Office Properties Income Trust

OPI
Nasdaq Listed

Second Quarter 2020
Supplemental Operating and Financial Data

All amounts in this report are unaudited.

OFFICE PROPERTIES
INCOME TRUST

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OFFICE PROPERTIES
INCOME TRUST

Please refer to Non-GAAP Financial Measures and Certain Definitions for terms used throughout this document.

CORPORATE INFORMATION

Tenant: Bank of America Corporation
16001 North Dallas Parkway, Addison, TX
Two Buildings, Square Feet: 553,799

COMPANY PROFILE

OFFICE PROPERTIES INCOME TRUST

The Company:

Office Properties Income Trust, or OPI, we, our, or us, is a real estate investment trust, or REIT, focused on owning, operating and leasing properties primarily leased to single tenants and those with high credit quality characteristics like government entities. The majority of our properties are office buildings. OPI is a component of 57 market indices and it comprises more than 1% of the following indices as of June 30, 2020: BI North America Office REIT Valuation Peers (BROFFRTV), Invesco KBW Premium Yield Equity REIT ETF INAV Index (KBWYIV), Invesco S&P SmallCap High Dividend Low Volatility ETF INAV Index (XSHDIV) and Bloomberg Reit Office Property Index (BBREOFPY).

Management:

OPI is managed by The RMR Group LLC, or RMR LLC, the majority owned operating subsidiary of The RMR Group Inc. (Nasdaq: RMR). RMR is an alternative asset management company that was founded in 1986 to manage real estate companies and related businesses. RMR primarily provides management services to four publicly traded equity REITs and three real estate related operating businesses. In addition to managing OPI, RMR manages Diversified Healthcare Trust, a REIT that owns high-quality, private-pay healthcare properties like medical office and life science properties, senior living communities and wellness centers, Industrial Logistics Properties Trust, a REIT that owns industrial and logistics properties, and Service Properties Trust, a REIT that owns a diverse portfolio of hotels and net lease service and necessity-based retail properties. RMR also provides management services to Five Star Senior Living Inc., a publicly traded operator of senior living communities, Sonesta International Hotels Corporation, a privately owned operator and franchisor of hotels and cruise boats, and TravelCenters of America Inc., a publicly traded operator and franchisor of travel centers along the U.S. Interstate Highway System, standalone truck service facilities and restaurants. RMR also advises RMR Mortgage Trust (formerly known as RMR Real Estate Income Fund), which is in the process of converting from a registered investment company to a publicly traded mortgage REIT, and Tremont Mortgage Trust, a publicly traded mortgage REIT, both of which will focus on originating and investing in floating rate first mortgage whole loans, secured by middle market and transitional commercial real estate, through wholly owned Securities and Exchange Commission, or SEC, registered investment advisory subsidiaries. As of June 30, 2020, RMR had $32.0 billion of real estate assets under management and the combined RMR managed companies had approximately $12 billion of annual revenues, over 2,100 properties and nearly 45,000 employees. We believe that being managed by RMR is a competitive advantage for OPI because of RMR's depth of management and experience in the real estate industry. We also believe RMR provides management services to us at costs that are lower than we would have to pay for similar quality services if we were self managed.

Corporate Headquarters:

Two Newton Place
255 Washington Street, Suite 300
Newton, MA 02458-1634
(617) 219-1440

Stock Exchange Listing:

Nasdaq

Trading Symbols:

Common Shares: OPI
Senior Unsecured Notes due 2046: OPINI
Senior Unsecured Notes due 2050: OPINL

Issuer Ratings:

Moody's: Baa3
S&P Global: BBB-

Key Data (As of and For the Quarter Ended June 30, 2020):

(dollars and sq. ft. in thousands)	
Total properties (1)	184
Total sq. ft. (1)	24,909
Percent leased (1)	91.7%
Q2 2020 rental income	$ 145,603
Q2 2020 net income	$ 1,299
Q2 2020 Normalized FFO	$ 67,197
Q2 2020 CAD	$ 45,543

(1) Excludes three properties owned by two unconsolidated joint ventures.

OFFICE PROPERTIES INCOME TRUST

INVESTOR INFORMATION

Board of Trustees

Executive Officers

David M. Blackman
President and Chief Executive Officer

Matthew C. Brown
Chief Financial Officer and Treasurer

Christopher J. Bilotto
Vice President and Chief Operating Officer

Contact Information

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OFFICE PROPERTIES INCOME TRUST

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OPI is followed by the analysts and its credit is rated by the rating agencies listed above. Please note that any opinions, estimates or forecasts regarding OPI's performance made by these analysts or agencies do not represent opinions, forecasts or predictions of OPI or its management. OPI does not by its reference above imply its endorsement of or concurrence with any information, conclusions or recommendations provided by any of these analysts or agencies.

FINANCIALS

Tenant: U.S. Government
20 Massachusetts Avenue, Washington, DC
One Building, Square Feet: 340,119

KEY FINANCIAL DATA

OFFICE PROPERTIES INCOME TRUST

(dollars in thousands, except per share data)

	As of and for the Three Months Ended				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Selected Balance Sheet Data:					
Total gross assets	$ 4,400,379	$ 4,431,934	$ 4,580,792	$ 4,735,814	$ 5,198,382
Total assets	$ 3,977,663	$ 4,028,705	$ 4,193,136	$ 4,360,249	$ 4,804,322
Total liabilities	$ 2,311,233	$ 2,338,331	$ 2,487,382	$ 2,693,636	$ 3,107,836
Total shareholders' equity	$ 1,666,430	$ 1,690,374	$ 1,705,754	$ 1,666,613	$ 1,696,486
Selected Income Statement Data:					
Rental income	$ 145,603	$ 149,885	$ 160,184	$ 167,411	$ 176,032
Net income (loss)	$ 1,299	$ 10,840	$ 65,029	$ (3,939)	$ (64,774)
Property NOI	$ 98,834	$ 100,186	$ 103,158	$ 108,693	$ 120,723
Adjusted EBITDA*re*	$ 92,883	$ 94,213	$ 96,513	$ 102,886	$ 114,897
FFO	$ 66,640	$ 64,268	$ 66,443	$ 69,455	$ 79,081
Normalized FFO	$ 67,197	$ 67,550	$ 66,443	$ 69,739	$ 79,250
CAD	$ 45,543	$ 47,366	$ 39,744	$ 38,624	$ 56,719
Rolling four quarter CAD (1)	$ 171,277	$ 182,453	$ 188,606	N/A	N/A
Per Common Share Data (basic and diluted):					
Net income (loss)	$ 0.03	$ 0.23	$ 1.35	$ (0.08)	$ (1.35)
FFO	$ 1.39	$ 1.34	$ 1.38	$ 1.44	$ 1.65
Normalized FFO	$ 1.40	$ 1.40	$ 1.38	$ 1.45	$ 1.65
CAD	$ 0.95	$ 0.98	$ 0.83	$ 0.80	$ 1.18
Rolling four quarter CAD (1)	$ 3.56	$ 3.79	$ 3.92	N/A	N/A
Dividends:					
Annualized dividends paid per share during the period	$ 2.20	$ 2.20	$ 2.20	$ 2.20	$ 2.20
Annualized dividend yield (at end of period)	8.5%	8.1%	6.8%	7.2%	8.4%
Normalized FFO payout ratio	39.3%	39.3%	39.9%	37.9%	33.3%
CAD payout ratio	57.9%	56.1%	66.3%	68.8%	46.6%
Rolling four quarter CAD payout ratio (1)	61.8%	58.0%	56.1%	N/A	N/A

(1) Rolling four quarter CAD data prior to December 31, 2019 does not include a full four quarters of operations of the properties acquired as part of our acquisition of Select Income REIT, or SIR, on December 31, 2018 in a merger transaction, or the Merger, and therefore is not comparable.

OFFICE PROPERTIES INCOME TRUST

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	June 30, 2020	December 31, 2019
ASSETS		
Real estate properties:		
Land	$ 843,418	$ 840,550
Buildings and improvements	2,691,482	2,652,681
Total real estate properties, gross	3,534,900	3,493,231
Accumulated depreciation	(422,716)	(387,656)
Total real estate properties, net	3,112,184	3,105,575
Assets of properties held for sale	—	70,877
Investments in unconsolidated joint ventures	39,067	39,756
Acquired real estate leases, net	645,589	732,382
Cash and cash equivalents	24,485	93,744
Restricted cash	5,616	6,952
Rents receivable	95,005	83,556
Deferred leasing costs, net	45,029	40,107
Other assets, net	10,688	20,187
Total assets	$ 3,977,663	$ 4,193,136
LIABILITIES AND SHAREHOLDERS' EQUITY		
Unsecured revolving credit facility	$ 200,000	$ —
Senior unsecured notes, net	1,766,387	2,017,379
Mortgage notes payable, net	210,539	309,946
Liabilities of properties held for sale	—	14,693
Accounts payable and other liabilities	115,593	125,048
Due to related persons	6,856	7,141
Assumed real estate lease obligations, net	11,858	13,175
Total liabilities	2,311,233	2,487,382
Commitments and contingencies		
Shareholders' equity:		
Common shares of beneficial interest, $.01 par value: 200,000,000 shares authorized, 48,227,800 and 48,201,941 shares issued and outstanding, respectively	482	482
Additional paid in capital	2,613,868	2,612,425
Cumulative net income	189,356	177,217
Cumulative other comprehensive loss	(85)	(200)
Cumulative common distributions	(1,137,191)	(1,084,170)
Total shareholders' equity	1,666,430	1,705,754
Total liabilities and shareholders' equity	$ 3,977,663	$ 4,193,136

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

OFFICE PROPERTIES INCOME TRUST

(amounts in thousands, except per share data)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Rental income	$ 145,603	$ 176,032	$ 295,488	$ 350,809
Expenses:				
Real estate taxes	15,781	18,147	32,588	36,539
Utility expenses	5,201	7,470	12,213	16,851
Other operating expenses	25,787	29,692	51,667	59,828
Depreciation and amortization	64,170	73,913	127,113	151,434
Loss on impairment of real estate [1]	—	2,380	—	5,584
Acquisition and transaction related costs [2]	—	98	—	682
General and administrative	7,204	8,744	14,313	17,467
Total expenses	118,143	140,444	237,894	288,385
Gain (loss) on sale of real estate [3]	66	(17)	10,822	22,075
Dividend income	—	980	—	1,960
Loss on equity securities [4]	—	(66,135)	—	(44,007)
Interest and other income	30	241	736	489
Interest expense (including net amortization of debt premiums, discounts and issuance costs of $2,402, $2,863, $4,685 and $5,704, respectively)	(25,205)	(35,348)	(52,364)	(72,481)
Loss on early extinguishment of debt [5]	(557)	(71)	(3,839)	(485)
Income (loss) before income tax (expense) benefit and equity in net losses of investees	1,794	(64,762)	12,949	(30,025)
Income tax (expense) benefit	(235)	130	(274)	(353)
Equity in net losses of investees	(260)	(142)	(536)	(377)
Net income (loss)	$ 1,299	$ (64,774)	$ 12,139	$ (30,755)
Weighted average common shares outstanding (basic and diluted)	48,106	48,049	48,101	48,040
Per common share amounts (basic and diluted):				
Net income (loss)	$ 0.03	$ (1.35)	$ 0.25	$ (0.64)
Additional Data:				
General and administrative expenses / total assets (at end of period)	0.18%	0.18%	0.36%	0.36%
Non-cash straight line rent adjustments included in rental income	$ 3,468	$ 5,667	$ 9,051	$ 12,461
Lease value amortization included in rental income	$ (1,405)	$ (1,446)	$ (2,837)	$ (2,593)
Lease termination fees included in rental income	$ 3	$ 8,867	$ 6	$ 9,161
Non-cash amortization included in other operating expenses [6]	$ 121	$ 121	$ 242	$ 242
Non-cash amortization included in general and administrative expenses [6]	$ 151	$ 151	$ 302	$ 302

See accompanying notes on the following page.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) (CONTINUED)

(dollars in thousands)

(1) Loss on impairment of real estate for the three months ended June 30, 2019 includes an adjustment of $2,380 to reduce the carrying value of one property to its estimated fair value less costs to sell. Loss on impairment of real estate for the six months ended June 30, 2019 also includes an adjustment of $2,757 to reduce the carrying value of one property to its estimated fair value less costs to sell and a $447 loss on impairment of real estate related to the sale of a portfolio of 34 properties during the three months ended March 31, 2019.

(2) Acquisition and transaction related costs for the three and six months ended June 30, 2019 consist of post-merger activity costs incurred in connection with the Merger and other related transactions.

(3) Gain on sale of real estate for the six months ended June 30, 2020 represents a $10,822 net gain on the sale of six properties. Gain on sale of real estate for the six months ended June 30, 2019 represents a $22,075 gain on the sale of one property.

(4) Loss on equity securities for the three and six months ended June 30, 2019 represents an unrealized loss to adjust the carrying value of our former investment in The RMR Group Inc., or RMR Inc., common stock to its fair value as of June 30, 2019. On July 1, 2019, we sold our investment in RMR Inc. common stock.

(5) Loss on early extinguishment of debt for the three and six months ended June 30, 2020 includes prepayment fees related to the repayment of two mortgage notes, write offs of the unamortized portion of certain discounts and issuance costs resulting from the early repayment of debt and a loss related to the settlement of a mortgage note receivable in connection with a property we sold in 2016. Loss on early extinguishment of debt for the three and six months ended June 30, 2019 includes write offs of the unamortized portion of certain discounts and issuance costs resulting from the early repayment of debt.

(6) We recorded a liability for the amount by which the estimated fair value for accounting purposes exceeded the price we paid for our investment in RMR Inc. common stock in June 2015. This liability is being amortized on a straight line basis through December 31, 2035 as an allocated reduction to business management fee expense and property management fee expense, which are included in general and administrative and other operating expenses, respectively.

DEBT SUMMARY (1)

As of June 30, 2020 (dollars in thousands)

	Coupon Rate (2)	Interest Rate (3)	Principal Balance	Maturity Date	Due at Maturity	Years to Maturity
Unsecured Floating Rate Debt:						
$750,000 unsecured revolving credit facility (4) (5)	1.209%	1.209%	$ 200,000	1/31/2023	$ 200,000	2.6
Unsecured Fixed Rate Debt:						
Senior unsecured notes due 2022	4.150%	4.196%	300,000	2/1/2022	300,000	1.6
Senior unsecured notes due 2022	4.000%	4.000%	300,000	7/15/2022	300,000	2.0
Senior unsecured notes due 2024	4.250%	4.404%	350,000	5/15/2024	350,000	3.9
Senior unsecured notes due 2025	4.500%	4.770%	400,000	2/1/2025	400,000	4.6
Senior unsecured notes due 2046	5.875%	5.875%	310,000	5/1/2046	310,000	25.9
Senior unsecured notes due 2050 (6)	6.375%	6.375%	150,000	6/23/2050	150,000	30.0
Subtotal / weighted average	4.702%	4.799%	1,810,000		1,810,000	9.3
Secured Fixed Rate Debt:						
Mortgage debt - One property in Philadelphia, PA	2.173%	4.220%	39,698	8/3/2020	39,635	0.1
Mortgage debt - One property in Lakewood, CO	8.150%	6.150%	1,030	3/1/2021	118	0.7
Mortgage debt - One property in Washington, DC	4.220%	4.190%	26,167	7/1/2022	24,668	2.0
Mortgage debt - Three properties in Seattle, WA	3.550%	4.210%	71,000	5/1/2023	71,000	2.8
Mortgage debt - One property in Chicago, IL	3.700%	4.210%	50,000	6/1/2023	50,000	2.9
Mortgage debt - One property in Washington, DC	4.800%	4.190%	23,901	6/1/2023	22,584	2.9
Subtotal / weighted average	3.573%	4.217%	211,796		208,005	2.2
Total / weighted average	4.280%	4.420%	$ 2,221,796		$ 2,218,005	8.0

See accompanying notes on the following page.

DEBT MATURITY SCHEDULE (1)

As of June 30, 2020

(dollars in thousands)

OFFICE PROPERTIES INCOME TRUST

Year	Unsecured Floating Rate Debt	Unsecured Fixed Rate Debt	Secured Fixed Rate Debt	Total
2020	$ —	$ —	$ 40,953	$ 40,953
2021	—	—	1,541	1,541
2022	—	600,000	25,518	625,518
2023	200,000 (7)	—	143,784	343,784
2024	—	350,000	—	350,000
2025	—	400,000	—	400,000
2026 and thereafter	—	460,000 (6)	—	460,000
Total principal balance	200,000	1,810,000	211,796	2,221,796
Unamortized debt premiums, discounts and issuance costs	—	(43,613)	(1,257)	(44,870)
Total debt, net	$ 200,000	$ 1,766,387	$ 210,539	$ 2,176,926
Percent of total principal balance	9.0%	81.5%	9.5%	100.0%

(1) Excludes two mortgage notes with an aggregate principal balance of $82,000 which are secured by three properties owned by two unconsolidated joint ventures in which we own 51% and 50% interests. See page 17 for additional information regarding these joint ventures and related mortgage notes.
(2) Reflects the interest rate stated in, or determined pursuant to, the contract terms.
(3) Includes the effect of mark to market accounting for certain mortgages and discounts on senior unsecured notes. Excludes the effect of debt issuance costs amortization.
(4) We are required to pay interest on borrowings under our revolving credit facility at a rate of LIBOR plus a premium of 110 basis points per annum. We also pay a facility fee of 25 basis points per annum on the total amount of lending commitments under our revolving credit facility. Both the interest rate premium and facility fee are subject to adjustment based upon changes to our credit ratings. The interest rate listed is as of June 30, 2020 and excludes the 25 basis point facility fee. Subject to the payment of an extension fee and meeting certain other conditions, we may extend the maturity date of our revolving credit facility for two additional six month periods.
(5) The maximum aggregate borrowing availability under the credit agreement governing our revolving credit facility may be increased to up to $1,950,000 in certain circumstances.
(6) In July 2020, we issued an additional $12,000 of these senior unsecured notes in connection with the underwriters' partial exercise of their option to purchase additional notes.
(7) Represents the amount, if any, outstanding under our revolving credit facility at June 30, 2020.

LEVERAGE RATIOS, COVERAGE RATIOS AND PUBLIC DEBT COVENANTS

OFFICE PROPERTIES INCOME TRUST

	As of and for the Three Months Ended				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Leverage Ratios:					
Net debt [1] / total gross assets	49.9%	50.2%	50.0%	54.2%	56.8%
Net debt [1] / gross book value of real estate assets	46.4%	47.1%	48.9%	53.0%	57.0%
Secured debt [1] / total assets	5.3%	6.1%	7.8%	7.5%	6.8%
Variable rate debt [1] / net debt [1]	9.1%	15.7%	0.0%	8.2%	8.0%
Coverage Ratios:					
Adjusted EBITDA*re* / interest expense	3.7x	3.5x	3.2x	3.2x	3.3x
Net debt [1] / annualized Adjusted EBITDA*re*	5.9x	5.9x	5.9x	6.2x	6.8x
Public Debt Covenants:					
Total debt [1] / adjusted total assets (maximum 60.0%)	46.3%	47.1%	48.7%	51.2%	54.1%
Secured debt [1] / adjusted total assets (maximum 40.0%)	4.4%	5.1%	6.7%	6.4%	6.0%
Consolidated income available for debt service / debt service (minimum 1.50x)	3.7x	3.8x	3.5x	3.4x	3.5x
Total unencumbered assets / unsecured debt [1] (minimum 150.0%)	215.8%	208.1%	203.0%	192.4%	181.2%

(1) Debt amounts represent the outstanding principal balance as of the date reported. Total debt excludes two mortgage notes with an aggregate principal balance of $82,000 which are secured by three properties owned by two unconsolidated joint ventures in which we own 51% and 50% interests. See page 17 for more information regarding these joint ventures and related mortgage notes.

CAPITAL EXPENDITURES SUMMARY

OFFICE PROPERTIES INCOME TRUST

(dollars and sq. ft. in thousands, except per sq. ft. data)

	For the Three Months Ended [1]				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Tenant improvements	$ 7,764	$ 2,967	$ 4,806	$ 8,749	$ 7,123
Leasing costs	4,157	4,146	5,545	7,139	6,760
Building improvements	10,005	9,230	10,578	11,180	7,317
Recurring capital expenditures	21,926	16,343	20,929	27,068	21,200
Development, redevelopment and other activities	2,578	3,161	3,489	1,206	959
Total capital expenditures	$ 24,504	$ 19,504	$ 24,418	$ 28,274	$ 22,159
Average rentable sq. ft. during period [2]	24,908	25,316	26,508	28,300	29,722
Building improvements per average sq. ft. during period	$ 0.40	$ 0.36	$ 0.40	$ 0.40	$ 0.25

(1) Excludes capital expenditures related to three properties owned by two unconsolidated joint ventures in which we own 51% and 50% interests. See page 17 for more information regarding these joint ventures.

(2) Rentable square footage is subject to changes when space is remeasured or reconfigured for tenants.

PROPERTY ACQUISITIONS AND DISPOSITIONS INFORMATION SINCE JANUARY 1, 2020

(dollars and sq. ft. in thousands)

OFFICE PROPERTIES INCOME TRUST

ACQUISITIONS:

On February 21, 2020, we acquired a property adjacent to a property we own in Boston, MA for a purchase price of $11,500, excluding acquisition related costs.

DISPOSITIONS:

Date Sold	Location	Number of Properties	Sq. Ft.	Gross Sales Price
1/8/2020	Stafford, VA	2	65	$ 14,063
1/24/2020	Windsor, CT	1	97	7,000
2/28/2020	Lincolnshire, IL	1	223	12,000
3/11/2020	Trenton, NJ	1	267	30,100
3/19/2020	Fairfax, VA	1	83	22,200
	Total	6	735	$ 85,363

INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

OFFICE PROPERTIES INCOME TRUST

(dollars in thousands)

Unconsolidated Joint Ventures:

Joint Venture	OPI Ownership	OPI Investment at June 30, 2020	Number of Properties	Location	Square Feet	Occupancy at June 30, 2020	Weighted Average Lease Term at June 30, 2020 (1)
Prosperity Metro Plaza	51%	$ 22,304	2	Fairfax, VA	328,655	83.1%	3.7 years
1750 H Street, NW	50%	16,763	1	Washington, D.C.	115,411	98.1%	0.8 years
Total / Weighted Average		$ 39,067	3		444,066	87.0%	2.5 years

Outstanding Unconsolidated Debt:

Joint Venture	OPI Ownership	Interest Rate (2)	Maturity Date	Principal Balance at June 30, 2020 (3)	Annualized Debt Service	Balance at Maturity (3)	OPI Share of Principal Balance (4) at June 30, 2020
Prosperity Metro Plaza (5)	51%	4.090%	12/1/2029	$ 50,000	$ 2,045	$ 45,246	$ 25,500
1750 H Street, NW	50%	3.690%	8/1/2024	32,000	1,181	32,000	16,000
Total / Weighted Average		3.934%		$ 82,000	$ 3,226	$ 77,246	$ 41,500

Results of Operations - Unconsolidated Joint Ventures: (6)

	For the Three Months Ended June 30, 2020			For the Six Months Ended June 30, 2020		
	Prosperity Metro Plaza	1750 H Street, NW	Total	Prosperity Metro Plaza	1750 H Street, NW	Total
Equity in earnings (losses) of affiliates	$ 1	$ (261)	$ (260)	$ (26)	$ (510)	$ (536)
Depreciation and amortization	581	656	1,237	1,162	1,316	2,478
Other expenses, net (7)	258	168	426	506	334	840
NOI (8)	840	563	1,403	1,642	1,140	2,782
Lease value amortization included in rental income (9)	(1)	34	33	(2)	68	66
Non-cash straight line rent adjustments included in rental income (9)	(1)	14	13	(3)	24	21
Cash Basis NOI (8)	$ 838	$ 611	$ 1,449	$ 1,637	$ 1,232	$ 2,869
Distributions received by OPI	$ 102	$ —	$ 102	$ 153	$ —	$ 153

(1) Lease term is weighted based on annualized rental income. Annualized rental income is calculated using the annualized contractual base rents from the unconsolidated joint ventures' tenants pursuant to the lease agreements as of June 30, 2020, plus straight line rent adjustments and estimated recurring expense reimbursements to be paid to the joint ventures by their tenants, and excluding lease value amortization.
(2) Includes the effect of interest rate protection and mark to market accounting.
(3) Reflects the entire balance of the debt secured by the properties and is not adjusted to reflect the part of the joint venture arrangement interests we do not own.
(4) Reflects our proportionate share of the principal debt balances based on our ownership percentage of the applicable joint venture; none of the debt is recourse to us.
(5) The mortgage loan requires interest-only payments through December 2024, at which time the loan requires principal and interest payments through its maturity date.
(6) Reflects our proportionate share of operating results for the three and six months ended June 30, 2020 based on our ownership percentage of the respective joint ventures.
(7) Includes interest expense, net of other income.
(8) We calculate NOI and Cash Basis NOI for our unconsolidated joint ventures in the same manner that we calculate Property NOI and Property Cash Basis NOI.
(9) Our unconsolidated joint ventures report rental income on a straight line basis over the terms of the respective leases; accordingly, rental income includes non-cash straight line rent adjustments. Rental income also includes expense reimbursements, tax escalations, parking revenues, service income and other fixed and variable charges paid to the unconsolidated joint ventures by their tenants, as well as the net effect of non-cash amortization of intangible lease assets and liabilities.

CALCULATION AND RECONCILIATION OF PROPERTY NOI AND PROPERTY CASH BASIS NOI (1)

OFFICE PROPERTIES INCOME TRUST

(dollars in thousands)

	For the Three Months Ended					For the Six Months Ended	
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019	6/30/2020	6/30/2019
Calculation of Property NOI and Property Cash Basis NOI:							
Rental income	$ 145,603	$ 149,885	$ 160,184	$ 167,411	$ 176,032	$ 295,488	$ 350,809
Property operating expenses	(46,769)	(49,699)	(57,026)	(58,718)	(55,309)	(96,468)	(113,218)
Property NOI	98,834	100,186	103,158	108,693	120,723	199,020	237,591
Non-cash straight line rent adjustments included in rental income	(3,468)	(5,583)	(8,142)	(6,904)	(5,667)	(9,051)	(12,461)
Lease value amortization included in rental income	1,405	1,432	82	35	1,446	2,837	2,593
Lease termination fees included in rental income	(3)	(3)	(2)	(22)	(8,867)	(6)	(9,161)
Non-cash amortization included in property operating expenses (2)	(121)	(121)	(121)	(121)	(121)	(242)	(242)
Property Cash Basis NOI	$ 96,647	$ 95,911	$ 94,975	$ 101,681	$ 107,514	$ 192,558	$ 218,320
Reconciliation of Net Income (Loss) to Property NOI and Property Cash Basis NOI:							
Net income (loss)	$ 1,299	$ 10,840	$ 65,029	$ (3,939)	$ (64,774)	$ 12,139	$ (30,755)
Equity in net losses of investees	260	276	686	196	142	536	377
Income tax expense (benefit)	235	39	269	156	(130)	274	353
Income (loss) before income tax expense (benefit) and equity in net losses of investees	1,794	11,155	65,984	(3,587)	(64,762)	12,949	(30,025)
Loss on early extinguishment of debt	557	3,282	—	284	71	3,839	485
Interest expense	25,205	27,159	30,032	32,367	35,348	52,364	72,481
Interest and other income	(30)	(706)	(198)	(358)	(241)	(736)	(489)
Loss on equity securities	—	—	—	—	66,135	—	44,007
Dividend income	—	—	—	—	(980)	—	(1,960)
(Gain) loss on sale of real estate	(66)	(10,756)	(71,593)	(11,463)	17	(10,822)	(22,075)
General and administrative	7,204	7,109	7,271	7,990	8,744	14,313	17,467
Acquisition and transaction related costs	—	—	—	—	98	—	682
Loss on impairment of real estate	—	—	8,150	8,521	2,380	—	5,584
Depreciation and amortization	64,170	62,943	63,512	74,939	73,913	127,113	151,434
Property NOI	98,834	100,186	103,158	108,693	120,723	199,020	237,591
Non-cash amortization included in property operating expenses (2)	(121)	(121)	(121)	(121)	(121)	(242)	(242)
Lease termination fees included in rental income	(3)	(3)	(2)	(22)	(8,867)	(6)	(9,161)
Lease value amortization included in rental income	1,405	1,432	82	35	1,446	2,837	2,593
Non-cash straight line rent adjustments included in rental income	(3,468)	(5,583)	(8,142)	(6,904)	(5,667)	(9,051)	(12,461)
Property Cash Basis NOI	$ 96,647	$ 95,911	$ 94,975	$ 101,681	$ 107,514	$ 192,558	$ 218,320

(1) Excludes three properties owned by two unconsolidated joint ventures in which we own 51% and 50% interests. See page 17 for more information regarding these joint ventures.
(2) We recorded a liability for the amount by which the estimated fair value for accounting purposes exceeded the price we paid for our former investment in RMR Inc. common stock in June 2015. A portion of this liability is being amortized on a straight line basis through December 31, 2035 as a reduction to property management fees expense, which are included in property operating expenses.

RECONCILIATION AND CALCULATION OF SAME PROPERTY NOI AND SAME PROPERTY CASH BASIS NOI (1)

OFFICE PROPERTIES INCOME TRUST

(dollars in thousands)

	For the Three Months Ended		For the Six Months Ended	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Reconciliation of Property NOI to Same Property NOI:				
Rental income	$ 145,603	$ 176,032	$ 295,488	$ 350,809
Property operating expenses	(46,769)	(55,309)	(96,468)	(113,218)
Property NOI	98,834	120,723	199,020	237,591
Less: NOI of properties not included in same property results	552	(21,003)	(268)	(38,403)
Same Property NOI	$ 99,386	$ 99,720	$ 198,752	$ 199,188
Calculation of Same Property Cash Basis NOI:				
Same Property NOI	$ 99,386	$ 99,720	$ 198,752	$ 199,188
Add: Lease value amortization included in rental income	1,405	1,559	2,837	2,813
Less: Non-cash straight line rent adjustments included in rental income	(3,470)	(5,124)	(8,999)	(11,405)
Lease termination fees included in rental income	(3)	(1,225)	(6)	(1,519)
Non-cash amortization included in property operating expenses (2)	(117)	(97)	(234)	(193)
Same Property Cash Basis NOI	$ 97,201	$ 94,833	$ 192,350	$ 188,884

(1) Excludes three properties owned by two unconsolidated joint ventures in which we own 51% and 50% interests. See page 17 for more information regarding these joint ventures.
(2) We recorded a liability for the amount by which the estimated fair value for accounting purposes exceeded the price we paid for our former investment in RMR Inc. common stock in June 2015. A portion of this liability is being amortized on a straight line basis through December 31, 2035 as a reduction to property management fees expense, which are included in other operating expenses.

CALCULATION OF EBITDA, EBITDA*re* AND ADJUSTED EBITDA*re*

OFFICE PROPERTIES INCOME TRUST

(dollars in thousands)

	For the Three Months Ended					For the Six Months Ended	
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019	6/30/2020	6/30/2019
Net income (loss)	$ 1,299	$ 10,840	$ 65,029	$ (3,939)	$ (64,774)	$ 12,139	$ (30,755)
Add (less): Interest expense	25,205	27,159	30,032	32,367	35,348	52,364	72,481
Income tax expense (benefit)	235	39	269	156	(130)	274	353
Depreciation and amortization	64,170	62,943	63,512	74,939	73,913	127,113	151,434
EBITDA	90,909	100,981	158,842	103,523	44,357	191,890	193,513
Add (less): Loss on impairment of real estate	—	—	8,150	8,521	2,380	—	5,584
(Gain) loss on sale of real estate	(66)	(10,756)	(71,593)	(11,463)	17	(10,822)	(22,075)
Distributions received from unconsolidated joint ventures	102	51	397	852	600	153	1,121
Equity in losses of unconsolidated joint ventures	260	276	350	280	272	536	911
EBITDA*re*	91,205	90,552	96,146	101,713	47,626	181,757	179,054
Add (less): Acquisition and transaction related costs (1)	—	—	—	—	98	—	682
General and administrative expense paid in common shares (2)	1,121	379	367	889	967	1,500	1,831
Loss on early extinguishment of debt	557	3,282	—	284	71	3,839	485
Loss on equity securities (3)	—	—	—	—	66,135	—	44,007
Adjusted EBITDA*re*	$ 92,883	$ 94,213	$ 96,513	$ 102,886	$ 114,897	$ 187,096	$ 226,059

(1) Acquisition and transaction related costs represent post-merger activity costs incurred in connection with the Merger and other related transactions.
(2) Amounts represent equity based compensation to our Trustees, our officers and certain other employees of RMR LLC.
(3) Loss on equity securities represents the adjustment required to adjust the carrying value of our former investment in RMR Inc. common stock to its fair value as of the end of the period. On July 1, 2019, we sold our investment in RMR Inc. common stock.

CALCULATION OF FFO, NORMALIZED FFO AND CAD

OFFICE PROPERTIES INCOME TRUST

(amounts in thousands, except per share data)

	For the Three Months Ended					For the Six Months Ended	
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019	6/30/2020	6/30/2019
Net income (loss)	$ 1,299	$ 10,840	$ 65,029	$ (3,939)	$ (64,774)	$ 12,139	$ (30,755)
Add (less): Depreciation and amortization:							
Consolidated properties	64,170	62,943	63,512	74,939	73,913	127,113	151,434
Unconsolidated joint venture properties	1,237	1,241	1,345	1,397	1,410	2,478	3,161
Loss on impairment of real estate	—	—	8,150	8,521	2,380	—	5,584
(Gain) loss on sale of real estate	(66)	(10,756)	(71,593)	(11,463)	17	(10,822)	(22,075)
Loss on equity securities [1]	—	—	—	—	66,135	—	44,007
FFO	66,640	64,268	66,443	69,455	79,081	130,908	151,356
Add (less): Acquisition and transaction related costs [2]	—	—	—	—	98	—	682
Loss on early extinguishment of debt	557	3,282	—	284	71	3,839	485
Normalized FFO	67,197	67,550	66,443	69,739	79,250	134,747	152,523
Add (less): Non-cash expenses [3]	808	79	76	611	695	887	1,287
Distributions from unconsolidated joint ventures	102	51	397	852	600	153	1,121
Depreciation and amortization - unconsolidated joint ventures	(1,237)	(1,241)	(1,345)	(1,397)	(1,410)	(2,478)	(3,161)
Equity in net losses of investees	260	276	686	196	142	536	377
Loss on early extinguishment of debt settled in cash	—	(1,138)	—	—	—	(1,138)	—
Non-cash straight line rent adjustments included in rental income	(3,468)	(5,583)	(8,142)	(6,904)	(5,667)	(9,051)	(12,461)
Lease value amortization included in rental income	1,405	1,432	82	35	1,446	2,837	2,593
Net amortization of debt premiums, discounts and issuance costs	2,402	2,283	2,476	2,560	2,863	4,685	5,704
Recurring capital expenditures	(21,926)	(16,343)	(20,929)	(27,068)	(21,200)	(38,269)	(37,745)
CAD	$ 45,543	$ 47,366	$ 39,744	$ 38,624	$ 56,719	$ 92,909	$ 110,238
Weighted average common shares outstanding (basic and diluted)	48,106	48,095	48,094	48,073	48,049	48,101	48,040
Per common share amounts (basic and diluted):							
Net income (loss)	$ 0.03	$ 0.23	$ 1.35	$ (0.08)	$ (1.35)	$ 0.25	$ (0.64)
FFO	$ 1.39	$ 1.34	$ 1.38	$ 1.44	$ 1.65	$ 2.72	$ 3.15
Normalized FFO	$ 1.40	$ 1.40	$ 1.38	$ 1.45	$ 1.65	$ 2.80	$ 3.17
CAD	$ 0.95	$ 0.98	$ 0.83	$ 0.80	$ 1.18	$ 1.93	$ 2.29

(1) Loss on equity securities represents the adjustment required to adjust the carrying value of our former investment in RMR Inc. common stock to its fair value as of the end of the period. On July 1, 2019, we sold our investment in RMR Inc. common stock.

(2) Acquisition and transaction related costs represent post-merger activity costs incurred in connection with the Merger and other related transactions.

(3) Non-cash expenses include equity based compensation, adjustments recorded to capitalize interest expense and amortization of the liability for the amount by which the estimated fair value for accounting purposes exceeded the price we paid for our former investment in RMR Inc. common stock in June 2015. This liability is being amortized on a straight line basis through December 31, 2035 as an allocated reduction to business management fee expense and property management fee expense, which are included in general and administrative and other operating expenses, respectively.

PORTFOLIO INFORMATION

Primary Tenant: U.S. Government
Intech Park, Indianapolis, IN
Three Buildings, Square Feet: 433,924

SUMMARY SAME PROPERTY RESULTS

(dollars and sq. ft. in thousands)

	For the Three Months Ended		For the Six Months Ended	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Properties (end of period) (1)	182	182	182	182
Total sq. ft. (2)	24,622	24,711	24,622	24,711
Percent leased	92.8%	93.4%	92.8%	93.4%
Rental income	$ 145,935	$ 147,567	$ 293,446	$ 296,162
Same Property NOI	$ 99,386	$ 99,720	$ 198,752	$ 199,188
Same Property Cash Basis NOI	$ 97,201	$ 94,833	$ 192,350	$ 188,884
Same Property NOI % margin	68.1%	67.6%	67.7%	67.3%
Same Property Cash Basis NOI % margin	67.6%	66.4%	67.0%	66.0%
Same Property NOI % change	(0.3%)		(0.2%)	
Same Property Cash Basis NOI % change	2.5%		1.8%	

(1) Includes one leasable land parcel.
(2) Subject to changes when space is remeasured or reconfigured for tenants.

OCCUPANCY AND LEASING SUMMARY (1)

(dollars and sq. ft. in thousands, except per sq. ft. data)

	As of and for the Three Months Ended				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Properties (end of period) (2)	184	184	189	200	209
Total sq. ft. (2)(3)	24,909	24,906	25,726	27,290	29,309
Percentage leased (3)	91.7%	91.5%	92.4%	93.3%	91.6%
Leasing Activity (sq. ft.): (3)					
New leases	78	81	41	95	122
Renewals	564	508	738	664	449
Total	642	589	779	759	571
% Change in GAAP Rent: (4)					
New leases	23.5%	10.0%	1.2%	3.7%	(11.1%)
Renewals	1.0%	3.6%	0.3%	5.2%	(3.9%)
Total	3.9%	4.1%	0.4%	5.0%	(5.3%)
Weighted Average Lease Term by Sq. Ft. (years):					
New leases	12.8	10.8	5.6	9.2	8.0
Renewals	5.1	3.8	7.2	13.2	6.4
Total	6.1	4.8	7.1	12.7	6.7
Leasing Cost and Concession Commitments: (5)					
New leases	$ 8,158	$ 6,160	$ 2,171	$ 8,275	$ 8,709
Renewals	8,371	6,770	13,622	9,292	6,668
Total	$ 16,529	$ 12,930	$ 15,793	$ 17,567	$ 15,377
Leasing Cost and Concession Commitments per Sq. Ft.: (5)					
New leases	$ 104.83	$ 75.98	$ 53.34	$ 87.46	$ 71.66
Renewals	$ 14.85	$ 13.32	$ 18.45	$ 13.98	$ 14.84
Total	$ 25.76	$ 21.94	$ 20.28	$ 23.14	$ 26.94
Leasing Cost and Concession Commitments per Sq. Ft. per Year: (5)					
New leases	$ 8.16	$ 7.04	$ 9.55	$ 9.52	$ 8.92
Renewals	$ 2.90	$ 3.49	$ 2.57	$ 1.06	$ 2.34
Total	$ 4.25	$ 4.60	$ 2.86	$ 1.82	$ 4.01

(1) Excludes three properties owned by two unconsolidated joint ventures in which we own 51% and 50% interests. See page 17 for more information regarding these joint ventures.
(2) Includes one leasable land parcel.
(3) Rentable square footage is subject to changes when space is remeasured or reconfigured for tenants.
(4) Percent difference in prior rents charged for same space or, in the case of space acquired vacant, market rental rates for similar space in the building at the date of acquisition. Rents include estimated recurring expense reimbursements paid to us, exclude lease value amortization and are net of lease concessions.
(5) Includes commitments made for leasing expenditures and concessions, such as tenant improvements, leasing commissions, tenant reimbursements and free rent.

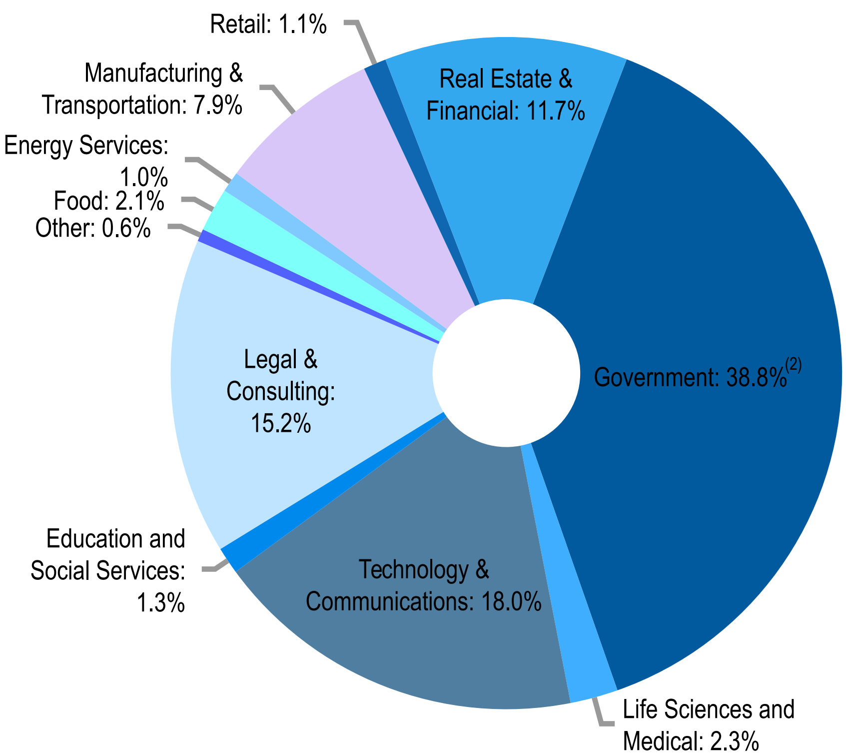
The above leasing summary is based on leases entered during the periods indicated.

TENANT DIVERSITY AND CREDIT CHARACTERISTICS

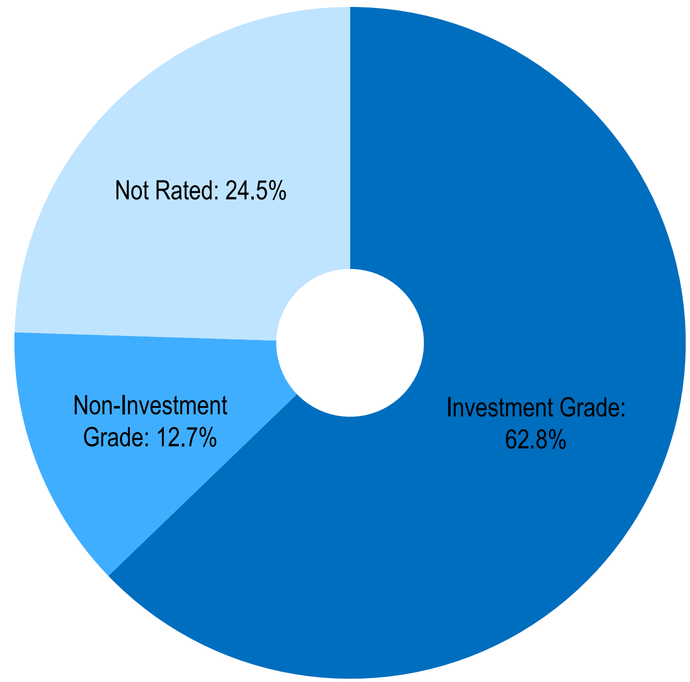
As of June 30, 2020

Percentage of Total Annualized Rental Income

Tenant Industry



Tenant Credit Characteristics (1)



(1) We consider investment grade tenants to include: (a) investment grade rated tenants; (b) tenants with investment grade rated parent entities that guarantee the tenant's lease obligations; and/or (c) tenants with investment grade rated parent entities that do not guarantee the tenant's lease obligations. Tenants contributing 53.1% of annualized rental income were investment grade rated (or their payment obligations were guaranteed by an investment grade rated parent) and tenants contributing an additional 9.7% of annualized rental income were subsidiaries of an investment grade rated parent (although these parent entities are not liable for the payment of rents).

(2) Includes the U.S. Government, state governments, municipalities and government contractors.

TENANTS REPRESENTING 1% OR MORE OF TOTAL ANNUALIZED RENTAL INCOME

As of June 30, 2020

(dollars in thousands)

OFFICE PROPERTIES INCOME TRUST

	Tenant	Credit Rating (1)	Annualized Rental Income	% of Total Annualized Rental Income
1	U.S. Government	Investment Grade	$ 146,308	25.2%
2	Shook, Hardy & Bacon L.L.P.	Not Rated	19,199	3.3%
3	State of California	Investment Grade	19,144	3.3%
4	Bank of America Corporation	Investment Grade	16,520	2.8%
5	WestRock Company	Investment Grade	12,864	2.2%
6	F5 Networks, Inc.	Not Rated	12,777	2.2%
7	CareFirst Inc.	Non Investment Grade	11,684	2.0%
8	Northrop Grumman Corporation	Investment Grade	11,320	2.0%
9	Tyson Foods, Inc.	Investment Grade	11,011	1.9%
10	Commonwealth of Massachusetts	Investment Grade	9,769	1.7%
11	Micro Focus International plc	Non Investment Grade	8,710	1.5%
12	CommScope Holding Company Inc.	Non Investment Grade	8,097	1.4%
13	Technicolor SA	Non Investment Grade	7,856	1.4%
14	State of Georgia	Investment Grade	7,173	1.2%
15	PNC Bank	Investment Grade	6,902	1.2%
16	ServiceNow, Inc.	Not Rated	6,481	1.1%
17	Allstate Insurance Co.	Investment Grade	6,473	1.1%
18	Compass Group plc	Investment Grade	6,399	1.1%
19	Automatic Data Processing, Inc.	Investment Grade	6,047	1.0%
20	Church & Dwight Co., Inc.	Investment Grade	6,019	1.0%
21	Tailored Brands, Inc.	Non Investment Grade	5,898	1.0%
			$ 346,651	59.6%

(1) We consider investment grade tenants to include: (a) investment grade rated tenants; (b) tenants with investment grade rated parent entities that guarantee the tenant's lease obligations; and (c) tenants with investment grade rated parent entities that do not guarantee the tenant's lease obligations. Tenants contributing 53.1% of annualized rental income were investment grade rated (or their payment obligations were guaranteed by an investment grade rated parent) and tenants contributing an additional 9.7% of annualized rental income were subsidiaries of an investment grade rated parent (although these parent entities were not liable for the payment of rents).

LEASE EXPIRATION SCHEDULE [1]

OFFICE PROPERTIES INCOME TRUST

As of June 30, 2020

(dollars and sq. ft. in thousands)

Year [2]	Number of Leases Expiring	Leased Square Feet Expiring	% of Total Leased Square Feet Expiring	Cumulative % of Total Leased Square Feet Expiring	Annualized Rental Income Expiring	% of Total Annualized Rental Income Expiring	Cumulative % of Total Annualized Rental Income Expiring
2020	46	707	3.1%	3.1%	$ 17,436	3.0%	3.0%
2021	55	1,998	8.7%	11.8%	57,408	9.9%	12.9%
2022	77	1,986	8.7%	20.5%	55,597	9.6%	22.5%
2023	65	2,710	11.9%	32.4%	73,280	12.6%	35.1%
2024	57	3,869	16.9%	49.3%	101,042	17.4%	52.5%
2025	51	2,026	8.9%	58.2%	43,530	7.5%	60.0%
2026	28	1,699	7.4%	65.6%	45,446	7.8%	67.8%
2027	30	2,026	8.9%	74.5%	51,481	8.9%	76.7%
2028	13	872	3.8%	78.3%	25,582	4.4%	81.1%
2029 and thereafter	51	4,946	21.7%	100.0%	109,427	18.9%	100.0%
Total	473	22,839	100.0%		$ 580,229	100.0%	
Weighted average remaining lease term (in years)		5.8			5.5		

(1) Excludes three properties owned by two unconsolidated joint ventures in which we own 51% and 50% interests. See page 17 for more information regarding these joint ventures.
(2) The year of lease expiration is pursuant to current contract terms. Some of our government tenants have the right to vacate their space before the stated expirations of their leases. In addition, certain of our government tenants have the right to terminate their leases if their respective legislature or other funding authority does not appropriate rent in their respective annual budgets.

NON-GAAP FINANCIAL MEASURES AND CERTAIN DEFINITIONS

Non-GAAP Financial Measures

We present certain "non-GAAP financial measures" within the meaning of applicable rules of the SEC, including Property NOI, Property Cash Basis NOI, Same Property NOI, Same Property Cash Basis NOI, EBITDA, EBITDA*re*, Adjusted EBITDA*re*, FFO, Normalized FFO and CAD. These measures do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to net income (loss) as indicators of our operating performance or as measures of our liquidity. These measures should be considered in conjunction with net income (loss) as presented in our condensed consolidated statements of income (loss). We consider these non-GAAP measures to be appropriate supplemental measures of operating performance for a REIT, along with net income (loss). We believe these measures provide useful information to investors because by excluding the effects of certain historical amounts, such as depreciation and amortization expense, they may facilitate a comparison of our operating performance between periods and with other REITs and, in the case of Property NOI, Property Cash Basis NOI, Same Property NOI and Same Property Cash Basis NOI reflecting only those income and expense items that are generated and incurred at the property level may help both investors and management to understand the operations of our properties.

Property NOI and Property Cash Basis NOI

The calculations of Property net operating income, or NOI, and Property Cash Basis NOI exclude certain components of net income (loss) in order to provide results that are more closely related to our property level results of operations. We calculate Property NOI and Property Cash Basis NOI as shown on page 18 and Same Property NOI and Same Property Cash Basis NOI as shown on page 19. We define Property NOI as income from our rental of real estate less our property operating expenses. Property NOI excludes amortization of capitalized tenant improvement costs and leasing commissions that we record as depreciation and amortization expense. We define Property Cash Basis NOI as Property NOI excluding non-cash straight line rent adjustments, lease value amortization, lease termination fees, if any, and non-cash amortization included in other operating expenses. We calculate Same Property NOI and Same Property Cash Basis NOI in the same manner that we calculate the corresponding Property NOI and Property Cash Basis NOI amounts, except that we only include same properties in calculating Same Property NOI and Same Property Cash Basis NOI. We use Property NOI, Property Cash Basis NOI, Same Property NOI and Same Property Cash Basis NOI to evaluate individual and company-wide property level performance. Other real estate companies and REITs may calculate Property NOI, Property Cash Basis NOI, Same Property NOI and Same Property Cash Basis NOI differently than we do.

EBITDA, EBITDA*re* and Adjusted EBITDA*re*

We calculate earnings before interest, taxes, depreciation and amortization, or EBITDA, EBITDA for real estate, or EBITDA*re*, and Adjusted EBITDA*re* as shown on page 20. EBITDA*re* is calculated on the basis defined by The National Association of Real Estate Investment Trusts, or Nareit, which is EBITDA, excluding gains and losses on the sale of real estate, loss on impairment of real estate assets and adjustments to reflect our share of EBITDA*re* of our unconsolidated joint ventures. In calculating Adjusted EBITDA*re*, we adjust for the items shown on page 20 and include business management incentive fees, if any, only in the fourth quarter versus the quarter when they are recognized as expense in accordance with GAAP due to their quarterly volatility not necessarily being indicative of our core operating performance and the uncertainty as to whether any such business management incentive fees will be payable when all contingencies for determining such fees are known at the end of the calendar year. Other real estate companies and REITs may calculate EBITDA, EBITDA*re* and Adjusted EBITDA*re* differently than we do.

FFO and Normalized FFO

We calculate funds from operations, or FFO, and Normalized FFO as shown on page 21. FFO is calculated on the basis defined by Nareit, which is net income (loss), calculated in accordance with GAAP, plus real estate depreciation and amortization of consolidated properties and our proportionate share of the real estate depreciation and amortization of unconsolidated joint venture properties, but excluding impairment charges on real estate assets, any gain or loss on sale of real estate and equity securities, as well as certain other adjustments currently not applicable to us. In calculating Normalized FFO, we adjust for the other items shown on page 21 and include business management incentive fees, if any, only in the fourth quarter versus the quarter when they are recognized as an expense in accordance with GAAP due to their quarterly volatility not necessarily being indicative of our core operating performance and the uncertainty as to whether any such business management incentive fees will be payable when all contingencies for determining such fees are known at the end of the calendar year. FFO and Normalized FFO are among the factors considered by our Board of Trustees when determining the amount of distributions to our shareholders. Other factors include, but are not limited to, requirements to maintain our qualification for taxation as a REIT, limitations in our credit agreement and public debt covenants, the availability to us of debt and equity capital, our expectation of our future capital requirements and operating performance and our expected needs for and availability of cash to pay our obligations. Other real estate companies and REITs may calculate FFO and Normalized FFO differently than we do.

Cash Available for Distribution (CAD)

We calculate cash available for distribution, or CAD, as shown on page 21. We define CAD as Normalized FFO minus recurring real estate related capital expenditures and other non-cash and non-recurring items. CAD is among the factors considered by our Board of Trustees when determining the amount of distributions to our shareholders. Other real estate companies and REITs may calculate CAD differently than we do.

NON-GAAP FINANCIAL MEASURES AND CERTAIN DEFINITIONS (CONTINUED)

Adjusted total assets and total unencumbered assets include the original cost of real estate assets calculated in accordance with GAAP before impairment writedowns, if any, and exclude depreciation and amortization, accounts receivable and intangible assets.

Annualized dividend yield is the annualized dividend per share paid during the period divided by the closing price of our common shares at the end of the period.

Annualized rental income is calculated using the annualized contractual base rents from our tenants pursuant to our lease agreements as of June 30, 2020, plus straight line rent adjustments and estimated recurring expense reimbursements to be paid to us, and excluding lease value amortization.

Building improvements generally include expenditures to replace obsolete building components and expenditures that extend the useful life of existing assets.

Consolidated income available for debt service is earnings from operations excluding interest expense, depreciation and amortization, loss on asset impairment, unrealized gains or losses on equity securities, gains and losses on early extinguishment of debt, gains and losses on sales of properties and equity in earnings of unconsolidated joint ventures and including distributions from our unconsolidated joint ventures, if any, determined together with debt service for the period presented.

Development, redevelopment and other activities generally include capital expenditure projects that reposition a property or result in new sources of revenue.

GAAP is U.S. generally accepted accounting principles.

Gross book value of real estate assets is real estate properties at cost, plus certain acquisition costs, if any, before depreciation and purchase price allocations, less impairment writedowns, if any.

Gross sales price is equal to the gross contract price, includes purchase price adjustments, if any, and excludes closing costs.

Leased square feet is pursuant to leases existing as of June 30, 2020, and includes (i) space being fitted out for tenant occupancy pursuant to our lease agreements, if any, and (ii) space which is leased, but is not occupied or is being offered for sublease by tenants, if any. Square footage measurements are subject to changes when space is remeasured or reconfigured for new tenants.

Leasing costs include leasing related costs, such as brokerage commissions and tenant inducements.

Net debt is total debt less cash.

Percent leased includes (i) space being fitted out for occupancy pursuant to our lease agreements, if any, and (ii) space which is leased, but is not occupied or is being offered for sublease by tenants, if any, as of the measurement date.

Rolling four quarter CAD represents CAD for the preceding twelve month period as of the respective quarter end date.

Same properties for the three months ended June 30, 2020 is based on properties we owned continuously since April 1, 2019; excludes properties classified as held for sale and properties undergoing significant redevelopment, if any, and three properties owned by two unconsolidated joint ventures in which we own 51% and 50% interests.

Same properties for the six months ended June 30, 2020 is based on properties we owned continuously since January 1, 2019; excludes properties classified as held for sale and properties undergoing significant redevelopment, if any, and three properties owned by two unconsolidated joint ventures in which we own 51% and 50% interests.

Same property cash basis NOI margin is Same Property Cash Basis NOI as a percentage of cash basis rental income. Cash basis rental income excludes non-cash straightline rent adjustments, the net effect of non-cash amortization of intangible lease assets and liabilities and lease termination fees, if any.

Same property NOI margin is Same Property NOI as a percentage of rental income.

Tenant improvements include capital expenditures used to improve tenants' space or amounts paid directly to tenants to improve their space.

Total gross assets is total assets plus accumulated depreciation.

WARNING CONCERNING FORWARD-LOOKING STATEMENTS

This supplemental operating and financial data may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Whenever we use words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “will”, “may” and negatives or derivatives of these or similar expressions, we are making forward-looking statements. These forward-looking statements are based upon our present intent, beliefs or expectations, but forward-looking statements are not guaranteed to occur and may not occur. Actual results may differ materially from those contained in or implied by our forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control.

The information contained in our filings with the SEC, including under “Risk Factors” in our periodic reports, or incorporated therein, identifies important factors that could cause our actual results to differ materially from those stated in or implied by our forward-looking statements. Our filings with the SEC are available on the SEC's website at www.sec.gov. You should not place undue reliance upon forward-looking statements. Except as required by law, we do not intend to update or change any forward-looking statements as a result of new information, future events or otherwise.