

City Office REIT, Inc.
Form 10-K
March 04, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to _____

Commission file no: 001-36409

CITY OFFICE REIT, INC.

Maryland
(State or other jurisdiction

98-1141883
(IRS Employer

of incorporation)

Identification No.)

1075 West Georgia Street

Suite 2010

Vancouver, BC

V6E 3C9

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (604) 806-3366

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the
Act). Yes No

As of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$130.5 million, based on the closing sales price of \$12.40 per share as reported on the New York Stock Exchange.

As of March 1, 2016 the registrant had 12,835,098 shares of common stock outstanding.

Documents incorporated by reference: Portions of the registrant's Definitive Proxy Statement for the 2016 Annual Meeting of Shareholders (to be filed with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year end) are incorporated by reference in this Annual Report on Form 10-K in response to Part II, Item 5 and Part III, Items 10, 11, 12, 13 and 14.

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FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are included throughout this Annual Report on Form 10-K, including in the sections entitled Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and Certain Relationships and Related Person Transactions, and relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, financial condition, liquidity, capital resources, cash flows, results of operations and other financial and operating information. We have used the words approximately, anticipate, assume, believe, but, contemplate, continue, could, estimate, expect, future, intend, may, outlook, plan, potential, should, target, will and similar terms and phrases to identify forward-looking statements in this Annual Report on Form 10-K. All of our forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we are expecting, including:

adverse economic or real estate developments in the office sector or the markets in which we operate;

changes in local, regional, national and international economic conditions;

our inability to compete effectively;

our inability to collect rent from tenants or renew tenants' leases on attractive terms if at all;

demand for and market acceptance of our properties for rental purposes;

our expectations regarding our ability to achieve higher profitability and lower expenses as a result of the internalization of our management;

defaults on or non-renewal of leases by tenants;

increased interest rates and operating costs;

decreased rental rates or increased vacancy rates;

our failure to obtain necessary outside financing or access the capital markets on favorable terms or at all;

changes in the availability of additional acquisition opportunities;

availability of qualified personnel;

our inability to successfully complete real estate acquisitions;

our failure to successfully operate acquired properties and operations;

changes in our business strategy;

our failure to generate sufficient cash flows to service our outstanding indebtedness;

environmental uncertainties and risks related to adverse weather conditions and natural disasters;

our failure to qualify and maintain our status as a REIT;

government approvals, actions and initiatives, including the need for compliance with environmental requirements;

outcome of claims and litigation involving or affecting us;

financial market fluctuations;

changes in real estate, taxation and zoning laws and increases in real property tax rates; and

additional factors discussed under the sections captioned "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

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The forward-looking statements contained in this Annual Report on Form 10-K are based on historical performance and management's current plans, estimates and expectations in light of information currently available to us and are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to the factors, risks and uncertainties described above, changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors described in Risk Factors, many of which are beyond our control. We believe that these factors include those described in Risk Factors. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove to be incorrect, our actual results may vary in material respects from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. Any forward-looking statement made by us in this Annual Report on Form 10-K speaks only as of the date of this Annual Report on Form 10-K. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable securities laws.

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PART I

ITEM 1. BUSINESS

Overview

We are a Maryland corporation focused on acquiring, owning and operating high-quality (Class A and B) office properties located primarily within our specified target markets in the United States. We have elected, and intend to continue to qualify, to be taxed as a REIT for U.S. federal income tax purposes. We currently have 12 primary target markets, which are located in metropolitan areas in the Southern and Western United States. We believe that our target markets possess a number of the following characteristics: favorable economic growth trends; growing populations with above average employment growth forecasts; a large number of government offices; large international, national and regional employers across diversified industries; low-cost centers for business operations; and proximity to large universities and increasing office occupancy rates. We also believe that there is a lower level of participation of large institutional investors in our target markets because they generally have concentrated on gateway markets, which are commonly defined as New York, Los Angeles, Washington, D.C., Boston, Chicago and San Francisco. In addition, we believe that our target markets offer the opportunity for risk-adjusted returns because these markets exhibit positive economic and demographic trends and ownership is often concentrated among local real estate operators that typically do not benefit from the same access to capital as public REITs. We also believe that new construction of office properties has been limited in most of our target markets since 2008 because rental rates in these markets have generally not supported new development. We anticipate identifying additional target markets with the foregoing characteristics in the future. Within our target markets, we primarily focus on acquiring properties with a purchase price generally between \$20 million and \$50 million and expected cap rates between seven and eight percent as we believe that large institutional investors and our public REIT competitors are generally focused on larger acquisition opportunities. Additionally, we believe that it is challenging for many local buyers in our target markets to raise the debt and equity capital necessary to complete real estate transactions in excess of \$20 million.

Our management team has extensive experience in real estate markets and is made up of James Farrar, our chief executive officer with over 16 years of experience, Gregory Tylee, our president and chief operating officer with over 20 years of experience and Anthony Maretic, our chief financial officer with over 20 years of experience. We use local partners to manage and lease our geographically diversified portfolio so that we can benefit from their market knowledge, efficient operations and existing infrastructure without incurring the overhead associated with creating a real estate operation function in each of our markets.

At December 31, 2015, we owned fourteen office complexes comprised of 28 office buildings with a total of approximately 3.3 million square feet of net rentable area (NRA) in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA), Dallas (TX) and Orlando (FL). We believe that our properties are high quality assets that provide excellent access to transportation options, are located near affluent neighborhoods, contain extensive amenities and are well maintained. We also believe that our properties have a stable and diverse tenant base, including federal and state governmental agencies and national and regional businesses. As of December 31, 2015, approximately 49.1% of the base rental revenue from our properties was derived from tenants in these markets that are federal or state government agencies or investment grade tenants. Our largest tenant is the Colorado Department of Public Health and Environment, whose lease at the Cherry Creek property represents approximately 12.2% of the base rental revenue of our portfolio at December 31, 2015 and expires in 2026. Our properties also have a stable, long-term tenancy profile and our occupied and committed leases have staggered expirations and a weighted average remaining lease term to maturity of 5.6 years at December 31, 2015. The majority of our leases are modified gross leases pursuant to which our tenants reimburse us for operating expenses, property taxes and insurance in excess of a base amount. The base rent amount of the majority of our leases includes

annualized operating expenses, property taxes and insurance at the time the lease is signed. This structure helps insulate us from increases in certain operating expenses and provides a more predictable cash flow. Our leases typically include rent escalation provisions designed to provide annual growth in our rental income.

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For further information on our target markets and the composition of our tenant base, see Item 2 Properties.

As of December 31, 2015, the in place occupancy rate of our properties was 94.8%.

Internalization of Management

On November 2, 2015, we and one of our newly-formed subsidiaries (Buyer Sub) entered into a Stock Purchase Agreement (Stock Purchase Agreement) with certain stockholders of City Office Real Estate Management Inc. (formerly our Advisor), and two personal holding companies that owned stock of City Office Real Estate Management Inc., pursuant to which Buyer Sub acquired all of the outstanding stock of City Office Real Estate Management Inc. The Internalization (as defined below) closed as of February 1, 2016. Pursuant to the Stock Purchase Agreement, on February 1, 2016 we issued 297,321 shares of our common stock to the sellers, which included our three executive officers and Samuel Belzberg, a member of our Board of Directors. In addition, we expect to make cash payments to the sellers of up to \$3.5 million pursuant to the Stock Purchase Agreement if our fully diluted market capitalization reaches the following thresholds prior to December 31, 2016: \$1 million upon achieving a \$200 million fully diluted market capitalization, an additional \$1 million upon achieving a \$225 million fully diluted market capitalization and an additional \$1.5 million upon achieving a \$250 million fully diluted market capitalization (in each case, including in the calculation of fully diluted market capitalization the value of common units held by parties other than us at a value per unit equal to the market price of our common stock). We refer to this transaction collectively as Internalization. Pursuant to the terms of the Stock Purchase Agreement, the \$1 million payment was triggered by the Company achieving a \$200 million fully diluted market capitalization based on its closing stock price on March 1, 2016. The Company expects this cash payment will be made to the sellers in March 2016.

Effective upon closing of the Internalization, each of James Farrar, our Chief Executive Officer, Gregory Tylee, our President and Chief Operating Officer and Anthony Maretic, our Chief Financial Officer, Secretary and Treasurer, entered into an employment agreement with one of our subsidiaries and have become our employees. Additionally, all other current employees of City Office Real Estate Management Inc. as of February 1, 2016 were hired by the Company.

In connection with the closing of the Internalization, one of our subsidiaries entered into an Administrative Services Agreement (the Administrative Services Agreement) with entities that manage real estate investment funds affiliated with Second City Capital II Corporation and Second City Real Estate II Corporation (the Second City funds). James Farrar, Gregory Tylee and one of our directors, Samuel Belzberg, are officers of the general partners of the Second City funds and own equity interests in the Second City funds. The Administrative Services Agreement has a three year term. Pursuant to the Administrative Services Agreement, one of our subsidiaries provides various administrative services and support to the entities managing the Second City funds. This subsidiary receives annual payments for these services under the Administrative Services Agreement as follows: first 12 months \$1.5 million, second 12 months \$1.125 million and third 12 months \$0.625 million, for a total of \$3.25 million over the three-year term. In addition, following the expiration of the three year term of the Administrative Services Agreement, we expect to make Messrs. Farrar and Tylee available to assist the Second City funds with respect to certain matters.

Our Competitive Strengths

We believe that the following competitive strengths continue to distinguish us from other owners and operators of office properties in our target markets and will enable us to continue to successfully operate and expand our portfolio.

Experienced Management Team: Our senior management team, led by James Farrar, our chief executive officer, Gregory Tylee, our president and chief operating officer, and Anthony Maretic, our chief financial officer, has an

intimate knowledge and understanding of each of our properties as well as a strong familiarity with the local markets in which the properties are located. Mr. Farrar has over 16 years of experience in real estate acquisitions, management and finance, and has completed approximately \$1.4 billion of real estate

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acquisitions. Mr. Tylee has over 20 years of experience negotiating and structuring complex real estate transactions and developments and has been involved in real estate transactions with a combined enterprise value of approximately \$2.0 billion over the course of his career. Mr. Maretic has acted as chief financial officer and chief operating officer of Earls Restaurants Ltd. and has over 20 years of experience in financing, public company reporting requirements and internal controls.

Alignment of Interests with Established Local Operators: One component of management's strategy is to invest in properties in markets where it has relationships with well-established local real estate operators that provide property management services and, in some cases, hold minority interests in the properties that they manage. We believe that this strategy of permitting local real estate operators to invest in our properties helps to align their interests with ours. Consistent with this strategy, thirteen of our fourteen properties are managed by well-established local real estate operators, many of which have invested equity with management in the past and three of which hold a minority interest in our properties, furthering the alignment of their interests with ours. These real estate operators typically manage or lease a large number of properties in the markets where our properties are located providing economies of scale and local market insight. Our strategy of utilizing local real estate operators also eliminates the need for us to incur the overhead costs associated with creating a real estate operation function in each of our markets. We intend to continue this strategy of offering ownership interests and other incentives to local real estate operators, which we believe can enhance the operating performance of our properties and strengthen our relationships with them.

Properties with Attractive Real Estate Fundamentals: At December 31, 2015, we owned fourteen office complexes comprised of 28 office buildings with a total of approximately 3.3 million square feet of NRA in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA), Dallas (TX) and Orlando (FL). We believe that our target markets have a number of the following characteristics: favorable economic growth trends; growing populations with above average employment growth forecasts; a large number of governmental offices; large international, national and regional employers across diversified industries; low-cost centers for business operations; and proximity to large universities and increasing office occupancy rates.

Investment Grade Tenants and Well-Staggered Lease Maturities: As of December 31, 2015, approximately 49.1% of the base rental revenue of our properties was derived from tenants that are federal or state government agencies or investment grade tenants. Five of our top ten tenants are investment grade tenants, representing approximately 31.4% of the base rental revenue of our properties as of December 31, 2015. Our properties also have a stable, long-term tenancy profile and our occupied leases have staggered expirations and a weighted average remaining lease term to maturity of 5.6 years.

Clearly-Defined Acquisition Strategy: We focus on acquiring office properties in our target markets that we believe possess the attractive economic and demographic characteristics described above. We use our management team's market-specific knowledge as well as the expertise of local real estate operators and our investment partners to identify acquisition opportunities that we believe offer cash flow stability and long-term value appreciation. Our target markets are attractive, among other reasons, because we believe that ownership is often concentrated among local real estate operators that typically do not benefit from the same access to capital as public REITs and there is a relatively low level of participation of large institutional investors, which can result in attractive pricing levels and risk-adjusted returns. Within our target markets, we focus on acquiring properties with a purchase price generally between \$20 million and \$50 million and expected cap rates between seven and eight percent, as we believe that large institutional investors and other public REITs generally prefer to target larger assets. Additionally, we believe that many local real estate operators in our target markets have difficulty raising the necessary debt and equity capital to complete acquisitions of more than \$20 million.

Strong Lender Relationships: Our management team has strong lending relationships with various banks, insurance companies and commercial mortgage-backed securities (CMBS) platforms. As of December 31, 2015, we have an existing fixed rate debt of \$280.7 million plus an existing floating rate debt of \$64 million with a weighted average of 5.8 years to maturity and a weighted average interest rate of 4.28%. Our existing

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mortgages were provided by insurance companies and CMBS platforms. We also have a \$75 million Secured Credit Facility that has an accordion feature that will permit us to borrow up to \$150 million, subject to additional collateral availability and lender approval.

Business Objectives and Growth Strategies

Our principal business objective is to provide attractive risk-adjusted returns to our investors over the long-term through a combination of dividends and capital appreciation. Specifically, we intend to pursue the following strategies to achieve these objectives:

Internal Growth

We seek to manage our properties in a manner to increase their value by improving cash flow over time through our hands on approach to real estate management alongside local real estate operators. We focus on maintaining strong relationships with existing tenants, which we believe can help reduce marketing, leasing and tenant improvement costs required for new tenancies and minimize interruptions in rental revenue resulting from periods of vacancy and tenant renovations. Our internal growth strategy includes the following:

Seeking Contractual Rent Escalations: With respect to our properties as of December 31, 2015, the leases provide for contractual increases in base rental rates per square foot averaging approximately 2.8% per annum over the next three years. These rental escalations are expected to result in predictable increases in rental revenues for us over time. We will continue to seek to include contractual rent escalators in future leases to further facilitate predictable growth in rental income.

Leasing Currently Vacant Space: As of December 31, 2015, the weighted average in place occupancy rate of our properties was 94.8% and we believe that there is potential to generate additional rental income by leasing space in these properties that is currently unoccupied. We believe that our properties compete for tenants with other landlords that are capital constrained and may not be able to enhance their buildings appeal through capital investments or offer tenants attractive tenant improvement packages.

Implementing Improvements and Preventive Maintenance Programs: We seek to operate our portfolio as efficiently as possible. Site visits, property inspections and preventive maintenance programs are performed to ensure that our properties are well maintained so that we will minimize long-term capital expenditures. In addition, we actively pursue cost reduction initiatives, such as eliminating redundant or unnecessary expenses and engaging property tax appeal specialists to lower property tax costs, and make an ongoing effort to increase expense recoveries from tenants on new and renewed leases. We believe that there are opportunities for continued cost reductions at our properties. We also seek to acquire properties within close geographic proximity to one another in order to benefit from economies of scale in the operation of the properties by sharing property management among properties and having greater negotiating leverage with vendors.

Expanding Our Properties: We seek to enhance our asset base through select expansion and improvement of our properties. We believe that there are several expansion opportunities within our properties, including a potential development site, conversion of certain common areas to leasable space and increasing under reported rentable square footage due to the use of out of date measurement standards.

External Growth

Our external growth strategy includes the following:

Focusing on Acquisitions in Our Specified Target Markets: We seek to expand our portfolio through acquisitions of office properties primarily located in our target markets. We believe that current economic conditions and relatively low levels of competition from institutional buyers have created attractive investment opportunities for the acquisition of office properties in our target markets as compared to gateway markets. We also use our management team's market-specific knowledge as well as the expertise of our local real estate operators and our investment partners to identify acquisitions that we believe offer cash flow stability and price appreciation.

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Our Local Real Estate Operators

Thirteen of our fourteen properties owned at December 31, 2015 are managed by well-established local third-party real estate operators, four of which have invested equity with management in the past and three of which continue to hold a minority equity interest in the property, furthering the alignment of their interests with ours. These real estate operators typically manage or lease a large number of properties in the submarkets and markets where our properties are located, providing economies of scale and local market insight.

Competition

We compete with other REITs (both public and private), public and private real estate companies, private real estate investors and lenders, both domestic and foreign, in acquiring and developing properties. Many of these entities have greater resources than we do or other competitive advantages. We also face competition in leasing or subleasing available properties to prospective tenants.

We believe that our management's experience and relationships in, and local knowledge of, the markets in which we operate put us at a competitive advantage when seeking acquisitions. However, many of our competitors have greater resources than we do, or may have a more flexible capital structure when seeking to finance acquisitions. We also face competition in leasing or subleasing available properties to prospective tenants. Some real estate operators may be willing to enter into leases at lower contractual rental rates (particularly if tenants, due to the economy, seek lower rents). However, we believe that our intensive management services are attractive to tenants and serve as a competitive advantage.

Segment and Geographic Financial Information

During 2015, we had one reportable segment, our office properties segment. For information about our office property revenues and long-lived assets and other financial information, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

Environmental Matters

Under various federal, state and local environmental laws and regulations, a current or previous owner, operator or tenant of rental property may be required to investigate and clean up hazardous or toxic substances or petroleum product releases or threats of releases at such property, and may be held liable to a government entity or to third parties for property damage and for investigation, clean up and monitoring costs incurred by such parties in connection with the actual or threatened contamination.

Such laws typically impose clean up responsibility and liability without regard to fault, or whether or not the owner, operator or tenant knew of or caused the presence of the contamination. The liability under such laws may be joint and several for the full amount of the investigation, clean-up and monitoring costs incurred or to be incurred or actions to be undertaken. These costs may be substantial, and can exceed the fair value of the property. The presence of contamination or the failure to properly remediate contamination on such property may adversely affect the ability of the owner, operator or tenant to sell or rent such property or to borrow using such property as collateral, and may adversely impact our investment in a property.

Federal regulations require building owners and those exercising control over a building's management to identify and warn, via signs and labels, of potential hazards posed by workplace exposure to installed asbestos-containing materials and potentially asbestos-containing materials in their building. The regulations also set forth employee training, record

keeping and due diligence requirements pertaining to asbestos-containing materials and potentially asbestos-containing materials. Significant fines can be assessed for violation of these regulations. Building owners and those exercising control over a building's management may be subject to an increased risk of personal injury lawsuits by workers and others exposed to asbestos-containing materials and potentially asbestos-containing materials as a result of the regulations. Federal, state and local environmental laws and regulations also govern the removal, encapsulation, disturbance, handling and/or disposal of asbestos-containing materials. Such laws may impose liability for improper handling or a release to the environment of asbestos-containing materials.

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We also may incur liability arising from mold growth in the buildings we own or operate. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or increase ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants, and others if property damage or personal injury occurs.

Prior to closing any property acquisition, if appropriate, we obtain such environmental assessments as may be prudent in order to attempt to identify potential environmental concerns at such properties. These assessments are carried out in accordance with an appropriate level of due diligence and generally may include a physical site inspection, a review of relevant federal, state and local environmental and health agency database records, one or more interviews with appropriate site-related personnel, review of the property's chain of title and review of historic aerial photographs. We may also conduct limited subsurface investigations and test for substances of concern where the results of the first phase of the environmental assessments or other information, indicates possible contamination or where our consultants recommend such procedures.

We believe that our properties are in compliance in all material respects with all federal, state and local environmental laws and regulations regarding hazardous or toxic substances and other environmental matters. We have not been notified by any governmental authority of any material non-compliance, liability or claim relating to hazardous or toxic substances or other environmental matter in connection with any of our properties.

Availability of Reports Filed with the Securities and Exchange Commission

A copy of this Annual Report on Form 10-K, as well as our quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are available, free of charge, on our Internet website (www.cityofficereit.com). All of these reports are made available on our website as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (the SEC). Our Governance Guidelines and Code of Business Conduct and Ethics and the charters of the Audit, Compensation, and Nominating and Governance Committees of our Board of Directors are also available on our website at www.cityofficereit.com, and are available in print to any stockholder upon written request to City Office REIT, Inc., c/o Investor Relations, Suite 2010, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. Our telephone number is +1 (604) 806-3366. The information on or accessible through our website is not, and shall not be deemed to be, a part of this report or incorporated into any other filing we make with the SEC.

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ITEM 1A. RISK FACTORS

Risks Relating to Our Business and Our Properties

There are inherent risks associated with real estate investments and with the real estate industry, each of which could have an adverse impact on our financial performance and the value of our properties.

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Our financial performance and the value of our properties can be affected by many of these factors, including the following:

adverse changes in financial conditions of buyers, sellers and tenants of our properties, including bankruptcies, financial difficulties or lease defaults by our tenants;

the national, regional and local economy, which may be negatively impacted by concerns about inflation, deflation and government deficit, high unemployment rates, decreased consumer confidence, industry slowdowns, reduced corporate profits, liquidity concerns in our markets and other adverse business concerns;

local real estate conditions, such as an oversupply of, or a reduction in, demand for office space and the availability and creditworthiness of current and prospective tenants;

vacancies or ability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;

changes in operating costs and expenses, including, without limitation, increasing labor and material costs, insurance costs, energy prices, environmental restrictions, real estate taxes and costs of compliance with laws, regulations and government policies, which we may be restricted from passing on to our tenants;

fluctuations in interest rates, which could adversely affect our ability, or the ability of buyers and tenants of our properties, to obtain financing on favorable terms or at all;

competition from other real estate investors with significant capital, including other real estate operating companies, other publicly traded REITs and institutional investment funds;

inability to refinance our indebtedness, which could result in a default on our obligation and trigger cross default provisions that could result in a default on other indebtedness;

the convenience and quality of competing office properties;

inability to collect rent from tenants;

our ability to secure adequate insurance;

our ability to secure adequate management services and to maintain our properties;

changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, government fiscal policies and the Americans with Disabilities Act of 1990 (the ADA); and

civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes, wind damage and floods, which may result in uninsured and underinsured losses.

In addition, because the yields available from equity investments in real estate depend in large part on the amount of rental income earned, as well as property operating expenses and other costs incurred, a period of economic slowdown or recession, or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults among our

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existing leases, and, consequently, our properties, including any held by joint ventures, may fail to generate revenues sufficient to meet operating, debt service and other expenses. As a result, we may have to borrow amounts to cover fixed costs, and our financial condition, results of operations, cash flow, per share market price of our common stock and ability to satisfy our principal and interest obligations and to make distributions to our stockholders may be adversely affected.

Significant competition may decrease or prevent increases in our properties occupancy and rental rates and may reduce our investment opportunities.

We compete with numerous developers, owners and operators of office properties, many of which own properties similar to ours in the same submarkets in which our properties are located. Furthermore, undeveloped land in many of the markets in which we operate is generally more readily available and less expensive than in gateway markets, which are commonly defined as New York, Los Angeles, Washington, D.C., Boston, Chicago and San Francisco. If our competitors offer space from existing or new buildings at rental rates below current market rates, or below the rental rates that we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those that we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain or attract tenants when our tenants leases expire. Our competitors may have substantially greater financial resources than we do and may be able to accept more risk than we can prudently manage. In the future, competition from these entities may reduce the number of suitable investment opportunities offered to us or increase the bargaining power of property owners seeking to sell. As a result, our financial condition, results of operations, cash flows and market price of our common stock could be adversely affected.

We are dependent on our key personnel and the loss of such key personnel could materially adversely affect our business, financial condition and results of operations and our ability to pay distributions to our stockholders.

We are dependent on the efforts of our key officers and employees, including James Farrar, our Chief Executive Officer, Gregory Tylee, our President and Chief Operating Officer, and Anthony Maretic, our Chief Financial Officer, Secretary and Treasurer. The loss of Mr. Farrar s, Mr. Tylee s and/or Mr. Maretic s services could have a material adverse effect on our business, financial condition and results of operations and our ability to pay distributions to our stockholders. Although we have employment agreements with them, we cannot assure you they will remain employed with us.

A decrease in demand for office space may have a material adverse effect on our financial condition and results of operations.

Our portfolio of properties consists entirely of office properties and because we seek to acquire similar properties, a decrease in the demand for office space may have a greater adverse effect on our business and financial condition than if we owned a more diversified real estate portfolio. If parts of our properties are leased within a particular sector, a significant downturn in that sector in which the tenants businesses operate would adversely affect our results of operations. In addition, where a government agency is a tenant, which is the case for a number of our properties, austerity measures and governmental deficit reduction programs may lead government agencies to consolidate and reduce their office space, terminate their lease and decrease their workforce, which may reduce demand for office space in the government sector.

Failure by any major tenant to make rental payments to us, because of a deterioration of its financial condition, a termination of its lease, a non-renewal of its lease or otherwise, could seriously harm our results of

operations.

As of December 31, 2015, approximately 49.6% of the base rental revenue of our properties was derived from our ten largest tenants. Our largest tenant is the Colorado Department of Public Health and Environment,

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which accounted for approximately 12.2% of base rental revenue of our properties for the year ended December 31, 2015. At any time, our tenants may experience a downturn in their businesses that may significantly weaken their financial condition, whether as a result of general economic conditions or otherwise. As a result, our tenants may fail to make rental payments when due, delay lease commencements, decline to extend or renew leases upon expiration or declare bankruptcy. Any of these actions could result in the termination of the tenants' leases or the failure to renew a lease and the loss of rental income attributable to the terminated leases. The occurrence of any of the situations described above could seriously harm our results of operations.

We may be unable to secure funds for future tenant or other capital improvements or payment of leasing commissions, which could limit our ability to attract or replace tenants and adversely impact our ability to make cash distributions to our stockholders.

When tenants do not renew their leases or otherwise vacate their space, it is common that, in order to attract replacement tenants, we will be required to expend funds for tenant improvements, payment of leasing commissions and other concessions related to the vacated space. Such tenant improvements may require us to incur substantial capital expenditures. We may not be able to fund capital expenditures solely from cash provided from our operating activities because we must distribute at least 90% of our REIT taxable income excluding net capital gains each year to qualify as a REIT. As a result, our ability to fund tenant and other capital improvements or payment of leasing commissions through retained earnings may be limited. If we have insufficient capital reserves, we will have to obtain financing from other sources. We may also have future financing needs for other capital improvements to refurbish or renovate our properties. If we are unable to secure financing on terms that we believe are acceptable or at all, we may be unable to make tenant and other capital improvements or payment of leasing commissions or we may be required to defer such improvements. If this happens, it may cause one or more of our properties to suffer from a greater risk of obsolescence or a decline in value, as a result of fewer potential tenants being attracted to the property or existing tenants not renewing their leases. If we do not have access to sufficient funding in the future, we may not be able to make necessary capital improvements to our properties, pay leasing commissions or other expenses or pay distributions to our stockholders.

We may be required to make rent or other concessions and significant capital expenditures to improve our properties in order to retain and attract tenants, which could adversely affect our financial condition, results of operations and cash flow.

In order to retain existing tenants and attract new clients, we may be required to offer more substantial rent abatements, tenant improvements and early termination rights or accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers, which could adversely affect our results of operations and cash flow. Additionally, if we need to raise capital to make such expenditures and are unable to do so, or such capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which could adversely affect our financial condition, results of operations and cash flow.

We depend on external sources of capital that are outside of our control, which may affect our ability to seize strategic opportunities, satisfy our debt obligations and make distributions to our stockholders.

In order to qualify as a REIT, we are generally required under the U.S. Internal Revenue Code of 1986, as amended (the Code) to annually distribute at least 90% of our REIT taxable income, determined without regard to the distributions paid and excluding any net capital gain. In addition, as a REIT, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, including any net

capital gains. Because of these distribution requirements, we may not be able to fund future

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capital needs (including redevelopment, acquisition, expansion and renovation activities, payments of principal and interest on and the refinancing of our existing debt, tenant improvements and leasing costs), from operating cash flow. Consequently, we may rely on third-party sources to fund our capital needs. We may not be able to obtain the necessary financing on favorable terms, in the time period that we desire or at all. Any additional debt we incur will increase our leverage, expose us to the risk of default and may impose operating restrictions on us, and any additional equity we raise could be dilutive to existing stockholders. Our access to third-party sources of capital depends, in part, on:

general market conditions;

the market's view of the quality of our assets;

the market's perception of our growth potential;

our current debt levels;

our current and expected future earnings;

our cash flow and cash distributions; and

the market price per share of our common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our principal and interest obligations or make the cash distributions to our stockholders necessary to qualify as a REIT.

Covenants in our Amended and Restated Credit Agreement and Term Loan may cause us to fail to qualify as a REIT.

In order to maintain our qualification as a REIT, we are generally required under the Code to distribute annually at least 90% of our net taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. Under our Amended and Restated Credit Agreement, we are generally prohibited from making distributions in excess of 100% of Core Funds From Operations, as defined in the Amended and Restated Credit Agreement. In addition, on September 2, 2015, we entered into a credit agreement (the Term Loan) with KeyBank National Association with an authorized borrowing capacity of \$14,000,000. The Term Loan has a similar negative covenant tying distributions by the Company to Core Funds from Operations subject to certain exceptions. If Core Funds From Operations is less than 90% of our net taxable income, we will not be able to make sufficient distributions to maintain our REIT status. In addition, if Core Funds From Operations are greater than 90% of our net taxable income but less than 100% of our net taxable income, we will be required to pay income tax at regular corporate rates on any net taxable income we are prohibited from distributing as

a result of this covenant. Furthermore, if we fail to distribute at least the sum of 85% of our REIT ordinary income for the year, 95% of our REIT capital gain for the year and any undistributed taxable income from prior years, we will incur a 4% nondeductible excise tax on the excess of such required distribution over the amount we actually distribute.

We have a substantial amount of indebtedness outstanding which may affect our ability to pay distributions, may expose us to interest rate fluctuation risk and may expose us to the risk of default under our debt obligations.

Our total consolidated indebtedness, as of December 31, 2015, was approximately \$344.7 million. We do not anticipate that our internally generated cash flow will be adequate to repay our existing indebtedness upon maturity, and, therefore, we expect to repay our indebtedness through refinancings and future offerings of equity and debt securities, either of which we may be unable to secure on favorable terms or at all. Our substantial outstanding indebtedness, and the limitations imposed on us by our debt agreements, could have other significant adverse consequences, including the following:

our cash flow may be insufficient to meet our required principal and interest payments;

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we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to capitalize upon emerging acquisition opportunities or meet operational needs;

we may be unable to refinance our indebtedness, including, without limitation, the Term Loan, at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;

we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;

we may be forced to enter into financing arrangements with particularly burdensome collateral requirements or restrictive covenants;

we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations or require us to retain cash for reserves;

we may be unable to hedge floating rate debt, counterparties may fail to honor their obligations under our hedge agreements and these agreements may not effectively hedge interest rate fluctuation risk;

we may default on our obligations and the lenders or mortgagees may foreclose on our properties that secure their loans;

our default under any of our indebtedness with cross default provisions could result in a default on other indebtedness; and

cross default provisions on properties with minority parties could trigger indemnity obligations.

If any one of these events were to occur, our financial condition, results of operations, cash flows, market price of our common stock and ability to satisfy our debt service obligations and to pay distributions to you could be adversely affected. In addition, any foreclosure on our properties could create taxable income without accompanying cash proceeds, which could adversely affect our ability to meet the distribution requirements necessary to qualify as a REIT.

Certain provisions of our Term Loan could inhibit our ability to access capital markets, which could harm our performance.

The Term Loan is secured in part with a pledge of the Company's proceeds of all future equity issuances in addition to a pledge of certain of the equity interests and cash flows from real property beneficially owned by the Company or the Operating Partnership. This pledge could have a material adverse effect on our ability to access the capital markets, which in turn could harm our operations and the performance of our common stock.

We could become highly leveraged in the future because our organizational documents contain no limitations on the amount of debt that we may incur.

As of December 31, 2015, our indebtedness represented approximately 77.7% of our total assets. However, our organizational documents contain no limitations on the amount of indebtedness that we or City Office REIT Operating Partnership, L.P. (our Operating Partnership) may incur. We could alter the balance between our total outstanding indebtedness and the value of our properties at any time. If we become more highly leveraged, the resulting increase in outstanding debt could adversely affect our ability to make debt service payments, to pay our anticipated distributions and to make the distributions required to qualify as a REIT. The occurrence of any of the foregoing risks could adversely affect our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

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

In providing financing to us, a lender may impose restrictions on us that would affect our ability to incur additional debt, make certain investments, reduce liquidity below certain levels, make distributions to our stockholders and otherwise affect our distribution and operating policies. In general, we expect that our loan

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agreements will restrict our ability to encumber or otherwise transfer our interest in the respective property without the prior consent of the lender. Such loan documents may contain other negative covenants that may limit our ability to discontinue insurance coverage or impose other limitations. Any such restriction or limitation may limit our ability to make distributions to you. Further, such restrictions could make it difficult for us to satisfy the requirements necessary to qualify as a REIT.

We may engage in hedging transactions, which can limit our gains and increase exposure to losses.

Subject to qualifying as a REIT, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. Our hedging transactions may include entering into interest rate swap agreements or interest rate cap or floor agreements, or other interest rate exchange contracts. Hedging activities may not have the desired beneficial impact on our results of operations or financial condition. No hedging activity can completely insulate us from the risks associated with changes in interest rates. Moreover, interest rate hedging could fail to protect us or adversely affect us because, among other things:

available interest rate hedging may not correspond directly with the interest rate risk for which we seek protection;

the duration of the hedge may not match the duration of the related liability;

the party owing money in the hedging transaction may default on its obligation to pay;

the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and

the value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value, such downward adjustments, or mark-to-market losses, which would reduce our stockholders' equity.

Hedging involves risk and typically involves costs, including transaction costs, that may reduce our overall returns on our investments. These costs increase as the period covered by the hedging increases and during periods of rising and volatile interest rates. These costs will also limit the amount of cash available for distribution to stockholders. We generally intend to hedge as much of the interest rate risk as we determine is in our best interests given the cost of such hedging transactions. The REIT tax rules may limit our ability to enter into hedging transactions by requiring us to limit our income from non-qualifying hedges. If we are unable to hedge effectively because of the REIT tax rules, we will face greater interest rate exposure than may be commercially prudent.

Economic conditions may adversely affect the real estate market and our income.

Continued concerns regarding the uncertainty over whether the U.S. economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment and underemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the mortgage market in the United States and a distressed real estate market have contributed to increased market volatility and weakened business and consumer confidence.

This difficult operating environment could adversely affect our ability to generate revenues, thereby reducing our operating income and earnings.

In addition, local real estate conditions such as an oversupply of properties or a reduction in demand for properties, competition from other similar properties, our ability to provide or arrange for adequate maintenance, insurance and management and advisory services, increased operating costs (including real estate taxes), the attractiveness and location of the property and changes in market rental rates may adversely affect a property's income and value. A rise in energy costs could result in higher operating costs, which may affect our results of operations. In addition, local conditions in the markets in which we own or intend to own properties may significantly affect occupancy or rental rates at such properties. Events that could prevent us from raising or

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maintaining rents or cause us to reduce rents include layoffs, plant closings, relocations of significant local employers and other events reducing local employment rates, an oversupply of or a lack of demand for office space, a decline in household formation and the inability or unwillingness of tenants to pay rent increases.

Our joint venture investments could be adversely affected by the capital markets, our lack of sole decision-making authority, our reliance on joint venture partner's financial condition and any disputes that may arise between us and our joint venture partners.

We have in the past co-invested, and may in the future co-invest, with third parties through partnerships, joint ventures or other structures, acquiring non-controlling interests in, or sharing responsibility for managing the affairs of, a property, partnership, co-tenancy or other entity. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including potential deadlocks in making major decisions, restrictions on our ability to exit the joint venture, reliance on our joint venture partners and the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions, thus exposing us to liabilities in excess of our share of the investment or take action that could jeopardize our REIT status. The funding of our capital contributions may be dependent on proceeds from asset sales, credit facility advances and/or sales of equity securities. Joint venture partners may have business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives. We may in specific circumstances be liable for the actions of our joint venture partners. In addition, any disputes that may arise between us and joint venture partners may result in litigation or arbitration that would increase our expenses.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties, which could have an adverse impact on our financial condition, results of operations, cash flows and market price of our common stock.

The properties in our portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval or waivers from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that could increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief. Our failure to obtain such permits, licenses and zoning relief or to comply with applicable laws could have an adverse effect on our financial condition, results of operations, cash flow and per share market price of our common stock.

We could incur significant costs related to government regulation and private litigation over environmental matters involving the presence, discharge or threat of discharge of hazardous or toxic substances, which could adversely affect our operations, the value of our properties and our ability to make distributions to our stockholders.

Our properties may be subject to environmental liabilities. Under various federal, state and local laws, a current or previous owner, operator or tenant of real estate can face liability for environmental contamination created by the presence, discharge or threat of discharge of hazardous or toxic substances. Liabilities can include the cost to investigate, clean up and monitor the actual or threatened contamination and damages caused by the contamination or

threatened contamination.

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The liability under such laws may be strict, joint and several, meaning that we may be liable regardless of whether we knew of, or were responsible for, the presence of the contaminants, and the government entity or private party may seek recovery of the entire amount from us even if there are other responsible parties. Liabilities associated with environmental conditions may be significant and can sometimes exceed the value of the affected property. The presence of hazardous substances on a property may adversely affect our ability to sell or rent that property or to borrow using that property as collateral.

Environmental laws also:

may require the removal or upgrade of underground storage tanks;

regulate the discharge of storm water, wastewater and other pollutants;

regulate air pollutant emissions;

regulate hazardous materials generation, management and disposal; and

regulate workplace health and safety.

Existing conditions at some of our properties may expose us to liability related to environmental matters.

Independent environmental consultants have conducted Phase I or similar environmental site assessments on all of our properties. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. These assessments do not generally include subsurface investigations or mold or asbestos surveys. None of the recent site assessments revealed any past or present environmental liability that we believe would have a material adverse effect on our business, financial condition, cash flows or results of operations. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns. Material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future; and future laws, ordinances or regulations may impose material additional environmental liability.

Costs of future environmental compliance could negatively affect our ability to make distributions to our stockholders, and remedial measures required to address such conditions could have a material adverse effect on our business, financial condition, cash flows or results of operations.

Our properties may contain asbestos or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem, which could adversely affect the value of the affected property and our ability to make distributions to our stockholders.

We are required by federal regulations with respect to our properties to identify and warn, via signs and labels, of potential hazards posed by workplace exposure to installed asbestos-containing materials (ACMs) and potential ACMs. We may be subject to an increased risk of personal injury lawsuits by workers and others exposed to ACMs and potential ACMs at our properties as a result of these regulations. The regulations may affect the value of any of

our properties containing ACMs and potential ACMs. Federal, state and local laws and regulations also govern the removal, encapsulation, disturbance, handling and disposal of ACMs and potential ACMs when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a property.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing because exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions.

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The presence of ACMs or significant mold at any of our properties could require us to undertake a costly remediation program to contain or remove the ACMs or mold from the affected property. In addition, the presence of ACMs or significant mold could expose us to claims of liability to our tenants, their or our employees, and others if property damage or health concerns arise.

Potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by insurance.

Certain of our properties are located in states where natural disasters such as tornadoes, hurricanes and earthquakes are more common than in other states. Given recent extreme weather events across other parts of the United States, it is also possible that our other properties could incur significant damage due to other natural disasters. While we carry insurance to cover a substantial portion of the cost of such events, our insurance includes deductible amounts and certain items may not be covered by insurance. Future natural disasters may significantly affect our operations and properties and, more specifically, may cause us to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on our business, cash flows, financial condition, results of operations and ability to make distributions to our stockholders.

Furthermore, we do not carry insurance for certain losses, including, but not limited to, losses caused by certain environmental conditions, such as mold or asbestos, riots or war. In addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. As a result, we may not have sufficient coverage against all losses that we may experience, including from adverse title claims.

If we experience a loss that is uninsured or exceeds policy limits, we could incur significant costs and lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

Moreover, we carry several different lines of insurance, placed with several large insurance carriers. If any one of these large insurance carriers were to become insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier and any outstanding claims would be at risk for collection. In such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. Replacing insurance coverage at unfavorable rates and the potential of uncollectible claims due to carrier insolvency could adversely affect our results of operations and cash flows.

We have a limited operating history, especially as an internally-managed company, and may not be able to successfully operate our business or generate sufficient cash flow to make or sustain distributions to our stockholders.

We have a limited operating history, particularly as an internally-managed company. We may not be able to generate sufficient cash flow over time to pay our operating expenses and make or sustain distributions to our stockholders.

We may be limited in our ability to diversify our investments making us more vulnerable economically than if our investments were diversified.

Our ability to diversify our portfolio may be limited both as to the number of investments owned and the geographic regions in which our investments are located. While we seek to diversify our portfolio by geographic location, we

focus on our specified target markets that we believe offer the opportunity for attractive returns and, accordingly, our actual investments may result in concentrations in a limited number of geographic regions. As a result, there is an increased likelihood that the performance of any single property, or the economic performance of a particular region in which our properties are located, could materially affect our operating results.

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We may acquire properties with lock-out provisions, or agree to such provisions in connection with obtaining financing, which may prohibit us from selling or refinancing a property during the lock-out period.

We may acquire properties in exchange for common units and agree to restrictions on sales or refinancing, called lock-out provisions, which are intended to preserve favorable tax treatment for the owners of such properties who sell them to us. In addition, we may agree to lock-out provisions in connection with obtaining financing for the acquisition of properties. Lock-out provisions could materially restrict us from selling, otherwise disposing of or refinancing properties. These restrictions could affect our ability to turn our investments into cash and thus affect cash available for distributions to our stockholders. Lock-out provisions could impair our ability to take actions during the lock-out period that would otherwise be in the best interests of our stockholders and, therefore, could adversely impact the market value of our common stock. In particular, lock-out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our stockholders.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties is subject to weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, such as the recent economic downturn, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. Furthermore, our ability to dispose of the properties that we acquired through our initial public offering within the four years immediately following the completion of our initial public offering and the related Formation Transactions is subject to certain limitations imposed by our tax protection agreements.

In addition, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to adjust our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial condition, results of operations, cash flow and per share market price of our common stock.

If we sell properties by providing financing to purchasers, we will bear the risk of default by the purchaser.

If we decide to sell any of our properties, we intend to use commercially reasonable efforts to sell them for cash. However, in some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk of default by the purchasers which would reduce the value of our assets, impair our ability to make distributions to our stockholders and reduce the price of our common stock.

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We may be unable to collect balances due on our leases from any tenants in bankruptcy, which could adversely affect our cash flow and the amount of cash available for distribution to our stockholders.

The bankruptcy or insolvency of one or more of our tenants may adversely affect the income produced by our properties. We cannot assure you that any tenant that files for bankruptcy protection will continue to pay us rent. If a tenant files for bankruptcy, any or all of the tenant's or a guarantor of a tenant's lease obligations could be subject to a bankruptcy proceeding pursuant to Chapter 11 or Chapter 7 of the U.S. Bankruptcy Code. Such a bankruptcy filing would bar all efforts by us to collect pre-bankruptcy rents from these entities or their properties, unless we receive an order from the bankruptcy court permitting us to do so. A tenant or lease guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases and could ultimately preclude collection of these sums. If a lease is rejected by a tenant in bankruptcy, we would only have a general unsecured claim for damages. This claim could be paid only in the event funds were available and then only in the same percentage as that realized on other unsecured claims. Our claim would be capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent already due but unpaid. Therefore, if a lease is rejected, it is unlikely we would receive any payments from the tenant or we would receive substantially less than the full value of any unsecured claims we hold, which would result in a reduction in our rental income, cash flow and the amount of cash available for distribution to our stockholders.

We may face additional risks and costs associated with owning properties occupied by government tenants, which could negatively impact our cash flows and results of operations.

As of December 31, 2015, we owned six properties in which some or all of the tenants are federal government agencies. We may continue to pursue the acquisition of office properties in which substantial space is leased to governmental agencies. As such, lease agreements with these federal government agencies contain certain provisions required by federal law, which require, among other things, that the contractor (which is the lessor or the owner of the property), agree to comply with certain rules and regulations, including, but not limited to, rules and regulations related to anti-kickback procedures, examination of records, audits and records, equal opportunity provisions, prohibition against segregated facilities, certain executive orders, subcontractor cost or pricing data, certain provisions intending to assist small businesses and contractual rights of termination by the tenants. We may be subject to requirements of the Employment Standards Administration's Office of Federal Contract Compliance Programs and requirements to prepare affirmative action plans pursuant to the applicable executive order may be determined to be applicable to us.

In addition, some of our leases with government tenants may be subject to statutory or contractual rights of termination by the tenants, which will allow them to vacate the leased premises before the stated terms of the leases expire with little or no liability. For fiscal policy reasons, security concerns or other reasons, some or all of our government tenants may decide to vacate our properties. If a significant number of such vacancies occur, our rental income may materially decline, our cash flow and results of operations could be adversely affected and our ability to pay regular distributions to you may be jeopardized.

Some of the leases at our properties contain early termination provisions which, if triggered, may allow tenants to terminate their leases without further payment to us, which could adversely affect our financial condition and results of operations and the value of the applicable property.

Certain tenants have a right to terminate their leases upon payment of a penalty, but others are not required to pay any penalty associated with an early termination. Most of our tenants that are federal or state governmental agencies, which account for approximately 24.4% of the base rental revenue from our properties as of December 31, 2015, may, under certain circumstances, vacate the leased premises before the stated terms of the leases expire with little or no

liability to us. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on our operations.

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The federal government's green lease policies may adversely affect us.

In recent years, the federal government has instituted green lease policies which allow a government tenant to require leadership in energy and environmental design for commercial interiors, or LEED®-CI, certification in selecting new premises or renewing leases at existing premises. In addition, the Energy Independence and Security Act of 2007 allows the General Services Administration to prefer buildings for lease that have received an Energy Star label. Obtaining such certifications and labels may be costly and time consuming, but our failure to do so may result in our competitive disadvantage in acquiring new or retaining existing government tenants.

We may be unable to complete acquisitions and, even if acquisitions are completed, we may fail to successfully operate acquired properties.

Our business plan includes, among other things, growth through identifying suitable acquisition opportunities, consummating acquisitions and leasing such properties. We will evaluate the market of available properties and may acquire properties when we believe strategic opportunities exist. Our ability to acquire properties on favorable terms and successfully develop or operate them is subject to, among others, the following risks:

we may be unable to acquire a desired property because of competition from other real estate investors with substantial capital, including from other REITs and institutional investment funds;

even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;

even if we enter into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;

we may incur significant costs in connection with evaluation and negotiation of potential acquisitions, including acquisitions that we are subsequently unable to complete;

we may acquire properties that are not initially accretive to our results upon acquisition, and we may not successfully lease those properties to meet our expectations;

we may be unable to finance the acquisition on favorable terms in the time period we desire, or at all;

even if we are able to finance the acquisition, our cash flows may be insufficient to meet our required principal and interest payments;

we may spend more than budgeted to make necessary improvements or renovations to acquired properties;

we may be unable to quickly and efficiently integrate new acquisitions, particularly the acquisition of portfolios of properties, into our existing operations;

market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities for clean-up of undisclosed environmental contamination, claims by tenants or other persons dealing with former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

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Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market.

We may acquire properties in markets that are new to us. When we acquire properties located in new markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. We work to mitigate such risks through extensive diligence and research and associations with experienced service providers. However, there can be no guarantee that all such risks will be eliminated.

Adverse market and economic conditions could cause us to recognize impairment charges or otherwise impact our performance.

We intend to review the carrying value of our properties when circumstances, such as adverse market conditions (including conditions resulting from the recent economic downturn), indicate a potential impairment may exist. We intend to base our review on an estimate of the future cash flows (excluding interest charges) expected to result from the property's use and eventual disposition on an undiscounted basis. We intend to consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our evaluation indicates that we may be unable to recover the carrying value of a real estate investment, an impairment loss will be recorded to the extent that the carrying value exceeds the estimated fair value of the property.

Impairment losses would have a direct impact on our operating results because recording an impairment loss results in an immediate negative adjustment to our operating results. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. If the real estate market deteriorates, we may reevaluate the assumptions used in our impairment analysis. Impairment charges could materially adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the per share market price of, our common stock.

Litigation may result in unfavorable outcomes.

Like many real estate operators, we may be involved in lawsuits involving premises liability claims and alleged violations of landlord-tenant laws, which may give rise to class action litigation or governmental investigations. Any material litigation not covered by insurance, such as a class action, could result in us incurring substantial costs and harm our financial condition, results of operations, cash flows and ability to pay distributions to you.

We may invest in properties with other entities, and our lack of sole decision-making authority or reliance on a joint-venturer's financial condition could make these joint venture investments risky and expose us to losses or impact our ability to qualify or maintain our qualification as a REIT.

We may co-invest in the future with third parties through partnerships, joint ventures or other entities. We may acquire non-controlling interests or share responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such events, we would not be in a position to exercise sole decision-making authority regarding the property or entity. Investments in entities may, under certain circumstances, involve risks not present were a third party not involved. These risks include the possibility that partners or joint-venturers:

might become bankrupt or fail to fund their share of required capital contributions;

may have economic or other business interests or goals that are inconsistent with our business interests or goals; and

may be in a position to take actions contrary to our policies or objectives or exercise rights to buy or sell at an inopportune time for us.

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Such investments may also have the potential risk of impasses on decisions, such as a sale or refinancing of the property, because neither we nor the partner or joint-venturer would have full control over the partnership or joint venture. Disputes between us and partners or joint-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business or result in costs to terminate the relationship. Actions of partners or joint-venturers may cause losses to our investments and adversely affect our ability to qualify as a REIT. In addition, we may in certain circumstances be liable for the actions of our third-party partners or joint-venturers if:

we structure a joint venture or conduct business in a manner that is deemed to be a general partnership with a third party;

third-party managers incur debt or other liabilities on behalf of a joint venture which the joint venture is unable to pay, and the joint venture agreement provides for capital calls, in which case we could be liable to make contributions as set forth in any such joint venture agreement or suffer adverse consequences for a failure to contribute; or

we agree to cross default provisions or to cross-collateralize our properties with the properties in a joint venture, in which case we could face liability if there is a default relating to those properties in the joint venture or the obligations relating to those properties.

Compliance with the Americans with Disabilities Act and similar laws may require us to make significant unanticipated expenditures.

All of our properties and any future properties that we acquire are and will be required to comply with the ADA. The ADA requires that all public accommodations must meet federal requirements related to access and use by disabled persons. For those projects receiving federal funds, the Rehabilitation Act of 1973 (the RA) also has requirements regarding disabled access. Although we believe that our properties are substantially in compliance with the present requirements, we may incur unanticipated expenses to comply with the ADA, the RA and other applicable legislation in connection with the ongoing operation or redevelopment of our properties. These and other federal, state and local laws may require modifications to our properties, or affect renovations of our properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures.

Our property taxes could increase due to property tax rate changes or reassessment, which may adversely impact our cash flows.

Even as a REIT, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes that we pay in the future may increase substantially. In addition, the real property taxes on Cherry Creek are reduced due to having a government user as its largest tenant and loss of such tenant would increase the amount of property taxes. If the property taxes that we pay increase, our cash flow could be impacted, and our ability to pay expected distributions to our stockholders may be adversely affected.

It may be difficult to enforce civil liabilities against members of our board of directors or our officers.

Some of the members of our board of directors and our officers reside in Canada and substantially all of the assets of such persons are located in Canada. As a result, it may be difficult for you to effect service of process within the United States or in any other jurisdiction outside of Canada upon these persons or to enforce against them in any jurisdiction outside of Canada judgments predicated upon the laws of any such jurisdiction, including any judgment predicated upon the federal and state securities laws of the United States.

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Risks Related to Our Status As a REIT

Our failure to qualify as a REIT would result in significant adverse tax consequences to us and would adversely affect our business and the value of our stock.

We have elected and intend to continue to operate in a manner that will allow us to qualify to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2014. Qualification as a REIT involves the application of highly technical and complex tax rules, for which there are only limited judicial and administrative interpretations. The fact that we hold substantially all of our assets through our Operating Partnership further complicates the application of the REIT requirements. Even a seemingly minor technical or inadvertent mistake could jeopardize our REIT status. Our REIT status depends upon various factual matters and circumstances that may not be entirely within our control. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources, such as rents from real property, and we must satisfy a number of requirements regarding the composition of our assets. Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, excluding net capital gains. In addition, new legislation, regulations, administrative interpretations or court decisions, each of which could have retroactive effect, may make it more difficult or impossible for us to qualify as a REIT, or could reduce the desirability of an investment in a REIT relative to other investments. We have not requested and do not plan to request a ruling from the Internal Revenue Service (the "IRS") that we qualify as a REIT, and the statements in this annual report are not binding on the IRS or any court. Accordingly, we cannot be certain that we will be successful in qualifying as a REIT.

If we fail to qualify as a REIT in any taxable year, we will face serious adverse U.S. federal income tax consequences that would substantially reduce the funds available to distribute to you. If we fail to qualify as a REIT:

we would not be allowed to deduct distributions to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;

we could also be subject to the U.S. federal alternative minimum tax and possibly increased state and local taxes; and

unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year in which we were disqualified.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital and would adversely affect the value of our common stock.

Even if we qualify as a REIT, we may be subject to some U.S. federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property that we hold primarily for sale to customers in the ordinary course of business. In addition, our taxable REIT subsidiaries ("TRSs") are subject to tax as regular corporations in the jurisdictions in which they operate.

To maintain our qualification as a REIT, we may be forced to borrow funds during unfavorable market conditions to make distributions to our stockholders.

To maintain our qualification as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, excluding any net capital gain, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. To qualify as a REIT and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements. These borrowing needs could result from:

differences in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax purposes;

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the effect of nondeductible capital expenditures;

the creation of reserves; or

required debt or amortization payments.

We may need to borrow funds at times when the then-prevailing market conditions are not favorable for borrowing. These borrowings could increase our costs or reduce our equity and adversely affect the value of our common stock.

If our Operating Partnership failed to qualify as a partnership for U.S. federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our Operating Partnership will be treated as a partnership for U.S. federal income tax purposes. As a partnership, our Operating Partnership generally will not be subject to U.S. federal income tax on its income. Instead, each of its partners, including us, will be required to pay tax on its allocable share of our Operating Partnership's income. We cannot assure you, however, that the IRS will not challenge the status of our Operating Partnership or any other subsidiary partnership in which we own an interest as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our Operating Partnership or any such other subsidiary partnership as an entity taxable as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our Operating Partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to U.S. federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum income tax rate applicable to qualified dividends payable to non-corporate U.S. stockholders, including individuals, trusts and estates, is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rate. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the market price of our common stock.

The tax imposed on REITs engaging in prohibited transactions may limit our ability to engage in transactions which would be treated as sales for U.S. federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held in inventory primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as inventory held for sale to customers in the ordinary course of our business, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.

To maintain our qualification as a REIT, we may be forced to forego otherwise attractive opportunities.

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

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In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of any qualified REIT subsidiary or TRS of ours and securities that are qualified real estate assets) generally may not include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, securities of any qualified REIT subsidiary or TRS of ours and securities that are qualified real estate assets) may consist of the securities of any one issuer. No more than 25% (20% for taxable years beginning after December 31, 2017) of the value of our total assets can be represented by securities of one or more TRSs, and no more than 25% of our assets can be represented by debt of publicly offered REITs that is not secured by real property or interests in real property. If we fail to comply with these requirements at the end of any calendar quarter, we must remedy the failure within 30 days or qualify for certain limited statutory relief provisions to avoid losing status as a REIT. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the market price of our shares of common stock.

At any time, the U.S. federal income tax laws governing REITs may be amended or the administrative and judicial interpretations of those laws may be changed. We cannot predict when or if any new U.S. federal income tax law, regulation, or administrative and judicial interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative or judicial interpretation, will be adopted, promulgated or become effective, and any such law, regulation, or interpretation may be effective retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative and judicial interpretation.

Risks Associated With the Internalization

We are subject to risks and uncertainties associated with the Internalization.

Prior to the internalization of our management, we were externally managed by City Office Real Estate Management Inc. Realizing our business objectives depends in large part on the ability of our internal management structure to effectively manage the day-to-day operations of our assets and properties. We cannot assure you that our past performance with external management will be indicative of internal management's ability to function effectively and successfully operate our Company. We do not have an operating history with internal management and do not know if we will be able to successfully integrate our former external management. If our internal management structure is not successful in managing our properties to achieve the investment returns we anticipate, our operations may be adversely impacted.

Risks Related to Our Organizational Structure

Our commitment to Second City following our internalization may give rise to various conflicts of interest.

We are subject to conflicts of interest arising out of our relationship with Second City and its affiliates. As a result of our Internalization, our management will continue to provide services to Second City under the terms of the Administrative Services Agreement. An example of these potential conflicts of interests includes competition for the time and services of personnel that work for us and our affiliates.

Conflicts of interest exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our Operating Partnership, which may impede business decisions that could benefit our stockholders.

Conflicts of interest exist or could arise in the future as a result of the relationships between us, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers have duties to

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our Company under applicable Maryland law in connection with their management of our Company. At the same time, we, as the general partner of our Operating Partnership, have fiduciary duties and obligations to our Operating Partnership and its limited partners under Maryland law and the partnership agreement of our Operating Partnership in connection with the management of our Operating Partnership. Our fiduciary duties and obligations as general partner to our Operating Partnership and its partners may come into conflict with the duties of our directors and officers to our Company.

Additionally, the partnership agreement provides that we and our officers, directors and employees, will not be liable or accountable to our Operating Partnership for losses sustained, liabilities incurred or benefits not derived if we, or such officer, director or employee acted in good faith. The partnership agreement also provides that we will not be liable to our Operating Partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by our Operating Partnership or any limited partner, except for liability for our intentional harm or gross negligence. Moreover, the partnership agreement provides that our Operating Partnership is required to indemnify us and our officers, directors, employees, agents and designees from and against any and all claims that relate to the operations of our Operating Partnership, except (1) if the act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) for any transaction for which the indemnified party received an improper personal benefit, in money, property or services or otherwise in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, if the indemnified person had reasonable cause to believe that the act or omission was unlawful. No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our Operating Partnership that modify and reduce our fiduciary duties or obligations as the general partner or reduce or eliminate our liability for money damages to our Operating Partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties that would be in effect were it not for the partnership agreement.

The consideration that we pay for the properties and assets we own may exceed their aggregate fair market value.

The amount of consideration that we pay for properties is based on management's estimate of fair market value, including an analysis of market sales comparables, market capitalization rates for other properties and assets and general market conditions for such properties and assets. In certain instances, management's estimate of fair market value may exceed the fair market value of these properties and assets.

Members of the Second City Group own a substantial indirect beneficial interest in our Company on a fully-diluted basis and have the ability to exercise significant influence on our Company and our Operating Partnership, including the approval of significant corporate transactions.

As of December 31, 2015, the Second City Group (as defined in Note 8 to the accompanying financial statements) owns approximately 4,594,465 common units and shares of our common stock, representing a 28.9% beneficial interest in our Company on a fully-diluted basis. In addition, our amended and restated bylaws have the effect of granting to the Second City Group the right to designate up to two nominees for election to our board of directors in accordance with, or as provided pursuant to, the partnership agreement, and the partnership agreement will limit any actions in contravention of an express provision of the partnership agreement, limit any transfers of our general partner interest in our Operating Partnership and prevent our voluntary withdrawal as the general partner based on the Second City Group's ownership of common units. For so long as the Second City Group maintains a significant interest in our Company, they will have substantial influence on us and could exercise this influence in a manner that conflicts with the interest of other stockholders.

The Second City Group may seek to redeem its common units and sell any common stock received in exchange therefor or in our initial public offering and the related Formation Transactions. No prediction can be

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made as to the effect, if any, a future sale of common stock by the Second City Group will have on the market price of the common stock prevailing from time to time. However, the future sale of a substantial number of our shares of common stock by the Second City Group, or the perception that such sale could occur, could adversely affect prevailing market prices for our common stock.

We are a holding company with no direct operations and, as such, we rely on funds received from our Operating Partnership to pay liabilities, and the interests of our stockholders are structurally subordinated to all liabilities and obligations of our Operating Partnership and its subsidiaries.

We are a holding company and conduct substantially all of our operations through our Operating Partnership. We do not have, apart from an interest in our Operating Partnership, any independent operations. As a result, we rely on distributions from our Operating Partnership to pay any dividends that we may declare on shares of our common stock. We also rely on distributions from our Operating Partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our Operating Partnership. In addition, because we are a holding company, your claims as stockholders are structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our Operating Partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our Operating Partnership's and its subsidiaries' liabilities and obligations have been paid in full.

We may have assumed unknown liabilities in connection with the Formation Transactions and any properties we may acquire in the future may expose us to unknown liabilities.

As part of the Formation Transactions and thereafter, we acquired entities and assets that are subject to existing liabilities, some of which are unknown or unquantifiable at this time. These assumed liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with our predecessor entities (the "Predecessor"; see Note 6 to the accompanying financial statements) (that had not been asserted or threatened prior to our acquisition), tax liabilities and accrued but unpaid liabilities incurred in the ordinary course of business. While in some instances we may have the right to seek reimbursement against an insurer, any recourse against third parties, including the contributors of our assets, for these liabilities are limited. There can be no assurance that we are entitled to any such reimbursements or that ultimately we will be able to recover in respect of such rights for any of these historical liabilities.

In addition, there can be no assurance that our current title insurance policies will adequately protect us against any losses resulting from such title defects or adverse developments.

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

liabilities for clean-up of undisclosed or undiscovered environmental contamination

claims by tenants, vendors or other persons against the former owners of the properties;

liabilities incurred in the ordinary course of business; and

claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

We may be unable to renew expiring leases or re-lease vacant space on a timely basis or on attractive terms, which could have a material adverse effect on our results of operations and cash flow.

At December 31, 2015, approximately 14.9%, 14.5% and 12.5% of our annualized cash basis rent is scheduled to expire in 2016, 2017 and 2018, respectively, excluding month-to-month leases. Current tenants may

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not renew their leases upon the expiration of their terms and may attempt to terminate their leases prior to the expiration of their current terms. If non-renewals or terminations occur, we may not be able to locate qualified replacement tenants and, as a result, we could lose a significant source of revenue while remaining responsible for the payment of our financial obligations. Moreover, the terms of a renewal or new lease, including the amount of rent, may be less favorable to us than the current lease terms, or we may be forced to provide tenant improvements at our expense or provide other concessions or additional services to maintain or attract tenants. Any of these factors could cause a decline in lease revenue or an increase in operating expenses, which would have a material adverse effect on our results of operations and cash flow.

Our business and operations would suffer in the event of system failures.

Despite system redundancy and the implementation of security measures for our IT networks and related systems, our systems are vulnerable to damages from any number of sources, including computer viruses, energy blackouts, natural disasters, terrorism, war, and telecommunication failures. We rely on our IT networks and related systems, including the Internet, to process, transmit and store electronic information and to manage or support a variety of our business processes, including financial transactions and keeping of records, which may include personal identifying information of tenants and lease data. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmitting and storing confidential tenant information, such as individually identifiable information relating to financial accounts. Any failure to maintain proper function, security and availability of our IT networks and related systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a material adverse effect on our operations. As such, any of the foregoing events could have a material adverse effect on our results of operations.

We face risks associated with our tenants being designated Prohibited Persons by the Office of Foreign Assets Control.

Pursuant to Executive Order 13224 and other laws, the Office of Foreign Assets Control of the U.S. Department of the Treasury, or OFAC, maintains a list of persons designated as terrorists or who are otherwise blocked or banned, or Prohibited Persons. OFAC regulations and other laws prohibit conducting business or engaging in transactions with Prohibited Persons. Certain of our loan and other agreements may require us to comply with these OFAC requirements. If a tenant or other party with whom we contract is placed on the OFAC list, we may be required by the OFAC requirements to terminate the lease or other agreement. Any such termination could result in a loss of revenue or a damage claim by the other party that the termination was wrongful.

Our tax protection agreements could limit our ability to sell or otherwise dispose of certain properties.

In connection with our initial public offering and the related Formation Transactions, our Operating Partnership entered into tax protection agreements that provide that if we dispose of any interest in our initial properties in a taxable transaction prior to the fourth anniversary of the completion of our initial public offering, subject to certain exceptions, we will indemnify certain contributors of properties in our Formation Transactions for their tax liabilities attributable to the built-in gain that exists with respect to our properties as of the time of our initial public offering and their tax liabilities incurred as a result of such tax protection payment. Therefore, although it may be in our stockholders' best interests that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations. Moreover, as a result of these potential tax liabilities, certain of our officers may have a conflict of interest with respect to our determination as to these properties.

Our tax protection agreements may require our Operating Partnership to maintain certain debt levels that otherwise would not be required to operate our business.

Under our tax protection agreements, our Operating Partnership is required to maintain a minimum level of indebtedness throughout the four years immediately following our initial public offering and the related

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Formation Transactions, regardless of whether such debt levels are otherwise required to operate our business. Moreover, our Operating Partnership may be required to provide certain contributors of properties in our Formation Transactions with the opportunity to guarantee debt upon a future repayment, retirement, refinancing or other reduction of currently outstanding debt prior to the fourth anniversary of the completion of our initial public offering. After such fourth anniversary, our Operating Partnership will be required to use commercially reasonable efforts to provide the Protected Parties (as defined below) with an opportunity to guarantee its debt, provided that it will not be required to incur any debt that it otherwise would not have incurred. If we fail to make such opportunities available, we will be required to make a cash payment intended to approximate the sum of the tax liabilities resulting from our failure to make such opportunities available or to maintain the minimum level of indebtedness and the tax liabilities incurred as a result of such tax protection payment. We agreed to these provisions in order to assist the contributors and their owners in deferring the recognition of taxable gain as a result of and after our initial public offering and the related Formation Transactions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

Our charter, our amended and restated bylaws and Maryland law contain provisions that may delay, defer or prevent a change of control transaction and may prevent our stockholders from receiving a premium for their shares.

Our charter contains ownership limits that may delay, defer or prevent a change of control transaction. Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to qualify as a REIT. Unless exempted by our board of directors, our charter provides that no person may own more than 9.8% of the value of our outstanding shares of capital stock or more than 9.8% in value or number (whichever is more restrictive) of the outstanding shares of our common stock. Our board of directors may not grant such an exemption to any proposed transferee whose ownership in excess of 9.8% of the foregoing ownership limits would result in the termination of our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify as a REIT. The ownership limit may delay or impede a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

We could authorize and issue stock without stockholder approval that may delay, defer or prevent a change of control transaction. Our charter authorizes us to issue additional authorized but unissued shares of our common stock or preferred stock. In addition, our board of directors may classify or reclassify any unissued shares of our common stock or preferred stock and may set the preferences, rights and other terms of the classified or reclassified shares. Our board of directors may also, without stockholder approval, amend our charter to increase the authorized number of shares of our common stock or our preferred stock that we may issue. Our board of directors could establish a class or series of common stock or preferred stock that could, depending on the terms of such class or series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Certain provisions of Maryland law could delay, defer or prevent a change of control transaction. Certain provisions of the Maryland General Corporation Law (MGCL) may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control. In some cases, such an acquisition or change of control could provide you with the opportunity to realize a premium over the then-prevailing market price of your shares. These MGCL provisions include:

business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested stockholder for certain periods. An interested stockholder is generally any person who beneficially owns 10% or more of the voting power of our shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then-outstanding voting stock. A person is not an interested stockholder under the statute if our board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. Business

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combinations with an interested stockholder are prohibited for five years after the most recent date on which the stockholder becomes an interested stockholder. After that period, the MGCL imposes two super-majority voting requirements on such combinations; and

control share provisions that provide that holders of control shares of our Company acquired in a control share acquisition have no voting rights with respect to the control shares unless holders of two-thirds of our voting stock (excluding interested shares) consent. Control shares are shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors. A control share acquisition is the direct or indirect acquisition of ownership or control of control shares from a party other than the issuer.

In the case of the business combination provisions of the MGCL, we opted out by resolution of our board of directors. In the case of the control share provisions of the MGCL, we opted out pursuant to a provision in our amended and restated bylaws. However, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL. Further, we may opt in to the control share provisions of the MGCL in the future by amending our bylaws, which our board of directors can do without stockholder approval.

Maryland law, and our charter and amended and restated bylaws, also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

The ability of our board of directors to revoke our REIT status without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we would become subject to U.S. federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

Our board of directors may amend our investing and financing guidelines without stockholder approval, and, accordingly, you would have limited control over changes in our policies that could increase the risk that we default under our debt obligations or that could harm our business, results of operations and share price.

Although we are not required to maintain any particular leverage ratio, we intend, when appropriate, to employ prudent amounts of leverage and to use debt as a means of providing additional funds for the acquisition of our target assets and the diversification of our portfolio. Our organizational documents do not limit the amount or percentage of debt that we may incur, nor do they limit the types of properties that we may acquire or develop. The amount of leverage we will deploy for particular investments in our target assets will depend upon our management team's assessment of a variety of factors, which may include the anticipated liquidity and price volatility of the target assets in our investment portfolio, the potential for losses, the availability and cost of financing the assets, our opinion of the creditworthiness of our financing counterparties, the health of the U.S. economy and commercial mortgage markets, our outlook for the level, slope and volatility of interest rates, the credit quality of our target assets and the collateral underlying our target assets. Our board of directors may alter or eliminate our current guidelines on investing and financing at any time without stockholder approval. Changes in our strategy or in our investing and financing guidelines could expose us to greater credit risk and interest rate risk and could also result in a more leveraged balance sheet. These factors could result in an increase in our debt service and could adversely affect our cash flow and our ability to make expected distributions to you. Higher leverage also increases the risk that we would default on our

debt.

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Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer generally has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. As permitted by the MGCL, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

actual receipt of an improper benefit or profit in money, property or services; or

active and deliberate dishonesty established by a final judgment and which is material to the cause of action. In addition, our charter authorizes us to obligate our Company, and our amended and restated bylaws require us, to indemnify and pay or reimburse our present and former directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our Company, your ability to recover damages from such director or officer will be limited.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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As of December 31, 2015, we owned fourteen office complexes comprised of 28 office buildings with a total of approximately 3.3 million square feet of NRA in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA), Dallas (TX) and Orlando (FL). The following table presents an overview of our portfolio as of December 31, 2015.

Metropolitan Area	Property	Year Built/ Last Major Renovation ⁽¹⁾		Economic Interest	NRA (000s Square Feet)	In Place Occupancy	In Place and Committed Occupancy ⁽²⁾	Annualized		Annualized Base Rent ⁽⁴⁾	Largest Tenant by NRA
		1980 / 2012	2012					per Square Foot	per Square Foot ⁽³⁾		
Denver, CO	Cherry Creek	1962	1980 / 2012	100.0%	356	100.0%	100.0%	\$ 17.24	\$ 17.24	\$ 6,133,692	State of Colorado Department of Health and Human Services
	Plaza 25	1981 / 2006		100.0%	197	91.6%	91.6%	20.67	20.67	\$ 3,728,255	Recondo Technology, Inc.
	DTC Crossroads	1999 / 2015		100.0%	191	89.8%	89.8%	24.57	24.57	\$ 4,206,141	ProBuild Holdings
	Superior Pointe	2000		100.0%	149	89.8%	89.8%	14.73	25.73	\$ 1,970,559	Key Equipment Services, Inc.
	Logan Tower	1983 / 2014		100.0%	70	95.1%	98.8%	18.74	18.74	\$ 1,246,868	Recondo Finance, Inc.
Boise, ID	Washington Group Plaza	1970	1982 / 2012	100.0%	559	87.8%	87.8%	17.36	17.36	\$ 8,510,244	Technology, Inc. AECOM Technology Corporation ⁽⁵⁾
Dallas, TX	190 Office Center	2008		100.0%	303	97.8%	97.8%	22.38	22.38	\$ 6,626,982	United Healthcare Services, Inc.
	Lake Vista Pointe	2007		100.0%	163	100.0%	100.0%	14.00	20.50	\$ 2,286,704	Ally Financial, Inc.
Orlando, FL	City Center	1984 / 2012		95.0%	241	100.0%	100.0%	23.45	23.45	\$ 5,652,088	Kobie Marketing, Inc.
	Intellicenter	2008		100.0%	204	100.0%	100.0%	21.83	21.83	\$ 4,443,409	H. Lee Moffitt Cancer Center
Portland, OR	AmberGlen	1984 / 2002		76.0%	353	96.9%	96.9%	16.24	18.63	\$ 5,559,671	Planar Systems, Inc.
Orlando, FL	Central Fairwinds	1982 / 2012		90.0%	170	82.5%	88.2%	25.31	25.31	\$ 3,541,057	Fairwinds Credit Union
	Florida Research	1999		100.0%	125	100.0%	100.0%	20.00	28.00	\$ 2,490,000	Kaplan, Inc.

Park	Year	Occupancy %	Units	Occupancy %	Occupancy %	18.73	25.73	\$ 3,340,225	Dun & Bradstreet,
Allentown, PA Corporate Parkway	2006	100.0%	178	100.0%	100.0%				
			3,257	94.8%	95.2%	\$ 19.35	\$ 21.16	\$ 59,735,895	

- (1) We define major renovation as significant upgrades, alterations or additions to building common areas, interiors, exteriors and/or systems.
- (2) Includes both in place and committed tenants, which we define as tenants in occupancy as well as tenants that have executed binding leases for space undergoing improvement but are not yet in occupancy, as of December 31, 2015.
- (3) For Corporate Parkway, Lake Vista Pointe, Florida Research Park and Superior Pointe, the annualized base rent per square foot on a triple net basis was increased by \$7.00, \$6.50 \$8.00 and \$11.00 respectively, to estimate a gross equivalent base rent. AmberGlen has net leases for two tenants which have been grossed-up by \$6.00 on a pro rata basis.
- (4) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the month ended December 31, 2015 by (ii) 12.
- (5) Vacated December 31, 2015. A lease has been signed with St. Luke's Regional Medical Center to occupy the space AECOM Technology Corporation vacated in Q3 2016.

On February 2, 2016, we entered into a non-binding agreement to sell our Corporate Parkway property in Allentown, Pennsylvania. While the transaction could close as early as the second quarter of 2016, numerous conditions and uncertainties remain regarding the potential transaction and there can be no assurance, however, that the transaction will close on the terms or timing we expect, if at all.

Table of Contents*Lease Maturity Profile*

The chart below sets out the percentage of NRA of our properties subject to lease expiration during the periods shown without regard to renewal options.

Lease Maturity Schedule (as a Percentage of NRA)

(at December 31, 2015)

The following table sets forth the lease expirations for leases in place in our properties as of December 31, 2015, plus available space, for each of the calendar years ending December 31, 2015 to December 31, 2025, and thereafter. The information set forth in the table assumes that tenants exercise no renewal options and do not exercise early termination rights. Leases in place have a weighted average term to maturity of 5 years.

Year of Lease Expiration	Number of Leases Expiring	NRA of Expiring Leases	Percentage of Properties	Annualized Base Rent⁽¹⁾	Percentage of Annualized Rent Expiring	Annualized Rent per Square Foot Expiring⁽²⁾	Annualized Base Rent (including Abatement)	Annualized Rent per Leased Square Foot Expiring (Including Abatement)
Vacant and Contracted ⁽³⁾	3	170,191	5.2%		0.0%			
Expired December 31,								
2015	3	240,074	7.4%	4,136,289	6.9%	17.23	4,136,289	17.23
2016	29	192,902	5.9%	4,191,846	7.0%	21.73	4,191,846	21.73
2017	33	383,568	11.8%	7,276,950	12.2%	18.97	7,276,950	18.97
2018	36	421,968	13.0%	7,823,385	13.1%	18.54	7,719,033	18.29
2019	32	321,084	9.9%	6,812,698	11.4%	21.22	6,757,248	21.05
2020	14	86,355	2.7%	1,771,583	3.0%	20.52	1,595,105	18.47
2021	10	342,438	10.5%	5,972,755	10.0%	17.44	5,691,523	16.62
2022	9	155,461	4.8%	2,761,962	4.6%	17.77	2,129,548	13.70
2023	2	199,979	6.1%	4,615,731	7.7%	23.08	4,615,731	23.08
2024	5	80,791	2.5%	1,824,813	3.1%	22.59	1,623,618	20.10
2025	2	10,046	0.3%	141,143	0.2%	14.05	141,143	14.05
Thereafter	3	652,292	20.0%	12,406,740	20.8%	19.02	9,066,517	13.90
Total	181	3,257,149	100.0%	\$ 59,735,895	100.0%	\$ 19.35	\$ 54,944,551	\$ 17.80

- (1) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the month ended December 31, 2015, by (ii) 12.
- (2) Annualized rent per leased square foot expiring reflects actual rental rate for the month ended December 31, 2015, divided by the square feet under lease as of December 31, 2015.
- (3) 12,221 square feet of contracted NRA related to three tenants collectively at Central Fairwinds and Logan Tower.

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ITEM 3. LEGAL PROCEEDINGS

We and our subsidiaries are, from time to time, parties to litigation arising from the ordinary course of their business. Our management does not believe that any such litigation will materially affect our financial position or operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common stock has been listed on the NYSE under the symbol CIO since April 15, 2014. Prior to that time, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high, low and last sale prices of our common stock and the cash dividends per share of our common stock that we declared with respect to the periods indicated.

	High	Low	Last	Distributions
2014				
Second quarter ⁽¹⁾⁽²⁾	\$ 12.95	\$ 11.91	\$ 12.68	\$ 0.183
Third quarter	\$ 13.61	\$ 12.34	\$ 13.58	\$ 0.235
Fourth quarter	\$ 13.49	\$ 12.50	\$ 12.80	\$ 0.235
2015				
First quarter	\$ 12.98	\$ 12.28	\$ 12.73	\$ 0.235
Second quarter	\$ 13.44	\$ 12.37	\$ 12.40	\$ 0.235
Third quarter	\$ 12.76	\$ 10.35	\$ 11.36	\$ 0.235
Fourth quarter	\$ 12.22	\$ 11.01	\$ 12.18	\$ 0.235

(1) Information is provided only for the period from April 15, 2014 to June 30, 2014, as shares of our common stock did not begin trading publicly until April 15, 2014.

(2) On May 12, 2014, we declared a dividend distribution to common stockholders of record and our Operating Partnership declared a distribution to holders of record of common units, in each case as of July 3, 2014, totaling \$2.1 million, or \$0.183 per share of common stock and common unit. This dividend distribution consisted of a pro rata dividend for the period from the consummation of our initial public offering on April 21, 2014 to June 30, 2014. The dividend distribution was paid on July 17, 2014.

On March 1, 2016, the closing sale price of our common stock on the NYSE was \$12.38. AST is the transfer agent and registrar for our common stock. On March 1, 2016, we had 21 holders of record of our common stock. This figure does not represent the actual number of beneficial owners of our common stock because shares of our common stock are frequently held in street name by securities dealers and others for the benefit of beneficial owners who may vote the shares.

We intend to continue to declare quarterly distributions on our common stock. The actual amount and timing of distributions, however, will be at the discretion of our board of directors and will depend upon our financial condition in addition to the requirements of the Code, and no assurance can be given as to the amounts or timing of future distributions. See Distribution Policy.

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Stock Performance Graph

The following graph sets forth the cumulative stockholder return (assuming reinvestment of dividends) to our stockholders during the period April 21, 2014, the date our common stock began trading on the NYSE, through December 31, 2015, as well as the corresponding returns on an overall stock market index (Russell 2000 Index) and a peer group index (MSCI US REIT Index). The stock performance graph assumes that \$100 was invested on April 21, 2014. Historical total stockholder return is not necessarily indicative of future results. The MSCI US REIT Index consists of equity REITs that are included in the MSCI US Investible Market 2500 Index, except for specialty equity REITs that do not generate a majority of their revenue and income from real estate rental and leasing operations. We have included the MSCI US REIT Index because we believe that it is representative of the industry in which we compete and, therefore, is relevant to an assessment of our performance.

Unregistered Sales of Equity Securities

There has been no material change in our planned use of proceeds from our public offering as described in the final prospectus filed with the SEC pursuant to Rule 424(b).

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited historical consolidated and combined financial statements as of December 31, 2015 and 2014 and the related notes thereto included elsewhere in this Annual Report on Form 10-K.

The following table sets forth summary financial and operating data on a consolidated combined and historical basis for our Company.

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We had no business operations prior to completion of our initial public offering and the related Formation Transactions. As a result, the historical combined balance sheet data as of December 31, 2013 reflects the financial condition of the Predecessor and the consolidated balance sheet data as of December 31, 2015 and December 31, 2014 reflects our financial condition. The results of operations for the year ended December 31, 2014 reflect the historical operations of the Predecessor for the period from January 1, 2014 through April 20, 2014 and the historical results of operations of our Company for the periods from April 21, 2014 through December 31, 2014 and January 1, 2015 through December 31, 2015.

The Predecessor was not a legal entity, but rather a combination of certain real estate entities. The historical financial data of our Predecessor is not necessarily indicative of our results of operations, cash flows or financial position following the completion of the initial public offering.

The historical combined financial information as of and for the years ended December 31, 2015, 2014 and 2013 has been derived from our audited historical financial statements.

Table of Contents**City Office REIT, Inc. and Predecessor***(In thousands, except share and per share data)*

	Year Ended December 31,		
	2015	2014	2013
Statement of Operations Data			
Revenue:			
Rental income	\$ 48,009	\$ 33,236	\$ 18,428
Expense reimbursement	5,808	2,869	1,316
Other	1,235	791	747
Total Revenues	\$ 55,052	\$ 36,896	\$ 20,491
Operating Expenses:			
Property operating expenses	20,420	14,332	8,466
Acquisition costs	2,959	2,133	1,479
Stock-based compensation	1,907	1,091	
General and administrative	1,821	1,314	
Base management fee	1,302	682	
External advisor acquisition	492		
Depreciation and amortization	21,624	14,729	7,775
Total Operating Expenses	50,525	34,281	17,720
Operating Income	4,527	2,615	2,771
Interest expense, net	(11,353)	(10,952)	(5,368)
Change in fair value of earn-out	(841)	(1,048)	
Gain on acquisition		4,475	
Canadian offering costs			(1,983)
Equity in income of unconsolidated entity			403
Net loss	(7,667)	(4,910)	(4,177)
Less:			
Net (income)/income attributable to non-controlling interests in properties	(500)	(82)	44
Net income attributable to Predecessor		(1,973)	
Net loss attributable to Predecessor			\$ (4,133)
Net loss attributable to Operating Partnership unitholders non-controlling interest	1,576	1,955	
Net loss attributable to stockholders	\$ (6,591)	\$ (5,010)	

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Net loss per share	(\$ 0.53)	(\$ 0.59)	
Cash dividends declared per share	(\$ 0.94)	(\$ 0.653)	

Balance Sheet Data (as of end of period):

Real estate properties, net of accumulated depreciation	\$ 354,880	\$ 211,828	\$ 100,127
Investments in unconsolidated entity			4,338
Total assets	443,600	301,506	142,990
Debt	344,671	189,940	109,916
Total liabilities	369,880	210,271	115,282
Stockholders and predecessor equity	65,845	80,111	26,624
Operating partnership unitholders non-controlling interests	8,550	11,878	
Non-controlling interest in properties	(675)	(754)	1,084
Total equity	73,720	91,235	27,708

Other Data

Cash flows from/(to):			
Operating activities	\$ 14,163	\$ 7,787	\$ 7,230
Investing activities	(175,471)	(94,580)	(75,106)
Financing activities	134,584	114,527	71,897

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

The following discussion and analysis is based on, and should be read in conjunction with, the consolidated and combined financial statements and the related notes thereto of the City Office REIT, Inc. and the City Office Predecessor (as defined in this section) for the periods ended December 31, 2015, December 31, 2014 and December 31, 2013.

As used in this section, unless the context otherwise requires, references to we, our, us, and our company refer to City Office REIT, Inc., a Maryland corporation, together with our consolidated subsidiaries, including City Office REIT Operating Partnership L.P., a Maryland limited partnership, of which we are the sole general partner and which we refer to in this section as our Operating Partnership, except where it is clear from the context that the term only means City Office REIT, Inc. References to the City Office Predecessor are to the real estate activity and holdings of the entities that own the historical interests in the AmberGlen, Central Fairwinds, City Center, Cherry Creek, Corporate Parkway and Washington Group Plaza properties.

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements that involve risks, uncertainties and assumptions. See Cautionary Statement Regarding Forward-Looking Statements for a discussion of the risks, uncertainties and assumptions associated with those statements. Our actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including, but not limited to, those in Risk Factors and included in other portions of this document.

Overview

Company

We were formed as a Maryland corporation on November 26, 2013. On April 21, 2014, we completed our initial public offering (IPO) of shares of common stock. We contributed the net proceeds of the IPO to our Operating Partnership in exchange for common units in our Operating Partnership. Both we and our Operating Partnership commenced operations upon completion of the IPO and certain related formation transactions (the Formation Transactions).

Our interest in our Operating Partnership entitles us to share in distributions from, and allocations of profits and losses of, our Operating Partnership in proportion to our percentage ownership of common units. As the sole general partner of our Operating Partnership, we have the exclusive power under the partnership agreement to manage and conduct our Operating Partnership's business, subject to limited approval and voting rights of the limited partners.

On April 21, 2014, we closed the IPO, pursuant to which we sold 5,800,000 shares of common stock to the public at a public offering price of \$12.50 per share. We raised \$72.5 million in gross proceeds, resulting in net proceeds to us of approximately \$63.4 million after deducting approximately \$5.1 million in underwriting discounts and approximately \$4.0 million in other expenses relating to the IPO. On May 9, 2014, the underwriters of the IPO partially exercised their overallotment option with respect to an additional 782,150 shares of our common stock at the IPO price of \$12.50 a share resulting in additional gross proceeds of approximately \$9.8 million. The net proceeds to us were \$9.1 million after deducting approximately \$0.7 million in underwriting discounts. Our common stock began trading on the New York Stock Exchange under the symbol CIO on April 15, 2014.

Pursuant to the Formation Transactions and exercise of the underwriters' over-allotment option, our Operating Partnership acquired a 100% interest in each of the Washington Group Plaza, Cherry Creek and Corporate Parkway

properties and acquired an approximate 76% economic interest in the AmberGlen property, 90% interest in the Central Fairwinds property and 95% interest in the City Center property. These initial

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property interests were contributed in exchange for 3,731,209 common units, 1,858,860 shares of our common stock and \$19.4 million of cash. On May 9, 2014, subsequent to the exercise of the underwriters' overallotment option, 479,305 common units and 248,095 common stock were redeemed for \$9.1 million in cash.

On December 10, 2014, we completed a public offering pursuant to which we sold 3,750,000 of our common stock to the public at a price of \$12.50 per share. We raised \$46.9 million in gross proceeds, resulting in net proceeds to us of approximately \$43.7 million after deducting approximately \$2.6 million in underwriting discounts and approximately \$0.6 million in other expenses relating to the offering. On December 23, 2014, the underwriters of the offering exercised their overallotment option to purchase an additional 512,664 shares of our common stock at the offering price of \$12.50 a share resulting in additional gross proceeds to us of approximately \$6.4 million resulting in net proceeds to us of \$6.1 million after deducting approximately \$0.3 million in underwriting discounts. The net proceeds were used entirely to redeem 336,195 common units and 176,469 common stock held by the Operating Partnerships non-controlling interest.

On November 2, 2015, we and one of our newly-formed subsidiaries (Buyer Sub) entered into a Stock Purchase Agreement (Stock Purchase Agreement) with certain stockholders of City Office Real Estate Management Inc., and two personal holding companies that owned stock of City Office Real Estate Management Inc., pursuant to which Buyer Sub has acquired all of the outstanding stock of City Office Real Estate Management Inc. The Internalization closed as of February 1, 2016. Pursuant to the Stock Purchase Agreement, on February 1, 2016 we issued 297,321 shares of our common stock to the sellers, which included our three executive officers and Samuel Belzberg, a member of our Board of Directors. In addition, we expect to make cash payments to the sellers of up to \$3.5 million pursuant to the Stock Purchase Agreement if our fully diluted market capitalization reaches the following thresholds prior to December 31, 2016: \$1 million upon achieving a \$200 million fully diluted market capitalization, an additional \$1 million upon achieving a \$225 million fully diluted market capitalization and an additional \$1.5 million upon achieving a \$250 million fully diluted market capitalization (in each case, including in the calculation of fully diluted market capitalization the value of common units held by parties other than us at a value per unit equal to the market price of our common stock). Pursuant to the terms of the Stock Purchase Agreement, the \$1 million payment was triggered by the Company achieving a \$200 million fully diluted market capitalization based on its closing stock price on March 1, 2016. The Company expects this cash payment will be made to the sellers in March 2016.

Effective upon closing of the Internalization, each of James Farrar, our Chief Executive Officer, Gregory Tylee, our President and Chief Operating Officer and Anthony Maretic, our Chief Financial Officer, Secretary and Treasurer, entered into an employment agreement with one of our subsidiaries and have become our employees. Additionally, all other current employees of City Office Real Estate Management Inc. as of February 1, 2016 were hired by the Company.

In connection with the closing of Internalization, one of our subsidiaries entered into an Administrative Services Agreement (the Administrative Services Agreement) with entities that manage real estate investment funds affiliated with Second City Capital II Corporation and Second City Real Estate II Corporation (the Second City funds). James Farrar, Gregory Tylee and one of our directors, Samuel Belzberg, are officers of the general partners of the Second City funds and own equity interests in the Second City funds. The Administrative Services Agreement has a three year term. Pursuant to the Administrative Services Agreement, one of our subsidiaries provides various administrative services and support to the entities managing the Second City funds. This subsidiary receives annual payments for these services under the Administrative Services Agreement as follows: first 12 months \$1.5 million, second 12 months \$1.125 million and third 12 months \$0.625 million, for a total of \$3.25 million over the three-year term. In addition, following the expiration of the three year term of the Administrative Services Agreement, we expect to make Messrs. Farrar and Tylee available to assist the Second City funds with respect to certain matters.

We have elected to be taxed and to intend to continue to operate in a manner that will allow us to continue to qualify as a REIT commencing with our taxable year ended December 31, 2014. So long as we qualify as a REIT, we will be permitted to deduct distributions paid to our stockholders, eliminating the U.S. federal taxation of income represented by such distributions at the company level. REITs are subject to a number of

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organizational and operational requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate tax rates.

Indebtedness

In connection with the IPO and the related Formation Transactions, we, through our Operating Partnership, extinguished the mortgage loan secured by the Central Fairwinds property and completed a refinancing of three properties (Cherry Creek, City Center and Corporate Parkway) with a new \$95 million non-recourse mortgage loan and proceeds from the IPO. On April 29, 2014, our Company, through our Operating Partnership, completed a \$25.4 million refinancing of the AmberGlen property. Following the Formation Transactions, the Washington Group Plaza property remained subject to the existing mortgage loan.

For additional information regarding our indebtedness, please refer to *Liquidity and Capital Resources* below.

Revenue Base

Upon completion of the IPO and the related Formation Transactions, we owned six office complexes comprised of 16 office buildings with a total of approximately 1.85 million square feet of NRA. As of December 31, 2015, we owned 14 properties totaling 3.3 million square feet which were approximately 94.8% leased.

Office Leases

Historically, most leases for our initial properties were on a full-service gross or net lease basis, and we expect to continue to use such leases in the future. A full-service gross lease generally has a base year expense stop, whereby we pay a stated amount of expenses as part of the rent payment while future increases (above the base year stop) in property operating expenses are billed to the tenant based on such tenant's proportionate square footage in the property. The property operating expenses are reflected in operating expenses; however, only the increased property operating expenses above the base year stop recovered from tenants are reflected as tenant recoveries in our statements of operations. In a net lease, the tenant is typically responsible for all property taxes and operating expenses. As such, the base rent payment does not include any operating expenses, but rather all such expenses are billed to or paid by the tenant. The full amount of the expenses for this lease type is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries. The tenants in the Corporate Parkway property and the Lake Vista Pointe property have net leases. We are also a lessor for a fee simple ground lease at the AmberGlen property. All of our other leases are full-service gross leases.

Factors That May Influence Our Operating Results and Financial Condition

Business and Strategy

We focus on owning and acquiring office properties in our target markets. Our target markets generally possess what we believe are favorable economic growth trends, growing populations with above-average employment growth forecasts, a large number of government offices, large international, national and regional employers across diversified industries, are generally low-cost centers for business operations, and exhibit favorable occupancy trends. We utilize our market-specific knowledge and relationships as well as the expertise of local real estate operators and our investment partners to identify acquisition opportunities that we believe will offer cash flow stability and long-term value appreciation. Our target markets are attractive, among other reasons, because we believe that ownership is often concentrated among local real estate operators that typically do not benefit from the same access to

capital as public REITs and there is a relatively low level of participation of large institutional investors. We believe that these factors result in attractive pricing levels and risk-adjusted returns.

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Rental Revenue and Tenant Recoveries

The amount of net rental revenue generated by our properties will depend principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space and space that becomes available from lease terminations. As of December 31, 2015, our properties were approximately 94.8% leased. The amount of rental revenue generated also depends on our ability to maintain or increase rental rates at our properties. We believe that the average rental rates for the portfolio of our properties are generally in-line or slightly below the current average quoted market rates. Negative trends in one or more of these factors could adversely affect our rental revenue in future periods. Future economic downturns or regional downturns affecting our markets or submarkets or downturns in our tenants' industries that impair our ability to renew or re-let space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties. In addition, growth in rental revenue will also partially depend on our ability to acquire additional properties that meet our investment criteria.

Operating Expenses

Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs. Increases in these expenses over tenants' base years (until the base year is reset at expiration) are generally passed along to tenants in our full-service gross leased properties and are generally paid in full by tenants in our net leased properties.

Conditions in Our Markets

The economy in the United States is continuing to experience a period of moderate economic growth, with declining unemployment from recent high levels, which directly affects the demand for office space, our primary income producing asset. The broad economic market conditions in the United States are affected by numerous factors, including but not limited to, inflation and employment levels, energy prices, slow economic growth and/or recessionary concerns, uncertainty about government fiscal and tax policy, changes in currency exchange rates, geopolitical events, the regulatory environment, the availability of credit and interest rates. Performance in commercial office real estate is generally predicated on a sustained pattern of office-using job growth, and as a result of only modest growth, it has trailed the general economy. We believe office-using job growth has occurred at a moderate pace over the past several years. Continued economic recovery, or the lack thereof, could impact our tenants' businesses. For example, tenants may be reluctant to make long-term lease commitments and many are focused on using less space per employee.

In addition, the United States Federal Reserve has recently decided to raise interest rates and has indicated that it may continue to raise rates quarterly. The current and possible future rise in interest rates will result in increased borrowing costs to us. However, we could also benefit from any further improved economic fundamentals, increasing levels of employment and negative interest rates. We believe that the economy is in the early stages of a cyclically-slower but prolonged broad-based upswing. Due to the uncertainty surrounding the continued growth of the economy, we continue to follow a disciplined approach to allocating our capital and managing our operations. Positive or negative changes in economic or other conditions in the markets we operate in, including state budgetary shortfalls, employment rates, natural hazards and other factors, may impact our overall performance.

Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated and combined financial statements were prepared in accordance with accounting principles generally accepted in the United States (GAAP) and include the financial position and results of operations of the Company, the Operating Partnership and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated on consolidation.

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The Predecessor represents a combination of certain entities holding interests in real estate that were commonly controlled prior to the Formation Transactions. Due to their common control, the financial statements of the separate entities which own the properties are presented on a combined basis in the Predecessor financial statements.

Use of Estimates

We have made a number of significant estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare these combined financial statements in conformity with GAAP. These estimates and assumptions are based on our best estimates and judgment. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions. Management adjusts such estimates when facts and circumstances dictate. The most significant estimates made include the recoverability of accounts receivable, allocation of property purchase price to tangible and intangible assets acquired and liabilities assumed, the determination of impairment of long-lived assets, loans receivable and equity method investments, valuation of the earn-out liability on the Central Fairwinds property and derivative financial instruments and the useful lives of long-lived assets. Actual results could differ materially from those estimates.

Business Combinations

The fair value of the real estate acquired, which includes the impact of fair value adjustments for assumed mortgage debt related to property acquisitions, is allocated to the acquired tangible assets, consisting of land, building and improvements and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases and value of tenant relationships, based in each case on their fair values. Acquisition costs are expensed as incurred in the accompanying combined statement of income. Also, non-controlling interests acquired are recorded at estimated fair market value.

The fair value of the tangible assets of an acquired property (which includes land, building and improvements and fixtures and equipment) is determined by valuing the property as if it were vacant. The as-if-vacant value is then allocated to land and building and improvements based on our determination of relative fair values of these assets. Factors considered by us in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. We also estimate costs to execute similar leases including leasing commissions.

The fair value of above-market and below-market lease values are recorded based on the difference between the current in place lease rent and our estimate of current market rents. Below-market lease intangibles are recorded as part lease intangibles liability and amortized into rental revenue over the non-cancelable periods and bargain renewal periods of the respective leases. Above-market leases are recorded as part of intangible assets and amortized as a direct charge against rental revenue over the non-cancelable portion of the respective leases.

The fair value of acquired in place leases are recorded based on the costs we estimate we would have incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the fair value of leasing commissions and legal costs that would be incurred to lease the property to this occupancy level. Additionally, we evaluate the time period over such occupancy level would be achieved and include an estimate of the net operating costs incurred during the lease-up period.

Revenue Recognition

We recognize lease revenue on a straight-line basis over the term of the lease. Certain leases allow for the tenant to terminate the lease, but the tenant must make a termination payment as stipulated in the lease. If the

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termination payment is in such an amount that continuation of the lease appears, at the time of lease inception, to be reasonably assured, then we recognize revenue over the term of the lease. We have determined that for these leases, the termination payment is in such an amount that continuation of the lease appears, at the time of inception, to be reasonably assured. We recognize lease termination fees as other revenue in the period received and write off unamortized lease-related intangible and other lease-related account balances, provided there are no further obligations by us under the lease. Otherwise, such fees and balances are recognized on a straight-line basis over the remaining obligation period with the termination payments being recorded as a component of rent receivable-deferred or deferred revenue on the combined balance sheets.

If we fund tenant improvements and the improvements are deemed to be owned by us, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. If we determine that the tenant allowances are lease incentives, we commence revenue recognition when possession or control of the space is turned over to the tenant for tenant work to begin. The lease incentive is recorded as a deferred expense and amortized as a reduction of revenue on a straight-line basis over the respective lease term.

Recoveries from tenants for real estate taxes, insurance and other operating expenses are recognized as revenues in the period that the applicable costs are incurred. We recognize differences between estimated recoveries and the final billed amounts in the subsequent year. Final billings to tenants for real estate taxes, insurance and other operating expenses did not vary significantly as compared to the estimated receivable balances.

Expenditures for maintenance and repairs are charged to operations as incurred.

Impairment of Real Estate Properties

Long-lived assets currently in use are reviewed periodically for possible impairment and will be written down to fair value if considered impaired. Long-lived assets to be disposed of are written down to the lower of cost or fair value less the estimated cost to sell. We review our real estate properties for impairment when there is an event or a change in circumstances that indicates that the carrying amount may not be recoverable. We measure and record impairment losses and reduce the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases in which we do not expect to recover our carrying costs on properties held for use, we reduce our carrying costs to fair value. We do not believe that the values of our properties are impaired as of December 31, 2015.

Derivative Instruments and Hedging Activities

We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. We have not elected to designate any instruments as a hedge under Accounting Standard Codification (ASC) 815-10.

Fair Value of Financial Instruments

ASC 820-10, Fair Value Measurements and Disclosures (ASC 820-10) establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

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Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Cash Equivalents, Restricted Cash, Accounts Receivable and Accounts Payable and Accrued Liabilities

We estimate that the fair value approximates carrying value due to the relatively short-term nature of these instruments.

Mortgage Loans Payable

We determine the fair value of City Office's and the City Office Predecessor's fixed rate debt based on a discounted cash flow analysis using a discount rate that approximates the current borrowing rates for instruments of similar maturities. Based on this, we have determined that the fair value of these instruments was \$285.9 million and \$192.5 million as of December 31, 2015 and December 31, 2014, respectively. Loans with variable rate interest are excluded from the amount noted as the carrying value approximates the fair value. Although we have determined that the majority of the inputs used to value fixed rate debt fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our fixed rate debt utilize Level 3 inputs, such as estimates of current credit spreads. However, as of December 31, 2015 and December 31, 2014, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of the City Office Predecessor's fixed rate debt and determined that the credit valuation adjustments are not significant to the overall valuation of the City Office Predecessor's fixed rate debt. Accordingly, mortgage loans payable have been classified as Level 2 fair value measurements.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which creates a new Topic Accounting Standards Codification (Topic 606). The standard is principle-based and provides a five-step model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. This standard is effective for interim or annual periods beginning after December 15, 2016 and allows for either full retrospective or modified retrospective adoption. Early adoption of this standard is not allowed. We are currently evaluating the impact the adoption of Topic 606 will have on our financial statements.

In January 2015, the FASB issued ASU No. 2015-01, Income Statement - Extraordinary and Unusual Items. ASU 2015-01 eliminates the concept of extraordinary items. However, the presentation and disclosure requirements for items that are either unusual or infrequent in nature or infrequent in occurrence remain and will be expanded to include items that are both unusual in nature and infrequent in occurrence. ASU 2015-01 is effective for periods beginning after December 15, 2015. We do not anticipate any impact of adopting this new accounting standard on our financial statements.

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In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-02, Consolidation (Topic 810) Amendments to the Consolidation Analysis, which

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amends the criteria for determining which entities are considered variable interest entities (VIE), amends the criteria for determining if a service provider possesses a variable interest in a VIE and ends the deferral granted to investment companies for application of the VIE consolidation model. ASU 2015-02 is effective for annual periods, and interim periods therein, beginning after December 15, 2015. We are currently evaluating the impact the adoption of Topic 810 will have on our financial statements.

In April 2015, the FASB issued ASU 2015-3, Simplifying the Presentation of Debt Issuance Costs, which changes the presentation of debt issuance costs in financial statements. ASU 2015-3 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. ASU 2015-3 is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The Company will adopt ASU 2015-3 on January 1, 2016, and it is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments. The update requires that acquiring entities in a business combination recognize adjustments to provisional amounts identified in the reporting period in which the adjustment amounts are determined, including the cumulative effect of the change in provisional amount, as if the accounting had been completed at the acquisition date. Adjustments related to previous reporting periods must be disclosed by income statement line item, either on the face of the income statement or in the notes, in the period for which the adjustment was identified. ASU 2015-16 is effective for annual reporting periods beginning after December 15, 2015. The Company does not expect ASU 2015-16 to have a material impact on the Company's consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases. The update amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. ASU 2016-02 will be effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the impact of adopting the new leases standard on our consolidated financial statements.

JOBS Act

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an emerging grown company (EGC) can take advantage of the extended transition period provided in Section 7(a)(2)(b) of the Securities Act, for complying with new or revised financial accounting standards. An EGC can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have determined to opt out of such extended transition period and, as a result, we will comply with new or revised financial accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

Results of Operations

Comparison of Year Ended December 31, 2015 to Year Ended December 31, 2014

The year ended December 31, 2015 includes our consolidated results whereas the comparable period in 2014 are the combined results which includes the City Office Predecessor from January 1, 2014 until April 20, 2014 and our results from April 21, 2014 through December 31, 2014 and accordingly may not be directly comparable due to the impact of the IPO and the Formation Transactions on April 21, 2014 and the absence of any public company and related costs

prior to that time. In the discussion below, we have highlighted the impact of the IPO and Formation Transactions where applicable.

Table of Contents*Revenue*

Total Revenue. Revenue includes net rental income, including parking, signage and other income, as well as the recovery of operating costs and property taxes from tenants. Total revenues increased \$18.2 million, or 49%, to \$55.1 million for the year ended December 31, 2015 compared to \$36.9 million in the corresponding period in 2014. Revenue in 2015 increased by \$2.0 million from the acquisition of the Plaza 25 property in June 2014, \$2.0 million from the acquisition of the Lake Vista Pointe property in July 2014 and \$2.6 million from the acquisition of Florida Research Park in November 2014, \$1.4 million from the acquisition of Logan Tower in February 2015, \$1.9 million from the acquisition of Superior Pointe in June 2015, \$2.2 million from the acquisition of DTC Crossroads in June 2015, \$2.6 million from the acquisition of 190 Office Center in September 2015 and \$1.7 million from the acquisition of Intellicenter in September 2015. City Center and Central Fairwinds increased total revenues by \$1.0 million, and \$0.4 million, respectively due to the increased occupancy at the property over the prior year period. AmberGlen rental revenues increased by \$0.4 million over the prior year due to a combination of increased occupancy and increased operating expense recoveries. Corporate Parkway, Washington Group Plaza and Cherry Creek revenues were relatively unchanged in comparison to the prior year.

Rental Income. Rental income includes net rental income, income from a ground lease and lease termination income. Total rental income increased \$14.8 million, or 44%, to \$48.0 million for the year ended December 31, 2015 compared to \$33.2 million for the year ended December 31, 2014. The increase in rental income was primarily due to the acquisitions described above. The acquisition of the Plaza 25, Lake Pointe Vista, Florida Research Park, Logan Tower, Superior Pointe, DTC Crossroads, 190 Office Center and Intellicenter properties contributed an additional \$1.6 million, \$1.3 million, \$2.2 million, \$1.2 million, \$1.1 million, \$2.1 million, \$2.3 million and \$1.6 million in rental income, respectively to the 2015 period rental income. City Center, Central Fairwinds and AmberGlen increased total rental income by \$0.7 million, \$0.4 million and \$0.3 million due to the increased occupancy at the property over the prior year period.

Expense Reimbursement. Total expense reimbursement increased \$2.9 million, or 102%, to \$5.8 million for the year ended December 31, 2015 compared to \$2.9 million for the same period in 2014, primarily due to the acquisitions described above.

Other. Other revenue includes parking, signage and other miscellaneous income. Total other revenues increased \$0.4 million, or 56%, to \$1.2 million for the year ended December 31, 2015 compared to \$0.8 million for the same period in 2014. Nominal other income was generated by City Center, Central Fairwinds, Plaza 25, Logan Tower and DTC Crossroads with the largest contribution from City Center parking income.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as acquisition costs, base management fees, stock-based compensation, external advisor acquisition costs, general and administrative expenses and depreciation and amortization. Total operating expenses increased by \$16.2 million, or 47%, to \$50.5 million for the year ended December 31, 2015, from \$34.3 million for the same period in 2014, primarily due to the acquisitions described above. Total operating expenses increased by \$1.7 million, \$1.4 million, \$1.2 million, \$1.5 million, \$2.1 million, \$2.0 million, \$2.8 million and \$1.6 million, respectively, from the acquisition of the Plaza 25 property in June 2014, the acquisition of the Lake Vista Pointe property in July 2014, the acquisition of Florida Research Park property in November 2014, the acquisition of the Logan Tower property in February 2015, the Superior Pointe acquisition in June 2015, the DTC Crossroads acquisition in June 2015, the 190 Office Center acquisition in September 2015 and Intellicenter acquisition in September 2015. AmberGlen, Central Fairwinds, Corporate Parkway, Washington Group Plaza and Cherry Creek operating expenses were relatively unchanged in

comparison to the prior year. The year ended December 31, 2015 also includes \$0.5 million of costs related to the acquisition of the external advisor. The remaining increase relates to acquisition costs, stock-based compensation, base management fees and general and administrative expenses following the closing of the IPO and Formation Transactions on April 21, 2014.

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Property Operating Expenses. Property operating expenses are comprised mainly of building common area and maintenance expenses, insurance, property taxes, property management fees, as well as certain expenses that are not recoverable from tenants, the majority of which are related to costs necessary to maintain the appearance and marketability of vacant space. In the normal course of business, property expenses fluctuate and are impacted by various factors including, but not limited to, occupancy levels, weather, utility costs, repairs, maintenance and re-leasing costs. Property operating expenses increased \$6.1 million, or 42%, to \$20.4 million for the year ended December 31, 2015 from \$14.3 million for the same period in 2014. The increase in property operating expenses was primarily due to the acquisitions described above. The acquisition of the Plaza 25, Florida Research Park, Lake Vista Pointe, Logan Tower, Superior Pointe, DTC Crossroads, 190 Office Center and Intellicenter properties contributed an additional \$1.0 million, \$0.7 million, \$0.4 million, \$0.6 million, \$0.9 million, \$1.0 million, \$1.0 million and \$0.5 million in additional property operating expenses, respectively.

Acquisition Costs. Acquisition costs increased \$0.8 million, or 39%, to \$2.9 million for the year ended December 31, 2015 compared to \$2.1 million for the prior year. The acquisition costs in the 2015 period are related to the Logan Tower, Superior Pointe, DTC Crossroads, 190 Office Center and Intellicenter acquisitions whereas in the prior year period, the acquisition costs were primarily related to Cherry Creek, Plaza 25, Lake Vista Pointe and Florida Research Park.

Base Management Fee. Base Management Fee increased \$0.6 million or 91%, to \$1.3 million for the year ended December 31, 2015 compared to \$0.7 million for the prior year representing the fee paid to our Advisor. No management fees were payable by the Predecessor for the 2014 period prior to the IPO and the Formation Transactions in April 2014.

Stock-Based Compensation. Stock-based compensation increased \$0.8 million or 75% to \$1.9 million for the year ended December 31, 2015 compared to \$1.1 million for the year ended December 31, 2014 representing the amortization of the management equity grants issued as part of the Formation Transactions, upon completion of the IPO on April 21, 2014 and subsequent grants issued by the compensation committee to members of management and the board.

General and Administrative. General and administrative expenses increased \$0.5 million or 39% to \$1.8 million for the year ended December 31, 2015 compared to \$1.3 million for the prior year representing public company costs following completion of the IPO. The Predecessor did not have any general and administrative costs.

Depreciation and Amortization. Depreciation and amortization increased \$6.9 million, or 47%, to \$21.6 million for the year ended December 31, 2015 compared to \$14.7 million for the same period in 2014, primarily due to the addition of the Plaza 25, Lake Vista Pointe, Florida Research Park, Logan Tower, Superior Pointe, 190 Office Center and Intellicenter properties.

Other Expense (Income)

Interest Expense, Net. Interest expense, net is comprised of interest expense, amortization of deferred financing fees and the loss on early extinguishment of certain debts in the prior year. Interest expense, net increased \$0.4 million, or 4%, to \$11.4 million for the year ended December 31, 2015, compared to \$11.0 million for the prior year. Interest expense increased by \$2.8 million over the prior year primarily as a result of new debt associated with the acquisitions described above. Amortization of deferred financing fees decreased by \$0.7 million over the prior year. The decrease was composed of the accelerated amortization on the Cherry Creek bridge loan incurred by the City Office Predecessor in the prior year of \$0.9 million and an offsetting increase of \$0.2 million primarily as a result of new debt associated with the acquisitions in the period. A loss on the early extinguishment of certain debts was incurred in

the prior year of \$1.7 million due to the refinancing of certain property level debts upon completion of the IPO and Formation Transactions.

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Change in Fair Value of Earn-Out. The estimated fair value of the earn-out liability decreased from \$8.0 million at December 31, 2014 to \$5.7 million at December 31, 2015 primarily due to a \$3.2 million payment in August 2015, satisfied through the issuance of common stock, partially offset by an increase in the fair value of the remaining liability during the year ended December 31, 2015 of approximately \$0.9 million.

As part of the Formation Transactions and contribution agreement with respect to the Central Fairwinds property, the Company is obligated to make additional payments to Second City (each, an Earn-Out Payment) for up to a five year period commencing on the initial IPO date of April 21, 2014. Earn-Out Payments are contingent on the property reaching certain specified occupancy levels through new leases to qualified tenants and exceeding a net operating income threshold, which grows annually. Second City will be entitled to receive an Earn-Out Payment (net of the associated leasing costs and inclusive of leasing commissions and tenant improvements/allowances and free rent) as and when the occupancy of Central Fairwinds reaches each of 70%, 80% and 90% (each, an Earn-Out Threshold) based on the incremental cash flow generated by new leases and a 7.75% stabilized capitalization rate. The Company will make any additional Earn-Out Payment within 30 days of the end of the Earn-Out Term based on new qualified leases entered into since the achievement of the last Earn-Out Threshold. Earn-Out Payments will be subject to a claw-back if a qualified tenant defaults in the payment of rent and is not replaced with another qualified tenant.

During the year ended December 31, 2015, the 70% and 80% earn-out occupancy and net operating income thresholds were met. This triggered a payment of approximately \$3.2 million which was made on August 6, 2015 and a second payment of approximately \$3.8 million which we expect will be made subsequent to year-end in March 2016.

Gain on Equity Investment. Gain on equity investment is related to the purchase in January 2014 of the remaining 57.7% of Cherry Creek property that the Predecessor did not already own. As a result of this transaction, a gain of \$4.5 million was recorded in the 2014 period.

Cash Flows

Comparison of Period Ended December 31, 2015 to Period Ended December 31, 2014

Cash and cash equivalents were \$8.1 million and \$34.9 million as of December 31, 2015 and December 31, 2014, respectively.

Cash flow from operating activities. Net cash provided by operating activities increased by \$6.4 million to \$14.2 million for the year ended December 31, 2015 compared to \$7.8 million for the same period in 2014. The increase was primarily attributable to an increase in operating cash flows from new acquisitions.

Cash flow to investing activities. Net cash used in investing activities increased by \$80.9 million to \$175.5 million for the year ended December 31, 2015 compared to \$94.6 million for the same period in 2014. The net cash used in investing activities in the 2015 period was used to acquire the Logan Tower, Superior Pointe, DTC Crossroads, 190 Office Center and Intellicenter properties and enhance capital assets.

Cash flow from financing activities. Net cash from financing activities increased by \$20.1 million to \$134.6 million for the year ended December 31, 2015 compared to a \$114.5 million for the same period in 2014. Cash flow from financing activities increased primarily due to the Plaza 25, 190 Office Center and Intellicenter mortgage loan and borrowings from the Secured Credit Facility.

Results of Operations

Comparison of Year Ended December 31, 2014 to Year Ended December 31, 2013

The year ended December 31, 2014 includes our combined results for the period from April 21, 2014 through December 31, 2014, and the results of the City Office Predecessor for the period from January 1, 2014 through April 20, 2014. The comparable period in 2013 pertain to the results of the City Office Predecessor only and accordingly may not be directly comparable due to the impact of the Formation Transactions on April 21, 2014. We incurred a loss of \$5 million since the date of IPO on April 21, 2014, which includes the loss on early

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extinguishment of City Office Predecessor debt of \$1.7 million. In the forthcoming comparison, we have highlighted the impact of the IPO and Formation Transactions where applicable.

Revenue

Total Revenue. Revenue includes net rental income, including parking, signage and other income, as well as the recovery of operating costs and property taxes from tenants. Total revenues increased \$16.4 million, or 80%, to \$36.9 million for the year ended December 31, 2014 compared to \$20.5 million in the corresponding period in 2013. Revenue in 2014 increased by \$1.2 million from the acquisition of the Corporate Parkway property in May 2013, \$3.5 million from the acquisition of the Washington Group Plaza property in June 2013 and \$2.3 million from the acquisition of the Plaza 25 property in June 2014, \$1.7 million from the acquisition of the Lake Vista Pointe property in July 2014 and \$0.3 million from the acquisition of Florida Research Park in November 2014. City Center increased total revenues by \$0.4 million due to the increased occupancy at the property over the prior year. The remaining \$7.0 million increase is a result of the consolidation of the Cherry Creek property. In January 2014, we acquired the remaining 57.7% of the property we did not already own to bring our ownership to 100%, whereas previously the property was accounted for using the equity method. AmberGlen and Central Fairwinds revenues were relatively unchanged in comparison to the prior year.

Rental Income. Rental income includes net rental income, income from a ground lease and lease termination income. Total rental income increased \$14.8 million, or 80%, to \$33.2 million for the year ended December 31, 2014 compared to \$18.4 million for the year ended December 31, 2013. The increase in rental income was primarily due to the acquisitions described above. The acquisition of the Corporate Parkway, Washington Group Plaza, Plaza 25, Lake Pointe Vista, Florida Research Park and Cherry Creek properties contributed an additional \$1.2 million, \$3.4 million, \$2.2 million, \$1.1 million, \$0.3 million and \$6.4 million in rental income, respectively to 2014 rental income. City Center increased total revenues by \$0.2 million due to the increased occupancy at the property over the prior year.

Expense Reimbursement. Total expense reimbursement increased \$1.6 million, or 118%, to \$2.9 million for the year ended December 31, 2014 compared to \$1.3 million for the same period in 2013, primarily due to the acquisition of the Washington Group Plaza, Plaza 25, Lake Vista Pointe, Florida Research Park and Cherry Creek properties described above. The Corporate Parkway property, which was acquired in May 2013, is a net lease and does not have any expense reimbursements.

Other. Other revenue includes parking, signage and other miscellaneous income. Total other revenues were unchanged at \$0.8 million for the year ended December 31, 2014 as compared to the corresponding period in 2013. The Corporate Parkway property, which was acquired in May 2013, is a net lease and does not have any other income and minimal other income was generated by Washington Group Plaza, Plaza 25, Lake Vista Pointe, Florida Research Park and Cherry Creek.

Operating Expenses

Total Operating Expenses. Total operating expenses consists of property operating expenses, as well as acquisition costs, base management fees, stock-based compensation, and general and administrative expenses and depreciation and amortization. Total operating expenses increased by \$16.6 million, or 95%, to \$34.3 million for the year ended December 31, 2014, from \$17.7 million for the same period in 2013, primarily due to the acquisitions described above. Total operating expenses increased by \$2.6 million, \$2.3 million, \$1.3 million, \$0.4 million and \$5.9 million, respectively, from the acquisition of the Washington Group Plaza property in June 2013, the acquisition of the Plaza 25 property in June 2014, the acquisition of the Lake Vista Pointe property in July 2014, the acquisition of Florida Research Park property in November 2014 and the consolidation of the Cherry Creek property beginning January

2014. The Corporate Parkway property, which was acquired in May 2013, is a net lease and does not have any significant operating expenses. AmberGlen, City Center and Central

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Fairwinds operating expenses were relatively unchanged in comparison to the prior year. The remaining increase relates to stock-based compensation, base management fees and general and administrative expenses in relation to our formation on April 21, 2014.

Property Operating Expenses. Property operating expenses are comprised mainly of building common area and maintenance expenses, insurance, property taxes, property management fees as well as certain expenses that are not recoverable from tenants, the majority of which are related to costs necessary to maintain the appearance and marketability of vacant space. In the normal course of business, property expenses fluctuate and are impacted by various factors including, but not limited to, occupancy levels, weather, utility costs, repairs, maintenance and re-leasing costs. Property operating expenses increased \$5.8 million, or 69%, to \$14.3 million for the year ended December 31, 2014 compared to \$8.5 million for the same period in 2013. The increase in property operating expenses was primarily due to the acquisitions described above. The acquisition of the Washington Group Plaza, Plaza 25, Florida Research Park, Lake Vista Pointe and Cherry Creek properties contributed an additional \$1.7 million, \$1.1 million, \$0.1 million, \$0.5 million and \$2.3 million in additional property operating expenses, respectively. City Center increased property operating expenses by \$0.1 million due to the increased occupancy at the property over the prior year.

Acquisition Costs. Acquisition costs increased \$0.6 million, or 44%, to \$2.1 million for the year ended December 31, 2014 compared to \$1.5 million for the year ended December 31, 2013. The acquisition costs in the current year are related to the Plaza 25, Lake Vista Pointe, Florida Research Park and Cherry Creek acquisitions whereas in the prior year, the acquisition costs were related to the Washington Group Plaza and Corporate Parkway properties.

Base Management Fee. Base Management Fee was \$0.7 million for the year ended December 31, 2014 representing the fee paid to our Advisor.

Stock-Based Compensation. Stock-based compensation was \$1.1 million for the year ended December 31, 2014 representing the amortization of the management equity grants issued as part of the Formation Transactions.

General and Administrative. General and administrative expenses were \$1.3 million for the year ended December 31, 2014 representing the public company costs incurred since the completion of our initial public offering.

Depreciation and Amortization. Depreciation and amortization increased \$6.9 million, or 88%, to \$14.7 million for the year ended December 31, 2014 compared to \$7.8 million for the same period in 2013, primarily due to the addition of the Corporate Parkway, Washington Group Plaza, Plaza 25, Lake Vista Pointe, Florida Research Park and Cherry Creek properties.

Other Expense (Income)

Interest Expense, Net. Interest expense increased \$5.6 million, or 104%, to \$11.0 million for the year ended December 31, 2014, compared to \$5.4 million for the corresponding period in 2013. Interest expense increased \$0.5 million, \$0.6 million, \$0.4 million, \$0.1 million and \$3.5 million, respectively, due to interest expense associated with the Corporate Parkway, Washington Group Plaza, Lake Pointe Vista, Florida Research Park and Cherry Creek property debt. Amortization of deferred financing fees increased \$0.8 million over the prior period due to the accelerated amortization on the Cherry Creek bridge loan incurred by the City Office Predecessor. The loss on early extinguishment of City Office Predecessor debt is a result of the write-off of deferred amortization expense and prepayment penalties of \$1.7 million related to the City Center, Central Fairwinds, Corporate Parkway and AmberGlen debt as part of the Formation Transactions.

Change in Fair Value of Earn-Out. Change in fair value of earn-out was \$1.0 million for the year ended December 31, 2014 representing the change in the estimated fair value of the earn-out liability on the Central Fairwinds property.

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Gain on Equity Investment. Gain on equity investment is related to the purchase in January 2014 of the remaining 57.7% of Cherry Creek property that we did not already own. As a result of this transaction, a gain of \$4.5 million was recorded.

Equity in Income of Unconsolidated Entity. Equity in income of unconsolidated entity is related to the Cherry Creek property in which the City Office Predecessor owned 42.3% as of December 31, 2013. In January 2014, we acquired the remaining 57.7% of the property we did not already own to bring our ownership to 100% and thus began consolidating the property results.

Cash Flows

Comparison of Period Ended December 31, 2014 to Period Ended December 31, 2013

Cash and cash equivalents were \$34.9 million and \$7.1 million as of December 31, 2014 and December 31, 2013, respectively.

Cash flow from operating activities. Net cash provided by (used in) operating activities increased by \$0.6 million to \$7.8 million for the year ended December 31, 2014 compared to \$7.2 million for the prior year. The increase was primarily attributable to the increase in straight-line and rents receivable.

Cash flow to investing activities. Net cash used in investing activities increased by \$19.5 million to \$94.6 million for the year ended December 31, 2014 compared to \$75.1 million for the prior year. The net cash used in investing activities in 2014 was used to acquire Plaza 25, Lake Vista Pointe, Florida Research Park and the remaining 57.7% ownership in the Cherry Creek property, complete tenant improvements and associated costs, acquire equipment and enhance capital assets.

Cash flow from financing activities. Net cash provided by financing activities increased by \$42.6 million to \$114.5 million for the year ended December 31, 2014 compared to \$71.9 million for the prior year. Cash flow from financing activities is primarily derived from the proceeds from the sale of common stock during the IPO and secondary offering, the re-financing and mortgage proceeds on new financing as part of the Formation Transactions, offset by mortgage payments during the period.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

We had approximately \$8.1 million of cash and cash equivalents and \$15.2 million of restricted cash as of December 31, 2015. In addition, we had drawn \$50 million from the Revolving Credit Facility which has an authorized borrowing capacity of \$75 million.

Our short-term liquidity requirements primarily consist of operating expenses and other expenditures associated with our properties, distributions to our limited partners and distributions to our stockholders required to qualify for REIT status, capital expenditures and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, reserves established from existing cash and borrowings under our Secured Credit Facility and Term Loan.

Our long-term liquidity needs consist primarily of funds necessary for the repayment of debt at maturity, property acquisitions and non-recurring capital improvements. We expect to meet our long-term liquidity requirements with net

cash from operations, long-term secured and unsecured indebtedness and the issuance of equity and debt securities. We also may fund property acquisitions and non-recurring capital improvements using our Secured Credit Facility pending longer term financing.

While there are signs that slow and steady economic growth will continue to persist in the United States, uncertainty continues to dominate credit and capital markets. We believe that the general business environment

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may continue to be challenging for the rest of 2016. Our growth outlook and strategy are dependent, in part, on the strength of financial markets, the impact of fiscal and monetary policy actions by the United States and other countries and liquidity in the financial system. Our ability to incur additional debt is dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. Our ability to access the equity capital markets is dependent on a number of factors as well, including general market conditions for REITs and market perceptions about us. Depending on market developments and movements, we may seek to re-align our strategy and portfolio.

Consolidated Indebtedness as of December 31, 2015

As of December 31, 2015, we had approximately \$344.7 million of outstanding consolidated indebtedness, 81.4% of which is fixed rate debt. The following table sets forth information as of December 31, 2015 with respect to our outstanding indebtedness (in thousands).

Debt	Interest Rate as of		Maturity Date
	December 31, 2015	December 31, 2015	
Term Loan ⁽¹⁾	\$ 14,000	LIBOR+6.00% ⁽²⁾	September 2016
Revolving Credit Facility ⁽³⁾	50,000	LIBOR +2.75% ⁽²⁾	June 2018
Washington Group Plaza ⁽⁴⁾	33,669	3.85	July 2018
AmberGlen Mortgage Loan ⁽⁵⁾	24,729	4.38	May 2019
Midland Life Insurance ⁽⁶⁾	95,000	4.34	May 2021
Lake Vista Pointe ⁽⁴⁾	18,460	4.28	August 2024
Florida Research Park ⁽⁴⁾⁽⁷⁾	17,000	4.44	December 2024
Plaza 25 ⁽⁴⁾⁽⁸⁾	17,000	4.10	July 2025
190 Office Center ⁽⁸⁾	41,250	4.79	October 2025
Intellicenter ⁽⁸⁾	33,563	4.65	October 2025
Total	\$ 344,671		

(1) The Company is required to maintain a maximum total leverage ratio of 65%, a minimum liquidity of \$3 million and a debt service coverage ratio of no less than 1.60x.

(2) As of December 31, 2015, the one month LIBOR rate was 0.40%

(3) At December 31, 2015 the Revolving Credit Facility had \$75 million authorized and \$50 million drawn. In addition, the Revolving Credit Facility has an accordion feature that will permit the Company to borrow up to \$150 million, subject to additional collateral availability and lender approval. The Credit Agreement has a maturity date of June 26, 2018, which may be extended to June 26, 2019 at the Company's option upon meeting certain conditions. The Revolving Credit Facility requires the Company to maintain a fixed charge coverage ratio of no less than 1.60x. At December 31, 2015, the Revolving Credit Facility is cross-collateralized by Central Fairwinds, Logan Tower, Superior Pointe and DTC Crossroads. On July 14, 2015, the Company entered into an Amendment and Joinder to its Amended and Restated Credit Agreement which increased the authorized borrowing capacity under the Credit Agreement from \$35 million to \$75 million.

(4) Interest on mortgage loan is payable monthly plus principal based on 360 months of amortization.

(5) The Company is required to maintain a minimum net worth of \$25 million and a minimum liquidity of \$2 million.

- (6) The mortgage loan is cross-collateralized by Corporate Parkway, Cherry Creek and City Center. Interest only until June 2016 then interest payable monthly plus principal based on 360 months of amortization. The loan bears a fixed interest rate of 4.34% and matures on May 6, 2021.
- (7) The Company is required to maintain a minimum net worth of \$17 million, minimum liquidity of \$1.7 million and a debt service coverage ratio of no less than 1.15x.
- (8) The Company is required to maintain a debt service coverage ratio of no less than 1.45x, 1.15x and 1.20x respectively for each of Plaza 25, 190 Office Center and Intellicenter.

Table of Contents**Contractual Obligations and Other Long-Term Liabilities**

The following table provides information with respect to our commitments as of December 31, 2015, including any guaranteed or minimum commitments under contractual obligations. The table does not reflect available debt extension options.

Contractual Obligations	Payments Due by Period (in thousands)				More than 5 years
	Total	2016	2017-2018	2019-2020	
Principal payments on mortgage loans	\$ 344,671	\$ 16,034	\$ 88,197	\$ 30,546	\$ 209,894
Interest payments	86,466	14,526	26,157	19,646	26,137
Tenant-related commitments	7,905	6,705	200	1,000	
Total	\$ 439,042	\$ 37,265	\$ 114,554	\$ 51,192	\$ 236,031

Off-Balance Sheet Arrangements

As of December 31, 2015, we did not have any off-balance sheet arrangements.

Inflation

Substantially all of our office leases provide for separate real estate tax and operating expense escalations. In addition, most of the leases provide for fixed rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above.

We believe that we are less susceptible to the negative economic effects that inflation may have on our industry than many of our competitors because 81.4% of our outstanding consolidated indebtedness had a fixed contractual interest rate at December 31, 2015.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We have used, and will use, derivative financial instruments to manage or hedge interest rate risks related to borrowings. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based upon their credit rating and other factors. We have entered, and we will only enter into, contracts with major financial institutions based on their credit rating and other factors. As of December 31, 2015, our Company did not have any outstanding derivatives.

As of December 31, 2015, approximately \$280.7 million, or 81.4%, of our debt had fixed interest rates and approximately \$64.0 million, or 18.6%, had variable interest rates. The variable rate indebtedness relates to borrowings under the Secured Credit Facility and the Term Loan.

The variable rate component of our consolidated indebtedness is LIBOR-based. Assuming no increase in the amount of our variable rate debt as of December 31, 2015, if LIBOR were to increase by 100 basis points, the increase in

interest expense on our variable rate debt would decrease our future earnings and cash flows by approximately \$0.6 million annually. If LIBOR were to decrease by 100 basis points, interest expense on our variable rate debt would decrease by approximately \$0.6 million annually.

The primary market risk to which we are exposed is interest rate risk. Our primary interest rate exposure is LIBOR. We primarily use fixed interest rate financing to manage our exposure to fluctuations in interest rates.

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Interest risk amounts are our management's estimates based on our Company's capital structure and were determined by considering the effect of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment nor the change to the capital structure as a result of the IPO and Formation Transactions. We may take actions to further mitigate our exposure to changes in interest rates. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our Company's financial structure.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated and combined financial statements and supplementary data required by this Item 8 are included as a separate section of this Annual Report on Form 10-K commencing on page 56 and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the Exchange Act)), that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the rules and regulations of the SEC and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We have carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures as of December 31, 2015, the end of the period covered by this Annual Report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer have concluded, as of December 31, 2015, that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act (i) is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in

reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance

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that receipts and expenditures of Company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is incorporated by reference to our definitive Proxy Statement for our 2016 annual stockholders meeting.

ITEM 11. EXECUTIVE AND DIRECTOR COMPENSATION

The information required by Item 10 is incorporated by reference to our definitive Proxy Statement for our 2016 annual stockholders meeting.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 10 is incorporated by reference to our definitive Proxy Statement for our 2016 annual stockholders meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 10 is incorporated by reference to our definitive Proxy Statement for our 2016 annual stockholders meeting.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Paid to Independent Registered Public Accounting Firm

The information required by Item 10 is incorporated by reference to our definitive Proxy Statement for our 2016 annual stockholders meeting.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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CITY OFFICE REIT, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2015
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of City Office REIT, Inc.

We have audited the accompanying consolidated balance sheets of City Office REIT, Inc., as described in note 1, as of December 31, 2015 and 2014 and the related consolidated and combined statements of operations, changes in equity and cash flows for each of the years in the three year period ended December 31, 2015. In connection with our audits of the consolidated and combined financial statements, we also have audited the financial statement Schedule III for the year ended December 31, 2015. These consolidated and combined financial statements and financial statement Schedule III are the responsibility of City Office REIT, Inc. management. Our responsibility is to express an opinion on these consolidated and combined financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of City Office REIT, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2015, in conformity with US generally accepted accounting principles. Also in our opinion, the related financial statement Schedule III, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

March 2, 2016

Table of Contents**City Office REIT, Inc. and Predecessor****Consolidated Balance Sheets (Note 1)***(In thousands, except par value and share data)*

	December 31,	
	2015	2014
Assets		
Real estate properties, cost		
Land	\$ 90,205	\$ 66,204
Building and improvement	256,317	132,964
Tenant improvement	35,069	27,773
Furniture, fixtures and equipment	198	198
	381,789	227,139
Accumulated depreciation	(26,909)	(15,311)
	354,880	211,828
Cash and cash equivalents	8,138	34,862
Restricted cash	15,176	11,093
Rents receivable, net	14,382	7,981
Deferred financing costs, net of accumulated amortization	3,393	2,901
Deferred leasing costs, net of accumulated amortization	5,074	2,618
Acquired lease intangibles assets, net	40,990	29,391
Prepaid expenses and other assets	1,567	832
Total Assets	\$ 443,600	\$ 301,506
Liabilities and Equity		
Liabilities:		
Debt	\$ 344,671	\$ 189,940
Accounts payable and accrued liabilities	8,745	4,080
Deferred rent	2,653	2,212
Tenant rent deposits	2,178	1,862
Acquired lease intangibles liability, net	2,292	606
Dividend distributions payable	3,663	3,571
Earn-out liability	5,678	8,000
Total Liabilities	369,880	210,271
Commitments and Contingencies (Note 10)		
Equity:		
Common stock, \$0.01 par value, 100,000,000 shares authorized, 12,517,777 and 12,279,110 shares issued and outstanding	125	123

Additional paid-in capital	95,318	91,308
Accumulated deficit	(29,598)	(11,320)
Total Stockholders' Equity	65,845	80,111
Operating Partnership unitholders' non-controlling interests	8,550	11,878
Non-controlling interests in properties	(675)	(754)
Total Equity	73,720	91,235
Total Liabilities and Equity	\$ 443,600	\$ 301,506

The accompanying notes are an integral part of these consolidated and combined financial statements.

Table of Contents**City Office REIT, Inc. and Predecessor****Consolidated and Combined Statements of Operations (Note 1)***(In thousands, except per share data)*

	Years Ended December 31,		
	2015	2014	2013
Revenues:			
Rental income	\$ 48,009	\$ 33,236	\$ 18,428
Expense reimbursement	5,808	2,869	1,316
Other	1,235	791	747
Total Revenues	55,052	36,896	20,491
Operating Expenses:			
Property operating expenses	20,420	14,332	8,466
Acquisition costs	2,959	2,133	1,479
Stock-based compensation	1,907	1,091	
General and administrative	1,821	1,314	
Base management fee	1,302	682	
External advisor acquisition	492		
Depreciation and amortization	21,624	14,729	7,775
Total Operating Expenses	50,525	34,281	17,720
Operating Income	4,527	2,615	2,771
Interest Expense:			
Contractual interest expense	(10,607)	(7,854)	(5,050)
Amortization of deferred financing costs	(746)	(1,443)	(318)
Loss on early extinguishment of Predecessor debt		(1,655)	
	(11,353)	(10,952)	(5,368)
Change in fair value of earn-out	(841)	(1,048)	
Gain on equity investment		4,475	
Canadian offering costs			(1,983)
Equity in income of unconsolidated entity			403
Net Loss	(7,667)	(4,910)	(4,177)
Less:			
Net (income)/loss attributable to non-controlling interests in properties	(500)	(82)	44
Net income attributable to Predecessor		(1,973)	
Net loss attributable to Predecessor			(4,133)
	1,576	1,955	

Net loss attributable to Operating Partnership unitholders non-controlling interests

Net loss attributable to stockholders	\$ (6,591)	\$ (5,010)
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Net loss per share:

Basic and diluted	\$ (0.53)	\$ (0.59)
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Weighted average common shares outstanding:

Basic and diluted	12,409	8,476
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Dividend distributions declared per common share and unit	\$ 0.940	\$ 0.653
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The accompanying notes are an integral part of these consolidated and combined financial statements.

Table of Contents**City Office REIT, Inc. and Predecessor****Consolidated and Combined Statements of Changes in Equity (Note 1)***(In thousands)*

	Number of common shares	Common stock	Additional paid-in capital	Accumulated deficit	Predecessor equity	Total stockholder and Predecessor equity	Operating Partners non-controlling interests	Non-controlling interests in properties	Total equity
Predecessor									
Balance January 1, 2013		\$	\$	\$	\$ 6,149	\$ 6,149	\$	\$ (140)	6,009
Contributions					26,107	26,107		1,365	27,472
Distributions					(1,499)	(1,499)		(97)	(1,596)
Net income/(loss)					(4,133)	(4,133)		(44)	(4,177)
Balance December 31, 2013					26,624	26,624		1,084	27,708
Contributions					3,844	3,844		62	3,906
Distributions					(1,347)	(1,347)		(153)	(1,500)
Net income/(loss)					1,973	1,973		(29)	1,944
Balance April 20, 2014					31,094	31,094		964	32,058
City Office REIT, Inc.									
Net proceeds from sale of common shares	6,582	66	72,405			72,471			72,471
Formation Transaction	1,611	16	(27,568)		(31,094)	(58,646)	17,684	(1,658)	(42,620)
Net proceeds from secondary public offering	4,086	41	45,380			45,421	(1,806)		43,615
Restricted stock award grants			1,091			1,091			1,091
Dividend distributions declared				(6,310)		(6,310)	(2,045)		(8,355)
Distributions								(171)	(171)
Net loss				(5,010)		(5,010)	(1,955)	111	(6,854)
Balance December 31, 2014	12,279	\$ 123	\$ 91,308	\$ (11,320)	\$	\$ 80,111	\$ 11,878	\$ (754)	\$ 91,235

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Conversion of OP units to shares	12		47		47	(47)		
Restricted stock award grants	137	1	1,906		1,907			1,907
Earn out payment in shares	90	1	2,057		2,058	1,105		3,163
Dividend distributions declared				(11,687)	(11,687)	(2,810)		(14,497)
Distributions							(421)	(421)
Net loss				(6,591)	(6,591)	(1,576)	500	(7,667)
Balance December 31, 2015	12,518	\$ 125	\$ 95,318	\$ (29,598)	\$ 65,845	\$ 8,550	\$ (675)	\$ 73,720

The accompanying notes are an integral part of these consolidated and combined financial statements.

Table of Contents**City Office REIT, Inc. and Predecessor****Consolidated and Combined Statements of Cash Flows (Note 1)***(In thousands)*

	Years ended December 31,		
	2015	2014	2013
Cash Flows from Operating Activities:			
Net loss	\$ (7,667)	\$ (4,910)	\$ (4,177)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	21,624	14,729	7,775
Amortization of deferred financing costs	746	1,443	318
Amortization of above/below market leases	349	541	521
Increase in straight-line rent	(1,895)	(1,315)	(2,330)
Non-cash stock compensation	1,907	1,091	
Change in fair value of earn-out	841	1,048	
Loss on early extinguishment of debt		885	
Gain on equity investment		(4,475)	
Equity in income of unconsolidated entity			(403)
Other professional fees			160
Canadian offering costs			1,983
Changes in non-cash working capital:			
Rents receivable, net	(4,506)	(1,986)	(75)
Prepaid expenses and other assets	(648)	(399)	425
Accounts payable and accrued liabilities	2,988	(88)	1,170
Deferred rent	440	723	1,235
Tenant rent deposits	(16)	500	628
Net Cash Provided By Operating Activities	14,163	7,787	7,230
Cash Flows to Investing Activities:			
Additions to real estate properties	(5,466)	(4,156)	(3,895)
Acquisition of real estate, net of cash assumed	(166,788)	(89,565)	(71,314)
Distribution from unconsolidated entity			948
Deferred leasing cost	(3,217)	(859)	(845)
Net Cash Used In Investing Activities	(175,471)	(94,580)	(75,106)
Cash Flows from Financing Activities:			
Net proceeds from issuance of common shares		72,471	
Formation transactions		(35,245)	
Net proceeds from secondary public offering		49,671	
Redemption of common stock and common units held by Operating Partnership non-controlling interests		(6,056)	

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Debt issuance and extinguishment costs	(1,239)	(4,063)	(769)
Proceeds from mortgage loans payable	105,813	205,860	57,777
Proceeds of revolving credit facility	50,000	15,500	
Repayment of mortgage loans payable	(1,082)	(161,837)	(1,118)
Repayment of revolving credit facility		(15,500)	
Contributions from partners and members		3,844	22,008
Contributions from non-controlling interests in properties		62	1,365
Distributions to partners and members		(1,347)	(1,499)
Distributions to non-controlling interests in properties	(421)	(324)	(97)
Dividend distributions paid to stockholders and Operating Partnership unitholders	(14,404)	(4,784)	
Change in restricted cash	(4,083)	(3,725)	(5,770)
Net Cash Provided By Financing Activities	134,584	114,527	71,897
Net Increase (Decrease) in Cash and Cash Equivalents	(26,724)	27,734	4,021
Cash and Cash Equivalents, Beginning of Year	34,862	7,128	3,107
Cash and Cash Equivalents, End of Year	\$ 8,138	\$ 34,862	\$ 7,128
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	\$ 10,030	\$ 7,826	\$ 4,813
Earn-out payment in shares	\$ 3,163	\$	\$

The accompanying notes are an integral part of these consolidated and combined financial statements.

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City Office REIT, Inc. and Predecessor

Notes to Consolidated and Combined Financial Statements

1. Organization and Description of Business

City Office REIT, Inc. (the Company) was organized in the state of Maryland on November 26, 2013. On April 21, 2014, the Company completed its initial public offering (IPO) of shares of the Company's common stock. The Company contributed the net proceeds of the IPO to City Office REIT Operating Partnership, L.P., a Maryland limited partnership (the Operating Partnership), in exchange for common units in the Operating Partnership. Both the Company and the Operating Partnership commenced operations upon completion of the IPO and certain related formation transactions (the Formation Transactions).

The Company's interest in the Operating Partnership entitles the Company to share in distributions from, and allocations of profits and losses of, the Operating Partnership in proportion to the Company's percentage ownership of common units. As the sole general partner of the Operating Partnership, the Company has the exclusive power under the partnership agreement to manage and conduct the Operating Partnership's business, subject to limited approval and voting rights of the limited partners.

City Office REIT, Inc. Predecessor (the Predecessor) represents the combination of the six properties outlined below (the Properties). The Predecessor does not represent a legal entity. The Predecessor and its related assets and liabilities are under common control and were contributed to a newly formed Operating Partnership in connection with the IPO of the Company on April 21, 2014.

The historical financial results in these financial statements for periods prior to April 21, 2014 relate to the Predecessor. The Predecessor is comprised of the following properties:

City Center: Property in St. Petersburg, Florida, acquired in December 2010.

Central Fairwinds: Property in Orlando, Florida, acquired in May 2012.

AmberGlen: Property in Portland, Oregon, acquired in December 2009.

Washington Group Plaza: Property in downtown Boise, Idaho, acquired in June 2013.

Corporate Parkway: Property in Allentown, Pennsylvania, acquired in May 2013.

Cherry Creek: Property in Denver, Colorado, acquired in January 2014.

The Company has elected to be taxed and to continue to operate in a manner that will allow it to continue to qualify as a real estate investment trust (REIT). Subject to qualification as a REIT, the Company will be permitted to deduct dividend distributions paid to its stockholders, eliminating the U.S. federal taxation of income represented by such

distributions at the Company level. REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal and state income tax on its taxable income at regular corporate tax rates and any applicable alternative minimum tax.

Pursuant to the Jumpstart Our Business Startups Act (the JOBS Act), the Company qualifies as an emerging growth company (EGC). An EGC may choose to take advantage of the extended private company transition period provided for complying with new or revised accounting standards that may be issued by the Financial Accounting Standards Board (FASB) or the Securities and Exchange Commission (the SEC). The Company has elected to opt out of such extended transition period. This election is irrevocable.

Initial Public Offering and Formation Transactions

The Company s operations are carried on primarily through the Operating Partnership and wholly owned subsidiaries of the Operating Partnership. Both the Company and the Operating Partnership commenced operations upon completion of the IPO and certain related Formation Transactions.

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On April 21, 2014, the Company closed the IPO, pursuant to which it sold 5,800,000 shares of common stock to the public at a public offering price of \$12.50 per share. The Company raised \$72.5 million in gross proceeds, resulting in net proceeds to us of approximately \$63.4 million after deducting approximately \$5.1 million in underwriting discounts and approximately \$4.0 million in other expenses relating to the IPO. On May 9, 2014, the underwriters of the IPO exercised their overallotment option to purchase an additional 782,150 shares of the Company's common stock at the IPO price of \$12.50 a share resulting in additional gross proceeds of approximately \$9.8 million. The net proceeds to the Company were \$9.1 million after deducting approximately \$0.7 million in underwriting discounts. The Company's common stock began trading on the New York Stock Exchange under the symbol "CIO" on April 15, 2014.

The Company contributed the net proceeds of the IPO to the Operating Partnership in exchange for common units in the Operating Partnership. The Operating Partnership utilized a portion of the net proceeds of the IPO to pay fees in connection with the assumption of the indebtedness, pay expenses incurred in connection with the IPO and Formation Transactions and repay loans that were made to several of the contributing entities by certain investors in such entities. The remaining funds were used for general working capital purposes and to fund acquisitions.

Pursuant to the Formation Transactions and exercise of the underwriters' overallotment option, the Operating Partnership acquired a 100% interest in each of the Washington Group Plaza, Cherry Creek and Corporate Parkway properties and acquired an approximate 76% economic interest in the AmberGlen property, 90% interest in the Central Fairwinds property and 95% interest in the City Center property. These initial property interests were contributed in exchange for 3,731,209 common units, 1,858,860 common stock and \$19.4 million of cash. On May 9, 2014, subsequent to the exercise of the underwriters' overallotment option, 479,305 common units and 248,095 common stock were redeemed for \$9.1 million in cash.

In connection with the IPO and Formation Transactions, the Company, through its Operating Partnership, extinguished the loan on the Central Fairwinds property and completed a refinancing of three properties (Cherry Creek, City Center and Corporate Parkway) with a new \$95 million non-recourse mortgage loan and proceeds from the IPO. The loan bears a fixed interest rate of 4.34% and matures on May 6, 2021.

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The following is a summary of the Predecessor Statements of Operations for the period from January 1, 2014 through April 20, 2014, and the Company's Statement of Operations for the period from April 21, 2014 through December 31, 2014. These amounts are included in the consolidated and combined statement of operations herein for the year ended December 31, 2014. All balances as of December 31, 2013 are those of the Predecessor.

(in thousands)

	Predecessor January 1, 2014 through April 20, 2014	City Office REIT, Inc. April 21, 2014 through December 31, 2014
Revenues:		
Rental income	\$ 8,865	\$ 24,371
Expense reimbursement	555	2,314
Other	343	448
Total Revenues	9,763	27,133
Operating Expenses:		
Property operating expenses	3,775	10,557
Acquisition costs	806	1,327
Stock-based compensation		1,091
General and administrative	79	1,235
Base management fees		682
Depreciation and amortization	3,862	10,867
Total Operating Expenses	8,522	25,759
Operating income	1,241	1,374
Interest expense, net	(3,772)	(7,180)
Change in fair value of earn-out		(1,048)
Gain on equity investment	4,475	
Net income / (loss)	1,944	(6,854)
Net loss / (income) attributable to non-controlling interests in properties	29	(111)
Net income attributable to Predecessor	1,973	
Net loss attributable to Operating Partnership unitholders non-controlling interests		1,955
Net loss attributable to stockholders		(5,010)

2. Summary of Significant Accounting Policies

Basis of Preparation and Summary of Significant Accounting Policies

The accompanying consolidated and combined financial statements were prepared in accordance with accounting principles generally accepted in the United States (GAAP) and include the financial position and results of operations of the Company, the Operating Partnership and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated on consolidation.

The Predecessor represents a combination of certain entities holding interests in real estate that were commonly controlled prior to the Formation Transactions. Due to their common control, the financial statements of the separate entities which own the properties are presented on a combined basis in the Predecessor financial statements.

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Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated and combined financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include allocation of the purchase price of acquired real estate properties among tangible and intangible assets, determination of the useful life of real estate properties and other long lived assets and the valuation of the earn-out liability on the Central Fairwinds property. Such estimates are based on management's best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from management's estimates.

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash and short-term investments with a maturity date of less than three months when acquired.

Restricted Cash

Restricted cash consists of cash held in escrow by lenders pursuant to certain lender agreements.

Rent Receivable, Net

The Company continuously monitors collections from tenants and makes a provision for estimated losses based upon historical experience and any specific tenant collection issues that the Company has identified. As of December 31, 2015 and 2014, the Company's allowance for doubtful accounts was not significant.

Business Combinations

When a property is acquired, management considers the substance of the agreement in determining whether the acquisition represents an asset acquisition or a business combination. Upon acquisitions of properties that constitutes a business, the fair value of the real estate acquired, which includes the impact of fair value adjustments for assumed mortgage debt related to property acquisitions, is allocated to the acquired tangible assets, consisting of land, buildings and improvements and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases and value of tenant relationships, based in each case on their fair values. Acquisition costs are expensed as incurred in the accompanying combined statements of operations. Also, non-controlling interests acquired are recorded at estimated fair market value.

The fair value of the tangible assets of an acquired property (which includes land, buildings and improvements and fixtures and equipment) is determined by valuing the property as if it were vacant. The as-if-vacant value is then allocated to land and buildings and improvements based on management's determination of relative fair values of these assets. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases including leasing commissions.

The fair value of above-market and below-market lease values are recorded based on the difference between the current in-place lease rent and management's estimate of current market rents. Below-market lease intangibles are

recorded as part of acquired lease intangibles liability and amortized into rental revenue over the non-cancelable periods and bargain renewal periods of the respective leases. Above-market leases are recorded as part of intangible assets and amortized as a direct charge against rental revenue over the non-cancelable portion of the respective leases.

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The fair value of acquired in-place leases are recorded based on the costs management estimates the Company would have incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the fair value of leasing commissions and legal costs that would be incurred to lease the property to this occupancy level. Additionally, management evaluates the time period over which such occupancy level would be achieved and includes an estimate of the net operating costs incurred during the lease-up period. Acquired in-place leases are amortized on a straight-line basis over the term of the individual leases.

Revenue Recognition

The Company recognizes lease revenue on a straight-line basis over the term of the lease. Certain leases allow for the tenant to terminate the lease, but the tenant must make a termination payment as stipulated in the lease. If the termination payment is in such an amount that continuation of the lease appears, at the time of lease inception, to be reasonably assured, then the Company recognizes revenue over the term of the lease. The Company has determined that for these leases, the termination payment is in such an amount that continuation of the lease appears, at the time of inception, to be reasonably assured. The Company recognizes lease termination fees as revenue in the period received and writes off unamortized lease-related intangible and other lease-related account balances, provided there are no further Company obligations under the lease. Otherwise, such fees and balances are recognized on a straight-line basis over the remaining obligation period with the termination payments being recorded as a component of rent receivable-deferred or deferred revenue on the consolidated balance sheets.

If the Company funds tenant improvements and the improvements are deemed to be owned by the Company, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. If the Company determines that the tenant allowances are lease incentives, the Company commences revenue recognition when possession or control of the space is turned over to the tenant for tenant work to begin. The lease incentive is recorded as a deferred expense and amortized as a reduction of revenue on a straight-line basis over the respective lease term.

Recoveries from tenants for real estate taxes, insurance and other operating expenses are recognized as revenues in the period that the applicable costs are incurred. The Company recognizes differences between estimated recoveries and the final billed amounts in the subsequent year. Final billings to tenants for real estate taxes, insurance and other operating expenses did not vary significantly as compared to the estimated receivable balances.

Real Estate Properties

Real estate properties are stated at cost less accumulated depreciation, except land. Depreciation is computed on the straight-line basis over estimated useful lives of:

	Years
Buildings and improvement	29-50
Furniture, fixtures and equipment	4-7

Expenditures for maintenance and repairs are charged to operations as incurred.

Impairment of Real Estate Properties

Long-lived assets currently in use are reviewed periodically for possible impairment and will be written down to fair value if considered impaired. Long-lived assets, to be disposed of, are written down to the lower of cost or fair value

less the estimated cost to sell. The Company reviews its real estate properties for impairment when there is an event or a change in circumstances that indicates that the carrying amount may not be

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recoverable. The Company measures and records impairment losses and reduces the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases where the Company does not expect to recover its carrying costs on properties held for use, the Company reduces its carrying costs to fair value.

Investment in Unconsolidated Entity

The Company accounts for its investment in the unconsolidated entity using the equity method as it does not exercise control over significant asset decisions such as buying, selling or financing nor is it the primary beneficiary under Accounting Standards Updates (ASC) Topic 810 Consolidation. Under the equity method, the Company increases its investment balance by recording its proportionate share of net income and contributions and decreases its investment balance by recording its proportionate share of net loss and distributions.

The Company reviews its investment in unconsolidated entity for other-than-temporary declines in market value when there is an event or a change in circumstances that indicates that the carrying amount may not be recoverable. In this analysis of fair value, the Company uses a discounted cash flow analysis to estimate the fair value of its investment taking into account expected cash flow from operations, holding period and net proceeds from the dispositions of the property. Any decline that is not expected to be recovered is considered other than temporary and an impairment charge is recorded as a reduction in the carrying value of the investment. For the year ended December 31, 2013, there were no impairment charges related to the Company's investment in unconsolidated entity.

Concentration of Credit Risk

The Company places its temporary cash investments in high credit financial institutions. However, a portion of temporary cash investments may exceed FDIC insured levels from time to time. The Company has never experienced any losses related to these balances.

Income Taxes

The Company has elected to be taxed and to continue to operate in a manner that will allow it to continue to qualify as a REIT. To qualify as a REIT, the Company is required to distribute dividends equal to at least 90% of the REIT taxable income (computed without regard to the dividends paid deduction and net capital gains) to its stockholders, and meet the various other requirements imposed by the Code relating to matters such as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided the Company qualifies for taxation as a REIT, it is generally not subject to U.S. federal corporate-level income tax on the earnings distributed currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to U.S. federal and state income tax on its taxable income at regular corporate tax rates and any applicable alternative minimum tax. In addition, the Company may not be able to re-elect as a REIT for the four subsequent taxable years.

For periods prior to the completion of the IPO and the Formation Transactions on April 21, 2014, no provision was made for U.S. federal, state or local income taxes because profits and losses of the Predecessor flowed through to its respective partners, members and shareholders who were individually responsible for reporting such amounts.

For periods subsequent to the completion of the IPO and the Formation Transactions, the taxable REIT subsidiaries are subject to federal, state and local corporate income taxes to the extent there is taxable income.

Non-controlling Interests

The Company follows the provisions pertaining to non-controlling interests of ASC Topic 810. A non-controlling interest is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. Among other matters, the non-controlling interest standards require that non-controlling interests be reported as part of equity in the consolidated balance sheet (separately from the controlling interest's equity).

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Upon completion of the IPO and Formation Transactions and exercise of the underwriters' overallotment option, the Operating Partnership issued 3,251,904 common units of limited partnership interest to the Predecessor's prior investors as partial consideration for the contribution of their interest in the Predecessor to the Operating Partnership. Non-controlling interest in the Company represents common units of the Operating Partnership held by the Predecessor's prior investors.

On December 10, 2014, we completed a public offering pursuant to which we sold 3,750,000 of our common stock to the public. On December 23, 2014, the underwriters of the offering exercised their overallotment option to purchase an additional 512,664 shares of our common stock which was used entirely to redeem 336,195 common units and 176,469 common stock held by the Operating Partnerships' non-controlling interest.

As of December 31, 2015 and 2014, the Company held an 80.3% and 80.8% interest, respectively, in the Operating Partnership. As the sole general partner and the majority interest holder, the Company consolidates the financial position and results of operations of the Operating Partnership.

Equity-Based Compensation

The Company accounts for equity-based compensation, including shares of restricted stock units, in accordance with ASC Topic 718 Compensation—Stock Compensation, which requires the Company to recognize an expense for the fair value of equity-based awards. The estimated fair value of restricted stock units is amortized over their respective vesting periods.

Earnings per Share

The Company calculates net income per share based upon the weighted average shares outstanding from January 1 to December 31, 2015 and for the period beginning April 21, 2014 to December 1, 2014 for the prior year. Diluted earnings per share is calculated after giving effect to all potential dilutive shares outstanding during the period. There were 3,070,405 and 2,915,709 potentially dilutive shares outstanding related to the issuance of common units held by non-controlling interests during the year ended December 31, 2015 and 2014 respectively; however, the shares were excluded from the computation of diluted shares as their impact would have been anti-dilutive. As a result, the number of diluted outstanding shares was equal to the number of basic outstanding shares.

Derivative Instruments and Hedging Activities

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. The Company has not elected to designate any instruments as a hedge.

Fair Value of Financial Instruments

ASC 820-10, Fair Value Measurements and Disclosures (ASC 820-10) establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for

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similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Deferred Leasing Costs

Fees and costs paid in the successful negotiation of leases are deferred and amortized on a straight-line basis over the terms of the respective leases. Fees and costs incurred in connection with obtaining financing are deferred and amortized over the term of the related debt obligation.

Accumulated amortization of deferred leasing costs as of December 31, 2015 and 2014 was \$2,257,551 and \$1,496,605, respectively.

Offering Costs

Costs related to the IPO and Formation Transactions paid by the Company's Predecessor were reimbursed from the proceeds of the IPO.

Segment Reporting

The Company operates in one industry segment, commercial real estate.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which creates a new Topic Accounting Standards Codification (Topic 606). The standard is principle-based and provides a five-step model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. This standard is effective for interim or annual periods beginning after December 15, 2017, and allows for either full retrospective or modified retrospective adoption. Early adoption of this standard is not allowed. We are currently evaluating the impact the adoption of Topic 606 will have on our financial statements.

In January 2015, the FASB issued ASU No. 2015-01, Income Statement - Extraordinary and Unusual Items. ASU 2015-01 eliminates the concept of extraordinary items. However, the presentation and disclosure requirements for items that are either unusual or in nature or infrequent in occurrence remain and will be expanded to include items that are both unusual in nature and infrequent in occurrence. ASU 2015-01 is effective for periods beginning after December 15, 2015. We do not expect any impact of adopting this new accounting standard on our financial statements.

In February 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis, which amends the criteria for determining which entities are considered variable interest entities (VIE), amends the criteria for determining if a

service provider possesses a variable interest in a VIE and ends the deferral granted to investment companies for application of the VIE consolidation model. ASU 2015-02 is effective for annual periods, and interim periods therein, beginning after December 15, 2015. We are currently evaluating the impact the adoption of Topic 810 will have on our financial statements.

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In April 2015, the FASB issued ASU 2015-3, Simplifying the Presentation of Debt Issuance Costs, which changes the presentation of debt issuance costs in financial statements. ASU 2015-3 requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. ASU 2015-3 is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The Company will adopt ASU 2015-3 on January 1, 2016, and it is not expected to have a material impact on the Company's consolidated financial statements and disclosures.

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments. The update requires that acquiring entities in a business combination recognize adjustments to provisional amounts identified in the reporting period in which the adjustment amounts are determined, including the cumulative effect of the change in provisional amount, as if the accounting had been completed at the acquisition date. Adjustments related to previous reporting periods must be disclosed by income statement line item, either on the face of the income statement or in the notes, in the period for which the adjustment was identified. ASU 2015-16 is effective for annual reporting periods beginning after December 15, 2015. The Company does not expect ASU 2015-16 to have a material impact on the Company's consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases. The update amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. ASU 2016-02 will be effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the impact of adopting the new leases standard on our consolidated financial statements.

3. Rents Receivable, Net

The Company's rents receivable is comprised of the following components (in thousands):

	December 31, 2015	December 31, 2014
Billed receivables	\$ 588	\$ 585
Straight-line receivables	13,794	7,396
Total rents receivable	\$ 14,382	\$ 7,981

Substantially all of these assets have been pledged as collateral for mortgage loans payable (see Note 7).

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During the years ended December 31, 2015, 2014 and 2013 the Company acquired the following properties:

Property	Date Acquired	Percentage Owned
Corporate Parkway	May 2013	100%
Washington Group Plaza	June 2013	100% ⁽¹⁾
Cherry Creek	January 2014	100%
Plaza 25	June 2014	100%
Lake Vista Pointe	July 2014	100%
Florida Research Park	Nov 2014	100%
Logan Tower	Feb 2015	100%
Superior Pointe	June 2015	100%
DTC Crossroads	June 2015	100%
190 Office Center	Sept 2015	100%
Intellicenter	Sept 2015	100%

(1) At acquisition of Washington Group Plaza in June 2013, the Company held a 90% interest in each of the properties. Upon the IPO and Formation Transactions, the Company increased its ownership share in the Washington Group Plaza property to 100%.

The above acquisitions have been accounted for as business combinations.

The following table summarizes the Company's allocations of the purchase price of assets acquired and liabilities assumed during the year ended December 31, 2015 (in thousands):

	Logan Tower	Superior Pointe	DTC Crossroads	190 Office Center	Intellicenter	Total December 31, 2015
Land	\$ 1,306	\$ 3,153	\$ 7,137	\$ 7,162	\$ 5,244	\$ 24,002
Buildings and improvements	7,844	19,250	22,545	39,367	31,359	120,365
Tenant improvements	353	584	638	323	2,919	4,817
Acquired intangible assets	1,274	2,866	4,152	5,673	7,742	21,707
Prepaid expenses and other assets		24		64		88
Accounts payable and other liabilities	(48)	(316)	(605)	(720)	(321)	(2,010)
Lease intangible liabilities	(306)	(53)	(353)	(805)	(664)	(2,181)
Total Consideration	\$ 10,423	\$ 25,508	\$ 33,514	\$ 51,064	\$ 46,279	\$ 166,788

On January 2, 2014, the Predecessor acquired the remaining 57.7% interest it did not already own in ROC-SCCP Cherry Creek I, LP (Cherry Creek) for approximately \$12.0 million. The acquisition was financed through a new \$50 million mortgage loan, the proceeds of which were used to repay \$36 million of existing debt of Cherry Creek, fund the payment of \$12.0 million to the seller, pay \$1.2 million of deferred financing costs and \$0.8 million in transactions costs.

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The Company recognized expenses relating to the Cherry Creek acquisition of \$806,344 for the year ended December 31, 2014. A gain of \$4.5 million was recognized from the fair value adjustment associated with the Predecessor's original ownership due to a change in control, calculated as follows (in thousands):

Fair value of assets and liabilities acquired	\$ 56,833
Less existing mortgage in Cherry Creek	(36,000)
	20,833
Less cash paid to seller	(12,021)
Fair value of 42.3% equity interest	8,812
Carrying value of investment in Cherry Creek	(4,337)
Gain on existing 42.3% equity interest	\$ 4,475

The following table summarizes the Company's allocations of the purchase price of assets acquired and liabilities assumed during the year ended December 31, 2014 (in thousands):

	Cherry Creek	Plaza 25	Lake Vista Pointe	Florida Research Park	Total December 31, 2014
Land	\$ 25,745	\$ 1,764	\$ 4,115	\$ 4,415	\$ 36,039
Buildings and improvements	15,771	18,487	17,562	16,376	68,196
Tenant improvements	4,372	2,076	3,038	1,399	10,885
Acquired intangible assets	12,009	2,924	3,685	4,309	22,927
Prepaid expenses and other assets		2	30	104	136
Accounts payable and other liabilities	(815)	(641)	(1,733)	(41)	(3,230)
Lease intangible liabilities	(249)	(328)			(577)
Total Consideration	\$ 56,833	\$ 24,284	\$ 26,697	\$ 26,562	\$ 134,376

The following table summarizes the Company's allocations of the purchase price of assets acquired and liabilities assumed during the year ended December 31, 2013 (in thousands):

	Washington Group Plaza	Corporate Parkway	Total December 31, 2013
Land	\$ 12,748	\$ 3,756	\$ 16,504
Buildings and improvements	18,000	18,580	36,580
Tenant improvements	2,717	1,909	4,626
Prepaid expenses and other assets	219	6	225
Deferred leasing costs	12		12
Acquired intangible assets	10,470	4,149	14,619

Accounts payable and accrued liabilities	(1,234)		(1,234)
Acquired intangible liabilities	(18)		(18)
Total Consideration	\$ 42,914	\$ 28,400	\$ 71,314

The operating results of the acquired properties, during the years ended December 31, 2015, 2014 and 2013, since the date of acquisition have been included in the Company's consolidated and combined financial statements. The following table represents the results of the properties' operations since the date of acquisition on a stand-alone basis (in thousands).

	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Operating revenues	\$ 10,047	\$ 11,282	\$ 7,155
Operating expenses	(9,957)	(10,007)	(7,570)
Interest	(1,192)	(3,987)	(1,754)
	\$ (1,102)	\$ (2,712)	\$ (2,169)

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The following table presents the unaudited revenues and income from continuing operations for Plaza 25, Lake Vista Pointe, Florida Research Park, Logan Tower, Superior Pointe, DTC Crossroads, 190 Office Center and Intellicenter on a pro forma basis as if the Company had completed the acquisition of the properties as of January 1, 2014 (in thousands):

	Year ended December 31, 2015	Year ended December 31, 2014
Total revenues as reported by City Office REIT, Inc. and Predecessor	\$ 55,052	\$ 36,896
Plus: Plaza 25		1,650
Lake Vista Pointe		1,967
Florida Research Park		2,352
Logan Tower	143	1,530
Superior Pointe	1,666	3,178
DTC Crossroads	1,904	3,554
190 Office Center	3,798	5,789
Intellicenter	3,196	4,210
Proforma total revenues	\$ 65,759	\$ 61,126
Total operating income as reported by the City Office REIT, Inc. and Predecessor	\$ 4,527	\$ 2,615
Property acquisition costs	2,959	(2,959)
Plus: Plaza 25		(67)
Lake Vista Pointe		397
Florida Research Park		(758)
Logan Tower	(13)	98
Superior Pointe	(86)	(270)
DTC Crossroads	(59)	(102)
190 Office Center	(233)	(537)
Intellicenter	930	847
Proforma operating income/(loss)	\$ 8,025	\$ (736)

5. Lease Intangibles

Lease intangibles and the value of assumed lease obligations as of December 31, 2015 and 2014 were comprised as follows (in thousands):

	Above Market Leases	In Place Leases	Leasing Commissions	Total	Below Market Leases	Below Market Ground Lease	Total
December 31, 2015							

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Cost	\$ 5,616	44,478	17,530	67,624	(2,928)	(138)	(3,066)
Accumulated amortization	(2,830)	(17,641)	(6,163)	(26,634)	750	24	774
	\$ 2,786	26,837	11,367	40,990	(2,178)	(114)	(2,292)

	Above Market Leases	In Place Leases	Leasing Commissions	Total	Below Market Leases	Below Market Ground Lease	Total
December 31, 2014							
Cost	\$ 4,762	28,505	12,926	46,193	(746)	(138)	(884)
Accumulated Amortization	(1,985)	(11,159)	(3,658)	(16,802)	258	20	278
	\$ 2,777	17,346	9,268	29,391	(488)	(118)	(606)

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The estimated aggregate amortization expense for lease intangibles for the five succeeding years and in the aggregate are as follows (in thousands):

2016	11,195
2017	8,473
2018	5,469
2019	4,041
2020	3,218
Thereafter	6,302
	\$ 38,698

6. Debt

The following table summarizes the secured indebtedness as of December 31, 2015 and 2014 (in thousands):

Property	December 31,		Interest Rate as	Maturity
	2015	December 31, 2014	of December 31, 2015	
Term Loan ⁽¹⁾	\$ 14,000	\$	LIBOR+6.00% ⁽²⁾	September 2016
Revolving Credit Facility ⁽³⁾	50,000		LIBOR +2.75% ⁽²⁾	June 2018
Washington Group Plaza ⁽⁴⁾	33,669	34,322	3.85	July 2018
AmberGlen Mortgage Loan ⁽⁵⁾	24,729	25,158	4.38	May 2019
Midland Life Insurance ⁽⁶⁾	95,000	95,000	4.34	May 2021
Lake Vista Pointe ⁽⁴⁾	18,460	18,460	4.28	August 2024
Florida Research Park ^{(4)/(7)}	17,000	17,000	4.44	December 2024
Plaza 25 ^{(4)/(8)}	17,000		4.10	July 2025
190 Office Center ⁽⁸⁾	41,250		4.79	October 2025
Intellicenter ⁽⁸⁾	33,563		4.65	October 2025
Total	\$ 344,671	\$ 189,940		

All interest rates are fixed interest rates with the exception of the revolving credit facility (Revolving Credit Facility) and Term Loan (Term Loan) as explained in footnote 1 below.

- (1) The Company is required to maintain a maximum total leverage ratio of 65%, a minimum liquidity of \$3 million and a debt service coverage ratio of no less than 1.60x.
- (2) As of December 31, 2015, the one month LIBOR rate was 0.40%
- (3) At December 31, 2015 the Revolving Credit Facility had \$75 million authorized and \$50 million drawn. In addition, the Revolving Credit Facility has an accordion feature that will permit the Company to borrow up to \$150 million, subject to additional collateral availability and lender approval. The Credit Agreement has a maturity

date of June 26, 2018, which may be extended to June 26, 2019 at the Company's option upon meeting certain conditions. The Revolving Credit Facility requires the Company to maintain a fixed charge coverage ratio of no less than 1.60x. At December 31, 2015, the Revolving Credit Facility is cross-collateralized by Central Fairwinds, Logan Tower, Superior Pointe and DTC Crossroads. On July 14, 2015, the Company entered into an Amendment and Joinder to its Amended and Restated Credit Agreement which increased the authorized borrowing capacity under the Credit Agreement from \$35 million to \$75 million.

- (4) Interest on mortgage loan is payable monthly plus principal based on 360 months of amortization.
- (5) The Company is required to maintain a minimum net worth of \$25 million and a minimum liquidity of \$2 million.
- (6) The mortgage loan is cross-collateralized by Corporate Parkway, Cherry Creek and City Center. Interest only until June 2016 then interest payable monthly plus principal based on 360 months of amortization. The loan bears a fixed interest rate of 4.34% and matures on May 6, 2021.

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- (7) The Company is required to maintain a minimum net worth of \$17 million, minimum liquidity of \$1.7 million and a debt service coverage ratio of no less than 1.15x.
- (8) The Company is required to maintain a debt service coverage ratio of no less than 1.45x, 1.15x, 1.20x respectively for each of Plaza 25, 190 Office Center and Intellicenter.

The scheduled principal repayments of mortgage payable as of December 31, 2015 are as follows (in thousands):

2016	\$ 16,034
2017	3,036
2018	85,161
2019	26,629
2020	3,917
Thereafter	209,894
Total	\$ 344,671

7. Fair Value of Financial Instruments

Fair value measurements are based on assumptions that market participants would use in pricing an asset or a liability. The hierarchy for inputs used in measuring fair value is as follows:

Level 1 Inputs quoted prices in active markets for identical assets or liabilities

Level 2 Inputs observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 Inputs unobservable inputs

As of December 31, 2015 and 2014, the Company did not have any hedges or derivatives.

The fair value of the Central Fairwinds earn-out (note 10) was derived by making assumptions on the timing of the lease up of vacant space and the net effective rents of those new leases and then applying an 8% discount rate to the resulting cash-flows to obtain a present value. The earn-out valuation assumes that approximately 3,000 square feet of additional leasing is completed between the date of the valuation and the end of the calculation period which would take the existing occupancy from 88% signed and committed at December 31, 2015 to 89% by July 2016 and stabilized at that level thereafter. The average net effective rent and incremental operating costs per square foot is assumed to be \$14 and \$4, respectively.

The estimated fair value of the earn-out liability decreased from \$8.0 million at December 31, 2014 to \$5.7 million at December 31, 2015 primarily due to a \$3.2 million payment in August 2015, satisfied through the issuance of common stock, partially offset by an increase in the fair value of the remaining liability during the year ended December 31, 2015 of approximately \$0.9 million.

Level 3 sensitivity analysis:

The Company applies judgment in determining unobservable inputs used to calculate the fair value of Level 3 instruments. Level 3 instruments held by the Company include the earn-out. The unobservable inputs used in the valuation of the earn-out primarily include the net effective rent assumptions. A sensitivity analysis has been

performed to determine the potential gain or loss by varying the significant unobservable inputs by increasing or decreasing them by 10%. The impact of applying these other reasonably possible inputs is a potential loss of \$0.1 million and a potential gain of \$0.1 million. This potential gain or loss would be recorded through profit and loss.

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Cash Equivalents, Restricted Cash, Accounts Receivable, Accounts Payable and Accrued Liabilities

The Company estimates that the fair value approximates carrying value due to the relatively short-term nature of these instruments.

Fair Value of Financial Instruments Not Carried at Fair Value

With the exception of fixed rate mortgage loans payable, the carrying amounts of the Company's financial instruments approximate their fair value. The Company determines the fair value of its fixed rate mortgage loan payable based on a discounted cash flow analysis using a discount rate that approximates the current borrowing rates for instruments of similar maturities. Based on this, the Company has determined that the fair value of these instruments was \$285,900,000 and \$192,500,000 as of December 31, 2015 and December 31, 2014, respectively. Although the Company has determined the majority of the inputs used to value its fixed rate debt fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its fixed rate debt utilize Level 3 inputs, such as estimates of current credit spreads. Accordingly, mortgage loans payable have been classified as Level 3 fair value measurements.

8. Related Party Transactions

Formation and Equity Transactions

The Formation Transactions were completed on April 21, 2014 through the contribution of the initial properties by Second City Capital Partners II, Limited Partnership, Second City General Partner II, Limited Partnership, Gibralt US, Inc., GCC AmberGlen Investments Limited Partnership and Daniel Rapaport (collectively, the Second City Group). The Second City Group received as consideration for its contribution approximately \$19.4 million in cash in accordance with the terms of its contribution agreement to acquire various non-controlling interests and eliminate economic incentives in the initial properties. Additional payments to the Second City Group included \$4.9 million for reimbursement of IPO costs and \$1.8 million for working capital. On May 9, 2014, subsequent to the underwriters exercise of the overallotment option, net proceeds of \$9.1 million was paid to the Second City Group to redeem 479,305 common units and 248,095 shares of common stock.

On December 23, 2014, the underwriters of the secondary public offering exercised their overallotment option to purchase an additional 512,664 shares of our common stock at the offering price of \$12.50 a share resulting in additional net proceeds to us of \$6.1 million after deducting underwriting discounts. The \$6.1 million proceeds received was paid to the Second City Group to redeem 336,195 common units and 176,469 shares of common stock.

Property Management Fees

Three of the properties (City Center, Central Fairwinds and AmberGlen) engaged related parties to perform asset and property management services for a fee ranging from 3.0% to 3.5% of gross revenue. Management fees paid to the minority partners of these three properties totaled \$0.5 million and \$0.4 million for the year-ended December 31, 2015 and 2014, respectively.

Advisory and Transaction Fees

During the year ended December 31, 2015 and 2014, the Company incurred \$3.0 million and \$1.5 million, respectively, in advisory and transaction fees payable to the Advisor.

Earn-Out Payment

During the year ended December 31, 2015, a payment of approximately \$3.2 million was made to Second City on August 6, 2015 and a second payment of approximately \$3.8 million was earned and will be made subsequent to year-end in March 2016 under the Earn-Out provision described in Note 10.

Table of Contents**9. Future Minimum Rent Schedule**

Future minimum lease payments to be received as of December 31, 2015 under noncancellable operating leases for the next five years and thereafter are as follows (in thousands):

2016	\$ 52,702
2017	51,421
2018	44,135
2019	38,224
2020	34,882
Thereafter	132,466
	\$ 353,830

The above minimum lease payments to be received do not include reimbursements from tenants for certain operating expenses and real estate taxes and do not include early termination payments provided for in certain leases.

Fifteen state government tenants currently have the exercisable right to terminate their lease if the state does not appropriate rent in its annual budgets. The Company has determined that the occurrence of the government tenant not appropriating the rent in its annual budget is a remote contingency and accordingly recognizes lease revenue on a straight-line basis over the respective lease term. These tenants represent approximately 19.7% of the Company's total future minimum lease payments as of December 31, 2015.

10. Commitments and Contingencies***Earn-Out***

As part of the Formation Transactions and contribution agreement with respect to the Central Fairwinds property, the Company is obligated to make additional payments to Second City (each, an "Earn-Out Payment") for up to a five year period commencing on the initial IPO date of April 21, 2014. Earn-Out Payments are contingent on the property reaching certain specified occupancy levels through new leases to qualified tenants and exceeding a net operating income threshold, which grows annually. Second City will be entitled to receive an Earn-Out Payment (net of the associated leasing costs and inclusive of leasing commissions and tenant improvements/allowances and free rent) as and when the occupancy of Central Fairwinds reaches each of 70%, 80% and 90% (each, an "Earn-Out Threshold") based on the incremental cash flow generated by new leases and a 7.75% stabilized capitalization rate. The Company will make any additional Earn-Out Payment within 30 days of the end of the Earn-Out Term based on new qualified leases entered into since the achievement of the last Earn-Out Threshold. Earn-Out Payments will be subject to a claw-back if a qualified tenant defaults in the payment of rent and is not replaced with another qualified tenant (see note 8).

During the year ended December 31, 2015, the 70% and 80% earn-out occupancy and net operating income thresholds were met. This triggered a payment of approximately \$3.2 million which was made on August 6, 2015 and a second payment of approximately \$3.8 million which we expect will be made subsequent to year-end in March 2016.

The estimated fair value of the earn-out liability decreased from \$8.0 million at December 31, 2014 to \$5.7 million at December 31, 2015 primarily due to a \$3.2 million payment in August 2015, satisfied through the issuance of

common stock, partially offset by an increase in the fair value of the remaining liability during the year ended December 31, 2015 of approximately \$0.9 million.

Tax Protection Agreements

In connection with our initial public offering and the related Formation Transactions, our Operating Partnership entered into tax protection agreements that provide that if we dispose of any interest in our initial properties in a taxable transaction prior to the fourth anniversary of the completion of our initial public offering,

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subject to certain exceptions, we will indemnify certain contributors of properties in our Formation Transactions for their tax liabilities attributable to the built-in gain that exists with respect to our properties as of the time of our initial public offering and their tax liabilities incurred as a result of such tax protection payment.

Other

The Company is obligated under certain tenant leases to fund tenant improvements and the expansion of the underlying leased properties.

Under various federal, state and local laws, ordinances and regulations relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for the cost of removal or remediation of certain hazardous or toxic substances disposed, stored, generated, released, manufactured or discharged from, on, at, under, or in a property. As such, the Company may be potentially liable for costs associated with any potential environmental remediation at any of its formerly or currently owned properties.

The Company believes that it is in compliance in all material respects with all federal, state and local ordinances and regulations regarding hazardous or toxic substances. Management is not aware of any environmental liability that it believes would have a material adverse impact on the Company's financial position or results of operations. Management is unaware of any instances in which the Company would incur significant environmental costs if any or all properties were sold, disposed of or abandoned. However, there can be no assurance that any such non-compliance, liability, claim or expenditure will not arise in the future.

The Company is involved from time to time in lawsuits and other disputes which arise in the ordinary course of business. As of December 31, 2015 management believes that these matters will not have a material adverse effect, individually or in the aggregate, on the Company's financial position or results of operations.

11. Stockholder's Equity

The Company issued 5,800,000 shares in conjunction with the IPO resulting in net proceeds of \$63.4 million after deducting the underwriters' discount and offering expenses. The underwriters of the IPO exercised their overallotment option to purchase an additional 782,150 shares of the Company's common stock resulting in additional net proceeds to us of \$9.1 million after deducting underwriting discounts.

On December 10, 2014, we completed a secondary public offering pursuant to which we sold 3,750,000 of our common stock to the public at a price of \$12.50 per share. We raised \$46.9 million in gross proceeds, resulting in net proceeds to us of approximately \$43.6 million after deducting approximately \$2.6 million in underwriting discounts and approximately \$0.7 million in other expenses relating to the offering. On December 23, 2014, the underwriters of the offering exercised their overallotment option to purchase an additional 512,664 shares of our common stock at the offering price of \$12.50 a share resulting in additional gross proceeds to us of approximately \$6.4 million resulting in net proceeds to us of \$6.1 million after deducting approximately \$0.3 million in underwriting discounts. The net proceeds were used entirely to redeem 336,195 common units and 176,469 common stock held by the Operating Partnerships' non-controlling interest.

Non-controlling Interests

Non-controlling interests in the Company represent common units of the Operating Partnership held by the Predecessor's prior investors. As of December 31, 2015 and 2014, non-controlling interests consisted of 3,070,405 and 2,915,709 Operating Partnership units and represented approximately 19.7% and 19.2% of the Operating Partnership,

respectively. Operating Partnership units and shares of common stock have essentially the same economic characteristics, as they share equally in the total net income or loss distributions of the Operating Partnership. Beginning on or after the date which is 12 months after the later of the completion of the initial public offering or the date on which a person first became a holder of common units, each limited partner and

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assignees of limited partners will have the right, subject to the terms and conditions set forth in the partnership agreement, to require the Operating Partnership to redeem all or a portion of the common units held by such limited partner or assignee in exchange for a cash amount per common unit equal to the value of one share of common stock, determined in accordance with and subject to adjustment under the partnership agreement. The Company has the sole option at its discretion to redeem the common units by issuing common stock on a one-for-one basis. The Operating Partnership unitholders are entitled to share in cash distributions from the Operating Partnership in proportion to its percentage ownership of common units.

The following table summarizes the non-controlling interests in properties as of December 31, 2015 and December 31, 2014 (in thousands):

	December 31, 2015	December 31, 2014
City Center	\$ (5)	\$ 32
Central Fairwinds	484	422
AmberGlen	(1,154)	(1,208)
	\$ (675)	\$ (754)

Common Stock and Common Unit Distributions

During the year ended December 31, 2015, the Company declared aggregate cash distributions to common stockholders and common unitholders of \$14.5 million. The Company paid aggregate cash distributions of \$10.8 million for the year-ended December 31, 2015 and \$3.7 million was payable as of December 31, 2015.

During the year ended December 31, 2015, the Company declared the following distributions per share and unit:

Period	Distribution per Share/Unit	Declaration Date	Record Date	Payment Date
January 1, 2015 - March 31, 2015	\$ 0.235	March 19, 2015	April 3, 2015	April 17, 2015
April 1, 2015 - June 30, 2015	0.235	June 15, 2015	July 3, 2015	July 17, 2015
July 1, 2015 - September 30, 2015	0.235	September 15, 2015	October 5, 2015	October 19, 2015
October 1, 2015 - December 31, 2015	0.235	December 18, 2015	January 6, 2016	January 20, 2016
Total	\$ 0.940			

Restricted Stock Units

The Company has an equity incentive plan (Equity Incentive Plan) for certain officers, directors, advisors and personnel, and, with approval of the board of directors, for subsidiaries, the Advisor and their respective affiliates. The Equity Incentive Plan provides for grants of restricted common stock, restricted stock units, phantom shares, stock options, dividend equivalent rights and other equity-based awards (including LTIP Units), subject to the total number of shares available for issuance under the plan. The Equity Incentive Plan is administered by the compensation committee of the board of directors (the plan administrator).

The maximum number of shares of common stock that may be issued under the Equity Incentive Plan is 1,263,580 shares. To the extent an award granted under the Equity Incentive Plan expires or terminates, the shares subject to any portion of the award that expires or terminates without having been exercised or paid, as the case may be, will again become available for the issuance of additional awards.

During the year ended December 31, 2015, 43,667 restricted stock units (RSUs) were granted to directors and non-executive employees of the Advisor with a fair value of \$0.6 million. On April 21, 2014, 352,272 restricted stock units (RSUs) were granted to the Company s executive officers and one of the directors at a

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grant date fair value of \$12.50 totaling \$4.4 million. During the year ended December 31, 2014, 30,100 RSUs were granted to directors and non-executive employees of the Advisor with a fair value of \$0.4 million. The awards will vest in three equal, annual installments on each of the first three anniversaries of the date of grant. For the year ended December 31, 2015 and December 31, 2014, the Company recognized net compensation expense of \$1.9 million and \$1.1 million related to the RSU s.

A RSU award represents the right to receive shares of the Company s common stock in the future, after the applicable vesting criteria, determined by the plan administrator, has been satisfied. The holder of an award of RSU has no rights as a stockholder until shares of common stock are issued in settlement of vested restricted stock units. The plan administrator may provide for a grant of dividend equivalent rights in connection with the grant of RSU; provided, however, that if the restricted stock units do not vest solely upon satisfaction of continued employment or service, any payment in respect to the related dividend equivalent rights will be held by the Company and paid when, and only to the extent that, the related RSU vest.

12. Quarterly Financial Information (unaudited):

The following tables summarize certain selected quarterly financial data for 2015 and 2014 (in thousands, except per share data):

	2015 Quarters			
	Fourth	Third	Second	First
Operating revenue	\$ 17,543	\$ 14,616	\$ 11,634	\$ 11,259
Net loss	(1,798)	(2,984)	(2,086)	(799)
Net loss attributable to stockholders	(1,551)	(2,499)	(1,798)	(743)
Net loss per share	\$ (0.12)	\$ (0.20)	\$ (0.15)	\$ (0.06)

	2014 Quarters			
	Fourth	Third	Second	First
Operating revenue	\$ 10,529	\$ 9,998	\$ 8,393	\$ 7,976
Net (loss)/income	(1,673)	(2,374)	(3,067)	2,204
Net loss attributable to stockholders	(1,299)	(1,767)	(1,944)	
Net loss per share	\$ (0.14)	\$ (0.22)	\$ (0.24)	\$

13. Subsequent Events

On February 1, 2016, the Company closed on the previously announced management internalization. On November 2, 2015, the Company and a subsidiary (Buyer Sub) entered into a Stock Purchase Agreement (Stock Purchase Agreement) with certain stockholders of the Advisor and two personal holding companies that owned stock of the Advisor pursuant to which Buyer Sub acquired all of the outstanding stock of the Advisor. Pursuant to the Stock Purchase Agreement, at closing, the Company issued 297,321 shares of its common stock to the sellers, which include the Company s three executive officers and Samuel Belzberg, a director of the Company. In addition, the Company will make cash payments to the sellers of up to \$3.5 million if the Company s fully diluted market capitalization reaches the following thresholds prior to December 31, 2016: \$1 million upon the Company achieving a \$200 million fully diluted market capitalization, an additional \$1 million upon the Company achieving a \$225 million fully diluted market capitalization and an additional \$1.5 million upon the Company achieving a \$250 million fully diluted market capitalization (in each case, including in the calculation of fully diluted market capitalization the value of units of

limited partnership interest in the Company's operating partnership held by parties other than the Company at a value per unit equal to the market price of the Company's common stock). As of March 1, 2016, the Company's fully diluted market capitalization was \$200.8 million.

Effective upon closing of the transactions under the Stock Purchase Agreement, each of James Farrar, the Company's Chief Executive Officer, Gregory Tylee, President and Chief Operating Officer and Anthony Maretic, Chief Financial Officer, Secretary and Treasurer entered into an employment agreement with a

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subsidiary of the Company and will become employees of the Company. In addition, at the same time, approximately eleven additional current employees of the Advisor and its affiliates became employees of the Company and its subsidiaries and the Company will have offices in Vancouver, British Columbia and Dallas, Texas.

In connection with the closing of the transactions under the Stock Purchase Agreement, a subsidiary of the Company entered into an Administrative Services Agreement (the Administrative Services Agreement) with entities that manage real estate investment funds affiliated with Second City Capital II Corporation and Second City Real Estate II Corporation (the Second City funds). James Farrar, Gregory Tylee and one of its directors, Samuel Belzberg, are officers of the general partners of the Second City funds and own equity interests in the Second City funds. The Administrative Services Agreement has a three year term and pursuant to the agreement, a subsidiary of the Company will provide various administrative services and support to the entities managing the Second City funds. The Company s subsidiary will receive annual payments for these services under the Administrative Services Agreement as follows: first 12 months \$1.5 million, second 12 months \$1.125 million and third 12 months \$0.625 million, for a total of \$3.25 million over the three-year term. In addition, following the expiration of the three year term of the Administrative Services Agreement, the Company will agree to make Messrs. Farrar and Tylee available to assist the Second City funds with respect to certain matters.

Table of Contents**City Office REIT, Inc. and Predecessor****SCHEDULE III REAL ESTATE PROPERTIES AND ACCUMULATED DEPRECIATION****December 31, 2015****(In Thousands)**

	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried as of December 31, 2015		Accumulated Amortization	Date of Construction	Date Acquired
		Buildings and	Improvements	Improvements	Land	Improvements	Total			
	\$ 25,158	\$ 8,790	\$ 5,705	\$ 3,463	\$ 8,790	\$ 9,168	\$ 17,958	\$ 4,410	1984-1998	December 2009
	24,500	3,123	10,656	8,547	3,123	19,203	22,326	4,685	1984	December 2010
Arwinds		1,747	9,751	3,625	1,747	13,376	15,123	1,816	1982	May 2012
	20,500	3,757	20,489	112	3,757	20,601	24,358	3,175	2006	May 2013
Group	34,322	12,748	20,716	2,947	12,748	23,663	36,411	3,966	1970-1982	June 2013
ek	50,000	25,745	20,144	239	25,745	20,383	46,128	2,580	1962-1980	January 2014
	17,000	1,764	20,563	441	1,764	21,004	22,768	1,960	1981	June 2014
Pointe earch	18,460	4,115	20,600		4,115	20,600	24,715	1,377	2007	July 2014
	17,000	4,415	17,775		4,415	17,775	22,190	789	1999	November 2014
er		1,305	8,197	103	1,305	8,300	9,605	337	1983	February 2015
ointe		3,153	19,834	388	3,153	20,222	23,375	460	2000	June 2015
roads		7,137	23,184	117	7,137	23,301	30,438	437	1999	June 2015
Centre	41,250	7,162	39,690	20	7,162	39,710	46,872	550	2001/2008	September 2015
r	33,563	5,244	34,278		5,244	34,278	39,522	367	2008	September 2015
	\$ 281,753	\$ 90,205	\$ 271,582	\$ 20,002	\$ 90,205	\$ 291,584	\$ 381,789	\$ 26,909		

(1) The aggregate cost for federal tax purposes as of December 31, 2015 of our real estate assets was \$445,353.

(2) A summary of activity for real estate and accumulated depreciation for the year ended December 31, 2015 and 2014 is as follows:

	2015	2014
Real Estate Properties		
Balance, beginning of year	\$ 227,139	\$ 107,862

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Acquisitions	149,184	115,121
Capital improvements	5,466	4,156
Balance, end of year	\$ 381,789	\$ 227,139
Accumulated depreciation		
Balance, beginning of year	\$ 15,311	\$ 7,735
Depreciation	11,598	7,576
Balance, end of year	\$ 26,909	\$ 15,311

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Pursuant to the requirements of Section 13 or 15(d) 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.

CITY OFFICE REIT, INC.

Date: March 4, 2016

By: /s/ James Farrar
James Farrar
Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ James Farrar	Chief Executive Officer and Director	March 4, 2016
James Farrar	(Principal Executive Officer)	
/s/ Anthony Maretic	Chief Financial Officer, Secretary and Treasurer	March 4, 2016
Anthony Maretic	(Principal Financial Officer and Principal Accounting Officer)	
/s/ John McLernon	Independent Director, Chairman of	March 4, 2016
John McLernon	Board of Directors	
/s/ Mark Murski	Independent Director	March 4, 2016
Mark Murski		
/s/ Stephen Shraiberg	Independent Director	March 4, 2016
Stephen Shraiberg		
/s/ William Flatt	Independent Director	March 4, 2016
William Flatt		
/s/ Samuel Belzberg	Director	March 4, 2016
Samuel Belzberg		

Table of Contents**EXHIBIT INDEX**

Exhibit Number	<u>Description</u>
3.1	Articles of Amendment and Restatement of the Company (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).
3.2	Articles Supplementary (incorporated by reference to Exhibit 3.1.1 of the Company's Current Report on Form 8-K filed with the Commission on March 25, 2015).
3.3	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).
3.4	First Amendment to Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed with the Commission on March 25, 2015).
4.1	Certificate of Common Stock of City Office REIT, Inc. (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-11/A filed with the Commission on February 18, 2014).
10.1	Form of Indemnification Agreement by and between City Office REIT, Inc. and its directors and officers (incorporated by reference to Exhibit 10.12 of the Company's Registration Statement on Form S-11/A filed with the Commission on March 25, 2014).
10.2	Amended and Restated Agreement of Limited Partnership of City Office REIT Operating Partnership, L.P., dated as of April 21, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).
10.3	Advisory Agreement by and among City Office Real Estate Management Inc., City Office REIT Operating Partnership L.P. and City Office REIT, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).
10.4	Contribution Agreement, dated as of April 14, 2014, by and among City Office REIT Operating Partnership, L.P., Gibralt U.S., Inc., GCC Amberglen Investments Limited Partnership and Daniel Rapaport (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).
10.5	Contribution Agreement, dated as of April 14, 2014, by and among City Office REIT Operating Partnership, L.P., City Office REIT, Inc., CIO OP Limited Partnership, CIO REIT Stock Limited Partnership, Second City Capital Partners II, Limited Partnership and Second City General Partner II, Limited Partnership (incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).
10.6	Registration Rights Agreement, dated as of April 21, 2014, by and among City Office REIT, Inc., CIO OP Limited Partnership, CIO REIT Stock Limited Partnership, GCC Amberglen Investments Limited Partnership, Gibralt US, Inc. and Daniel Rapaport (incorporated by reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).
10.7	Equity Incentive Plan (incorporated by reference to Exhibit 10.7 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).

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- 10.8 Tax Protection Agreement, dated as of April 21, 2014, by and among City Office REIT, Inc., City Office REIT Operating Partnership, L.P., Gibralt US, Inc., GCC Amberglen Investments Limited Partnership and Daniel Rapaport (incorporated by reference to Exhibit 10.8 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).
- 10.9 Tax Protection Agreement, dated as of April 21, 2014, by and among City Office REIT, Inc., City Office REIT Operating Partnership, L.P., CIO OP Limited Partnership and Second City General Partner II, Limited Partnership (incorporated by reference to Exhibit 10.9 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).

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Exhibit Number	Description
10.10	Excepted Holder Agreement, dated as of April 21, 2014, by and between City Office REIT, Inc. and CIO OP Limited Partnership (incorporated by reference to Exhibit 10.10 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).
10.11	Excepted Holder Agreement, dated as of April 21, 2014, by and between City Office REIT, Inc. and CIO REIT Stock Limited Partnership (incorporated by reference to Exhibit 10.11 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 23, 2014).
10.12	Credit Agreement, dated as of April 21, 2014, by and among City Office REIT Operating Partnership, L.P., KeyBank National Association, as lender, KeyBank National Association, as agent, and KeyBanc Capital Markets, as sole lead arranger and sole book manager (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on June 19, 2014).
10.13	Promissory Note, dated April 29, 2014, by Amberglen Properties Limited Partnership to American General Life Insurance Company (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on May 5, 2014).
10.14	Promissory Note, dated April 29, 2014, by Amberglen Properties Limited Partnership to American Home Assurance Company (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Commission on May 5, 2014).
10.15	Guaranty Agreement, dated as of April 29, 2014, by and among City Office REIT, Inc., City Office REIT Operating Partnership, L.P., American General Life Insurance Company and American Home Assurance Company (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Commission on May 5, 2014).
10.16	First Amendment to Credit Agreement, dated as of June 13, 2014, by and among City Office REIT Operating Partnership, L.P., KeyBank National Association, as lender, KeyBank National Association, as agent, and KeyBanc Capital Markets, as sole lead arranger and sole book manager (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Commission on June 19, 2014).
10.17	Loan Agreement, dated as of July 18, 2014, by and between CIO Lake Vista, Limited Partnership and Security Benefit Life Insurance Company (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on July 24, 2014).
10.18	Promissory Note, dated July 18, 2014, by CIO Lake Vista, Limited Partnership to Security Benefit Life Insurance Company (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Commission on July 24, 2014).
10.19	Guaranty Agreement, dated as of July 18, 2014, by City Office REIT, Inc. to Security Benefit Life Insurance Company (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Commission on July 24, 2014).
10.20	Loan Agreement, dated as of November 18, 2014, by and between CIO Research Park, Limited Partnership and Pillar Multifamily, LLC (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on November 21, 2014).
10.21	Promissory Note, dated November 18, 2014, by CIO Research Park, Limited Partnership to Pillar Multifamily, LLC (incorporated by reference to Exhibit 10.2 of the Company's Current Report on

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Form 8-K filed with the Commission on November 21, 2014).

- 10.22 Guaranty Agreement, dated as of November 18, 2014, by City Office REIT, Inc. to Pillar Multifamily, LLC (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Commission on November 21, 2014).
- 10.23 Joinder Agreement, dated as of February 4, 2015, by and between CIO Logan Tower, Limited Partnership and KeyBank National Association (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on February 10, 2015).

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Exhibit Number	Description
10.24	Loan Agreement, dated as of June 25, 2015, by and between CIO Plaza 25, Limited Partnership and Guaranty Bank and Trust Company (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on June 29, 2015).
10.25	Promissory Note, dated June 25, 2015, by CIO Plaza 25, Limited Partnership to Guaranty Bank and Trust Company (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on June 29, 2015).
10.26	Guaranty Agreement, dated as of June 25, 2015, by City Office REIT Operating Partnership, L.P. to Guaranty Bank and Trust Company (incorporated by reference of Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 29, 2015).
10.27	Amended and Restated Credit Agreement, dated as of June 26, 2015, by and between City Office REIT Operating Partnership, L.P., KeyBank National Association, as lender, KeyBank National Association, as agent, and KeyBanc Capital Markets, as sole lead arrange and sole book manager (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed on June 29, 2015).
10.28	First Amendment and Joinder to Amended and Restated Credit Agreement, dated as of July 14, 2015, by and among City Office REIT Operating Partnership, L.P. and certain of its subsidiaries, City Office REIT, Inc., the Lenders named therein, and KeyBank National Association, as agent for the Lenders (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 17, 2015).
10.29	Promissory Note, dated July 14, 2015, by City Office REIT Operating Partnership, L.P. and certain of its subsidiaries, to BMO Harris Bank, N.A. (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on July 17, 2015).
10.30	Promissory Note, dated July 14, 2015, by City Office REIT Operating Partnership, L.P. and certain of its subsidiaries, to the Royal Bank of Canada (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on July 17, 2015).
10.31	Credit Agreement, dated as of September 2, 2015, by and among City Office REIT Operating Partnership, L.P., KeyBank National Association, as lender, KeyBank National Association, as agent, and KeyBanc Capital Markets, as sole lead arranger and sole book manager (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed with the Commission on November 6, 2015).
10.32	Loan Agreement, dated as of September 3, 2015, by and between CIO 190, Limited Partnership and CIBC Inc. (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed with the Commission on November 6, 2015).
10.33	Loan Agreement, dated as of September 3, 2015, by and between CIO Intellicenter, Limited Partnership and KeyBank National Association (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 10-Q filed with the Commission on November 6, 2015).
10.34	Stock Purchase Agreement, dated as of November 2, 2015, by and among City Office REIT, Inc., CIO Management Buyer Ltd., Gibralt Capital Corp., James Farrar, Anthony Maretic, Gregory Tylee, JTF Holdco Shareholders, as defined therein, and Tylee Holdco Shareholders, as defined therein (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on November 2, 2015).

- 10.35 Second Amendment to Advisory Agreement, dated as of November 2, 2015, by and among City Office REIT, Inc., City Office REIT Operating Partnership, L.P. and City Office Real Estate Management, Inc. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on November 2, 2015).
- 10.36 Administrative Services Agreement, dated as of February 1, 2016, by and among City Office Management Ltd., Second City Capital II Corporation and Second City Real Estate II Corporation (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on February 5, 2016).

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Exhibit Number	<u>Description</u>
10.37	Third Amendment to Advisory Agreement, dated as of February 1, 2016, by and among the Company, City Office REIT Operating Partnership, L.P. and City Office Real Estate Management, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Commission on February 5, 2016).
10.38	Executive Employment Agreement, dated as of February 1, 2016, by and between City Office Management Ltd. and Anthony Maretic (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed with the Commission on February 5, 2016).
10.39	Executive Employment Agreement, dated as of February 1, 2016, by and between City Office Management Ltd. and Gregory Tylee (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed with the Commission on February 5, 2016).
10.40	Executive Employment Agreement, dated as of February 1, 2016, by and between City Office Management Ltd. and James Farrar (incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K filed with the Commission on February 5, 2016).
21.1	Subsidiaries of the Company
23.1	Consent of KPMG LLP
31.1	Certification of Annual Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Annual Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	INSTANCE DOCUMENT *
101.SCH	SCHEMA DOCUMENT *
101.CAL	CALCULATION LINKBASE DOCUMENT *
101.LAB	LABELS LINKBASE DOCUMENT *
101.PRE	PRESENTATION LINKBASE DOCUMENT *
101.DEF	DEFINITION LINKBASE DOCUMENT *

Filed herewith.

- * Submitted electronically herewith. Attached as Exhibit 101 to this report are the following documents formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated and Combined Statements of Operations; (iii) Consolidated and Combined Statements of Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated and Combined Financial Statements.