2016	Third Quarter, 2017	417,000	17,486	2,285	15,201	6,597	810	5,787	
191 Spring Street	Fourth Quarter, 2017	N/A	171,000	29	—	29	55	—	55	
Salesforce Tower	Fourth Quarter, 2017	N/A	1,400,000	671	—	671	291	—	291	
				2,911,275	\$73,414	\$45,814	\$27,600	\$21,996	\$11,564	\$10,432

Properties in Development or Redevelopment Portfolio

The table below lists the properties were in development or redevelopment between January 1, 2016 and December 31, 2017. Rental revenue and real estate operating expenses from our Properties in Development or Redevelopment Portfolio decreased by approximately \$15.1 million and \$0.4 million for the year ended December 31, 2017 compared to 2016, respectively.

Name	Date Commenced Development / Redevelopment	Square Feet	Rental Revenue			Real Estate Operating Expenses				
			2017	2016	Change	2017	2016	Change		
(dollars in thousands)										
One Five Nine East 53rd Street (1)	August 19, 2016	220,000	\$2,218	\$11,530	\$(9,312)	\$7,368	\$8,173	\$(805)		
191 Spring Street (2)	December 29, 2016	171,000	—	2,813	(2,813)	2,843	2,025	818		
145 Broadway (3)	April 6, 2017	79,616	742	3,680	(2,938)	1,176	1,547	(371)		
				470,616	\$2,960	\$18,023	\$(15,063)	\$11,387	\$11,745	\$(358)

This is the low-rise portion of 601 Lexington Avenue in New York City. Rental revenue includes termination income of approximately \$(1.4) million and \$(0.9) million for the years ended December 31, 2017 and 2016, respectively. In addition, real estate operating expense includes demolition costs of approximately \$5.8 million and \$2.3 million for the years ended December 31, 2017 and 2016, respectively.

(1) Real estate operating expenses includes demolition costs of approximately \$2.8 million and \$0.3 million for the years ended December 31, 2017 and 2016, respectively.

(2) On April 6, 2017, we commenced the development of 145 Broadway, a build-to-suit Class A office project with approximately 485,000 net rentable square feet located in Cambridge, Massachusetts. Real estate operating expenses for the year ended December 31, 2017 includes approximately \$0.8 million of demolition costs. In addition, during the year ended December 31, 2016, we had approximately \$0.6 million of demolition costs related to our Proto Kendall Square residential development project.

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Properties Sold Portfolio

The table below lists the properties we sold between January 1, 2016 and December 31, 2017. Rental revenue and real estate operating expenses from our Properties Sold Portfolio decreased by approximately \$2.9 million and \$1.2 million, respectively, for the year ended December 31, 2017 compared to 2016, as detailed below.

Name	Date Sold	Property Type	Square Feet	Rental Revenue			Real Estate Operating Expenses		
				2017	2016	Change	2017	2016	Change
(dollars in thousands)									
415 Main Street	February 1, 2016	Office	231,000	\$—	\$ 1,675	\$(1,675)	\$—	\$ 412	\$(412)
30 Shattuck Road	April 19, 2017	Land	N/A	—	—	—	14	46	(32)
40 Shattuck Road	June 13, 2017	Office	122,000	846	2,034	(1,188)	599	1,301	(702)
Reston Eastgate	August 30, 2017	Land	N/A	—	—	—	76	130	(54)
			353,000	\$ 846	\$ 3,709	\$(2,863)	\$ 689	\$ 1,889	\$(1,200)

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

Other Operating Income and Expense Items

Residential Net Operating Income

Net operating income for our residential same properties increased by approximately \$48,000 for the year ended December 31, 2017 compared to 2016.

The following reflects our occupancy and rate information for The Lofts at Atlantic Wharf and The Avant at Reston Town Center for the years ended December 31, 2017 and 2016.

	The Lofts at Atlantic Wharf			The Avant at Reston Town Center		
	2017	2016	Percentage Change	2017	2016	Percentage Change
Average Monthly Rental Rate (1)	\$4,245	\$4,154	2.2 %	\$2,391	\$2,385	0.3 %
Average Rental Rate Per Occupied Square Foot	\$4.70	\$4.61	2.0 %	\$2.64	\$2.62	0.8 %
Average Physical Occupancy (2)	94.3 %	95.6 %	(1.4)%	93.8 %	93.6 %	0.2 %
Average Economic Occupancy (3)	94.8 %	96.5 %	(1.8)%	92.7 %	93.6 %	(1.0)%

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

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

Average Economic Occupancy is defined as (1) total possible revenue less vacancy loss divided by (2) total possible revenue, expressed as a percentage. Total possible revenue is determined by valuing average occupied units at contract rates and average vacant units at Market Rents. Vacancy loss is determined by valuing vacant units at current Market Rents. By measuring vacant units at their Market Rents, Average Economic Occupancy (3) takes into account the fact that units of different sizes and locations within a residential property have different economic impacts on a residential property’s total possible gross revenue. Market Rents used by us in calculating Economic Occupancy are based on the current market rates set by the managers of our residential properties based on their experience in renting their residential property’s units and publicly available market data. Trends in market rents for a region as reported by others could vary. Market Rents for a period are based on the average Market Rents during that period and do not reflect any impact for cash concessions.

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Hotel Net Operating Income

Net operating income for the Boston Marriott Cambridge hotel property increased by approximately \$0.1 million for the year ended December 31, 2017 compared to 2016.

The following reflects our occupancy and rate information for the Boston Marriott Cambridge hotel for the years ended December 31, 2017 and 2016.

	2017	2016	Percentage Change	
Occupancy	79.9	% 79.5	% 0.5	%
Average daily rate	\$276.67	\$271.38	1.9	%
REVPAR	\$221.17	\$215.71	2.5	%

Other Operating Income and Expense Items

Development and Management Services Revenue

Development and management services revenue increased by approximately \$6.3 million for the year ended December 31, 2017 compared to 2016. Development revenue and management services revenue increased by approximately \$4.0 million and \$2.3 million, respectively. The increase in development revenue is primarily related to an approximately \$2.5 million development fee we received as a result of a third-party terminating their development agreement with us. The remaining increase in development revenue was from a third-party development agreement in the Boston region and from our unconsolidated joint ventures that are developing Dock 72 in Brooklyn, New York and The Hub on Causeway in Boston, Massachusetts. Management services revenue increased primarily due to property management fees we earned from our unconsolidated joint venture, that acquired Colorado Center in Santa Monica, California on July 1, 2016, as well as an increase in service income that we earned from our tenants in our New York region.

General and Administrative Expense

General and administrative expense increased by approximately \$8.5 million for the year ended December 31, 2017 compared to 2016 primarily due to compensation expense and other general and administrative expenses increasing by approximately \$7.2 million and \$1.3 million, respectively. The increase in compensation expense was primarily related to (1) an approximately \$1.4 million increase in the value of our deferred compensation plan, (2) an approximately \$2.8 million difference between the unrecognized expense remaining from the 2014 MYLTIP Units compared to the expense that was recognized during year ended December 31, 2017 for the 2017 MYLTIP Units (See Notes 10 and 16 to the Consolidated Financial Statements) and (3) an increase in other compensation related expenses of approximately \$3.0 million. The increase in other general and administrative expenses was primarily related to the write-off of the remaining fees associated with BXP's ATM stock offering program that was scheduled to expire on June 3, 2017 and an increase in other professional fees.

Wages directly related to the development and leasing of rental properties are capitalized and included in real estate assets or deferred charges on our Consolidated Balance Sheets and amortized over the useful lives of the applicable asset or lease term. Capitalized wages for the years ended December 31, 2017 and 2016 were approximately \$18.6 million and \$18.3 million, respectively. These costs are not included in the general and administrative expenses discussed above.

Transaction Costs

Transaction costs decreased by approximately \$1.7 million for the year ended December 31, 2017 compared to 2016. This decrease was primarily related to the acquisition of 3625-3635 Peterson Way in Santa Clara, California, on April 22, 2016, and the acquisition of a 49.8% interest in an existing joint venture that owns and operates Colorado Center in Santa Monica, California on July 1, 2016. In general, transaction costs relate to the formation of new and pending joint ventures, pending and completed asset sales and the pursuit of other transactions, including acquisitions are expensed. However, in January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" and we chose to early adopt it during the first quarter of 2017. We expect that acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets) or because the

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acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay (See Note 2 to the Consolidated Financial Statements).

Depreciation and Amortization Expense

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

Boston Properties, Inc.

Depreciation and amortization expense decreased by approximately \$76.9 million for the year ended December 31, 2017 compared to 2016, as detailed below.

Portfolio	Depreciation and Amortization for the year ended December 31,		
	2017	2016	Change
	(in thousands)		
Same Property Portfolio (1)	\$593,366	\$624,716	\$(31,350)
Properties Placed in-Service Portfolio	15,815	8,913	6,902
Properties Acquired Portfolio	5,044	2,693	2,351
Properties in Development or Redevelopment Portfolio (2)	3,050	57,184	(54,134)
Properties Sold Portfolio	272	897	(625)
	\$617,547	\$694,403	\$(76,856)

We commenced several repositioning and capital improvement projects during the year ended December 31, 2016 (1) and as a result accelerated depreciation and amortization on the portion of the building that was being repositioned or undergoing capital improvements.

On August 19, 2016, the consolidated entity in which we have a 55% interest and that owns 601 Lexington Avenue located in New York City commenced the redevelopment of the six-story, low-rise office and retail building component of the complex. The redeveloped portion of the low-rise building will contain approximately 195,000 (2) net rentable square feet of Class A office space and approximately 25,000 net rentable square feet of retail space.

As a result, during the year ended December 31, 2016, we recorded approximately \$50.8 million, including \$3.2 million related to the step-up of real estate assets, of accelerated depreciation expense for the portion of the complex that was demolished.

Boston Properties Limited Partnership

Depreciation and amortization expense decreased by approximately \$73.4 million for the year ended December 31, 2017 compared to 2016, as detailed below.

Portfolio	Depreciation and Amortization for the year ended December 31,		
	2017	2016	Change
	(in thousands)		
Same Property Portfolio (1)	\$585,226	\$616,669	\$(31,443)
Properties Placed in-Service Portfolio	15,815	8,913	6,902
Properties Acquired Portfolio	5,044	2,693	2,351
Properties in Development or Redevelopment Portfolio (2)	3,050	53,604	(50,554)
Properties Sold Portfolio	272	897	(625)
	\$609,407	\$682,776	\$(73,369)

We commenced several repositioning and capital improvement projects during the year ended December 31, 2016 (1) and as a result accelerated depreciation and amortization on the portion of the building that was being repositioned or undergoing capital improvements.

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On August 19, 2016, the consolidated entity in which we have a 55% interest and that owns 601 Lexington Avenue located in New York City commenced the redevelopment of the six-story, low-rise office and retail building component of the complex. The redeveloped portion of the low-rise building will contain approximately 195,000 net rentable square feet of Class A office space and approximately 25,000 net rentable square feet of retail space. We recorded approximately \$47.6 million of accelerated depreciation expense for the portion of the complex that was demolished.

Other Income and Expense Items**Income from Unconsolidated Joint Ventures**

For the year ended December 31, 2017 compared to 2016, income from unconsolidated joint ventures increased by approximately \$3.2 million due to an approximately \$8.1 million increase in our share of net income which primarily resulted from the joint venture that owns Colorado Center in Santa Monica, California and our 901 New York Avenue joint venture in Washington, DC. These increases were partially offset by an approximately \$4.9 million decrease in our share of net income, which primarily resulted from our Annapolis Junction and Market Square North joint ventures located in the Washington, DC region.

On July 28, 2017, the joint venture that owns Colorado Center, which we acquired on July 1, 2016, obtained mortgage loan financing, which increased interest expense and reduced the net income for the joint venture. The increase in net income from our 901 New York Avenue joint venture was related to our allocation of income and distributions for the year ended December 31, 2017. Due to our economic ownership interest as a result of the achievement of specified investment return thresholds, as provided for in the joint venture agreement, a disproportionate distribution was made by the joint venture to us.

The decrease in our share of net income from our Annapolis Junction joint venture is primarily due to a decrease in occupancy and an increase in interest expense related to Annapolis Junction Building One's mortgage loan having an event of default and, commencing October 17, 2016, being charged interest at the default interest rate. The decrease in net income from our Market Square North joint venture was primarily related to an increase in depreciation expense. For additional information pertaining to the Annapolis Junction Building One mortgage loan refer to "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Capitalization—Off-Balance Sheet Arrangements—Joint Venture Indebtedness."

Gain on Sale of Investment in Unconsolidated Joint Venture

On October 20, 2016, we and our partner in the unconsolidated joint venture that owns Metropolitan Square located in Washington, DC, completed the sale of an 80% interest in the joint venture for a gross sale price of approximately \$282.4 million, including the assumption by the buyer of its pro rata share of the mortgage loan collateralized by the property totaling approximately \$133.4 million. In addition, the buyer agreed to assume certain unfunded leasing costs totaling approximately \$14.2 million. Net proceeds to us totaled approximately \$58.2 million, resulting in a gain on sale of investment totaling approximately \$59.4 million. Prior to the sale, we owned a 51% interest and our partner owned a 49% interest in the joint venture. Following the sale, we continue to own a 20% interest in the joint venture with the buyer owning the remaining 80%. Metropolitan Square is an approximately 607,000 net rentable square foot Class A office property.

Gains on Sales of Real Estate

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

Boston Properties, Inc.

Gains on sales of real estate decreased by approximately \$72.9 million for the year ended December 31, 2017 compared to 2016, respectively, as detailed below.

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Name	Date sold	Property Type	Square Feet	Sale Price	Cash Proceeds	Gain on Sale of Real Estate
(dollars in millions)						
2017						
30 Shattuck Road	April 19, 2017	Land	N/A	\$5.0	\$ 5.0	\$ 3.7
40 Shattuck Road	June 13, 2017	Office	122,000	12.0	11.9	— (1)
Reston Eastgate	August 30, 2017	Land	N/A	14.0	13.2	2.8
				\$31.0	\$ 30.1	\$ 6.5 (2)
2016						
415 Main Street	February 1, 2016	Office	231,000	\$105.4	\$ 104.9	\$ 60.8
Broad Run Business Park	August 16, 2016	Land	N/A	18.0	17.9	13.0
				\$123.4	\$ 122.8	\$ 73.8 (3)

(1) The gain on sale of real estate for this property was \$28,000.

(2) Excludes approximately \$1.1 million of gains on sale of real estate recognized during the year ended December 31, 2017 related to a previously deferred gain amount from sales of real estate occurring in prior years.

(3) Excludes approximately \$6.8 million of a gain on sale of real estate recognized during the year ended December 31, 2016 related to a previously deferred gain amount from the 2014 sale of Patriots Park located in Reston, Virginia.

Boston Properties Limited Partnership

Gains on sales of real estate decreased by approximately \$74.5 million for the year ended December 31, 2017 compared to 2016, respectively, as detailed below.

Name	Date sold	Property Type	Square Feet	Sale Price	Cash Proceeds	Gain on Sale of Real Estate
(dollars in millions)						
2017						
30 Shattuck Road	April 19, 2017	Land	N/A	\$5.0	\$ 5.0	\$ 3.7
40 Shattuck Road	June 13, 2017	Office	122,000	12.0	11.9	0.6
Reston Eastgate	August 30, 2017	Land	N/A	14.0	13.2	2.8
				\$31.0	\$ 30.1	\$ 7.1 (1)
2016						
415 Main Street	February 1, 2016	Office	231,000	\$105.4	\$ 104.9	\$ 63.0
Broad Run Business Park	August 16, 2016	Land	N/A	18.0	17.9	13.0
				\$123.4	\$ 122.8	\$ 76.0 (2)

(1) Excludes approximately \$1.1 million of gains on sale of real estate recognized during the year ended December 31, 2017 related to a previously deferred gain amount from sales of real estate occurring in prior years.

(2) Excludes approximately \$6.8 million of a gain on sale of real estate recognized during the year ended December 31, 2016 related to a previously deferred gain amount from the 2014 sale of Patriots Park located in Reston, Virginia.

Interest and Other Income

Interest and other income decreased by approximately \$1.4 million for the year ended December 31, 2017 compared to 2016 due primarily to a decrease in other income of approximately \$2.6 million, partially offset by an increase in interest income of approximately \$1.2 million. The decrease in other income was primarily due to an approximately \$1.3 million tax credit that we received from our Washington, DC region and approximately \$1.7 million related to the sale of historic tax credits at The Lofts at Atlantic Wharf in Boston, Massachusetts, in each case during 2016. Neither of these items recurred during 2017. These decreases were partially offset by an increase in the income from a purchase rebate program in which we participate.

On October 20, 2010, we closed a transaction with a financial institution (the “HTC Investor”) related to the historic rehabilitation of The Lofts at Atlantic Wharf in Boston, Massachusetts. The HTC Investor contributed an aggregate of approximately \$15 million to the project. As part of its contribution, the HTC Investor received substantially all of the benefits derived from the tax credits. Beginning in July 2012 through July 2016, we

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recognized the cash received as revenue over the five-year tax credit recapture period as defined in the Internal Revenue Code.

Gains from Investments in Securities

Gains from investments in securities for the years ended December 31, 2017 and 2016 related to investments that we have made to reduce our market risk relating to a deferred compensation plan that we maintain for BXP's officers. Under this deferred compensation plan, each officer who is eligible to participate is permitted to defer a portion of the officer's current income on a pre-tax basis and receive a tax-deferred return on these deferrals based on the performance of specific investments selected by the officer. In order to reduce our market risk relating to this plan, we typically acquire, in a separate account that is not restricted as to its use, similar or identical investments as those selected by each officer. This enables us to generally match our liabilities to officers of BXP under the deferred compensation plan with equivalent assets and thereby limit our market risk. The performance of these investments is recorded as gains from investments in securities. During the years ended December 31, 2017 and 2016, we recognized gains of approximately \$3.7 million and \$2.3 million, respectively, on these investments. By comparison, our general and administrative expense increased by approximately \$3.7 million and \$2.3 million during the years ended December 31, 2017 and 2016, respectively, as a result of increases in our liability under our deferred compensation plan that were associated with the performance of the specific investments selected by officers of BXP participating in the plan.

Gains (Losses) from Early Extinguishments of Debt

On December 17, 2017, BPLP completed the redemption of \$850 million in aggregate principal amount of its 3.700% senior notes due November 15, 2018. The redemption price was approximately \$865.5 million, which included approximately \$2.8 million of accrued and unpaid interest to, but not including, the redemption date. Excluding the accrued and unpaid interest, the redemption price was approximately 101.49% of the principal amount being redeemed. We recognized a loss from early extinguishment of debt totaling approximately \$13.9 million, which amount included the payment of the redemption premium totaling approximately \$12.7 million.

On June 7, 2017, our consolidated entity in which we have a 60% ownership interest and that owns 767 Fifth Avenue (the General Motors Building) located in New York City completed the refinancing of approximately \$1.6 billion of indebtedness that had been secured by direct and indirect interests in 767 Fifth Avenue. The new mortgage financing has a principal amount of \$2.3 billion, bears interest at a fixed interest rate of 3.43% per annum and matures on June 9, 2027. The loan requires monthly interest-only payments during the 10-year term of the loan, with the entire principal amount due at maturity. The extinguished debt bore interest at a weighted-average rate of approximately 5.96% per annum, an effective GAAP interest rate of approximately 3.03% per annum and was scheduled to mature on October 7, 2017. There was no prepayment penalty associated with the repayment of the prior indebtedness. We recognized a net gain from early extinguishment of debt totaling approximately \$14.6 million primarily consisting of the acceleration of the remaining balance related to the historical fair value debt adjustment.

On April 24, 2017, BPLP entered into the 2017 Credit Facility (See Note 8 to the Consolidated Financial Statements). Certain lenders, under the prior credit facility, chose to not participate in the 2017 Credit Facility and as such we recognized a loss on early extinguishment of debt of approximately \$0.3 million related to the acceleration of finance fees associated with the prior credit agreement.

On September 1, 2016, we used a portion of the net proceeds from BPLP's August 2016 offering of senior unsecured notes and available cash to repay the mortgage loan collateralized by our 599 Lexington Avenue property located in New York City totaling \$750.0 million. The mortgage loan bore interest at a fixed rate of 5.57% per annum (5.41% per annum including the impact of financing costs and interest rate hedges) and was scheduled to mature on March 1, 2017. There was no prepayment penalty. We recognized a gain from early extinguishment of debt totaling approximately \$0.4 million consisting of the acceleration of the remaining balance related to the effective portion of a previous interest rate hedging program included within accumulated other comprehensive loss, offset by the write-off of unamortized deferred financing costs.

On September 1, 2016, we used a portion of the net proceeds from BPLP's August 2016 offering of senior unsecured notes and available cash to repay the mortgage loan collateralized by our Embarcadero Center Four property located in San Francisco, California totaling approximately \$344.8 million. The mortgage loan bore interest at a fixed rate of

6.10% per annum (7.02% per annum including the impact of financing costs and interest rate hedges) and was scheduled to mature on December 1, 2016. There was no prepayment penalty. We recognized a

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loss from early extinguishment of debt totaling approximately \$0.7 million consisting of the write-off of unamortized deferred financing costs and the acceleration of the remaining balance related to the effective portion of a previous interest rate hedging program included within accumulated other comprehensive loss.

Impairment Loss

On September 27, 2016, we executed a letter of intent for the sale of the remaining parcel of land at our Washingtonian North property located in Gaithersburg, Maryland. The letter of intent caused us to reevaluate our strategy for the land and, based on a shorter than expected hold period, we reduced the carrying value of the land to the estimated net sales price and recognized an impairment loss of approximately \$1.8 million during the year ended December 31, 2016.

Interest Expense

Interest expense decreased by approximately \$38.4 million for the year ended December 31, 2017 compared to 2016, as detailed below.

Component	Change in interest expense for the year ended December 31, 2017 compared to December 31, 2016 (in thousands)
Increases to interest expense due to:	
Issuance of \$1.0 billion in aggregate principal of 2.750% senior notes due 2026 on August 17, 2016	\$ 20,801
Refinancing of the debt collateralized by 767 Fifth Avenue (the General Motors Building)	18,998
Utilization of the Unsecured Line of Credit as well as an increase in capacity due to the execution of the 2017 Credit Facility (1)	2,342
Issuance of \$850 million in aggregate principal of 3.200% senior notes due 2025 on December 4, 2017	2,080
Issuance of \$1.0 billion in aggregate principal of 3.650% senior notes due 2026 on January 20, 2016	1,956
Amortization of deferred financing fees for BPLP's unsecured debt and credit facility	1,313
Other interest expense (excluding senior notes)	165
Total increases to interest expense	47,655
Decreases to interest expense due to:	
Repayment of mortgage financings (2)	(44,900)
Increase in capitalized interest (3)	(21,833)
Decrease in the interest for the Outside Members' Notes Payable for the 767 Fifth Avenue (the General Motors Building) (4)	(18,065)
Redemption of \$850 million in aggregate principal of 3.700% senior notes due 2018 on December 17, 2017	(1,225)
Total decreases to interest expense	(86,023)
Total change in interest expense	\$ (38,368)

(1) See Note 8 to the Consolidated Financial Statements.

(2) Includes the repayment of the mortgage loans collateralized by Fountain Square, Embarcadero Center Four and 599 Lexington Avenue.

(3) The increase was primarily due to the commencement and continuation of several development projects.

(4) The related interest expense from the Outside Members' Notes Payable totaled approximately \$16.3 million and \$34.3 million for the years ended December 31, 2017 and 2016, respectively. These amounts are allocated to the outside joint venture partners as an adjustment to Noncontrolling Interests in Property Partnerships in our

Consolidated Statements of Operations. On June 7, 2017, a portion of the outside members' notes payable was repaid and the remaining portion was contributed as equity in the consolidated entity (See Note 10 to the Consolidated Financial Statements).

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Interest expense directly related to the development of rental properties is capitalized and included in real estate assets on our Consolidated Balance Sheets and amortized over the useful lives of the real estate or lease term. As portions of properties are placed in-service, we cease capitalizing interest on that portion and interest is then expensed. Interest capitalized for the years ended December 31, 2017 and 2016 were approximately \$61.1 million and \$39.2 million, respectively. These costs are not included in the interest expense referenced above.

At December 31, 2017, our variable rate debt consisted of BPLP's \$2.0 billion 2017 Credit Facility, of which \$45.0 million was outstanding at December 31, 2017. For a summary of our consolidated debt as of December 31, 2017 refer to the heading "Liquidity and Capital Resources—Capitalization—Debt Financing" within "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."

Losses from Interest Rate Contracts

On August 17, 2016, in conjunction with BPLP's offering of senior unsecured notes, we terminated forward-starting interest rate swap contracts that fixed the 10-year swap rate at a weighted-average rate of approximately 2.423% per annum on notional amounts aggregating \$550.0 million. We cash-settled the contracts and made cash payments to the counterparties aggregating approximately \$49.3 million. We recognized approximately \$0.1 million of losses on interest rate contracts during the year ended December 31, 2016 related to the partial ineffectiveness of the interest rate contracts. We will reclassify into earnings, as an increase to interest expense, approximately \$49.2 million (or approximately \$4.9 million per year over the 10-year term of the 2.750% senior unsecured notes due 2026) of the amounts recorded on our consolidated balance sheets within accumulated other comprehensive loss, which represents the effective portion of the applicable interest rate contracts.

Noncontrolling Interests in Property Partnerships

Noncontrolling interests in property partnerships increased by approximately \$49.9 million for the year ended December 31, 2017 compared to 2016, as detailed below.

Property	Noncontrolling Interests in Property Partnerships for the year ended December 31,		
	2017	2016	Change
	(in thousands)		
Salesforce Tower (1)	\$(528)	\$(34)	\$(494)
767 Fifth Avenue (the General Motors Building) (2)	(1,913)	(26,777)	24,864
Times Square Tower	26,808	26,777	31
601 Lexington Avenue (3)	10,317	(12,462)	22,779
100 Federal Street	3,722	1,119	2,603
Atlantic Wharf Office Building	9,426	9,309	117
	\$47,832	\$(2,068)	\$49,900

(1) See Notes 10 and 19 to the Consolidated Financial Statements.

(2) On June 7, 2017, our consolidated entity in which we have a 60% interest completed the refinancing of indebtedness that had been secured by direct and indirect interests in 767 Fifth Avenue. The net loss allocation was primarily due to the partners' share of the interest expense for the outside members' notes payable which was \$16.3 million and \$34.3 million for the years ended December 31, 2017 and 2016, respectively. On June 7, 2017, a portion of the outside members' notes payable was repaid and the remaining portion was contributed as equity in the consolidated entity (See Note 10 to the Consolidated Financial Statements).

(3) On August 19, 2016, the consolidated entity in which we have a 55% interest and that owns this property commenced the redevelopment of the six-story low-rise office and retail building component of the complex. The redeveloped portion of the low-rise building will contain approximately 195,000 net rentable square feet of Class A office space and approximately 25,000 net rentable square feet of retail space. We will capitalize incremental costs during the redevelopment. BXP and BPLP recognized approximately \$50.8 million and \$47.6 million, respectively, of depreciation expense associated with the acceleration of depreciation on the assets being removed from service and demolished as part of the redevelopment of the property. Approximately \$21.4 million of those amounts was

allocated to the outside partners.

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Noncontrolling Interest—Common Units of the Operating Partnership

For BXP, noncontrolling interest—common units of the Operating Partnership decreased by approximately \$7.1 million for the year ended December 31, 2017 compared to 2016 due primarily to a decreases in allocable income, which was the result of recognizing a greater gain on sales of real estate amount during 2016 and a decrease in the noncontrolling interest's ownership percentage. Due to our ownership structure, there is no corresponding line item on BPLP's financial statements.

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Liquidity and Capital Resources

General

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

- fund normal recurring expenses;
- meet debt service and principal repayment obligations, including balloon payments on maturing debt;
- fund development/redevelopment costs;
- fund capital expenditures, including major renovations, tenant improvements and leasing costs;
- fund planned and possible acquisitions of properties, either directly or indirectly through the acquisition of equity interests therein, including the acquisition price and promote payment to our partner for its 5% interest in Salesforce Tower;
- fund dividend requirements on BXP's Series B Preferred Stock; and
- make the minimum distribution required to enable BXP to maintain its REIT qualification under the Internal Revenue Code of 1986, as amended.

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

- cash flow from operations;
 - distribution of cash flows from joint ventures;
 - cash and cash equivalent balances;
 - BPLP's 2017 Credit Facility and other short-term bridge facilities;
 - construction loans;
 - long-term secured and unsecured indebtedness (including unsecured exchangeable indebtedness);
 - sales of real estate; and
 - issuances of BXP equity securities and/or additional preferred or common units of partnership interest in BPLP.
- We draw on multiple financing sources to fund our long-term capital needs. Our current consolidated development properties are expected to be primarily funded with our available cash balances, construction loans and BPLP's Revolving Facility, while our unconsolidated development projects are expected to be primarily funded with construction loans. We use BPLP's Revolving Facility primarily as a bridge facility to fund acquisition opportunities, refinance outstanding indebtedness and meet short-term development and working capital needs. Although we may seek to fund our development projects with construction loans, which may require guarantees by BPLP, the financing for each particular project ultimately depends on several factors, including, among others, the project's size and duration, the extent of pre-leasing and our available cash and access to cost effective capital at the given time.

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The following table presents information on properties under construction as of December 31, 2018 (dollars in thousands):

Construction Properties	Estimated Stabilization Date	Location	# of Buildings	Estimated Square Feet	Investment to Date (1)(2)(3)	Estimated Total Investment (1)(2)	Financings			Percentage Leased (5)
							Total Available (1)	Outstanding at 12/31/2018 (1)	Estimated Future Equity Requirement (1)(2)(4)	
Office The Hub on Causeway - Podium (50% ownership)	Fourth Quarter, 2019	Boston, MA	1	385,000	\$119,019	\$141,870	\$102,300	\$59,016	\$—	88 %
145 Broadway	Fourth Quarter, 2019	Cambridge, MA	1	485,000	234,919	366,400	—	—	131,481	98 %
Dock 72 (50% ownership)	Third Quarter, 2020	Brooklyn, NY	1	670,000	156,698	223,000	125,000	65,386	6,688	33 %
17Fifty Presidents Street	Third Quarter, 2020	Reston, VA	1	276,000	43,742	142,900	—	—	99,158	100 %
20 CityPoint	First Quarter, 2021	Waltham, MA	1	211,000	54,718	97,000	—	—	42,282	63 %
100 Causeway Street (50% ownership)	Third Quarter, 2022	Boston, MA	1	627,000	54,374	267,300	—	—	212,926	70 %
7750 Wisconsin Avenue (Marriott International Headquarters) (50% ownership)	Third Quarter, 2022	Bethesda, MD	1	740,000	54,194	198,900	—	—	144,706	100 %
Reston Gateway	Fourth Quarter, 2023	Reston, VA	2	1,062,000	34,385	715,300	—	—	680,915	80 %
Total Office Properties under Construction			9	4,456,000	752,049	2,152,670	227,300	124,402	1,318,156	78 %
Residential The Hub on Causeway - Residential (440 units) (50% ownership)	Fourth Quarter, 2021	Boston, MA	1	320,000	81,540	153,500	90,000	20,235	2,195	N/A
MacArthur Station	Fourth Quarter,	Oakland, CA	1	324,000	58,984	263,600	—	—	204,616	N/A (6)

Residences (402 units)	2021									
Total Residential Properties under Construction		2	644,000	140,524	417,100	90,000	20,235	206,811		N/A
Redevelopment Properties										
One Five Nine East 53rd Street (55% ownership)	Fourth Quarter, 2019			New York, NY						
		—	220,000	103,988	150,000	—	—	46,012	90	%(7)
Total Redevelopment Properties under Construction		—	220,000	103,988	150,000	—	—	46,012	90	%
Total Properties under Construction and Redevelopment		11	5,320,000	\$996,561	\$2,719,770	\$317,300	\$144,637	\$1,570,979	78	%(8)

(1) Represents our share.

Investment to Date, Estimated Total Investment and Estimated Future Equity Requirement all include our share of acquisition expenses, as applicable, and reflect our share of the estimated net revenue/expenses that we expect to incur prior to stabilization of the project, including any amounts actually received or paid through December 31, 2018.

(2) Includes approximately \$78.7 million of unpaid but accrued construction costs and leasing commissions.

(3) Excludes approximately \$78.7 million of unpaid but accrued construction costs and leasing commissions.

(4) Represents percentage leased as of February 22, 2019, including leases with future commencement dates.

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

(6) The increase in the Estimated Total Investment relates primarily to the costs of executing a thirty-year lease on all of the office space plus costs associated with enhancements to the retail component of the project.

(7) Percentage leased excludes residential units.

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

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

Our primary uses of capital will be the completion of our current and committed development and redevelopment projects. As of December 31, 2018, our share of the remaining development and redevelopment costs that we expect to fund through 2023 is approximately \$1.6 billion. In addition, we have secured an anchor tenant and plan to begin the development, in 2019, of 2100 Pennsylvania Avenue in Washington, DC, an approximately 470,000 square foot project with an estimated total investment of \$360 million and have signed a lease with Google, subject to certain conditions, to expand within Kendall Center, replacing an existing 115,000 net rentable square foot building with an approximately 400,000 net rentable square foot, modern Class A office building.

As of February 22, 2019, we have approximately \$318 million of cash and cash equivalents and approximately \$1.4 billion available under BPLP's Revolving Facility. We believe that our strong liquidity, including the availability under BPLP's Revolving Facility, and proceeds from debt financings and asset sales will provide sufficient liquidity to fund our remaining capital requirements on existing development and redevelopment projects, fund pending new developments and still be able to act opportunistically on attractive investment opportunities. During the fourth quarter, we reduced our overall borrowing cost and extended our debt maturities by refinancing \$700.0 million of 5.875% unsecured senior notes that were scheduled to mature on October 15, 2019 with the proceeds from the issuance of \$1.0 billion aggregate principal amount of 4.500% unsecured senior notes maturing in December 2028. Excluding our unconsolidated joint venture assets, we have no debt maturing in 2019.

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

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

REIT Tax Distribution Considerations

Dividend

BXP as a REIT is subject to a number of organizational and operational requirements, including a requirement that BXP currently distribute at least 90% of its annual taxable income (excluding capital gains and with certain other adjustments). Our policy is for BXP to distribute at least 100% of its taxable income, including capital gains, to avoid paying federal tax. On September 18, 2018, the Board of Directors of BXP increased our regular quarterly dividend from \$0.80 per common share to \$0.95 per common share, or 18.75%, beginning with the third quarter of 2018.

Common and LTIP unitholders of limited partnership interest in BPLP, as of the close of business on September 28, 2018, received the same total distribution per unit on October 31, 2018.

BXP's Board of Directors will continue to evaluate BXP's dividend rate in light of our actual and projected taxable income, liquidity requirements and other circumstances, and there can be no assurance that the future dividends

declared by its Board of Directors will not differ materially.

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Sales

To the extent that we sell assets at a gain and cannot efficiently use the proceeds in a tax deferred manner for either our development activities or attractive acquisitions, BXP would, at the appropriate time, decide whether it is better to declare a special dividend, adopt a stock repurchase program, reduce indebtedness or retain the cash for future investment opportunities. Such a decision will depend on many factors including, among others, the timing, availability and terms of development and acquisition opportunities, our then-current and anticipated leverage, the cost and availability of capital from other sources, the price of BXP's common stock and REIT distribution requirements. At a minimum, we expect that BXP would distribute at least that amount of proceeds necessary for BXP to avoid paying corporate level tax on the applicable gains realized from any asset sales.

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

Cash Flow Summary

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

Cash and cash equivalents and cash held in escrows aggregated approximately \$639.2 million and \$505.4 million at December 31, 2018 and 2017, respectively, representing an increase of approximately \$133.8 million. The following table sets forth changes in cash flows:

	Year ended December 31,		
	2018	2017	Increase (Decrease)
	(in thousands)		
Net cash provided by operating activities	\$1,150,245	\$911,979	\$238,266
Net cash used in investing activities	(1,098,876)	(882,044)	(216,832)
Net cash provided by financing activities	82,453	55,346	27,107

Our principal source of cash flow is related to the operation of our properties. The average term of our in-place tenant leases, including our unconsolidated joint ventures, is approximately 7.5 years with occupancy rates historically in the range of 90% to 94%. Our properties generate a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund regular quarterly dividend and distribution payment requirements. In addition, over the past several years, we have raised capital through the sale of some of our properties, secured and unsecured borrowings and equity offerings of BXP.

Cash is used in investing activities to fund acquisitions, development, net investments in unconsolidated joint ventures and maintenance and repositioning capital expenditures. We selectively invest in new projects that enable us to take advantage of our development, leasing, financing and property management skills and invest in existing buildings to enhance or maintain their market position. Cash used in investing activities for the year ended December 31, 2018 consisted primarily of development projects, building and tenant improvements, capital contributions to unconsolidated joint ventures and issuances of notes receivable, partially offset by the proceeds from the sales of real estate. Cash used in investing activities for the year ended December 31, 2017 consisted primarily of development projects, building and tenant improvements and capital contributions and distributions to/from unconsolidated joint ventures, as detailed below:

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	Year ended December 31,	
	2018	2017
	(in thousands)	
Acquisition of real estate (1)	\$—	\$(15,953)
Construction in progress (2)	(694,791)	(608,404)
Building and other capital improvements	(189,771)	(222,482)
Tenant improvements	(210,034)	(205,331)
Proceeds from sales of real estate (3)	455,409	29,810
Capital contributions to unconsolidated joint ventures (4)	(345,717)	(109,015)
Capital distributions from unconsolidated joint ventures (5)	—	251,000
Deposit on capital lease (6)	(13,615)	—
Issuance of related party note receivable (7)	(80,000)	—
Issuance of note receivable (8)	(19,455)	—
Investments in securities, net	(902)	(1,669)
Net cash used in investing activities	\$(1,098,876)	\$(882,044)
Cash used in investing activities changed primarily due to the following:		

(1) On May 15, 2017, we acquired 103 Carnegie Center located in Princeton, New Jersey for a purchase price of approximately \$16.0 million in cash, including transaction costs.

Construction in progress for the year ended December 31, 2018 includes ongoing expenditures associated with 191 Spring Street, Salesforce Tower, Signature at Reston and Proto Kendall Square, which were fully placed in-service

(2) during the year ended December 31, 2018. In addition, we incurred costs associated with our continued development/redevelopment of One Five Nine East 53rd Street, 145 Broadway, 20 CityPoint, 17Fifty Presidents Street, 6595 Springfield Center Drive, Reston Gateway and MacArthur Station Residences.

Construction in progress for the year ended December 31, 2017 includes ongoing expenditures associated with Reservoir Place North, 888 Boylston Street and the Prudential Center retail expansion, which were fully placed in-service during the year ended December 31, 2017. In addition, we incurred costs associated with our continued development/redevelopment of Salesforce Tower, One Five Nine East 53rd Street, 191 Spring Street, 145 Broadway, 6595 Springfield Center Drive, 20 CityPoint and MacArthur Station Residences, Proto Kendall Square and Signature at Reston residential projects.

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

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

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

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

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

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

On April 19, 2017, we completed the sale of an approximately 9.5-acre parcel of land at 30 Shattuck Road located in Andover, Massachusetts for a gross sale price of \$5.0 million. Net cash proceeds totaled approximately \$5.0 million.

On June 13, 2017, we completed the sale of 40 Shattuck Road located in Andover, Massachusetts for a gross sale price of \$12.0 million. Net cash proceeds totaled approximately \$11.9 million.

On August 30, 2017, we completed the sale of our Reston Eastgate property located in Reston, Virginia for a gross sale price of \$14.0 million. Net cash proceeds totaled approximately \$13.2 million.

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

Capital contributions to unconsolidated joint ventures for the year ended December 31, 2017 consisted primarily of cash contributions of approximately \$45.4 million, \$38.4 million and \$21.6 million to our Hub on Causeway, Dock 72 and 7750 Wisconsin Avenue joint ventures, respectively.

Capital distributions from unconsolidated joint ventures for the year ended December 31, 2017 consisted of a cash distribution of \$251.0 million from our Colorado Center joint venture resulting from the proceeds of the new mortgage financing.

Deposit on capital lease reflects the cash deposit made on the portion of the Platform 16 ground lease for which the land was not available for lease from the lessor (See Notes 3 and 19 to the Consolidated Financial Statements).

Issuance of related party note receivable consisted of the \$80.0 million of mortgage financing that we provided to our unconsolidated joint venture that owns 3 Hudson Boulevard in New York City. The financing bears interest at a variable rate equal to LIBOR plus 3.50% per annum and matures on July 13, 2023, with extension options, subject to certain conditions.

Issuance of note receivable consisted of the \$21.0 million of seller financing provided by us to the buyer in connection with the sale of land at our Tower Oaks property located in Rockville, Maryland, which is collateralized by a portion of the land parcel, bears interest at an effective rate of 1.92% per annum and matures on December 20, 2021.

Cash provided by financing activities for the year ended December 31, 2018 totaled approximately \$82.5 million. This consisted primarily of the proceeds from BPLP's Delayed Draw Facility totaling \$500.0 million and net borrowings from BPLP's unsecured senior notes and Revolving Facility, partially offset by the payment of our regular dividends and distributions to our shareholders and unitholders. Future debt payments are discussed below under the heading "Capitalization—Debt Financing."

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Capitalization

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

	December 31, 2018			
	Shares /	Common	Equivalent	
	Units	Stock	Value (1)	
	Outstanding	Equivalent		
Common Stock	154,458	154,458	\$17,384,248	
Common Operating Partnership Units	17,775	17,775	2,000,576	(2)
5.25% Series B Cumulative Redeemable Preferred Stock	80	—	200,000	
Total Equity		172,233	\$19,584,824	
Consolidated Debt			\$11,007,757	
Add:				
BXP's share of unconsolidated joint venture debt (3)			890,574	
Subtract:				
Partners' share of Consolidated Debt (4)			(1,204,774))
BXP's Share of Debt			\$10,693,557	
Consolidated Market Capitalization			\$30,592,581	
BXP's Share of Market Capitalization			\$30,278,381	
Consolidated Debt/Consolidated Market Capitalization			35.98	%
BXP's Share of Debt/BXP's Share of Market Capitalization			35.32	%

Except for the Series B Cumulative Redeemable Preferred Stock, which is valued at the liquidation preference of (1) \$2,500 per share, values are based on the closing price per share of BXP's Common Stock on December 31, 2018 of \$112.55.

Includes 991,577 long-term incentive plan units (including 118,067 2012 OPP Units, 68,889 2013 MYLTIP Units, (2) 23,187 2014 MYLTIP Units and 28,724 2015 MYLTIP Units), but excludes MYLTIP Units granted between 2016 and 2018.

(3) See page 109 for additional information.

(4) See page 99 for additional information.

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

- (1) our consolidated debt;
- (2) the product of (x) the closing price per share of BXP common stock on December 31, 2018, as reported by the New York Stock Exchange, multiplied by (y) the sum of:
 - (i) the number of outstanding shares of common stock of BXP,
 - (ii) the number of outstanding OP Units in BPLP (excluding OP Units held by BXP),
 - (iii) the number of OP Units issuable upon conversion of all outstanding LTIP Units, assuming all conditions have been met for the conversion of the LTIP Units, and
 - (iv) the number of OP Units issuable upon conversion of 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2015 MYLTIP Units that were issued in the form of LTIP Units; and
- (3) the aggregate liquidation preference (\$2,500 per share) of the outstanding shares of BXP's 5.25% Series B Cumulative Redeemable Preferred Stock.

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The calculation of consolidated market capitalization does not include LTIP Units issued in the form of MYLTIP Awards unless and until certain performance thresholds are achieved and they are earned. Because their three-year performance periods have not yet ended, 2016, 2017 and 2018 MYLTIP Units (See Note 19 to the Consolidated Financial Statements) are not included in this calculation as of December 31, 2018.

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

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

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

Debt Financing

As of December 31, 2018, we had approximately \$11.0 billion of outstanding consolidated indebtedness, representing approximately 35.98% of our Consolidated Market Capitalization as calculated above consisting of approximately (1) \$7.545 billion (net of discount and deferred financing fees) in publicly traded unsecured senior notes having a GAAP weighted-average interest rate of 4.04% per annum and maturities in 2020 through 2028, (2) \$3.0 billion (net of deferred financing fees) of property-specific mortgage debt having a GAAP weighted-average interest rate of 3.94% per annum and weighted-average term of 7.2 years and (3) \$498.5 million (net of deferred financing fees) outstanding under BPLP's 2017 Credit Facility that matures on April 24, 2022.

The table below summarizes the aggregate carrying value of our mortgage notes payable and BPLP's unsecured senior notes, line of credit and term loan, as well as Consolidated Debt Financing Statistics at December 31, 2018 and December 31, 2017.

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December 31,
2018 2017
(dollars in thousands)

Debt Summary:

Balance

Fixed rate mortgage notes payable, net	\$2,964,572	\$2,979,281
Unsecured senior notes, net	7,544,697	7,247,330
Unsecured line of credit	—	45,000
Unsecured term loan, net	498,488	—
Consolidated Debt	11,007,757	10,271,611

Add:

BXP's share of unconsolidated joint venture debt, net (1)	890,574	604,845
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Subtract:

Partners' share of consolidated mortgage notes payable, net (2)	(1,204,774)	(1,209,280)
BXP's Share of Debt	\$10,693,557	\$9,667,176

December 31,
2018 2017

Consolidated Debt Financing Statistics:

Percent of total debt:

Fixed rate	95.47	%	99.56	%
Variable rate	4.53	%	0.44	%
Total	100.00	%	100.00	%

GAAP Weighted-average interest rate at end of period:

Fixed rate	4.01	%	4.09	%
Variable rate	3.36	%	2.46	%
Total	3.99	%	4.08	%

Coupon/Stated Weighted-average interest rate at end of period:

Fixed rate	3.91	%	3.98	%
Variable rate	3.27	%	2.35	%
Total	3.88	%	3.98	%

Weighted-average maturity at end of period (in years):

Fixed rate	6.1	6.4
Variable rate	3.3	4.3
Total	6.0	6.4

(1) See page 109 for additional information.

(2) See page 99 for additional information.

Unsecured Credit Facility

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

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

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As of December 31, 2018, BPLP had \$500.0 million of borrowings outstanding under its Delayed Draw Facility, no borrowings under its Revolving Facility and letters of credit totaling approximately \$214,000 outstanding with the ability to borrow approximately \$1.5 billion under the Revolving Facility.

As of February 22, 2019, BPLP had \$500.0 million of borrowings outstanding under its Delayed Draw Facility, approximately \$50.0 million of borrowings under its Revolving Facility and letters of credit totaling approximately \$214,000 outstanding with the ability to borrow approximately \$1.4 billion under the Revolving Facility.

Unsecured Senior Notes, Net

For a description of BPLP's outstanding unsecured senior notes as of December 31, 2018, see Note 7 to the Consolidated Financial Statements.

On November 28, 2018, BPLP completed a public offering of \$1.0 billion in aggregate principal amount of its 4.500% unsecured senior notes due 2028. The notes were priced at 99.641% of the principal amount to yield an effective rate (including financing fees) of approximately 4.628% per annum to maturity. The notes will mature on December 1, 2028, unless earlier redeemed. The aggregate net proceeds from the offering were approximately \$988.1 million after deducting underwriting discounts and transaction expenses.

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

The indenture relating to the unsecured senior notes contains certain financial restrictions and requirements, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 50%, (3) an interest coverage ratio of greater than 1.50, and (4) an unencumbered asset value of not less than 150% of unsecured debt. At December 31, 2018, BPLP was in compliance with each of these financial restrictions and requirements.

Mortgage Notes Payable, Net

The following represents the outstanding principal balances due under the mortgage notes payable at December 31, 2018:

Properties	Stated Interest Rate	GAAP Interest Rate (1)	Stated Principal Amount	Deferred Financing Costs, Net	Carrying Amount	Carrying Amount (Partners' Share)	Maturity Date
Wholly-owned							
New Dominion Tech Park, Bldg. One	7.69%	7.84%	\$29,844	\$(169)	\$29,675	N/A	January 15, 2021
University Place	6.94%	6.99%	5,605	(34)	5,571	N/A	August 1, 2021
			35,449	(203)	35,246	N/A	
Consolidated Joint Ventures							
767 Fifth Avenue (the General Motors Building)	3.43%	3.64%	2,300,000	(29,466)	2,270,534	\$ 908,318	(2)(3)(4) June 9, 2027
601 Lexington Avenue	4.75%	4.79%	659,879	(1,087)	658,792	296,456	(5) April 10, 2022
			2,959,879	(30,553)	2,929,326	1,204,774	
Total			\$2,995,328	\$(30,756)	\$2,964,572	\$ 1,204,774	

(1) GAAP interest rate differs from the stated interest rate due to the inclusion of the amortization of financing charges and the effects of hedging transactions.

- (2) The mortgage loan requires interest only payments with a balloon payment due at maturity.
- (3) This property is owned by a consolidated entity in which we have a 60% interest. The partners' share of the carrying amount has been adjusted for basis differentials.

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In connection with the refinancing of the loan, we guaranteed the consolidated entity's obligation to fund various reserves for tenant improvement costs and allowances, leasing commissions and free rent obligations in lieu of cash deposits. As of December 31, 2018, the maximum funding obligation under the guarantee was approximately (4) \$116.1 million. We earn a fee from the joint venture for providing the guarantee and have an agreement with our partners to reimburse the joint venture for their share of any payments made under the guarantee (See Note 9 to the Consolidated Financial Statements).

(5) This property is owned by a consolidated entity in which we have a 55% interest.

Contractual aggregate principal payments of mortgage notes payable at December 31, 2018 are as follows:

Year	Principal Payments (in thousands)
2019	\$ 19,670
2020	20,766
2021	40,182
2022	614,710
2023	—
Thereafter	2,300,000
	\$ 2,995,328

Market Risk

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our future earnings, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Our primary market risk results from our indebtedness, which bears interest at fixed and variable rates. The fair value of our debt obligations are affected by changes in the market interest rates. We manage our market risk by matching long-term leases with long-term, fixed-rate, non-recourse debt of similar duration. We continue to follow a conservative strategy of generally pre-leasing development projects on a long-term basis to creditworthy tenants in order to achieve the most favorable construction and permanent financing terms. Approximately 95.5% of our outstanding debt, excluding our unconsolidated joint ventures, has fixed interest rates, which minimizes the interest rate risk through the maturity of such outstanding debt. We also manage our market risk by entering into hedging arrangements with financial institutions. Our primary objectives when undertaking hedging transactions and derivative positions is to reduce our floating rate exposure and to fix a portion of the interest rate for anticipated financing and refinancing transactions. This in turn, reduces the risks that the variability of cash flows imposes on variable rate debt. Our strategy mitigates against future increases in our interest rates.

At December 31, 2018, our weighted-average coupon/stated rate on our fixed rate outstanding Consolidated Debt was 3.91% per annum. At December 31, 2018, we had \$500.0 million outstanding of consolidated variable rate debt. At December 31, 2018, the GAAP interest rate on our variable rate debt was approximately 3.36% per annum. If market interest rates on our variable rate debt had been 100 basis points greater, total interest expense would have increased approximately \$5.0 million, on an annualized basis, for the year ended December 31, 2018.

Funds from Operations

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

operating results more meaningful. Management generally considers FFO to be useful measures for understanding and comparing our operating results because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairment losses and real estate asset depreciation and amortization (which can differ across owners of similar assets in similar condition based on

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

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

Boston Properties, Inc.

The following table presents a reconciliation of net income attributable to Boston Properties, Inc. common shareholders to FFO attributable to Boston Properties, Inc. common shareholders for the years ended December 31, 2018, 2017, 2016, 2015 and 2014:

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	Year ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Net income attributable to Boston Properties, Inc. common shareholders	\$572,347	\$451,939	\$502,285	\$572,606	\$433,111
Add:					
Preferred dividends	10,500	10,500	10,500	10,500	10,500
Noncontrolling interest—common units of the Operating Partnership	66,807	52,210	59,260	66,951	50,862
Noncontrolling interest—redeemable preferred units of the Operating Partnership	—	—	—	6	1,023
Noncontrolling interests in property partnerships	62,909	47,832	(2,068)	149,855	30,561
Net income	712,563	562,481	569,977	799,918	526,057
Add:					
Depreciation and amortization	645,649	617,547	694,403	639,542	628,573
Noncontrolling interests in property partnerships' share of depreciation and amortization	(73,880)	(78,190)	(107,087)	(90,832)	(63,303)
BXP's share of depreciation and amortization from unconsolidated joint ventures	54,352	34,262	26,934	6,556	19,251
Corporate-related depreciation and amortization	(1,634)	(1,986)	(1,568)	(1,503)	(1,361)
Impairment losses	11,812	—	—	—	—
Less:					
Gains on sales of real estate	182,356	7,663	80,606	375,895	168,039
Gain on sale of investment in unconsolidated joint venture (1)	—	—	59,370	—	—
Gains on sales of real estate included within income from unconsolidated joint ventures (2)	8,270	—	—	—	—
Noncontrolling interests in property partnerships (3)	62,909	47,832	(2,068)	48,737	30,561
Noncontrolling interest—redeemable preferred units of the Operating Partnership	—	—	—	6	1,023
Preferred dividends	10,500	10,500	10,500	10,500	10,500
Funds from Operations (FFO) attributable to the Operating Partnership common unitholders (including Boston Properties, Inc.)	1,084,827	1,068,119	1,034,251	918,543	899,094
Less:					
Noncontrolling interest—common units of the Operating Partnership's share of funds from operations	110,338	108,707	106,504	94,828	91,588
Funds from Operations attributable to Boston Properties, Inc. common shareholders	\$974,489	\$959,412	\$927,747	\$823,715	\$807,506
Our percentage share of Funds from Operations—basic	89.83 %	89.82 %	89.70 %	89.68 %	89.81 %
Weighted average shares outstanding—basic	154,427	154,190	153,715	153,471	153,089

(1) The gain on sale of investment in unconsolidated joint venture consists of the gain on sale of a 31% interest in Metropolitan Square. We continue to own a 20% interest in the joint venture.

(2) Consists of the portion of income from unconsolidated joint ventures related to the gain on the distribution of Annapolis Junction Building One.

(3) For the year ended December 31, 2015, excludes the noncontrolling interests in property partnerships' share of a gain on sale of real estate totaling approximately \$101.1 million.

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Reconciliation to Diluted Funds from Operations:

	For the years ended December 31,									
	2018		2017		2016		2015		2014	
	(Dollars in thousands)									
	Income	Shares/Units	Income	Shares/Units	Income	Shares/Units	Income	Shares/Units	Income	Shares/Units
	(Numerator)	(Denominator)	(Numerator)	(Denominator)	(Numerator)	(Denominator)	(Numerator)	(Denominator)	(Numerator)	(Denominator)
Basic Funds from Operations	\$1,084,827	171,912	\$1,068,119	171,661	\$1,034,251	171,361	\$918,543	171,139	\$899,094	170,453
Effect of Dilutive Securities:										
Convertible Preferred Units	—	255	—	200	—	262	—	373	760	312
Stock based compensation and exchangeable senior notes	—	—	—	—	—	—	—	—	—	219
Diluted Funds from Operations	\$1,084,827	172,167	\$1,068,119	171,861	\$1,034,251	171,623	\$918,543	171,512	\$899,854	170,984
Less:										
Noncontrolling interest—common units of the Operating Partnership's share of diluted Funds from Operations	110,175	17,485	108,580	17,471	106,341	17,646	94,622	17,668	91,381	17,364
Diluted Funds from Operations attributable to Boston Properties, Inc.	\$974,652	154,682	\$959,539	154,390	\$927,910	153,977	\$823,921	153,844	\$808,473	153,620

(1)

(1) BXP's share of diluted Funds from Operations was 89.84%, 89.83%, 89.72%, 89.70% and 89.84% for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, respectively.

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Boston Properties Limited Partnership

The following table presents a reconciliation of net income attributable to Boston Properties Limited Partnership common unitholders to FFO attributable to Boston Properties Limited Partnership common unitholders for the years ended December 31, 2018, 2017, 2016, 2015 and 2014:

	Year ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 656,903	\$ 512,866	\$ 575,341	\$ 648,748	\$ 499,129
Add:					
Preferred distributions	10,500	10,500	10,500	10,500	10,500
Noncontrolling interest—redeemable preferred units	—	—	—	6	1,023
Noncontrolling interests in property partnerships	62,909	47,832	(2,068)	149,855	30,561
Net income	730,312	571,198	583,773	809,109	541,213
Add:					
Real estate depreciation and amortization	637,891	609,407	682,776	631,549	620,064
Noncontrolling interests in property partnerships' share of depreciation and amortization	(73,880)	(78,190)	(107,087)	(90,832)	(63,303)
BPLP's share of depreciation and amortization from unconsolidated joint ventures	54,352	34,262	26,934	6,556	19,251
Corporate-related depreciation and amortization	(1,634)	(1,986)	(1,568)	(1,503)	(1,361)
Impairment losses	10,181	—	—	—	—
Less:					
Gains on sales of real estate	190,716	8,240	82,775	377,093	174,686
Gain on sale of investment in unconsolidated joint venture (1)	—	—	59,370	—	—
Gains on sales of real estate included within income from unconsolidated joint ventures (2)	8,270	—	—	—	—
Noncontrolling interests in property partnerships (3)	62,909	47,832	(2,068)	48,737	30,561
Noncontrolling interest—redeemable preferred units	—	—	—	6	1,023
Preferred distributions	10,500	10,500	10,500	10,500	10,500
Funds from operations attributable to Boston Properties Limited Partnership common unitholders (4)	\$ 1,084,827	\$ 1,068,119	\$ 1,034,251	\$ 918,543	\$ 899,094
Weighted average units outstanding—basic	171,912	171,661	171,361	171,139	170,453

(1) The gain on sale of investment in unconsolidated joint venture consists of the gain on sale of a 31% interest in Metropolitan Square. We continue to own a 20% interest in the joint venture.

(2) Consists of the portion of income from unconsolidated joint ventures related to the gain on the distribution of Annapolis Junction Building One.

(3) For the year ended December 31, 2015, excludes the noncontrolling interests in property partnerships' share of a gain on sale of real estate totaling approximately \$101.1 million.

(4) Our calculation includes OP Units and vested LTIP Units (including vested 2012 OPP Units, vested 2013 MYLTIP Units, vested 2014 MYLTIP Units and vested 2015 MYLTIP Units).

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Reconciliation to Diluted Funds from Operations:

	For the years ended December 31,									
	2018		2017		2016		2015		2014	
	(Dollars in thousands)									
	Income	Shares/Units	Income	Shares/Units	Income	Shares/Units	Income	Shares/Units	Income	Shares/Units
	(Numerator)	(Denominator)	(Numerator)	(Denominator)	(Numerator)	(Denominator)	(Numerator)	(Denominator)	(Numerator)	(Denominator)
Basic Funds from Operations	\$1,084,827	171,912	\$1,068,119	171,661	\$1,034,251	171,361	\$918,543	171,139	\$899,094	170,453
Effect of Dilutive Securities:										
Convertible Preferred Units	—	255	—	200	—	262	—	373	760	312
Stock based compensation and exchangeable senior notes	—	—	—	—	—	—	—	—	—	219
Diluted Funds from Operations	\$1,084,827	172,167	\$1,068,119	171,861	\$1,034,251	171,623	\$918,543	171,512	\$899,854	170,984

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Net Operating Income

The following are reconciliations of Net Income Attributable to Boston Properties, Inc. Common Shareholders to Net Operating Income and Net Income Attributable to Boston Properties Limited Partnership Common Unitholders to Net Operating Income for the or the fiscal years 2014 through 2018.

Boston Properties, Inc.

	Year ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Net income attributable to Boston Properties, Inc. common shareholders	\$572,347	\$451,939	\$502,285	\$572,606	\$433,111
Add:					
Preferred dividends	10,500	10,500	10,500	10,500	10,500
Noncontrolling interest—common units of the Operating Partnership	66,807	52,210	59,260	66,951	50,862
Noncontrolling interest—redeemable preferred units of the Operating Partnership	—	—	—	6	1,023
Noncontrolling interest in property partnerships	62,909	47,832	(2,068	) 149,855	30,561
Losses from interest rate contracts	—	—	140	—	—
Interest expense	378,168	374,481	412,849	432,196	455,743
Impairment losses	11,812	—	1,783	—	—
Depreciation and amortization expense	645,649	617,547	694,403	639,542	628,573
Transaction costs	1,604	668	2,387	1,259	3,140
Payroll and related costs from management services contracts	9,590	—	—	—	—
General and administrative expense	121,722	113,715	105,229	96,319	98,937
Less:					
Gains (losses) from early extinguishments of debt	(16,490	) 496	(371	) (22,040	) (10,633
Gains (losses) from investments in securities	(1,865	) 3,678	2,273	(653	) 1,038
Interest and other income	10,823	5,783	7,230	6,777	8,765
Gains on sales of real estate	182,356	7,663	80,606	375,895	168,039
Gain on sale of investment in unconsolidated joint venture	—	—	59,370	—	—
Income from unconsolidated joint ventures	2,222	11,232	8,074	22,770	12,769
Direct reimbursements of payroll and related costs from management services contracts	9,590	—	—	—	—
Development and management services revenue	45,158	34,605	28,284	22,554	25,316
Net Operating Income	\$1,649,314	\$1,605,435	\$1,601,302	\$1,563,931	\$1,507,156

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Boston Properties Limited Partnership

	Year ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Net income attributable to Boston Properties Limited Partnership common unitholders	\$656,903	\$512,866	\$575,341	\$648,748	\$499,129
Add:					
Preferred distributions	10,500	10,500	10,500	10,500	10,500
Noncontrolling interest—redeemable preferred units—	—	—	—	6	1,023
Noncontrolling interest in property partnerships	62,909	47,832	(2,068)	149,855	30,561
Losses from interest rate contracts	—	—	140	—	—
Interest expense	378,168	374,481	412,849	432,196	455,743
Impairment losses	10,181	—	1,783	—	—
Depreciation and amortization expense	637,891	609,407	682,776	631,549	620,064
Transaction costs	1,604	668	2,387	1,259	3,140
Payroll and related costs from management services contracts	9,590	—	—	—	—
General and administrative expense	121,722	113,715	105,229	96,319	98,937
Less:					
Gains (losses) from early extinguishments of debt	(16,490)	496	(371)	(22,040)	(10,633)
Gains (losses) from investments in securities	(1,865)	3,678	2,273	(653)	1,038
Interest and other income	10,823	5,783	7,230	6,777	8,765
Gains on sales of real estate	190,716	8,240	82,775	377,093	174,686
Gain on sale of investment in unconsolidated joint venture	—	—	59,370	—	—
Income from unconsolidated joint ventures	2,222	11,232	8,074	22,770	12,769
Direct reimbursements of payroll and related costs from management services contracts	9,590	—	—	—	—
Development and management services revenue	45,158	34,605	28,284	22,554	25,316
Net Operating Income	\$1,649,314	\$1,605,435	\$1,601,302	\$1,563,931	\$1,507,156

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

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depreciation and amortization expense, because of historical cost accounting and useful life estimates, may distort operating performance measures at the property level. NOI presented by us may not be comparable to NOI reported by other REITs or real estate companies that define NOI differently.

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

Contractual Obligations

As of December 31, 2018, we were subject to contractual payment obligations as described in the table below.

	Payments Due by Period						
	Total	2019	2020	2021	2022	2023	Thereafter
	(in thousands)						
Contractual Obligations:							
Long-term debt							
Mortgage debt (1)	\$3,767,352	\$132,157	\$132,153	\$149,599	\$703,301	\$78,890	\$2,571,252
Unsecured senior notes (1)	9,242,844	291,363	991,363	1,084,456	216,925	1,684,144	4,974,593
Unsecured line of credit / term loan (1) (2)	554,067	16,350	16,350	16,350	505,017	—	—
Ground leases	640,370	11,425	18,425	25,310	8,894	9,084	567,232
Tenant obligations (3) (4)	569,066	398,068	120,720	39,456	2,710	8,112	—
Construction contracts on development projects (4)	1,559,895	797,151	386,493	187,108	161,872	27,271	—
Capital lease obligations (1)	64,187	(1,394)	10,088	(408)	(1,325)	(1,705)	58,931
Other obligations	5,011	4,923	81	7	—	—	—
Total Contractual Obligations	\$16,402,792	\$1,650,043	\$1,675,673	\$1,501,878	\$1,597,394	\$1,805,796	\$8,172,008

(1) Amounts include principal and interest payments.

(2) Interest payments are calculated using the December 31, 2018 interest rate of 3.27%.

(3) Committed tenant-related obligations based on executed leases as of December 31, 2018 (tenant improvements and lease commissions).

(4) Includes 100% of the obligations for our consolidated entities and only our share for the unconsolidated joint ventures.

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

During 2018, we paid approximately \$340.8 million to fund tenant-related obligations, including tenant improvements and leasing commissions.

In addition, we and our unconsolidated joint venture partners incurred approximately \$513 million of new tenant-related obligations associated with approximately 5.8 million square feet of second generation leases, or

approximately \$89 per square foot. In addition, we signed leases for approximately 1.4 million square feet at our development properties. The tenant-related obligations for the development properties are included within the projects' "Estimated Total Investment" referred to in "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." In the aggregate, during 2018, we signed

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leases for approximately 7.2 million square feet of space and incurred aggregate tenant-related obligations of approximately \$708 million, or approximately \$98 per square foot.

Off-Balance Sheet Arrangements—Joint Venture Indebtedness

We have investments in unconsolidated joint ventures with our effective ownership interests ranging from 20% to 60%. Thirteen of these ventures have mortgage indebtedness. We exercise significant influence over, but do not control, these entities. As a result, we account for them using the equity method of accounting. See also Note 5 to the Consolidated Financial Statements. At December 31, 2018, the aggregate carrying amount of debt, including both our and our partners' share, incurred by these ventures was approximately \$2.0 billion (of which our proportionate share is approximately \$890.6 million). The table below summarizes the outstanding debt of these joint venture properties at December 31, 2018. In addition to other guarantees specifically noted in the table, we have agreed to customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) as well as the completion of development projects on certain of the loans.

Properties	Venture Ownership %	Stated Interest Rate (1)	GAAP Interest Rate (1)	Stated Principal Amount	Deferred Financing Costs, Net	Carrying Amount	Carrying Amount (Our share)		Maturity Date
(dollars in thousands)									
540 Madison Avenue	60%	3.40%	3.51%	\$120,000	\$(590)	\$119,410	\$71,646	(2)(3)	June 5, 2023
Santa Monica Business Park	55%	4.06%	4.24%	300,000	(3,435)	296,565	163,110	(2)(4)	July 19, 2025
Market Square North	50%	4.85%	4.91%	118,711	(147)	118,564	59,282		October 1, 2020
Annapolis Junction Building Six	50%	4.47%	4.78%	13,076	(40)	13,036	6,518	(5)	November 17, 2019
Annapolis Junction Building Seven and Eight	50%	4.65%	4.93%	35,445	(94)	35,351	17,676	(6)	December 7, 2019
1265 Main Street	50%	3.77%	3.84%	38,956	(361)	38,595	19,297		January 1, 2032
Colorado Center	50%	3.56%	3.58%	550,000	(885)	549,115	274,557	(2)	August 9, 2027
Dock 72	50%	4.61%	5.76%	130,772	(6,864)	123,908	61,954	(2)(7)	December 18, 2020
The Hub on Causeway - Podium	50%	4.60%	5.08%	118,032	(2,586)	115,446	57,723	(2)(8)	September 6, 2021
The Hub on Causeway - Residential	50%	4.42%	4.70%	40,469	(1,700)	38,769	19,385	(2)(9)	April 19, 2022
500 North Capitol Street, NW	30%	4.15%	4.20%	105,000	(261)	104,739	31,422	(2)	June 6, 2023
901 New York Avenue	25%	3.61%	3.69%	225,000	(1,072)	223,928	55,982		January 5, 2025
3 Hudson Boulevard	25%	5.83%	5.91%	80,000	(289)	79,711	19,928	(2)(10)	July 13, 2023
Metropolitan Square	20%	5.75%	5.81%	160,605	(133)	160,472	32,094		May 5, 2020
Total				\$2,036,066	\$(18,457)	\$2,017,609	\$890,574		

(1) GAAP interest rate differs from the stated interest rate due to the inclusion of the amortization of financing charges, which includes mortgage recording fees.

- (2) The loan requires interest only payments with a balloon payment due at maturity.
- (3) Mortgage loan bears interest at a variable rate equal to LIBOR plus 1.10% per annum.
The loan bears interest at a variable rate equal to LIBOR plus 1.28% per annum and matures on July 19, 2025. A subsidiary of the joint venture entered into interest rate swap contracts with notional amounts aggregating \$300.0 million through April 1, 2025, resulting in a fixed rate of approximately 4.063% per annum through the expiration of the interest rate swap contracts.
- (4) The loan bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on November 17, 2019, with one, one-year extension option, subject to certain conditions. On January 24, 2019, the joint venture extended the loan maturity to November 17, 2020.
- (5) The loan bears interest at a variable rate equal to LIBOR plus 2.35% per annum and matures on December 7, 2019, with three, one-year extension options, subject to certain conditions.
- (6)

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(7) The construction financing bears interest at a variable rate equal to LIBOR plus 2.25% per annum and matures on December 18, 2020 with two, one-year extension options, subject to certain conditions.

The construction financing bears interest at a variable rate equal to LIBOR plus 2.25% per annum and matures on September 6, 2021, with two, one-year extension options, subject to certain conditions. In connection with the construction financing, we obtained the right to complete the construction of the garage underneath the project (8) being developed by an affiliate of our joint venture partner and obtain funding from the garage construction lender. We agreed to guarantee completion of the garage to the construction lender and an affiliate of our partner agreed to reimburse us for our partner's share of any payments under the guarantee.

The construction financing bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on (9) April 19, 2022, with two, one-year extension options, subject to certain conditions.

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

Environmental Matters

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

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

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

Some of our properties and certain properties owned by our affiliates are located in urban, industrial and other previously developed areas where fill or current or historical use of the areas have caused site contamination. Accordingly, it is sometimes necessary to institute special soil and/or groundwater handling procedures and/or include particular building design features in connection with development, construction and other property operations in order to achieve regulatory closure and/or ensure that contaminated materials are addressed in an appropriate manner. In these situations, it is our practice to investigate the nature and extent of detected contamination, including potential

issues associated with contaminant migration, assess potential liability risks and estimate the costs of required response actions and special handling procedures. We then use this information as part of our decision-making process with respect to the acquisition, deal structure and/or development of the property. For example, we own a parcel in Massachusetts which was formerly used as a quarry/asphalt batching facility. Pre-purchase testing indicated that the site contained relatively low levels of certain contaminants. We

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have developed an office park on this property. Prior to and during redevelopment activities, we engaged a specially licensed environmental consultant to monitor environmental conditions at the site and prepare necessary regulatory submittals based on the results of an environmental risk characterization. A submittal has been made to the regulatory authorities in order to achieve regulatory closure at this site. The submittal included an environmental deed restriction that mandates compliance with certain protective measures in a portion of the site where low levels of residual soil contamination have been left in place in accordance with applicable laws.

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

New Accounting Pronouncements

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

Inflation

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

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

The following table presents the aggregate carrying value of our mortgage notes payable, net, unsecured senior notes, net, unsecured line of credit, unsecured term loan, net and our corresponding estimate of fair value as of December 31, 2018. As of December 31, 2018, approximately \$10.5 billion of these borrowings bore interest at fixed rates and therefore the fair value of these instruments is affected by changes in the market interest rates. As of December 31, 2018, the weighted-average interest rate on our variable rate debt was LIBOR plus 0.90% (3.27%) per annum. The following table presents our aggregate fixed rate debt obligations with corresponding weighted-average interest rates sorted by maturity date and our aggregate variable rate debt obligations sorted by maturity date.

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

	2019	2020	2021	2022	2023	2024+	Total	Estimated Fair Value
	(dollars in thousands)							
	Mortgage debt, net							
Fixed Rate GAAP	\$15,745	\$16,841	\$36,346	\$611,132	\$(3,494)	\$2,288,002	\$2,964,572	\$2,903,925
Average Interest Rate	5.53%	5.55%	6.61%	4.79%	—	3.64%	3.94%	
Variable Rate	—	—	—	—	—	—	—	—
	Unsecured debt, net							
Fixed Rate GAAP	\$(9,401)	\$690,595	\$841,899	\$(7,635)	\$1,493,453	\$4,535,786	\$7,544,697	\$7,469,338
Average Interest Rate	—	5.71%	4.29%	—	3.73%	3.84%	4.04%	
Variable Rate	(460)	(451)	(451)	499,850	—	—	498,488	500,783
Total Debt	\$6,344	\$707,436	\$878,245	\$1,103,347	\$1,489,959	\$6,823,788	\$11,007,757	\$10,874,046

At December 31, 2018, the weighted-average coupon/stated rates on the fixed rate debt stated above was 3.91% per annum. At December 31, 2018, our outstanding variable rate debt based on LIBOR totaled approximately \$500.0 million. At December 31, 2018, the coupon/stated rate on our variable rate debt was approximately 3.27% per annum. If market interest rates on our variable rate debt had been 100 basis points greater, total interest expense would have increased approximately \$5.0 million, on an annualized basis, for the year ended December 31, 2018.

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

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

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Item 8. Financial Statements and Supplementary Data

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

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Management's Report on Internal Control over
Financial Reporting

Management of Boston Properties, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for Boston Properties, Inc. Boston Properties, Inc.'s internal control over financial reporting is a process designed under the supervision of its principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Boston Properties, Inc.'s financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. As of the end of Boston Properties, Inc.'s 2018 fiscal year, management conducted assessments of the effectiveness of Boston Properties, Inc.'s internal control over financial reporting based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on these assessments, management has determined that Boston Properties, Inc.'s internal control over financial reporting as of December 31, 2018 was effective.

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

The effectiveness of Boston Properties, Inc.'s internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report appearing on page 115, which expresses an unqualified opinion on the effectiveness of Boston Properties, Inc.'s internal control over financial reporting as of December 31, 2018.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Boston Properties Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Boston Properties, Inc. and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ PricewaterhouseCoopers LLP

Boston, MA

February 28, 2019

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

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BOSTON PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except for share and par value amounts)

	December 31, 2018	December 31, 2017
ASSETS		
Real estate, at cost (amounts related to variable interest entities (“VIEs”) of \$7,481,015 and \$7,172,718 at December 31, 2018 and 2017, respectively)	\$21,649,896	\$21,096,642
Less: accumulated depreciation (amounts related to VIEs of \$(965,500) and \$(854,172) at December 31, 2018 and 2017, respectively)	(4,897,777)	(4,589,634)
Total real estate	16,752,119	16,507,008
Cash and cash equivalents (amounts related to VIEs of \$296,806 and \$304,955 at December 31, 2018 and 2017, respectively)	543,359	434,767
Cash held in escrows	95,832	70,602
Investments in securities	28,198	29,161
Tenant and other receivables, net (amounts related to VIEs of \$15,519 and \$27,057 at December 31, 2018 and 2017, respectively)	86,629	92,186
Related party note receivable	80,000	—
Note receivable	19,468	—
Accrued rental income, net (amounts related to VIEs of \$272,466 and \$242,589 at December 31, 2018 and 2017, respectively)	934,896	861,575
Deferred charges, net (amounts related to VIEs of \$263,402 and \$281,678 at December 31, 2018 and 2017, respectively)	678,724	679,038
Prepaid expenses and other assets (amounts related to VIEs of \$26,513 and \$33,666 at December 31, 2018 and 2017, respectively)	80,943	77,971
Investments in unconsolidated joint ventures	956,309	619,925
Total assets	\$20,256,477	\$19,372,233
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net (amounts related to VIEs of \$2,929,326 and \$2,939,183 at December 31, 2018 and 2017, respectively)	\$2,964,572	\$2,979,281
Unsecured senior notes, net	7,544,697	7,247,330
Unsecured line of credit	—	45,000
Unsecured term loan, net	498,488	—
Accounts payable and accrued expenses (amounts related to VIEs of \$75,786 and \$106,683 at December 31, 2018 and 2017, respectively)	276,645	331,500
Dividends and distributions payable	165,114	139,040
Accrued interest payable	89,267	83,646
Other liabilities (amounts related to VIEs of \$200,344 and \$164,806 at December 31, 2018 and 2017, respectively)	503,726	443,980
Total liabilities	12,042,509	11,269,777
Commitments and contingencies	—	—
Equity:		
Stockholders’ equity attributable to Boston Properties, Inc.:		
Excess stock, \$0.01 par value, 150,000,000 shares authorized, none issued or outstanding—	—	—
Preferred stock, \$0.01 par value, 50,000,000 shares authorized;		
5.25% Series B cumulative redeemable preferred stock, \$0.01 par value, liquidation preference \$2,500 per share, 92,000 shares authorized, 80,000 shares issued and	200,000	200,000

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outstanding at December 31, 2018 and December 31, 2017

Common stock, \$0.01 par value, 250,000,000 shares authorized, 154,537,378 and 154,404,186 issued and 154,458,478 and 154,325,286 outstanding at December 31, 2018 and December 31, 2017, respectively	1,545	1,543
Additional paid-in capital	6,407,623	6,377,908
Dividends in excess of earnings	(675,534)	(712,343)
Treasury common stock at cost, 78,900 shares at December 31, 2018 and December 31, 2017	(2,722)	(2,722)
Accumulated other comprehensive loss	(47,741)	(50,429)
Total stockholders' equity attributable to Boston Properties, Inc.	5,883,171	5,813,957
Noncontrolling interests:		
Common units of Boston Properties Limited Partnership	619,352	604,739
Property partnerships	1,711,445	1,683,760
Total equity	8,213,968	8,102,456
Total liabilities and equity	\$20,256,477	\$19,372,233

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

Table of ContentsBOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,		
	2018	2017	2016
	(in thousands, except for per share amounts)		
Revenue			
Rental			
Base rent	\$2,103,723	\$2,049,368	\$2,017,767
Recoveries from tenants	402,066	367,500	358,975
Parking and other	107,421	105,000	100,910
Total rental revenue	2,613,210	2,521,868	2,477,652
Hotel revenue	49,118	45,603	44,884
Development and management services	45,158	34,605	28,284
Direct reimbursements of payroll and related costs from management services contracts	9,590	—	—
Total revenue	2,717,076	2,602,076	2,550,820
Expenses			
Operating			
Rental	979,151	929,977	889,768
Hotel	33,863	32,059	31,466
General and administrative	121,722	113,715	105,229
Payroll and related costs from management services contracts	9,590	—	—
Transaction costs	1,604	668	2,387
Depreciation and amortization	645,649	617,547	694,403
Total expenses	1,791,579	1,693,966	1,723,253
Other income (expense)			
Income from unconsolidated joint ventures	2,222	11,232	8,074
Gain on sale of investment in unconsolidated joint venture	—	—	59,370
Gains on sales of real estate	182,356	7,663	80,606
Interest and other income	10,823	5,783	7,230
Gains (losses) from investments in securities	(1,865	) 3,678	2,273
Impairment losses	(11,812	) —	(1,783
Interest expense	(378,168	) (374,481	) (412,849
Gains (losses) from early extinguishments of debt	(16,490	) 496	(371
Losses from interest rate contracts	—	—	(140
Net income	712,563	562,481	569,977
Net income attributable to noncontrolling interests			
Noncontrolling interests in property partnerships	(62,909	) (47,832	) 2,068
Noncontrolling interest—common units of the Operating Partnership	(66,807	) (52,210	) (59,260
Net income attributable to Boston Properties, Inc.	582,847	462,439	512,785
Preferred dividends	(10,500	) (10,500	) (10,500
Net income attributable to Boston Properties, Inc. common shareholders	\$572,347	\$451,939	\$502,285
Basic earnings per common share attributable to Boston Properties, Inc. common shareholders:			
Net income	\$3.71	\$2.93	\$3.27
Weighted average number of common shares outstanding	154,427	154,190	153,715
Diluted earnings per common share attributable to Boston Properties, Inc. common shareholders:			

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Net income	\$3.70	\$2.93	\$3.26
Weighted average number of common and common equivalent shares outstanding	154,682	154,390	153,977

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

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Table of ContentsBOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income	\$712,563	\$562,481	\$569,977
Other comprehensive income (loss):			
Effective portion of interest rate contracts	(3,096)	(6,133)	(47,144)
Amortization of interest rate contracts (1)	6,664	6,033	3,751
Other comprehensive income (loss)	3,568	(100)	(43,393)
Comprehensive income	716,131	562,381	526,584
Net income attributable to noncontrolling interests	(129,716)	(100,042)	(57,192)
Other comprehensive income (loss) attributable to noncontrolling interests	(880)	1,922	5,256
Comprehensive income attributable to Boston Properties, Inc.	\$585,535	\$464,261	\$474,648

(1) Amounts reclassified from comprehensive income primarily to interest expense within Boston Properties, Inc.'s Consolidated Statements of Operations.

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

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BOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Preferred	Additional	Dividends in	Treasury	Accumulated	Noncontrolling	Total
	Shares	Amount	Stock	Paid-in	Excess of	Stock,	Other	Interests	
				Capital	Earnings	at cost	Comprehensive		
							Loss		
Equity, December 31, 2015	153,580	\$ 1,536	\$ 200,000	\$ 6,305,687	\$ (780,952)	\$ (2,722)	\$ (14,114)	\$ 2,177,492	\$ 7,886,927
Redemption of operating partnership units to common stock	191	2	—	6,459	—	—	—	(6,461)	—
Allocated net income for the year	—	—	—	—	512,785	—	—	57,192	569,977
Dividends/distributions declared	—	—	—	—	(425,527)	—	—	(49,087)	(474,614)
Shares issued pursuant to stock purchase plan	6	—	—	730	—	—	—	—	730
Net activity from stock option and incentive plan	13	—	—	3,979	—	—	—	27,931	31,910
Sale of interests in property partnerships	—	—	—	1,195	—	—	—	(1,195)	—
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	—	—	11,951	11,951
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	—	—	(51,564)	(51,564)
Effective portion of interest rate contracts	—	—	—	—	—	—	(41,502)	(5,642)	(47,144)
Amortization of interest rate contracts	—	—	—	—	—	—	3,365	386	3,751
Reallocation of noncontrolling interest	—	—	—	15,374	—	—	—	(15,374)	—
Equity, December 31, 2016	153,790	1,538	200,000	6,333,424	(693,694)	(2,722)	(52,251)	2,145,629	7,931,924
Cumulative effect of a change in accounting principle	—	—	—	—	(272)	—	—	(1,763)	(2,035)
Redemption of operating partnership units to common stock	495	5	—	16,911	—	—	—	(16,916)	—
Allocated net income for the year	—	—	—	—	462,439	—	—	100,042	562,481
Dividends/distributions declared	—	—	—	—	(480,816)	—	—	(54,494)	(535,310)

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Shares issued pursuant to stock purchase plan	6	—	—	795	—	—	—	—	795
Net activity from stock option and incentive plan	34	—	—	3,899	—	—	—	33,393	37,292
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	—	—	161,585	161,585
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	—	—	(54,176)	(54,176)
Effective portion of interest rate contracts	—	—	—	—	—	—	(3,305)	(2,828)	(6,133)
Amortization of interest rate contracts	—	—	—	—	—	—	5,127	906	6,033
Reallocation of noncontrolling interest	—	—	—	22,879	—	—	—	(22,879)	—
Equity, December 31, 2017	154,325	1,543	200,000	6,377,908	(712,343)	(2,722)	(50,429)	2,288,499	8,102,456
Cumulative effect of a change in accounting principle	—	—	—	—	4,933	—	—	563	5,496
Redemption of operating partnership units to common stock	83	2	—	2,878	—	—	—	(2,880)	—
Allocated net income for the year	—	—	—	—	582,847	—	—	129,716	712,563
Dividends/distributions declared	—	—	—	—	(550,971)	—	—	(62,731)	(613,702)
Shares issued pursuant to stock purchase plan	6	—	—	797	—	—	—	—	797
Net activity from stock option and incentive plan	44	—	—	1,729	—	—	—	36,861	38,590
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	—	—	46,701	46,701
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	—	—	(82,501)	(82,501)
Effective portion of interest rate contracts	—	—	—	—	—	—	(2,781)	(315)	(3,096)
Amortization of interest rate contracts	—	—	—	—	—	—	5,469	1,195	6,664
Reallocation of noncontrolling interest	—	—	—	24,311	—	—	—	(24,311)	—
	154,458	\$1,545	\$200,000	\$6,407,623	\$(675,534)	\$(2,722)	\$(47,741)	\$2,330,797	\$8,213,968

Equity, December 31,
2018

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

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Table of ContentsBOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Cash flows from operating activities:			
Net income	\$712,563	\$562,481	\$569,977
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	645,649	617,547	694,403
Impairment losses	11,812	—	1,783
Non-cash compensation expense	40,117	35,361	32,911
Income from unconsolidated joint ventures	(2,222)	(11,232)	(8,074)
Gain on sale of investment in unconsolidated joint venture	—	—	(59,370)
Distributions of net cash flow from operations of unconsolidated joint ventures	6,703	26,858	24,955
Losses (gains) from investments in securities	1,865	(3,678)	(2,273)
Non-cash portion of interest expense	21,303	(1,284)	(35,052)
Settlement of accreted debt discount on redemption of unsecured senior notes	(483)	(1,980)	—
Losses (gains) from early extinguishments of debt	16,490	(496)	371
Gains on sales of real estate	(182,356)	(7,663)	(80,606)
Change in assets and liabilities:			
Tenant and other receivables, net	29,204	2,433	3,688
Note receivable	(13)	—	—
Accrued rental income, net	(43,662)	(58,355)	(28,127)
Prepaid expenses and other assets	12,472	51,425	52,923
Accounts payable and accrued expenses	1,353	10,482	15,666
Accrued interest payable	5,237	(160,521)	53,547
Other liabilities	4,955	(44,970)	(106,071)
Tenant leasing costs	(130,742)	(104,429)	(96,103)
Total adjustments	437,682	349,498	464,571
Net cash provided by operating activities	1,150,245	911,979	1,034,548
Cash flows from investing activities:			
Acquisitions of real estate	—	(15,953)	(78,000)
Construction in progress	(694,791)	(608,404)	(500,350)
Building and other capital improvements	(189,771)	(222,482)	(150,640)
Tenant improvements	(210,034)	(205,331)	(230,298)
Proceeds from sales of real estate	455,409	29,810	122,750
Capital contributions to unconsolidated joint ventures	(345,717)	(109,015)	(575,795)
Capital distributions from unconsolidated joint ventures	—	251,000	20,440
Proceeds from sale of investment in unconsolidated joint venture	—	—	55,707
Deposit on capital lease	(13,615)	—	—
Issuance of related party note receivable	(80,000)	—	—
Issuance of note receivable	(19,455)	—	—
Investments in securities, net	(902)	(1,669)	(1,161)
Net cash used in investing activities	(1,098,876)	(882,044)	(1,337,347)

Table of ContentsBOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Cash flows from financing activities:			
Proceeds from mortgage notes payable	—	2,300,000	—
Repayments of mortgage notes payable	(18,634)	(1,317,653)	(1,326,865)
Proceeds from unsecured senior notes	996,410	847,935	1,989,790
Redemption of unsecured senior notes	(699,517)	(848,020)	—
Borrowings on unsecured line of credit	745,000	580,000	25,000
Repayments of unsecured line of credit	(790,000)	(535,000)	(25,000)
Proceeds from unsecured term loan	500,000	—	—
Repayments of mezzanine notes payable	—	(306,000)	—
Repayments of outside members' notes payable	—	(70,424)	—
Payments on capital lease obligations	(1,353)	(493)	(745)
Payments on real estate financing transactions	(960)	(2,840)	(5,260)
Deposit on mortgage note payable interest rate lock	—	(23,200)	—
Return of deposit on mortgage note payable interest rate lock	—	23,200	—
Deferred financing costs	(8,362)	(50,705)	(16,121)
Debt prepayment and extinguishment costs	(15,973)	(12,784)	—
Net proceeds from equity transactions	(730)	241	(271)
Dividends and distributions	(587,628)	(526,578)	(671,626)
Contributions from noncontrolling interests in property partnerships	46,701	52,009	11,951
Distributions to noncontrolling interests in property partnerships	(82,501)	(54,342)	(55,474)
Net cash provided by (used in) financing activities	82,453	55,346	(74,621)
Net increase (decrease) in cash and cash equivalents and cash held in escrows	133,822	85,281	(377,420)
Cash and cash equivalents and cash held in escrows, beginning of year	505,369	420,088	797,508
Cash and cash equivalents and cash held in escrows, end of year	\$ 639,191	\$ 505,369	\$ 420,088
Reconciliation of cash and cash equivalents and cash held in escrows:			
Cash and cash equivalents, beginning of period	\$ 434,767	\$ 356,914	\$ 723,718
Cash held in escrows, beginning of period	70,602	63,174	73,790
Cash and cash equivalents and cash held in escrows, beginning of period	\$ 505,369	\$ 420,088	\$ 797,508
Cash and cash equivalents, end of period	\$ 543,359	\$ 434,767	\$ 356,914
Cash held in escrows, end of period	95,832	70,602	63,174
Cash and cash equivalents and cash held in escrows, end of period	\$ 639,191	\$ 505,369	\$ 420,088
Supplemental disclosures:			
Cash paid for interest	\$ 416,019	\$ 598,486	\$ 433,591
Interest capitalized	\$ 65,766	\$ 61,070	\$ 39,237
Non-cash investing and financing activities:			
Write-off of fully depreciated real estate	\$(135,431)	\$(124,891)	\$(206,721)
Change in real estate included in accounts payable and accrued expenses	\$(44,866)	\$ 27,978	\$(1,481)
Real estate acquired through capital lease	\$ 12,397	\$ 28,962	\$ 21,000
Outside members' notes payable contributed to noncontrolling interests in property partnerships	\$ —	\$ 109,576	\$ —

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Dividends and distributions declared but not paid	\$165,114	\$139,040	\$130,308
Conversions of noncontrolling interests to stockholders' equity	\$2,880	\$16,916	\$6,461
Issuance of restricted securities to employees and directors	\$37,052	\$35,989	\$33,615

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

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Management's Report on Internal Control over
Financial Reporting

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

As of the end of Boston Properties Limited Partnership's 2018 fiscal year, management conducted assessments of the effectiveness of Boston Properties Limited Partnership's internal control over financial reporting based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on these assessments, management has determined that Boston Properties Limited Partnership's internal control over financial reporting as of December 31, 2018 was effective.

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

The effectiveness of Boston Properties Limited Partnership's internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report appearing on page 124, which expresses an unqualified opinion on the effectiveness of Boston Properties Limited Partnership's internal control over financial reporting as of December 31, 2018.

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Report of Independent Registered Public Accounting Firm

To the Partners of
Boston Properties Limited Partnership:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Boston Properties Limited Partnership and its subsidiaries (the "Partnership") as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, partners' capital and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Partnership's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ PricewaterhouseCoopers LLP

Boston, MA

February 28, 2019

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

Table of ContentsBOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEETS

(in thousands, except for unit amounts)

	December 31, 2018	December 31, 2017
ASSETS		
Real estate, at cost (amounts related to variable interest entities (“VIEs”) of \$7,481,015 and \$7,172,718 at December 31, 2018 and 2017, respectively)	\$21,251,540	\$20,685,164
Less: accumulated depreciation (amounts related to VIEs of \$(965,500) and \$(854,172) at December 31, 2018 and 2017, respectively)	(4,800,475)	(4,496,959)
Total real estate	16,451,065	16,188,205
Cash and cash equivalents (amounts related to VIEs of \$296,806 and \$304,955 at December 31, 2018 and 2017, respectively)	543,359	434,767
Cash held in escrows	95,832	70,602
Investments in securities	28,198	29,161
Tenant and other receivables, net (amounts related to VIEs of \$15,519 and \$27,057 at December 31, 2018 and 2017, respectively)	86,629	92,186
Related party note receivable	80,000	—
Note receivable	19,468	—
Accrued rental income, net (amounts related to VIEs of \$272,466 and \$242,589 at December 31, 2018 and 2017, respectively)	934,896	861,575
Deferred charges, net (amounts related to VIEs of \$263,402 and \$281,678 at December 31, 2018 and 2017, respectively)	678,724	679,038
Prepaid expenses and other assets (amounts related to VIEs of \$26,513 and \$33,666 at December 31, 2018 and 2017, respectively)	80,943	77,971
Investments in unconsolidated joint ventures	956,309	619,925
Total assets	\$19,955,423	\$19,053,430
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable, net (amounts related to VIEs of \$2,929,326 and \$2,939,183 at December 31, 2018 and 2017, respectively)	\$2,964,572	\$2,979,281
Unsecured senior notes, net	7,544,697	7,247,330
Unsecured line of credit	—	45,000
Unsecured term loan, net	498,488	—
Accounts payable and accrued expenses (amounts related to VIEs of \$75,786 and \$106,683 at December 31, 2018 and 2017, respectively)	276,645	331,500
Dividends and distributions payable	165,114	139,040
Accrued interest payable	89,267	83,646
Other liabilities (amounts related to VIEs of \$200,344 and \$164,806 at December 31, 2018 and 2017, respectively)	503,726	443,980
Total liabilities	12,042,509	11,269,777
Commitments and contingencies		
Noncontrolling interests:		
Redeemable partnership units—16,783,558 and 16,810,378 common units and 991,577 and 818,343 long term incentive units outstanding at redemption value at December 31, 2018 and December 31, 2017, respectively	2,000,591	2,292,263
Capital:		
5.25% Series B cumulative redeemable preferred units, liquidation preference \$2,500 per unit, 80,000 units issued and outstanding at December 31, 2018 and December 31, 2017	193,623	193,623

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Boston Properties Limited Partnership partners' capital—1,722,336 and 1,719,540 general partner units and 152,736,142 and 152,605,746 limited partner units outstanding at December 31, 2018 and December 31, 2017, respectively	4,054,996	3,664,436
Accumulated other comprehensive loss	(47,741	) (50,429)
Total partners' capital	4,200,878	3,807,630
Noncontrolling interests in property partnerships	1,711,445	1,683,760
Total capital	5,912,323	5,491,390
Total liabilities and capital	\$ 19,955,423	\$ 19,053,430

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

Table of ContentsBOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,		
	2018	2017	2016
	(in thousands, except for per unit amounts)		
Revenue			
Rental			
Base rent	\$2,103,723	\$2,049,368	\$2,017,767
Recoveries from tenants	402,066	367,500	358,975
Parking and other	107,421	105,000	100,910
Total rental revenue	2,613,210	2,521,868	2,477,652
Hotel revenue	49,118	45,603	44,884
Development and management services	45,158	34,605	28,284
Direct reimbursements of payroll and related costs from management services contracts	9,590	—	—
Total revenue	2,717,076	2,602,076	2,550,820
Expenses			
Operating			
Rental	979,151	929,977	889,768
Hotel	33,863	32,059	31,466
General and administrative	121,722	113,715	105,229
Payroll and related costs from management services contracts	9,590	—	—
Transaction costs	1,604	668	2,387
Depreciation and amortization	637,891	609,407	682,776
Total expenses	1,783,821	1,685,826	1,711,626
Other income (expense)			
Income from unconsolidated joint ventures	2,222	11,232	8,074
Gain on sale of investment in unconsolidated joint venture	—	—	59,370
Gains on sales of real estate	190,716	8,240	82,775
Interest and other income	10,823	5,783	7,230
Gains (losses) from investments in securities	(1,865)	) 3,678	2,273
Impairment losses	(10,181)	) —	(1,783)
Interest expense	(378,168)	) (374,481)	) (412,849)
Gains (losses) from early extinguishments of debt	(16,490)	) 496	(371)
Losses from interest rate contracts	—	—	(140)
Net income	730,312	571,198	583,773
Net income attributable to noncontrolling interests			
Noncontrolling interests in property partnerships	(62,909)	) (47,832)	) 2,068
Net income attributable to Boston Properties Limited Partnership	667,403	523,366	585,841
Preferred distributions	(10,500)	) (10,500)	) (10,500)
Net income attributable to Boston Properties Limited Partnership common unitholders	\$656,903	\$512,866	\$575,341
Basic earnings per common unit attributable to Boston Properties Limited Partnership			
Net income	\$3.82	\$2.99	\$3.36
Weighted average number of common units outstanding	171,912	171,661	171,361
Diluted earnings per common unit attributable to Boston Properties Limited Partnership			

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Net income	\$3.81	\$2.98	\$3.35
Weighted average number of common and common equivalent units outstanding	172,167	171,861	171,623

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income	\$730,312	\$571,198	\$583,773
Other comprehensive income (loss):			
Effective portion of interest rate contracts	(3,096)	(6,133)	(47,144)
Amortization of interest rate contracts (1)	6,664	6,033	3,751
Other comprehensive income (loss)	3,568	(100)	(43,393)
Comprehensive income	733,880	571,098	540,380
Comprehensive income attributable to noncontrolling interests	(63,485)	(45,704)	2,945
Comprehensive income attributable to Boston Properties Limited Partnership	\$670,395	\$525,394	\$543,325

(1) Amounts reclassified from comprehensive income primarily to interest expense within Boston Properties Limited Partnership's Consolidated Statements of Operations.

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

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BOSTON PROPERTIES LIMITED PARTNERSHIP
 CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
 FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 and 2016

	Total Partners' Capital (in thousands)
Balance at December 31, 2015	\$3,684,522
Contributions	3,144
Net income allocable to general and limited partner units	526,581
Distributions	(425,527)
Other comprehensive loss	(38,137)
Unearned compensation	2,760
Conversion of redeemable partnership units	6,461
Adjustment to reflect redeemable partnership units at redemption value	51,913
Balance at December 31, 2016	3,811,717
Cumulative effect of a change in accounting principle	(272)
Contributions	4,937
Net income allocable to general and limited partner units	471,156
Distributions	(480,816)
Other comprehensive income	1,822
Unearned compensation	(243)
Conversion of redeemable partnership units	16,916
Adjustment to reflect redeemable partnership units at redemption value	(17,587)
Balance at December 31, 2017	3,807,630
Cumulative effect of a change in accounting principle	4,933
Contributions	1,642
Net income allocable to general and limited partner units	600,596
Distributions	(550,971)
Other comprehensive income	2,688
Unearned compensation	884
Conversion of redeemable partnership units	2,880
Adjustment to reflect redeemable partnership units at redemption value	330,596
Balance at December 31, 2018	\$4,200,878

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

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Table of ContentsBOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Cash flows from operating activities:			
Net income	\$730,312	\$571,198	\$583,773
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	637,891	609,407	682,776
Impairment losses	10,181	—	1,783
Non-cash compensation expense	40,117	35,361	32,911
Income from unconsolidated joint ventures	(2,222)	(11,232)	(8,074)
Gain on sale of investment in unconsolidated joint venture	—	—	(59,370)
Distributions of net cash flow from operations of unconsolidated joint ventures	6,703	26,858	24,955
Losses (gains) from investments in securities	1,865	(3,678)	(2,273)
Non-cash portion of interest expense	21,303	(1,284)	(35,052)
Settlement of accreted debt discount on redemption of unsecured senior notes	(483)	(1,980)	—
Losses (gains) from early extinguishments of debt	16,490	(496)	371
Gains on sales of real estate	(190,716)	(8,240)	(82,775)
Change in assets and liabilities:			
Tenant and other receivables, net	29,204	2,433	3,688
Note receivable	(13)	—	—
Accrued rental income, net	(43,662)	(58,355)	(28,127)
Prepaid expenses and other assets	12,472	51,425	52,923
Accounts payable and accrued expenses	1,353	10,482	15,666
Accrued interest payable	5,237	(160,521)	53,547
Other liabilities	4,955	(44,970)	(106,071)
Tenant leasing costs	(130,742)	(104,429)	(96,103)
Total adjustments	419,933	340,781	450,775
Net cash provided by operating activities	1,150,245	911,979	1,034,548
Cash flows from investing activities:			
Acquisitions of real estate	—	(15,953)	(78,000)
Construction in progress	(694,791)	(608,404)	(500,350)
Building and other capital improvements	(189,771)	(222,482)	(150,640)
Tenant improvements	(210,034)	(205,331)	(230,298)
Proceeds from sales of real estate	455,409	29,810	122,750
Capital contributions to unconsolidated joint ventures	(345,717)	(109,015)	(575,795)
Capital distributions from unconsolidated joint ventures	—	251,000	20,440
Proceeds from sale of investment in unconsolidated joint venture	—	—	55,707
Deposit on capital lease	(13,615)	—	—
Issuance of related party note receivable	(80,000)	—	—
Issuance of note receivable	(19,455)	—	—
Investments in securities, net	(902)	(1,669)	(1,161)
Net cash used in investing activities	(1,098,876)	(882,044)	(1,337,347)

Table of ContentsBOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Cash flows from financing activities:			
Proceeds from mortgage notes payable	—	2,300,000	—
Repayments of mortgage notes payable	(18,634)	(1,317,653)	(1,326,865)
Proceeds from unsecured senior notes	996,410	847,935	1,989,790
Redemption/repurchase of unsecured senior notes	(699,517)	(848,020)	—
Borrowings on unsecured line of credit	745,000	580,000	25,000
Repayments of unsecured line of credit	(790,000)	(535,000)	(25,000)
Proceeds from unsecured term loan	500,000	—	—
Repayments of mezzanine notes payable	—	(306,000)	—
Repayments of outside members' notes payable	—	(70,424)	—
Payments on capital lease obligations	(1,353)	(493)	(745)
Payments on real estate financing transactions	(960)	(2,840)	(5,260)
Deposit on mortgage note payable interest rate lock	—	(23,200)	—
Return of deposit on mortgage note payable interest rate lock	—	23,200	—
Deferred financing costs	(8,362)	(50,705)	(16,121)
Debt prepayment and extinguishment costs	(15,973)	(12,784)	—
Net proceeds from equity transactions	(730)	241	(271)
Distributions	(587,628)	(526,578)	(671,626)
Contributions from noncontrolling interests in property partnerships	46,701	52,009	11,951
Distributions to noncontrolling interests in property partnerships	(82,501)	(54,342)	(55,474)
Net cash provided by (used in) financing activities	82,453	55,346	(74,621)
Net increase (decrease) in cash and cash equivalents and cash held in escrows	133,822	85,281	(377,420)
Cash and cash equivalents and cash held in escrows, beginning of year	505,369	420,088	797,508
Cash and cash equivalents and cash held in escrows, end of year	\$639,191	\$505,369	\$420,088
Reconciliation of cash and cash equivalents and cash held in escrows:			
Cash and cash equivalents, beginning of period	\$434,767	\$356,914	\$723,718
Cash held in escrows, beginning of period	70,602	63,174	73,790
Cash and cash equivalents and cash held in escrows, beginning of period	\$505,369	\$420,088	\$797,508
Cash and cash equivalents, end of period	\$543,359	\$434,767	\$356,914
Cash held in escrows, end of period	95,832	70,602	63,174
Cash and cash equivalents and cash held in escrows, end of period	\$639,191	\$505,369	\$420,088
Supplemental disclosures:			
Cash paid for interest	\$416,019	\$598,486	\$433,591
Interest capitalized	\$65,766	\$61,070	\$39,237
Non-cash investing and financing activities:			
Write-off of fully depreciated real estate	\$(135,431)	\$(123,714)	\$(202,388)
Change in real estate included in accounts payable and accrued expenses	\$(44,866)	\$27,978	\$(1,481)
Real estate acquired through capital lease	\$12,397	\$28,962	\$21,000
Outside members' notes payable contributed to noncontrolling interests in property partnerships	\$—	\$109,576	\$—
Distributions declared but not paid	\$165,114	\$139,040	\$130,308

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Conversions of redeemable partnership units to partners' capital	\$2,880	\$16,916	\$6,461
Issuance of restricted securities to employees and directors	\$37,052	\$35,989	\$33,615

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Boston Properties, Inc., a Delaware corporation, is a fully integrated, self-administered and self-managed real estate investment trust (“REIT”). Boston Properties, Inc. is the sole general partner of Boston Properties Limited Partnership, its operating partnership and at December 31, 2018 owned an approximate 89.7% (89.7% at December 31, 2017) general and limited partnership interest in Boston Properties Limited Partnership. Unless stated otherwise or the context requires, the “Company” refers to Boston Properties, Inc. and its subsidiaries, including Boston Properties Limited Partnership and its consolidated subsidiaries. Partnership interests in Boston Properties Limited Partnership include:

- common units of partnership interest (also referred to as “OP Units”),
- long term incentive units of partnership interest (also referred to as “LTIP Units”), and
- preferred units of partnership interest (also referred to as “Preferred Units”).

Unless specifically noted otherwise, all references to OP Units exclude units held by Boston Properties, Inc. A holder of an OP Unit may present such OP Unit to Boston Properties Limited Partnership for redemption at any time (subject to restrictions agreed upon at the time of issuance of OP Units to particular holders that may restrict such redemption right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, Boston Properties Limited Partnership is obligated to redeem the OP Unit for cash equal to the value of a share of common stock of Boston Properties, Inc. (“Common Stock”). In lieu of a cash redemption, Boston Properties, Inc. may elect to acquire the OP Unit for one share of Common Stock. Because the number of shares of Common Stock outstanding at all times equals the number of OP Units that Boston Properties, Inc. owns, one share of Common Stock is generally the economic equivalent of one OP Unit, and the quarterly distribution that may be paid to the holder of an OP Unit equals the quarterly dividend that may be paid to the holder of a share of Common Stock.

The Company uses LTIP Units as a form of equity-based award for annual long-term incentive equity compensation. The Company has also issued LTIP Units to employees in the form of (1) 2012 outperformance plan awards (“2012 OPP Units”) and (2) 2013, 2014, 2015, 2016, 2017 and 2018 multi-year, long-term incentive program awards (also referred to as “MYLTIP Units”), each of which, upon the satisfaction of certain performance and vesting conditions, is convertible into one OP Unit. The three-year measurement periods for the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2015 MYLTIP Units expired on February 6, 2015, February 4, 2016, February 3, 2017 and February 4, 2018, respectively, and Boston Properties, Inc.’s total stockholder return (“TSR”) was sufficient for employees to earn and therefore become eligible to vest in a portion of the awards. Unless and until they are earned, the rights, preferences and privileges of the 2016, 2017 and 2018 MYLTIP Units differ from other LTIP Units granted to employees (including the 2012 OPP Units, the 2013 MYLTIP Units, the 2014 MYLTIP Units and the 2015 MYLTIP Units, which have been earned). Therefore, unless specifically noted otherwise, all references to LTIP Units exclude the 2016, 2017 and 2018 MYLTIP Units. LTIP Units (including the earned 2012 OPP Units, the 2013 MYLTIP Units, the 2014 MYLTIP Units and the 2015 MYLTIP Units), whether vested or not, will receive the same quarterly per unit distributions as OP Units, which equal per share dividends on Common Stock (See Notes 10, 16 and 19).

At December 31, 2018, there was one series of Preferred Units outstanding (i.e., Series B Preferred Units). The Series B Preferred Units were issued to Boston Properties, Inc. on March 27, 2013 in connection with the issuance of 80,000 shares (8,000,000 depository shares each representing 1/100th of a share) of 5.25% Series B Cumulative Redeemable Preferred Stock (the “Series B Preferred Stock”). Boston Properties, Inc. contributed the net proceeds from the offering to Boston Properties Limited Partnership in exchange for 80,000 Series B Preferred Units having terms and preferences generally mirroring those of the Series B Preferred Stock (See Note 11).

Properties

At December 31, 2018, the Company owned or had interests in a portfolio of 197 commercial real estate properties (the “Properties”) aggregating approximately 51.6 million net rentable square feet of primarily Class A office properties, including 11 properties under construction/redevelopment totaling approximately 5.3 million net rentable square feet.

At December 31, 2018, the Properties consisted of:

178 office properties (including nine properties under construction/redevelopment);

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twelve retail properties;
six residential properties (including two properties under construction); and
one hotel.

The Company considers Class A office properties to be well located buildings that are professionally managed and maintained, attract high-quality tenants and command upper-tier rental rates, and that are modern structures or have been modernized to compete with newer buildings.

Basis of Presentation

The accompanying consolidated financial statements are presented using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Boston Properties, Inc. does not have any other significant assets, liabilities or operations, other than its investment in Boston Properties Limited Partnership, nor does it have employees of its own. Boston Properties Limited Partnership, not Boston Properties, Inc., generally executes all significant business relationships other than transactions involving securities of Boston Properties, Inc. All majority-owned subsidiaries and joint ventures over which the Company has financial and operating control and variable interest entities (“VIEs”) in which the Company has determined it is the primary beneficiary are included in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. The Company accounts for all other unconsolidated joint ventures using the equity method of accounting. Accordingly, the Company’s share of the earnings of these joint ventures and companies is included in consolidated net income.

Variable Interest Entities (VIEs)

On January 1, 2016, the Company adopted Accounting Standards Update (“ASU”) ASU 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis” (“ASU 2015-02”). ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 (1) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (2) eliminates the presumption that a general partner should consolidate a limited partnership and (3) affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The Company reviewed all of its legal entities in accordance with ASU 2015-02 and concluded that certain of its legal entities, including Boston Properties Limited Partnership, which had been consolidated in accordance with the voting interest model, are now variable interest entities under the VIE model, as discussed below. The adoption of the guidance did not alter any of the Company’s consolidation conclusions, but resulted in additional disclosures.

Consolidated VIEs are those where the Company is considered to be the primary beneficiary of a VIE. The primary beneficiary is the entity that has a controlling financial interest in the VIE, which is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the VIE’s performance and (2) the obligation to absorb losses or the right to receive the returns from the VIE that could potentially be significant to the VIE. The Company has determined that it is the primary beneficiary for seven of the ten entities that are VIEs.

Consolidated Variable Interest Entities

As of December 31, 2018, Boston Properties, Inc. has identified seven consolidated VIEs, including Boston Properties Limited Partnership. Excluding Boston Properties Limited Partnership, the VIEs are the following six in-service properties: 767 Fifth Avenue (the General Motors Building), Time Square Tower, 601 Lexington Avenue, Atlantic Wharf Office Building, 100 Federal Street and Salesforce Tower.

The Company consolidates these VIEs because it is the primary beneficiary. The third parties’ interests in these consolidated entities (i.e., excluding Boston Properties Limited Partnership’s interest), are reflected as noncontrolling interests in property partnerships in the accompanying Consolidated Financial Statements (See Note 10).

In addition, Boston Properties, Inc.’s only significant asset is its investment in Boston Properties Limited Partnership and, consequently, substantially all of Boston Properties, Inc.’s assets and liabilities are the assets and liabilities of Boston Properties Limited Partnership.

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Variable Interest Entities Not Consolidated

The Company has determined that its 7750 Wisconsin Avenue LLC and Office Tower Developer LLC joint ventures, which own 7750 Wisconsin Avenue and 100 Causeway Street (which is the office component of The Hub on Causeway mixed-use development project), respectively, are VIEs. The Company also determined that the landlord entity for its Platform 16 ground lease is a VIE. The Company does not consolidate these entities as the Company does not have the power to direct the activities that, when taken together, most significantly impact the VIE's performance and, therefore, the Company is not considered to be the primary beneficiary.

2. Summary of Significant Accounting Policies

Real Estate

Upon acquisitions of real estate, which includes the consolidation of previously unconsolidated joint ventures, the Company assesses the fair value of acquired tangible and intangible assets (including land, buildings, tenant improvements, "above-" and "below-market" leases, leasing and assumed financing origination costs, acquired in-place leases, other identified intangible assets and assumed liabilities) and allocates the purchase price to the acquired assets and assumed liabilities, including land and buildings as if vacant. The Company assesses and considers fair value based on estimated cash flow projections that utilize discount and/or capitalization rates that it deems appropriate, as well as available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known and anticipated trends, and market and economic conditions.

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

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

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

Guidance in Accounting Standards Codification ("ASC") 360 "Property Plant and Equipment" ("ASC 360") requires that qualifying assets and liabilities and the results of operations that have been sold, or otherwise qualify as "held for sale," be presented as discontinued operations in all periods presented if the property operations are expected to be eliminated and the Company will not have significant continuing involvement following the sale. Discontinued

operations presentation applies only to disposals representing a strategic shift that has (or will have) a major effect on an entity's operations and financial results (e.g., a disposal of a major geographical area, a major line of business, a major equity method investment or other major parts of an entity). The components of the property's net income that

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are reflected as discontinued operations include the net gain (or loss) upon the disposition of the property held for sale, operating results, depreciation and interest expense (if the property is subject to a secured loan). The Company generally considers assets to be “held for sale” when the transaction has been approved by Boston Properties, Inc.’s Board of Directors, or a committee thereof, and there are no known significant contingencies relating to the sale, such that a sale of the property within one year is considered probable. Following the classification of a property as “held for sale,” no further depreciation is recorded on the assets, and the asset is written down to the lower of carrying value or fair market value, less cost to sell.

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

Capitalized costs include pre-construction costs necessary to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. The Company begins the capitalization of costs during the pre-construction period, which it defines as activities that are necessary for the development of the property. The Company considers a construction project as substantially complete and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. The Company ceases capitalization on the portion (1) substantially completed, (2) occupied or held available for occupancy, and capitalizes only those costs associated with the portion under construction or (3) if activities necessary for the development of the property have been suspended. Interest costs capitalized for the years ended December 31, 2018, 2017 and 2016 were approximately \$65.8 million, \$61.1 million and \$39.2 million, respectively. Salaries and related costs capitalized for the years ended December 31, 2018, 2017 and 2016 were approximately \$12.5 million, \$13.2 million and \$11.1 million, respectively. Expenditures for repairs and maintenance are charged to operations as incurred. Significant betterments are capitalized. When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in net income or loss for the period.

The Company computes depreciation and amortization on properties using the straight-line method based on estimated useful asset lives. In accordance with ASC 805 “Business Combinations,” the Company allocates the acquisition cost of real estate to its components and depreciates or amortizes these assets (or liabilities) over their useful lives. The amortization of acquired “above-” and “below-market” leases and acquired in-place leases is recorded as an adjustment to revenue and depreciation and amortization, respectively, in the Consolidated Statements of Operations.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	25 to 40 years
Buildings and improvements	10 to 40 years
Tenant improvements	Shorter of useful life or terms of related lease
Furniture, fixtures, and equipment	3 to 7 years

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and investments with maturities of three months or less from the date of purchase. The majority of the Company’s cash and cash equivalents are held at major commercial banks which

may at times exceed the Federal Deposit Insurance Corporation limit of \$250,000.

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Cash Held in Escrows

Escrows include amounts established pursuant to various agreements for security deposits, property taxes, insurance and other costs. Escrows also include cash held by qualified intermediaries for possible investments in like-kind exchanges in accordance with Section 1031 of the Internal Revenue Code in connection with sales of the Company's properties.

Investments in Securities

The Company accounts for investments in trading securities at fair value, with gains or losses resulting from changes in fair value recognized currently in earnings. The designation of trading securities is generally determined at acquisition. The Company maintains a deferred compensation plan that is designed to allow officers of Boston Properties, Inc. to defer a portion of their current income on a pre-tax basis and receive a tax-deferred return on these deferrals. The Company's obligation under the plan is that of an unsecured promise to pay the deferred compensation to the plan participants in the future. At December 31, 2018 and 2017, the Company had maintained approximately \$28.2 million and \$29.2 million, respectively, in a separate account, which is not restricted as to its use. The Company recognized gains (losses) of approximately \$(1.9) million, \$3.7 million and \$2.3 million on its investments in the account associated with the Company's deferred compensation plan during the years ended December 31, 2018, 2017 and 2016, respectively.

Tenant and Other Receivables

Tenant and other accounts receivable, other than accrued rents receivable, are expected to be collected within one year.

Notes Receivable

The Company accounts for notes receivable at their unamortized cost, net of any unamortized deferred fees or costs, premiums or discounts and an allowance for loan losses. Loan fees and direct costs associated with loans originated by the Company are deferred and amortized over the term of the note as interest income.

Deferred Charges

Deferred charges include leasing costs and certain financing fees. Leasing costs include acquired intangible in-place lease values and direct and incremental fees and costs incurred in the successful negotiation of leases, including brokerage, legal, internal leasing employee salaries and other costs which have been deferred and are being amortized on a straight-line basis over the terms of the respective leases. Unamortized leasing costs are charged to expense upon the early termination of the lease. Fully amortized deferred leasing costs are removed from the books upon the expiration of the lease. Internal leasing salaries and related costs capitalized for the years ended December 31, 2018, 2017 and 2016 were approximately \$5.4 million, \$5.0 million and \$7.2 million, respectively (see New Accounting Pronouncements Issued but not yet Adopted "Leases"). Financing fees included in deferred charges consist of external fees and costs incurred to obtain the Company's revolving facility and if applicable, the delayed draw facility and construction financing arrangements where there are not sufficient amounts outstanding. Such financing costs have been deferred and are being amortized over the terms of the respective financing and included within interest expense. Unamortized financing costs are charged to expense upon the early repayment or significant modification of the financing. Fully amortized deferred financing costs are removed from the books upon the maturity of the debt. External fees and costs incurred to obtain mortgage financings and unsecured senior notes have been deferred and are presented as direct deductions from the carrying amounts of the corresponding debt liability. Such financing costs are being amortized over the terms of the respective financing and included within interest expense. Unamortized financing costs are charged to expense upon the early repayment or significant modification of the financing.

Investments in Unconsolidated Joint Ventures

The Company consolidates VIEs in which it is considered to be the primary beneficiary. VIEs are entities in which the equity investors do not have sufficient equity at risk to finance their endeavors without additional financial support or that the holders of the equity investment at risk do not have substantive participating rights. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the variable interest entity's performance, and (2) the obligation to absorb losses and the right to receive the returns from the variable interest entity that could potentially be significant to the VIE. For ventures that are not VIEs, the Company consolidates entities for which it has significant decision making

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the ventures' operations. The Company's judgment with respect to its level of influence or control of an entity involves the consideration of various factors including the form of the Company's ownership interest, its representation in the entity's governance, the size of its investment (including loans), estimates of future cash flows, its ability to participate in policy making decisions and the rights of the other investors to participate in the decision making process and to replace the Company as manager and/or liquidate the venture, if applicable. The Company's assessment of its influence or control over an entity affects the presentation of these investments in the Company's consolidated financial statements. In addition to evaluating control rights, the Company consolidates entities in which the outside partner has no substantive kick-out rights to remove the Company as the managing member.

Accounts of the consolidated entity are included in the accounts of the Company and the noncontrolling interest is reflected on the Consolidated Balance Sheets as a component of equity or in temporary equity between liabilities and equity. Investments in unconsolidated joint ventures are recorded initially at cost, and subsequently adjusted for equity in earnings and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in earnings of unconsolidated joint ventures over the life of the related asset. Under the equity method of accounting, the net equity investment of the Company is reflected within the Consolidated Balance Sheets, and the Company's share of net income or loss from the joint ventures is included within the Consolidated Statements of Operations. The joint venture agreements may designate different percentage allocations among investors for profits and losses; however, the Company's recognition of joint venture income or loss generally follows the joint venture's distribution priorities, which may change upon the achievement of certain investment return thresholds. The Company may account for cash distributions in excess of its investment in an unconsolidated joint venture as income when the Company is not the general partner in a limited partnership and when the Company has neither the requirement nor the intent to provide financial support to the joint venture. The Company's investments in unconsolidated joint ventures are reviewed for impairment periodically and the Company records impairment charges when events or circumstances change indicating that a decline in the fair values below the carrying values has occurred and such decline is other-than-temporary. The ultimate realization of the investment in unconsolidated joint ventures is dependent on a number of factors, including the performance of each investment and market conditions. The Company will record an impairment charge if it determines that a decline in the value below the carrying value of an investment in an unconsolidated joint venture is other-than-temporary.

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

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

Revenue Recognition

In general, the Company commences rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. Contractual rental revenue is reported on a straight-line basis over the terms of the respective leases. The impact of the straight-line rent adjustment increased revenue by approximately \$51.9 million, \$54.8 million and \$31.7 million for the years ended December 31, 2018, 2017 and 2016, respectively, as the revenue recorded exceeded amounts billed. Accrued rental income, as reported on the Consolidated Balance Sheets, represents cumulative rental income earned in excess of rent payments received pursuant to the terms of the individual lease agreements. The Company maintains an allowance against accrued rental income for future potential tenant credit losses. The credit assessment is based on the estimated accrued rental income that is recoverable over the term of the lease. The Company also maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required rent payments. The computation of this allowance is based on the tenants' payment history and current credit status, as well as certain industry or geographic specific credit considerations. If the Company's estimates of collectability differ from the cash received, then the

timing and amount of the Company's reported revenue could be impacted. The credit risk is mitigated by the high quality of the Company's existing tenant base, reviews of prospective tenants' risk profiles prior to lease execution and consistent monitoring of the Company's portfolio to identify potential problem tenants.

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In accordance with ASC 805, the Company recognizes acquired in-place “above-” and “below-market” leases at their fair values as rental revenue over the original term of the respective leases. The impact of the acquired in-place “above-” and “below-market” leases increased revenue by approximately \$23.8 million, \$23.5 million and \$30.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. The following table summarizes the scheduled amortization of the Company’s acquired “above-” and “below-market” lease intangibles for each of the five succeeding years (in thousands).

	Acquired Above-Market Lease Intangibles	Acquired Below-Market Lease Intangibles
2019	\$ 7,099	\$ 27,327
2020	5,394	10,462
2021	2,988	6,348
2022	314	5,669
2023	168	5,558

Recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, are recognized as revenue in the period during which the expenses are incurred. The Company recognizes these reimbursements on a gross basis, as the Company obtains control of the goods and services before they are transferred to the tenant. The Company also receives reimbursements of payroll and payroll related costs from third parties that the Company reflects on a gross basis.

The Company’s parking revenue is derived primarily from monthly and transient daily parking. In addition, the Company has certain lease arrangements for parking accounted for under the guidance in ASC 840 “Leases” (“ASC 840”). The monthly and transient daily parking revenue falls within the scope of ASC 606 “Revenue from Contracts with Customers” (“ASC 606”) and is accounted for at the point in time when control of the goods or services transfers to the customer and the Company’s performance obligation is satisfied (see New Accounting Pronouncements Adopted “Revenue from Contracts with Customers”).

The Company’s hotel revenue is derived from room rentals and other sources such as charges to guests for telephone service, movie and vending commissions, meeting and banquet room revenue and laundry services. Hotel revenue is recognized as the hotel rooms are occupied and the services are rendered to the hotel customers (see New Accounting Pronouncements Adopted “Revenue from Contracts with Customers”).

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

Gains on sales of real estate are recognized pursuant to the provisions included in ASC 610-20. Under ASC 610-20, the Company must first determine whether the transaction is a sale to a customer or non-customer. The Company typically sells real estate on a selective basis and not within the ordinary course of its business and therefore expects that its sale transactions will not be contracts with customers. The Company next determines whether it has a controlling financial interest in the property after the sale, consistent with the consolidation model in ASC 810

"Consolidation" ("ASC 810"). If the Company determines that it does not have a controlling financial interest in the real estate, it evaluates whether a contract exists under ASC 606 and whether the buyer has obtained control of the asset that was sold. The Company recognizes a full gain on sale of real estate when the derecognition criteria under ASC 610-20 have been met (see New Accounting Pronouncements Adopted "Sales of Real Estate").

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Ground Leases

The Company has non-cancelable ground lease obligations with various initial term expiration dates through 2114. The Company recognizes ground rent expense on a straight-line basis over the terms of the respective ground lease agreements. The future contractual minimum lease payments to be made by the Company as of December 31, 2018, under non-cancelable ground leases which expire on various dates through 2114, are as follows:

Years Ending December 31, (in thousands)

2019	\$ 11,425
2020	18,425
2021	25,310
2022	8,894
2023	9,084
Thereafter	567,232

Capital Leases

The Company has four capital lease obligations with various initial term expiration dates through 2036. The following reflects the gross amount of assets recorded under capital leases by asset class at December 31, 2018 and December 31, 2017 (in thousands):

	December 31,	
	2018	2017
Land held for future development	\$12,397	\$—
Buildings and improvements	23,636	23,636
Construction in progress	28,962	28,962
Total	\$64,995	\$52,598

The future minimum lease payments, as of December 31, 2018, related to the four capital leases, through 2036 are as follows:

Years Ending December 31,	(in thousands)
2019	\$ 1,441
2020	12,682
2021	2,123
2022	1,253
2023	944
Thereafter	73,241
Total expected minimum lease payments	91,684
Interest portion	(27,497)
Present value of expected net minimum lease payments	\$ 64,187

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income available to common shareholders, as adjusted for undistributed earnings (if any) of certain securities issued by Boston Properties Limited Partnership, by the weighted average number of shares of Common Stock outstanding during the year. Diluted EPS reflects the potential dilution that could occur from shares issuable in connection with awards under stock-based compensation plans, including upon the exercise of stock options, and securities of Boston Properties Limited Partnership that are exchangeable for Common Stock.

Earnings Per Common Unit

Basic earnings per common unit is computed by dividing net income available to common unitholders, as adjusted for undistributed earnings (if any) of certain securities issued by Boston Properties Limited Partnership, by the weighted

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average number of common units outstanding during the year. Diluted earnings per common unit reflects the potential dilution that could occur from units issuable in connection with awards under Boston Properties, Inc.'s stock-based compensation plans, including upon the exercise of stock options, and conversion of preferred units of Boston Properties Limited Partnership.

Fair Value of Financial Instruments

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

The Company follows the authoritative guidance for fair value measurements when valuing its financial instruments for disclosure purposes. Boston Properties Limited Partnership determines the fair value of its unsecured senior notes using market prices. The inputs used in determining the fair value of Boston Properties Limited Partnership's unsecured senior notes is categorized at a Level 1 basis (as defined in ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820")) due to the fact that it uses quoted market rates to value these instruments. However, the inputs used in determining the fair value could be categorized at a Level 2 basis (as defined in ASC 820) if trading volumes are low. The Company determines the fair value of its related party note receivable, note receivable and mortgage notes payable using discounted cash flow analysis by discounting the spread between the future contractual interest payments and hypothetical future interest payments on note receivables / mortgage debt based on current market rates for similar securities. In determining the current market rates, the Company adds its estimates of market spreads to the quoted yields on federal government treasury securities with similar maturity dates to its debt. The inputs used in determining the fair value of the Company's related party note receivable, note receivable, and mortgage notes payable are categorized at a Level 3 basis (as defined in ASC 820) due to the fact that the Company considers the rates used in the valuation techniques to be unobservable inputs. To the extent that there are outstanding borrowings under the unsecured line of credit or unsecured term loan, the Company utilizes a discounted cash flow methodology in order to estimate the fair value. To the extent that credit spreads have changed since the origination, the net present value of the difference between future contractual interest payments and future interest payments based on the Company's estimate of a current market rate would represent the difference between the book value and the fair value. The Company's estimate of a current market rate is based upon the rate, considering current market conditions and Boston Properties Limited Partnership's specific credit profile, at which it estimates it could obtain similar borrowings. To the extent there are outstanding borrowings, this current market rate is estimated and therefore would be primarily based upon a Level 3 input.

Because the Company's valuations of its financial instruments are based on these types of estimates, the actual fair values of its financial instruments may differ materially if the Company's estimates do not prove to be accurate, and the Company's estimated fair values for these instruments as of the end of the applicable reporting period are not necessarily indicative of estimated or actual fair values in future reporting periods. The following table presents the aggregate carrying value of the Company's related party note receivable, note receivable, mortgage notes payable, net, unsecured senior notes, net, unsecured line of credit and unsecured term loan, net and the Company's corresponding estimate of fair value as of December 31, 2018 and December 31, 2017 (in thousands):

	December 31, 2018		December 31, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Related party note receivable	\$80,000	\$80,000	\$—	\$—
Note receivable	19,468	19,468	—	—
Total	\$99,468	\$99,468	\$—	\$—
Mortgage notes payable, net	\$2,964,572	\$2,903,925	\$2,979,281	\$3,042,920
Unsecured senior notes, net	7,544,697	7,469,338	7,247,330	7,461,615
Unsecured line of credit	—	—	45,000	45,000
Unsecured term loan, net	498,488	500,783	—	—

Total \$11,007,757 \$10,874,046 \$10,271,611 \$10,549,535

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The Company uses interest rate swap agreements to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. To comply with the provisions of ASC 820, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although the Company determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. The Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Derivative Instruments and Hedging Activities

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

Stock-Based Employee Compensation Plans

At December 31, 2018, the Company has a stock-based employee compensation plan. The Company accounts for the plan under the guidance in ASC 718 "Compensation – Stock Compensation" ("ASC 718"), which revised the fair value based method of accounting for share-based payment liabilities, forfeitures and modifications of stock-based awards and clarified previous guidance in several areas, including measuring fair value, classifying an award as equity or as a liability and attributing compensation cost to reporting periods.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates include such items as depreciation and allowances for doubtful accounts. Actual results could differ from those estimates.

New Accounting Pronouncements Adopted

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, which supersedes most of the existing revenue recognition guidance, including industry-specific guidance. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying ASU 2014-09, companies will perform a five-step analysis of transactions to determine when and how revenue is recognized. The five-step analysis consists of the following: (i) identifying the contract with a customer, (ii) identifying the performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the

transaction price to the performance obligations in the contract and (v) recognizing revenue when (or as) the entity satisfies a performance

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obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB's ASC. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" ("ASU 2015-14"), which delayed the effective date of ASU 2014-09 by one year making it effective for the first interim period within annual reporting periods beginning after December 15, 2017. Early adoption was permitted as of the original effective date. In May 2016, the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"). ASU 2016-12 is intended to clarify and provide practical expedients for certain aspects of ASU 2014-09 and notes that lease contracts with customers are a scope exception. ASU 2014-09 was effective for the Company for reporting periods beginning after December 15, 2017.

The Company adopted ASU 2014-09 effective January 1, 2018 using the modified retrospective approach. The adoption of ASU 2014-09 did not have a material impact on the Company's consolidated financial statements. The Company applied the guidance only to contracts that were not completed as of January 1, 2018. The Company does not have material contract assets and liabilities within the scope of ASC 606. The adoption of ASU 2014-09 resulted in a change to the timing pattern of revenue recognized, but not the total revenue recognized over time for certain of the Company's development services contracts. As a result, the modified retrospective approach resulted in the Company recognizing on January 1, 2018 the cumulative effect of adopting ASU 2014-09 aggregating approximately \$4.9 million to Dividends in Excess of Earnings of Boston Properties, Inc. and Partners' Capital of Boston Properties Limited Partnership and approximately \$0.6 million to Noncontrolling Interests - Common Units of Boston Properties, Inc. and Noncontrolling Interests - Redeemable Partnership Units of Boston Properties Limited Partnership on the corresponding Consolidated Balance Sheets.

The Company disaggregates its revenue by source within its Consolidated Statements of Operations. As an owner and operator of real estate, the Company derives the majority of its revenue from leasing space to tenants at its properties. As a result, the majority of the Company's revenue is accounted for pursuant to ASC 840 and is reflected within Base Rent in the Consolidated Statements of Operations. In addition, the Company earns revenue from recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs. Revenue from recoveries from tenants is recognized under the guidance within ASC 840 until the adoption of ASC 842 "Leases" in 2019 at which time it may fall within the guidance under ASC 606 (see New Accounting Pronouncements Issued but not yet Adopted "Leases").

The Company also earns revenue from the following sources; parking and other revenue, hotel revenue and development and management services revenue.

Parking and other revenue is derived primarily from monthly and transient daily parking. In addition, the Company has certain lease arrangements for parking accounted for under the guidance in ASC 840. The monthly and transient daily parking revenue falls within the scope of ASC 606 and is accounted for at the point in time when control of the goods or services transfers to the customer and the Company's performance obligation is satisfied, consistent with the Company's previous accounting.

Hotel revenue is derived from room rentals and other sources such as charges to guests for telephone service, movie and vending commissions, meeting and banquet room revenue and laundry services. Hotel revenue also falls within the scope of ASC 606 and is accounted for at the point in time when control of the goods or services transfers to the customer and the Company's performance obligation is satisfied, consistent with the Company's previous accounting. Development and management services revenue is earned from unconsolidated joint venture entities and third-party property owners. The Company determined that the performance obligations associated with its development services contracts are satisfied over time and that the Company would recognize its development services revenue under the output method evenly over time from the development commencement date through the substantial completion date of the development management services project due to the stand-ready nature of the contracts. Significant judgments impacting the amount and timing of revenue recognized from the Company's development services contracts include estimates of total development project costs from which the fees are typically derived and estimates of the period of time until substantial completion of the development project, the period of time over which the development services are required to be performed. As a result, the pattern of revenue recognized over time under ASC 606 differs from the Company's previous accounting. The Company recognizes development fees earned from unconsolidated joint venture

projects equal to its cost plus profit to the extent of the third party partners' ownership interest. Property management fees are recorded and earned based on a percentage of collected rents at the properties under management, and not on a straight-line basis, because such fees are contingent upon the collection of

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rents. The revenue recognized under property management services contracts is recognized consistent with the Company's previous accounting.

ASU 2014-09 also updates the principal versus agent considerations and, as a result, the Company determined that amounts reimbursed for payroll and related costs received from unconsolidated joint venture entities and third party property owners in connection with management services contracts should be reflected on a gross basis instead of on a net basis as the Company has determined that it is the principal under these arrangements. During the year ended December 31, 2018, the Company recognized approximately \$9.6 million of expenses consisting of payroll and related costs from management services contracts and recognized corresponding revenue of approximately \$9.6 million reflecting the direct reimbursements of such costs from the unconsolidated joint venture entities and third-party property owners.

Financial Instruments

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. ASU 2016-01 is effective for the Company for reporting periods beginning after December 15, 2017, with early adoption permitted. The Company adopted ASU 2016-01 effective January 1, 2018. The adoption of ASU 2016-01 did not have a material impact on the Company's consolidated financial statements.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2016-15"). ASU 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The areas addressed in the new guidance related to debt prepayment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned and bank-owned life insurance policies, distributions received from equity method investments, beneficial interest in securitization transactions, and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 was effective for the Company for reporting periods beginning after December 15, 2017, with early adoption permitted (provided that all of the amendments are adopted in the same period), and was required to be applied retrospectively to all periods presented. The Company adopted ASU 2016-15 effective January 1, 2018. The adoption of ASU 2016-15 resulted in the classification of debt prepayment and extinguishment costs totaling approximately \$16.0 million as a component of financing activities instead of as a component of operating activities in the Company's Consolidated Statements of Cash Flows for the year ended December 31, 2018. The adoption of ASU 2016-15 resulted in the retrospective classification of debt prepayment and extinguishment costs totaling approximately \$12.8 million as a component of financing activities instead of as a component of operating activities in the Company's Consolidated Statements of Cash Flows for the year ended December 31, 2017.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2016-18"). ASU 2016-18 requires companies to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 also requires a disclosure of a reconciliation between the statement of financial position and the statement of cash flows when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash and restricted cash equivalents. Entities with material restricted cash and restricted cash equivalents balances are required to disclose the nature of the restrictions. ASU 2016-18 was effective for reporting periods beginning after December 15, 2017, with early adoption permitted, and is required to be applied retrospectively to all periods

presented. The Company adopted ASU 2016-18 effective January 1, 2018. The retrospective adoption of ASU 2016-18 resulted in an increase to net cash provided by operating activities totaling approximately \$4.5 million, a decrease to net cash used in investing activities totaling approximately \$15.8 million, a decrease to net cash provided by financing activities totaling approximately \$12.9 million, and a corresponding increase to the net increase in cash and cash equivalents and cash held in escrows totaling approximately \$7.4 million from amounts previously reported for the year ended December 31, 2017. The

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retrospective adoption of ASU 2016-18 resulted in a decrease to net cash provided by operating activities totaling approximately \$2.3 million, an increase to net cash used in investing activities totaling approximately \$8.3 million, no change to net cash used in financing activities, and a corresponding increase to the net decrease in cash and cash equivalents and cash held in escrows totaling approximately \$10.6 million from amounts previously reported for the year ended December 31, 2016. Cash held in escrows include amounts established pursuant to various agreements for security deposits, property taxes, insurance and other costs. Cash held in escrows also include cash held by qualified intermediaries for possible investments in like-kind exchanges in accordance with Section 1031 of the Internal Revenue Code of 1986, as amended, in connection with sales of the Company's properties.

Business Combinations

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" ("ASU 2017-01"). ASU 2017-01 clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This update is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted for transactions that have not been reported in previously issued (or available to be issued) financial statements and shall be applied on a prospective basis. The Company early adopted ASU 2017-01 during the first quarter of 2017. The Company expects that acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

Sales of Real Estate

In February 2017, the FASB issued ASU No. 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"). ASU 2017-05 updates the definition of an "in substance nonfinancial asset" and clarifies the derecognition guidance for nonfinancial assets to conform with the new revenue recognition standard. The effective date and transition methods of ASU 2017-05 are aligned with ASU 2014-09 described above and were effective for the first interim period within annual reporting periods beginning after December 15, 2017. The Company adopted ASU 2017-05 effective January 1, 2018 using the modified retrospective approach. The adoption of ASU 2017-05 did not have a material impact on the Company's consolidated financial statements. See also Note 3.

Stock Compensation

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting" ("ASU 2017-09"). ASU 2017-09 is intended to provide clarity and reduce (1) diversity in practice, (2) cost and (3) complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. ASU 2017-09 was effective for public entities for fiscal years and interim periods beginning after December 15, 2017. The Company adopted ASU 2017-09 effective January 1, 2018. The adoption of ASU 2017-09 did not have a material impact on the Company's consolidated financial statements.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"). ASU 2017-12 was issued with the objective of improving the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. ASU 2017-12 also makes certain targeted improvements to simplify the application of the hedge accounting guidance. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company early adopted ASU 2017-12 effective January 1, 2018. The adoption of ASU 2017-12 did not have a material impact on the Company's consolidated financial statements. As of December 31, 2018, the Company does not have any outstanding hedges, but

continues to reclassify into earnings as an increase primarily to interest expense approximately \$1.7 million per quarter relating to previously settled interest rate contracts.

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New Accounting Pronouncements Issued but not yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes previous leasing standards.

On July 30, 2018, the FASB issued ASU 2018-11, “Leases (Topic 842): Targeted Improvements” (“ASU 2018-11”), that (1) simplifies transition requirements for both lessees and lessors by adding an option that permits an organization to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in its financial statements and (2) allows lessors to elect, as a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (ASC 606) and both of the following are met:

- (1) the timing and pattern of transfer of the nonlease component(s) and associated lease components are the same; and
- (2) the lease component, if accounted for separately, would be classified as an operating lease.

If the nonlease component or components associated with the lease component are the predominant component of the combined component, an entity is required to account for the combined component in accordance with ASC 606.

Certain disclosures are required if applying this practical expedient. ASU 2016-02 is effective for the Company for reporting periods beginning after December 15, 2018, with early adoption permitted.

The Company adopted ASU 2016-02 and ASU 2018-11 effective January 1, 2019. For purposes of transition, the Company did not elect the hindsight practical expedient but did elect the practical expedient package, which has been applied consistently to all of its leases. The practical expedient package did not require the Company to reassess the following: (i) whether an expired or existing contract meets the definition of a lease; (ii) the lease classification at the adoption date for existing leases; and (iii) whether costs previously capitalized as initial direct costs would continue to be amortized. This allows the Company to continue to account for its ground leases as operating leases, however, any new or renewed ground leases may be classified as financing leases unless they meet certain conditions. The Company does expect to record an adjustment to the opening balance of retained earnings of approximately \$4.0 million related to initial direct costs that, as of January 1, 2019, had not started to amortize and would no longer be allowed to be capitalized in accordance with ASC 842.

Lessor perspective - ASU 2018-11 provides lessors a practical expedient to not separate nonlease components from the associated lease component if certain criteria stated above are met. The Company assessed these criteria and concluded that the timing and pattern of transfer for nonlease components and the associated lease component are the same. The Company determined that the predominate component was the lease component and as such the leases will continue to qualify as operating leases and the Company will account for and present the lease component and the nonlease component as a single component on its Consolidated Statements of Operations beginning with the Quarterly Report on Form 10-Q for the period ending March 31, 2019.

In addition, under ASU 2016-02, lessors will only capitalize incremental direct leasing costs. As a result, the Company will no longer be able to capitalize non-incremental legal costs and internal leasing wages and instead will be required to expense these and other non-incremental costs as incurred.

Lessee perspective - For leases in which the Company is the lessee, primarily consisting of ground leases, the Company will recognize a right-of-use asset and a lease liability equal to the present value of the minimum lease payments in accordance with the prior lease accounting guidance. From a lessee perspective, the adoption on January

1, 2019 will result in the recognition of a right-of-use (“ROU”) asset and lease liability for four leases of approximately

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\$148.8 million and \$199.7 million, respectively. A ROU asset and lease liability will be presented on the Company's Consolidated Balance Sheets beginning with the Quarterly Report on Form 10-Q for the period ending March 31, 2019.

The adoption of this standard will also result in additional quantitative and qualitative footnote disclosures beginning with the Quarterly Report on Form 10-Q for the period ending March 31, 2019.

In January 2018, the FASB issued ASU 2018-01, "Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842" ("ASU 2018-01"), which provides an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date that the entity adopts Topic 842. An entity that does not elect this practical expedient should evaluate all existing or expired land easements in connection with the adoption of the new lease requirements in Topic 842 to assess whether they meet the definition of a lease. The effective date and transition requirements for ASU 2018-01 are the same as the effective date and transition requirements in ASU 2016-02. The Company adopted ASU 2018-01 on January 1, 2019. The Company elected to utilize the practical expedient and has created procedures and controls to monitor new or modified land easements.

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, ASU 2016-13 replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for the Company for reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is assessing the potential impact that the adoption of ASU 2016-13 will have on its consolidated financial statements.

In November 2018, the FASB issued ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses" ("ASU 2018-19"). ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of ASC 326-20, "Financial Instruments - Credit Losses - Measured at Amortized Cost," which includes financial assets measured at amortized cost basis, including net investments in leases arising from sales-type and direct financing leases. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842, "Leases." ASU 2018-19 is effective for the Company for reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is assessing the potential impact that the adoption of ASU 2018-19 will have on its consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"). ASU 2018-13 is intended to improve the effectiveness of disclosures required by entities regarding recurring and nonrecurring fair value measurements. ASU 2018-13 is effective for the Company for reporting periods beginning after December 15, 2019, with early adoption permitted. The adoption of ASU 2018-13 will not have a material impact on the Company's consolidated financial statements.

Derivatives and Hedging

In October 2018, the FASB issued ASU 2018-16, "Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes" ("ASU 2018-16"). ASU 2018-16 permits the use of the overnight index swap rate based on the Secured Overnight Financing Rate ("SOFR") to be used as a U.S. benchmark interest rate for purposes of applying hedge accounting under ASC 815. ASU 2018-16 is effective for the Company, which has already adopted ASU 2017-12, for reporting periods beginning after December 15, 2018 and is required to be adopted on a prospective basis for qualifying new or re-designated hedging relationships entered into on or after the date of adoption. The adoption of ASU 2018-16 will not have a material impact on the Company's consolidated financial statements.

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Consolidation

In October 2018, the FASB issued ASU 2018-17, “Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities” (“ASU 2018-17”). ASU 2018-17 is intended to improve the accounting when considering indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests. ASU 2018-17 is effective for the Company for reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is assessing the potential impact that the adoption of ASU 2018-17 will have on its consolidated financial statements.

Boston Properties, Inc.

Equity Offering Costs

Underwriting commissions and offering costs have been reflected as a reduction of additional paid-in capital.

Treasury Stock

Boston Properties, Inc.’s share repurchases are reflected as treasury stock utilizing the cost method of accounting and are presented as a reduction to consolidated stockholders’ equity.

Dividends

Earnings and profits, which determine the taxability of dividends to stockholders, will differ from income reported for financial reporting purposes due to the differences for federal income tax purposes in the treatment of gains/losses on the sale of real property, revenue and expense recognition, compensation expense, and in the estimated useful lives and basis used to compute depreciation.

The tax treatment of common dividends per share for federal income tax purposes is as follows:

	For the year ended December 31,					
	2018		2017		2016	
	Per Share	%	Per Share	%	Per Share	%
Ordinary income	\$2.79	78.17 %	\$2.86	98.29 %	\$2.76	90.51 %
Capital gain income	0.78	21.83 %	0.05	1.71 %	0.29	9.49 %
Total	\$3.57	(1) 100.00 %	\$2.91	(2) 100.00 %	\$3.05	(3) 100.00 %

(1) The fourth quarter 2018 regular quarterly dividend was \$0.95 per common share of which approximately \$0.69 per common share was allocable to 2018 and approximately \$0.26 per common share is allocable to 2019.

(2) The fourth quarter 2017 regular quarterly dividend was \$0.80 per common share of which approximately \$0.47 per common share was allocable to 2017 and approximately \$0.33 per common share is allocable to 2018.

(3) The fourth quarter 2016 regular quarterly dividend was \$0.75 per common share of which approximately \$0.56 per common share was allocable to 2016 and approximately \$0.19 per common share is allocable to 2017.

Income Taxes

Boston Properties, Inc. has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”), commencing with its taxable year ended December 31, 1997. As a result, it generally will not be subject to federal corporate income tax on its taxable income that is distributed to its stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual taxable income (with certain adjustments). Boston Properties, Inc.’s policy is to distribute at least 100% of its taxable income. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to Boston Properties, Inc.’s consolidated taxable REIT subsidiaries. Boston Properties, Inc.’s taxable REIT subsidiaries did not have significant tax provisions or deferred income tax items. Boston Properties, Inc. has no uncertain tax positions recognized as of December 31, 2018 and 2017.

The Company owns a hotel property that it leases to one of its taxable REIT subsidiaries and that is managed by Marriott International, Inc. The hotel taxable REIT subsidiary, a wholly owned subsidiary of Boston Properties Limited Partnership, is the lessee pursuant to the lease for the hotel property. As lessor, Boston Properties Limited Partnership is entitled to a percentage of gross receipts from the hotel property. Marriott International, Inc. continues to manage the hotel property under the Marriott name and under terms of the existing management agreement. The hotel taxable

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REIT subsidiary is subject to tax at the federal and state level and, accordingly, Boston Properties, Inc. has recorded a tax provision in its Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016. Certain entities included in Boston Properties, Inc.'s consolidated financial statements are subject to certain state and local taxes. These taxes are recorded as operating expenses in the accompanying consolidated financial statements.

Boston Properties Limited Partnership**Income Taxes**

The partners are required to report their respective share of Boston Properties Limited Partnership's taxable income or loss on their respective tax returns and are liable for any related taxes thereon. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to Boston Properties Limited Partnership's consolidated taxable REIT subsidiaries. Boston Properties Limited Partnership's taxable REIT subsidiaries did not have significant tax provisions or deferred income tax items. Boston Properties Limited Partnership has no uncertain tax positions recognized as of December 31, 2018 and 2017.

The Company owns a hotel property which is managed through a taxable REIT subsidiary. The hotel taxable REIT subsidiary, a wholly owned subsidiary Boston Properties Limited Partnership, is the lessee pursuant to the lease for the hotel property. As lessor, Boston Properties Limited Partnership is entitled to a percentage of gross receipts from the hotel property. Marriott International, Inc. continues to manage the hotel property under the Marriott name and under terms of the existing management agreement. The hotel taxable REIT subsidiary is subject to tax at the federal and state level and, accordingly, Boston Properties Limited Partnership has recorded a tax provision in its Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016.

Certain entities included in Boston Properties Limited Partnership's consolidated financial statements are subject to certain state and local taxes. These taxes are recorded as operating expenses in the accompanying consolidated financial statements.

3. Real Estate**Boston Properties, Inc.**

Real estate consisted of the following at December 31, 2018 and December 31, 2017 (in thousands):

	2018	2017
Land	\$5,072,568	\$5,080,679
Land held for future development (1)	200,498	204,925
Buildings and improvements	13,356,751	12,284,164
Tenant improvements	2,396,932	2,219,608
Furniture, fixtures and equipment	44,351	37,928
Construction in progress	578,796	1,269,338
Total	21,649,896	21,096,642
Less: Accumulated depreciation	(4,897,777)	(4,589,634)
	\$16,752,119	\$16,507,008

(1) Includes pre-development costs.

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Boston Properties Limited Partnership

Real estate consisted of the following at December 31, 2018 and December 31, 2017 (in thousands):

	2018	2017
Land	\$4,971,475	\$4,976,303
Land held for future development (1)	200,498	204,925
Buildings and improvements	13,059,488	11,977,062
Tenant improvements	2,396,932	2,219,608
Furniture, fixtures and equipment	44,351	37,928
Construction in progress	578,796	1,269,338
Total	21,251,540	20,685,164
Less: Accumulated depreciation	(4,800,475)	(4,496,959)
	\$16,451,065	\$16,188,205

(1) Includes pre-development costs.

Development/Redevelopment

On January 24, 2018, the Company entered into a lease agreement with an affiliate of Leidos Holdings, Inc. for a build-to-suit project with approximately 276,000 net rentable square feet of Class A office space at the Company's 17Fifty Presidents Street development project located in Reston, Virginia. Concurrently with the execution of the lease, the Company commenced development of the project and expects the building to be completed and available for occupancy during the second quarter of 2020.

On January 31, 2018, the Company partially placed in-service its Signature at Reston development project comprised of 508 apartment units and retail space aggregating approximately 518,000 square feet located in Reston, Virginia. This project was completed and fully placed in-service on June 7, 2018.

On February 23, 2018, the Company entered into a lease agreement with Fannie Mae to lease approximately 850,000 net rentable square feet of Class A office space at the Company's Reston Gateway development project located in Reston, Virginia. The initial phase of the project will consist of two Class A office buildings aggregating approximately 1.1 million net rentable square feet. On August 31, 2018, the Company commenced development of the project.

On June 20, 2018, the Company partially placed in-service its Proto Kendall Square development project comprised of 280 apartment units and retail space aggregating approximately 167,000 square feet located in Cambridge, Massachusetts. This project was completed and fully placed in-service on September 1, 2018.

On August 7, 2018, the Company entered into an agreement with a third party to (1) share certain pre-development costs during the pre-lease period and (2) to form a joint venture to thereafter own and develop a leasehold interest in 343 Madison Avenue located in New York City, which will support a Class A office tower with approximately 850,000 net rentable square feet. The Company will serve as development manager of the project and will own a 55% interest in the joint venture. In 2016, the Company was selected by the Metropolitan Transportation Authority ("MTA") as the developer of the project and will enter into a pre-lease agreement and a 99-year ground lease with the MTA for the site. There can be no assurances that the transaction will be completed on the terms currently contemplated, or at all.

On November 9, 2018, the Company completed and fully placed in-service 191 Spring Street, a Class A office redevelopment project with approximately 171,000 square feet located in Lexington, Massachusetts.

On December 1, 2018, a consolidated entity in which the Company has a 95% interest completed and fully placed in-service Salesforce Tower, a Class A office project with approximately 1,421,000 net rentable square feet located in San Francisco, California (See Notes 10 and 19).

Ground Lease

On November 29, 2018, the Company executed a 65-year ground lease for land totaling approximately 5.6 acres at Platform 16 located in San Jose, California, which will support approximately 1.1 million square feet of commercial office space. The ground lease provides the Company with the right to purchase the land during a 12-

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month period commencing in the 13th month following the rent commencement date at a purchase price of approximately \$134.8 million. The Company made a deposit totaling \$15.0 million, which deposit may only be credited against the purchase price of the land. The Company's option to purchase the land is considered a bargain purchase option and as a result, the Company has concluded that the lease should be accounted for as a capital lease. At the inception of the ground lease only a portion of the land was available for lease from the lessor (See Note 19). As a result, the Company recorded an approximately \$12.4 million capital lease asset and liability, which is reflected within Real Estate (Land Held for Future Development) and Other Liabilities on the Company's Consolidated Balance Sheets, reflecting the portion of the land available for lease from the lessor under the ground lease. Capital lease assets and liabilities are accounted for at the lower of fair market value or the present value of future minimum lease payments. The capital lease is for land only. Therefore, the Company will not depreciate the capital lease asset because land is assumed to have an indefinite life.

As of November 29, 2018, future minimum lease payments related to the recognized portion of the capital lease are as follows (in thousands):

Period from November 29, 2018 through December 31, 2018	\$1,385
2019	427
2020	11,132
Total expected minimum lease payments	12,944
Interest portion	(547)
Present value of expected net minimum lease payments	\$12,397

Dispositions

On January 9, 2018, the Company completed the sale of its 500 E Street, S.W. property located in Washington, DC for a net contract sale price of approximately \$118.6 million. Net cash proceeds totaled approximately \$116.1 million, resulting in a gain on sale of real estate totaling approximately \$96.4 million for Boston Properties, Inc. and approximately \$98.9 million for Boston Properties Limited Partnership. 500 E Street, S.W. is an approximately 262,000 net rentable square foot Class A office property. 500 E Street, S.W. contributed approximately \$0.1 million of net income to the Company for the period from January 1, 2018 through January 8, 2018 and contributed approximately \$6.5 million and \$7.6 million of net income to the Company for the years ended December 31, 2017 and 2016, respectively.

On May 24, 2018, the Company completed the sale of its 91 Hartwell Avenue property located in Lexington, Massachusetts for a gross sale price of approximately \$22.2 million. Net cash proceeds totaled approximately \$21.7 million, resulting in a gain on sale of real estate totaling approximately \$15.5 million for Boston Properties, Inc. and approximately \$15.9 million for Boston Properties Limited Partnership. 91 Hartwell Avenue is an approximately 119,000 net rentable square foot Class A office property. 91 Hartwell Avenue contributed approximately \$0.3 million of net income to the Company for the period from January 1, 2018 through May 23, 2018 and contributed approximately \$0.5 million and \$0.4 million of net income to the Company for the years ended December 31, 2017 and 2016, respectively.

On September 27, 2018, the Company completed the sale of its Quorum Office Park property located in Chelmsford, Massachusetts for a gross sale price of approximately \$35.3 million. Net cash proceeds totaled approximately \$34.3 million, resulting in a gain on sale of real estate totaling approximately \$7.9 million for Boston Properties, Inc. and approximately \$9.2 million for Boston Properties Limited Partnership. Quorum Office Park is an approximately 268,000 net rentable square foot Class A office property. Quorum Office Park contributed approximately \$0.7 million of net income to the Company for the period from January 1, 2018 through September 26, 2018 and contributed approximately \$0.9 million and \$0.9 million of net income to the Company for the years ended December 31, 2017 and 2016, respectively.

On November 30, 2018, the Company completed the sale of its 1333 New Hampshire Avenue property located in Washington, DC for a gross sale price of approximately \$142.0 million, including the retention of a \$5.5 million future payment by the anchor tenant. Net cash proceeds totaled approximately \$133.7 million, resulting in a gain on sale of real estate totaling approximately \$44.4 million for Boston Properties, Inc. and approximately \$48.4 million for Boston Properties Limited Partnership. 1333 New Hampshire Avenue is an approximately 315,000 net rentable square

foot Class A office property. 1333 New Hampshire Avenue contributed approximately \$6.7 million of net income to the Company for the period from January 1, 2018 through November 29, 2018 and contributed

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approximately \$7.4 million and \$6.1 million of net income to the Company for the years ended December 31, 2017 and 2016, respectively.

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

On December 20, 2018, the Company completed the sale of a 41-acre parcel of land at its Tower Oaks property located in Rockville, Maryland for a gross sale price of approximately \$46.0 million. Net cash proceeds totaled approximately \$25.9 million, resulting in a gain on sale of real estate totaling approximately \$15.7 million. The Company agreed to provide seller financing to the buyer totaling \$21.0 million, which is collateralized by a portion of the land parcel that secures the loan, bears interest at an effective rate of 1.92% per annum and matures on December 20, 2021. The loan has been reflected as Note Receivable on the Company's Consolidated Balance Sheets. The Company's policy is to record notes receivable at their unamortized cost, net of any unamortized deferred fees or costs, premiums or discounts and an allowance for loan losses. Loan fees and direct costs associated with loans originated by the Company are deferred and amortized over the term of the note as a component of interest income. During the three months ended December 31, 2018, the Company reevaluated its strategy for the sale of its 2600 Tower Oaks Boulevard property. Based on a shorter than expected hold period, the Company reduced the carrying value of the property to its estimated fair value at December 31, 2018 and recognized an impairment loss totaling approximately \$3.1 million for Boston Properties, Inc. and approximately \$1.5 million for Boston Properties Limited Partnership. The Company's estimated fair value was based on a pending offer for the sale of the property. 2600 Tower Oaks Boulevard is an approximately 179,000 net rentable square foot Class A office property (See Note 19).

4. Deferred Charges

Deferred charges consisted of the following at December 31, 2018 and December 31, 2017 (in thousands):

	2018	2017
Leasing costs, including lease related intangibles	\$1,191,297	\$1,147,181
Financing costs	12,796	14,991
	1,204,093	1,162,172
Less: Accumulated amortization	(525,369)	(483,134)
	\$678,724	\$679,038

The following table summarizes the scheduled amortization of the Company's acquired in-place lease intangibles for each of the five succeeding years (in thousands).

Acquired In-Place Lease Intangibles
2019\$ 25,690
202013,051
20218,610
20224,798
20234,107

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5. Investments in Unconsolidated Joint Ventures

The investments in unconsolidated joint ventures consist of the following at December 31, 2018 and 2017:

Entity	Properties	Nominal % Ownership		Carrying Value of Investment (1)	
				December 31, 2018	December 31, 2017
Square 407 Limited Partnership	Market Square North	50.0 %		\$ (6,424)	\$ (8,258)
The Metropolitan Square Associates LLC	Metropolitan Square	20.0 %		2,644	3,339
BP/CRF 901 New York Avenue LLC	901 New York Avenue	25.0 %	(2)	(13,640)	(13,811)
WP Project Developer LLC	Wisconsin Place Land and Infrastructure	33.3 %	(3)	38,214	39,710
Annapolis Junction NFM LLC	Annapolis Junction	50.0 %	(4)	25,268	18,381
540 Madison Venture LLC	540 Madison Avenue	60.0 %		66,391	66,179
500 North Capitol Venture LLC	500 North Capitol Street, NW	30.0 %		(5,026)	(3,876)
501 K Street LLC	1001 6th Street	50.0 %	(5)	42,557	42,657
Podium Developer LLC	The Hub on Causeway - Podium	50.0 %		69,302	67,120
Residential Tower Developer LLC	The Hub on Causeway - Residential	50.0 %		47,505	28,212
Hotel Tower Developer LLC	The Hub on Causeway - Hotel Air Rights	50.0 %		3,022	1,690
Office Tower Developer LLC	100 Causeway Street	50.0 %	(6)	23,804	—
1265 Main Office JV LLC	1265 Main Street	50.0 %		3,918	4,641
BNY Tower Holdings LLC	Dock 72	50.0 %		82,520	72,104
CA-Colorado Center Limited Partnership	Colorado Center	50.0 %		253,495	254,440
7750 Wisconsin Avenue LLC	7750 Wisconsin Avenue	50.0 %	(6)	69,724	21,452
BP-M 3HB Venture LLC	3 Hudson Boulevard	25.0 %		46,993	—
SMBP Venture LP	Santa Monica Business Park	55.0 %		180,952	—
				\$ 931,219	\$ 593,980

(1) Investments with deficit balances aggregating approximately \$25.1 million and \$25.9 million at December 31, 2018 and 2017, respectively, are included within Other Liabilities in the Company's Consolidated Balance Sheets.

(2) The Company's economic ownership has increased based on the achievement of certain return thresholds.

(3) The Company's wholly-owned subsidiary that owns Wisconsin Place Office also owns a 33.3% interest in the joint venture entity that owns the land, parking garage and infrastructure of the project.

(4) The joint venture owns three in-service buildings and two undeveloped land parcels.

Under the joint venture agreement for this land parcel, the partner will be entitled to up to two additional payments (5) from the venture based on increases in total entitled square footage of the project above 520,000 square feet and achieving certain project returns at stabilization.

(6) This entity is a VIE (See Note 1).

Certain of the Company's unconsolidated joint venture agreements include provisions whereby, at certain specified times, each partner has the right to initiate a purchase or sale of its interest in the joint ventures. With limited exceptions under these provisions, the Company is not compelled to purchase the interest of its outside joint venture partners. Under certain of the Company's joint venture agreements, if certain return thresholds are achieved the partners will be entitled to an additional promoted interest or payments.

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The combined summarized balance sheets of the Company's unconsolidated joint ventures are as follows:

	December 31, 2018	December 31, 2017
	(in thousands)	
ASSETS		
Real estate and development in process, net	\$3,545,906	\$ 1,768,996
Other assets	543,512	367,743
Total assets	\$4,089,418	\$ 2,136,739
LIABILITIES AND MEMBERS'/PARTNERS' EQUITY		
Mortgage and notes payable, net	\$2,017,609	\$ 1,437,440
Other liabilities	582,006	99,215
Members'/Partners' equity	1,489,803	600,084
Total liabilities and members'/partners' equity	\$4,089,418	\$ 2,136,739
Company's share of equity	\$622,498	\$ 286,495
Basis differentials (1)	308,721	307,485
Carrying value of the Company's investments in unconsolidated joint ventures (2)	\$931,219	\$ 593,980

This amount represents the aggregate difference between the Company's historical cost basis and the basis reflected at the joint venture level, which is typically amortized over the life of the related assets and liabilities. Basis differentials result from impairments of investments, acquisitions through joint ventures with no change in control and upon the transfer of assets that were previously owned by the Company into a joint venture. In addition, certain (1) acquisition, transaction and other costs may not be reflected in the net assets at the joint venture level. At December 31, 2018 and 2017, there was an aggregate basis differential of approximately \$316.7 million and \$322.5 million, respectively, between the carrying value of the Company's investment in the joint venture that owns Colorado Center and the joint venture's basis in the assets and liabilities, which differential (excluding land) shall be amortized over the remaining lives of the related assets and liabilities.

Investments with deficit balances aggregating approximately \$25.1 million and \$25.9 million at December 31, (2) 2018 and 2017, respectively, have been reflected within Other Liabilities in the Company's Consolidated Balance Sheets.

The combined summarized statements of operations of the Company's unconsolidated joint ventures are as follows:

	For the year ended December 31,		
	2018	2017	2016
	(in thousands)		
Total revenue (1)	\$271,951	\$222,517	\$177,182
Expenses			
Operating	106,610	90,542	76,741
Depreciation and amortization (2)	103,079	57,079	44,989
Total expenses	209,689	147,621	121,730
Other income (expense)			
Interest expense	(71,308)	(46,371)	(34,016)
Gain on sale of real estate	16,951	—	—
Net income	\$7,905	\$28,525	\$21,436
Company's share of net income	\$8,084	\$18,439	\$9,873
Basis differential (3)	(5,862)	(7,207)	(1,799)
Income from unconsolidated joint ventures	\$2,222	\$11,232	\$8,074
Gain on sale of investment in unconsolidated joint venture	\$—	\$—	\$59,370

(1) Includes straight-line rent adjustments of approximately \$15.9 million, \$21.7 million and \$18.1 million for the years ended December 31, 2018, 2017 and 2016, respectively.

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During the year ended December 31, 2018, the joint venture that owns Metropolitan Square in Washington, DC, commenced a renovation project and recorded accelerated depreciation expense of approximately \$22.4 million related to the remaining book value of the assets to be replaced. The Company's share of the accelerated depreciation expense totaled approximately \$4.5 million.

Includes straight-line rent adjustments of approximately \$2.4 million, \$1.9 million and \$1.4 million for the years ended December 31, 2018, 2017 and 2016, respectively. Also includes net above-/below-market rent adjustments of approximately \$1.6 million, \$2.9 million and \$0.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

On April 19, 2018, a joint venture in which the Company has a 50% interest obtained construction financing with a total commitment of \$180.0 million collateralized by its Hub on Causeway - Residential development project. The construction financing bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on April 19, 2022, with two, one-year extension options, subject to certain conditions. As of December 31, 2018, approximately \$40.5 million had been drawn under the loan. The Hub on Causeway - Residential is an approximately 320,000 square foot project comprised of 440 residential units located in Boston, Massachusetts.

On April 27, 2018, a joint venture in which the Company has a 60% interest refinanced the mortgage loan collateralized by its 540 Madison Avenue property located in New York City totaling \$120.0 million. The mortgage loan bears interest at a variable rate equal to LIBOR plus 1.10% per annum and matures on June 5, 2023. The previous mortgage loan bore interest at a variable rate equal to LIBOR plus 1.50% per annum and was scheduled to mature on June 5, 2018. 540 Madison Avenue is an approximately 284,000 net rentable square foot Class A office property.

On July 13, 2018, the Company entered into a joint venture with a third party to acquire a development site at 3 Hudson Boulevard that, upon the future acquisition of additional available development rights, can accommodate a Class A office tower with up to 2.0 million net rentable square feet located on the entire square block between 11th Avenue and Hudson Boulevard Park from West 34th Street to West 35th Street in New York City. The Company owns a 25% interest in, and is the managing member of, the joint venture. The acquisition includes improvements consisting of excavation work and foundation elements that are currently being constructed on the site. The Company contributed cash totaling approximately \$45.6 million at closing and will contribute approximately \$62.2 million in the future for its initial capital contribution, a portion of which will fund the remaining costs to complete the foundation elements to grade for the future office building. In addition, the Company provided \$80.0 million of mortgage financing to the joint venture that bears interest at a variable rate equal to LIBOR plus 3.50% per annum and matures on July 13, 2023, with extension options, subject to certain conditions. The loan has been reflected as a Related Party Note Receivable on the Company's Consolidated Balance Sheets. The Company's policy is to record notes receivable at their unamortized cost, net of any unamortized deferred fees or costs, premiums or discounts and an allowance for loan losses. Loan fees and direct costs associated with loans originated by the Company are deferred and amortized over the term of the note as interest income.

On July 19, 2018, the Company entered into a joint venture with Canada Pension Plan Investment Board ("CPPIB") to acquire Santa Monica Business Park in the Ocean Park neighborhood of Santa Monica, California for a net purchase price of approximately \$626.7 million, including \$11.5 million of seller funded leasing costs after the effective date of the purchase and sale agreement. Santa Monica Business Park is a 47-acre office park consisting of 21 buildings totaling approximately 1.2 million net rentable square feet. Approximately 70% of the rentable square footage is subject to a ground lease with 80 years remaining, including renewal periods. The ground lease provides the joint venture with the right to purchase the land underlying the properties in 2028 with subsequent purchase rights every 15 years. CPPIB invested approximately \$147.0 million for a 45% ownership interest in the joint venture. The Company is providing customary operating, property management and leasing services to, and invested approximately \$179.7 million in, the joint venture. The acquisition was completed with \$300.0 million of financing. The mortgage financing bears interest at a variable rate equal to LIBOR plus 1.28% per annum and matures on July 19, 2025. At closing, the borrower under the loan, which is a subsidiary of the joint venture, entered into interest rate swap contracts with notional amounts aggregating \$300.0 million through April 1, 2025, resulting in a fixed rate of approximately 4.063% per annum through the expiration of the interest rate swap contracts. At December 31, 2018, the unconsolidated joint

venture has recorded the changes in fair value of the interest rate swap contracts aggregating approximately \$5.6 million as a liability and accumulated other comprehensive loss on its balance sheet. At December 31, 2018, the Company has recognized its share of the fair value totaling approximately \$3.1 million as a decrease to its Investments in Unconsolidated Joint Ventures and Accumulated Other Comprehensive Loss on the Company's Consolidated Balance Sheets.

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The following table summarizes the allocation of the joint venture's aggregate purchase price for Santa Monica Business Park at the date of acquisition (in thousands).

Land and improvements	\$100,453
Leasehold interest in land	248,944
Site improvements	13,379
Building and improvements	593,669
Tenant improvements	31,329
In-place lease intangibles	47,955
Above-market lease intangible	4,495
Below-market lease intangible	(17,503)
Capital lease obligation	(396,008)
Net assets acquired	\$626,713

On July 27, 2018, the Company entered into a joint venture with its partner at The Hub on Causeway mixed-use development in Boston, Massachusetts to acquire the air rights for the development of an approximately 627,000 net rentable square foot Class A office tower at the site to be known as 100 Causeway Street. In addition, the joint venture entered into a lease agreement with an affiliate of Verizon Communications, Inc., under which Verizon will lease approximately 70% of the office tower for a term of 20 years. With the execution of the lease, the joint venture commenced development of the project. The Company serves as the co-development manager for the project. The joint venture partner contributed an air rights parcel and improvements, with a fair value of approximately \$41.3 million, for its initial 50% interest in the joint venture. The Company contributed improvements totaling approximately \$3.9 million and will contribute cash totaling approximately \$37.4 million for its initial 50% interest. On November 16, 2018, a joint venture in which the Company has a 50% interest extended the loan collateralized by its Annapolis Junction Building Six property. At the time of the extension, the outstanding balance of the loan totaled approximately \$13.1 million and was scheduled to mature on November 17, 2018. The extended loan has a total commitment amount of approximately \$14.3 million, bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on November 17, 2019, with one, one-year extension option, subject to certain conditions. Annapolis Junction Building Six is a Class A office property with approximately 119,000 net rentable square feet located in Annapolis, Maryland (See Note 19).

On December 31, 2018, the Company entered into a distribution agreement with its partner in the joint venture in which the Company has a 50% interest and that owns Annapolis Junction. Under the agreement, the joint venture distributed its Annapolis Junction Building One property to the partner and the partner assumed the mortgage indebtedness collateralized by the property. The Company recognized a gain on sale of real estate totaling approximately \$8.3 million, which is included within Income from Unconsolidated Joint Ventures in the Company's Consolidated Statements of Operations. Annapolis Junction Building One is an approximately 118,000 net rentable square foot Class A office property.

6. Mortgage Notes Payable, Net

The Company had outstanding mortgage notes payable totaling approximately \$3.0 billion and \$3.0 billion as of December 31, 2018 and 2017, respectively, each collateralized by one or more buildings and related land included in real estate assets. The mortgage notes payable are generally due in monthly installments and mature at various dates through June 9, 2027.

Fixed rate mortgage notes payable totaled approximately \$3.0 billion and \$3.0 billion at December 31, 2018 and 2017, respectively, with contractual interest rates ranging from 3.43% to 7.69% per annum at December 31, 2018 and December 31, 2017 (with a weighted-average interest rate of 3.77% and 3.78% per annum at December 31, 2018 and 2017, respectively). There were no variable rate mortgage loans at December 31, 2018 and 2017.

No mortgage loans at December 31, 2018 and December 31, 2017 had been accounted for at fair value. Prior to December 31, 2017, the Company had mortgage loans that were accounted for at fair value and the impact of recording them at fair value resulted in a decrease to interest expense of approximately \$19.6 million and \$46.4 million for the years ended December 31, 2017 and 2016, respectively.

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Contractual aggregate principal payments of mortgage notes payable at December 31, 2018 are as follows (in thousands):

	Principal Payments
2019	\$ 19,670
2020	20,766
2021	40,182
2022	614,710
2023	—
Thereafter	2,300,000
Total aggregate principal payments	2,995,328
Deferred financing costs, net	(30,756)
Total carrying value of mortgage notes payable, net	\$ 2,964,572

7. Unsecured Senior Notes

The following summarizes the unsecured senior notes outstanding as of December 31, 2018 (dollars in thousands):

	Coupon/ Stated Rate	Effective Rate(1)	Principal Amount	Maturity Date(2)
10 Year Unsecured Senior Notes	5.625 %	5.708 %	\$700,000	November 15, 2020
10 Year Unsecured Senior Notes	4.125 %	4.289 %	850,000	May 15, 2021
11 Year Unsecured Senior Notes	3.850 %	3.954 %	1,000,000	February 1, 2023
10.5 Year Unsecured Senior Notes	3.125 %	3.279 %	500,000	September 1, 2023
10.5 Year Unsecured Senior Notes	3.800 %	3.916 %	700,000	February 1, 2024
7 Year Unsecured Senior Notes	3.200 %	3.350 %	850,000	January 15, 2025
10 Year Unsecured Senior Notes	3.650 %	3.766 %	1,000,000	February 1, 2026
10 Year Unsecured Senior Notes	2.750 %	3.495 %	1,000,000	October 1, 2026
10 Year Unsecured Senior Notes	4.500 %	4.628 %	1,000,000	December 1, 2028
Total principal			7,600,000	
Net unamortized discount			(18,722)	
Deferred financing costs, net			(36,581)	
Total			\$7,544,697	

(1) Yield on issuance date including the effects of discounts on the notes, settlements of interest rate contracts and the amortization of financing costs.

(2) No principal amounts are due prior to maturity.

On November 28, 2018, Boston Properties Limited Partnership completed a public offering of \$1.0 billion in aggregate principal amount of its 4.500% unsecured senior notes due 2028. The notes were priced at 99.641% of the principal amount to yield an effective rate (including financing fees) of approximately 4.628% per annum to maturity. The notes will mature on December 1, 2028, unless earlier redeemed. The aggregate net proceeds from the offering were approximately \$988.1 million after deducting underwriting discounts and transaction expenses.

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

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The indenture relating to the unsecured senior notes contains certain financial restrictions and requirements, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 50%, (3) an interest coverage ratio of greater than 1.50, and (4) an unencumbered asset value of not less than 150% of unsecured debt. At December 31, 2018, Boston Properties Limited Partnership was in compliance with each of these financial restrictions and requirements.

8. Unsecured Credit Facility

On April 24, 2017, Boston Properties Limited Partnership amended and restated its unsecured revolving credit agreement (as amended and restated, the “2017 Credit Facility”). Among other things, the 2017 Credit Facility (1) increased the total commitment of the revolving line of credit (the “Revolving Facility”) from \$1.0 billion to \$1.5 billion, (2) extended the maturity date from July 26, 2018 to April 24, 2022, (3) reduced the per annum variable interest rates, and (4) added a \$500.0 million delayed draw term loan facility (the “Delayed Draw Facility”) that permitted Boston Properties Limited Partnership, until the first anniversary of the closing date, to draw upon up to four times a minimum of \$50.0 million (or, if less, the remaining unused delayed draw term commitments), provided that amounts drawn under the Delayed Draw Facility and subsequently repaid may not be borrowed again. In addition, Boston Properties Limited Partnership may increase the total commitment under the 2017 Credit Facility by up to \$500.0 million through increases in the Revolving Facility or the Delayed Draw Facility, or both, subject to syndication of the increase and other conditions.

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

At Boston Properties Limited Partnership's option, loans under the Revolving Facility and Delayed Draw Facility will bear interest at a rate per annum equal to (1) (a) in the case of loans denominated in Dollars, Euro or Sterling, LIBOR, and (b) in the case of loans denominated in Canadian Dollars, CDOR, in each case, plus a margin ranging from 77.5 to 155 basis points for the Revolving Commitment and 85 to 175 basis points for the Delayed Draw Facility, based on Boston Properties Limited Partnership's credit rating or (2) an alternate base rate equal to the greatest of (x) the Administrative Agent's prime rate, (y) the Federal Funds rate plus 0.50% or (z) LIBOR for a one-month period plus 1.00%, in each case, plus a margin ranging from 0 to 55 basis points for the Revolving Facility and 0 to 75 basis points for the Delayed Draw Facility, based on Boston Properties Limited Partnership's credit rating. The 2017 Credit Facility also contains a competitive bid option for up to 65% of the Revolving Facility that allows banks that are part of the lender consortium to bid to make loan advances to Boston Properties Limited Partnership at a reduced interest rate.

In addition, Boston Properties Limited Partnership is obligated to pay (1) in quarterly installments a facility fee on the total commitment under the Revolving Facility at a rate per annum ranging from 0.10% to 0.30% based on Boston Properties Limited Partnership's credit rating, (2) an annual fee on the undrawn amount of each letter of credit equal to the LIBOR margin on the Revolving Facility and (3) a fee on the unused commitments under the Delayed Draw Facility equal to 0.15% per annum. Based on Boston Properties Limited Partnership's December 31, 2018 credit rating, (1) the applicable Eurocurrency margins for the Revolving Facility and Delayed Draw Facility are 82.5 basis points and 90 basis points, respectively, (2) the alternate base rate margin is zero basis points for each of the Revolving Facility and Delayed Draw Facility and (3) the facility fee on the Revolving Facility commitment is 0.125% per annum.

At December 31, 2018, Boston Properties Limited Partnership had \$500.0 million of borrowings outstanding under its Delayed Draw Facility and no amounts outstanding under its Revolving Facility. At December 31, 2017, there was \$45.0 million outstanding under its Revolving Facility.

The 2017 Credit Facility contains customary representations and warranties, affirmative and negative covenants and events of default provisions, including failure to pay indebtedness, breaches of covenants, and bankruptcy and other insolvency events, which could result in the acceleration of all amounts and cancellation of all commitments outstanding under the Credit Agreement. Among other covenants, the 2017 Credit Facility requires that Boston Properties Limited Partnership maintain on an ongoing basis: (1) a leverage ratio not to exceed 60%, however, the leverage ratio may increase to no greater than 65% provided that it is reduced back to 60% within one year, (2) a

secured debt leverage ratio not to exceed 55%, (3) a fixed charge coverage ratio of at least 1.40, (4) an unsecured debt leverage ratio not to exceed 60%, however, the unsecured debt leverage ratio may increase to no greater than 65% provided that it is reduced to 60% within one year, (5) an unsecured debt interest coverage ratio

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of at least 1.75 and (6) limitations on permitted investments. At December 31, 2018, Boston Properties Limited Partnership was in compliance with each of these financial and other covenant requirements.

9. Commitments and Contingencies

General

In the normal course of business, the Company guarantees its performance of services or indemnifies third parties against its negligence. In addition, in the normal course of business, the Company guarantees to certain tenants the obligations of its subsidiaries for the payment of tenant improvement allowances and brokerage commissions in connection with their leases and limited costs arising from delays in delivery of their premises.

The Company has letter of credit and performance obligations related to lender and development requirements that total approximately \$7.8 million.

Certain of the Company's joint venture agreements include provisions whereby, at certain specified times, each partner has the right to initiate a purchase or sale of its interest in the joint ventures. With limited exception, under these provisions, the Company is not compelled to purchase the interest of its outside joint venture partners. From time to time, under certain of the Company's joint venture agreements, if certain return thresholds are achieved, either the Company or its partners will be entitled to an additional promoted interest or payments. See also Note 10.

From time to time, the Company (or ventures in which the Company has an ownership interest) has agreed, and may in the future agree, to (1) guarantee portions of the principal, interest and other amounts in connection with their borrowings, (2) provide customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) in connection with their borrowings and (3) provide guarantees to lenders, tenants and other third parties for the completion of development projects. The Company has agreements with its outside partners whereby the partners agree to reimburse the joint venture for their share of any payments made under the guarantee. In some cases, the Company earns a fee from the applicable joint venture for providing the guarantee.

In connection with the refinancing of 767 Fifth Avenue's (the General Motors Building) secured loan by the Company's consolidated joint venture entity, 767 Venture, LLC, the Company guaranteed the consolidated entity's obligation to fund various reserves for tenant improvement costs and allowances, leasing commissions and free rent obligations in lieu of cash deposits. As of December 31, 2018, the maximum funding obligation under the guarantee was approximately \$116.1 million. The Company earns a fee from the joint venture for providing the guarantee and has an agreement with the outside partners to reimburse the joint venture for their share of any payments made under the guarantee. As of December 31, 2018, no amounts related to the guarantee are recorded as liabilities in the Company's consolidated financial statements.

Pursuant to the lease agreement with Marriott, the Company has guaranteed the completion of the office building and parking garage on behalf of its 7750 Wisconsin Avenue joint venture and has also agreed to provide any financing guaranty that may be required with respect to third-party construction financing. The Company earns fees from the joint venture for providing the guarantees and any amounts the Company pays under the guarantee(s) will be deemed to be capital contributions by the Company to the joint venture. The Company has also agreed to fund construction costs through capital contributions to the joint venture in the event of unavailability or insufficiency of third-party construction financing. In addition, the Company has guaranteed to Marriott, as hotel manager, the completion of a hotel being developed by an affiliate of The Bernstein Companies (the Company's partner in the 7750 Wisconsin Avenue joint venture) adjacent to the office property, for which the Company earns a fee from the affiliate of The Bernstein Companies. In addition, the Company entered into agreements with affiliates of The Bernstein Companies whereby the Company could be required to act as a mezzanine and/or mortgage lender and finance the construction of the hotel property. To secure such financing arrangements, affiliates of The Bernstein Companies are required to provide certain security, which varies depending on the specific loan, by pledges of their equity interest in the office property or, a fee mortgage on the hotel property, or both. As of December 31, 2018, no amounts related to the contingent aspect of any of the guarantees are recorded as liabilities in the Company's consolidated financial statements.

In connection with the sale and development of the Company's 6595 Springfield Center Drive development project, the Company has guaranteed the completion of the project and the payment of certain cost overruns in accordance

with the development management agreement with the buyer. Although the project has been sold and the lease with the federal government tenant has been assigned to the buyer, pursuant to the terms of the federal

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government lease, the federal government tenant is not obligated to release the prior owner/landlord from such landlord's obligations under the lease until completion of the construction. As a result, the entity which previously owned the land remains liable to the federal government tenant for the completion of the construction obligations under the lease. The buyer is obligated to fund the balance of the costs to meet such construction obligations, subject to the Company's obligation to fund cost overruns (if any), as noted above. An affiliate of the buyer has provided a guaranty of the obligations of the buyer to fund such construction costs and the buyer has agreed to use commercially reasonable efforts to require the construction lender to provide certain remedies to the Company in the event the buyer does not fund such construction obligations. As of December 31, 2018, no amounts related to the contingent aspect of the guaranty are recorded as a liability in the Company's consolidated financial statements (See Note 3).

In 2009, the Company filed a general unsecured creditor's claim against Lehman Brothers, Inc. for approximately \$45.3 million related to its rejection of a lease at 399 Park Avenue in New York City. On January 10, 2014, the trustee for the liquidation of the business of Lehman Brothers allowed the Company's claim in the amount of approximately \$45.2 million. During 2014, 2015, 2016, 2017 and 2018, the Company received distributions totaling approximately \$7.7 million, \$8.1 million, \$1.4 million, \$0.4 million and \$0.3 million, respectively, which are included in Base Rent in the Consolidated Statements of Operations, leaving a remaining claim of approximately \$27.2 million. The Company will continue to evaluate whether to attempt to sell the remaining claim or wait until the trustee distributes proceeds from the Lehman Brothers estate. Given the inherent uncertainties in bankruptcy proceedings, there can be no assurance as to the timing or amount of additional proceeds, if any, that the Company may ultimately realize on the remaining claim, whether by sale to a third party or by one or more distributions from the trustee. Accordingly, the Company has not recorded any estimated recoveries associated with this gain contingency within its Consolidated Financial Statements at December 31, 2018.

Concentrations of Credit Risk

Management of the Company performs ongoing credit evaluations of tenants and may require tenants to provide some form of credit support such as corporate guarantees and/or other financial guarantees. Although the Company's properties are geographically diverse and the tenants operate in a variety of industries, to the extent the Company has a significant concentration of rental revenue from any single tenant, the inability of that tenant to make its lease payments could have an adverse effect on the Company.

Insurance

The Company's property insurance program per occurrence limits are \$1.0 billion for its portfolio insurance program, including coverage for acts of terrorism other than nuclear, biological, chemical or radiological terrorism ("Terrorism Coverage"). The Company also carries \$250 million of Terrorism Coverage for 601 Lexington Avenue, New York, New York ("601 Lexington Avenue") in excess of the \$1.0 billion of coverage in the Company's property insurance program. Certain properties, including the General Motors Building located at 767 Fifth Avenue in New York, New York ("767 Fifth Avenue"), are currently insured in separate insurance programs. The property insurance program per occurrence limits for 767 Fifth Avenue are \$1.625 billion, including Terrorism Coverage. The Company also currently carries nuclear, biological, chemical and radiological terrorism insurance coverage for acts of terrorism certified under the Federal Terrorism Risk Insurance Act (as amended, "TRIA") ("NBCR Coverage"), which is provided by IXP as a direct insurer, for the properties in the Company's portfolio, including 767 Fifth Avenue, but excluding certain other properties owned in joint ventures with third parties or which the Company manages. The per occurrence limit for NBCR Coverage is \$1.0 billion. Under TRIA, after the payment of the required deductible and coinsurance, the NBCR Coverage provided by IXP is backstopped by the Federal Government if the aggregate industry insured losses resulting from a certified act of terrorism exceed a "program trigger." In 2018, the program trigger was \$160 million and the coinsurance was 18%, however, both will increase in subsequent years pursuant to TRIA. If the Federal Government pays out for a loss under TRIA, it is mandatory that the Federal Government recoup the full amount of the loss from insurers offering TRIA coverage after the payment of the loss pursuant to a formula in TRIA. The Company may elect to terminate the NBCR Coverage if the Federal Government seeks recoupment for losses paid under TRIA, if TRIA is not extended after its expiration on December 31, 2020, if there is a change in its portfolio or for any other reason. The Company intends to continue to monitor the scope, nature and cost of available terrorism insurance.

The Company also currently carries earthquake insurance on its properties located in areas known to be subject to earthquakes. In addition, this insurance is subject to a deductible in the amount of 3% of the value of the affected property. Specifically, the Company currently carries earthquake insurance which covers its San Francisco and Los Angeles regions with a \$240 million per occurrence limit and a \$240 million annual aggregate limit, \$20

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million of which is provided by IXP, as a direct insurer. The amount of the Company's earthquake insurance coverage may not be sufficient to cover losses from earthquakes. In addition, the amount of earthquake coverage could impact the Company's ability to finance properties subject to earthquake risk. The Company may discontinue earthquake insurance or change the structure of its earthquake insurance program on some or all of its properties in the future if the premiums exceed the Company's estimation of the value of the coverage.

IXP, a captive insurance company which is a wholly-owned subsidiary of the Company, acts as a direct insurer with respect to a portion of the Company's earthquake insurance coverage for its Greater San Francisco and Los Angeles properties and the Company's NBCR Coverage. Insofar as the Company owns IXP, it is responsible for its liquidity and capital resources, and the accounts of IXP are part of the Company's consolidated financial statements. In particular, if a loss occurs which is covered by the Company's NBCR Coverage but is less than the applicable program trigger under TRIA, IXP would be responsible for the full amount of the loss without any backstop by the Federal Government. IXP would also be responsible for any recoupment charges by the Federal Government in the event losses are paid out and its insurance policy is maintained after the payout by the Federal Government. If the Company experiences a loss and IXP is required to pay under its insurance policy, the Company would ultimately record the loss to the extent of the required payment. Therefore, insurance coverage provided by IXP should not be considered as the equivalent of third-party insurance, but rather as a modified form of self-insurance. In addition, Boston Properties Limited Partnership has issued a guarantee to cover liabilities of IXP in the amount of \$20.0 million.

The mortgages on the Company's properties typically contain requirements concerning the financial ratings of the insurers who provide policies covering the property. The Company provides the lenders on a regular basis with the identity of the insurance companies in the Company's insurance programs. The ratings of some of the Company's insurers are below the rating requirements in some of the Company's loan agreements and the lenders for these loans could attempt to claim that an event of default has occurred under the loan. The Company believes it could obtain insurance with insurers which satisfy the rating requirements. Additionally, in the future, the Company's ability to obtain debt financing secured by individual properties, or the terms of such financing, may be adversely affected if lenders generally insist on ratings for insurers or amounts of insurance which are difficult to obtain or which result in a commercially unreasonable premium. There can be no assurance that a deficiency in the financial ratings of one or more of the Company's insurers will not have a material adverse effect on the Company.

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

Legal Matters

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

State and Local Tax Matters

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

not have a material adverse effect on the Company's results of operations.

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Environmental Matters

It is the Company's policy to retain independent environmental consultants to conduct or update Phase I environmental assessments (which generally do not involve invasive techniques such as soil or ground water sampling) and asbestos surveys in connection with the Company's acquisition of properties. These pre-purchase environmental assessments have not revealed environmental conditions that the Company believes will have a material adverse effect on its business, assets, financial condition, results of operations or liquidity, and the Company is not otherwise aware of environmental conditions with respect to its properties that the Company believes would have such a material adverse effect. However, from time to time environmental conditions at the Company's properties have required and may in the future require environmental testing and/or regulatory filings, as well as remedial action.

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

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

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

The Company expects that resolution of the environmental matters relating to the above will not have a material impact on its business, assets, financial condition, results of operations or liquidity. However, the Company cannot assure you that it has identified all environmental liabilities at its properties, that all necessary remediation actions have been or will be undertaken at the Company's properties or that the Company will be indemnified, in full or at all, in the event that such environmental liabilities arise.

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10. Noncontrolling Interests

Noncontrolling interests relate to the interests in Boston Properties Limited Partnership not owned by Boston Properties, Inc. and interests in consolidated property partnerships not wholly-owned by the Company. As of December 31, 2018, the noncontrolling interests in Boston Properties Limited Partnership consisted of 16,783,558 OP Units, 991,577 LTIP Units (including 118,067 2012 OPP Units, 68,889 2013 MYLTIP Units, 23,187 2014 MYLTIP Units and 28,724 2015 MYLTIP Units), 471,579 2016 MYLTIP Units, 398,871 2017 MYLTIP Units and 341,366 2018 MYLTIP Units held by parties other than Boston Properties, Inc.

Noncontrolling Interest—Common Units

During the years ended December 31, 2018 and 2017, 83,136 and 495,637 OP Units, respectively, were presented by the holders for redemption (including 48,389 and 36,486 OP Units, respectively, issued upon conversion of LTIP Units, 2012 OPP Units, 2013 MYLTIP Units and 2014 MYLTIP Units) and were redeemed by Boston Properties, Inc. in exchange for an equal number of shares of Common Stock.

Boston Properties Limited Partnership exercised its right under the terms of its partnership agreement to convert an aggregate of 625,043 eligible LTIP Units (including an aggregate of 32,349 2012 OPP Units and 2013 MYLTIP Units) into Common Units effective as of May 2, 2016. These conversions were effected solely for administrative efficiency and had no substantive impact on the rights of Boston Properties Limited Partnership or the holders of these LTIP Units, as the economic and other rights of the LTIP Units converted were substantively identical to those of the Common Units. In the future, Boston Properties Limited Partnership intends to convert LTIP Units (including 2012 OPP Units and MYLTIP Units) into Common Units promptly after they become eligible for conversion. The May 2016 conversions were, and future conversions will be, effected at the election of Boston Properties Limited Partnership and are without regard to the investment intentions of the holders of the units.

At December 31, 2018, Boston Properties Limited Partnership had outstanding 471,579 2016 MYLTIP Units, 398,871 2017 MYLTIP Units and 341,366 2018 MYLTIP Units (See Note 16). Prior to the applicable measurement date (February 9, 2019 for 2016 MYLTIP Units (See Note 19), February 6, 2020 for 2017 MYLTIP Units and February 5, 2021 for 2018 MYLTIP Units), holders of MYLTIP Units will be entitled to receive per unit distributions equal to one-tenth (10%) of the regular quarterly distributions payable on an OP Unit, but will not be entitled to receive any special distributions. After the measurement date, the number of MYLTIP Units, both vested and unvested, that MYLTIP award recipients have earned, if any, based on the establishment of a performance pool, will be entitled to receive distributions in an amount per unit equal to distributions, both regular and special, payable on an OP Unit. On February 4, 2016, the measurement period for the Company's 2013 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 109.5% of target, or an aggregate of approximately \$13.5 million. As a result, 205,762 2013 MYLTIP Units were automatically forfeited.

On February 3, 2017, the measurement period for the Company's 2014 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 27.7% of target or an aggregate of approximately \$3.5 million (after giving effect to voluntary employee separations and the unallocated reserve). As a result, an aggregate of 447,386 2014 MYLTIP Units that had been previously granted were automatically forfeited.

On February 4, 2018, the measurement period for the Company's 2015 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 22.0% of target or an aggregate of approximately \$3.6 million (after giving effect to voluntary employee separations). As a result, an aggregate of 337,847 2015 MYLTIP Units that had been previously granted were automatically forfeited.

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The following table presents Boston Properties Limited Partnership's distributions on the OP Units and LTIP Units (including the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and, after the February 4, 2018 measurement date, the 2015 MYLTIP Units) and its distributions on the 2015 MYLTIP Units (prior to the February 4, 2018 measurement date), 2016 MYLTIP Units, 2017 MYLTIP Units and 2018 MYLTIP Units (after the February 5, 2018 issuance date) paid in 2018:

Record Date	Payment Date	Distributions	Distributions
		per OP Unit and LTIP Unit	per MYLTIP Unit
December 31, 2018	January 30, 2019	\$0.95	\$0.095
September 28, 2018	October 31, 2018	\$0.95	\$0.095
June 29, 2018	July 31, 2018	\$0.80	\$0.080
March 29, 2018	April 30, 2018	\$0.80	\$0.080
December 29, 2017	January 30, 2018	\$0.80	\$0.080

A holder of an OP Unit may present the OP Unit to Boston Properties Limited Partnership for redemption at any time (subject to restrictions agreed upon at the time of issuance of OP Units to particular holders that may restrict such redemption right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, Boston Properties Limited Partnership must redeem the OP Unit for cash equal to the then value of a share of common stock of Boston Properties, Inc. Boston Properties, Inc. may, in its sole discretion, elect to assume and satisfy the redemption obligation by paying either cash or issuing one share of Common Stock. The value of the OP Units (not owned by Boston Properties, Inc. and LTIP Units (including the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2015 MYLTIP Units) assuming that all conditions had been met for the conversion thereof) had all of such units been redeemed at December 31, 2018 was approximately \$2.0 billion based on the last reported price of a share of Common Stock on the New York Stock Exchange of \$112.55 per share on December 31, 2018.

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Boston Properties Limited Partnership

The following table reflects the activity of noncontrolling interests—redeemable common units of Boston Properties Limited Partnership for the years ended December 31, 2018, 2017 and 2016 (in thousands):

Balance at December 31, 2015	\$2,286,689
Contributions	31,395
Net income	59,260
Distributions	(49,087)
Conversion of redeemable partnership units	(6,461)
Unearned compensation	(3,464)
Other comprehensive loss	(4,379)
Adjustment to reflect redeemable partnership units at redemption value	(51,913)
Balance at December 31, 2016	2,262,040
Contributions	31,743
Net income	52,210
Distributions	(54,494)
Conversion of redeemable partnership units	(16,916)
Unearned compensation	1,650
Cumulative effect of a change in accounting principle	(1,763)
Other comprehensive income	206
Adjustment to reflect redeemable partnership units at redemption value	17,587
Balance at December 31, 2017	2,292,263
Contributions	34,680
Net income	66,807
Distributions	(62,731)
Conversion of redeemable partnership units	(2,880)
Unearned compensation	2,181
Cumulative effect of a change in accounting principle	563
Other comprehensive income	304
Adjustment to reflect redeemable partnership units at redemption value	(330,596)
Balance at December 31, 2018	\$2,000,591

Noncontrolling Interests—Property Partnerships

The noncontrolling interests in property partnerships consist of the outside equity interests in ventures that are consolidated with the financial results of the Company because the Company exercises control over the entities that own the properties. The equity interests in these ventures that are not owned by the Company, totaling approximately \$1.7 billion at December 31, 2018 and 2017, are included in Noncontrolling Interests—Property Partnerships on the accompanying Consolidated Balance Sheets.

On May 12, 2016, the partners in the Company's consolidated entity that owns Salesforce Tower located in San Francisco, California amended the venture agreement. Under the original venture agreement, if the Company elects to fund the construction of Salesforce Tower without a construction loan (or a construction loan of less than 50% of project costs) and the venture has commenced vertical construction of the project, then the partner's capital funding obligation shall be limited, in which event the Company shall fund up to 2.5% of the total project costs (i.e., 50% of the partner's 5% interest in the venture) in the form of a loan to the partner. This loan would bear interest at the then prevailing market interest rates for construction loans. Under the amended agreement, the partners have agreed to structure this funding by the Company as preferred equity rather than a loan. The preferred equity contributed by the Company earns a preferred return equal to LIBOR plus 3.00% per annum and is payable to the Company out of any distributions to which the partner would otherwise be entitled until such preferred equity and preferred return have been repaid to the Company. As of December 31, 2018, the Company had contributed an aggregate of approximately \$22.6 million of preferred equity to the venture. Also, under the joint venture agreement, (a) from and after the stabilization date, the partner has the right to cause the Company to purchase all (but not less than all) of the partner's

interest and (b) from and after the third anniversary of the stabilization date,

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the Company has the right to acquire all (but not less than all) of the partner's interest, in each case at an agreed upon purchase price or appraised value. In addition, if certain threshold returns are achieved the partner will be entitled to receive an additional promoted interest with respect to cash flow distributions. The term stabilization date is defined in the agreement to generally mean the first date after completion upon which Salesforce Tower is (1) at least 90% leased and (2) 50% occupied by tenants that are paying rent (See Note 19).

On June 6, 2017, in conjunction with the refinancing of the indebtedness of the Company's consolidated entity in which it has a 60% interest and that owns 767 Fifth Avenue (the General Motors Building) located in New York City, the members of the consolidated entity amended the limited liability company agreement to provide for the contribution of the remaining unpaid principal balance of the members' notes payable totaling approximately \$273.9 million (of which the Company's share of approximately \$164.4 million is eliminated in consolidation) to equity in the consolidated entity, resulting in an increase of approximately \$109.6 million to Noncontrolling Interests in Property Partnerships on the Company's Consolidated Balance Sheets. There were no changes to the ownership interests or rights of the members as a result of the amendment.

The following table reflects the activity of the noncontrolling interests—property partnerships for the years ended December 31, 2018, 2017 and 2016 (in thousands):

Balance at December 31, 2015	\$1,574,400
Capital contributions	10,756
Net loss	(2,068)
Accumulated other comprehensive loss	(877)
Distributions	(51,564)
Balance at December 31, 2016	1,530,647
Capital contributions (1)	161,585
Net income	47,832
Accumulated other comprehensive loss	(2,128)
Distributions	(54,176)
Balance at December 31, 2017	1,683,760
Capital contributions	46,701
Net income	62,909
Accumulated other comprehensive income	576
Distributions	(82,501)
Balance at December 31, 2018	\$1,711,445

(1) Includes the contribution of the remaining unpaid principal balance of the members' notes payable totaling \$109,576 to equity in the consolidated entity that owns 767 Fifth Avenue (the General Motors Building).

11. Stockholders' Equity / Partners' Capital

Boston Properties, Inc.

As of December 31, 2018, Boston Properties, Inc. had 154,458,478 shares of Common Stock outstanding.

On June 2, 2017, Boston Properties, Inc. renewed its "at the market" ("ATM") stock offering program through which it may sell from time to time up to an aggregate of \$600.0 million of its common stock through sales agents over a three-year period. This program replaced the Company's prior \$600.0 million ATM stock offering program that was scheduled to expire on June 3, 2017. The Company intends to use the net proceeds from any offering for general business purposes, which may include investment opportunities and debt reduction. No shares of common stock have been issued under this ATM stock offering program.

During the year ended December 31, 2018, there were no options to purchase Common Stock exercised. During the year ended December 31, 2017, Boston Properties, Inc. issued 6,688 shares of Common Stock upon the exercise of options to purchase Common Stock.

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During the years ended December 31, 2018 and 2017, Boston Properties, Inc. issued 83,136 and 495,637 shares of Common Stock, respectively, in connection with the redemption of an equal number of redeemable OP Units from limited partners.

The following table presents Boston Properties, Inc.'s dividends per share and Boston Properties Limited Partnership's distributions per OP Unit and LTIP Unit paid or payable in 2018:

Record Date	Payment Date	Dividend (Per Share)	Distribution (Per Unit)
December 31, 2018	January 30, 2019	\$0.95	\$0.95
September 28, 2018	October 31, 2018	\$0.95	\$0.95
June 29, 2018	July 31, 2018	\$0.80	\$0.80
March 29, 2018	April 30, 2018	\$0.80	\$0.80
December 29, 2017	January 30, 2018	\$0.80	\$0.80

Preferred Stock

As of December 31, 2018, Boston Properties, Inc. had 80,000 shares (8,000,000 depositary shares each representing 1/100th of a share) outstanding of its 5.25% Series B Cumulative Redeemable Preferred Stock with a liquidation preference of \$2,500.00 per share (\$25.00 per depositary share). Boston Properties, Inc. pays cumulative cash dividends on the Series B Preferred Stock at a rate of 5.25% per annum of the \$2,500.00 liquidation preference per share. Boston Properties, Inc. did not redeem the Series B Preferred Stock prior to March 27, 2018, except in certain circumstances relating to the preservation of Boston Properties, Inc.'s REIT status. On and after March 27, 2018, Boston Properties, Inc., at its option, may redeem the Series B Preferred Stock for a cash redemption price of \$2,500.00 per share (\$25.00 per depositary share), plus all accrued and unpaid dividends. The Series B Preferred Stock is not redeemable by the holders, has no maturity date and is not convertible into any other security of Boston Properties, Inc. or its affiliates.

The following table presents Boston Properties Inc.'s dividends per share on its outstanding Series B Preferred Stock paid or payable in 2018:

Record Date	Payment Date	Dividend (Per Share)
February 4, 2019	February 15, 2019	\$32.8125
November 2, 2018	November 15, 2018	\$32.8125
August 3, 2018	August 15, 2018	\$32.8125
May 4, 2018	May 15, 2018	\$32.8125
February 2, 2018	February 15, 2018	\$32.8125

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Boston Properties Limited Partnership

The following table presents the changes in the issued and outstanding partners' capital units since January 1, 2016:

	General Partner Units	Limited Partner Units	Total Partners' Capital Units
Outstanding at December 31, 2015	1,715,092	151,864,874	153,579,966
Units issued to Boston Properties, Inc. related to Common Stock issued under the Employee Stock Purchase Plan	72	5,623	5,695
Units issued to Boston Properties, Inc. related to Common Stock issued under the Stock Option and Incentive Plan, net	172	13,485	13,657
Units issued to Boston Properties, Inc. related to Common Stock issued in exchange for OP Units	2,407	188,450	190,857
Outstanding at December 31, 2016	1,717,743	152,072,432	153,790,175
Units issued to Boston Properties, Inc. related to Common Stock issued under the Employee Stock Purchase Plan	21	6,296	6,317
Units issued to Boston Properties, Inc. related to Common Stock issued under the Stock Option and Incentive Plan, net	111	33,046	33,157
Units issued to Boston Properties, Inc. related to Common Stock issued in exchange for OP Units	1,665	493,972	495,637
Outstanding at December 31, 2017	1,719,540	152,605,746	154,325,286
Units issued to Boston Properties, Inc. related to Common Stock issued under the Employee Stock Purchase Plan	132	6,136	6,268
Units issued to Boston Properties, Inc. related to Common Stock issued under the Stock Option and Incentive Plan, net	919	42,869	43,788
Units issued to Boston Properties, Inc. related to Common Stock issued in exchange for OP Units	1,745	81,391	83,136
Outstanding at December 31, 2018	1,722,336	152,736,142	154,458,478

As of December 31, 2018, Boston Properties, Inc. owned 1,722,336 general partnership units and 152,736,142 limited partnership units.

The following table reflects the activity of the Series B Preferred Units for the years ended December 31, 2018, 2017 and 2016 (in thousands), which activity is included within Boston Properties Limited Partnership's Consolidated Statements of Partners' Capital:

Balance at December 31, 2015	\$ 193,623
Net income	10,500
Distributions	(10,500)
Balance at December 31, 2016	193,623
Net income	10,500
Distributions	(10,500)
Balance at December 31, 2017	193,623
Net income	10,500
Distributions	(10,500)
Balance at December 31, 2018	\$ 193,623

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12. Future Minimum Rents

The properties are leased to tenants under net operating leases with initial term expiration dates ranging from 2019 to 2049. The future contractual minimum lease payments to be received (excluding operating expense reimbursements) by the Company as of December 31, 2018, under non-cancelable operating leases which expire on various dates through 2049, are as follows:

Years Ending December 31, (in thousands)

2019	\$ 2,088,171
2020	2,106,963
2021	2,015,031
2022	1,838,699
2023	1,736,636
Thereafter	12,295,464

No single tenant represented more than 10.0% of the Company's total rental revenue for the years ended December 31, 2018, 2017 and 2016.

13. Segment Information

The following tables present reconciliations of Net Income Attributable to Boston Properties, Inc. Common Shareholders to Net Operating Income and Net Income Attributable to Boston Properties Limited Partnership Common Unitholders to Net Operating Income for the years ended December 31, 2018, 2017 and 2016.

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Boston Properties, Inc.

	Year ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income attributable to Boston Properties, Inc. common shareholders	\$572,347	\$451,939	\$502,285
Add:			
Preferred dividends	10,500	10,500	10,500
Noncontrolling interest—common units of the Operating Partnership	66,807	52,210	59,260
Noncontrolling interests in property partnerships	62,909	47,832	(2,068)
Losses from interest rate contracts	—	—	140
Interest expense	378,168	374,481	412,849
Impairment losses	11,812	—	1,783
Depreciation and amortization expense	645,649	617,547	694,403
Transaction costs	1,604	668	2,387
Payroll and related costs from management services contracts	9,590	—	—
General and administrative expense	121,722	113,715	105,229
Less:			
Gains (losses) from early extinguishments of debt	(16,490)	496	(371)
Gains (losses) from investments in securities	(1,865)	3,678	2,273
Interest and other income	10,823	5,783	7,230
Gains on sales of real estate	182,356	7,663	80,606
Gain on sale of investment in unconsolidated joint venture	—	—	59,370
Income from unconsolidated joint ventures	2,222	11,232	8,074
Direct reimbursements of payroll and related costs from management services contracts	9,590	—	—
Development and management services revenue	45,158	34,605	28,284
Net Operating Income	\$1,649,314	\$1,605,435	\$1,601,302

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Boston Properties Limited Partnership

	Year ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 656,903	\$ 512,866	\$ 575,341
Add:			
Preferred distributions	10,500	10,500	10,500
Noncontrolling interests in property partnerships	62,909	47,832	(2,068)
Losses from interest rate contracts	—	—	140
Interest expense	378,168	374,481	412,849
Impairment losses	10,181	—	1,783
Depreciation and amortization expense	637,891	609,407	682,776
Transaction costs	1,604	668	2,387
Payroll and related costs from management services contracts	9,590	—	—
General and administrative expense	121,722	113,715	105,229
Less:			
Gains (losses) from early extinguishments of debt	(16,490)	496	(371)
Gains (losses) from investments in securities	(1,865)	3,678	2,273
Interest and other income	10,823	5,783	7,230
Gains on sales of real estate	190,716	8,240	82,775
Gain on sale of investment in unconsolidated joint venture	—	—	59,370
Income from unconsolidated joint ventures	2,222	11,232	8,074
Direct reimbursements of payroll and related costs from management services contracts	9,590	—	—
Development and management services revenue	45,158	34,605	28,284
Net Operating Income	\$ 1,649,314	\$ 1,605,435	\$ 1,601,302

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

estate companies that define NOI differently.

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Asset information by segment is not reported because the Company does not use this measure to assess performance. Therefore, depreciation and amortization expense is not allocated among segments. Preferred dividends/distributions, net income attributable noncontrolling interests, losses from interest rate contracts, interest expense, impairment losses, depreciation and amortization expense, transactions costs, payroll and related costs from management services contracts, corporate general and administrative expense, gains (losses) from early extinguishments of debt, gains (losses) from investments in securities, gains on sales of real estate, interest and other income, gain on sale of investment in unconsolidated joint venture, income from unconsolidated joint ventures, direct reimbursements of payroll and related costs from management services contracts and development and management services revenue are not included in NOI as internal reporting addresses these items on a corporate level.

The Company's segments are based on the Company's method of internal reporting which classifies its operations by both geographic area and property type. The Company's segments by geographic area are Boston, New York, San Francisco and Washington, DC. Segments by property type include: Office, Residential and Hotel.

Information by geographic area and property type (dollars in thousands):

For the year ended December 31, 2018:

	Boston	New York	San Francisco	Washington, DC	Total	
Rental Revenue:						
Office	\$ 838,341	\$ 959,050	\$ 397,180	\$ 396,088	\$ 2,590,659	
Residential	6,694	—	—	15,857	22,551	
Hotel	49,118	—	—	—	49,118	
Total	894,153	959,050	397,180	411,945	2,662,328	
% of Grand Totals	33.59	% 36.02	% 14.92	% 15.47	% 100.00	%
Rental Expenses:						
Office	315,653	377,992	130,016	142,886	966,547	
Residential	3,632	—	—	8,972	12,604	
Hotel	33,863	—	—	—	33,863	
Total	353,148	377,992	130,016	151,858	1,013,014	
% of Grand Totals	34.86	% 37.32	% 12.83	% 14.99	% 100.00	%
Net operating income	\$ 541,005	\$ 581,058	\$ 267,164	\$ 260,087	\$ 1,649,314	
% of Grand Totals	32.80	% 35.23	% 16.20	% 15.77	% 100.00	%

For the year ended December 31, 2017:

	Boston	New York	San Francisco	Washington, DC	Total	
Rental Revenue:						
Office	\$ 776,279	\$ 969,371	\$ 345,519	\$ 414,103	\$ 2,505,272	
Residential	4,745	—	—	11,851	16,596	
Hotel	45,603	—	—	—	45,603	
Total	826,627	969,371	345,519	425,954	2,567,471	
% of Grand Totals	32.20	% 37.75	% 13.46	% 16.59	% 100.00	%
Rental Expenses:						
Office	301,097	372,810	105,253	144,515	923,675	
Residential	2,044	—	—	4,258	6,302	
Hotel	32,059	—	—	—	32,059	
Total	335,200	372,810	105,253	148,773	962,036	
% of Grand Totals	34.84	% 38.76	% 10.94	% 15.46	% 100.00	%
Net operating income	\$ 491,427	\$ 596,561	\$ 240,266	\$ 277,181	\$ 1,605,435	
% of Grand Totals	30.61	% 37.15	% 14.97	% 17.27	% 100.00	%

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For the year ended December 31, 2016:

	Boston	New York	San Francisco	Washington, DC	Total	
Rental Revenue:						
Office	\$727,265	\$1,012,518	\$318,609	\$402,561	\$2,460,953	
Residential	4,812	—	—	11,887	16,699	
Hotel	44,884	—	—	—	44,884	
Total	776,961	1,012,518	318,609	414,448	2,522,536	
% of Grand Totals	30.80	% 40.14	% 12.63	% 16.43	% 100.00	%
Rental Expenses:						
Office	282,827	363,188	100,787	135,890	882,692	
Residential	2,708	—	—	4,368	7,076	
Hotel	31,466	—	—	—	31,466	
Total	317,001	363,188	100,787	140,258	921,234	
% of Grand Totals	34.41	% 39.42	% 10.94	% 15.23	% 100.00	%
Net operating income	\$459,960	\$649,330	\$217,822	\$274,190	\$1,601,302	
% of Grand Totals	28.73	% 40.55	% 13.60	% 17.12	% 100.00	%

14. Earnings Per Share / Common Unit

Boston Properties, Inc.

The following table provides a reconciliation of both the net income attributable to Boston Properties, Inc. common shareholders and the number of common shares used in the computation of basic earnings per share (“EPS”), which is calculated by dividing net income attributable to Boston Properties, Inc. common shareholders by the weighted-average number of common shares outstanding during the period. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are also participating securities. As such, unvested restricted common stock of Boston Properties, Inc. and Boston Properties Limited Partnership's LTIP Units, 2012 OPP Units and MYLTIP Units are considered participating securities. Participating securities are included in the computation of basic EPS of Boston Properties, Inc. using the two-class method. Participating securities are included in the computation of diluted EPS of Boston Properties, Inc. using the if-converted method if the impact is dilutive. Because the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2015 MYLTIP Units required, and the 2016-2018 MYLTIP Units require, Boston Properties, Inc. to outperform absolute and relative return thresholds, unless such thresholds have been met by the end of the applicable reporting period, Boston Properties, Inc. excludes such units from the diluted EPS calculation. Other potentially dilutive common shares, including stock options, restricted stock and other securities of Boston Properties Limited Partnership that are exchangeable for the Boston Properties, Inc.'s Common Stock, and the related impact on earnings, are considered when calculating diluted EPS.

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	For the Year Ended December 31, 2018		
	Income (Numerator) (in thousands, except for per share amounts)	Shares (Denominator)	Per Share Amount
Basic Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	\$ 572,347	154,427	\$ 3.71
Allocation of undistributed earnings to participating securities	(101)	—	—
Net income attributable to Boston Properties, Inc. common shareholders	\$ 572,246	154,427	\$ 3.71
Effect of Dilutive Securities:			
Stock Based Compensation	—	255	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	\$ 572,246	154,682	\$ 3.70
	For the Year Ended December 31, 2017		
	Income (Numerator) (in thousands, except for per share amounts)	Shares (Denominator)	Per Share Amount
Basic Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	\$ 451,939	154,190	\$ 2.93
Effect of Dilutive Securities:			
Stock Based Compensation	—	200	—
Diluted Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	\$ 451,939	154,390	\$ 2.93
	For the Year Ended December 31, 2016		
	Income (Numerator) (in thousands, except for per share amounts)	Shares (Denominator)	Per Share Amount
Basic Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	\$ 502,285	153,715	\$ 3.27
Allocation of undistributed earnings to participating securities	(283)	—	—
Net income attributable to Boston Properties, Inc. common shareholders	\$ 502,002	153,715	\$ 3.27
Effect of Dilutive Securities:			
Stock Based Compensation	—	262	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	\$ 502,002	153,977	\$ 3.26

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	For the Year Ended December 31, 2016		
	Income (Numerator)	Units (Denominator)	Per Unit Amount
	(in thousands, except for per unit amounts)		
Basic Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 575,341	171,361	\$ 3.36
Allocation of undistributed earnings to participating securities	(316)	—	—
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 575,025	171,361	\$ 3.36
Effect of Dilutive Securities:			
Stock Based Compensation	—	262	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	\$ 575,025	171,623	\$ 3.35

15. Employee Benefit Plans

Effective January 1, 1985, the predecessor of the Company adopted a 401(k) Savings Plan (the “Plan”) for its employees. Under the Plan, as amended, employees, as defined, are eligible to participate in the Plan after they have completed three months of service. Upon formation, the Company adopted the Plan and the terms of the Plan. Under the Plan, as amended, the Company’s matching contribution equals 200% of the first 3% of participant’s eligible earnings contributed (utilizing earnings that are not in excess of an amount established by the IRS (\$275,000, \$270,000 and \$265,000 in 2018, 2017 and 2016, respectively), indexed for inflation) with no vesting requirement. The Company’s aggregate matching contribution for the years ended December 31, 2018, 2017 and 2016 was approximately \$4.1 million, \$4.1 million and \$4.0 million, respectively.

The Plan also provides for supplemental retirement contributions to certain employees who had at least ten years of service on January 1, 2001, and who were 40 years of age or older as of January 1, 2001. The maximum supplemental retirement contribution will not exceed the annual limit on contributions established by the IRS. The Company will record an annual supplemental retirement credit for the benefit of each participant. The Company’s supplemental retirement contribution and credit for the years ended December 31, 2018, 2017 and 2016 was approximately \$18,000, \$18,000 and \$21,000, respectively.

The Company also maintains a deferred compensation plan that is designed to allow officers of Boston Properties, Inc. to defer a portion of their current income on a pre-tax basis and receive a tax-deferred return on these deferrals. The Company’s obligation under the plan is that of an unsecured promise to pay the deferred compensation to the plan participants in the future. At December 31, 2018 and 2017, the Company had maintained approximately \$28.2 million and \$29.2 million, respectively, in a separate account, which is not restricted as to its use. The Company’s liability under the plan is equal to the total amount of compensation deferred by the plan participants and earnings on the deferred compensation pursuant to investments elected by the plan participants. The Company’s liability as of December 31, 2018 and 2017 was approximately \$28.2 million and \$29.2 million, respectively, which are included in the accompanying Consolidated Balance Sheets.

16. Stock Option and Incentive Plan

At Boston Properties, Inc.’s 2012 annual meeting of stockholders held on May 15, 2012, its stockholders approved the Boston Properties, Inc. 2012 Stock Option and Incentive Plan (the “2012 Plan”). The 2012 Plan replaced the 1997 Stock Option and Incentive Plan (the “1997 Plan”). The material terms of the 2012 Plan include, among other things: (1) the maximum number of shares of common stock reserved and available for issuance under the 2012 Plan is the sum of (i) 13,000,000 newly authorized shares, plus (ii) the number of shares available for grant under the 1997 Stock Plan immediately prior to the effective date of the 2012 Plan, plus (iii) any shares underlying grants under the 1997 Plan that are forfeited, canceled or terminated (other than by exercise) in the

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future; (2) “full-value” awards (i.e., awards other than stock options) are multiplied by a 2.32 conversion ratio to calculate the number of shares available under the 2012 Plan that are used for each full-value award, as opposed to a 1.0 conversion ratio for each stock option awarded under the 2012 Plan; (3) shares tendered or held back for taxes will not be added back to the reserved pool under the 2012 Plan; (4) stock options may not be re-priced without stockholder approval; and (5) the term of the 2012 Plan is for ten years from the date of stockholder approval.

On February 6, 2018, Boston Properties, Inc.’s Compensation Committee approved the 2018 MYLTIP awards under Boston Properties, Inc.’s 2012 Stock Option and Incentive Plan (the “2012 Plan”) to certain officers and employees of Boston Properties, Inc. The 2018 MYLTIP awards utilize Boston Properties, Inc.’s TSR over a three-year measurement period, on an annualized, compounded basis, as the performance metric. Earned awards will be based on Boston Properties, Inc.’s TSR relative to (i) the Cohen & Steers Realty Majors Portfolio Index (50% weight) and (ii) the Nareit Office Index adjusted to include Vornado Realty Trust (50% weight). For 2018 MYLTIP awards, levels of payout opportunity will range from zero for relative TSR performance that is 1,000 basis points or more below the index to a maximum of 200% of target if the Company’s TSR is equal to or greater than 1,000 basis points above the index, on a straight-line basis, depending on the value and linear interpolation between zero and maximum. Earned awards measured on the basis of relative TSR performance are subject to an absolute TSR component in the form of modifiers that (A) reduce the level of earned awards in the event Boston Properties, Inc.’s annualized TSR is 0% or less and (B) cause some awards to be earned in the event Boston Properties, Inc.’s annualized TSR is 12% or more even though on a relative basis alone Boston Properties, Inc.’s TSR would not result in any earned awards.

Earned awards (if any) will vest 50% on February 5, 2021 and 50% on February 5, 2022, based on continued employment. Vesting will be accelerated in the event of a change in control, termination of employment by Boston Properties, Inc. without cause, or termination of employment by the award recipient for good reason, death, disability or retirement. If there is a change of control prior to February 5, 2021, earned awards will be calculated based on TSR performance up to the date of the change of control. The 2018 MYLTIP awards are in the form of LTIP Units issued on the grant date which (i) are subject to forfeiture to the extent awards are not earned and (ii) prior to the performance measurement date are only entitled to one-tenth (10%) of the regular quarterly distributions payable on common partnership units.

Under ASC 718, the 2018 MYLTIP awards have an aggregate value of approximately \$13.3 million, which amount will generally be amortized into earnings over the four-year plan period under the graded vesting method.

On February 4, 2018, the measurement period for the Company’s 2015 MYLTIP awards ended and, based on Boston Properties, Inc.’s relative TSR performance, the final awards were determined to be 22.0% of target or an aggregate of approximately \$3.6 million (after giving effect to voluntary employee separations). As a result, an aggregate of 337,847 2015 MYLTIP Units that had been previously granted were automatically forfeited.

On February 3, 2017, the measurement period for the Company’s 2014 MYLTIP awards ended and, based on Boston Properties, Inc.’s relative TSR performance, the final awards were determined to be 27.7% of target or an aggregate of approximately \$3.5 million (after giving effect to voluntary employee separations and the unallocated reserve). As a result, an aggregate of 447,386 2014 MYLTIP Units that had been previously granted were automatically forfeited.

On February 4, 2016, the measurement period for the Company’s 2013 MYLTIP awards ended and, based on Boston Properties, Inc.’s relative TSR performance, the final awards were determined to be 109.5% of target or an aggregate of approximately \$13.5 million. As a result, 205,762 2013 MYLTIP Units were automatically forfeited.

Boston Properties, Inc. issued 20,320, 37,414 and 22,067 shares of restricted common stock and Boston Properties Limited Partnership issued 205,838, 113,918 and 147,872 LTIP Units to employees and non-employee directors under the 2012 Plan during the years ended December 31, 2018, 2017 and 2016, respectively. Boston Properties, Inc. did not issue any non-qualified stock options under the 2012 Plan during the years ended December 31, 2018, 2017 and 2016. Boston Properties Limited Partnership issued 342,659 2018 MYLTIP Units, 400,000 2017 MYLTIP Units and 475,004 2016 MYLTIP Units to employees under the 2012 Plan during the years ended December 31, 2018, 2017 and 2016, respectively. Employees and non-employee directors paid \$0.01 per share of restricted common stock and \$0.25 per LTIP Unit, OPP Unit and MYLTIP Unit. When issued, LTIP Units are not economically equivalent in value to a share of Common Stock, but over time can increase in value to one-for-one parity with Common Stock if there is sufficient appreciation in the value of the Company’s assets. The aggregate value of the LTIP Units is included in

noncontrolling interests in the Consolidated Balance Sheets.

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Grants of restricted stock and LTIP Units to employees vest in four equal annual installments. Restricted stock is measured at fair value on the date of grant based on the number of shares granted and the closing price of Boston Properties, Inc.'s Common Stock on the date of grant as quoted on the New York Stock Exchange. Such value is recognized as an expense ratably over the corresponding employee service period. Non-qualified stock options, which are valued using the Black-Scholes option-pricing model, are recognized as an expense ratably over the corresponding employee service period. As the 2012 OPP Awards, 2013 MYLTIP Awards, 2014 MYLTIP Awards, 2015 MYLTIP Awards, 2016 MYLTIP Awards, 2017 MYLTIP Awards and 2018 MYLTIP Awards are subject to both a service condition and a market condition, the Company recognizes the compensation expense related to the 2012 OPP Awards, 2013 MYLTIP Awards, 2014 MYLTIP Awards, 2015 MYLTIP Awards 2016 MYLTIP Awards, 2017 MYLTIP Awards and 2018 MYLTIP Awards under the graded vesting attribution method. Under the graded vesting attribution method, each portion of the award that vests at a different date is accounted for as a separate award and recognized over the period appropriate to that portion so that the compensation cost for each portion should be recognized in full by the time that portion vests. The Company recognizes forfeitures as they occur on its awards of stock-based compensation (See Note 2). Dividends paid on both vested and unvested shares of restricted stock are charged directly to Dividends in Excess of Earnings in Boston Properties, Inc.'s Consolidated Balance Sheets and Partners' Capital in Boston Properties Limited Partnership's Consolidated Balance Sheets. Aggregate stock-based compensation expense associated with restricted stock, non-qualified stock options, LTIP Units, 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units, 2015 MYLTIP Units, 2016 MYLTIP Units, 2017 MYLTIP Units and 2018 MYLTIP Units was approximately \$38.0 million, \$33.2 million and \$30.6 million for the years ended December 31, 2018, 2017 and 2016, respectively. At December 31, 2018, there was (1) an aggregate of approximately \$22.7 million of unrecognized compensation expense related to unvested restricted stock and LTIP Units and (2) an aggregate of approximately \$15.2 million of unrecognized compensation expense related to unvested 2016 MYLTIP Units, 2017 MYLTIP Units and 2018 MYLTIP Units that is expected to be recognized over a weighted-average period of approximately 2.4 years.

The shares of restricted stock were valued at approximately \$2.4 million (\$119.27 per share weighted-average), \$4.9 million (\$130.32 per share weighted-average) and \$2.5 million (\$113.51 per share weighted-average) for the years ended December 31, 2018, 2017 and 2016, respectively.

LTIP Units were valued using a Monte Carlo simulation method model in accordance with the provisions of ASC 718. LTIP Units issued during the years ended December 31, 2018, 2017 and 2016 were valued at approximately \$22.7 million, \$13.6 million and \$15.4 million, respectively. The weighted-average per unit fair value of LTIP Unit grants in 2018, 2017 and 2016 was \$110.29, \$119.41 and \$103.83, respectively. The per unit fair value of each LTIP Unit granted in 2018, 2017 and 2016 was estimated on the date of grant using the following assumptions; an expected life of 5.7 years, 5.7 years and 5.7 years, a risk-free interest rate of 2.63%, 2.14% and 1.61% and an expected price volatility of 27.0%, 28.0% and 33.0%, respectively.

There were no non-qualified stock options granted during the years ended December 31, 2018, 2017 and 2016. A summary of the status of Boston Properties, Inc.'s stock options as of December 31, 2018, 2017 and 2016 and changes during the years then ended are presented below:

	Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2015	547,129	\$ 96.38
Exercised	—	\$ —
Outstanding at December 31, 2016	547,129	\$ 96.38
Exercised	(6,688)	\$ 99.15
Outstanding at December 31, 2017	540,441	\$ 96.35
Exercised	—	\$ —
Outstanding at December 31, 2018	540,441	\$ 96.35

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The following table summarizes information about Boston Properties, Inc.'s stock options outstanding at December 31, 2018:

Options Outstanding Number	Weighted-Average Remaining Contractual Life	Exercise Price	Options Exercisable Number	Exercise Price
118,502	2.1 years	\$86.86	118,502	\$ 86.86
54,282	4.3 years	\$95.69	54,282	\$ 95.69
202,030	4.1 years	\$98.46	202,030	\$ 98.46
165,627	3.1 years	\$100.77	165,627	\$ 100.77

The total intrinsic value of the outstanding and exercisable stock options as of December 31, 2018 was approximately \$8.8 million. In addition, Boston Properties, Inc. had 540,441 and 514,360 options exercisable at a weighted-average exercise price of \$96.35 and \$96.32 at December 31, 2017 and 2016, respectively.

Boston Properties, Inc. adopted the 1999 Non-Qualified Employee Stock Purchase Plan (the "Stock Purchase Plan") to encourage the ownership of Common Stock by eligible employees. The Stock Purchase Plan became effective on January 1, 1999 with an aggregate maximum of 250,000 shares of Common Stock available for issuance. The Stock Purchase Plan provides for eligible employees to purchase on the business day immediately following the end of the biannual purchase periods (i.e., January 1-June 30 and July 1-December 31) shares of Common Stock at a purchase price equal to 85% of the average closing prices of the Common Stock during the last ten business days of the purchase period. Boston Properties, Inc. issued 6,268, 6,317 and 5,695 shares with the weighted-average purchase price equal to \$107.20 per share, \$105.97 per share and \$109.27 per share under the Stock Purchase Plan during the years ended December 31, 2018, 2017 and 2016, respectively.

17. Related Party Transactions

A firm controlled by Mr. Raymond A. Ritchey's brother was paid aggregate leasing commissions of approximately \$921,000, \$368,000 and \$374,000 for the years ended December 31, 2018, 2017 and 2016, respectively, related to certain exclusive leasing arrangements for certain Northern Virginia properties. Mr. Ritchey is a Senior Executive Vice President of Boston Properties, Inc.

In accordance with Boston Properties, Inc.'s 2012 Plan, and as approved by its Board of Directors, four non-employee directors made elections to receive deferred stock units in lieu of cash fees for 2018. The deferred stock units will be settled in shares of common stock upon the cessation of such director's service on the Board of Directors of Boston Properties, Inc. As a result of these elections, the aggregate cash fees otherwise payable to a non-employee director during a fiscal quarter are converted into a number of deferred stock units equal to the aggregate cash fees divided by the last reported sales price of a share of Boston Properties, Inc.'s common stock on the last trading of the applicable fiscal quarter. The deferred stock units are also credited with dividend equivalents as dividends are paid by Boston Properties, Inc. On May 23, 2018, in connection with the cessation of a director's service on the Board of Directors of Boston Properties, Inc., Boston Properties, Inc. issued 36,836 shares of common stock in settlement of the director's outstanding deferred stock units. At December 31, 2018 and 2017, Boston Properties, Inc. had outstanding 74,966 and 105,479 deferred stock units, respectively.

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18. Selected Interim Financial Information (unaudited)

Boston Properties, Inc.

The tables below reflect Boston Properties, Inc.'s selected quarterly information for the years ended December 31, 2018 and 2017.

	2018 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per share amounts)			
Total revenue	\$661,151	\$664,484	\$686,284	\$705,157
Net income	\$216,312	\$160,565	\$150,445	\$185,241
Net income attributable to Boston Properties, Inc. common shareholders	\$176,021	\$128,681	\$119,118	\$148,529
Income attributable to Boston Properties, Inc. per share—basic	\$1.14	\$0.83	\$0.77	\$0.96
Income attributable to Boston Properties, Inc. per share—diluted	\$1.14	\$0.83	\$0.77	\$0.96

	2017 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per share amounts)			
Total revenue	\$632,228	\$656,907	\$657,712	\$655,229
Net income	\$115,564	\$167,010	\$147,704	\$132,203
Net income attributable to Boston Properties, Inc. common shareholders	\$97,083	\$133,709	\$117,337	\$103,829
Income attributable to Boston Properties, Inc. per share—basic	\$0.63	\$0.87	\$0.76	\$0.67
Income attributable to Boston Properties, Inc. per share—diluted	\$0.63	\$0.87	\$0.76	\$0.67

Boston Properties Limited Partnership

The tables below reflect Boston Properties Limited Partnership's selected quarterly information for the years ended December 31, 2018 and 2017.

	2018 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per unit amounts)			
Total revenue	\$661,151	\$664,484	\$686,284	\$705,157
Net income	\$220,766	\$162,986	\$153,676	\$192,884
Net income attributable to Boston Properties Limited Partnership common unitholders	\$200,907	\$145,961	\$136,201	\$173,834
Income attributable to Boston Properties Limited Partnership per unit—basic	\$1.17	\$0.85	\$0.79	\$1.01
Income attributable to Boston Properties Limited Partnership per unit—diluted	\$1.17	\$0.85	\$0.79	\$1.01

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	2017 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per unit amounts)			
Total revenue	\$632,228	\$656,907	\$657,712	\$655,229
Net income	\$117,711	\$169,672	\$149,658	\$134,157
Net income attributable to Boston Properties Limited Partnership common unitholders	\$110,662	\$151,844	\$132,693	\$117,667
Income attributable to Boston Properties Limited Partnership per unit—basic	\$0.64	\$0.88	\$0.77	\$0.69
Income attributable to Boston Properties Limited Partnership per unit—diluted	\$0.64	\$0.88	\$0.77	\$0.68

19. Subsequent Events

On January 10, 2019, the Company acquired land parcels at its Carnegie Center property located in Princeton, New Jersey for a purchase price of approximately \$42.9 million. The Company also agreed to pay the seller additional amounts aggregating approximately \$8.6 million, which are payable in the future and contingent on the development or sale of each of the parcels. The land parcels will support approximately 1.7 million square feet of development.

On January 18, 2019, the Company and its partner in the consolidated entity that owns Salesforce Tower located in San Francisco, California amended the venture agreement. Per the amendment, the partner exercised its right to cause the Company to purchase on April 1, 2019 its 5% ownership interest and promoted profits interest in the venture for cash totaling approximately \$210.9 million, which amount shall be reduced by approximately \$24.1 million consisting of the repayment of the Company's preferred equity and preferred return as provided for in the venture agreement. As part of the original agreement, the partner was required to contribute 5% of the equity and was entitled to receive an additional promoted payment based on the success of the property (See Note 10).

On January 24, 2019, the Company completed the sale of its 2600 Tower Oaks Boulevard property located in Rockville, Maryland for a gross sales price of approximately \$22.7 million. 2600 Tower Oaks Boulevard is an approximately 179,000 net rentable square foot Class A office property (See Note 3).

On January 24, 2019, a joint venture in which the Company has a 50% interest extended the loan collateralized by its Annapolis Junction Building Six property. At the time of the extension, the outstanding balance of the loan totaled approximately \$13.0 million and was scheduled to mature on November 17, 2019, with one, one-year extension option, subject to certain conditions. The extended loan has a total commitment amount of approximately \$14.3 million, bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on November 17, 2020. Annapolis Junction Building Six is a Class A office property with approximately 119,000 net rentable square feet located in Annapolis, Maryland (See Note 5).

On January 24, 2019, the ground lessor under the Company's 65-year ground lease for land totaling approximately 5.6 acres at Platform 16 located in San Jose, California made available for lease to the Company the remaining land parcels. As a result, the Company recognized the remaining portion of the capital lease asset and liability (See Note 3).

On February 1, 2019 and February 5, 2019, Boston Properties, Inc. issued an aggregate of 23,083 shares of restricted common stock and Boston Properties Limited Partnership issued an aggregate of 172,166 LTIP units under the 2012 Plan to certain employees of Boston Properties, Inc.

On February 5, 2019, Boston Properties, Inc.'s Compensation Committee approved the 2019 Multi-Year Long-Term Incentive Program (the "2019 MYLTIP") awards under Boston Properties, Inc.'s 2012 Plan to certain officers and employees of Boston Properties, Inc. Earned awards will range from zero to a maximum of 220,734 LTIP Units depending on Boston Properties, Inc.'s TSR relative to the FTSE Nareit Office Index, adjusted to include Vornado Realty Trust, with a target of approximately 110,367 LTIP Units and linear interpolation between zero and maximum. Under ASC 718, the 2019 MYLTIP awards have an aggregate value of approximately \$13.5 million, which amount will generally be amortized into earnings over the four-year plan period under the graded vesting method.

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

On February 14, 2019, the Company announced that it had entered into a 15-year lease with Google, LLC for approximately 362,000 net rentable square feet of Class A office space in a build-to-suit development project to be located at the Company's 325 Main Street property at Kendall Center in Cambridge, Massachusetts. 325 Main Street currently consists of an approximately 115,000 net rentable square foot Class A office property that will be demolished and developed into an approximately 400,000 net rentable square foot Class A office property, including approximately 38,000 net rentable square feet of retail space. There can be no assurance that the project will commence.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Boston Properties, Inc.

As of the end of the period covered by this report, an evaluation was carried out by our management, with the participation of Boston Properties, Inc.'s Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, Boston Properties, Inc.'s Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in Boston Properties, Inc.'s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fourth quarter of Boston Properties, Inc.'s fiscal year ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, Boston Properties, Inc.'s internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting is set forth on page 114 of this Annual Report on Form 10-K and is incorporated herein by reference.

Boston Properties Limited Partnership

As of the end of the period covered by this report, an evaluation was carried out by the management of Boston Properties, Inc., the sole general partner of Boston Properties Limited Partnership, with the participation of its Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer of Boston Properties, Inc. concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in its internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fourth quarter of its fiscal year

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ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting is set forth on page 123 of this Annual Report on Form 10-K and is incorporated herein by reference.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 11 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table summarizes Boston Properties, Inc.'s equity compensation plans as of December 31, 2018.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	4,111,534	(2)\$ 96.35	(2)8,578,885 (3)
Equity compensation plans not approved by security holders (4)	N/A	N/A	91,209
Total	4,111,534	\$ 96.35	8,670,094

(1)Includes information related to BXP's 1997 Plan and 2012 Plan.

(2)Includes (a) 540,441 shares of common stock issuable upon the exercise of outstanding options (all of which are vested and exercisable), (b) 991,577 long term incentive units (LTIP units) (682,077 of which are vested) that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (c) 1,292,734 common units issued upon conversion of LTIP units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (d) 471,579 2016 MYLTIP Awards that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (e) 398,871 2017 MYLTIP Awards that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (f) 341,366 2018 MYLTIP Awards that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock and (g) 74,966 deferred stock units which were granted pursuant to elections by certain of BXP's non-employee directors to defer all cash compensation to be paid to such directors and to receive their deferred cash compensation in shares of BXP's common stock upon their retirement from its Board of Directors. Does not include 50,142 shares of restricted stock, as they have been reflected in BXP's total shares outstanding. Because there is no exercise price associated with LTIP units, common units, 2016 MYLTIP Awards, 2017 MYLTIP Awards, 2018 MYLTIP Awards or deferred stock units, such shares are not included in the weighed-average

exercise price calculation.

(3) Represents awards available for issuance under BXP's 2012 Plan. "Full-value" awards (i.e., awards other than stock options) are multiplied by a 2.32 conversion ratio to calculate the number of shares available under the 2012 Plan that are used for each full-value award, as opposed to a 1.0 conversion ratio for each stock option awarded under the 2012 Plan.

(4) Includes information related to the 1999 Non-Qualified Employee Stock Purchase Plan (ESPP). The ESPP was adopted by the Board of Directors of BXP on October 29, 1998. The ESPP has not been approved by BXP's stockholders. The ESPP is available to all our employees that are employed on the first day of the purchase period. Under the ESPP, each eligible employee may purchase shares of our common stock at semi-annual intervals each year at a purchase price equal to 85% of the average closing prices of our common stock on the New York Stock Exchange during the last ten business days of the purchase period. Each eligible employee may contribute no more than \$10,000 per year to purchase our common stock under the ESPP.

Additional information concerning security ownership of certain beneficial owners and management required by Item 12 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2019 Annual Meeting of Stockholders and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statement Schedule

Boston Properties, Inc.

Schedule 3 - Real Estate and Accumulated Depreciation

December 31, 2018

(dollars in thousands)

Property Name	Type	Location	Original		Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Development Land and Held for Development Progress		
			Encumbrances	Land					Building	
767 Fifth Avenue (the General Motors Building)	Office	New York, NY	\$2,270,534	\$1,796,252	\$1,532,654	\$189,657	\$1,796,252	\$1,722,311	\$—	\$3,518,000
Prudential Center	Office	Boston, MA	—	92,077	948,357	532,802	115,638	1,457,494	104,157,300	—
Embarcadero Center	Office	San Francisco, CA	—	179,697	847,410	368,967	195,987	1,200,087	—	1,396,000
399 Park Avenue	Office	New York, NY	—	339,200	700,358	247,092	354,107	932,543	—	1,286,000
Salesforce Tower	Office	San Francisco, CA	—	200,349	919,565	—	200,349	919,565	—	1,119,000
601 Lexington Avenue	Office	New York, NY	658,792	241,600	494,782	361,985	289,639	637,044	—	1,711,000
200 Clarendon Street and Garage	Office	Boston, MA	—	219,543	667,884	164,073	219,616	822,218	9,666,051,500	—
250 West 55th Street	Office	New York, NY	—	285,263	603,167	48,642	285,263	651,809	—	937,000
100 Federal Street	Office	Boston, MA	—	131,067	435,954	99,702	131,067	535,656	—	666,720
Carnegie Center	Office	Princeton, NJ	—	107,997	389,359	158,752	108,948	543,974	3,486,561,000	—
Times Square Tower	Office	New York, NY	—	165,413	380,438	94,451	169,193	471,109	—	640,300
Atlantic Wharf	Office	Boston, MA	—	63,988	454,537	17,184	63,988	471,721	—	535,700
510 Madison Avenue	Office	New York, NY	—	103,000	253,665	24,992	103,000	278,657	—	381,650
Fountain Square	Office	Reston, VA	—	56,853	306,298	3,170	56,853	309,468	—	366,320
599 Lexington Avenue	Office	New York, NY	—	81,040	100,507	174,213	87,852	267,908	—	355,760
680 Folsom Street	Office	San Francisco, CA	—	72,545	219,766	7,829	72,545	227,595	—	300,140
	Office	Washington, DC	—	95,310	165,173	3,900	95,322	169,061	—	264,380

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601 Massachusetts Avenue South of Market and Democracy Tower Bay Colony Corporate Center Gateway Center 535 Mission Street 2200 Pennsylvania Avenue Mountain View Research Park Reservoir Place 1330 Connecticut Avenue Kingstowne Towne Center	Office	Reston, VA	—	13,603	237,479	12,428	13,687	249,823	—263,51
	Office	Waltham, MA	—	18,789	148,451	77,133	18,789	225,584	—244,37
	Office	San Francisco, CA	—	28,255	139,245	64,831	30,627	201,704	—232,33
	Office	San Francisco, CA	—	40,933	148,378	3,259	40,933	151,637	—192,57
	Office	Washington, DC	—	—	183,541	4,535	—	188,076	—188,07
	Office	Mountain View, CA	—	95,066	68,373	9,988	95,066	78,361	—173,42
	Office	Waltham, MA	—	18,605	104,124	45,144	20,108	147,765	—167,87
	Office	Washington, DC	—	25,982	82,311	36,089	27,135	117,247	—144,38
	Office	Alexandria, VA	—	18,021	109,038	2,098	18,062	111,095	—129,15

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Boston Properties, Inc.
 Schedule 3 - Real Estate and Accumulated Depreciation
 December 31, 2018
 (dollars in thousands)

Property Name	Type	Location	Original Capital Expenditures Less Accumulated Depreciation	Costs Incurred Subsequent to Acquisition	Land Improvements	Development Costs Held for Development	Years Built/ Renovated	Year(s) Acquired	Depreciable Lives (Years)
One Freedom Square	Office	Reston, VA	—9,825,025	256,295	396	125,680	2003	(1)	
Capital Gallery Weston	Office	Washington, DC	—4,295,573	33,621	2,859	126,719	1/2006	2007	(1)
Corporate Center	Office	Weston, MA	—259,232	25,854	1088	117,010	2001	(1)	
Two Freedom Square	Office	Reston, VA	—137,933	927,420	676	115,102	2001	2003	(1)
One and Two Reston	Office	Reston, VA	—166,540	181,970	650	106,781	1999	2000	(1)
Overlook	Office	Needham, MA	—186,090	553,082	461	103,253	2004	(1)	
140 Kendrick Street	Office	Needham, MA	—186,090	553,082	461	103,253	2004	(1)	
Discovery Square	Office	Reston, VA	—117,178	252,533	200	109,730	2001	2003	(1)
355 Main Street	Office	Cambridge, MA	—185,823	401,173	737	95,281	1/1996/2013	2006	(1)
10 CityPoint	Office	Waltham, MA	—1,853,752	190,104	—	927,200	2016	1997	(1)
90 Broadway	Office	Cambridge, MA	—195,048	363,785	760	89,254	1/1998/2013	2006	(1)
230 CityPoint Waltham	Office	Waltham, MA	—134,982	291,593	333	84,261	1992	2005	(1)
Weston Corporate Center	Office	Waltham, MA	—106,669	449,097	431	82,322	1993	1999	(1)
77 CityPoint	Office	Waltham, MA	—136,578	583,876	215	80,388	2008	2001	(1)
3625-3635 Peterson Way	Office	Santa Clara, CA	—631,208	363,206	879	788,758	1979	2016	(1)
2440 West El Camino Real	Office	Mountain View, CA	—167,413	516,741	696	71,423	1/1997/2003	2011	(1)
300 Binney Street	Office	Cambridge, MA	—185,026	218,080	402	69,482	2013	2009	(1)
191 Spring Street	Office	Lexington, MA	—2,850,315	155,685	—	68,885	1/1995/2018	1997	(1)
Wisconsin Place Reston	Office	Chevy Chase, MD	—53,349	89	68,238	68,223	1969	2004	(1)
Corporate Center	Office	Reston, VA	—9,508	370,548	080	66,223	1984	1998	(1)
New Dominion Technology Park, Bldg. Two	Office	Herndon, VA	—5,584	687,555	099	61,250	2004	1998	(1)
255 Main Street	Office	Cambridge, MA	—132,529	654,854	368	54,301	1987	1997	(1)

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200 West Street New Dominion Technology	Office Waltham, MA	— 162,498,126,853,438— 52,225,149	1997	(1)
Park, Bldg. One	Office Herndon, VA	29,688,027,586,451— 51,732,001	1998	(1)
Sumner Square	Office Washington, DC	— 62,287,916,476,945— 48,253,985	1999	(1)
University Place	Office Cambridge, MA	5,573,790,039,045,702— 46,798,985	1998	(1)
2600 Tower Oaks Boulevard	Office Rockville, MD	— 4,246,157,247,641— 41,884,201	1998	(1)
North First Business Park	Office San Jose, CA	— 23,396,923,377,703— 41,080,981	2007	(1)
150 Broadway	Office Cambridge, MA	— 85,058,420,323,109— 34,482,099	1997	(1)
325 Main Street	Office Cambridge, MA	— 17,421,006,523,319,27— 28,181,098,7/2013	1997	(1)
105 Broadway	Office Cambridge, MA	— 1,299,401,325,248— 23,649,990	1997	(1)
Lexington Office Park	Office Lexington, MA	— 99,848,710,649,860— 21,132,498	1997	(1)
201 Spring Street	Office Lexington, MA	— 2,849,090,126,418— 19,512,997	1997	(1)
The Point	Office Waltham, MA	— 6,395,046,480,386— 16,868,015	2007	(1)
690 Folsom Street	Office San Francisco, CA	— 3,219,038,219,195— 15,472,015	2012	(1)
92-100 Hayden Avenue	Office Lexington, MA	— 59,748,580,213,795— 14,598,985	1997	(1)

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Boston Properties, Inc.
 Schedule 3 - Real Estate and Accumulated Depreciation
 December 31, 2018
 (dollars in thousands)

Property Name	Type	Location	Original Encumbrance Land	Costs Capitalized in Acquisition	Development Costs for Development Progress	Year(s) Built/ Completed	Year(s) Acquired	Depreciable Lives (Years)
181 Spring Street	Office	Lexington, MA	1,066,208	160,656	128,419	1999	1997	(1)
195 West Street	Office	Waltham, MA	1,616,527	850,675	128,531	1990	1997	(1)
33 Hayden Avenue	Office	Lexington, MA	266,232	235	11,298	1979	1997	(1)
7501 Boston Boulevard, Building Seven	Office	Springfield, VA	665,273	19,966	107,571	1997	1997	(1)
7450 Boston Boulevard, Building Three	Office	Springfield, VA	1,468,278	1,306	9,871	1987	1998	(1)
7435 Boston Boulevard, Building One	Office	Springfield, VA	392,822	269	8,292	1982	1997	(1)
250 Binney Street	Office	Cambridge, MA	114,485	273	37,913	1983	1997	(1)
8000 Grainger Court, Building Five	Office	Springfield, VA	366,282	261	17,583	1984	1997	(1)
453 Ravendale Drive	Office	Mountain View, CA	5,470,976	4,777	66	1977	2012	(1)
7300 Boston Boulevard, Building Thirteen	Office	Springfield, VA	608,773	368	16,158	2002	1997	(1)
7601 Boston Boulevard, Building Eight	Office	Springfield, VA	208,783	353	15,900	1986	1997	(1)
17 Hartwell Avenue	Office	Lexington, MA	261,560	64	6,175	1968	1997	(1)
7500 Boston Boulevard, Building Six	Office	Springfield, VA	138,749	70	65,154	1985	1997	(1)
8000 Corporate Court, Building Eleven	Office	Springfield, VA	136,073	176	44,029	1989	1997	(1)

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7375 Boston Boulevard, Building Ten	Office	Springfield, VA	—232,685— 3,607— 3,709	1988	(1)
7374 Boston Boulevard, Building Four	Office	Springfield, VA	—241,608— 3,283,276— 3,678	1984	(1)
7451 Boston Boulevard, Building Two	Office	Springfield, VA	—249,546— 3,932,837— 3,450	1982	(1)
32 Hartwell Avenue	Office	Lexington, MA	—168,943— 142,614— 2,928	1968/1979/1987	(1)
164 Lexington Road	Office	Billerica, MA	—592,370— 431,638— 2,206	1982	(1)
Signature at Reston	Residential	Reston, VA	—271,096— 2,070,580— 213,036	2018	(1)
Proto Kendall Square	Residential	Cambridge, MA	—9,247— 2,242,437,248— 136,420	2018	(1)
The Avant at Reston Town Center	Residential	Reston, VA	—209,500— 3,350,825— 118,217	2014	(1)
The Lofts at Atlantic Wharf Boston	Residential	Boston, MA	—3,529— 965,536,659— 601,188	2011	(1)
Marriott Cambridge	Hotel	Cambridge, MA	—478,736— 1,827,892— 754,039	2017	(1)
Kendall Center Green Garage	Garage	Cambridge, MA	—357,348— 342,380— 421,481	2004	(1)
Kendall Center Yellow Garage	Garage	Cambridge, MA	—1,256,607— 437,140— 185,648	2006	(1)
Kendall Center Blue Garage	Garage	Cambridge, MA	—1,163,345— 79,362— 149,419	2006	(1)
145 Broadway MacArthur Station Residences	Development	Cambridge, MA	—121— 223,845— 223,042	2006	N/A
20 CityPoint	Development	Oakland, CA	—87,159— 87,879	2006	N/A
		Waltham, MA	—6,287— 246,287— 46,624	2007	N/A

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Boston Properties, Inc.
 Schedule 3 - Real Estate and Accumulated Depreciation
 December 31, 2018
 (dollars in thousands)

Property Name	Type	Location	Encumbrances	Original		Costs Capitalized Subsequent to Acquisition	Land and Improvements	Buildings and Improvements	
				Land	Building				
Reston Gateway	Development	Reston, VA	—	—	—	25,167	—	—	
17Fifty Presidents Street	Development	Reston, VA	—	—	—	25,120	—	—	
North First Master Plan	Land	San Jose, CA	—	35,004	—	3,932	—	—	
Plaza at Almaden	Land	San Jose, CA	—	—	—	29,928	—	—	
Springfield Metro Center	Land	Springfield, VA	—	—	—	19,823	—	—	
214 Third Avenue	Land	Waltham, MA	—	—	—	15,233	—	—	
Platform 16	Land	San Jose, CA	—	—	—	12,962	—	—	
103 Fourth Avenue	Land	Waltham, MA	—	—	—	12,208	—	—	
Reston Gateway Master Plan	Land	Reston, VA	—	—	—	11,014	—	—	
Fourth and Harrison	Land	San Francisco, CA	—	—	—	10,350	—	—	
2100 Pennsylvania Avenue	Land	Washington, DC	—	—	—	9,700	—	—	
Crane Meadow	Land	Marlborough, MA	—	—	—	8,852	—	—	
Washingtonian North	Land	Gaithersburg, MD	—	—	—	7,473	—	—	
Broad Run Business Park	Land	Loudoun County, VA	—	—	—	2,388	—	—	
Kendall Center Master Plan	Land	Cambridge, MA	—	—	—	2,199	—	—	
Weston Quarry	Land	Weston, MA	—	—	—	1,237	—	—	
Reston Overlook Master Plan	Land	Reston, VA	—	—	—	39	—	—	
				\$2,964,572	(2)\$4,959,995	\$12,763,317	\$3,882,233	\$5,072,568	\$15,75

Note: Total Real Estate does not include Furniture, Fixtures and Equipment totaling approximately \$44,351. Accumulated Depreciation does not include approximately \$26,675 of accumulated depreciation related to Furniture, Fixtures and Equipment.

The aggregate cost and accumulated depreciation for tax purposes was approximately \$17.9 billion and \$3.9 billion, respectively.

- (1) Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to 40 years.
- (2) Includes unamortized deferred financing costs totaling approximately \$(30.8) million.
- (3) Includes pre-development costs.

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Boston Properties, Inc.
 Real Estate and Accumulated Depreciation
 December 31, 2018, 2017 and 2016
 (dollars in thousands)

A summary of activity for real estate and accumulated depreciation is as follows:

	2018	2017	2016
Real Estate:			
Balance at the beginning of the year	\$21,058,714	\$20,114,576	\$19,451,683
Additions to/improvements of real estate	1,043,379	1,099,286	977,287
Assets sold/written-off	(496,548)	(155,148)	(314,394)
Balance at the end of the year	\$21,605,545	\$21,058,714	\$20,114,576
Accumulated Depreciation:			
Balance at the beginning of the year	\$4,566,570	\$4,201,891	\$3,905,940
Depreciation expense	533,342	497,059	560,024
Assets sold/written-off	(228,810)	(132,380)	(264,073)
Balance at the end of the year	\$4,871,102	\$4,566,570	\$4,201,891

Note: Real Estate and Accumulated Depreciation amounts do not include Furniture, Fixtures and Equipment.

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Boston Properties Limited Partnership
 Schedule 3—Real Estate and Accumulated Depreciation
 December 31, 2018
 (dollars in thousands)

Property Name	Type	Location	Encumbrances	Original		Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Land Held for Development	Total
				Land	Building					
767 Fifth Avenue (the General Motors Building)	Office	New York, NY	\$2,270,534	\$1,796,252	\$1,532,654	\$189,657	\$1,796,252	\$1,722,311	\$—	\$3,511,916
Prudential Center	Office	Boston, MA	—	92,077	948,357	472,432	100,540	1,412,222	104	1,512,753
Embarcadero Center	Office	San Francisco, CA	—	179,697	847,410	306,586	180,420	1,153,273	—	1,333,386
399 Park Avenue	Office	New York, NY	—	339,200	700,358	187,484	339,200	887,842	—	1,227,042
Salesforce Tower	Office	San Francisco, CA	—	200,349	919,565	—	200,349	919,565	—	1,119,914
601 Lexington Avenue	Office	New York, NY	658,792	241,600	494,782	324,899	279,281	610,316	—	1,684,260
200 Clarendon Street and Garage	Office	Boston, MA	—	219,543	667,884	164,073	219,616	822,218	9,666	1,051,301
250 West 55th Street	Office	New York, NY	—	285,263	603,167	48,642	285,263	651,809	—	937,079
100 Federal Street	Office	Boston, MA	—	131,067	435,954	99,702	131,067	535,656	—	666,729
Carnegie Center	Office	Princeton, NJ	—	107,997	389,359	141,434	104,617	530,987	3,486	638,773
Times Square Tower	Office	New York, NY	—	165,413	380,438	56,472	159,694	442,629	—	602,324
Atlantic Wharf	Office	Boston, MA	—	63,988	454,537	17,184	63,988	471,721	—	535,730
510 Madison Avenue	Office	New York, NY	—	103,000	253,665	24,992	103,000	278,657	—	381,657
Fountain Square	Office	Reston, VA	—	56,853	306,298	3,170	56,853	309,468	—	366,389
599 Lexington Avenue	Office	New York, NY	—	81,040	100,507	146,971	81,040	247,478	—	328,518
680 Folsom Street	Office	San Francisco, CA	—	72,545	219,766	7,829	72,545	227,595	—	300,170
601 Massachusetts Avenue	Office	Washington, DC	—	95,310	165,173	3,888	95,310	169,061	—	264,371
	Office	Reston, VA	—	13,603	237,479	12,092	13,603	249,571	—	263,174

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South of Market and Democracy Tower Bay Colony Corporate Center	Office	Waltham, MA	—	18,789	148,451	77,133	18,789	225,584	—244,3
Gateway Center	Office	San Francisco, CA	—	28,255	139,245	58,442	29,029	196,913	—225,9
535 Mission Street 2200	Office	San Francisco, CA	—	40,933	148,378	3,259	40,933	151,637	—192,5
Pennsylvania Avenue	Office	Washington, DC	—	—	183,541	4,535	—	188,076	—188,0
Mountain View Research Park	Office	Mountain View, CA	—	95,066	68,373	9,988	95,066	78,361	—173,4
Reservoir Place 1330	Office	Waltham, MA	—	18,605	104,124	41,069	19,089	144,709	—163,7
Connecticut Avenue	Office	Washington, DC	—	25,982	82,311	31,476	25,982	113,787	—139,7
Kingstowne Towne Center	Office	Alexandria, VA	—	18,021	109,038	1,934	18,021	110,972	—128,9
One Freedom Square	Office	Reston, VA	—	9,929	84,504	26,619	9,883	111,169	—121,0
Weston Corporate Center	Office	Weston, MA	—	25,753	92,312	(123)	25,854	92,088	—117,9
Capital Gallery	Office	Washington, DC	—	4,725	29,565	77,100	6,128	105,262	—111,3
Two Freedom Square	Office	Reston, VA	—	13,930	77,739	17,215	13,866	95,018	—108,8
One and Two Reston Overlook	Office	Reston, VA	—	16,456	66,192	19,763	15,074	87,337	—102,4

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 December 31, 2018
 (dollars in thousands)

Property Name	Type	Location	Original Costs	Development Costs	Land Held for Development	Year(s) Built/ Renovated	Year(s) Acquired	Depreciable Lives (Years)
140 Kendrick Street	Office	Needham, MA	— 186,095	56,385	468	— 983	2004	(1)
355 Main Street	Office	Cambridge, MA	— 185,362	40,379	514	— 952	1996/2013	(1)
Discovery Square	Office	Reston, VA	— 117,198	20,846	042	— 953	2003	(1)
10 CityPoint	Office	Waltham, MA	— 1,853	512	50,104	— 927	1997	(1)
90 Broadway	Office	Cambridge, MA	— 195,048	38,468	1,625	— 892	1998/2013	(1)
230 CityPoint	Office	Waltham, MA	— 134,982	19,789	120	— 832	2005	(1)
77 CityPoint Waltham	Office	Waltham, MA	— 136,657	13,867	136	— 792	2001	(1)
Weston Corporate Center	Office	Waltham, MA	— 106,885	440,350	191	— 793	1999	(1)
3625-3635 Peterson Way	Office	Santa Clara, CA	— 631,206	793,206	873	— 788	2016	(1)
2440 West El Camino Real	Office	Mountain View, CA	— 165,741	116,741	696	— 711	2007/2003	(1)
300 Binney Street	Office	Cambridge, MA	— 185,086	18,080	402	— 699	2009	(1)
Wisconsin Place	Office	Chevy Chase, MD	— 53,349	896	238	— 682	2004	(1)
191 Spring Street	Office	Lexington, MA	— 2,850	750	355,354	— 681	1995/2018	(1)
Reston Corporate Center	Office	Reston, VA	— 9,558	692,549	121	— 632	1998	(1)
New Dominion Technology Park, Bldg. Two	Office	Herndon, VA	— 5,584	868,572	290	— 572	1998	(1)
255 Main Street	Office	Cambridge, MA	— 132	281,014	53,126	— 532	1997	(1)
200 West Street	Office	Waltham, MA	— 162	488,10,848	442	— 492	1997	(1)
New Dominion Technology Park, Bldg. One	Office	Herndon, VA	29,578	802,217	801,344	— 482	1998	(1)
Sumner Square	Office	Washington, DC	— 622	8,749	584	— 462	1999	(1)
University Place	Office	Cambridge, MA	5,574	137,091	1744,615	— 442	1998	(1)
2600 Tower Oaks Boulevard	Office	Rockville, MD	— 4,241	1,147	47,641	— 412	1998	(1)
North First Business Park	Office	San Jose, CA	— 231	396	290,377	— 411	2007	(1)

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150 Broadway	Office	Cambridge, MA	— 852,058	231,605	— 321,470	1997	(1)
325 Main Street	Office	Cambridge, MA	— 174,200	662,741	— 281,040	7/2013	(1)
105 Broadway	Office	Cambridge, MA	— 1,299,298	868,669	— 211,534	1997	(1)
Lexington Office Park	Office	Lexington, MA	— 998,426	936,287	— 201,360	1997	(1)
201 Spring Street	Office	Lexington, MA	— 2,849,202	845,594	— 184,071	1997	(1)
The Point	Office	Waltham, MA	— 6,395,046	480,386	— 161,863	2007	(1)
690 Folsom Street	Office	San Francisco, CA	— 3,219,038	719,195	— 151,471	2012	(1)
92-100 Hayden Avenue	Office	Lexington, MA	— 594,748	691,249	— 131,866	1997	(1)
181 Spring Street	Office	Lexington, MA	— 1,066,285	366,373	— 125,439	1997	(1)
195 West Street	Office	Waltham, MA	— 1,616,288	691,933	— 118,501	1997	(1)
33 Hayden Avenue	Office	Lexington, MA	— 266,235	866,820	— 118,879	1997	(1)
7501 Boston Boulevard, Building Seven	Office	Springfield, VA	— 665,273	659,587	— 104,292	1997	(1)

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 December 31, 2018
 (dollars in thousands)

Property Name	Type	Location	Original Costs	Capital Expenditures Substantially Related to Acquisition	Land Improvements for Development Progress	Development Costs Not Included in Accumulated Depreciation	Year(s) Acquired	Year(s) Built/ Completed	Depreciable Lives (Years)
7450 Boston Boulevard, Building Three	Office	Springfield, VA	— 1,468,864	37,383	— 8,716,219	1987	1998	(1)	
7435 Boston Boulevard, Building One	Office	Springfield, VA	— 392,820	486,772	— 8,258,419	1982	1997	(1)	
8000 Grainger Court, Building Five	Office	Springfield, VA	— 366,232	243,137	— 7,590,219	1984	1997	(1)	
250 Binney Street	Office	Cambridge, MA	— 110,489	319,422	— 7,532,919	1983	1997	(1)	
453 Ravendale Drive	Office	Mountain View, CA	— 5,470,905	4,777,766	— 7,258,197	1977	2012	(1)	
7300 Boston Boulevard, Building Thirteen	Office	Springfield, VA	— 608,773	268,999	— 6,619,520	2002	1997	(1)	
17 Hartwell Avenue	Office	Lexington, MA	— 261,569	26,057	— 6,083,419	1968	1997	(1)	
7601 Boston Boulevard, Building Eight	Office	Springfield, VA	— 208,746	878,380	— 5,758,119	1986	1997	(1)	
7500 Boston Boulevard, Building Six	Office	Springfield, VA	— 138,749	203,754	— 5,029,919	1985	1997	(1)	
8000 Corporate Court, Building Eleven	Office	Springfield, VA	— 138,072	486,766	— 4,452,619	1989	1997	(1)	
7375 Boston Boulevard, Building Ten	Office	Springfield, VA	— 232,685	147,347	— 3,519,519	1988	1997	(1)	
7374 Boston Boulevard, Building Four	Office	Springfield, VA	— 241,603	363,988	— 3,295,919	1984	1997	(1)	
7451 Boston Boulevard, Building Two	Office	Springfield, VA	— 249,543	562,602	— 3,127,419	1982	1997	(1)	
32 Hartwell Avenue	Office	Lexington, MA	— 168,923	11,682,174	— 2,348,719	1968/1979/1987	1997	(1)	

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164 Lexington Road	Office	Billerica, MA	— 592,370,592 — 1,487 — 2,053,198	1997	(1)
Signature at Reston	Residential	Reston, VA	— 271,076,580 — 2,070,580 — 213,030	2013	(1)
Proto Kendall Square	Residential	Cambridge, MA	— 9,227,248 — 2,437,248 — 136,320	2015	(1)
The Avant at Reston Town Center	Residential	Reston, VA	— 209,500,030 — 1,350,825 — 113,254	2010	(1)
The Lofts at Atlantic Wharf	Residential	Boston, MA	— 3,528,765 — 256,659 — 60,118,201	2007	(1)
Boston Marriott Cambridge	Hotel	Cambridge, MA	— 478,331,806 — 71,724 — 72,201,686/2017	1997	(1)
Kendall Center Green Garage	Garage	Cambridge, MA	— 35,703 — 42,069 — 42,051,984	2006	(1)
Kendall Center Yellow Garage	Garage	Cambridge, MA	— 1,256,091 — 2,516,606 — 17,842,206	2004	(1)
Kendall Center Blue Garage	Garage	Cambridge, MA	— 1,163,631 — 1,163,143 — 13,201,990	1997	(1)
145 Broadway	Development	Cambridge, MA	— 124 — 223,642 — 223,642/N/A	1997	N/A
MacArthur Station Residences	Development	Oakland, CA	— 87,159 — 87,159/N/A	N/A	N/A
20 CityPoint	Development	Waltham, MA	— 6,287,024 — 46,287 — 46,524/N/A	2007	N/A
Reston Gateway	Development	Reston, VA	— 25,167 — 25,167/N/A	1998	N/A
17Fifty Presidents Street	Development	Reston, VA	— 25,120 — 25,120/N/A	2013	N/A
North First Master Plan	Land	San Jose, CA	— 35,004,932 — 38,936,936/N/A	2007	N/A
Plaza at Almaden	Land	San Jose, CA	— 29,928 — 29,928/N/A	2006	N/A

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Boston Properties Limited Partnership
 Schedule 3—Real Estate and Accumulated Depreciation
 December 31, 2018
 (dollars in thousands)

Property Name	Type	Location	Encumbrances	Original		Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	L H fo D
				Land	Building				
Springfield Metro Center	Land	Springfield, VA	—	—	—	19,823	—	—	19
214 Third Avenue	Land	Waltham, MA	—	—	—	15,233	—	—	13
Platform 16	Land	San Jose, CA	—	—	—	12,962	—	—	13
103 Fourth Avenue	Land	Waltham, MA	—	—	—	12,208	—	—	13
Reston Gateway	Land	Reston, VA	—	—	—	11,014	—	—	13
Master Plan									
Fourth and Harrison	Land	San Francisco, CA	—	—	—	10,350	—	—	10
2100 Pennsylvania Avenue	Land	Washington, DC	—	—	—	9,700	—	—	9
Crane Meadow	Land	Marlborough, MA	—	—	—	8,852	—	—	8
Washingtonian North	Land	Gaithersburg, MD	—	—	—	7,473	—	—	7
Broad Run Business Park	Land	Loudoun County, VA	—	—	—	2,388	—	—	2
Kendall Center Master Plan	Land	Cambridge, MA	—	—	—	2,199	—	—	2
Weston Quarry	Land	Weston, MA	—	—	—	1,237	—	—	1
Reston Overlook Master Plan	Land	Reston, VA	—	—	—	39	—	—	3
			\$2,964,572	(2)\$4,959,995	\$12,763,317	\$3,483,877	\$4,971,475	\$15,456,420	\$

Note: Total Real Estate does not include Furniture, Fixtures and Equipment totaling approximately \$44,351. Accumulated Depreciation does not include approximately \$26,675 of accumulated depreciation related to Furniture, Fixtures and Equipment.

The aggregate cost and accumulated depreciation for tax purposes was approximately \$19.9 billion and \$4.3 billion, respectively.

(1)

Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to 40 years.

(2) Includes unamortized deferred financing costs totaling approximately \$(30.8) million.

(3) Includes pre-development costs.

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Boston Properties Limited Partnership
 Real Estate and Accumulated Depreciation
 December 31, 2018, 2017 and 2016
 (dollars in thousands)

A summary of activity for real estate and accumulated depreciation is as follows:

	2018	2017	2016
Real Estate:			
Balance at the beginning of the year	\$20,647,236	\$19,701,185	\$19,031,289
Additions to/improvements of real estate	1,043,379	1,099,286	977,287
Assets sold/written-off	(483,426)	(153,235)	(307,391)
Balance at the end of the year	\$21,207,189	\$20,647,236	\$19,701,185
Accumulated Depreciation:			
Balance at the beginning of the year	\$4,473,895	\$4,116,020	\$3,826,862
Depreciation expense	525,584	488,919	548,397
Assets sold/written-off	(225,679)	(131,044)	(259,239)
Balance at the end of the year	\$4,773,800	\$4,473,895	\$4,116,020

Note: Real Estate and Accumulated Depreciation amounts do not include Furniture, Fixtures and Equipment.

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(b) Exhibits

- Transfer Agreement, dated May 31, 2013, by and among BP 767 Fifth LLC, Sungate Fifth Avenue LLC, 767 LLC and BP/DC 767 Fifth LLC. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Boston Properties, Inc. filed on June 3, 2013.)
- 2.1 Purchase and Sale Agreement by and among NBIM Walker 601 LEX NYC LLC, NBIM Walker 100 FED BOS LLC, NBIM Walker ATW BOS LLC and Boston Properties Limited Partnership, dated September 16, 2014. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on September 18, 2014.)
- 2.2 Form of Amended and Restated Certificate of Incorporation of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to Boston Properties, Inc.'s Registration Statement on Form S-11, File No. 333-25279.)
- 3.1 Amended and Restated Certificate of Designations of Series E Junior Participating Cumulative Preferred Stock of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to Boston Properties, Inc.'s Current Report on Form 8-K filed on June 18, 2007.)
- 3.2 Certificate of Amendment of Amended and Restated Certificate of Incorporation of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to Boston Properties, Inc.'s Current Report on Form 8-K filed on May 20, 2010.)
- 3.3 Certificate of Designations of 92,000 shares of 5.25% Series B Cumulative Redeemable Preferred Stock of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.3 to the Registration Statement on Form 8-A of Boston Properties, Inc. filed on March 22, 2013.)
- 3.4 Third Amended and Restated By-laws of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Boston Properties, Inc. filed on May 19, 2016.)
- 3.5 Form of Certificate of Designations for Series A Preferred Stock. (Incorporated by reference to Exhibit 99.26 to Boston Properties, Inc.'s Current Report on Form 8-K filed on November 25, 1998.)
- 3.6 Form of Common Stock Certificate. (Incorporated by reference to Exhibit 4.3 to Boston Properties, Inc.'s Registration Statement on Form S-11, File No. 333-25279.)
- 4.1 Master Deposit Agreement among Boston Properties, Inc., Computershare Inc. and Computershare Trust Company, N.A., collectively, as depository, and the holders from time to time of depository shares as described therein, dated March 22, 2013. (Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A of Boston Properties, Inc. filed on March 22, 2013.)
- 4.2 Indenture, dated as of December 13, 2002, by and between Boston Properties Limited Partnership and The Bank of New York, as Trustee. (Incorporated by reference to Exhibit 4.1 to Boston Properties, Inc.'s Current Report on Form 8-K/A filed on December 13, 2002.)
- 4.3 Supplemental Indenture No. 9, dated as of April 19, 2010, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 5.625% Senior Note due 2020. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on April 19, 2010.)
- 4.4 Supplemental Indenture No. 10, dated as of November 18, 2010, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 4.125% Senior Note due 2021 (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on November 18, 2010.)
- 4.5 Supplemental Indenture No. 12, dated as of June 11, 2012, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.85% Senior Note due 2023. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on June 11, 2012.)
- 4.6 Supplemental Indenture No. 13, dated as of April 11, 2013, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.125% Senior Note due 2023. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on April 11, 2013.)
- 4.7

Partnership filed on April 11, 2013.)

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4.8	<u>Supplemental Indenture No. 14, dated as of June 27, 2013, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.800% Senior Note due 2024. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on July 1, 2013.)</u>
4.9	<u>Supplemental Indenture No. 15, dated as of January 20, 2016, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.650% Senior Note due 2026. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on January 20, 2016.)</u>
4.10	<u>Supplemental Indenture No. 16, dated as of August 17, 2016, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee; including a form of the 2.750% Senior Note due 2026. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership and Boston Properties, Inc. filed on August 17, 2016.)</u>
4.11	<u>Supplemental Indenture No. 17, dated as of December 4, 2017, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee; including a form of the 3.200% Senior Note due 2025. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership and Boston Properties, Inc. filed on December 4, 2017.)</u>
4.12	<u>Supplemental Indenture No. 18, dated as of November 28, 2018, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee; including a form of the 4.500% Senior Note due 2028. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on November 28, 2018.)</u>
10.1	<u>Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of June 29, 1998. (Incorporated by reference to Exhibit 99.1 to Boston Properties, Inc.'s Current Report on Form 8-K filed on July 15, 1998.)</u>
10.2	<u>Certificate of Designations for the Series Four Preferred Units, dated as of August 29, 2012, constituting an amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 10-Q of Boston Properties, Inc. filed on November 8, 2012.)</u>
10.3	<u>Certificate of Designations for the 5.25% Series B Cumulative Redeemable Preferred Units, dated as of March 20, 2013, constituting an amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Boston Properties, Inc. filed on March 22, 2013.)</u>
10.4	<u>Forty-Seventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of April 11, 2003, by Boston Properties, Inc., as general partner. (Incorporated by reference to Exhibit 10.1 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on August 14, 2003.)</u>
10.5	<u>Seventy-Seventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of January 24, 2008, by Boston Properties, Inc., as general partner. (Incorporated by reference to Exhibit 10.3 to Boston Properties, Inc.'s Current Report on Form 8-K filed on January 29, 2008.)</u>
10.6	<u>Ninety-Eighth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of October 21, 2010. (Incorporated by reference to Exhibit 10.1 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 5, 2010.)</u>
10.7	<u>One Hundred Forty-Ninth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of December 15, 2017. (Incorporated by reference to Exhibit 10.7 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2018.)</u>
10.8*	<u>Boston Properties, Inc. 2012 Stock Option and Incentive Plan. (Incorporated by reference to Exhibit A to Boston Properties, Inc.'s Proxy Statement on Schedule 14A filed on March 30, 2012.)</u>
10.9*—	

Boston Properties, Inc. 1999 Non-Qualified Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 10.59 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 15, 2005.)

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- First Amendment to the Boston Properties, Inc. 1999 Non-Qualified Employee Stock Purchase Plan.
 10.10* ~~(Incorporated by reference to Exhibit 10.60 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 15, 2005.)~~
- Second Amendment to the Boston Properties, Inc. 1999 Non-Qualified Employee Stock Purchase Plan.
 10.11* ~~(Incorporated by reference to Exhibit 10.61 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 15, 2005.)~~
- Boston Properties Deferred Compensation Plan, Amended and Restated Effective as of January 1, 2009.
 10.12* ~~(Incorporated by reference to Exhibit 10.10 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)~~
- Employment Agreement by and between Douglas T. Linde and Boston Properties, Inc. dated as of November 29, 2002. (Incorporated by reference to Exhibit 10.12 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
 10.13*
- First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Douglas T. Linde. (Incorporated by reference to Exhibit 10.3 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
 10.14*
- Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Douglas T. Linde. (Incorporated by reference to Exhibit 10.19 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
 10.15*
- Amended and Restated Employment Agreement by and between Raymond A. Ritchey and Boston Properties, Inc. dated as of November 29, 2002. (Incorporated by reference to Exhibit 10.15 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
 10.16*
- First Amendment to Amended and Restated Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Raymond A. Ritchey. (Incorporated by reference to Exhibit 10.4 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
 10.17*
- Second Amendment to Amended and Restated Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Raymond A. Ritchey. (Incorporated by reference to Exhibit 10.22 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
 10.18*
- Employment Agreement by and between Michael E. LaBelle and Boston Properties, Inc. dated as of January 24, 2008. (Incorporated by reference to Exhibit 10.2 to Boston Properties, Inc.'s Current Report on Form 8-K filed on January 29, 2008.)
 10.19*
- First Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Michael E. LaBelle. (Incorporated by reference to Exhibit 10.27 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
 10.20*
- Employment Agreement by and between Peter D. Johnston and Boston Properties, Inc. dated as of August 25, 2005. (Incorporated by reference to Exhibit 10.2 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2005.)
 10.21*
- First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Peter D. Johnston. (Incorporated by reference to Exhibit 10.6 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
 10.22*
- Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Peter D. Johnston. (Incorporated by reference to Exhibit 10.30 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
 10.23*
- Employment Agreement by and between Bryan J. Koop and Boston Properties, Inc. dated as of November 29, 2002. (Incorporated by reference to Exhibit 10.10 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
 10.24*
- First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Bryan J. Koop. (Incorporated by reference to Exhibit 10.7 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
 10.25*

10.26* Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Bryan J. Koop. (Incorporated by reference to Exhibit 10.33 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)

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- 10.27* Employment Agreement by and between Robert E. Pester and Boston Properties, Inc. dated as of December 16, 2002. (Incorporated by reference to Exhibit 10.14 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
- 10.28* First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Robert E. Pester. (Incorporated by reference to Exhibit 10.9 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.29* Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Robert E. Pester. (Incorporated by reference to Exhibit 10.40 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.30* Employment Agreement by and between John F. Powers and Boston Properties, Inc. dated as of January 2, 2018. (Incorporated by reference to Exhibit 10.32 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2018.)
- 10.31* Employment Agreement by and between Owen D. Thomas and Boston Properties, Inc. dated as of April 2, 2018. (Incorporated by reference to Exhibit 10.2 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on May 8, 2018.)
- 10.32* Boston Properties, Inc. Senior Executive Severance Plan. (Incorporated by reference to Exhibit 10.19 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
- 10.33* First Amendment to the Boston Properties, Inc. Senior Executive Severance Plan, dated as of October 18, 2007. (Incorporated by reference to Exhibit 10.13 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.34* Second Amendment to the Boston Properties, Inc. Senior Executive Severance Plan, dated as of December 15, 2008. (Incorporated by reference to Exhibit 10.52 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.35* Third Amendment to the Boston Properties, Inc. Senior Executive Severance Plan, dated as of January 8, 2014. (Incorporated by reference to Exhibit 10.48 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2014.)
- 10.36* Boston Properties, Inc. Executive Severance Plan, dated as of July 30, 1998. (Incorporated by reference to Exhibit 10.20 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
- 10.37* First Amendment to the Boston Properties, Inc. Executive Severance Plan, dated as of October 18, 2007. (Incorporated by reference to Exhibit 10.14 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.38* Second Amendment to the Boston Properties, Inc. Executive Severance Plan, dated as of January 8, 2014. (Incorporated by reference to Exhibit 10.51 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2014.)
- 10.39* Boston Properties, Inc. Officer Severance Plan, dated as of July 30, 1998. (Incorporated by reference to Exhibit 10.15 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.40* First Amendment to the Boston Properties, Inc. Officer Severance Plan, dated as of October 18, 2007. (Incorporated by reference to Exhibit 10.16 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
- 10.41* Second Amendment to the Boston Properties, Inc. Officer Severance Plan, dated as of December 15, 2008. (Incorporated by reference to Exhibit 10.57 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
- 10.42* Form of Indemnification Agreement by and among Boston Properties, Inc., Boston Properties Limited Partnership and certain officers and directors of the Company. (Incorporated by reference to Exhibit 10.1 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on August 9, 2004.)
- 10.43* Director Appointment Agreement, dated as of January 20, 2011, by and between Matthew J. Lustig and Boston Properties, Inc. (Incorporated by reference to Exhibit 10.55 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 25, 2011.)

10.44 Eighth Amended and Restated Credit Agreement, dated as of April 24, 2017, among Boston Properties Limited Partnership and the lenders identified therein. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on April 25, 2017.)

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- 21.1 Subsidiaries of Boston Properties, Inc. and Boston Properties Limited Partnership (Filed herewith.)
- 23.1 Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting firm for Boston Properties, Inc. (Filed herewith.)
- 23.2 Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting firm for Boston Properties Limited Partnership. (Filed herewith.)
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Boston Properties, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Boston Properties, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
- 31.3 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Boston Properties Limited Partnership pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
- 31.4 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Boston Properties Limited Partnership pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)
- 32.1 Section 1350 Certification of Chief Executive Officer of Boston Properties, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
- 32.2 Section 1350 Certification of Chief Financial Officer of Boston Properties, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
- 32.3 Section 1350 Certification of Chief Executive Officer of Boston Properties Limited Partnership pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
- 32.4 Section 1350 Certification of Chief Financial Officer of Boston Properties Limited Partnership pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)
- 101 The following materials from Boston Properties, Inc.'s and Boston Properties Limited Partnership's Annual Reports on Form 10-K for the year ended December 31, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Partners' Capital, (vi) the Consolidated Statements of Cash Flows, and (vii) related notes to these financial statements.

* Indicates management contract or compensatory plan or arrangement required to be filed or incorporated by reference as an exhibit to this Form 10-K pursuant to Item 15(b) of Form 10-K.

Item 16. Form 10-K Summary
Not Applicable.

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SIGNATURES

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

BOSTON PROPERTIES, INC.

February 28, 2019 /s/ MICHAEL E. LABELLE
Michael E. LaBelle
Chief Financial Officer
(duly authorized officer and principal financial officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Boston Properties, Inc., and in the capacities and on the dates indicated.

February 28, 2019

By: /s/ OWEN D. THOMAS
Owen D. Thomas
Director, Chief Executive Officer and Principal Executive Officer

By: /s/ DOUGLAS T. LINDE
Douglas T. Linde
Director and President

By: /s/ KELLY A. AYOTTE
Kelly A. Ayotte
Director

By: /s/ BRUCE W. DUNCAN
Bruce W. Duncan
Director

By: /s/ KAREN E. DYKSTRA
Karen E. Dykstra
Director

By: /s/ CAROL B. EINIGER
Carol B. Einiger
Director

By: /s/ DR. JACOB A. FRENKEL
Dr. Jacob A. Frenkel
Director

By: /s/ JOEL I. KLEIN
Joel I. Klein
Director

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By: /s/ MATTHEW J. LUSTIG
Matthew J. Lustig
Director

By: /s/ MARTIN TURCHIN
Martin Turchin
Director

By: /s/ DAVID A. TWARDOCK
David A. Twardock
Director

By: /s/ MICHAEL E. LABELLE
Michael E. LaBelle
Executive Vice President, Chief Financial Officer and
Principal Financial Officer

By: /s/ MICHAEL R. WALSH
Michael R. Walsh
Senior Vice President, Chief Accounting Officer and
Principal Accounting Officer

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SIGNATURES

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

BOSTON PROPERTIES LIMITED PARTNERSHIP

By: Boston Properties, Inc., its General Partner

February 28, 2019 /s/ MICHAEL E. LABELLE

Michael E. LaBelle

Chief Financial Officer

(duly authorized officer and principal financial officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Boston Properties, Inc., as general partner of Boston Properties Limited Partnership, and in the capacities and on the dates indicated.

February 28, 2019

By: /s/ OWEN D. THOMAS

Owen D. Thomas

Director, Chief Executive Officer and Principal Executive Officer

By: /s/ DOUGLAS T. LINDE

Douglas T. Linde

Director and President

By: /s/ KELLY A. AYOTTE

Kelly A. Ayotte

Director

By: /s/ BRUCE W. DUNCAN

Bruce W. Duncan

Director

By: /s/ KAREN E. DYKSTRA

Karen E. Dykstra

Director

By: /s/ CAROL B. EINIGER

Carol B. Einiger

Director

By: /s/ DR. JACOB A. FRENKEL

Dr. Jacob A. Frenkel

Director

By: /s/ JOEL I. KLEIN

Joel I. Klein

Director

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By: /s/ MATTHEW J. LUSTIG
Matthew J. Lustig
Director

By: /s/ MARTIN TURCHIN
Martin Turchin
Director

By: /s/ DAVID A. TWARDOCK
David A. Twardock
Director

By: /s/ MICHAEL E. LABELLE
Michael E. LaBelle
Executive Vice President, Chief Financial Officer and
Principal Financial Officer

By: /s/ MICHAEL R. WALSH
Michael R. Walsh
Senior Vice President, Chief Accounting Officer and
Principal Accounting Officer