UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2019

OR

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

Commission File Number 1-34364

OFFICE PROPERTIES INCOME TRUST
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**26-4273474**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

Two Newton Place, 255 Washington Street, Suite 300, Newton, Massachusetts 02458-1634
(Address of Principal Executive Offices) (Zip Code)

617-219-1440
(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name Of Each Exchange On Which Registered
Common Shares of Beneficial Interest	OPI	The Nasdaq Stock Market LLC
5.875% Senior Notes due 2046	OPINI	The Nasdaq Stock Market LLC

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

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.

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 provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of registrant's common shares of beneficial interest, $.01 par value per share, outstanding as of October 31, 2019: 48,202,778

OFFICE PROPERTIES INCOME TRUST

FORM 10-Q

September 30, 2019

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References in this Quarterly Report on Form 10-Q to “the Company”, “OPI”, “we”, “us” or “our” include Office Properties Income Trust and its consolidated subsidiaries unless otherwise expressly stated or the context indicates otherwise.

PART I. Financial Information

Item 1. Financial Statements

OFFICE PROPERTIES INCOME TRUST
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)
(unaudited)

	September 30, 2019	December 31, 2018
ASSETS		
Real estate properties:		
Land	$ 854,083	$ 924,164
Buildings and improvements	2,702,657	3,020,472
Total real estate properties, gross	3,556,740	3,944,636
Accumulated depreciation	(375,565)	(375,147)
Total real estate properties, net	3,181,175	3,569,489
Assets of properties held for sale	155,395	253,501
Investments in unconsolidated joint ventures	40,502	43,665
Acquired real estate leases, net	808,817	1,056,558
Cash and cash equivalents	29,002	35,349
Restricted cash	4,031	3,594
Rents receivable, net	70,234	72,051
Deferred leasing costs, net	37,890	25,672
Other assets, net	33,203	178,704
Total assets	$ 4,360,249	$ 5,238,583
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Unsecured revolving credit facility	$ 210,000	$ 175,000
Unsecured term loans, net	—	387,152
Senior unsecured notes, net	2,015,099	2,357,497
Mortgage notes payable, net	311,025	335,241
Liabilities of properties held for sale	16,240	4,271
Accounts payable and other liabilities	118,338	145,536
Due to related persons	7,674	34,887
Assumed real estate lease obligations, net	15,260	20,031
Total liabilities	2,693,636	3,459,615
Commitments and contingencies		
Shareholders’ equity:		
Common shares of beneficial interest, $.01 par value: 200,000,000 shares authorized, 48,203,332 and 48,082,903 shares issued and outstanding, respectively	482	481
Additional paid in capital	2,612,062	2,609,801
Cumulative net income	112,188	146,882
Cumulative other comprehensive income (loss)	(461)	106
Cumulative common distributions	(1,057,658)	(978,302)
Total shareholders’ equity	1,666,613	1,778,968
Total liabilities and shareholders’ equity	$ 4,360,249	$ 5,238,583

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

OFFICE PROPERTIES INCOME TRUST
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(amounts in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Rental income	$ 167,411	$ 106,102	$ 518,220	$ 322,904
Expenses:				
Real estate taxes	18,824	12,072	55,363	37,402
Utility expenses	9,518	7,783	26,369	20,490
Other operating expenses	30,376	21,785	90,204	66,221
Depreciation and amortization	74,939	42,569	226,373	129,444
Loss on impairment of real estate	8,521	—	14,105	5,800
Acquisition and transaction related costs	—	3,813	682	3,813
General and administrative	7,990	22,383	25,457	36,438
Total expenses	150,168	110,405	438,553	299,608
Gain on sale of real estate	11,463	—	33,538	17,329
Dividend income	—	304	1,960	912
Gain (loss) on equity securities, net	—	17,425	(44,007)	40,677
Interest income	358	140	847	405
Interest expense (including amortization of debt premiums, discounts and issuance costs of $2,560, $893, $8,264 and $2,749, respectively)	(32,367)	(23,374)	(104,848)	(69,444)
Loss on early extinguishment of debt	(284)	—	(769)	—
Income (loss) from continuing operations before income tax expense and equity in net income (loss) of investees	(3,587)	(9,808)	(33,612)	13,175
Income tax expense	(156)	(9)	(509)	(124)
Equity in net income (loss) of investees	(196)	94	(573)	(1,112)
Income (loss) from continuing operations	(3,939)	(9,723)	(34,694)	11,939
Income from discontinued operations	—	9,274	—	23,872
Net income (loss)	(3,939)	(449)	(34,694)	35,811
Other comprehensive income (loss):				
Unrealized gain (loss) on financial instrument	80	—	(287)	—
Equity in unrealized gain (loss) of investees	(46)	126	91	119
Other comprehensive income (loss)	34	126	(196)	119
Comprehensive income (loss)	$ (3,905)	$ (323)	$ (34,890)	$ 35,930
Net income (loss)	$ (3,939)	$ (449)	$ (34,694)	$ 35,811
Preferred units of limited partnership distributions	—	—	—	(371)
Net income (loss) available for common shareholders	$ (3,939)	$ (449)	$ (34,694)	$ 35,440
Weighted average common shares outstanding (basic)	48,073	24,768	48,051	24,764
Weighted average common shares outstanding (diluted)	48,073	24,768	48,051	24,769
Per common share amounts (basic and diluted):				
Income (loss) from continuing operations	$ (0.08)	$ (0.39)	$ (0.72)	$ 0.47
Income from discontinued operations	$ —	$ 0.37	$ —	$ 0.96
Net income (loss) available for common shareholders	$ (0.08)	$ (0.02)	$ (0.72)	$ 1.43

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

OFFICE PROPERTIES INCOME TRUST
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(dollars in thousands)
(unaudited)

	Number of Shares	Common Shares	Additional Paid In Capital	Cumulative Net Income	Cumulative Other Comprehensive Income (Loss)	Cumulative Common Distributions	Total
Balance at December 31, 2018	48,082,903	$ 481	$ 2,609,801	$ 146,882	$ 106	$ (978,302)	$ 1,778,968
Share grants	9,000	—	865	—	—	—	865
Amounts reclassified from cumulative other comprehensive income to net income	—	—	—	—	(371)	—	(371)
Net current period other comprehensive loss	—	—	—	—	(32)	—	(32)
Net income available for common shareholders	—	—	—	34,019	—	—	34,019
Distributions to common shareholders	—	—	—	—	—	(26,445)	(26,445)
Balance at March 31, 2019	48,091,903	481	2,610,666	180,901	(297)	(1,004,747)	1,787,004
Share grants	24,000	—	971	—	—	—	971
Share repurchases	(2,245)	—	(63)	—	—	—	(63)
Share forfeitures	(214)	—	(4)	—	—	—	(4)
Net current period other comprehensive loss	—	—	—	—	(198)	—	(198)
Net loss available for common shareholders	—	—	—	(64,774)	—	—	(64,774)
Distributions to common shareholders	—	—	—	—	—	(26,450)	(26,450)
Balance at June 30, 2019	48,113,444	481	2,611,570	116,127	(495)	(1,031,197)	1,696,486
Share grants	103,100	1	888	—	—	—	889
Share repurchases	(13,212)	—	(396)	—	—	—	(396)
Net current period other comprehensive income	—	—	—	—	34	—	34
Net loss available for common shareholders	—	—	—	(3,939)	—	—	(3,939)
Distributions to common shareholders	—	—	—	—	—	(26,461)	(26,461)
Balance at September 30, 2019	48,203,332	$ 482	$ 2,612,062	$ 112,188	$ (461)	$ (1,057,658)	$ 1,666,613

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

OFFICE PROPERTIES INCOME TRUST
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(dollars in thousands)
(unaudited)

	Number of Shares	Common Shares	Additional Paid In Capital	Cumulative Net Income	Cumulative Other Comprehensive Income (Loss)	Cumulative Common Distributions	Total
Balance at December 31, 2017	24,786,479	$ 248	$ 1,968,960	$ 108,144	$ 60,427	$ (807,736)	$ 1,330,043
Cumulative adjustment upon adoption of ASU No. 2016-01	—	—	—	60,281	(60,281)	—	—
Adjustment upon adoption of ASU No. 2014-09	—	—	—	712	—	—	712
Balance at January 1, 2018	24,786,479	248	1,968,960	169,137	146	(807,736)	1,330,755
Share repurchases	(153)	—	(11)	—	—	—	(11)
Net current period other comprehensive loss	—	—	—	—	(41)	—	(41)
Net income available for common shareholders	—	—	—	6,287	—	—	6,287
Distributions to common shareholders	—	—	—	—	—	(42,632)	(42,632)
Balance at March 31, 2018	24,786,326	248	1,968,949	175,424	105	(850,368)	1,294,358
Share grants	5,250	—	297	—	—	—	297
Share repurchases	(113)	—	(7)	—	—	—	(7)
Equity in unrealized gain of investees	—	—	—	—	34	—	34
Net income available for common shareholders	—	—	—	29,602	—	—	29,602
Distributions to common shareholders	—	—	—	—	—	(42,634)	(42,634)
Balance at June 30, 2018	24,791,463	248	1,969,239	205,026	139	(893,002)	1,281,650
Share grants	14,675	—	887	—	—	—	887
Share repurchases and forfeitures	(4,838)	—	(212)	—	—	—	(212)
Equity in unrealized gain of investees	—	—	—	—	126	—	126
Net loss available for common shareholders	—	—	—	(449)	—	—	(449)
Distributions to common shareholders	—	—	—	—	—	(42,641)	(42,641)
Balance at September 30, 2018	24,801,300	$ 248	$ 1,969,914	$ 204,577	$ 265	$ (935,643)	$ 1,239,361

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

OFFICE PROPERTIES INCOME TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (34,694)	$ 35,811
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	68,095	51,121
Amortization of debt premiums, discounts and issuance costs	8,264	2,749
Amortization of acquired real estate leases	157,108	77,434
Amortization of deferred leasing costs	4,329	3,524
Gain on sale of real estate	(33,538)	(17,329)
Loss on impairment of real estate	14,105	5,800
Loss on early extinguishment of debt	769	—
Straight line rental income	(19,365)	(7,825)
Other non-cash expenses, net	1,907	189
(Gain) loss on equity securities, net	44,007	(40,677)
Equity in losses of investees	573	1,112
Equity in earnings of Select Income REIT included in discontinued operations	—	(23,843)
Net gain on issuance of shares by Select Income REIT included in discontinued operations	—	(29)
Distributions of earnings from Select Income REIT	—	23,843
Change in assets and liabilities:		
Rents receivable	17,185	7,535
Deferred leasing costs	(22,759)	(5,937)
Other assets	(32)	(1,393)
Accounts payable and other liabilities	(30,603)	(10,361)
Due to related persons	(27,213)	18,441
Net cash provided by operating activities	148,138	120,165
CASH FLOWS FROM INVESTING ACTIVITIES:		
Real estate improvements	(39,010)	(32,625)
Distributions in excess of earnings from Select Income REIT	—	14,281
Distributions in excess of earnings from unconsolidated joint ventures	1,973	3,046
Proceeds from sale of properties, net	572,131	142,189
Proceeds from sale of RMR Inc. common shares, net	104,674	—
Net cash provided by investing activities	639,768	126,891
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage notes payable	(11,001)	(2,732)
Repayment of unsecured term loans	(388,000)	—
Repayment of senior unsecured notes	(350,000)	—
Borrowings on unsecured revolving credit facility	420,000	95,000
Repayments on unsecured revolving credit facility	(385,000)	(198,000)
Repurchase of common shares	(459)	(232)
Redemption of preferred units of limited partnership	—	(20,221)
Preferred units of limited partnership distributions	—	(646)
Distributions to common shareholders	(79,356)	(127,907)
Net cash used in financing activities	(793,816)	(254,738)
Decrease in cash, cash equivalents and restricted cash	(5,910)	(7,682)

Cash, cash equivalents and restricted cash at beginning of period	38,943	19,680
Cash, cash equivalents and restricted cash at end of period	$ 33,033	$ 11,998

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

OFFICE PROPERTIES INCOME TRUST
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(dollars in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2019	**2018**
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 114,226	$ 72,651
Income taxes paid	$ 491	$ 44

SUPPLEMENTAL DISCLOSURE OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH:

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows:

	September 30,	
	2019	**2018**
Cash and cash equivalents	$ 29,002	$ 9,644
Restricted cash [(1)]	4,031	2,354
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	$ 33,033	$ 11,998

(1) Restricted cash consists of amounts escrowed for future real estate taxes, insurance, leasing costs, capital expenditures and debt service, as required by certain of our mortgage debts.

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

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements of Office Properties Income Trust and its subsidiaries, or OPI, we, us or our, are unaudited. Certain information and disclosures required by U.S. generally accepted accounting principles, or GAAP, for complete financial statements have been condensed or omitted. We believe the disclosures made are adequate to make the information presented not misleading. However, the accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2018, or our 2018 Annual Report. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair statement of results for the interim period have been included. All intercompany transactions and balances with or among our consolidated subsidiaries have been eliminated. Our operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. Reclassifications have been made to the prior years' condensed consolidated financial statements to conform to the current year's presentation.

The preparation of these financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates. Significant estimates in the condensed consolidated financial statements include purchase price allocations, useful lives of fixed assets, assessment of impairment of real estate and the related intangibles.

Note 2. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2016-02, *Leases*. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. In December 2018, the FASB issued ASU No. 2018-20 *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Collectively, these standards set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU No. 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. ASU No. 2016-02 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. These standards were effective as of January 1, 2019. Upon adoption, we applied the package of practical expedients that has allowed us to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. Furthermore, we applied the optional transition method in ASU No. 2018-11, which has allowed us to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the adoption period, although we did not have an adjustment. Additionally, our leases met the criteria in ASU No. 2018-11 to not separate non-lease components from the related lease component; therefore, the accounting for these leases remained largely unchanged from the previous standard. The adoption of ASU No. 2016-02 and the related improvements did not have a material impact in our condensed consolidated financial statements. Upon adoption, (i) allowances for bad debts are now recognized as a direct reduction of rental income, and (ii) legal costs associated with the execution of our leases, which were previously capitalized and amortized over the life of their respective leases, are expensed as incurred. Subsequent to January 1, 2019, provisions for credit losses are now included in "rental income" in our condensed consolidated financial statements. Provisions for credit losses prior to January 1, 2019 were previously included in other operating expenses in our condensed consolidated financial statements and prior periods are not reclassified to conform to the current presentation.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires that entities use a new forward looking "expected loss" model that generally will result in the earlier recognition of allowance for credit losses. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently assessing the potential impact the adoption of ASU No. 2016-13 will have in our condensed consolidated financial statements although lease related receivables are governed by the lease standards referred to above and are not subject to ASU No. 2016-13. We currently expect to adopt the standard using the modified retrospective approach.

Note 3. Weighted Average Common Shares

The following table provides a reconciliation of the weighted average number of common shares used in the calculation of basic and diluted earnings per share (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Weighted average common shares for basic earnings per share	48,073	24,768	48,051	24,764
Effect of dilutive securities: unvested share awards	—	—	—	5
Weighted average common shares for diluted earnings per share [(1)]	48,073	24,768	48,051	24,769

(1) For the three and nine months ended September 30, 2019, 22 and 11 unvested common shares, respectively, were not included in the calculation of diluted earnings per share because to do so would have been antidilutive. For the three months ended September 30, 2018, 8 unvested common shares were not included in the calculation of diluted earnings per share because to do so would have been antidilutive.

Note 4. Real Estate Properties

As of September 30, 2019, our wholly owned properties were comprised of 200 properties with approximately 27,290,000 rentable square feet, with an aggregate undepreciated carrying value of $3,727,607, including $170,867 classified as held for sale, and we had a noncontrolling ownership interest in three properties totaling approximately 443,867 rentable square feet through two unconsolidated joint ventures in which we own 50% and 51% interests. We generally lease space at our properties on a gross lease, modified gross lease or net lease basis pursuant to fixed term contracts expiring between 2019 and 2039. Some of our leases require us to pay all or some property operating expenses and to provide all or most property management services. During the three months ended September 30, 2019, we entered into 22 leases for 759,162 rentable square feet, for a weighted (by rentable square feet) average lease term of 12.7 years and we made leasing cost commitments of $17,567. During the nine months ended September 30, 2019, we entered into 78 leases for 2,155,394 rentable square feet, for a weighted (by rentable square feet) average lease term of 9.1 years and we made leasing cost commitments of $61,748. As of September 30, 2019, we have estimated unspent leasing related obligations of $56,494.

We regularly evaluate whether events or changes in circumstances have occurred that could indicate an impairment in the value of our long lived assets. If there is an indication that the carrying value of an asset is not recoverable, we estimate the projected undiscounted cash flows to determine if an impairment loss should be recognized. We determine the amount of any impairment loss by comparing the historical carrying value to estimated fair value. We estimate fair value through an evaluation of recent financial performance and projected discounted cash flows using standard industry valuation techniques. In addition to evaluating for impairment upon the events or changes in circumstances described above, we regularly evaluate the remaining lives of our long lived assets. If we change our estimate of the remaining lives, we allocate the carrying value of the affected assets over their revised remaining lives.

OFFICE PROPERTIES INCOME TRUST
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(dollars in thousands, except per share data)

Disposition Activities

During the nine months ended September 30, 2019, we sold 47 properties with a combined 4,610,104 rentable square feet for an aggregate sales price of $584,865, excluding closing costs. The sales of these properties, as presented in the table below, do not represent significant dispositions individually or in the aggregate nor do they represent a strategic shift in our business. As a result, the results of operations of these properties are included in continuing operations through the date of sale in our condensed consolidated statements of comprehensive income (loss).

Date of Sale	Number of Properties	Location	Rentable Square Feet	Gross Sales Price [(1)]
Feb 2019 [(2)]	34	Northern Virginia and Maryland	1,635,868	$ 198,500
Mar 2019 [(3)]	1	Washington, D.C.	129,035	70,000
May 2019 [(4)]	1	Buffalo, NY	121,711	16,900
May 2019	1	Maynard, MA	287,037	5,000
June 2019	1	Kapolei, HI	416,956	7,100
July 2019	1	San Jose, CA	71,750	14,000
July 2019 [(5)]	1	Nashua, NH	321,800	25,000
August 2019	1	Arlington, TX	182,630	14,900
August 2019	1	Rochester, NY	94,800	4,765
August 2019	1	Hanover, PA	502,300	5,500
August 2019	1	San Antonio, TX	618,017	198,000
September 2019	1	Topeka, KS	143,934	15,600
September 2019 [(6)]	1	Falling Waters, WV	40,348	650
September 2019 [(7)]	1	San Diego, CA	43,918	8,950
	47		4,610,104	$ 584,865

(1) Gross sales price includes purchase price adjustments, if any, and excludes closing costs.
(2) We recorded a $447 loss on impairment of real estate during 2019 as a result of this sale.
(3) We recorded a $22,075 gain on sale of real estate during 2019 as a result of this sale.
(4) We recorded a $5,137 loss on impairment of real estate during 2019 as a result of this sale.
(5) We recorded a $8,401 gain on sale of real estate during 2019 as a result of this sale.
(6) We recorded a $2,179 loss on impairment of real estate during 2019 as a result of this sale.
(7) We recorded a $3,062 gain on sale of real estate during 2019 as a result of this sale.

OFFICE PROPERTIES INCOME TRUST

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(dollars in thousands, except per share data)

As of September 30, 2019, we had 15 properties with an aggregate undepreciated carrying value of $170,867 classified as held for sale in our condensed consolidated balance sheet. The operating results of these properties are included in continuing operations in our condensed consolidated statements of comprehensive income (loss). As of October 31, 2019, three of the 15 properties held for sale were sold and 10 of the 15 properties held for sale were under contract to be sold as summarized in the table below:

Location	Number of Properties	Square Feet	Gross Sales Price [1]
San Jose, CA	1	75,621	$ 13,000
Windsor, CT	1	97,256	7,000
Kansas City, KS [2]	1	170,817	11,700
DC Metro - MD [3]	4	457,279	66,600
Columbia, SC [4]	3	180,703	10,750
Fairfax, VA	1	83,130	23,000
Stafford, VA	2	64,656	14,563
	13	1,129,462	$ 146,613

(1) Gross sales price includes purchase price adjustments, if any, and excludes closing costs.
(2) We recorded a $2,408 loss on impairment of real estate to adjust the carrying value of this property to its estimated fair value less costs to sell.
(3) We recorded a $688 loss on impairment of real estate to adjust the carrying value of these four properties to their estimated fair value less costs to sell.
(4) We recorded a $3,246 loss on impairment of real estate to adjust the carrying value of these three properties to their estimated fair value less costs to sell. The sale of these properties was completed in October 2019.

In addition to the properties discussed above, we are currently marketing for sale six properties comprising approximately 587,000 square feet. We have determined that these properties were not impaired nor did they meet the held for sale criteria as of September 30, 2019. We cannot be sure we will sell any of our properties that we are marketing for sale, that we sell them for prices in excess of our carrying values or that we will not recognize impairment losses with respect to these properties. In addition, our pending sales are subject to conditions; accordingly, we cannot be sure that we will complete these sales or that these sales will not be delayed or their terms will not change.

Acquisition Activities

In July 2019, we entered into an agreement to acquire a land parcel near one of our properties located in Boston, MA for $2,900, excluding acquisition related costs.

Pro Forma Financial Information

On December 31, 2018, we acquired Select Income REIT, or SIR, in a merger of SIR with and into our wholly owned subsidiary that closed on December 31, 2018, or the Merger, pursuant to an agreement and plan of merger, or the Merger Agreement, that we and SIR entered into on September 14, 2018, as a result of which we acquired 99 properties with approximately 16.5 million rentable square feet. The aggregate transaction value of the Merger was $2,415,053, excluding closing costs of approximately $27,497 ($14,508 of which was paid by us and $12,989 of which was paid by SIR) and including the repayment or assumption of $1,719,772 of SIR debt.

As a condition of the Merger, on October 9, 2018, we sold all of the 24,918,421 common shares of SIR we then owned, or the Secondary Sale, in an underwritten public offering at a price to the public of $18.25 per share, raising net proceeds of $435,125, after deducting underwriting discounts and offering expenses. We used the net proceeds from the Secondary Sale to repay amounts outstanding under our revolving credit facility.

OFFICE PROPERTIES INCOME TRUST

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(dollars in thousands, except per share data)

In addition, as a condition of the Merger, on December 27, 2018, SIR paid a pro rata distribution to SIR's shareholders of record as of the close of business on December 20, 2018 of all 45,000,000 common shares of beneficial interest of Industrial Logistics Properties Trust, or ILPT, that SIR owned, or the ILPT Distribution.

For further information about these transactions, refer to our 2018 Annual Report.

The following table presents our pro forma results of operations for the nine months ended September 30, 2018 as if the Merger, the Secondary Sale and the ILPT Distribution had occurred on January 1, 2018. The SIR results of operations included in this pro forma financial information have been adjusted to remove ILPT's results of operations for the nine months ended September 30, 2018. The effect of the adjustments to remove ILPT's results of operations was to decrease pro forma rental income by $120,456 for the nine months ended September 30, 2018 and to decrease net income by $38,818 for the nine months ended September 30, 2018 from the amounts that would have otherwise been included in the pro forma results.

This unaudited pro forma financial information is not necessarily indicative of what our actual results of operations would have been for the period presented or for any future period. Differences could result from numerous factors, including future changes in our portfolio of investments, capital structure, property level operating expenses and revenues, including rents expected to be received pursuant to our existing leases or leases we may enter into, changes in interest rates and other reasons. Actual future results are likely to be different from amounts presented in this unaudited pro forma financial information and such differences could be significant.

	Nine Months Ended September 30, 2018
Rental income	$ 563,213
Net income	$ 37,531
Net income per common share	$ 0.78

During the nine months ended September 30, 2018, we did not recognize any revenue or operating income from the assets acquired and liabilities assumed in the Merger.

Unconsolidated Joint Ventures

We own noncontrolling interests in two joint ventures that own three properties. We account for these investments under the equity method of accounting. As of September 30, 2019 and December 31, 2018, our investments in unconsolidated joint ventures consisted of the following:

		OPI Carrying Value of Investment at				
Joint Venture	OPI Ownership	September 30, 2019	December 31, 2018	Number of Properties	Location	Square Feet
Prosperity Metro Plaza	51%	$ 22,857	$ 23,969	2	Fairfax, VA	328,456
1750 H Street, NW	50%	17,645	19,696	1	Washington, D.C.	115,411
Total		$ 40,502	$ 43,665	3		443,867

(dollars in thousands, except per share data)

The following table provides a summary of the mortgage debt of our unconsolidated joint ventures:

Joint Venture	Interest Rate (1)	Maturity Date	Principal Balance at September 30, 2019 (2)	
Prosperity Metro Plaza	4.09%	12/1/2029	$	50,000
1750 H Street, NW	3.69%	8/1/2024		32,000
Weighted Average / Total	3.93%		$	82,000

(1) Includes the effect of mark to market purchase accounting.
(2) Reflects the entire balance of the debt secured by the properties and is not adjusted to reflect the interests in the joint venture we do not own. None of the debt is recourse to us.

At September 30, 2019, the aggregate unamortized basis difference of our unconsolidated joint ventures of $8,074 is primarily attributable to the difference between the amount we paid to purchase our interest in these joint ventures, including transaction costs, and the historical carrying value of the net assets of these joint ventures. This difference is being amortized over the remaining useful life of the properties owned by these joint ventures and the resulting amortization expense is included in equity in net losses of investees in our condensed consolidated statements of comprehensive income (loss).

Note 5. Leases

Revenue Recognition. We are a lessor of commercial office properties. Our leases provide our tenants with the contractual right to use and economically benefit from all of the physical space specified in the leases; therefore, we have determined to evaluate our leases as lease arrangements.

Our leases provide for base rent payments and in addition may include variable payments. Rental income from operating leases, including any payments derived by index or market-based indices, is recognized on a straight line basis over the lease term when we have determined that the collectability of substantially all of the lease payments is probable. Some of our leases have options to extend or terminate the lease exercisable at the option of our tenants, which are considered when determining the lease term. In certain circumstances, some leases provide the tenant with the right to terminate if the legislature or other funding authority does not appropriate the funding necessary for the tenant to meet its lease obligations; we have determined the fixed non-cancelable lease term of these leases to be the full term of the lease because we believe the occurrence of early terminations to be remote contingencies based on both our historical experience and our assessments of the likelihood of lease cancellation on a separate lease basis.

We increased rental income to record revenue on a straight line basis by $6,904 and $1,990 for the three months ended September 30, 2019 and 2018, respectively, and $19,365 and $7,825 for the nine months ended September 30, 2019 and 2018, respectively. Rents receivable, excluding properties classified as held for sale, include $47,148 and $34,006 of straight line rent receivables at September 30, 2019 and December 31, 2018, respectively.

We do not include in our measurement of our lease receivables certain variable payments, including payments determined by changes in the index or market-based indices after the inception of the lease, certain tenant reimbursements and other income until the specific events that trigger the variable payments have occurred. Such payments totaled $23,092 and $69,182 for the three and nine months ended September 30, 2019, respectively, of which tenant reimbursements totaled $21,914 and $65,577, respectively.

Certain of our leases contain non-lease components, such as property level operating expenses and capital expenditures reimbursed by our tenants as well as other required lease payments. We have determined that all of our leases qualify for the practical expedient to not separate the lease and non-lease components because (i) the lease components are operating leases and (ii) the timing and pattern of recognition of the non-lease components are the same as those of the lease components. We apply Accounting Standards Codification 842, *Leases*, to the combined component. Income derived by our leases is recorded in rental income in our condensed consolidated statements of comprehensive income (loss).

OFFICE PROPERTIES INCOME TRUST

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(dollars in thousands, except per share data)

Certain tenants are obligated to pay directly their obligations under their leases for insurance, real estate taxes and certain other expenses. These obligations, which have been assumed by the tenants under the terms of their respective leases, are not reflected in our condensed consolidated financial statements. To the extent any tenant responsible for any such obligations under the applicable lease defaults on such lease or if it is deemed probable that the tenant will fail to pay for such obligations, we would record a liability for such obligations.

The following table presents our operating lease maturity analysis as of September 30, 2019:

Year	Amount
2019	$ 130,897
2020	498,567
2021	476,585
2022	436,876
2023	390,567
Thereafter	1,396,144
Total	$ 3,329,636

Right of Use Asset and Lease Liability. For leases where we are the lessee, we are required to record a right of use asset and lease liability for all leases with a term greater than 12 months. As of September 30, 2019, we had one lease that met this criterion where we are the lessee which expires on January 31, 2021. The value of the right of use asset and related liability representing our future obligation under the lease arrangement for which we are the lessee were $2,633 and $2,662, respectively, as of September 30, 2019. The right of use asset and related lease liability are included within other assets, net and accounts payable and other liabilities, respectively, within our condensed consolidated balance sheets.

Note 6. Concentration

Tenant Concentration

We define annualized rental income as the annualized contractual base rents from our tenants pursuant to our lease agreements as of the measurement date, plus straight line rent adjustments and estimated recurring expense reimbursements to be paid to us, and excluding lease value amortization. As of September 30, 2019, the U.S. Government, 13 state governments and three other government tenants combined were responsible for approximately 36.3% of our annualized rental income, and as of September 30, 2018, the U.S. Government, 13 state governments and three other government tenants combined were responsible for approximately 62.5% of our annualized rental income. The U.S. Government is our largest tenant by annualized rental income and was responsible for approximately 25.8% and 45.6% of our annualized rental income as of September 30, 2019 and 2018, respectively.

Geographic Concentration

At September 30, 2019, our 200 wholly owned properties were located in 36 states and the District of Columbia. Properties located in Virginia, California, the District of Columbia, Texas and Maryland were responsible for 15.8%, 11.6%, 9.8%, 9.7% and 7.4% of our annualized rental income as of September 30, 2019, respectively. Properties located in the metropolitan Washington, D.C. market area were responsible for approximately 24.6% of our annualized rental income as of September 30, 2019.

Note 7. Indebtedness

Our principal debt obligations at September 30, 2019 were: (1) $210,000 of outstanding borrowings under our $750,000 unsecured revolving credit facility; (2) $2,060,000 aggregate outstanding principal amount of senior unsecured notes; and (3) $327,262 aggregate outstanding principal amount of mortgage notes, including one mortgage note with an outstanding principal balance of $13,236 classified in liabilities of properties held for sale in our condensed consolidated balance sheet.

OFFICE PROPERTIES INCOME TRUST
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(dollars in thousands, except per share data)

Our $750,000 revolving credit facility is governed by a credit agreement, or our credit agreement, with a syndicate of institutional lenders that includes a feature under which the maximum aggregate borrowing availability may be increased to up to $1,950,000 in certain circumstances.

Our $750,000 revolving credit facility is available for general business purposes, including acquisitions. The maturity date of our revolving credit facility is January 31, 2023 and, subject to our payment of an extension fee and meeting certain other conditions, we have the option to extend the stated maturity date of our revolving credit facility by two additional six month periods. We can borrow, repay and reborrow funds available under our revolving credit facility until maturity and no principal repayment is due until maturity. We are required to pay interest at a rate of LIBOR plus a premium, which was 110 basis points per annum at September 30, 2019, on the amount outstanding under our revolving credit facility. We also pay a facility fee on the total amount of lending commitments under our revolving credit facility, which was 25 basis points per annum at September 30, 2019. Both the interest rate premium and the facility fee are subject to adjustment based upon changes to our credit ratings. As of September 30, 2019 and December 31, 2018, the annual interest rate payable on borrowings under our revolving credit facility was 3.0% and 3.6%, respectively. The weighted average annual interest rate for borrowings under our revolving credit facility was 3.3% and 3.2% for the three months ended September 30, 2019 and 2018, respectively, and 3.4% and 3.0% for the nine months ended September 30, 2019 and 2018, respectively. As of September 30, 2019 and October 31, 2019, we had $210,000 and $185,000, respectively, outstanding under our revolving credit facility, and $540,000 and $565,000, respectively, available for borrowing under our revolving credit facility.

The remaining outstanding balance of our $300,000 term loan, which was scheduled to mature on March 31, 2020, was repaid in full on August 23, 2019, without penalty, using cash on hand, proceeds from the sale of properties and the proceeds from our sale of our 2,801,060 shares of class A common stock of The RMR Group Inc., or RMR Inc., as described in Note 11. The weighted average annual interest rate under this term loan was 3.7% and 3.5% for the period from July 1, 2019 to August 23, 2019 and the three months ended September 30, 2018, respectively, and 3.9% and 3.3% for the period from January 1, 2019 to August 23, 2019 and the nine months ended September 30, 2018, respectively.

Our $250,000 term loan, which was scheduled to mature on March 31, 2022 and had a principal balance of $88,000 as of December 31, 2018, was repaid in full on February 11, 2019, without penalty, using proceeds from the sale of a property portfolio. The weighted average annual interest rate under this term loan was 4.3% for the period from January 1, 2019 to February 11, 2019, and 3.9% and 3.7% for the three and nine months ended September 30, 2018, respectively.

As a result of the principal payments of our term loans, we recognized a loss on early extinguishment of debt of $158 and $643 for the three and nine months ended September 30, 2019, respectively, to write off unamortized debt issuance costs.

On July 15, 2019, we redeemed, at par plus accrued interest, all $350,000 of our 3.75% senior unsecured notes that had a maturity date in August 2019 using cash on hand and borrowings under our revolving credit facility. As a result of the redemption of our 3.75% senior unsecured notes, we recognized a loss on early extinguishment of debt of $126 for the three and nine months ended September 30, 2019 to write off unamortized debt issuance costs and discounts.

Our credit agreement and senior unsecured notes indentures and their supplements provide for acceleration of payment of all amounts due thereunder upon the occurrence and continuation of certain events of default, such as, in the case of our credit agreement, a change of control of us, which includes The RMR Group LLC, or RMR LLC, ceasing to act as our business and property manager. Our credit agreement and senior unsecured notes indentures and their supplements also contain covenants, including those that restrict our ability to incur debts, require us to maintain certain financial ratios and, in the case of our credit agreement, restrict our ability to make distributions under certain circumstances. We believe we were in compliance with the terms and conditions of the respective covenants under our credit agreement and senior unsecured notes indentures and their supplements at September 30, 2019.

On March 1, 2019, we repaid at maturity, at par plus accrued interest, a mortgage note secured by one property with an outstanding principal balance of $7,890 using cash on hand.

At September 30, 2019, 11 of our consolidated properties with an aggregate net book value of $601,003 were encumbered by mortgage notes with an aggregate principal amount of $327,262, including one mortgage note with an outstanding principal balance of $13,236 classified in liabilities of properties held for sale in our condensed consolidated balance sheet. Our mortgage notes are non-recourse, subject to certain limited exceptions and do not contain any material financial covenants.

(dollars in thousands, except per share data)

Note 8. Fair Value of Assets and Liabilities

The table below presents certain of our assets measured at fair value at September 30, 2019, categorized by the level of inputs, as defined in the fair value hierarchy under GAAP, used in the valuation of each asset:

		Fair Value at Reporting Date Using		
Description	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Non-Recurring Fair Value Measurements Assets:				
Assets of properties held for sale [(1)]	$ 89,050	$ —	$ 89,050	$ —

(1) During the three months ended September 30, 2019, we recorded impairment charges of $6,342 to reduce the carrying value of eight properties that are classified as held for sale in our condensed consolidated balance sheet to their estimated fair value less costs to sell based upon negotiated sales prices with third party buyers (Level 2 inputs as defined in the fair value hierarchy under GAAP). See Note 4 for further details.

In addition to the assets described in the table above, our financial instruments include our cash and cash equivalents, restricted cash, rents receivable, a mortgage note receivable, accounts payable, a revolving credit facility, senior unsecured notes, mortgage notes payable, amounts due to related persons, other accrued expenses and security deposits. At September 30, 2019 and December 31, 2018, the fair values of our financial instruments approximated their carrying values in our condensed consolidated financial statements, due to their short term nature or floating interest rates, except as follows:

	As of September 30, 2019		As of December 31, 2018	
Financial Instrument	**Carrying Amount [(1)]**	**Fair Value**	**Carrying Amount [(1)]**	**Fair Value**
Senior unsecured notes, 3.75% interest rate, due in 2019	$ —	$ —	$ 349,239	$ 348,903
Senior unsecured notes, 3.60% interest rate, due in 2020	399,738	401,348	399,146	399,146
Senior unsecured notes, 4.00% interest rate, due in 2022	297,426	306,341	296,735	295,047
Senior unsecured notes, 4.15% interest rate, due in 2022	297,530	306,747	296,736	296,736
Senior unsecured notes, 4.25% interest rate, due in 2024	339,447	359,704	337,736	337,736
Senior unsecured notes, 4.50% interest rate, due in 2025	380,124	413,982	377,329	377,329
Senior unsecured notes, 5.875% interest rate, due in 2046	300,834	328,352	300,576	274,288
Mortgage notes payable [(2)]	324,223	335,481	335,241	336,365
Total	$ 2,339,322	$ 2,451,955	$ 2,692,738	$ 2,665,550

(1) Includes unamortized debt premiums, discounts and issuance costs totaling $47,940 and $55,524 as of September 30, 2019 and December 31, 2018, respectively.
(2) Includes one mortgage note with a carrying value of $13,198 net of unamortized issuance costs totaling $38 and which is classified in liabilities of properties held for sale in our condensed consolidated balance sheet as of September 30, 2019.

We estimated the fair value of our senior unsecured notes (except for our senior unsecured notes due in 2046) using an average of the bid and ask price of the notes as of the measurement date (Level 2 inputs as defined in the fair value hierarchy under GAAP). We estimated the fair value of our senior unsecured notes due 2046 based on the closing price on The Nasdaq Stock Market LLC, or Nasdaq, as of the measurement date (Level 1 inputs as defined in the fair value hierarchy under GAAP). We estimated the fair values of our mortgage notes payable by using discounted cash flow analyses and currently prevailing market rates as of the measurement date (Level 3 inputs as defined in the fair value hierarchy under GAAP). Because Level 3 inputs are unobservable, our estimated fair value may differ materially from the actual fair value.

Note 9. Shareholders' Equity

Share Awards

On February 27, 2019, in connection with the election of three of our Trustees we granted each Trustee 3,000 of our common shares, valued at $29.95 per share, the closing price of our common shares on Nasdaq on that day.

On May 29, 2019, in accordance with our Trustee compensation arrangements, we granted 3,000 of our common shares, valued at $23.97 per share, the closing price of our common shares on Nasdaq on that day, to each of our eight Trustees as part of their annual compensation.

On September 18, 2019, we granted an aggregate of 103,100 of our common shares, valued at $29.87 per share, the closing price of our common shares on Nasdaq on that day, to our officers and certain other employees of RMR LLC under our equity compensation plan.

Share Purchases

On April 5, 2019, we purchased 1,795 of our common shares valued at $28.96 per share, the closing price of our common shares on Nasdaq on that day, from a former officer of RMR LLC in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of our common shares.

On May 29, 2019, we purchased 450 of our common shares valued at $23.97 per share, the closing price of our common shares on Nasdaq on that day, from one of our Trustees in satisfaction of tax withholding and payment obligations in connection with an award of our common shares.

On July 3, 2019, we purchased 1,779 of our common shares valued at $27.73 per share, the closing price of our common shares on Nasdaq on that day, from a former officer in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of our common shares.

On September 25, 2019, we purchased an aggregate of 11,433 of our common shares, valued at $30.41 per share, the closing price of our common shares on Nasdaq on that day, from our officers and certain other employees of RMR LLC in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of our common shares.

Distributions

On February 21, 2019, we paid a regular quarterly distribution to common shareholders of record on January 28, 2019 of $0.55 per share, or $26,445. On May 16, 2019, we paid a regular quarterly distribution to common shareholders of record on April 29, 2019 of $0.55 per share, or $26,450. On August 15, 2019, we paid a regular quarterly distribution to common shareholders of record on July 29, 2019 of $0.55 per share, or $26,461. On October 17, 2019, we declared a regular quarterly distribution to common shareholders of record on October 28, 2019 of $0.55 per share, or approximately $26,500. We expect to pay this distribution on or about November 14, 2019.

Cumulative Other Comprehensive Income (Loss)

Cumulative other comprehensive income (loss) represents our share of the comprehensive income (loss) of Affiliates Insurance Company, an Indiana insurance company, or AIC. See Note 11 for further information regarding this investment.

Note 10. Business and Property Management Agreements with RMR LLC

We have no employees. The personnel and various services we require to operate our business are provided to us by RMR LLC. We have two agreements with RMR LLC to provide management services to us: (1) a business management agreement, which relates to our business generally; and (2) a property management agreement, which relates to our property level operations. Prior to completion of the Merger, SIR had similar business and property management agreements with RMR LLC, which agreements were terminated in connection with the Merger. See Notes 4 and 11 for further information regarding our relationship, agreements and transactions with SIR and RMR LLC.

Pursuant to our business management agreement with RMR LLC, we recognized net business management fees of $5,159 and $20,575 for the three months ended September 30, 2019 and 2018, respectively, and $16,203 and $30,059 for the nine months ended September 30, 2019 and 2018, respectively. Based on our common share total return, as defined in our business management agreement, as of September 30, 2019, no estimated 2019 incentive fees are included in the net business management fees we recognized for the three and nine months ended September 30, 2019, respectively. The actual amount of annual incentive fees for 2019, if any, will be based on our common share total return, as defined in our business management agreement, for the three year period ending December 31, 2019, and will be payable in 2020. The net business management fees recognized for the three and nine months ended September 30, 2018 included $16,236 and $16,973, respectively, of estimated business management incentive fees. We include business management fees in general and administrative expenses in our condensed consolidated statements of comprehensive income (loss).

Pursuant to our property management agreement with RMR LLC, we recognized aggregate net property management and construction supervision fees of $5,622 and $3,415 for the three months ended September 30, 2019 and 2018, respectively, and $16,605 and $10,201 for the nine months ended September 30, 2019 and 2018, respectively. These amounts are included in other operating expenses or have been capitalized, as appropriate, in our condensed consolidated financial statements.

In January 2019, we paid RMR LLC $2,185 for SIR's 2018 business management, property management and construction supervision fees that it had accrued, but not paid, as of December 31, 2018. We also paid RMR LLC a business management incentive fee of $25,817, which represented the incentive fee incurred, but not paid, by SIR for the year ended December 31, 2018. We had assumed the obligation to pay these amounts as a result of the Merger.

We are generally responsible for all our operating expenses, including certain expenses incurred or arranged by RMR LLC on our behalf. We are generally not responsible for payment of RMR LLC's employment, office or administrative expenses incurred to provide management services to us, except for the employment and related expenses of RMR LLC's employees assigned to work exclusively or partly at our properties, our share of the wages, benefits and other related costs of RMR LLC's centralized accounting personnel, our share of RMR LLC's costs for providing our internal audit function, or as otherwise agreed. Our property level operating expenses are generally incorporated into the rents charged to our tenants, including certain payroll and related costs incurred by RMR LLC. We reimbursed RMR LLC $6,850 and $5,150 for these expenses and costs for the three months ended September 30, 2019 and 2018, respectively, and $20,007 and $15,294 for these expenses and costs for the nine months ended September 30, 2019 and 2018, respectively. We included these amounts in other operating expenses and general and administrative expenses, as applicable, in our condensed consolidated statements of comprehensive income (loss).

Note 11. Related Person Transactions

We have relationships and historical and continuing transactions with SIR (prior to the Merger), RMR LLC, RMR Inc., AIC and others related to them, including other companies to which RMR LLC or its subsidiaries provide management services and some of which have trustees, directors or officers who are also our Trustees or officers.

Our Manager, RMR LLC. We have two agreements with RMR LLC to provide management services to us. See Note 10 for further information regarding our management agreements with RMR LLC.

See Note 9 for further information relating to our awards of common shares to our officers and certain other employees of RMR LLC in September 2019 and our repurchases of common shares from our current and former officers, and certain other current and former employees of RMR LLC in satisfaction of tax withholding and payment obligations in connection with the vesting of awards of our common shares to them. We include amounts recognized as expense for awards of our common shares to our officers and to other RMR LLC employees in general and administrative expenses in our condensed consolidated statements of comprehensive income (loss).

Leases with RMR LLC. We lease office space to RMR LLC in certain of our properties for RMR LLC's property management offices. Pursuant to our lease agreements with RMR LLC, we recognized rental income from RMR LLC for leased office space of $288 and $263 for the three months ended September 30, 2019 and 2018, respectively, and $854 and $763 for the nine months ended September 30, 2019 and 2018, respectively.

RMR Inc. RMR LLC is a majority owned subsidiary of RMR Inc. and RMR Inc. is the managing member of RMR LLC. Adam D. Portnoy, the Chair of our Board of Trustees and one of our Managing Trustees, is the sole trustee, an officer and the controlling shareholder of ABP Trust, which is the controlling shareholder of RMR Inc., a managing director, president and chief executive officer of RMR Inc. and an officer and employee of RMR LLC. David M. Blackman, our other Managing Trustee and our President and Chief Executive Officer, also serves as an officer and employee of RMR LLC, and each of our other officers is an officer and employee of RMR LLC.

On July 1, 2019, we sold all of the 2,801,060 shares of class A common stock of RMR Inc. that we owned in an underwritten public offering at a price to the public of $40.00 per share pursuant to an underwriting agreement among us, RMR Inc., certain other real estate investment trusts, or REITs, managed by RMR LLC that also sold their class A common stock of RMR Inc. in the offering, and the underwriters named therein. We received net proceeds of $104,674 from this sale, after deducting underwriting discounts and commissions and other offering expenses.

SIR. As described further in Note 4, we completed the Merger effective December 31, 2018. Our Managing Trustees and three of our Independent Trustees previously served as managing trustees and independent trustees, respectively, of SIR, our President and Chief Executive Officer also served as SIR's president and chief executive officer, and each of SIR's officers was also an officer and employee of RMR LLC. RMR LLC provides management services to us and provided management services to SIR until it ceased to exist. See Notes 4 and 12 for further information regarding the Merger and our former equity method investment in SIR.

AIC. We, ABP Trust and five other companies to which RMR LLC provides management services currently own AIC in equal amounts. We and the other AIC shareholders historically participated in a combined property insurance program arranged and insured or reinsured in part by AIC. The policies under that program expired on June 30, 2019, and we and the other AIC shareholders elected not to renew the AIC property insurance program; we have instead purchased standalone property insurance coverage with unrelated third party insurance providers.

As of September 30, 2019 and December 31, 2018, our investment in AIC had a carrying value of $9,459 and $8,751, respectively. These amounts are included in other assets in our condensed consolidated balance sheets. We recognized income of $83 and $831 for the three months ended September 30, 2019 and 2018, respectively, and $617 and $882 for the nine months ended September 30, 2019 and 2018, respectively, which are presented as equity in net income (loss) of investees in our condensed consolidated statements of comprehensive income (loss). Our other comprehensive income (loss) includes our proportionate part of unrealized gains (losses) on fixed income securities, which are owned by AIC, related to our investment in AIC.

AIC is in the process of dissolving. In connection with its dissolution, we expect to receive a capital distribution in the fourth quarter of 2019.

For further information about these and other such relationships and certain other related person transactions, refer to our 2018 Annual Report.

Note 12. Discontinued Operations

We previously accounted for our investment in SIR under the equity method and had previously reported our investment in SIR as a reportable segment. As a result of the Secondary Sale and the elimination of a reportable segment, our former equity method investment in SIR is classified as discontinued operations in our condensed consolidated financial statements. See Note 4 for further information regarding the Secondary Sale. For the three and nine months ended September 30, 2018, we recorded $9,253 and $23,843, respectively, of equity in earnings of SIR which is included in income from discontinued operations in our condensed consolidated statement of comprehensive income (loss).

OFFICE PROPERTIES INCOME TRUST

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(dollars in thousands, except per share data)

The following table presents a summarized income statement of SIR as reported in SIR's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, or the SIR Quarterly Report. References in our condensed consolidated financial statements to the SIR Quarterly Report are included as references to the source of the data only, and the information in the SIR Quarterly Report is not incorporated by reference into our condensed consolidated financial statements.

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Rental income	$ 101,833	$ 298,003
Tenant reimbursements and other income	20,048	60,514
Total revenues	121,881	358,517
Real estate taxes	12,518	36,748
Other operating expenses	14,814	43,714
Depreciation and amortization	35,371	105,326
Acquisition and transaction related costs	3,796	3,796
General and administrative	15,331	47,353
Write-off of straight line rent receivable, net	—	10,626
Loss on impairment of real estate assets	9,706	9,706
Total expenses	91,536	257,269
Gain on sale of real estate	4,075	4,075
Dividend income	397	1,190
Unrealized gain on equity securities	22,771	53,159
Interest income	133	753
Interest expense	(23,287)	(69,446)
Loss on early extinguishment of debt	—	(1,192)
Income before income tax expense and equity in earnings of an investee	34,434	89,787
Income tax expense	(185)	(446)
Equity in earnings of an investee	831	882
Net income	35,080	90,223
Net income allocated to noncontrolling interest	(5,597)	(15,841)
Net income attributed to SIR	$ 29,483	$ 74,382
Weighted average common shares outstanding (basic)	89,410	89,395
Weighted average common shares outstanding (diluted)	89,437	89,411
Net income attributed to SIR per common share (basic and diluted)	$ 0.33	$ 0.83

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with our condensed consolidated financial statements and accompanying notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our 2018 Annual Report.

OVERVIEW (dollars in thousands, except per share data)

We are a REIT organized under Maryland law. As of September 30, 2019, our wholly owned properties were comprised of 200 properties and we had a noncontrolling ownership interest in three properties totaling 443,867 rentable square feet through two unconsolidated joint ventures in which we own 50% and 51% interests. As of September 30, 2019, our properties are located in 36 states and the District of Columbia and contain approximately 27.3 million rentable square feet. As of September 30, 2019, our properties were leased to 403 different tenants, with a weighted average remaining lease term (based on annualized rental income) of approximately 5.7 years. The U.S. Government is our largest tenant by annualized rental income and represents approximately 25.8% of our annualized rental income as of September 30, 2019. The term annualized rental income as used herein is defined as the annualized contractual base rents from our tenants pursuant to our lease agreements as of the measurement date, plus straight line rent adjustments and estimated recurring expense reimbursements to be paid to us, and excluding lease value amortization.

Merger with Select Income REIT

On December 31, 2018, we acquired SIR pursuant to the Merger Agreement, as a result of which we acquired 99 properties with approximately 16.5 million rentable square feet. The aggregate transaction value for the Merger was $2,415,053, excluding closing costs of $27,497 ($14,508 of which was paid by us and $12,989 of which was paid by SIR) and including the repayment or assumption of $1,719,772 of SIR debt.

As a condition of the Merger, on October 9, 2018, we sold all 24,918,421 common shares of SIR we then owned in the Secondary Sale at a price to the public of $18.25 per share, raising net proceeds of $435,125, after deducting underwriting discounts and offering expenses.

Property Operations

Unless otherwise noted, the data presented in this section include properties classified as held for sale as of September 30, 2019 and exclude three properties owned by two unconsolidated joint ventures in which we own 51% and 50% interests. See Note 4 to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information regarding our properties classified as held for sale and our unconsolidated joint ventures.

As of September 30, 2019, 93.3% of our rentable square feet was leased, compared to 93.3% of our rentable square feet as of September 30, 2018. Occupancy data for our properties as of September 30, 2019 and 2018 was as follows (square feet in thousands):

	All Properties (1) September 30,		Comparable Properties (2) September 30,	
	2019	2018	2019	2018
Total properties (3)	200	164	109	109
Total rentable square feet (3)(4)	27,290	17,046	13,073	13,069
Percent leased (5)	93.3%	93.3%	93.0%	94.4%

(1) Based on properties we owned on September 30, 2019 and 2018, respectively.
(2) Based on properties we owned continuously since January 1, 2018.
(3) Includes one leasable land parcel as of September 30, 2019.
(4) Subject to changes when space is remeasured or reconfigured for tenants.
(5) Percent leased 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, as of the measurement date.

The average effective rental rate per square foot for our properties for the three and nine months ended September 30, 2019 and 2018 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Average effective rental rate per square foot (1):				
All properties (2)	$ 26.49	$ 26.86	$ 27.21	$ 26.81
Comparable properties (3)	$ 29.07	$ 29.28	$ 29.07	$ 29.33

(1) Average effective rental rate per square foot represents annualized total rental income during the period specified divided by the average rentable square feet leased during the period specified.
(2) Based on properties we owned on September 30, 2019 and 2018, respectively.
(3) Based on properties we owned continuously since July 1, 2018 and January 1, 2018, respectively.

During the three and nine months ended September 30, 2019, changes in rentable square feet leased and available for lease at our properties were as follows (square feet in thousands):

	Three Months Ended September 30, 2019			Nine Months Ended September 30, 2019		
	Leased	Available for Lease	Total	Leased	Available for Lease	Total
Beginning of period	26,860	2,449	29,309	29,024	2,876	31,900
Changes resulting from:						
Disposition of properties	(1,398)	(622)	(2,020)	(2,999)	(1,611)	(4,610)
Lease expirations	(750)	750	—	(2,709)	2,709	—
Lease renewals (1)	664	(664)	—	1,817	(1,817)	—
New leases (1)	95	(95)	—	338	(338)	—
Remeasurements (2)	1	—	1	1	(1)	—
End of period	25,472	1,818	27,290	25,472	1,818	27,290

(1) Based on leases entered during the three and nine months ended September 30, 2019, respectively.
(2) Rentable square feet are subject to changes when space is remeasured or reconfigured for tenants.

Leases at our properties totaling approximately 0.8 million and 2.7 million rentable square feet expired during the three and nine months ended September 30, 2019, respectively. During the three and nine months ended September 30, 2019, we entered leases totaling approximately 0.8 million and 2.2 million rentable square feet, respectively, including lease renewals of approximately 0.7 million and 1.8 million rentable square feet, respectively, and new leases of approximately 0.1 million and 0.3 million rentable square feet, respectively. The weighted (by rentable square feet) average lease term for new and renewal leases entered during the three and nine months ended September 30, 2019 was 12.7 and 9.1 years, respectively.

During the three and nine months ended September 30, 2019, changes in effective rental rates per square foot achieved for new leases and lease renewals at our properties that commenced during the three and nine months ended September 30, 2019, when compared to prior effective rental rates per square foot in effect for the same space (and excluding space acquired vacant), were as follows (square feet in thousands):

	Three Months Ended September 30, 2019			Nine Months Ended September 30, 2019		
	Old Effective Rent Per Square Foot (1)	New Effective Rent Per Square Foot (1)	Rentable Square Feet	Old Effective Rent Per Square Foot (1)	New Effective Rent Per Square Foot (1)	Rentable Square Feet
New leases	$ 33.30	$ 31.12	93	$ 32.44	$ 31.98	207
Lease renewals	$ 23.99	$ 25.29	651	$ 30.61	$ 32.48	1,840
Total leasing activity	$ 25.15	$ 26.02	744	$ 30.79	$ 32.43	2,047

(1) Effective rental rate includes contractual base rents from our tenants pursuant to our lease agreements, plus straight line rent adjustments and estimated expense reimbursements to be paid to us, and excluding lease value amortization.

During the three and nine months ended September 30, 2019, commitments made for expenditures, such as tenant improvements and leasing costs, in connection with leasing space at our properties were as follows (square feet in thousands):

	Three Months Ended September 30, 2019		
	New Leases	Renewals	Total
Rentable square feet leased	95	664	759
Tenant leasing costs and concession commitments (1)	$ 8,275	$ 9,292	$ 17,567
Tenant leasing costs and concession commitments per rentable square foot (1)	$ 87.46	$ 13.98	$ 23.14
Weighted (by square feet) average lease term (years)	9.2	13.2	12.7
Total leasing costs and concession commitments per rentable square foot per year (1)	$ 9.52	$ 1.06	$ 1.82

	Nine Months Ended September 30, 2019		
	New Leases	Renewals	Total
Rentable square feet leased	338	1,817	2,155
Tenant leasing costs and concession commitments (1)	$ 30,575	$ 31,173	$ 61,748
Tenant leasing costs and concession commitments per rentable square foot (1)	$ 90.60	$ 17.15	$ 28.65
Weighted (by square feet) average lease term (years)	8.6	9.2	9.1
Total leasing costs and concession commitments per rentable square foot per year (1)	$ 10.51	$ 1.86	$ 3.14

(1) Includes commitments made for leasing expenditures and concessions, such as tenant improvements, leasing commissions, tenant reimbursements and free rent.

During the three and nine months ended September 30, 2019 and 2018, amounts capitalized at our properties for tenant improvements, leasing costs, building improvements and development and redevelopment activities were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Tenant improvements (1)	$ 8,749	$ 2,293	$ 20,784	$ 8,990
Leasing costs (2)	7,139	1,831	21,224	5,443
Building improvements (3)	11,180	6,707	22,805	13,462
Recurring capital expenditures	27,068	10,831	64,813	27,895
Development, redevelopment and other activities (4)	1,206	664	2,391	2,814
Total capital expenditures	$ 28,274	$ 11,495	$ 67,204	$ 30,709

(1) Tenant improvements include capital expenditures used to improve tenants’ space or amounts paid directly to tenants to improve their space.
(2) Leasing costs include leasing related costs, such as brokerage commissions and other tenant inducements.
(3) Building improvements generally include expenditures to replace obsolete building components and expenditures that extend the useful life of existing assets.
(4) Development, redevelopment and other activities generally include capital expenditure projects that reposition a property or result in new sources of revenue.

As of September 30, 2019, we have estimated unspent leasing related obligations of $56,494.

As of September 30, 2019, we had leases at our properties totaling approximately 2.8 million rentable square feet that were scheduled to expire through September 30, 2020. As of October 31, 2019, tenants with leases totaling approximately 0.6 million rentable square feet that are scheduled to expire through September 30, 2020, have notified us that they do not plan to renew their leases upon expiration and we cannot be sure as to whether other tenants may or may not renew their leases upon expiration. Based upon current market conditions and tenant negotiations for leases scheduled to expire through September 30, 2020, we expect that the rental rates we are likely to achieve on new or renewed leases for space under leases expiring through September 30, 2020 will, in the aggregate and on a weighted (by annualized revenues) average basis, be approximately equivalent to the rates currently being paid, thereby generally resulting in unchanged rent from the same space. We cannot be sure of the rental rates which will result from our ongoing negotiations regarding lease renewals or any new or renewed leases we may enter; also, we may experience material declines in our rental income due to vacancies upon lease expirations or early terminations. Prevailing market conditions and government and other tenants' needs at the time we negotiate and enter leases or lease renewals will generally determine rental rates and demand for leased space at our properties, and market conditions and our other tenants' needs are beyond our control. Whenever we extend, renew or enter into new leases for our properties, we intend to seek rents which are equal to or higher than our historical rents for the same properties; however, our ability to maintain or increase the rents for our current properties will depend in large part upon market conditions, which are beyond our control.

As shown below, approximately 5.9% of our total rented square feet and approximately 7.3% of our total annualized rental income as of September 30, 2019 are from leases scheduled to expire by December 31, 2019. As of September 30, 2019, lease expirations at our properties by year are as follows (square feet in thousands):

Year (1)	Number of Leases Expiring	Leased Square Feet Expiring (2)	Percent of Total	Cumulative Percent of Total	Annualized Rental Income Expiring	Percent of Total	Cumulative Percent of Total
2019	44	1,496	5.9%	5.9%	$ 46,666	7.3%	7.3%
2020	63	1,297	5.1%	11.0%	34,348	5.4%	12.7%
2021	67	1,863	7.3%	18.3%	43,300	6.8%	19.5%
2022	88	2,360	9.3%	27.6%	60,888	9.5%	29.0%
2023	66	2,688	10.6%	38.2%	71,043	11.1%	40.1%
2024	60	3,741	14.7%	52.9%	96,366	15.1%	55.2%
2025	36	2,017	7.9%	60.8%	43,607	6.8%	62.0%
2026	29	1,844	7.2%	68.0%	48,403	7.6%	69.6%
2027	32	2,073	8.1%	76.1%	51,656	8.1%	77.7%
2028 and thereafter	58	6,093	23.9%	100.0%	142,232	22.3%	100.0%
Total	543	25,472	100.0%		$ 638,509	100.0%	
Weighted average remaining lease term (in years)		6.0			5.7		

(1) The year of lease expiration is pursuant to current contract terms. Some tenants have the right to vacate their space before the stated expirations of their leases. As of September 30, 2019, tenants occupying approximately 10.0% of our rentable square feet and responsible for approximately 6.0% of our annualized rental income as of September 30, 2019 currently have exercisable rights to terminate their leases before the stated terms of their leases expire. Also, in 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2030 and 2034, early termination rights become exercisable by other tenants who currently occupy an additional approximately 0.2%, 5.1%, 1.4%, 2.3%, 0.9%, 1.0%, 1.9%, 0.9%, 0.5%, 1.0%, 0.5% and 0.1% of our rentable square feet, respectively, and contribute an additional approximately 0.2%, 6.5%, 1.6%, 2.2%, 1.1%, 1.5%, 3.3%, 1.1%, 0.6%, 1.1%, 0.5% and 0.0% of our annualized rental income, respectively, as of September 30, 2019. In addition, as of September 30, 2019, 16 of our tenants currently have exercisable rights to terminate their leases if the legislature or other funding authority does not appropriate rent amounts in their respective annual budgets. These 16 tenants occupy approximately 5.1% of our rentable square feet and contribute approximately 5.3% of our annualized rental income as of September 30, 2019.

(2) Leased square feet is pursuant to leases existing as of September 30, 2019, 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 feet measurements are subject to changes when space is remeasured or reconfigured for new tenants.

We generally will seek to renew or extend the terms of leases in our single tenant properties when they expire. Because of the capital many of the tenants in these properties have invested in the properties and because many of these properties appear to be of strategic importance to the tenants' businesses, we believe that it is likely that these tenants will renew or extend their leases prior to when they expire. If we are unable to extend or renew our leases, it may be time consuming and expensive to relet some of these properties.

We believe that current government budgetary methodology, spending priorities and the current U.S. presidential administration's views on the size and scope of government employment have resulted in a decrease in government employment. Furthermore, for the past five years, government tenants have reduced their space utilization per employee and consolidated government tenants into existing government owned properties. This activity has reduced the demand for government leased space. Our historical experience with respect to properties of the type we own that are majority leased to government tenants has been that government tenants frequently renew leases to avoid the costs and disruptions that may result from relocating their operations. However, efforts to reduce space utilization rates may result in our tenants exercising early termination rights under our leases, vacating our properties upon expiration of our leases in order to relocate, or renewing their leases for less space than they currently occupy. Also, our government tenants' desires to reconfigure leased office space to reduce utilization per employee may require us to spend significant amounts for tenant improvements, and tenant relocations have become more prevalent than our past experiences in instances where efforts by government tenants to reduce their space utilization require a significant reconfiguration of currently leased space. Increasing uncertainty with respect to government agency budgets and funding to implement relocations, consolidations and reconfigurations recently has resulted in delayed decisions by some of our government tenants and their reliance on short term lease renewals. We believe the reduction in government tenant space utilization and the consolidation of government tenants into government owned real estate is substantially complete; however, these activities may impact us for some time into the future. At present, we are unable to reasonably project what the financial impact of market conditions or changing government circumstances will be on our financial results for future periods.

As of September 30, 2019, we derive 24.6% of our annualized rental income from our properties located in the metropolitan Washington, D.C. market area, which includes Washington, D.C., Northern Virginia and suburban Maryland. A downturn in economic conditions in this area could result in reduced demand from tenants for our properties or reduce the rents that our tenants in this area are willing to pay when our leases expire or terminate and when renewal or new terms are negotiated. Additionally, in recent years there has been a decrease in demand for new leased space by the U.S. Government in the metropolitan Washington, D.C. market area, and that could increase competition for government tenants and adversely affect our ability to retain government tenants when our leases expire.

Our manager, RMR LLC, employs a tenant review process for us. RMR LLC assesses tenants on an individual basis and does not employ a standardized set of credit criteria. In general, depending on facts and circumstances, RMR LLC evaluates the creditworthiness of a tenant based on information concerning the tenant that is provided by the tenant and, in some cases, information that is publicly available or obtained from third party sources. RMR LLC also often uses a third party service to monitor the credit ratings of debt securities of our existing tenants whose debt securities are rated by a nationally recognized credit rating agency. 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. As of September 30, 2019, tenants contributing 54.6% 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 9.3% of annualized rental income were subsidiaries of an investment grade rated parent (although these parent entities were not liable for the payment of rents).

As of September 30, 2019, tenants representing 1% or more of our total annualized rental income were as follows:

	Tenant	Credit Rating	Annualized Rental Income	% of Total Annualized Rental Income
1	U.S. Government	Investment Grade	$ 164,864	25.8%
2	State of California	Investment Grade	19,040	3.0%
3	Shook, Hardy & Bacon L.L.P.	Not Rated	18,854	3.0%
4	Bank of America Corporation	Investment Grade	16,604	2.6%
5	F5 Networks, Inc.	Not Rated	14,416	2.3%
6	Noble Energy, Inc.	Investment Grade	14,149	2.2%
7	WestRock Company	Investment Grade	12,843	2.0%
8	CareFirst Inc.	Non Investment Grade	11,619	1.8%
9	Northrop Grumman Corporation	Investment Grade	11,346	1.8%
10	Tyson Foods, Inc.	Investment Grade	10,253	1.6%
11	Technicolor SA	Non Investment Grade	10,034	1.6%
12	Commonwealth of Massachusetts	Investment Grade	9,693	1.5%
13	Micro Focus International plc	Non Investment Grade	8,710	1.4%
14	CommScope Holding Company, Inc.	Non Investment Grade	7,931	1.2%
15	PNC Bank	Investment Grade	6,897	1.1%
16	State of Georgia	Investment Grade	6,790	1.0%
	Total		$ 344,043	53.9%

Disposition Activities

During the nine months ended September 30, 2019, we sold 47 properties with a combined 4.6 million rentable square feet for an aggregate sales price of $584.9 million, excluding closing costs. In October 2019, we sold three properties with a combined 0.2 million rentable square feet for an aggregate sales price of $10.8 million, excluding closing costs. As of October 31, 2019, we have entered into agreements to sell an additional 10 properties containing a combined 0.9 million rentable square feet for an aggregate sales price of $135.9 million, excluding closing costs.

In addition, we are currently marketing an additional eight properties with approximately 0.9 million rentable square feet, including two properties with approximately 0.3 million rentable square feet classified as held for sale as of September 30, 2019, and expect to enter into agreements to sell these properties by the end of 2019. Upon completion of these dispositions, we expect to turn our attention to accretively growing our property portfolio. We cannot be sure we will sell any properties we are marketing for prices in excess of their carrying values or otherwise. In addition, our pending sales are subject to conditions; accordingly, we cannot be sure that we will complete these sales or that these sales will not be delayed or their terms will not change.

For more information about our disposition activities, please see Note 4 to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Acquisition Activities

In July 2019, we entered into an agreement to acquire a land parcel near one of our properties located in Boston, MA for $2.9 million, excluding acquisition related costs.

Financing Activities

In March 2019, we repaid at maturity, at par plus accrued interest, a mortgage note secured by one property with an outstanding principal balance of $7.9 million using cash on hand.

During the nine months ended September 30, 2019, we repaid, without penalty, (i) the remaining principal balance outstanding on our $250.0 million unsecured term loan due in 2022 and (ii) the remaining principal balance outstanding on our $300.0 million unsecured term loan due in 2020 using cash on hand, proceeds from property sales and proceeds from the sale of our shares of class A common stock of RMR Inc.

On July 1, 2019, we sold all of the shares of class A common stock of RMR Inc. we owned in an underwritten public offering at a price to the public of $40.00 per share pursuant to an underwriting agreement among us, RMR Inc., certain other REITs managed by RMR LLC that also sold their class A common stock of RMR Inc. in the offering, and the underwriters named therein. We received net proceeds of $104.7 million from this sale, after deducting underwriting discounts and commissions and other offering expenses, that we used to repay amounts under our unsecured term loan due in 2020.

On July 15, 2019, we redeemed, at par plus accrued interest, all $350.0 million of our 3.75% senior unsecured notes due 2019 using cash on hand and borrowings under our revolving credit facility.

Segment Information

We operate in one business segment: ownership of real estate properties.

RESULTS OF OPERATIONS ***(amounts in thousands, except per share amounts)***

Three Months Ended September 30, 2019, Compared to Three Months Ended September 30, 2018

	Comparable Properties Results (1) Three Months Ended September 30,				Acquired Properties Results (2) Three Months Ended September 30,		Disposed Properties Results (3) Three Months Ended September 30,		Consolidated Results Three Months Ended September 30,			
	2019	2018	$ Change	% Change	2019	2018	2019	2018	2019	2018	$ Change	% Change
Rental income	$ 87,240	$ 88,439	$ (1,199)	(1.4%)	$ 77,000	$ —	$ 3,171	$ 17,663	$ 167,411	$ 106,102	$ 61,309	57.8%
Operating expenses:												
Real estate taxes	10,968	10,276	692	6.7%	7,605	—	251	1,796	18,824	12,072	6,752	55.9%
Utility expenses	6,328	6,940	(612)	(8.8%)	3,090	—	100	843	9,518	7,783	1,735	22.3%
Other operating expenses	19,820	19,001	819	4.3%	10,204	—	352	2,784	30,376	21,785	8,591	39.4%
Total operating expenses	37,116	36,217	899	2.5%	20,899	—	703	5,423	58,718	41,640	17,078	41.0%
Net operating income (4)	$ 50,124	$ 52,222	$ (2,098)	(4.0%)	$ 56,101	$ —	$ 2,468	$ 12,240	108,693	64,462	44,231	68.6%
Other expenses:												
Depreciation and amortization									74,939	42,569	32,370	76.0%
Loss on impairment of real estate									8,521	—	8,521	nm
Acquisition and transaction related costs									—	3,813	(3,813)	(100.0%)
General and administrative									7,990	22,383	(14,393)	(64.3%)
Total other expenses									91,450	68,765	22,685	33.0%
Gain on sale of real restate									11,463	—	11,463	nm
Dividend income									—	304	(304)	(100.0%)
Gain on equity securities									—	17,425	(17,425)	(100.0%)
Interest income									358	140	218	155.7%
Interest expense									(32,367)	(23,374)	(8,993)	38.5%
Loss on early extinguishment of debt									(284)	—	(284)	nm
Loss from continuing operations before income tax expense and equity in net income (loss) of investees									(3,587)	(9,808)	6,221	nm
Income tax expense									(156)	(9)	(147)	nm
Equity in net income (loss) of investees									(196)	94	(290)	(308.5%)
Loss from continuing operations									(3,939)	(9,723)	5,784	nm
Income from discontinued operations									—	9,274	(9,274)	(100.0%)
Net loss									(3,939)	(449)	(3,490)	nm
Preferred units of limited partnership distributions									—	—	—	nm
Net loss available for common shareholders									$ (3,939)	$ (449)	$ (3,490)	nm
Weighted average common shares outstanding (basic)									48,073	24,768	23,305	94.1%
Weighted average common shares outstanding (diluted)									48,073	24,768	23,305	94.1%
Per common share amounts (basic and diluted):												
Loss from continuing operations									$ (0.08)	$ (0.39)	$ 0.31	(79.5%)
Income from discontinued operations									$ —	$ 0.37	$ (0.37)	(100.0%)
Net loss available for common shareholders									$ (0.08)	$ (0.02)	$ (0.06)	300.0%

(1) Comparable properties consist of 109 properties we owned continuously since July 1, 2018.

(2) Acquired properties consist of 91 properties we acquired since July 1, 2018 and which we owned as of September 30, 2019. On December 31, 2018, we acquired these properties in connection with the Merger.

(3) Disposed properties consist of 47 properties we sold during the nine months ended September 30, 2019 and 16 properties we sold during the period from July 1, 2018 to December 31, 2018.

(4) Our definition of Property NOI and our reconciliation of net income (loss) available for common shareholders to Property NOI are included below under the heading "Non-GAAP Financial Measures."

We refer to the 109 properties we owned continuously since July 1, 2018 as the comparable properties. We refer to the 91 properties we acquired during the period from July 1, 2018 to September 30, 2019 as the acquired properties. We refer to the 63 properties we sold during the period from July 1, 2018 to September 30, 2019 as the disposed properties.

Our condensed consolidated statements of comprehensive income (loss) for the three months ended September 30, 2019 include the operating results of the acquired properties for the entire period, as we acquired those properties on December 31, 2018 in connection with the Merger, include the operating results of nine of the disposed properties for less than the entire period, as we sold those properties during the three months ended September 30, 2019, and exclude the operating results of 54 of the disposed properties, as we sold those properties prior to July 1, 2019. Our condensed consolidated statements of comprehensive income (loss) for the three months ended September 30, 2018 exclude the operating results of the acquired properties for the entire period, as we acquired those properties after September 30, 2018 and include the operating results of 63 of the disposed properties for the entire period as we sold those properties after September 30, 2018.

References to changes in the income and expense categories below relate to the comparison of consolidated results for the three month period ended September 30, 2019, compared to the three month period ended September 30, 2018.

Rental income. The increase in rental income reflects an increase in rental income associated with the acquired properties, partially offset by a decrease in rental income from the comparable properties and the disposed properties. Rental income for the comparable properties declined $1,199 primarily due to reductions in occupied space at certain of our properties. Rental income increased $77,000 as a result of the acquired properties. Rental income declined $14,492 as a result of the disposed properties. Rental income includes non-cash straight line rent adjustments totaling $6,904 in the 2019 period and $1,990 in the 2018 period, and amortization of acquired leases and assumed lease obligations totaling $(35) in the 2019 period and $(773) in the 2018 period.

Real estate taxes. The increase in real estate taxes reflects an increase in real estate taxes associated with the acquired properties and the comparable properties, partially offset by a decrease in real estate taxes for the disposed properties. Real estate taxes for the comparable properties increased $692 due primarily to the effect of higher real estate tax rates and valuation assessments at four properties, as well as real estate tax refunds received for two properties in the 2018 period. Real estate taxes increased $7,605 as a result of the acquired properties. Real estate taxes declined $1,545 as a result of the disposed properties.

Utility expenses. The increase in utility expenses reflects an increase in utility expenses associated with the acquired properties, partially offset by a decrease in utility expenses for the comparable properties and the disposed properties. Utility expenses at the comparable properties decreased $612 primarily due to a decrease in electricity and water usage as a result of energy savings initiatives at certain of our properties during the 2019 period. Utility expenses increased $3,090 as a result of the acquired properties. Utility expenses declined $743 as a result of the disposed properties.

Other operating expenses. Other operating expenses consist of salaries and benefit costs of property level personnel, repairs and maintenance expense, cleaning expense, other direct costs of operating our properties and property management fees. The increase in other operating expenses reflects an increase in other operating expenses associated with the acquired properties as well as an increase at the comparable properties, partially offset by a decrease in other operating expenses for the disposed properties. Other operating expenses increased $10,204 as a result of the acquired properties and were partially offset by the impact of a $2,432 decrease as a result of the disposed properties. Other operating expenses increased $819 at the comparable properties primarily as a result of increased repairs and maintenance costs during the 2019 period.

Depreciation and amortization. The increase in depreciation and amortization reflects the effect of the acquired properties, partially offset by the effect of certain assets of the comparable properties becoming fully depreciated and the disposed properties. Depreciation and amortization increased $42,992 as a result of the acquired properties. Depreciation and amortization at the comparable properties decreased $3,088 due primarily to certain leasing related assets becoming fully depreciated after July 1, 2018, partially offset by depreciation and amortization of improvements made to certain of our properties after July 1, 2018. Depreciation and amortization declined $7,534 as a result of the disposed properties.

Loss on impairment of real estate. We recorded a $6,342 loss on impairment of real estate in the 2019 period to reduce the carrying value of eight properties to their estimated fair value less costs to sell and a $2,179 loss on impairment of real estate related to the disposal of one property in the 2019 period.

Acquisition and transaction related costs. Acquisition and transaction related costs in the 2018 period include costs incurred in connection with the Merger and other related transactions.

General and administrative. General and administrative expenses consist of fees pursuant to our business management agreement, equity compensation expense, legal and accounting fees, Trustees' fees and expenses, securities listing and transfer agency fees and other costs relating to our status as a publicly traded company. The decrease in general and administrative expenses primarily reflects $16,236 in estimated incentive business management fees recorded during the 2018 period, partially offset by an increase in business management fees as a result of the Merger.

Gain on sale of real estate. We recorded an $11,463 gain on the sale of real estate resulting from the sale of two properties during the three months ended September 30, 2019.

Dividend income. Dividend income for the 2018 period consists of dividends received from our former investment in RMR Inc. We sold our investment in RMR Inc. on July 1, 2019.

Gain on equity securities. Gain on equity securities in the 2018 period represents the unrealized gain to adjust our former investment in RMR Inc. to its fair value.

Interest income. The increase in interest income is primarily the result of higher cash balances in the 2019 period compared to the 2018 period.

Interest expense. The increase in interest expense reflects higher average outstanding debt balances primarily as a result of the debt assumed in conjunction with the Merger, higher weighted average interest rates on borrowings during the 2019 period compared to the 2018 period, partially offset by the redemption of our senior unsecured notes in July 2019.

Loss on early extinguishment of debt. We recorded a loss on early extinguishment of debt of $284 in the 2019 period from the write-off of unamortized debt issuance costs and discounts associated with the repayments of our unsecured term loan and redemption of our senior unsecured notes due in 2019.

Income tax expense. Income tax expense increased as a result of the acquired properties, reflecting higher operating income in certain jurisdictions in the 2019 period that is subject to state income taxes.

Equity in net income (loss) of investees. Equity in net income (loss) of investees represents our proportionate share of earnings and losses from our investments in AIC and two unconsolidated joint ventures.

Income from discontinued operations. Income from discontinued operations in the 2018 period consists of our proportionate share of earnings from our former equity method investment in SIR. See Note 12 to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for further information about our former equity method investment in SIR.

Weighted average common shares outstanding. The increase in weighted average common shares outstanding primarily reflects shares that were outstanding for part or all of the quarter ended September 30, 2019, but not outstanding for any of the corresponding 2018 period, including shares issued in connection with the Merger on December 31, 2018.

Net loss and net loss available for common shareholders. Our net loss, net loss available for common shareholders and net loss available for common shareholders per basic and diluted common share increased in the 2019 period compared to the 2018 period primarily as a result of the changes noted above.

RESULTS OF OPERATIONS ***(amounts in thousands, except per share amounts)***

Nine Months Ended September 30, 2019, Compared to Nine Months Ended September 30, 2018

	Comparable Properties Results (1) Nine Months Ended September 30,				Acquired Properties Results (2) Nine Months Ended September 30,		Disposed Properties Results (3) Nine Months Ended September 30,		Consolidated Results Nine Months Ended September 30,			
	2019	2018	$ Change	% Change	2019	2018	2019	2018	2019	2018	$ Change	% Change
Rental income	$ 260,931	$ 266,620	$ (5,689)	(2.1%)	$ 235,577	$ —	$ 21,712	$ 56,284	$ 518,220	$ 322,904	$ 195,316	60.5%
Operating expenses:												
Real estate taxes	31,803	31,072	731	2.4%	21,580	—	1,980	6,330	55,363	37,402	17,961	48.0%
Utility expenses	17,335	18,159	(824)	(4.5%)	8,136	—	898	2,331	26,369	20,490	5,879	28.7%
Other operating expenses	57,611	55,978	1,633	2.9%	29,657	—	2,936	10,243	90,204	66,221	23,983	36.2%
Total operating expenses	106,749	105,209	1,540	1.5%	59,373	—	5,814	18,904	171,936	124,113	47,823	38.5%
Net operating income (4)	$ 154,182	$ 161,411	$ (7,229)	(4.5%)	$ 176,204	$ —	$ 15,898	$ 37,380	346,284	198,791	147,493	74.2%
Other expenses:												
Depreciation and amortization									226,373	129,444	96,929	74.9%
Loss on impairment of real estate									14,105	5,800	8,305	143.2%
Acquisition and transaction related costs									682	3,813	(3,131)	(82.1%)
General and administrative									25,457	36,438	(10,981)	(30.1%)
Total other expenses									266,617	175,495	91,122	51.9%
Gain on sale of real estate									33,538	17,329	16,209	93.5%
Dividend income									1,960	912	1,048	114.9%
Gain (loss) on equity securities, net									(44,007)	40,677	(84,684)	(208.2%)
Interest income									847	405	442	109.1%
Interest expense									(104,848)	(69,444)	(35,404)	51.0%
Loss on early extinguishment of debt									(769)	—	(769)	nm
Income (loss) from continuing operations before income tax expense and equity in net losses of investees									(33,612)	13,175	(46,787)	(355.1%)
Income tax expense									(509)	(124)	(385)	310.5%
Equity in net losses of investees									(573)	(1,112)	539	(48.5%)
Income (loss) from continuing operations									(34,694)	11,939	(46,633)	(390.6%)
Income from discontinued operations									—	23,872	(23,872)	(100.0%)
Net income (loss)									(34,694)	35,811	(70,505)	(196.9%)
Preferred units of limited partnership distributions									—	(371)	371	(100.0)%
Net income (loss) available for common shareholders									$ (34,694)	$ 35,440	$ (70,134)	(197.9%)
Weighted average common shares outstanding (basic)									48,051	24,764	23,287	94.0%
Weighted average common shares outstanding (diluted)									48,051	24,769	23,282	94.0%
Per common share amounts (basic and diluted):												
Income (loss) from continuing operations									$ (0.72)	$ 0.47	$ (1.19)	(253.2%)
Income from discontinued operations									$ —	$ 0.96	$ (0.96)	(100.0%)
Net income (loss) available for common shareholders									$ (0.72)	$ 1.43	$ (2.15)	(150.3%)

(1) Comparable properties consist of 109 properties we owned continuously since January 1, 2018.
(2) Acquired properties consist of 91 properties we acquired since January 1, 2018. On December 31, 2018, we acquired these properties in connection with the Merger.
(3) Disposed properties consist of 47 properties we sold during the nine months ended September 30, 2019 and 19 properties we sold during 2018.
(4) Our definition of Property NOI and our reconciliation of net income (loss) available for common shareholders to Property NOI are included below under the heading “Non-GAAP Financial Measures."

We refer to the 109 properties we owned continuously since January 1, 2018 as the comparable properties. We refer to the 91 properties we acquired during the period from January 1, 2018 to September 30, 2019 as the acquired properties. We refer to the 66 properties we sold during the period from January 1, 2018 to September 30, 2019 as the disposed properties.

Our condensed consolidated statements of comprehensive income (loss) for the nine months ended September 30, 2019 include the operating results of the acquired properties for the entire period, as we acquired those properties on December 31, 2018 in connection with the Merger, include the operating results of 47 of the disposed properties for less than the entire period, as we sold those properties during the nine months ended September 30, 2019, and exclude the operating results of 19 of the disposed properties, as we sold those properties prior to January 1, 2019. Our condensed consolidated statements of comprehensive income (loss) for the nine months ended September 30, 2018 exclude the operating results of the acquired properties for the entire period, as we acquired those properties after September 30, 2018, include the operating results of 63 of the disposed properties for the entire period as we sold those properties after September 30, 2018 and include the operating results of three disposed properties for less than the entire period as we sold these properties during the nine months ended September 30, 2018.

References to changes in the income and expense categories below relate to the comparison of consolidated results for the nine months ended September 30, 2019, compared to the nine month period ended September 30, 2018.

Rental income. The increase in rental income reflects an increase in rental income associated with the acquired properties, partially offset by a decrease in rental income from the comparable properties and the disposed properties. Rental income for the comparable properties declined $5,689 primarily due to reductions in occupied space at certain of our properties. Rental income increased $235,577 as a result of the acquired properties, which includes $7,642 of termination fee revenue recorded for a single tenant at one property during the three months ended June 30, 2019. Rental income declined $34,572 as a result of the disposed properties. Rental income includes non-cash straight line rent adjustments totaling $19,365 in the 2019 period and $7,825 in the 2018 period, and amortization of acquired leases and assumed lease obligations totaling $(2,628) in the 2019 period and $(2,361) in the 2018 period.

Real estate taxes. The increase in real estate taxes reflects an increase in real estate taxes associated with the acquired properties and the comparable properties, partially offset by a decrease in real estate taxes for the disposed properties. Real estate taxes for the comparable properties increased $731 due primarily to the effect of higher real estate tax rates and valuation assessments at certain of our properties in the 2019 period. Real estate taxes increased $21,580 as a result of the acquired properties. Real estate taxes declined $4,350 as a result of the disposed properties.

Utility expenses. The increase in utility expenses reflects an increase in utility expenses associated with the acquired properties, partially offset by a decrease in utility expenses for the comparable properties and the disposed properties. Utility expenses at comparable properties decreased $824 primarily due to a decrease in electricity and water usage as a result of energy savings initiatives at certain of our properties during the 2019 period. Utility expenses increased $8,136 as a result of the acquired properties. Utility expenses declined $1,433 as a result of the disposed properties.

Other operating expenses. The increase in other operating expenses reflects an increase in other operating expenses associated with the acquired properties as well as an increase at the comparable properties, partially offset by a decrease in other operating expenses for the disposed properties. Other operating expenses at the comparable properties increased $1,633 primarily as a result of higher snow removal and increased repairs and maintenance costs during the 2019 period. Other operating expenses increased $29,657 as a result of the acquired properties. Other operating expenses declined $7,307 as a result of the disposed properties.

Depreciation and amortization. The increase in depreciation and amortization reflects the effect of the acquired properties and the effect of improvements made to certain of the comparable properties, partially offset by the effect of certain assets becoming fully depreciated and the disposed properties. Depreciation and amortization increased $125,538 as a result of the acquired properties. Depreciation and amortization at the comparable properties decreased $8,288 due primarily to certain leasing related assets becoming fully depreciated after January 1, 2018, partially offset by depreciation and amortization of improvements made to certain of our properties after January 1, 2018. Depreciation and amortization declined $20,321 as a result of the disposed properties.

Loss on impairment of real estate. During the nine months ended September 30, 2019, we recorded aggregate losses of $11,479 to reduce the carrying value of nine properties to their estimated fair value less costs to sell, as well as aggregate losses on impairment of real estate of $2,626 related to the disposal of 35 properties. We recorded a $5,800 loss on impairment of real estate in the 2018 period to reduce the carrying value of three properties to their estimated fair value less costs to sell.

Acquisition and transaction related costs. Acquisition and transaction related costs include costs incurred in connection with the Merger and other related transactions, including certain post-merger activity costs incurred in the 2019 period. For further information regarding the Merger and other related transactions, see Note 4 to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

General and administrative. The decrease in general and administrative expenses primarily reflects $16,973 in estimated incentive business management fees recorded during the 2018 period, partially offset by increases in business management fees as a result of the Merger and increased equity compensation expenses.

Gain on sale of real estate. We recorded aggregate gains of $33,538 on the sale of real estate in 2019 resulting from the sale of three properties in the 2019 period. We recorded a $17,329 gain on the sale of real estate in 2018 resulting from the sale of one property in the 2018 period.

Dividend income. The increase in dividend income in the 2019 period is a result of the additional shares of class A common stock of RMR Inc. SIR owned which we acquired as result of the Merger and a higher dividend rate paid by RMR Inc., partially offset by the sale of our investment in RMR Inc. common stock on July 1, 2019. As a result of this sale, we did not record dividend income during the three months ended September 30, 2019.

Gain (loss) on equity securities, net. Gain (loss) on equity securities, net represents a realized loss in the 2019 period for the sale of our 2.8 million shares of class A common stock of RMR Inc. on July 1, 2019, and an unrealized gain in the 2018 period to adjust our former investment in RMR Inc. to its fair value.

Interest income. The increase in interest income is primarily the result of higher cash balances in the 2019 period compared to the 2018 period.

Interest expense. The increase in interest expense reflects higher average outstanding debt balances primarily as a result of the debt assumed in conjunction with the Merger and higher weighted average interest rates during the 2019 period compared to the 2018 period, partially offset by the redemption of our senior unsecured notes in July 2019.

Loss on early extinguishment of debt. We recorded a loss on early extinguishment of debt of $769 in the 2019 period from the write-off of unamortized debt issuance costs and discounts associated with the repayments of our unsecured term loans and redemption of our senior unsecured notes due in 2019.

Income tax expense. Income tax expense increased as a result of the acquired properties, reflecting higher operating income in certain jurisdictions in the 2019 period that is subject to state income taxes.

Equity in net losses of investees. Equity in net losses of investees represents our proportionate share of earnings and losses from our investments in AIC and two unconsolidated joint ventures.

Income from discontinued operations. Income from discontinued operations in the 2018 period consists of our proportionate share of earnings from our former equity method investment in SIR. See Note 12 to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, for further information about our former equity method investment in SIR.

Preferred units of limited partnership distributions. Preferred units of limited partnership distributions in the 2018 period represent distributions to the holders of the previously outstanding 5.5% Series A Cumulative Preferred Units of one of our subsidiaries.

Weighted average common shares outstanding. The increase in weighted average common shares outstanding primarily reflects shares that were outstanding for part or all of the nine months ended September 30, 2019, but not outstanding for any of the corresponding 2018 period, including shares issued in connection with the Merger on December 31, 2018.

Net income (loss) and net income (loss) available for common shareholders. Our net income (loss), net income (loss) available for common shareholders and net income (loss) available for common shareholders per basic and diluted common share decreased in the 2019 period compared to the 2018 period primarily as a result of the changes noted above.

Non-GAAP Financial Measures

We present certain "non-GAAP financial measures" within the meaning of applicable Securities and Exchange Commission, or SEC, rules, including the calculations below of Property net operating income, or NOI, as well as funds from operations, or FFO, available for common shareholders, normalized funds from operations, or Normalized FFO, available for common shareholders, for the three and nine months ended September 30, 2019 and 2018. These measures do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to income (loss) from continuing operations, net income (loss) or net income (loss) available for common shareholders as indicators of our operating performance or as measures of our liquidity. These measures should be considered in conjunction with income (loss) from continuing operations, net income (loss) and net income (loss) available for common shareholders as presented in our condensed consolidated statements of comprehensive income (loss). We consider these non-GAAP measures to be appropriate supplemental measures of operating performance for a REIT, along with income (loss) from continuing operations, net income (loss) and net income (loss) available for common shareholders. 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, 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 Net Operating Income

The calculation of Property NOI excludes certain components of net income (loss) available for common shareholders in order to provide results that are more closely related to our property level results of operations. We calculate Property NOI as shown below. 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 use Property NOI to evaluate individual and company-wide property level performance. Other real estate companies and REITs may calculate Property NOI differently than we do.

The following table presents the reconciliation of net income (loss) available for common shareholders to Property NOI for the three and nine months ended September 30, 2019 and 2018.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income (loss) available for common shareholders	$ (3,939)	$ (449)	$ (34,694)	$ 35,440
Preferred units of limited partnership distributions	—	—	—	371
Net income (loss)	(3,939)	(449)	(34,694)	35,811
Income from discontinued operations	—	(9,274)	—	(23,872)
Income (loss) from continuing operations	(3,939)	(9,723)	(34,694)	11,939
Equity in net (income) loss of investees	196	(94)	573	1,112
Income tax expense	156	9	509	124
Loss on early extinguishment of debt	284	—	769	—
Interest expense	32,367	23,374	104,848	69,444
Interest income	(358)	(140)	(847)	(405)
(Gain) loss on equity securities, net	—	(17,425)	44,007	(40,677)
Dividend income	—	(304)	(1,960)	(912)
Gain on sale of real estate	(11,463)	—	(33,538)	(17,329)
General and administrative	7,990	22,383	25,457	36,438
Acquisition and transaction related costs	—	3,813	682	3,813
Loss on impairment of real estate	8,521	—	14,105	5,800
Depreciation and amortization	74,939	42,569	226,373	129,444
Property NOI	$ 108,693	$ 64,462	$ 346,284	$ 198,791

Funds From Operations Available for Common Shareholders and Normalized Funds From Operations Available for Common Shareholders

We calculate FFO available for common shareholders and Normalized FFO available for common shareholders as shown below. FFO available for common shareholders is calculated on the basis defined by The National Association of Real Estate Investment Trusts, which is net income (loss) available for common shareholders, 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, and the difference between FFO attributable to an equity investment and equity in earnings of SIR included in discontinued operations, but excluding impairment charges on and increases in the carrying value of 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 available for common shareholders, we adjust for the difference between Normalized FFO attributable to an equity investment and FFO attributable to an equity investment and for the other items shown below 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 available for common shareholders and Normalized FFO available for common shareholders 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 available for common shareholders and Normalized FFO available for common shareholders differently than we do.

The following table presents the reconciliation of net income (loss) available for common shareholders to FFO available for common shareholders and Normalized FFO available for common shareholders for the three and nine months ended September 30, 2019 and 2018.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income (loss) available for common shareholders	$ (3,939)	$ (449)	$ (34,694)	$ 35,440
Add (less): Depreciation and amortization:				
Consolidated properties	74,939	42,569	226,373	129,444
Unconsolidated joint venture properties	1,397	1,913	4,558	6,283
FFO attributable to Select Income REIT	—	19,012	—	49,914
Loss on impairment of real estate	8,521	—	14,105	5,800
Equity in earnings from Select Income REIT included in discontinued operations	—	(9,253)	—	(23,843)
Gain on sale of real estate	(11,463)	—	(33,538)	(17,329)
(Gain) loss on equity securities, net	—	(17,425)	44,007	(40,677)
FFO available for common shareholders	69,455	36,367	220,811	145,032
Add (less): Acquisition and transaction related costs	—	3,813	682	3,813
Loss on early extinguishment of debt	284	—	769	—
Normalized FFO attributable to Select Income REIT	—	15,584	—	42,482
FFO attributable to Select Income REIT	—	(19,012)	—	(49,914)
Net gain on issuance of shares by Select Income REIT included in discontinued operations	—	(21)	—	(29)
Estimated business management incentive fees	—	16,236	—	16,973
Normalized FFO available for common shareholders	$ 69,739	$ 52,967	$ 222,262	$ 158,357
FFO available for common shareholders per common share (basic and diluted)	$ 1.44	$ 1.47	$ 4.60	$ 5.86
Normalized FFO available for common shareholders per common share (basic and diluted)	$ 1.45	$ 2.14	$ 4.63	$ 6.39

LIQUIDITY AND CAPITAL RESOURCES

Our Operating Liquidity and Resources (dollar amounts in thousands)

Our principal sources of funds to meet operating and capital expenses, pay debt service obligations and make distributions to our shareholders are the operating cash flows we generate as rental income from our properties, net proceeds from property sales and borrowings under our revolving credit facility. We believe that these sources of funds will be sufficient to meet our operating and capital expenses, pay debt service obligations and make distributions to our shareholders for the next 12 months and for the foreseeable future thereafter.

As of December 31, 2018, including certain assets acquired from SIR in the Merger, we had identified approximately $700,000 of assets to be sold by us. As of October 31, 2019, we sold 16 properties for $397,115, we have entered agreements to sell 10 properties for $135,863 and we are actively marketing for sale an additional eight properties. In addition, on July 1, 2019, we sold all of the 2.8 million shares of class A common stock of RMR Inc. we owned, raising net proceeds of $104,674, after deducting underwriting discounts and commissions and other offering expenses. Our future cash flows from operating activities will depend primarily upon:

- our ability to maintain or increase the occupancy of, and the rental rates at, our properties;
- our ability to control operating expenses and capital expenses at our properties;
- our ability to successfully complete our pending property sales and to sell properties that we market for sale; and
- our ability to purchase additional properties which produce cash flows from operations in excess of our cost of acquisition capital and property operating expenses and capital expenses.

Following the Merger, we announced a regular quarterly distribution of $0.55 per common share ($2.20 per common share per year), based on a target payout ratio of 75% of projected cash available for distribution. We determine our distribution payout ratio with consideration for our expected capital expenditures as well as cash flows from operations and debt obligations.

Our future purchases of properties cannot be accurately projected because such purchases depend upon purchase opportunities which come to our attention and our ability to successfully complete the acquisitions. We generally do not intend to purchase “turn around” properties, or properties which do not generate positive cash flows.

Our changes in cash flows for the nine months ended September 30, 2019 compared to the same period in 2018 were as follows: (i) cash flows provided by operating activities increased from $120,165 in the 2018 period to $148,138 in the 2019 period; (ii) cash flows provided by investing activities increased from $126,891 in the 2018 period to $639,768 in the 2019 period; and (iii) cash flows used in financing activities increased from $254,738 in the 2018 period to $793,816 in the 2019 period.

The increase in cash provided by operating activities for the 2019 period as compared to the 2018 period was a result of an increase in property NOI primarily due to the Merger, partially offset by unfavorable changes in working capital in the 2019 period as we paid outstanding liabilities, including $25,817 of the SIR business management incentive fee assumed as a result of the Merger. The increase in cash provided by investing activities in the 2019 period as compared to the 2018 period is primarily due to our receipt of cash proceeds from the sale of 47 properties and the sale of 2.8 million shares of class A common stock of RMR Inc. in the 2019 period. The increase in cash used in financing activities in the 2019 period as compared to the 2018 period is primarily due to an increase in debt repayments, including the repayment of $388,000 of unsecured term loans and $350,000 of senior unsecured notes, partially offset by a decrease in distributions paid to common shareholders in the 2019 period and the redemption of preferred units in the 2018 period.

Our Investment and Financing Liquidity and Resources (dollar amounts in thousands, except per share and per square foot amounts)

In order to fund acquisitions and to meet cash needs that may result from our desire or need to make distributions or pay operating or capital expenses, we maintain a $750,000 revolving credit facility. The maturity date of our revolving credit facility is January 31, 2023 and, subject to our payment of an extension fee and meeting certain other conditions, we have the option to extend the stated maturity date of our revolving credit facility by two additional six month periods. We can borrow, repay and reborrow funds available under our revolving credit facility until maturity, and no principal repayment is due until maturity. We are required to pay interest at a rate of LIBOR plus a premium, which was 110 basis points per annum at September 30, 2019, on the amount outstanding under our revolving credit facility. We also pay a facility fee on the total amount of lending commitments under our revolving credit facility, which was 25 basis points per annum at September 30, 2019. Both the interest rate premium and the facility fee are subject to adjustment based upon changes to our credit ratings. As of September 30, 2019, the annual interest rate payable on borrowings under our revolving credit facility was 3.0%. As of September 30, 2019 and October 31, 2019, we had $210,000 and $185,000, respectively, outstanding under our revolving credit facility, and $540,000 and $565,000, respectively, available for borrowing under our revolving credit facility.

Our revolving credit facility is governed by our credit agreement, which is with a syndicate of institutional lenders, and which also governed our former unsecured term loans:

- During the nine months ended September 30, 2019, we repaid in full our $300,000 term loan, which was scheduled to mature on March 31, 2020, without penalty, using cash on hand, proceeds from property sales and proceeds from the sale of our shares of class A common stock of RMR Inc.
- In February 2019, we repaid in full our $250,000 term loan, which was scheduled to mature on March 31, 2022 and had a principal balance of $88,000 as of December 31, 2018, without penalty, using proceeds from the sale of a property portfolio.

Our credit agreement includes a feature under which the maximum borrowing availability may be increased to up to $1,950,000 in certain circumstances.

Our credit agreement provides that, with certain exceptions, a subsidiary of ours is required to guaranty our obligations under our $750,000 revolving credit facility only if that subsidiary has separately incurred debt (other than nonrecourse debt), within the meaning specified in our credit agreement, or provided a guarantee of debt incurred by us or any of our other subsidiaries.

On July 15, 2019, we redeemed, at par plus accrued interest, our $350,000 senior unsecured notes that had a maturity date in August 2019 using cash on hand and borrowings under our revolving credit facility.

As of September 30, 2019, our debt maturities (other than our revolving credit facility), consisting of senior unsecured notes and mortgage notes, are as follows:

Year	Debt Maturities
2019	$ 1,053
2020	475,707
2021	14,420
2022	625,518
2023 and thereafter	1,270,564
Total	$ 2,387,262

None of our unsecured debt obligations require sinking fund payments prior to their maturity dates. Our $327,262 in mortgage debts, including one mortgage note with an outstanding principal balance of $13,236 classified in liabilities of properties held for sale in our condensed consolidated balance sheet as of September 30, 2019, generally require monthly payments of principal and interest through maturity.

In addition to our debt obligations, as of September 30, 2019, we have estimated unspent leasing related obligations of $56,494.

We currently expect to use cash balances, borrowings under our revolving credit facility, net proceeds from property sales, assumptions of mortgage debt and net proceeds from offerings of equity or debt securities to fund our future operations, capital expenditures, distributions to our shareholders and property acquisitions. When significant amounts are outstanding under our revolving credit facility or the maturities of our indebtedness approach, we expect to explore refinancing alternatives. Such alternatives may include incurring term debt, issuing equity or debt securities, extending the maturity date of our revolving credit facility and entering into a new revolving credit facility. We may assume additional mortgage debt in connection with our acquisitions or elect to place new mortgages on properties we own as a source of financing. We may also seek to participate in additional joint venture or other arrangements that may provide us with additional sources of financing. Although we cannot be sure that we will be successful in consummating any particular type of financing, we believe that we will have access to financing, such as debt and equity offerings, to fund future acquisitions and capital expenditures and to pay our obligations. We currently have an effective shelf registration statement that allows us to issue public securities on an expedited basis, but it does not assure that there will be buyers for such securities.

Our ability to obtain, and the costs of, our future debt financings will depend primarily on credit market conditions and our creditworthiness. We have no control over market conditions. Potential investors and lenders likely will evaluate our ability to pay distributions to shareholders, fund required debt service and repay debts when they become due by reviewing our business practices and plans to balance our use of debt and equity capital so that our financial profile and leverage ratios afford us flexibility to withstand any reasonably anticipated adverse changes. Similarly, our ability to raise equity capital in the future will depend primarily upon equity capital market conditions and our ability to conduct our business to maintain and grow our operating cash flows. We intend to conduct our business in a manner that will afford us reasonable access to capital for investment and financing activities, but we cannot be sure that we will be able to successfully carry out this intention.

In September 2018, following our announcement that we had entered into the Merger Agreement, Standard & Poor's Ratings Services, or S&P, affirmed our credit ratings and revised its outlook on our debt to stable and Moody's Investor Service, or Moody's, affirmed our credit ratings and maintained its negative outlook on our debt. In October 2019, S&P re-affirmed our credit ratings with a stable outlook on our debt. A negative credit rating outlook may imply that our credit ratings may be downgraded unless we are successful in improving the perceived credit quality of our financial profile.

During the nine months ended September 30, 2019, we paid quarterly distributions to our shareholders totaling $79,356 using cash on hand and borrowings under our revolving credit facility. On October 17, 2019, we declared a regular quarterly distribution payable to common shareholders of record on October 28, 2019 of $0.55 per share, or approximately $26,500. We expect to pay this distribution on or about November 14, 2019 using cash on hand and borrowings under our revolving credit facility. For more information regarding the distributions we paid during 2019, please see Note 9 to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Off Balance Sheet Arrangements (dollars in thousands)

We own 50% and 51% interests in two unconsolidated joint ventures which own three properties. The properties owned by these joint ventures are encumbered by an aggregate $82,000 principal amount of mortgage indebtedness. We do not control the activities that are most significant to these joint ventures and, as a result, we account for our investments in these joint ventures under the equity method of accounting. See Note 4 to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on the financial condition and results of operations of these joint ventures. Other than these joint ventures, as of September 30, 2019, we had no off balance sheet arrangements that have had or that we expect would be reasonably likely to have a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Debt Covenants (dollars in thousands)

Our principal debt obligations at September 30, 2019 consisted of borrowings under our $750,000 revolving credit facility, an aggregate outstanding principal amount of $2,060,000 of public issuances of senior unsecured notes and mortgage notes with an aggregate outstanding principal balance of $327,262, including one mortgage note with an outstanding principal balance of $13,236 classified in liabilities of properties held for sale in our condensed consolidated balance sheet, that were assumed in connection with certain of our acquisitions. Also, three properties owned by two joint ventures in which we own 50% and 51% interests secure two additional mortgage notes. Our publicly issued senior unsecured notes are governed by indentures and their supplements. Our credit agreement and senior unsecured notes indentures and their supplements provide for acceleration of payment of all amounts due thereunder upon the occurrence and continuation of certain events of default, such as, in the case of our credit agreement, a change of control of us, which includes RMR LLC ceasing to act as our business and property manager. Our credit agreement and senior unsecured notes indentures and their supplements also contain a number of covenants, including those that restrict our ability to incur debts, including debts secured by mortgages on our properties, in excess of calculated amounts, require us to maintain certain financial ratios and, in the case of our credit agreement, restrict our ability to make distributions to our shareholders under certain circumstances. As of September 30, 2019, we believe we were in compliance with the terms and conditions of our respective covenants under our credit agreement and senior unsecured notes indentures and their supplements. Our mortgage notes are non-recourse, subject to certain limited exceptions, and do not contain any material financial covenants.

Neither our credit agreement nor our senior unsecured notes indentures and their supplements contain provisions for acceleration which could be triggered by our credit ratings. However, under our credit agreement our highest senior credit rating is used to determine the fees and interest rates we pay. Accordingly, if that credit rating is downgraded, our interest expense and related costs under our credit agreement would increase. As noted above, although in September 2018 S&P revised its outlook on our debt to stable, Moody's reaffirmed its negative rating, which may imply that our credit ratings may be downgraded unless we are successful in improving the perceived credit quality of our financial profile.

Our credit agreement has cross default provisions to other indebtedness that is recourse of $25,000 or more and indebtedness that is non-recourse of $50,000 or more. Similarly, our senior unsecured notes indentures and their supplements contain cross default provisions to any other debts of more than $25,000 (or up to $50,000 in certain circumstances).

Related Person Transactions

We have relationships and historical and continuing transactions with RMR LLC, RMR Inc. and others related to them. For example: we have no employees and the personnel and various services we require to operate our business are provided to us by RMR LLC pursuant to our business and property management agreements with RMR LLC; RMR Inc. is the managing member of RMR LLC; Adam Portnoy, one of our Managing Trustees, is the sole trustee, an officer and the controlling shareholder of ABP Trust, which is the controlling shareholder of RMR Inc., a managing director, the president and chief executive officer of RMR Inc. and an officer and employee of RMR LLC; David Blackman, our other Managing Trustee and our President and Chief Executive Officer, also serves as an officer and employee of RMR LLC, and each of our other officers is also an officer and employee of RMR LLC; and, until July 1, 2019 we owned shares of class A common stock of RMR Inc. We have relationships and historical and continuing transactions with other companies to which RMR LLC or its subsidiaries provide management services and some of which have trustees, directors or officers who are also trustees, directors or officers of us, RMR LLC or RMR Inc. For example, on December 31, 2018, SIR, then a REIT managed by RMR LLC, merged with and into our wholly owned subsidiary pursuant to the Merger Agreement. At the time we entered into the Merger Agreement, we owned 24,918,421 common shares of SIR, all of which shares we sold on October 9, 2018 pursuant to the Secondary Sale. These transactions are further described in Note 1 to the Notes to Consolidated Financial Statements included in Part IV, Item 15 of our 2018 Annual Report.

For further information about these and other such relationships and related person transactions, see Notes 10 and 11 to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, our 2018 Annual Report, our definitive Proxy Statement for our 2019 Annual Meeting of Shareholders and our other filings with the SEC. In addition, see the section captioned "Risk Factors" of our 2018 Annual Report for a description of risks that may arise as a result of these and other related person transactions and relationships. Our filings with the SEC and copies of certain of our agreements with these related persons, including our business and property management agreements with RMR LLC and the Merger Agreement, are available as exhibits to our public filings with the SEC and accessible at the SEC's website, www.sec.gov. We may engage in additional transactions with related persons, including businesses to which RMR LLC or its subsidiaries provide management services.

Item 3. Quantitative and Qualitative Disclosures About Market Risk *(dollar amounts in thousands, except per share data)*

We are exposed to risks associated with market changes in interest rates. We manage our exposure to this market risk by monitoring available financing alternatives. Our strategy to manage exposure to changes in interest rates has not materially changed since December 31, 2018. Other than as described below, we do not currently foresee any significant changes in our exposure to fluctuations in interest rates or in how we manage this exposure in the near future.

Fixed Rate Debt

At September 30, 2019, our outstanding fixed rate debt consisted of the following:

Debt	Principal Balance (1)	Annual Interest Rate (1)	Annual Interest Expense (1)	Maturity	Interest Payments Due
Senior unsecured notes	$ 400,000	3.600%	$ 14,400	2020	Semi-annually
Senior unsecured notes	300,000	4.150%	12,450	2022	Semi-annually
Senior unsecured notes	300,000	4.000%	12,000	2022	Semi-annually
Senior unsecured notes	350,000	4.250%	14,875	2024	Semi-annually
Senior unsecured notes	400,000	4.500%	18,000	2025	Semi-annually
Senior unsecured notes	310,000	5.875%	18,213	2046	Quarterly
Mortgage note (one property in Washington, D.C.)	33,096	5.720%	1,893	2020	Monthly
Mortgage note (one property in Philadelphia, PA)	40,243	4.032%	1,622	2020	Monthly
Mortgage note (one property in Lakewood, CO)	2,000	8.150%	163	2021	Monthly
Mortgage note (one property in Fairfax, VA) (2)	13,236	5.877%	778	2021	Monthly
Mortgage note (one property in Washington, D.C.)	26,697	4.220%	1,127	2022	Monthly
Mortgage note (three properties in Seattle, WA)	71,000	3.550%	2,521	2023	Monthly
Mortgage note (one property in Chicago, IL)	50,000	3.700%	1,850	2023	Monthly
Mortgage note (one property in Washington, D.C.)	24,210	4.800%	1,162	2023	Monthly
Mortgage note (one property in Washington, D.C.)	66,780	4.050%	2,705	2030	Monthly
Total	$ 2,387,262		$ 103,759		

(1) The principal balances and interest rates are the amounts stated in the contracts. In accordance with GAAP, our carrying values and recorded interest expense may differ from these amounts because of market conditions at the time we issued or assumed these debts. For more information, see Notes 7 and 8 to the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.
(2) This mortgage debt is included in liabilities of properties held for sale in our condensed consolidated balance sheet as of September 30, 2019.

Our senior unsecured notes require semi-annual or quarterly interest payments through maturity. Our mortgages generally require principal and interest payments through maturity pursuant to amortization schedules. Because these debts require interest to be paid at a fixed rate, changes in market interest rates during the term of these debts will not affect our interest obligations. If these debts were refinanced at interest rates which are one percentage point higher or lower than shown above, our annual interest cost would increase or decrease by approximately $23,873.

Changes in market interest rates also would affect the fair value of our fixed rate debt obligations; increases in market interest rates decrease the fair value of our fixed rate debt, while decreases in market interest rates increase the fair value of our fixed rate debt. Based on the balances outstanding at September 30, 2019, and discounted cash flow analyses through the respective maturity dates, and assuming no other changes in factors that may affect the fair value of our fixed rate debt obligations, a hypothetical immediate one percentage point increase in interest rates would change the fair value of those obligations by approximately $73,727.

Some of our fixed rate secured debt arrangements allow us to make repayments earlier than the stated maturity date. In some cases, we are not allowed to make early repayment prior to a cutoff date and we are generally allowed to make prepayments only at a premium equal to a make whole amount, as defined, which is generally designed to preserve a stated yield to the note holder. These prepayment rights may afford us opportunities to mitigate the risk of refinancing our debts at maturity at higher rates by refinancing prior to maturity.

At September 30, 2019, we owned 51% and 50% interests in two joint venture arrangements which owned three properties that are secured by fixed rate debt consisting of the following mortgage notes:

Debt	Our JV Ownership Interest	Principal Balance (1)(2)	Annual Interest Rate (1)	Annual Interest Expense (1)	Maturity	Interest Payments Due
Mortgage note (two properties in Fairfax, VA)	51%	$ 50,000	4.09%	$ 2,045	2029	Monthly
Mortgage note (one property in Washington, D.C.)	50%	32,000	3.69%	1,181	2024	Monthly
Total		$ 82,000		$ 3,226		

(1) The principal balances and annual interest rates are the amounts stated in the applicable contract. In accordance with GAAP, the joint ventures' recorded interest expense may differ from these amounts because of market conditions at the time they incurred the debt.
(2) 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.

Floating Rate Debt

At September 30, 2019, our floating rate debt consisted of $210,000 of borrowings under our $750,000 revolving credit facility. Our revolving credit facility matures on January 31, 2023 and, subject to the payment of an extension fee and meeting certain other conditions, we have the option to extend the stated maturity by two six month periods. No principal repayments are required under our revolving credit facility prior to maturity, and we can borrow, repay and reborrow funds available under our revolving credit facility, subject to conditions, at any time without penalty.

Borrowings under our $750,000 revolving credit facility are in U.S. dollars and require interest to be paid at a rate of LIBOR plus premiums that are subject to adjustment based upon changes to our credit ratings. Accordingly, we are vulnerable to changes in U.S. dollar based short term rates, specifically LIBOR. In addition, upon renewal or refinancing of our revolving credit facility, we are vulnerable to increases in interest rate premiums due to market conditions or our perceived credit characteristics. Generally, a change in interest rates would not affect the value of our floating rate debt but would affect our operating results.

The following table presents the impact a one percentage point increase in interest rates would have on our annual floating rate interest expense as of September 30, 2019:

	Impact of Changes in Interest Rates			
	Annual Interest Rate (1)	Outstanding Debt	Total Interest Expense Per Year	Annual Earnings Per Share Impact (2)
At September 30, 2019	3.0%	$ 210,000	$ 6,300	$ 0.13
One percentage point increase	4.0%	$ 210,000	$ 8,400	$ 0.17

(1) Weighted based on the interest rate and outstanding borrowings under our revolving credit facility as of September 30, 2019.
(2) Based on the weighted average shares outstanding (diluted) for the nine months ended September 30, 2019.

The following table presents the impact a one percentage point increase in interest rates would have on our annual floating rate interest expense as of September 30, 2019 if we were fully drawn on our revolving credit facility:

	Impact of an Increase in Interest Rates			
	Annual Interest Rate (1)	Outstanding Debt	Total Interest Expense Per Year	Annual Earnings Per Share Impact (2)
At September 30, 2019	3.0%	$ 750,000	$ 22,500	$ 0.47
One percentage point increase	4.0%	$ 750,000	$ 30,000	$ 0.62

(1) Weighted based on the interest rate and outstanding borrowings under our revolving credit facility (assuming fully drawn) as of September 30, 2019.
(2) Based on the weighted average shares outstanding (diluted) for the nine months ended September 30, 2019.

The foregoing tables show the impact of an immediate increase in floating interest rates as of September 30, 2019. If interest rates were to increase gradually over time, the impact would be spread over time. Our exposure to fluctuations in floating interest rates will increase or decrease in the future with increases or decreases in the outstanding amount under our revolving credit facility or our other floating rate debt, if any. Although we have no present plans to do so, we may in the future enter into hedge arrangements from time to time to mitigate our exposure to changes in interest rates.

LIBOR Phase Out

LIBOR is currently expected to be phased out in 2021. We are required to pay interest on borrowings under our revolving credit facility at a floating rate based on LIBOR. Future debt that we may incur may also require that we pay interest based upon LIBOR. We currently expect that the determination of interest under our revolving credit facility would be revised as provided under our credit agreement or amended as necessary to provide for an interest rate that approximates the existing interest rate as calculated in accordance with LIBOR. Despite our current expectations, we cannot be sure that, if LIBOR is phased out or transitioned, the changes to the determination of interest under our agreements would approximate the current calculation in accordance with LIBOR. We do not know what standard, if any, will replace LIBOR if it is phased out or transitioned.

Item 4. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Chief Financial Officer and Treasurer, of the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our President and Chief Executive Officer and our Chief Financial Officer and Treasurer concluded that our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Warning Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. Also, 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. Forward-looking statements in this Quarterly Report on Form 10-Q relate to various aspects of our business, including:

- Our sales and acquisitions of properties,
- Our ability to compete for acquisitions and tenancies effectively,
- The likelihood that our tenants will pay rent or be negatively affected by cyclical economic conditions or government budget constraints,
- The likelihood that our tenants will renew or extend their leases and not exercise early termination options pursuant to their leases or that we will obtain replacement tenants,
- The likelihood that our rents will increase when we renew or extend our leases or enter new leases,
- Our ability to pay distributions to our shareholders and to sustain the amount of such distributions,
- Our policies and plans regarding investments, financings and dispositions,
- The future availability of borrowings under our revolving credit facility,
- Our expectation that there will be opportunities for us to acquire, and that we will acquire, additional properties primarily leased to single tenants and tenants with high credit quality characteristics such as governmental entities,
- Our expectations regarding demand for leased space,
- Our ability to raise debt or equity capital,
- Our ability to pay interest on and principal of our debt,
- Our ability to appropriately balance our use of debt and equity capital,
- Our credit ratings,
- Our expectation that we benefit from our relationships with RMR Inc.,
- The credit qualities of our tenants,
- Our qualification for taxation as a REIT,
- Changes in federal or state tax laws, and
- Other matters.

Our 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. Risks, uncertainties and other factors that could have a material adverse effect on our forward-looking statements and upon our business, results of operations, financial condition, FFO available for common shareholders, Normalized FFO available for common shareholders, Property NOI, cash flows, liquidity and prospects include, but are not limited to:

- The impact of conditions in the economy and the capital markets on us and our tenants,
- The impact of a U.S. government shutdown on our ability to collect rents or pay our operating expenses, debt obligations and distributions to shareholders on a timely basis,
- Competition within the real estate industry, particularly in those markets in which our properties are located,
- The impact of changes in the real estate needs and financial conditions of our tenants,

- Compliance with, and changes to, federal, state and local laws and regulations, accounting rules, tax laws and similar matters,
- Actual and potential conflicts of interest with our related parties, including our Managing Trustees, RMR LLC, RMR Inc. and others affiliated with them,
- Limitations imposed on our business and our ability to satisfy complex rules in order for us to maintain our qualification for taxation as a REIT for U.S. federal income tax purposes, and
- Acts of terrorism, outbreaks of so-called pandemics or other manmade or natural disasters beyond our control.

For example:

- Our ability to make future distributions to our shareholders and to make payments of principal and interest on our indebtedness depends upon a number of factors, including our future earnings, the capital costs we incur to lease our properties and our working capital requirements. We may be unable to pay our debt obligations or to maintain our current rate of distributions on our common shares and future distributions may be reduced or eliminated,
- Our ability to grow our business and increase our distributions depends in large part upon our ability to buy properties and lease them for rents, less their property operating costs, that exceed our capital costs. We may be unable to identify properties that we want to acquire, and we may fail to reach agreement with the sellers and complete the purchases of any properties we want to acquire. In addition, any properties we may acquire may not provide us with rents less property operating costs that exceed our capital costs or achieve our expected returns,
- We may fail to achieve our target payout ratio for distributions to shareholders of 75% of cash available for distribution. Further, our Board of Trustees sets and resets our distribution rate from time to time after considering many factors, including cash available for distribution. Accordingly, future dividend rates may be increased or decreased and there is no assurance as to the rate at which future dividends will be paid,
- As part of our long term financing plans to reduce our leverage, we have disposed of assets and we expect to dispose of certain additional assets. Currently, we are marketing or plan to market for sale certain properties. We cannot be sure we will sell any of these properties or what the terms of any sales may be. We may sell some or all of these properties at prices that are less than we expect and less than our carrying values and we may otherwise incur losses as a result of considering and pursuing these sales. Further, we may elect to change which properties we may seek to sell, which could result in different properties and/or fewer or greater number of properties being sold or marketed for sale, and we may not realize the proceeds we may target and we may determine to set a different target proceeds amount for our dispositions,
- We may not succeed in reducing our leverage to levels we plan or that the market or credit rating agencies believe appropriate. Further, we may not maintain any reduction in our leverage that we may attain,
- Some of our tenants may not renew expiring leases, and we may be unable to obtain new tenants to maintain or increase the historical occupancy rates of, or rents from, our properties,
- Some government tenants may exercise their rights to vacate their space before the stated expirations of their leases, and we may be unable to obtain new tenants to maintain the historical occupancy rates of, or rents from, our properties,
- Rents that we can charge at our properties may decline upon renewals or expirations because of changing market conditions or otherwise,
- Leasing for some of our properties depends on a single tenant and we may be adversely affected by the bankruptcy, insolvency, a downturn of business or a lease termination of a single tenant,
- Our belief that there is a likelihood that tenants may renew or extend our leases prior to their expirations whenever they have made significant investments in the leased properties, or because those properties may be of strategic importance to them, may not be realized,
- Our belief that the reduction in government tenant space utilization and the consolidation of government tenants into government owned real estate is substantially complete may prove misplaced if these prior trends continue or do not moderate to the extent we expect,

- Contingencies in our acquisition and sale agreements may not be satisfied and any expected acquisitions and sales and any related lease arrangements we expect to enter may not occur, may be delayed or the terms of such transactions or arrangements may change,
- We expect to enter agreements to sell the properties we are currently marketing for sale by the end of 2019. However, we may not succeed in entering into such agreements by that time or at all,
- We expect to turn our attention to accretively growing our property portfolio upon completion of our dispositions. However, we may not succeed in making acquisitions that are accretive and future acquisitions could be dilutive,
- The competitive advantages we believe we have may not in fact exist or provide us with the advantages we expect. We may fail to maintain any of these advantages or our competition may obtain or increase their competitive advantages relative to us,
- We intend to conduct our business activities in a manner that will afford us reasonable access to capital for investment and financing activities. However, we may not succeed in this regard and we may not have reasonable access to capital,
- Continued availability of borrowings under our revolving credit facility is subject to our satisfying certain financial covenants and other credit facility conditions that we may be unable to satisfy,
- Actual costs under our revolving credit facility or other floating rate debt will be higher than LIBOR plus a premium because of fees and expenses associated with such debt,
- The interest rates payable under our floating rate debt obligations depend upon our credit ratings. If our credit ratings are downgraded, our borrowing costs will increase,
- Our ability to access debt capital and the cost of our debt capital will depend in part on our credit ratings. If our credit ratings are downgraded, we may not be able to access debt capital or the debt capital we can access may be expensive,
- We may be unable to repay our debt obligations when they become due,
- The maximum borrowing availability under our revolving credit facility may be increased to up to $1.95 billion in certain circumstances; however, increasing the maximum borrowing availability under our revolving credit facility is subject to our obtaining additional commitments from lenders, which may not occur,
- We have the option to extend the maturity date of our revolving credit facility upon payment of a fee and meeting other conditions; however, the applicable conditions may not be met,
- We may incur significant costs to prepare a property for a tenant, particularly for single tenant properties,
- We may spend more for capital expenditures than we currently expect,
- Any joint venture arrangements that we may enter may not be successful,
- The business and property management agreements between us and RMR LLC have continuing 20 year terms. However, those agreements permit early termination in certain circumstances. Accordingly, we cannot be sure that these agreements will remain in effect for continuing 20 year terms,
- We believe that our relationships with our related parties, including RMR LLC, RMR Inc. and others affiliated with them may benefit us and provide us with competitive advantages in operating and growing our business. However, the advantages we believe we may realize from these relationships may not materialize,
- It is difficult to accurately estimate leasing related obligations and costs of development and tenant improvement costs. Our unspent leasing related obligations and development costs may cost more and may take longer to complete than we currently expect, and we may incur increased amounts for these and similar purposes in the future, and
- We expect to receive a capital distribution in the fourth quarter of 2019 in connection with the dissolution of AIC. We cannot be sure that such distribution will occur when expected or at all or what the amount of any such distribution will be.

Currently unexpected results could occur due to many different circumstances, some of which are beyond our control, such as changes in our tenants' needs for leased space, the ability of the U.S. Government to approve spending bills to fund the U.S. Government's obligations, acts of terrorism, natural disasters or changes in capital markets or the economy generally.

The information contained elsewhere in this Quarterly Report on Form 10-Q and our 2018 Annual Report or in our other filings with the SEC, including under the caption "Risk Factors", or incorporated herein or therein, identifies other important factors that could cause differences from 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 our 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.

Statement Concerning Limited Liability

The amended and restated declaration of trust establishing Office Properties Income Trust, dated June 8, 2009, as amended, as filed with the State Department of Assessments and Taxation of Maryland, provides that no trustee, officer, shareholder, employee or agent of Office Properties Income Trust shall be held to any personal liability, jointly or severally, for any obligation of, or claim against, Office Properties Income Trust. All persons dealing with Office Properties Income Trust in any way shall look only to the assets of Office Properties Income Trust for the payment of any sum or the performance of any obligation.

Part II. Other Information

Item 1A. Risk Factors

There have been no material changes to the risk factors from those previously disclosed in our 2018 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer purchases of equity securities. The following table provides information about our purchases of our equity securities during the quarter ended September 30, 2019:

Calendar Month	**Number of Shares Purchased (1)**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs**
July 2019	1,779	$ 27.73	—	$ —
September 2019	11,433	30.41	—	—
Total	13,212	$ 30.05	—	$ —

(1) These common share withholdings and purchases were made to satisfy tax withholding and payment obligations of current and former trustees and officers of ours and certain other current and former employees of RMR LLC in connection with awards of our common shares and the vesting of those and prior awards of common shares to them. We withheld and purchased these shares at their fair market values based upon the trading prices of our common shares at the close of trading on Nasdaq on the purchase dates.

Item 6. Exhibits

Exhibit Number	Description
3.1	Composite Copy of Amended and Restated Declaration of Trust, dated June 8, 2009, as amended to date. (Incorporated by reference to the Company's Current Report on Form 8-K dated December 31, 2018.)
3.2	Amended and Restated Bylaws of the Company, adopted March 27, 2019. (Incorporated by reference to the Company's Current Report on Form 8-K dated March 27, 2019.)
4.1	Form of Common Share Certificate. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2018.)
4.2	Indenture, dated as of August 18, 2014, between the Company and U.S. Bank National Association. (Incorporated by reference to the Company's Current Report on Form 8-K dated August 18, 2014.)
4.3	Supplemental Indenture No. 2, dated as of May 26, 2016, between the Company and U.S. Bank National Association, relating to the Company's 5.875% Senior Notes due 2046, including form thereof. (Incorporated by reference to the Company's Current Report on Form 8-K dated May 26, 2016.)
4.4	Authentication Order, dated as of June 22, 2016, from the Company to U.S. Bank National Association, relating to the Company's 5.875% Senior Notes due 2046. (Incorporated by reference to the Company's Registration Statement on Form 8-A dated June 30, 2016.)
4.5	Indenture, dated as of July 20, 2017, between the Company and U.S. Bank National Association. (Incorporated by reference to the Company's Current Report on Form 8-K dated July 20, 2017.)
4.6	First Supplemental Indenture, dated as of July 20, 2017, between the Company and U.S. Bank National Association, relating to the Company's 4.000% Senior Notes due 2022, including form thereof. (Incorporated by reference to the Company's Current Report on Form 8-K dated July 20, 2017.)
4.7	Indenture, dated as of February 3, 2015, between the company (as successor to Select Income REIT) and U.S. Bank National Association. (Incorporated by reference to Select Income REIT's Current Report on Form 8-K dated January 29, 2015.)
4.8	First Supplemental Indenture, dated as of February 3, 2015, between the Company (as successor to Select Income REIT) and U.S. Bank National Association, including the forms of 3.60% Senior Notes due 2020, 4.15% Senior Notes due 2022 and 4.50% Senior Notes due 2025. (Incorporated by reference to Select Income REIT's Current Report on Form 8-K dated January 29, 2015.)
4.9	Second Supplemental Indenture, dated as of May 15, 2017, between the Company (as successor to Select Income REIT) and U.S. Bank National Association, including the forms of 4.250% Senior Notes due 2024. (Incorporated by reference to Select Income REIT's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed by Select Income REIT on July 25, 2017.)
4.10	Third Supplemental Indenture, dated as of December 31, 2018, among Select Income REIT, the Company and U.S. Bank National Association. (Incorporated by reference to the Company's Current Report on Form 8-K dated December 31, 2018.)
4.11	Registration Rights and Lock-Up Agreement, dated as of June 5, 2015, among the Company, ABP Trust (f/k/a Reit Management & Research Trust), Barry M. Portnoy and Adam D. Portnoy. (Incorporated by reference to the Company's Current Report on Form 8-K dated June 5, 2015.)
31.1	Rule 13a-14(a) Certification. (Filed herewith.)
31.2	Rule 13a-14(a) Certification. (Filed herewith.)
32.1	Section 1350 Certification. (Furnished herewith.)
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document. (Filed herewith.)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. (Filed herewith.)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. (Filed herewith.)

101.LAB	XBRL Taxonomy Extension Label Linkbase Document. (Filed herewith.)
101.PRE	XBRL Taxomony Extension Presentation Linkbase Document. (Filed herewith.)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

OFFICE PROPERTIES INCOME TRUST

By:	/s/ David M. Blackman
	David M. Blackman
	President and Chief Executive Officer
	Dated: November 1, 2019
By:	/s/ Matthew C. Brown
	Matthew C. Brown
	Chief Financial Officer and Treasurer
	(principal financial officer and principal accounting officer)
	Dated: November 1, 2019

Exhibit 31.1

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, David M. Blackman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Office Properties Income Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2019

/s/ David M. Blackman

David M. Blackman
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)

I, Matthew C. Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Office Properties Income Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2019

/s/ Matthew C. Brown

Matthew C. Brown
Chief Financial Officer and Treasurer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Sec. 1350

In connection with the filing by Office Properties Income Trust (the "Company") of the Quarterly Report on Form 10-Q for the period ended September 30, 2019 (the "Report"), each of the undersigned hereby certifies, to the best of his knowledge:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David M. Blackman

David M. Blackman
President and Chief Executive Officer

/s/ Matthew C. Brown

Matthew C. Brown
Chief Financial Officer and Treasurer

Date: November 1, 2019