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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2018

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

For the transition period from to

Commission File Number: 1-13087 (Boston Properties, Inc.)
Commission File Number: 0-50209 (Boston Properties Limited Partnership)

BOSTON PROPERTIES, INC.
BOSTON PROPERTIES LIMITED PARTNERSHIP

(Exact name of Registrants as specified in its charter)

Boston Properties, Inc.	**Delaware** (State or other jurisdiction of incorporation or organization)	**04-2473675** (I.R.S. Employer Identification Number)
Boston Properties Limited Partnership	**Delaware** (State or other jurisdiction of incorporation or organization)	**04-3372948** (I.R.S. Employer Identification Number)

Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199-8103
(Address of principal executive offices) (Zip Code)

(617) 236-3300
(Registrants' telephone number, including area code)

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

Boston Properties, Inc.: Yes x No ☐ Boston Properties Limited Partnership: Yes x 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).

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

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

Boston Properties, Inc.:
Large accelerated filer x Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

Boston Properties Limited Partnership:
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer x Smaller reporting company ☐ Emerging growth company ☐

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

Boston Properties, Inc. ☐ Boston Properties Limited Partnership ☐

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Boston Properties, Inc.	**Common Stock, par value $0.01 per share**	**154,363,964**
(Registrant)	**(Class)**	**(Outstanding on May 2, 2018)**

EXPLANATORY NOTE

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

As of March 31, 2018, BXP owned an approximate 89.6% ownership interest in BPLP. The remaining approximate 10.4% interest is owned by limited partners. The other limited partners of BPLP are (1) persons who contributed their direct or indirect interests in properties to BPLP in exchange for common units or preferred units of limited partnership interest in BPLP and/or (2) recipients of long term incentive plan units of BPLP pursuant to BXP’s Stock Option and Incentive Plans. Under the limited partnership agreement of BPLP, unitholders may present their common units of BPLP for redemption at any time (subject to restrictions agreed upon at the time of issuance of the units that may restrict such right for a period of time, generally one year from issuance). Upon presentation of a common unit for redemption, BPLP must redeem the unit for cash equal to the then value of a share of BXP’s common stock. In lieu of a cash redemption by BPLP, however, BXP may elect to acquire any common units so tendered by issuing shares of BXP common stock in exchange for the common units. If BXP so elects, its common stock will be exchanged for common units on a one-for-one basis. This one-for-one exchange ratio is subject to specified adjustments to prevent dilution. BXP generally expects that it will elect to issue its common stock in connection with each such presentation for redemption rather than having BPLP pay cash. With each such exchange or redemption, BXP’s percentage ownership in BPLP will increase. In addition, whenever BXP issues shares of its common stock other than to acquire common units of BPLP, BXP must contribute any net proceeds it receives to BPLP and BPLP must issue to BXP an equivalent number of common units of BPLP. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company believes that combining the quarterly reports on Form 10-Q of BXP and BPLP into this single report provides the following benefits:

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

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

Shareholders’ equity, partners’ capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of BXP and BPLP. The limited partners of BPLP are accounted for as partners’ capital in BPLP’s financial statements and as noncontrolling interests in BXP’s financial statements. The noncontrolling interests in BPLP’s financial statements include the interests of unaffiliated partners in various consolidated partnerships. The noncontrolling interests in BXP’s financial statements include the same noncontrolling interests at BPLP's level and limited partners of BPLP. The differences between shareholders' equity and partners' capital result from differences in the equity issued at BXP and BPLP levels.

In addition, the consolidated financial statements of BXP and BPLP differ in total real estate assets resulting from previously applied acquisition accounting by BXP for the issuance of common stock in connection with non-sponsor redemptions of common units of BPLP. This accounting resulted in a step-up of the real estate assets at BXP. This resulted in a difference between the net real estate of BXP as compared to BPLP of approximately $314.3 million, or 1.9% at March 31, 2018 and a corresponding difference in depreciation expense and gains on sales of real estate upon the sale of certain properties having an allocation of the real estate step-up. The acquisition accounting was nullified on a prospective basis beginning in 2009 as a result of the Company's adoption of a new accounting standard requiring any future redemptions to be accounted for solely as an equity transaction.

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

- Item 1. Financial Statements (unaudited), which includes the following specific disclosures for BXP and BPLP:
    - Note 3. Real Estate;
    - Note 7. Noncontrolling Interests;
    - Note 8. Stockholders' Equity / Partners' Capital;
    - Note 9. Earnings Per Share / Common Unit; and
    - Note 11. Segment Information
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations includes information specific to each entity, where applicable; and
- Item 2. Liquidity and Capital Resources includes separate reconciliations of amounts to each entity's financial statements, where applicable.

This report also includes separate Part I - Item 4. Controls and Procedures and Part II - Item 2. Unregistered Sales of Equity Securities and Use of Proceeds sections for each of BXP and BPLP, as well as separate Exhibits 12, 31 and 32 calculation of ratios of earnings to fixed charges and certifications for each of BXP and BPLP.

BOSTON PROPERTIES, INC. AND BOSTON PROPERTIES LIMITED PARTNERSHIP

FORM 10-Q

for the quarter ended March 31, 2018

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PART I. FINANCIAL INFORMATION

ITEM 1—Financial Statements.

BOSTON PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

		March 31, 2018		December 31, 2017
		(in thousands, except for share and par value amounts)		
ASSETS				
Real estate, at cost (amounts related to variable interest entities (“VIEs”) of $7,278,298 and $7,172,718 at March 31, 2018 and December 31, 2017, respectively)	$	21,316,644	$	21,096,642
Less: accumulated depreciation (amounts related to VIEs of $(883,969) and $(854,172) at March 31, 2018 and December 31, 2017, respectively)		(4,674,838)		(4,589,634)
Total real estate		16,641,806		16,507,008
Cash and cash equivalents (amounts related to VIEs of $267,842 and $304,955 at March 31, 2018 and December 31, 2017, respectively)		294,571		434,767
Cash held in escrows (amounts related to VIEs of $6,141 and $6,135 at March 31, 2018 and December 31, 2017, respectively)		160,558		70,602
Investments in securities		29,353		29,161
Tenant and other receivables (amounts related to VIEs of $20,023 and $27,057 at March 31, 2018 and December 31, 2017, respectively)		73,401		92,186
Accrued rental income (amounts related to VIEs of $258,593 and $242,589 at March 31, 2018 and December 31, 2017, respectively)		888,907		861,575
Deferred charges, net (amounts related to VIEs of $272,475 and $281,678 at March 31, 2018 and December 31, 2017, respectively)		681,369		679,038
Prepaid expenses and other assets (amounts related to VIEs of $61,467 and $33,666 at March 31, 2018 and December 31, 2017, respectively)		147,256		77,971
Investments in unconsolidated joint ventures		666,718		619,925
Total assets	$	19,583,939	$	19,372,233
LIABILITIES AND EQUITY				
Liabilities:				
Mortgage notes payable, net (amounts related to VIEs of $2,936,778 and $2,939,183 at March 31, 2018 and December 31, 2017, respectively)	$	2,974,930	$	2,979,281
Unsecured senior notes, net		7,249,383		7,247,330
Unsecured line of credit		115,000		45,000
Unsecured term loan		—		—
Accounts payable and accrued expenses (amounts related to VIEs of $126,300 and $106,683 at March 31, 2018 and December 31, 2017, respectively)		355,002		331,500
Dividends and distributions payable		139,218		139,040
Accrued interest payable (amounts related to VIEs of $6,897 and $6,907 at March 31, 2018 and December 31, 2017, respectively)		96,176		83,646
Other liabilities (amounts related to VIEs of $187,195 and $164,806 at March 31, 2018 and December 31, 2017, respectively)		470,140		443,980
Total liabilities		11,399,849		11,269,777
Commitments and contingencies		—		—
Equity:				
Stockholders’ equity attributable to Boston Properties, Inc.:				
Excess stock, $0.01 par value, 150,000,000 shares authorized, none issued or outstanding		—		—
Preferred stock, $0.01 par value, 50,000,000 shares authorized;				
5.25% Series B cumulative redeemable preferred stock, $0.01 par value, liquidation preference $2,500 per share, 92,000 shares authorized, 80,000 shares issued and outstanding at March 31, 2018 and December 31, 2017		200,000		200,000
Common stock, $0.01 par value, 250,000,000 shares authorized, 154,441,203 and 154,404,186 issued and 154,362,303 and 154,325,286 outstanding at March 31, 2018 and December 31, 2017, respectively		1,544		1,543
Additional paid-in capital		6,384,147		6,377,908
Dividends in excess of earnings		(654,879)		(712,343)
Treasury common stock at cost, 78,900 shares at March 31, 2018 and December 31, 2017		(2,722)		(2,722)
Accumulated other comprehensive loss		(49,062)		(50,429)
Total stockholders’ equity attributable to Boston Properties, Inc.		5,879,028		5,813,957
Noncontrolling interests:				
Common units of Boston Properties Limited Partnership		619,347		604,739
Property partnerships		1,685,715		1,683,760
Total equity		8,184,090		8,102,456
Total liabilities and equity	$	19,583,939	$	19,372,233

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

BOSTON PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended March 31,	
	2018	2017
	(in thousands, except for per share amounts)	
Revenue		
Rental		
Base rent	$ 519,507	$ 503,562
Recoveries from tenants	95,118	89,164
Parking and other	26,134	25,610
Total rental revenue	640,759	618,336
Hotel revenue	9,102	7,420
Development and management services	8,405	6,472
Direct reimbursements of payroll and related costs from management services contracts	2,885	—
Total revenue	661,151	632,228
Expenses		
Operating		
Rental	240,329	228,287
Hotel	8,073	7,091
General and administrative	35,894	31,386
Payroll and related costs from management services contracts	2,885	—
Transaction costs	21	34
Depreciation and amortization	165,797	159,205
Total expenses	452,999	426,003
Operating income	208,152	206,225
Other income (expense)		
Income from unconsolidated joint ventures	461	3,084
Interest and other income	1,648	614
Gains (losses) from investments in securities	(126)	1,042
Interest expense	(90,220)	(95,534)
Income before gains on sales of real estate	119,915	115,431
Gains on sales of real estate	96,397	133
Net income	216,312	115,564
Net income attributable to noncontrolling interests		
Noncontrolling interests in property partnerships	(17,234)	(4,424)
Noncontrolling interest—common units of Boston Properties Limited Partnership	(20,432)	(11,432)
Net income attributable to Boston Properties, Inc.	178,646	99,708
Preferred dividends	(2,625)	(2,625)
Net income attributable to Boston Properties, Inc. common shareholders	$ 176,021	$ 97,083
Basic earnings per common share attributable to Boston Properties, Inc. common shareholders:		
Net income	$ 1.14	$ 0.63
Weighted average number of common shares outstanding	154,385	153,860
Diluted earnings per common share attributable to Boston Properties, Inc. common shareholders:		
Net income	$ 1.14	$ 0.63
Weighted average number of common and common equivalent shares outstanding	154,705	154,214
Dividends per common share	$ 0.80	$ 0.75

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

BOSTON PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended March 31,	
	2018	2017
	(in thousands)	
Net income	$ 216,312	$ 115,564
Other comprehensive income:		
Effective portion of interest rate contracts	—	180
Amortization of interest rate contracts (1)	1,666	1,306
Other comprehensive income	1,666	1,486
Comprehensive income	217,978	117,050
Net income attributable to noncontrolling interests	(37,666)	(15,856)
Other comprehensive income attributable to noncontrolling interests	(299)	(218)
Comprehensive income attributable to Boston Properties, Inc.	$ 180,013	$ 100,976

(1) Amounts reclassified from comprehensive income primarily to interest expense within the Boston Properties, Inc.'s Consolidated Statements of Operations.

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

BOSTON PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited and in thousands)

	Common Stock								
	Shares	Amount	Preferred Stock	Additional Paid-in Capital	Dividends in Excess of Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Equity, December 31, 2017	154,325	$ 1,543	$200,000	$6,377,908	$(712,343)	$ (2,722)	$ (50,429)	$ 2,288,499	$8,102,456
Cumulative effect of a change in accounting principle	—	—	—	—	4,933	—	—	563	5,496
Redemption of operating partnership units to common stock	24	1	—	831	—	—	—	(832)	—
Allocated net income for the year	—	—	—	—	178,646	—	—	37,666	216,312
Dividends/distributions declared	—	—	—	—	(126,115)	—	—	(14,351)	(140,466)
Shares issued pursuant to stock purchase plan	3	—	—	429	—	—	—	—	429
Net activity from stock option and incentive plan	10	—	—	(185)	—	—	—	13,805	13,620
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	—	—	15,267	15,267
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	—	—	(30,690)	(30,690)
Amortization of interest rate contracts	—	—	—	—	—	—	1,367	299	1,666
Reallocation of noncontrolling interest	—	—	—	5,164	—	—	—	(5,164)	—
Equity, March 31, 2018	154,362	$ 1,544	$200,000	$6,384,147	$(654,879)	$ (2,722)	$ (49,062)	$ 2,305,062	$8,184,090
Equity, December 31, 2016	153,790	$ 1,538	$200,000	$6,333,424	$(693,694)	$ (2,722)	$ (52,251)	$ 2,145,629	$7,931,924
Redemption of operating partnership units to common stock	23	—	—	793	—	—	—	(793)	—
Allocated net income for the year	—	—	—	—	99,708	—	—	15,856	115,564
Dividends/distributions declared	—	—	—	—	(118,012)	—	—	(13,653)	(131,665)
Shares issued pursuant to stock purchase plan	3	—	—	373	—	—	—	—	373
Net activity from stock option and incentive plan	33	—	—	996	—	—	—	11,285	12,281
Cumulative effect of a change in accounting principle	—	—	—	—	(272)	—	—	(1,763)	(2,035)
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	—	—	8,145	8,145
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	—	—	(13,635)	(13,635)
Effective portion of interest rate contracts	—	—	—	—	—	—	97	83	180
Amortization of interest rate contracts	—	—	—	—	—	—	1,171	135	1,306
Reallocation of noncontrolling interest	—	—	—	4,384	—	—	—	(4,384)	—
Equity, March 31, 2017	153,849	$ 1,538	$200,000	$6,339,970	$(712,270)	$ (2,722)	$ (50,983)	$ 2,146,905	$7,922,438

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

BOSTON PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended March 31,	
	2018	2017
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 216,312	$ 115,564
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	165,797	159,205
Non-cash compensation expense	14,772	10,802
Income from unconsolidated joint ventures	(461)	(3,084)
Distributions of net cash flow from operations of unconsolidated joint ventures	847	1,861
Losses (gains) from investments in securities	126	(1,042)
Non-cash portion of interest expense	5,299	(7,729)
Gains on sales of real estate	(96,397)	(133)
Change in assets and liabilities:		
Tenant and other receivables, net	22,790	19,023
Accrued rental income, net	(26,319)	(9,158)
Prepaid expenses and other assets	(66,968)	(21,197)
Accounts payable and accrued expenses	(13,913)	(16,306)
Accrued interest payable	12,399	22,781
Other liabilities	23,089	(7,104)
Tenant leasing costs	(31,595)	(23,631)
Total adjustments	9,466	124,288
Net cash provided by operating activities	225,778	239,852
Cash flows from investing activities:		
Construction in progress	(150,060)	(154,518)
Building and other capital improvements	(53,550)	(43,687)
Tenant improvements	(47,157)	(50,810)
Proceeds from sales of real estate	116,120	133
Capital contributions to unconsolidated joint ventures	(48,823)	(17,980)
Investments in securities, net	(318)	(961)
Net cash used in investing activities	(183,788)	(267,823)

BOSTON PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended March 31,	
	2018	2017
	(in thousands)	
Cash flows from financing activities:		
Repayments of mortgage notes payable	(5,333)	(5,038)
Borrowings on unsecured line of credit	260,000	175,000
Repayments of unsecured line of credit	(190,000)	(70,000)
Payments on capital lease obligations	(3)	(22)
Payments on real estate financing transactions	(444)	(480)
Deferred financing costs	(16)	—
Net proceeds from equity transactions	(723)	(183)
Dividends and distributions	(140,288)	(131,555)
Contributions from noncontrolling interests in property partnerships	15,267	8,145
Distributions to noncontrolling interests in property partnerships	(30,690)	(13,801)
Net cash used in financing activities	(92,230)	(37,934)
Net decrease in cash and cash equivalents and cash held in escrows	(50,240)	(65,905)
Cash and cash equivalents and cash held in escrows, beginning of period	505,369	420,088
Cash and cash equivalents and cash held in escrows, end of period	$ 455,129	$ 354,183
Reconciliation of cash and cash equivalents and cash held in escrows:		
Cash and cash equivalents, beginning of period	$ 434,767	$ 356,914
Cash held in escrows, beginning of period	70,602	63,174
Cash and cash equivalents and cash held in escrows, beginning of period	$ 505,369	$ 420,088
Cash and cash equivalents, end of period	$ 294,571	$ 302,939
Cash held in escrows, end of period	160,558	51,244
Cash and cash equivalents and cash held in escrows, end of period	$ 455,129	$ 354,183
Supplemental disclosures:		
Cash paid for interest	$ 89,412	$ 92,774
Interest capitalized	$ 17,378	$ 12,345
Non-cash investing and financing activities:		
Write-off of fully depreciated real estate	$ (29,609)	$ (49,292)
Additions to real estate included in accounts payable and accrued expenses	$ 35,245	$ 44,708
Dividends and distributions declared but not paid	$ 139,218	$ 130,418
Conversions of noncontrolling interests to stockholders’ equity	$ 832	$ 793
Issuance of restricted securities to employees	$ 36,433	$ 34,592

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

BOSTON PROPERTIES LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2018	December 31, 2017
	(in thousands, except for unit amounts)	
ASSETS		
Real estate, at cost (amounts related to variable interest entities ("VIEs") of $7,278,298 and $7,172,718 at March 31, 2018 and December 31, 2017, respectively)	$ 20,908,406	$ 20,685,164
Less: accumulated depreciation (amounts related to VIEs of $(883,969) and $(854,172) at March 31, 2018 and December 31, 2017, respectively)	(4,580,949)	(4,496,959)
Total real estate	16,327,457	16,188,205
Cash and cash equivalents (amounts related to VIEs of $267,842 and $304,955 at March 31, 2018 and December 31, 2017, respectively)	294,571	434,767
Cash held in escrows (amounts related to VIEs of $6,141 and $6,135 at March 31, 2018 and December 31, 2017, respectively)	160,558	70,602
Investments in securities	29,353	29,161
Tenant and other receivables (amounts related to VIEs of $20,023 and $27,057 at March 31, 2018 and December 31, 2017, respectively)	73,401	92,186
Accrued rental income (amounts related to VIEs of $258,593 and $242,589 at March 31, 2018 and December 31, 2017, respectively)	888,907	861,575
Deferred charges, net (amounts related to VIEs of $272,475 and $281,678 at March 31, 2018 and December 31, 2017, respectively)	681,369	679,038
Prepaid expenses and other assets (amounts related to VIEs of $61,467 and $33,666 at March 31, 2018 and December 31, 2017, respectively)	147,256	77,971
Investments in unconsolidated joint ventures	666,718	619,925
Total assets	$ 19,269,590	$ 19,053,430
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable, net (amounts related to VIEs of $2,936,778 and $2,939,183 at March 31, 2018 and December 31, 2017, respectively)	$ 2,974,930	$ 2,979,281
Unsecured senior notes, net	7,249,383	7,247,330
Unsecured line of credit	115,000	45,000
Unsecured term loan	—	—
Accounts payable and accrued expenses (amounts related to VIEs of $126,300 and $106,683 at March 31, 2018 and December 31, 2017, respectively)	355,002	331,500
Distributions payable	139,218	139,040
Accrued interest payable (amounts related to VIEs of $6,897 and $6,907 at March 31, 2018 and December 31, 2017, respectively)	96,176	83,646
Other liabilities (amounts related to VIEs of $187,195 and $164,806 at March 31, 2018 and December 31, 2017, respectively)	470,140	443,980
Total liabilities	11,399,849	11,269,777
Commitments and contingencies	—	—
Noncontrolling interests:		
Redeemable partnership units—16,804,390 and 16,810,378 common units and 1,022,287 and 818,343 long term incentive units outstanding at redemption value at March 31, 2018 and December 31, 2017, respectively	2,196,603	2,292,263
Capital:		
5.25% Series B cumulative redeemable preferred units, liquidation preference $2,500 per unit, 80,000 units issued and outstanding at March 31, 2018 and December 31, 2017	193,623	193,623
Boston Properties Limited Partnership partners' capital—1,721,890 and 1,719,540 general partner units and 152,640,413 and 152,605,746 limited partner units outstanding at March 31, 2018 and December 31, 2017, respectively	3,793,800	3,614,007
Noncontrolling interests in property partnerships	1,685,715	1,683,760
Total capital	5,673,138	5,491,390
Total liabilities and capital	$ 19,269,590	$ 19,053,430

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

BOSTON PROPERTIES LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended March 31,	
	2018	2017
	(in thousands, except for per unit amounts)	
Revenue		
Rental		
Base rent	$ 519,507	$ 503,562
Recoveries from tenants	95,118	89,164
Parking and other	26,134	25,610
Total rental revenue	640,759	618,336
Hotel revenue	9,102	7,420
Development and management services	8,405	6,472
Direct reimbursements of payroll and related costs from management services contracts	2,885	—
Total revenue	661,151	632,228
Expenses		
Operating		
Rental	240,329	228,287
Hotel	8,073	7,091
General and administrative	35,894	31,386
Payroll and related costs from management services contracts	2,885	—
Transaction costs	21	34
Depreciation and amortization	163,853	157,058
Total expenses	451,055	423,856
Operating income	210,096	208,372
Other income (expense)		
Income from unconsolidated joint ventures	461	3,084
Interest and other income	1,648	614
Gains (losses) from investments in securities	(126)	1,042
Interest expense	(90,220)	(95,534)
Income before gains on sales of real estate	121,859	117,578
Gains on sales of real estate	98,907	133
Net income	220,766	117,711
Net income attributable to noncontrolling interests		
Noncontrolling interests in property partnerships	(17,234)	(4,424)
Net income attributable to Boston Properties Limited Partnership	203,532	113,287
Preferred distributions	(2,625)	(2,625)
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 200,907	$ 110,662
Basic earnings per common unit attributable to Boston Properties Limited Partnership common unitholders:		
Net income	$ 1.17	$ 0.64
Weighted average number of common units outstanding	171,867	171,581
Diluted earnings per common unit attributable to Boston Properties Limited Partnership common unitholders:		
Net income	$ 1.17	$ 0.64
Weighted average number of common and common equivalent units outstanding	172,187	171,935
Distributions per common unit	$ 0.80	$ 0.75

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

BOSTON PROPERTIES LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended March 31,	
	2018	2017
	(in thousands)	
Net income	$ 220,766	$ 117,711
Other comprehensive income:		
Effective portion of interest rate contracts	—	180
Amortization of interest rate contracts (1)	1,666	1,306
Other comprehensive income	1,666	1,486
Comprehensive income	222,432	119,197
Comprehensive income attributable to noncontrolling interests	(17,378)	(4,496)
Comprehensive income attributable to Boston Properties Limited Partnership	$ 205,054	$ 114,701

(1) Amounts reclassified from comprehensive income primarily to interest expense within the Boston Properties Limited Partnership's Consolidated Statements of Operations.

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

BOSTON PROPERTIES LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Unaudited and in thousands)

	Total Partners' Capital
Balance at December 31, 2017	$ 3,807,630
Cumulative effect of a change in accounting principle	4,933
Contributions	1,452
Net income allocable to general and limited partner units	183,100
Distributions	(126,115)
Other comprehensive income	1,367
Unearned compensation	(1,208)
Conversion of redeemable partnership units	832
Adjustment to reflect redeemable partnership units at redemption value	115,432
Balance at March 31, 2018	$ 3,987,423
Balance at December 31, 2016	$ 3,811,717
Contributions	4,491
Net income allocable to general and limited partner units	101,855
Distributions	(118,012)
Other comprehensive income	1,268
Cumulative effect of a change in accounting principle	(272)
Unearned compensation	(3,122)
Conversion of redeemable partnership units	793
Adjustment to reflect redeemable partnership units at redemption value	(126,416)
Balance at March 31, 2017	$ 3,672,302

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

BOSTON PROPERTIES LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended March 31,	
	2018	2017
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 220,766	$ 117,711
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	163,853	157,058
Non-cash compensation expense	14,772	10,802
Income from unconsolidated joint ventures	(461)	(3,084)
Distributions of net cash flow from operations of unconsolidated joint ventures	847	1,861
Losses (gains) from investments in securities	126	(1,042)
Non-cash portion of interest expense	5,299	(7,729)
Gains on sales of real estate	(98,907)	(133)
Change in assets and liabilities:		
Tenant and other receivables, net	22,790	19,023
Accrued rental income, net	(26,319)	(9,158)
Prepaid expenses and other assets	(66,968)	(21,197)
Accounts payable and accrued expenses	(13,913)	(16,306)
Accrued interest payable	12,399	22,781
Other liabilities	23,089	(7,104)
Tenant leasing costs	(31,595)	(23,631)
Total adjustments	5,012	122,141
Net cash provided by operating activities	225,778	239,852
Cash flows from investing activities:		
Construction in progress	(150,060)	(154,518)
Building and other capital improvements	(53,550)	(43,687)
Tenant improvements	(47,157)	(50,810)
Proceeds from sales of real estate	116,120	133
Capital contributions to unconsolidated joint ventures	(48,823)	(17,980)
Investments in securities, net	(318)	(961)
Net cash used in investing activities	(183,788)	(267,823)

BOSTON PROPERTIES LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the three months ended March 31,	
	2018	2017
	(in thousands)	
Cash flows from financing activities:		
Repayments of mortgage notes payable	(5,333)	(5,038)
Borrowings on unsecured line of credit	260,000	175,000
Repayments of unsecured line of credit	(190,000)	(70,000)
Payments on capital lease obligations	(3)	(22)
Payments on real estate financing transaction	(444)	(480)
Deferred financing costs	(16)	—
Net proceeds from equity transactions	(723)	(183)
Distributions	(140,288)	(131,555)
Contributions from noncontrolling interests in property partnerships	15,267	8,145
Distributions to noncontrolling interests in property partnerships	(30,690)	(13,801)
Net cash used in financing activities	(92,230)	(37,934)
Net decrease in cash and cash equivalents and cash held in escrows	(50,240)	(65,905)
Cash and cash equivalents and cash held in escrows, beginning of period	505,369	420,088
Cash and cash equivalents and cash held in escrows, end of period	$ 455,129	$ 354,183
Reconciliation of cash and cash equivalents and cash held in escrows:		
Cash and cash equivalents, beginning of period	$ 434,767	$ 356,914
Cash held in escrows, beginning of period	70,602	63,174
Cash and cash equivalents and cash held in escrows, beginning of period	$ 505,369	$ 420,088
Cash and cash equivalents, end of period	$ 294,571	$ 302,939
Cash held in escrows, end of period	160,558	51,244
Cash and cash equivalents and cash held in escrows, end of period	$ 455,129	$ 354,183
Supplemental disclosures:		
Cash paid for interest	$ 89,412	$ 92,774
Interest capitalized	$ 17,378	$ 12,345
Non-cash investing and financing activities:		
Write-off of fully depreciated real estate	$ (29,609)	$ (49,292)
Additions to real estate included in accounts payable and accrued expenses	$ 35,245	$ 44,708
Distributions declared but not paid	$ 139,218	$ 130,418
Conversions of redeemable partnership units to partners' capital	$ 832	$ 793
Issuance of restricted securities to employees	$ 36,433	$ 34,592

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

BOSTON PROPERTIES, INC. AND BOSTON PROPERTIES LIMITED PARTNERSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Boston Properties, Inc., a Delaware corporation, is a fully integrated, self-administered and self-managed real estate investment trust ("REIT"). Boston Properties, Inc. is the sole general partner of Boston Properties Limited Partnership, its operating partnership, and at March 31, 2018 owned an approximate 89.6% (89.7% at December 31, 2017) general and limited partnership interest in Boston Properties Limited Partnership. Unless stated otherwise or the context requires, the "Company" refers to Boston Properties, Inc. and its subsidiaries, including Boston Properties Limited Partnership, and its consolidated subsidiaries. Partnership interests in Boston Properties Limited Partnership include:

- common units of partnership interest (also referred to as "OP Units"),
- long term incentive units of partnership interest (also referred to as "LTIP Units"), and
- preferred units of partnership interest (also referred to as "Preferred Units").

Unless specifically noted otherwise, all references to OP Units exclude units held by Boston Properties, Inc. A holder of an OP Unit may present such OP Unit to Boston Properties Limited Partnership for redemption at any time (subject to restrictions agreed upon at the time of issuance of OP Units to particular holders that may restrict such redemption right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, Boston Properties Limited Partnership is obligated to redeem such OP Unit for cash equal to the value of a share of common stock of Boston Properties, Inc. ("Common Stock") at such time. In lieu of a cash redemption, Boston Properties, Inc. may elect to acquire the OP Unit for one share of Common Stock. Because the number of shares of Common Stock outstanding at all times equals the number of OP Units that Boston Properties, Inc. owns, one share of Common Stock is generally the economic equivalent of one OP Unit, and the quarterly distribution that may be paid to the holder of an OP Unit equals the quarterly dividend that may be paid to the holder of a share of Common Stock.

The Company uses LTIP Units as a form of equity-based award for annual long-term incentive equity compensation. The Company has also issued LTIP Units to employees in the form of (1) 2012 outperformance plan awards ("2012 OPP Units") and (2) 2013, 2014, 2015, 2016, 2017 and 2018 multi-year, long-term incentive program awards (also referred to as "MYLTIP Units"), each of which, upon the satisfaction of certain performance and vesting conditions, is convertible into one OP Unit. The three-year measurement periods for the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2015 MYLTIP Units expired on February 6, 2015, February 4, 2016, February 3, 2017 and February 4, 2018, respectively, and Boston Properties, Inc.'s total stockholder return ("TSR") was sufficient for employees to earn and therefore become eligible to vest in a portion of the awards. Unless and until they are earned, the rights, preferences and privileges of the 2016, 2017 and 2018 MYLTIP Units differ from other LTIP Units granted to employees (including the 2012 OPP Units, the 2013 MYLTIP Units, the 2014 MYLTIP Units and the 2015 MYLTIP Units, which have been earned). Therefore, unless specifically noted otherwise, all references to LTIP Units exclude the 2016, 2017 and 2018 MYLTIP Units. LTIP Units (including the 2012 OPP Units, the 2013 MYLTIP Units, the 2014 MYLTIP Units and the 2015 MYLTIP Units), whether vested or not, will receive the same quarterly per unit distributions as OP Units, which equal per share dividends on Common Stock (See Notes 7, 8 and 10).

At March 31, 2018, there was one series of Preferred Units outstanding (i.e., Series B Preferred Units). The Series B Preferred Units were issued to Boston Properties, Inc. on March 27, 2013 in connection with the issuance of 80,000 shares (8,000,000 depositary shares each representing 1/100th of a share) of 5.25% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock"). Boston Properties, Inc. contributed the net proceeds from the offering to Boston Properties Limited Partnership in exchange for 80,000 Series B Preferred Units having terms and preferences generally mirroring those of the Series B Preferred Stock (See Note 8).

Properties

At March 31, 2018, the Company owned or had interests in a portfolio of 179 commercial real estate properties (the "Properties") aggregating approximately 50.3 million net rentable square feet of primarily Class A office properties, including thirteen properties under construction/redevelopment totaling approximately 6.5 million net rentable square feet. At March 31, 2018, the Properties consisted of:

- 167 office properties (including nine properties under construction/redevelopment);
- six residential properties (including four properties under construction);
- five retail properties and
- one hotel.

The Company considers Class A office properties to be well-located buildings that are professionally managed and maintained, attract high-quality tenants and command upper-tier rental rates, and that are modern structures or have been modernized to compete with newer buildings.

2. Basis of Presentation and Summary of Significant Accounting Policies

Boston Properties, Inc. does not have any other significant assets, liabilities or operations, other than its investment in Boston Properties Limited Partnership, nor does it have employees of its own. Boston Properties Limited Partnership, not Boston Properties, Inc., generally executes all significant business relationships other than transactions involving securities of Boston Properties, Inc. All majority-owned subsidiaries and joint ventures over which the Company has financial and operating control and variable interest entities ("VIEs") in which the Company has determined it is the primary beneficiary are included in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. The Company accounts for all other unconsolidated joint ventures using the equity method of accounting. Accordingly, the Company's share of the earnings of these joint ventures and companies is included in consolidated net income.

The accompanying interim financial statements are unaudited; however, the financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair statement of the financial statements for these interim periods have been included. The results of operations for the interim periods are not necessarily indicative of the results to be obtained for other interim periods or for the full fiscal year. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosure required by GAAP. These financial statements should be read in conjunction with the Company's financial statements and notes thereto contained in the Company's Annual Report in the Company's Form 10-K for its fiscal year ended December 31, 2017.

Fair Value of Financial Instruments

The Company follows the authoritative guidance for fair value measurements when valuing its financial instruments for disclosure purposes. Boston Properties Limited Partnership determines the fair value of its unsecured senior notes using market prices. The inputs used in determining the fair value of Boston Properties Limited Partnership's unsecured senior notes is categorized at a Level 1 basis (as defined in Accounting Standards Codification ("ASC") 820 "Fair Value Measurements and Disclosures," the accounting standards for Fair Value Measurements and Disclosures) due to the fact that it uses quoted market rates to value these instruments. However, the inputs used in determining the fair value could be categorized at a Level 2 basis (as defined in the accounting standards for Fair Value Measurements and Disclosures) if trading volumes are low. The Company determines the fair value of its mortgage notes payable using discounted cash flow analysis by discounting the spread between the future contractual interest payments and hypothetical future interest payments on mortgage debt based on current market rates for similar securities. In determining the current market rates, the Company adds its estimates of market spreads to the quoted yields on federal government treasury securities with similar maturity dates to its debt. The inputs used in determining the fair value of the Company's mortgage notes payable and mezzanine notes payable are categorized at a Level 3 basis (as defined in the accounting standards for Fair Value Measurements and Disclosures) due to the fact that the Company considers the rates used in the valuation techniques to be unobservable inputs. To the extent that there are outstanding borrowings under the unsecured line of credit, the Company utilizes a discounted cash flow methodology in order to estimate the fair value. To the extent that credit spreads have changed since the origination, the net present value of the difference between future contractual interest payments and future interest payments based on the Company's estimate of a current market rate would represent the difference between the book value and the fair value. The Company's estimate of a current market rate is based upon the rate, considering current market conditions and Boston Properties Limited Partnership's specific credit profile, at which it estimates it could obtain similar borrowings. To the extent there are outstanding borrowings, this current market rate is estimated and therefore would be primarily based upon a Level 3 input.

Because the Company's valuations of its financial instruments are based on these types of estimates, the actual fair values of its financial instruments may differ materially if the Company's estimates do not prove to be accurate, and the Company's estimated fair values for these instruments as of the end of the applicable reporting period are not necessarily indicative of estimated or actual fair values in future reporting periods. The following table presents the aggregate carrying value of the Company's mortgage notes payable, net, unsecured line of credit and unsecured senior notes, net and the Company's corresponding estimate of fair value as of March 31, 2018 and December 31, 2017 (in thousands):

	March 31, 2018		December 31, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Mortgage notes payable, net	$ 2,974,930	$ 2,957,054	$ 2,979,281	$ 3,042,920
Unsecured senior notes, net	7,249,383	7,262,443	7,247,330	7,461,615
Unsecured line of credit	115,000	115,000	45,000	45,000
Total	$ 10,339,313	$ 10,334,497	$ 10,271,611	$ 10,549,535

Variable Interest Entities (VIEs)

Consolidated VIEs are those where the Company is considered to be the primary beneficiary of a VIE. The primary beneficiary is the entity that has a controlling financial interest in the VIE, which is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the VIE's performance and (2) the obligation to absorb losses or the right to receive the returns from the VIE that could potentially be significant to the VIE. The Company has determined that it is the primary beneficiary for seven of the nine entities that are VIEs.

Consolidated Variable Interest Entities

As of March 31, 2018, Boston Properties, Inc. has identified seven consolidated VIEs, including Boston Properties Limited Partnership. The VIEs own (1) the following five in-service properties: 767 Fifth Avenue (the General Motors Building), Times Square Tower, 601 Lexington Avenue, Atlantic Wharf Office Building and 100 Federal Street and (2) Salesforce Tower, which was partially placed in-service on December 1, 2017.

The Company consolidates these VIEs because it is the primary beneficiary. The third parties' interests in these consolidated entities, with the exception of Boston Properties Limited Partnership, are reflected as noncontrolling interest in property partnerships in the accompanying Consolidated Financial Statements (See Note 7).

In addition, Boston Properties, Inc.'s only significant asset is its investment in Boston Properties Limited Partnership and, consequently, substantially all of Boston Properties, Inc.'s assets and liabilities are the assets and liabilities of Boston Properties Limited Partnership.

Variable Interest Entities Not Consolidated

The Company has determined that its 7750 Wisconsin Avenue LLC and Residential Tower Developer LLC joint ventures, which own 7750 Wisconsin Avenue and The Hub on Causeway - Residential, respectively, are VIEs. The Company does not consolidate these entities as the Company does not have the power to direct the activities that, when taken together, most significantly impact the VIE's performance and, therefore, the Company is not considered to be the primary beneficiary.

New Accounting Pronouncements

New Accounting Pronouncements Adopted

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, which supersedes most of the existing revenue recognition guidance, including industry-specific guidance. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying ASU 2014-09, companies will perform a five-step analysis of transactions to determine when and how revenue is recognized. The five-step analysis consists of the following: (i) identifying the contract with a customer, (ii) identifying the performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations in the contract and (v) recognizing revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB's ASC. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" ("ASU 2015-14"), which delayed the effective date of ASU 2014-09 by one year making it effective for the first interim period within annual reporting periods beginning after December 15, 2017. Early adoption was permitted as of the original effective date. In May 2016, the FASB issued ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"). ASU 2016-12 is intended to clarify and provide practical expedients for certain aspects of ASU 2014-09 and notes that lease contracts with customers are a scope exception. ASU 2014-09 was effective for the Company for reporting periods beginning after December 15, 2017.

The Company adopted ASU 2014-09 effective January 1, 2018 using the modified retrospective approach. The adoption of ASU 2014-09 did not have a material impact on the Company's consolidated financial statements. The Company applied the guidance only to contracts that were not completed as of January 1, 2018. The Company does not have material contract assets and liabilities within the scope of ASC 606. The adoption of ASU 2014-09 resulted in a change to the timing pattern of revenue recognized, but not the total revenue recognized over time for certain of the Company's development services contracts. As a result, the modified retrospective approach resulted in the Company recognizing on January 1, 2018 the cumulative effect of adopting ASU 2014-09 aggregating approximately $4.9 million to Dividends in Excess of Earnings of Boston Properties, Inc. and Partners' Capital of Boston Properties Limited Partnership and approximately $0.6 million to Noncontrolling Interests - Common Units of Boston Properties, Inc. and Noncontrolling Interests - Redeemable Partnership Units of Boston Properties Limited Partnership on the corresponding Consolidated Balance Sheets.

The Company disaggregates its revenue by source within its Consolidated Statements of Operations. As an owner and operator of real estate, the Company derives the majority of its revenue from leasing space to tenants at its properties. As a result, the majority of the Company's revenue is accounted for pursuant to ASC 840 "Leases" ("ASC 840") and is reflected within Base Rent in the Consolidated Statements of Operations. In addition, the Company earns revenue from recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs. Revenue from recoveries from tenants is recognized under the guidance within ASC 840 until the adoption of ASC 842 "Leases" in 2019 at which time it may fall within the guidance under ASC 606 pending a final determination from the FASB.

The Company also earns revenue from the following sources; parking and other revenue, hotel revenue and development and management services revenue.

Parking and other revenue is derived primarily from monthly and transient daily parking. In addition, the Company has certain lease arrangements for parking accounted for under the guidance in ASC 840. The monthly and transient daily parking revenue falls within the scope of ASC 606 and is accounted for at the point in time when control of the goods or services transfers to the customer and the Company's performance obligation is satisfied, consistent with the Company's previous accounting.

Hotel revenue is derived from room rentals and other sources such as charges to guests for telephone service, movie and vending commissions, meeting and banquet room revenue and laundry services. Hotel revenue also falls within the scope of ASC 606 and is accounted for at the point in time when control of the goods or services transfers to the customer and the Company's performance obligation is satisfied, consistent with the Company's previous accounting.

Development and management services revenue is earned from unconsolidated joint venture entities and third party property owners. The Company determined that the performance obligations associated with its development services contracts are satisfied over time and that the Company would recognize its development services revenue under the output method evenly over time from the development commencement date through the substantial completion date of the development management services project due to the stand-ready nature of the contracts. Significant judgments impacting the amount and timing of revenue recognized from the Company's development services contracts include estimates of total development project costs from which the fees are typically derived and estimates of the period of time until substantial completion of the development project, the period of time over which the development services are required to be performed. As a result, the pattern of revenue recognized over time under ASC 606 differs from the Company's previous accounting. The Company recognizes development fees earned from unconsolidated joint venture projects equal to its cost plus profit to the extent of the third party partners' ownership interest. Property management fees are recorded and earned based on a percentage of collected rents at the properties under management, and not on a straight-line basis, because such fees are contingent upon the collection of rents. The revenue recognized under property management services contracts is recognized consistent with the Company's previous accounting.

ASU 2014-09 also updates the principal versus agent considerations and as a result the Company determined that amounts reimbursed for payroll and related costs received from unconsolidated joint venture entities and third party property owners in connection with management services contracts should be reflected on a gross basis instead of on a net basis as the Company has determined that it is the principal under these arrangements. During the three months ended March 31, 2018, the Company recognized approximately $2.9 million of expenses consisting of payroll and related costs from management services contracts and recognized corresponding revenue of approximately $2.9 million reflecting the direct reimbursements of such costs from the unconsolidated joint venture entities and third party property owners.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2016-15"). ASU 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The areas addressed in the new guidance related to debt prepayment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned and bank-owned life insurance policies, distributions received from equity method investments, beneficial interest in securitization transactions, and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 was effective for the Company for reporting periods beginning after December 15, 2017, with early adoption permitted (provided that all of the amendments are adopted in the same period), and was required to be applied retrospectively to all periods presented. The Company adopted ASU 2016-15 effective January 1, 2018. The adoption of ASU 2016-15 did not have a material impact on the Company's consolidated financial statements. The adoption of ASU 2016-15 will result in the retrospective classification of debt prepayment costs as a component of financing activities instead of as a component of operating activities in the Company's Consolidated Statements of Cash Flows.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2016-18"). ASU 2016-18 requires companies to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 also requires a disclosure of a reconciliation between the statement of financial position and the statement of cash flows when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash and restricted cash equivalents. Entities with material restricted cash and restricted cash equivalents balances are required to disclose the nature of the restrictions. ASU 2016-18 was effective for reporting periods beginning after December 15, 2017, with early adoption permitted, and is required to be applied retrospectively to all periods presented. The Company adopted ASU 2016-18 effective January 1, 2018. The adoption of ASU 2016-18 did not have a material impact on the Company's consolidated financial statements. The retrospective adoption of ASU 2016-18 resulted in a decrease to net cash provided by operating activities totaling approximately $6.7 million, an increase to net cash used in investing activities totaling approximately $5.2 million and a corresponding increase to the net decrease in cash and cash equivalents and cash held in escrows totaling approximately $11.9 million from amounts previously reported for the three months ended March 31, 2017. Cash held in escrows include amounts established pursuant to various agreements for security deposits, property taxes, insurance and other costs. Cash held in escrows also include cash held by qualified intermediaries for possible investments in like-kind exchanges in accordance with Section 1031 of the Internal Revenue Code in connection with sales of the Company's properties.

Sales of Real Estate

In February 2017, the FASB issued ASU No. 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"). ASU 2017-05 updates the definition of an "in substance nonfinancial asset" and clarifies the derecognition guidance for nonfinancial assets to conform with the new revenue recognition standard. The effective date and transition methods of ASU 2017-05 are aligned with ASU 2014-09 described above and were effective for the first interim period within annual reporting periods beginning after December 15, 2017. The Company adopted ASU 2017-05 effective January 1, 2018 using the modified retrospective approach. The adoption of ASU 2017-05 did not have a material impact on the Company's consolidated financial statements. See also Note 3.

Stock Compensation

In May 2017, the FASB issued ASU 2017-09, “Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting” (“ASU 2017-09”). ASU 2017-09 is intended to provide clarity and reduce (1) diversity in practice, (2) cost and (3) complexity when applying the guidance in Topic 718 to a change to the terms or conditions of a share-based payment award. ASU 2017-09 was effective for public entities for fiscal years and interim periods beginning after December 15, 2017. The Company adopted ASU 2017-09 effective January 1, 2018. The adoption of ASU 2017-09 did not have a material impact on the Company's consolidated financial statements.

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities” (“ASU 2017-12”). ASU 2017-12 was issued with the objective of improving the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. ASU 2017-12 also makes certain targeted improvements to simplify the application of the hedge accounting guidance. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company early adopted ASU 2017-12 effective January 1, 2018. The adoption of ASU 2017-12 did not have a material impact on the Company's consolidated financial statements. As of March 31, 2018, the Company does not have any outstanding hedges, but continues to reclassify into earnings as an increase primarily to interest expense approximately $1.7 million per quarter relating to previously settled interest rate contracts.

New Accounting Pronouncements Issued but not yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes previous leasing standards. ASU 2016-02 is effective for the Company for reporting periods beginning after December 15, 2018, with early adoption permitted. The Company will adopt ASU 2016-02 effective January 1, 2019 using the modified retrospective approach. The Company is in the process of evaluating whether it will elect to apply the practical expedients. The Company is in the process of adopting ASU 2016-02, with its project team compiling an inventory of its leases that will be impacted by the adoption of ASU 2016-02. The Company continues to assess the impact of adopting ASU 2016-02. However, the Company will account for operating leases under which it is the lessor on its balance sheet in a manner similar to its current accounting with the underlying leased asset recognized as real estate. In January 2018, the FASB issued a proposed ASU that would allow lessors to elect, as a practical expedient, not to allocate the total consideration to lease and non-lease components based on their relative standalone selling prices. If issued, this practical expedient will allow lessors to elect a combined single lease component presentation if (i) the timing and pattern of the revenue recognition of the combined single lease component is the same, and (ii) the related lease component and, the combined single lease component would be classified as an operating lease. If the practical expedient in the proposed ASU is issued, it could allow for tenant recoveries that qualify as non-lease components to be presented under a single lease component presentation. However, without the proposed practical expedient, tenant recoveries would be separated into lease and non-lease components. For leases in which the Company is the lessee, primarily consisting of ground leases, the Company will recognize a right-of-use asset and a lease liability equal to the present value of the minimum lease payments with rental payments being applied to the lease liability and to interest expense and the right-of-use asset being amortized to expense over the term of the lease. In addition, under ASU 2016-02, lessors will only capitalize incremental direct leasing costs. As a result, the Company will no longer be able to capitalize legal costs and internal leasing wages and instead will be required to expense these and other non-incremental costs as incurred. In January 2018, the FASB issued ASU 2018-01, “Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842” (“ASU 2018-01”), which provides an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. An entity that elects this practical expedient should evaluate new or modified land easements under Topic 842 beginning at the date that the entity adopts Topic 842. An entity that does not elect this practical expedient should evaluate all existing or expired land easements in connection with the adoption of the new lease requirements in Topic 842 to assess whether they meet the definition of a lease. The effective date and transition requirements for ASU 2018-01 are the same as the effective date and transition requirements in ASU 2016-02.

3. Real Estate

Boston Properties, Inc.

Real estate consisted of the following at March 31, 2018 and December 31, 2017 (in thousands):

	March 31, 2018	December 31, 2017
Land	$ 5,105,376	$ 5,080,679
Land held for future development (1)	204,506	204,925
Buildings and improvements	12,435,573	12,284,164
Tenant improvements	2,266,796	2,219,608
Furniture, fixtures and equipment	41,507	37,928
Construction in progress	1,262,886	1,269,338
Total	21,316,644	21,096,642
Less: Accumulated depreciation	(4,674,838)	(4,589,634)
	$ 16,641,806	$ 16,507,008

(1) Includes pre-development costs.

Boston Properties Limited Partnership

Real estate consisted of the following at March 31, 2018 and December 31, 2017 (in thousands):

	March 31, 2018	December 31, 2017
Land	$ 5,001,810	$ 4,976,303
Land held for future development (1)	204,506	204,925
Buildings and improvements	12,130,901	11,977,062
Tenant improvements	2,266,796	2,219,608
Furniture, fixtures and equipment	41,507	37,928
Construction in progress	1,262,886	1,269,338
Total	20,908,406	20,685,164
Less: Accumulated depreciation	(4,580,949)	(4,496,959)
	$ 16,327,457	$ 16,188,205

(1) Includes pre-development costs.

Development

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

On January 31, 2018, the Company partially placed in-service its Signature at Reston development project comprised of 508 apartment units and retail space aggregating approximately 515,000 square feet located in Reston, Virginia.

On February 23, 2018, the Company entered into a lease agreement with Fannie Mae to lease approximately 850,000 net rentable square feet of Class A office space at the Company's Reston Gateway development project located in Reston, Virginia. The initial phase of the project will consist of approximately 1.1 million net rentable square feet. The Company expects to begin construction in the second half of 2018 upon receipt of all necessary approvals.

Dispositions

On January 9, 2018, the Company completed the sale of its 500 E Street, S.W. property located in Washington, DC for a net contract sale price of approximately $118.6 million. Net cash proceeds totaled approximately $116.1 million, resulting in a gain on sale of real estate totaling approximately $96.4 million for Boston Properties, Inc. and approximately $98.9 million for Boston Properties Limited Partnership. 500 E Street, S.W. is an approximately 262,000 net rentable square foot Class A office property. 500 E Street, S.W. contributed approximately $0.1 million of net income to the Company for the period from January 1, 2018 through January 8, 2018 and contributed approximately $1.6 million of net income to the Company for the three months ended March 31, 2017.

4. Investments in Unconsolidated Joint Ventures

The investments in unconsolidated joint ventures consist of the following at March 31, 2018 and December 31, 2017:

Entity	Properties	Nominal % Ownership		Carrying Value of Investment (1) March 31, 2018	Carrying Value of Investment (1) December 31, 2017
				(in thousands)	
Square 407 Limited Partnership	Market Square North	50.0%		$ (7,811)	$ (8,258)
The Metropolitan Square Associates LLC	Metropolitan Square	20.0%		3,372	3,339
BP/CRF 901 New York Avenue LLC	901 New York Avenue	25.0%	(2)	(13,262)	(13,811)
WP Project Developer LLC	Wisconsin Place Land and Infrastructure	33.3%	(3)	39,340	39,710
Annapolis Junction NFM, LLC	Annapolis Junction	50.0%	(4)	17,974	18,381
540 Madison Venture LLC	540 Madison Avenue	60.0%		66,259	66,179
500 North Capitol Venture LLC	500 North Capitol Street, NW	30.0%		(4,129)	(3,876)
501 K Street LLC	1001 6th Street	50.0%	(5)	42,636	42,657
Podium Developer LLC	The Hub on Causeway	50.0%		67,883	67,120
Residential Tower Developer LLC	The Hub on Causeway - Residential	50.0%	(6)	29,752	28,212
Hotel Tower Developer LLC	The Hub on Causeway - Hotel Air Rights	50.0%		1,751	1,690
1265 Main Office JV LLC	1265 Main Street	50.0%		4,539	4,641
BNY Tower Holdings LLC	Dock 72 at the Brooklyn Navy Yard	50.0%		71,582	72,104
CA-Colorado Center Limited Partnership	Colorado Center	50.0%		254,226	254,440
7750 Wisconsin Avenue LLC	7750 Wisconsin Avenue	50.0%	(6)	67,404	21,452
				$ 641,516	$ 593,980

(1) Investments with deficit balances aggregating approximately $25.2 million and $25.9 million at March 31, 2018 and December 31, 2017, respectively, have been reflected within Other Liabilities in the Company's Consolidated Balance Sheets.
(2) The Company's economic ownership has increased based on the achievement of certain return thresholds.
(3) The Company's wholly-owned subsidiary that owns Wisconsin Place Office also owns a 33.3% interest in the joint venture entity that owns the land, parking garage and infrastructure of the project.
(4) The joint venture owns four in-service buildings and two undeveloped land parcels.
(5) Under the joint venture agreement for this land parcel, the partner will be entitled to up to two additional payments from the venture based on increases in total entitled square footage of the project above 520,000 square feet and achieving certain project returns at stabilization.
(6) This entity is a VIE (See Note 2).

Certain of the Company's unconsolidated joint venture agreements include provisions whereby, at certain specified times, each partner has the right to initiate a purchase or sale of its interest in the joint ventures. With limited exceptions, under these provisions, the Company is not compelled to purchase the interest of its outside joint venture partners. Under certain of the Company's joint venture agreements, if certain return thresholds are achieved, the partners will be entitled to an additional promoted interest or payments.

The combined summarized balance sheets of the Company's unconsolidated joint ventures are as follows:

	March 31, 2018	December 31, 2017
	(in thousands)	
ASSETS		
Real estate and development in process, net	$ 1,844,695	$ 1,768,996
Other assets	376,127	367,743
Total assets	$ 2,220,822	$ 2,136,739
LIABILITIES AND MEMBERS'/PARTNERS' EQUITY		
Mortgage and notes payable, net	$ 1,471,762	$ 1,437,440
Other liabilities	95,597	99,215
Members'/Partners' equity	653,463	600,084
Total liabilities and members'/partners' equity	$ 2,220,822	$ 2,136,739
Company's share of equity	$ 335,580	$ 286,495
Basis differentials (1)	305,936	307,485
Carrying value of the Company's investments in unconsolidated joint ventures (2)	$ 641,516	$ 593,980

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(1) This amount represents the aggregate difference between the Company's historical cost basis and the basis reflected at the joint venture level, which is typically amortized over the life of the related assets and liabilities. Basis differentials result from impairments of investments, acquisitions through joint ventures with no change in control and upon the transfer of assets that were previously owned by the Company into a joint venture. In addition, certain acquisition, transaction and other costs may not be reflected in the net assets at the joint venture level. At March 31, 2018 and December 31, 2017, there was an aggregate basis differential of approximately $321.1 million and $322.5 million, respectively, between the carrying value of the Company's investment in the joint venture that owns Colorado Center and the joint venture's basis in the assets and liabilities, which differential (excluding land) shall be amortized over the remaining lives of the related assets and liabilities.

(2) Investments with deficit balances aggregating approximately $25.2 million and $25.9 million at March 31, 2018 and December 31, 2017, respectively, have been reflected within Other Liabilities in the Company's Consolidated Balance Sheets.

The combined summarized statements of operations of the Company's unconsolidated joint ventures are as follows:

	Three months ended March 31, 2018	Three months ended March 31, 2017
	(in thousands)	
Total revenue (1)	$ 56,486	$ 54,761
Expenses		
Operating	22,849	22,079
Depreciation and amortization	14,725	14,309
Total expenses	37,574	36,388
Operating income	18,912	18,373
Other expense		
Interest expense	14,424	9,300
Net income	$ 4,488	$ 9,073
Company's share of net income	$ 1,826	$ 4,323
Basis differential (2)	(1,365)	(1,239)
Income from unconsolidated joint ventures	$ 461	$ 3,084

(1) Includes straight-line rent adjustments of approximately $1.8 million and $7.0 million for the three months ended March 31, 2018 and 2017, respectively.
(2) Includes straight-line rent adjustments of approximately $0.7 million and $0.7 million for the three months ended March 31, 2018 and 2017, respectively. Also includes net above-/below-market rent adjustments of approximately $0.4 million and $0.4 million for the three months ended March 31, 2018 and 2017, respectively.

5. Debt

Credit Facility

On April 24, 2017, Boston Properties Limited Partnership amended and restated its unsecured revolving credit agreement (as amended and restated, the "2017 Credit Facility"). Among other things, the 2017 Credit Facility (1) increased the total commitment of the revolving line of credit (the "Revolving Facility") from $1.0 billion to $1.5 billion, (2) extended the maturity date from July 26, 2018 to April 24, 2022, (3) reduced the per annum variable interest rates, and (4) added a $500.0 million delayed draw term loan facility (the "Delayed Draw Facility") that permits Boston Properties Limited Partnership to draw until the first anniversary of the closing date (See Note 12). Based on Boston Properties Limited Partnership's current credit rating, (1) the applicable Eurocurrency margins for the Revolving Facility and Delayed Draw Facility are 82.5 basis points and 90 basis points, respectively, and (2) the facility fee on the Revolving Facility commitment is 0.125% per annum. The Delayed Draw Facility has a fee on unused commitments equal to 0.15% per annum.

As of March 31, 2018, Boston Properties Limited Partnership had $115.0 million of borrowings and outstanding letters of credit totaling approximately $1.6 million outstanding under the 2017 Credit Facility, with the ability to borrow approximately $1.9 billion.

6. Commitments and Contingencies

General

In the normal course of business, the Company guarantees its performance of services or indemnifies third parties against its negligence. In addition, in the normal course of business, the Company guarantees to certain tenants the obligations of its subsidiaries for the payment of tenant improvement allowances and brokerage commissions in connection with their leases and limited costs arising from delays in delivery of their premises.

The Company has letter of credit and performance obligations related to lender and development requirements that total approximately $9.1 million.

Certain of the Company’s joint venture agreements include provisions whereby, at certain specified times, each partner has the right to initiate a purchase or sale of its interest in the joint ventures. With limited exception, under these provisions, the Company is not compelled to purchase the interest of its outside joint venture partners. From time to time, under certain of the Company’s joint venture agreements, if certain return thresholds are achieved, the partners will be entitled to an additional promoted interest or payments. See also Note 7.

From time to time, the Company (or ventures in which the Company has an ownership interest) has agreed, and may in the future agree, to (1) guarantee portions of the principal, interest and other amounts in connection with their borrowings, (2) provide customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) in connection with their borrowings and (3) provide guarantees to lenders and other third parties for the completion of development projects. The Company has agreements with its outside partners whereby the partners agree to reimburse the joint venture for their share of any payments made under the guarantee. In some cases, the Company earns a fee from the applicable joint venture for providing the guarantee.

In connection with the refinancing of 767 Fifth Avenue’s (the General Motors Building) secured loan by the Company’s consolidated joint venture entity, 767 Venture, LLC, the Company guaranteed the consolidated entity’s obligation to fund various reserves for tenant improvement costs and allowances, leasing commissions and free rent obligations in lieu of cash deposits. As of March 31, 2018, the maximum funding obligation under the guarantee was approximately $171.7 million. The Company earns a fee from the joint venture for providing the guarantee and has an agreement with the outside partners to reimburse the joint venture for their share of any payments made under the guarantee. As of March 31, 2018, no amounts related to the guarantee are recorded as liabilities in the Company’s consolidated financial statements.

Pursuant to the lease agreement with Marriott, the Company has guaranteed the completion of the office building and parking garage on behalf of its 7750 Wisconsin Avenue joint venture and has also agreed to provide any financing guaranty that may be required with respect to third-party construction financing. The Company earns a fee from the joint venture for providing the guarantees and any amounts the Company pays under the guarantee(s) will be deemed to be capital contributions by the Company to the joint venture. The Company has also agreed to fund construction costs through capital contributions to the joint venture in the event of unavailability or insufficiency of third-party construction financing. In addition, the Company has guaranteed to Marriott, as hotel manager, the completion of a hotel being developed by an affiliate of The Bernstein Companies (the Company's partner in the 7750 Wisconsin Avenue joint venture) adjacent to the office property, for which the Company earns a fee from the affiliate of The Bernstein Companies. In addition, the Company entered into agreements with affiliates of The Bernstein Companies whereby the Company could be required to act as a mezzanine and/or mortgage lender and finance the construction of the hotel property. To secure such financing arrangements, affiliates of The Bernstein Companies are required to provide certain security, which varies depending on the specific loan, by pledges of their equity interest in the office property, a fee mortgage on the hotel property, or both. As of March 31, 2018, no amounts related to the contingent aspect of any of the guarantees are recorded as liabilities in the Company’s consolidated financial statements.

In 2009, the Company filed a general unsecured creditor’s claim against Lehman Brothers, Inc. for approximately $45.3 million related to its rejection of a lease at 399 Park Avenue in New York City. On January 10, 2014, the trustee for the liquidation of the business of Lehman Brothers allowed the Company’s claim in the amount of approximately $45.2 million. During 2014, 2015 and 2016, the Company received distributions of approximately $7.7 million, $8.1 million and $1.4 million, respectively. On May 19, 2017, the Company received a fifth interim distribution totaling approximately $0.4 million, leaving a remaining claim of approximately $27.6 million. The Company will continue to evaluate whether to attempt to sell the remaining claim or wait until the trustee distributes proceeds from the Lehman Brothers estate. Given the inherent uncertainties in bankruptcy proceedings, there can be no assurance as to the timing or amount of additional proceeds, if any, that the Company may ultimately realize on the remaining claim, whether by sale to a third party or by one or more distributions from the trustee. Accordingly, the Company has not recorded any estimated recoveries associated with this gain contingency within its Consolidated Financial Statements at March 31, 2018.

Insurance

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

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

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

The mortgages on the Company's properties typically contain requirements concerning the financial ratings of the insurers who provide policies covering the property. The Company provides the lenders on a regular basis with the identity of the insurance companies in the Company's insurance programs. The ratings of some of the Company's insurers are below the rating requirements in some of the Company's loan agreements and the lenders for these loans could attempt to claim that an event of default has occurred under the loan. The Company believes it could obtain insurance with insurers which satisfy the rating requirements. Additionally, in the future, the Company's ability to obtain debt financing secured by individual properties, or the terms of such financing, may be adversely affected if lenders generally insist on ratings for insurers or amounts of insurance which are difficult to obtain or which result in a commercially unreasonable premium. There can be no assurance that a deficiency in the financial ratings of one or more of the Company's insurers will not have a material adverse effect on the Company.

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

7. Noncontrolling Interests

Noncontrolling interests relate to the interests in Boston Properties Limited Partnership not owned by Boston Properties, Inc. and interests in consolidated property partnerships not wholly-owned by the Company. As of March 31, 2018, the noncontrolling interests in Boston Properties Limited Partnership consisted of 16,804,390 OP Units, 1,022,287 LTIP Units (including 118,067 2012 OPP Units, 85,042 2013 MYLTIP Units, 25,074 2014 MYLTIP Units and 28,771 2015 MYLTIP Units), 473,360 2016 MYLTIP Units, 400,000 2017 MYLTIP Units and 342,659 2018 MYLTIP Units held by parties other than Boston Properties, Inc.

Noncontrolling Interest—Common Units

During the three months ended March 31, 2018, 24,265 OP Units were presented by the holders for redemption (including 21,265 OP Units issued upon conversion of LTIP Units, 2012 OPP Units, 2013 MYLTIP Units and 2014 MYLTIP Units) and were redeemed by Boston Properties, Inc. in exchange for an equal number of shares of Common Stock.

At March 31, 2018, Boston Properties Limited Partnership had outstanding 473,360 2016 MYLTIP Units, 400,000 2017 MYLTIP Units and 342,659 2018 MYLTIP Units. Prior to the applicable measurement date (February 9, 2019 for 2016 MYLTIP Units, February 6, 2020 for 2017 MYLTIP Units and February 5, 2021 for the 2018 MYLTIP Units), holders of MYLTIP Units will be entitled to receive per unit distributions equal to one-tenth (10%) of the regular quarterly distributions payable on an OP Unit, but will not be entitled to receive any special distributions. After the measurement date, the number of MYLTIP Units, both vested and unvested, that MYLTIP award recipients have earned, if any, based on the establishment of a performance pool, will be entitled to receive distributions in an amount per unit equal to distributions, both regular and special, payable on an OP Unit.

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

The following table presents Boston Properties Limited Partnership’s distributions on the OP Units and LTIP Units (including the 2012 OPP Units, 2013 MYLTIP Units and 2014 MYLTIP Units and, after the February 4, 2018 measurement date, the 2015 MYLTIP Units) and its distributions on the 2015 MYLTIP Units (prior to the February 4, 2018 measurement date), 2016 MYLTIP Units, 2017 MYLTIP Units and 2018 MYLTIP Units (after the February 6, 2018 issuance date) paid in 2018:

Record Date	Payment Date	Distributions per OP Unit and LTIP Unit	Distributions per MYLTIP Unit
March 29, 2018	April 30, 2018	$0.80	$0.080
December 29, 2017	January 30, 2018	$0.80	$0.080

A holder of an OP Unit may present the OP Unit to Boston Properties Limited Partnership for redemption at any time (subject to restrictions agreed upon at the time of issuance of OP Units to particular holders that may restrict such redemption right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, Boston Properties Limited Partnership must redeem the OP Unit for cash equal to the then value of a share of common stock of Boston Properties, Inc. Boston Properties, Inc. may, in its sole discretion, elect to assume and satisfy the redemption obligation by paying either cash or issuing one share of Common Stock. The value of the OP Units not owned by Boston Properties, Inc. and LTIP Units (including the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2015 MYLTIP Units), assuming that all conditions had been met for the conversion thereof, had all of such units been redeemed at March 31, 2018 was approximately $2.2 billion based on the last reported price of a share of Common Stock on the New York Stock Exchange of $123.22 per share on March 29, 2018.

Boston Properties Limited Partnership

The following table reflects the activity of noncontrolling interests—redeemable partnership units of Boston Properties Limited Partnership for the three months ended March 31, 2018 and 2017 (in thousands):

Balance at December 31, 2017	$	2,292,263
Contributions		34,258
Net income		20,432
Distributions		(14,351)
Conversion of redeemable partnership units		(832)
Unearned compensation		(20,453)
Cumulative effect of a change in accounting principle		563
Other comprehensive income		155
Adjustment to reflect redeemable partnership units at redemption value		(115,432)
Balance at March 31, 2018	$	2,196,603
Balance at December 31, 2016	$	2,262,040
Contributions		29,918
Net income		11,432
Distributions		(13,653)
Conversion of redeemable partnership units		(793)
Unearned compensation		(18,633)
Cumulative effect of a change in accounting principle		(1,763)
Other comprehensive income		146
Adjustment to reflect redeemable partnership units at redemption value		126,416
Balance at March 31, 2017	$	2,395,110

Noncontrolling Interests—Property Partnerships

The noncontrolling interests in property partnerships consist of the outside equity interests in ventures that are consolidated with the financial results of the Company because the Company exercises control over the entities that own the properties. The equity interests in these ventures that are not owned by the Company, totaling approximately $1.7 billion at March 31, 2018 and December 31, 2017, are included in Noncontrolling Interests—Property Partnerships in the accompanying Consolidated Balance Sheets.

On May 12, 2016, the partners in the Company's consolidated entity that owns Salesforce Tower located in San Francisco, California amended the venture agreement. Under the original venture agreement, if the Company elects to fund the construction of Salesforce Tower without a construction loan (or a construction loan of less than 50% of project costs) and the venture has commenced vertical construction of the project, then the partner's capital funding obligation shall be limited, in which event the Company shall fund up to 2.5% of the total project costs (i.e., 50% of the partner's 5% interest in the venture) in the form of a loan to the partner. This loan would bear interest at the then prevailing market interest rates for construction loans. Under the amended agreement, the partners have agreed to structure this funding by the Company as preferred equity rather than a loan. The preferred equity contributed by the Company earns a preferred return equal to LIBOR plus 3.00% per annum and is payable to the Company out of any distributions to which the partner would otherwise be entitled until such preferred equity and preferred return have been repaid to the Company. As of March 31, 2018, the Company had contributed an aggregate of approximately $17.2 million of preferred equity to the venture. Also, under the joint venture agreement, (a) from and after the stabilization date, the partner has the right to cause the Company to purchase all (but not less than all) of the partner's interest and (b) from and after the third anniversary of the stabilization date, the Company has the right to acquire all (but not less than all) of the partner's interest, in each case at an agreed upon purchase price or appraised value. In addition, if certain threshold returns are achieved the partner will be entitled to receive an additional promoted interest. The term stabilization date is defined in the agreement to generally mean the first date after completion upon which Salesforce Tower is (1) at least 90% leased and (2) 50% occupied by tenants that are paying rent. The stabilization date is expected to occur in the second half of 2018.

The following table reflects the activity of the noncontrolling interests—property partnerships for the three months ended March 31, 2018 and 2017 (in thousands):

Balance at December 31, 2017	$ 1,683,760
Capital contributions	15,267
Net income	17,234
Accumulated other comprehensive income	144
Distributions	(30,690)
Balance at March 31, 2018	$ 1,685,715

Balance at December 31, 2016	$ 1,530,647
Capital contributions	8,145
Net income	4,424
Accumulated other comprehensive income	72
Distributions	(13,635)
Balance at March 31, 2017	$ 1,529,653

8. Stockholders' Equity / Partners' Capital

As of March 31, 2018, Boston Properties, Inc. had 154,362,303 shares of Common Stock outstanding.

As of March 31, 2018, Boston Properties, Inc. owned 1,721,890 general partnership units and 152,640,413 limited partnership units of Boston Properties Limited Partnership.

On June 2, 2017, Boston Properties, Inc. renewed its "at the market" ("ATM") stock offering program through which it may sell from time to time up to an aggregate of $600.0 million of its common stock through sales agents over a three-year period. This program replaced the Company's prior $600.0 million ATM stock offering program that was scheduled to expire on June 3, 2017. The Company intends to use the net proceeds from any offering for general business purposes, which may include investment opportunities and debt reduction. No shares of common stock have been issued under this ATM stock offering program.

During the three months ended March 31, 2018, Boston Properties, Inc. issued 24,265 shares of Common Stock in connection with the redemption of an equal number of redeemable OP Units from limited partners.

The following table presents Boston Properties, Inc.'s dividends per share and Boston Properties Limited Partnership's distributions per OP Unit and LTIP Unit paid in 2018:

Record Date	Payment Date	Dividend (Per Share)	Distribution (Per Unit)
March 29, 2018	April 30, 2018	$0.80	$0.80
December 29, 2017	January 30, 2018	$0.80	$0.80

Preferred Stock

As of March 31, 2018, Boston Properties, Inc. had 80,000 shares (8,000,000 depositary shares each representing 1/100th of a share) outstanding of its 5.25% Series B Cumulative Redeemable Preferred Stock with a liquidation preference of $2,500.00 per share ($25.00 per depositary share). Boston Properties, Inc. pays cumulative cash dividends on the Series B Preferred Stock at a rate of 5.25% per annum of the $2,500.00 liquidation preference per share. Boston Properties, Inc. did not have the right to redeem the Series B Preferred Stock prior to March 27, 2018, except in certain circumstances relating to the preservation of Boston Properties, Inc.'s REIT status. On and after March 27, 2018, Boston Properties, Inc., at its option, may redeem the Series B Preferred Stock for a cash redemption price of $2,500.00 per share ($25.00 per depositary share), plus all accrued and unpaid dividends. The Series B Preferred Stock is not redeemable by the holders, has no maturity date and is not convertible into any other security of Boston Properties, Inc. or its affiliates.

The following table presents Boston Properties Inc.'s dividends per share on its outstanding Series B Preferred Stock paid during 2018:

Record Date	Payment Date	Dividend (Per Share)
May 4, 2018	May 15, 2018	$32.8125
February 2, 2018	February 15, 2018	$32.8125

9. Earnings Per Share / Common Unit

Boston Properties, Inc.

The following table provides a reconciliation of both the net income attributable to Boston Properties, Inc. common shareholders and the number of common shares used in the computation of basic earnings per share ("EPS"), which is calculated by dividing net income attributable to Boston Properties, Inc. common shareholders by the weighted-average number of common shares outstanding during the period. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are also participating securities. As such, unvested restricted common stock of Boston Properties, Inc. and Boston Properties Limited Partnership, LTIP Units, 2012 OPP Units and MYLTIP Units are considered participating securities. Participating securities are included in the computation of basic EPS of Boston Properties, Inc. using the two-class method. Participating securities are included in the computation of diluted EPS of Boston Properties, Inc. using the if-converted method if the impact is dilutive. Because the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2015 MYLTIP Units required, and the 2016-2018 MYLTIP Units require, Boston Properties, Inc. to outperform absolute and relative return thresholds, unless such thresholds have been met by the end of the applicable reporting period, Boston Properties, Inc. excludes such units from the diluted EPS calculation. Other potentially dilutive common shares, including stock options, restricted stock and other securities of Boston Properties Limited Partnership that are exchangeable for the Boston Properties, Inc.'s Common Stock, and the related impact on earnings, are considered when calculating diluted EPS.

	Three months ended March 31, 2018		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except for per share amounts)		
Basic Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	$ 176,021	154,385	$ 1.14
Allocation of undistributed earnings to participating securities	(127)	—	—
Net income attributable to Boston Properties, Inc. common shareholders	$ 175,894	154,385	$ 1.14
Effect of Dilutive Securities:			
Stock Based Compensation	—	320	—
Diluted Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	$ 175,894	154,705	$ 1.14

	Three months ended March 31, 2017		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except for per share amounts)		
Basic Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	$ 97,083	153,860	$ 0.63
Effect of Dilutive Securities:			
Stock Based Compensation	—	354	—
Diluted Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	$ 97,083	154,214	$ 0.63

Boston Properties Limited Partnership

The following table provides a reconciliation of both the net income attributable to Boston Properties Limited Partnership common unitholders and the number of common units used in the computation of basic earnings per common unit, which is calculated by dividing net income attributable to Boston Properties Limited Partnership common unitholders by the weighted-average number of common units outstanding during the period. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are also participating securities. As such, unvested restricted common stock of Boston Properties, Inc. and Boston Properties Limited Partnership's LTIP Units, 2012 OPP Units and MYLTIP Units are considered participating securities. Participating securities are included in the computation of basic earnings per common unit using the two-class method. Participating securities are included in the computation of diluted earnings per common unit using the if-converted method if the impact is dilutive. Because the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2015 MYLTIP Units required, and the 2016-2018 MYLTIP Units require, Boston Properties, Inc. to outperform absolute and relative return thresholds, unless such thresholds have been met by the end of the applicable reporting period, Boston Properties Limited Partnership excludes such units from the diluted earnings per common unit calculation. Other potentially dilutive common units and the related impact on earnings are considered when calculating diluted earnings per common unit. Included in the number of units (the denominator) below are approximately 17,482,000 and 17,721,000 redeemable common units for the three months ended March 31, 2018 and 2017, respectively.

	Three months ended March 31, 2018		
	Income (Numerator)	Units (Denominator)	Per Unit Amount
	(in thousands, except for per unit amounts)		
Basic Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 200,907	171,867	$ 1.17
Allocation of undistributed earnings to participating securities	(141)	—	—
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 200,766	171,867	$ 1.17
Effect of Dilutive Securities:			
Stock Based Compensation	—	320	—
Diluted Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 200,766	172,187	$ 1.17

	Three months ended March 31, 2017		
	Income (Numerator)	Units (Denominator)	Per Unit Amount
	(in thousands, except for per unit amounts)		
Basic Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 110,662	171,581	$ 0.64
Effect of Dilutive Securities:			
Stock Based Compensation	—	354	—
Diluted Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 110,662	171,935	$ 0.64

10. Stock Option and Incentive Plan

On February 6, 2018, Boston Properties, Inc.'s Compensation Committee approved the 2018 MYLTIP awards under Boston Properties, Inc.'s 2012 Plan to certain officers and employees of Boston Properties, Inc. The 2018 MYLTIP awards utilize Boston Properties, Inc.'s TSR over a three-year measurement period, on an annualized, compounded basis, as the performance metric. Earned awards will be based on Boston Properties, Inc.'s TSR relative to (i) the Cohen & Steers Realty Majors Portfolio Index (50% weight) and (ii) the Nareit Office Index adjusted to include Vornado Realty Trust (50% weight). Earned awards will range from zero to a maximum of approximately $32.3 million depending on Boston Properties, Inc.'s TSR relative to the two indices, with a target of approximately $16.2 million and linear interpolation between zero and maximum. Earned awards measured on the basis of relative TSR performance are subject to an absolute TSR component in the form of relatively simple modifiers that (A) reduce the level of earned awards in the event Boston Properties, Inc.'s annualized TSR is less than 0% and (B) cause some awards to be earned in the event Boston Properties, Inc.'s annualized TSR is more than 12% even though on a relative basis alone Boston Properties, Inc.'s TSR would not result in any earned awards.

Earned awards (if any) will vest 50% on February 5, 2021 and 50% on February 5, 2022, based on continued employment. Vesting will be accelerated in the event of a change in control, termination of employment by Boston Properties, Inc. without cause, or termination of employment by the award recipient for good reason, death, disability or retirement. If there is a change of control prior to February 5, 2021, earned awards will be calculated based on TSR performance up to the date of the change of control. The 2018 MYLTIP awards are in the form of LTIP Units issued on the grant date which (i) are subject to forfeiture to the extent awards are not earned and (ii) prior to the performance measurement date are only entitled to one-tenth (10%) of the regular quarterly distributions payable on common partnership units.

Under ASC 718, the 2018 MYLTIP awards have an aggregate value of approximately $13.3 million, which amount will generally be amortized into earnings over the four-year plan period under the graded vesting method.

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

During the three months ended March 31, 2018, Boston Properties, Inc. issued 18,226 shares of restricted common stock and Boston Properties Limited Partnership issued 195,546 LTIP Units and 342,659 2018 MYLTIP Units to employees under the 2012 Plan. Employees paid $0.01 per share of restricted common stock and $0.25 per LTIP Unit and 2018 MYLTIP Unit. When issued, LTIP Units are not economically equivalent in value to a share of Common Stock, but over time can increase in value to one-for-one parity with Common Stock if there is sufficient appreciation in the value of the Company's assets. The aggregate value of the LTIP Units is included in noncontrolling interests in the Consolidated Balance Sheets. Grants of restricted stock and LTIP Units to employees vest in four equal annual installments. Restricted stock is measured at fair value on the date of grant based on the number of shares granted and the closing price of Boston Properties, Inc.'s Common Stock on the date of grant as quoted on the New York Stock Exchange. Such value is recognized as an expense ratably over the corresponding employee service period. The shares of restricted stock granted during the three months ended March 31, 2018 were valued at approximately $2.2 million ($118.98 per share weighted-average). The LTIP Units granted were valued at approximately $21.5 million (approximately $109.88 per unit weighted-average fair value) using a Monte Carlo simulation method model. The per unit fair values of the LTIP Units granted were estimated on the dates of grant and for a substantial majority of such units were valued using the following assumptions: an expected life of 5.7 years, a risk-free interest rate of 2.63% and an expected price volatility of 27.0%. Because the 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units, 2015 MYLTIP Units, 2016 MYLTIP Units, 2017 MYLTIP Units and 2018 MYLTIP Units are subject to both a service condition and a market condition, the Company recognizes the related compensation expense under the graded vesting attribution method. Under the graded vesting attribution method, each portion of the award that vests at a different date is accounted for as a separate award and recognized over the period appropriate to that portion so that the compensation cost for each portion should be recognized in full by the time that portion vests. The Company recognizes forfeitures as they occur on its awards of stock-based compensation. Dividends paid on both vested and unvested shares of restricted stock are charged directly to Dividends in Excess of Earnings in Boston Properties, Inc.'s Consolidated Balance Sheets and Partners' Capital in Boston Properties Limited Partnership's Consolidated Balance Sheets. Aggregate stock-based compensation expense associated with restricted stock, non-qualified stock options, LTIP Units, 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units, 2015 MYLTIP Units, 2016 MYLTIP Units, 2017 MYLTIP Units and 2018 MYLTIP Units was approximately $14.2 million and $10.3 million for the three months ended March 31, 2018 and 2017, respectively. At March 31, 2018, there was (1) an aggregate of approximately $36.5 million of unrecognized compensation expense related to unvested restricted stock, LTIP Units and 2015 MYLTIP Units and (2) an aggregate of approximately $26.0 million of unrecognized compensation expense related to unvested 2016 MYLTIP Units, 2017 MYLTIP Units and 2018 MYLTIP Units that is expected to be recognized over a weighted-average period of approximately 2.8 years.

11. Segment Information

The following tables present reconciliations of Net Income Attributable to Boston Properties, Inc. Common Shareholders to Net Operating Income and Net Income Attributable to Boston Properties Limited Partnership Common Unitholders to Net Operating Income for the three months ended March 31, 2018 and 2017.

Boston Properties, Inc.

	Three months ended March 31,	
	2018	**2017**
	(in thousands)	
Net income attributable to Boston Properties, Inc. common shareholders	$ 176,021	$ 97,083
Add:		
Preferred dividends	2,625	2,625
Noncontrolling interest—common units of Boston Properties Limited Partnership	20,432	11,432
Noncontrolling interests in property partnerships	17,234	4,424
Interest expense	90,220	95,534
Losses (gains) from investments in securities	126	(1,042)
Depreciation and amortization expense	165,797	159,205
Transaction costs	21	34
Payroll and related costs from management services contracts	2,885	—
General and administrative expense	35,894	31,386
Less:		
Gains on sales of real estate	96,397	133
Interest and other income	1,648	614
Income from unconsolidated joint ventures	461	3,084
Direct reimbursements of payroll and related costs from management services contracts	2,885	—
Development and management services revenue	8,405	6,472
Net Operating Income	$ 401,459	$ 390,378

Boston Properties Limited Partnership

	Three months ended March 31,	
	2018	2017
	(in thousands)	
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 200,907	$ 110,662
Add:		
Preferred distributions	2,625	2,625
Noncontrolling interests in property partnerships	17,234	4,424
Interest expense	90,220	95,534
Losses (gains) from investments in securities	126	(1,042)
Depreciation and amortization expense	163,853	157,058
Transaction costs	21	34
Payroll and related costs from management services contracts	2,885	—
General and administrative expense	35,894	31,386
Less:		
Gains on sales of real estate	98,907	133
Interest and other income	1,648	614
Income from unconsolidated joint ventures	461	3,084
Direct reimbursements of payroll and related costs from management services contracts	2,885	—
Development and management services revenue	8,405	6,472
Net Operating Income	$ 401,459	$ 390,378

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

Asset information by segment is not reported because the Company does not use this measure to assess performance. Therefore, depreciation and amortization expense is not allocated among segments. Preferred dividends/distributions, net income attributable to noncontrolling interests, interest expense, losses (gains) from investments in securities, depreciation and amortization expense, transactions costs, payroll and related costs from management services contracts, corporate general and administrative expense, gains on sales of real estate, interest and other income, income from unconsolidated joint ventures, direct reimbursements of payroll and related costs from management services contracts and development and management services revenue are not included in NOI as internal reporting addresses these items on a corporate level.

The Company's segments are based on the Company's method of internal reporting which classifies its operations by both geographic area and property type. The Company's segments by geographic area are Boston, New York, San Francisco and Washington, DC. Segments by property type include: Office, Residential and Hotel.

Information by geographic area and property type (dollars in thousands):

For the three months ended March 31, 2018:

	Boston	New York	San Francisco	Washington, DC	Total
Rental Revenue:					
Office	$ 204,997	$ 242,398	$ 89,893	$ 99,312	$ 636,600
Residential	1,152	—	—	3,007	4,159
Hotel	9,102	—	—	—	9,102
Total	215,251	242,398	89,893	102,319	649,861
% of Grand Totals	33.12%	37.31%	13.83%	15.74%	100.00%
Rental Expenses:					
Office	80,324	93,762	27,628	36,343	238,057
Residential	514	—	—	1,758	2,272
Hotel	8,073	—	—	—	8,073
Total	88,911	93,762	27,628	38,101	248,402
% of Grand Totals	35.79%	37.75%	11.12%	15.34%	100.00%
Net operating income	$ 126,340	$ 148,636	$ 62,265	$ 64,218	$ 401,459
% of Grand Totals	31.47%	37.02%	15.51%	16.00%	100.00%

For the three months ended March 31, 2017:

	Boston	New York	San Francisco	Washington, DC	Total
Rental Revenue:					
Office	$ 185,436	$ 241,570	$ 84,641	$ 102,733	$ 614,380
Residential	1,139	—	—	2,817	3,956
Hotel	7,420	—	—	—	7,420
Total	193,995	241,570	84,641	105,550	625,756
% of Grand Totals	31.00%	38.60%	13.53%	16.87%	100.00%
Rental Expenses:					
Office	75,256	91,684	24,474	35,322	226,736
Residential	495	—	—	1,056	1,551
Hotel	7,091	—	—	—	7,091
Total	82,842	91,684	24,474	36,378	235,378
% of Grand Totals	35.19%	38.95%	10.40%	15.46%	100.00%
Net operating income	$ 111,153	$ 149,886	$ 60,167	$ 69,172	$ 390,378
% of Grand Totals	28.47%	38.40%	15.41%	17.72%	100.00%

12. Subsequent Events

On April 19, 2018, a joint venture in which the Company has a 50% interest obtained construction financing with a total commitment of $180.0 million collateralized by its Hub on Causeway - Residential development project. The construction financing bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on April 19, 2022, with two, one-year extension options, subject to certain conditions. The joint venture has not yet drawn any funds under the loan. The Hub on Causeway - Residential is an approximately 320,000 square foot project comprised of 440 residential units located in Boston, Massachusetts.

On April 23, 2018, the Company entered into an agreement to acquire Santa Monica Business Park in the Ocean Park neighborhood of Santa Monica, California for a net purchase price of approximately $616.0 million. Santa Monica Business Park is a 47-acre office park consisting of 21 buildings totaling approximately 1.2 million net rentable square feet. Approximately 70% of the rentable square footage is subject to a ground lease with 80 years remaining, including renewal periods. The ground lease provides the Company with the right to purchase the land underlying the properties subject to the ground lease in 2028 with subsequent purchase rights every 15 years. The closing is subject to customary closing conditions and termination rights for transactions of this type. There can be no assurance that the acquisition will be completed on the terms currently contemplated, or at all.

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

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

ITEM 2—Management's Discussion and Analysis of Financial Condition and Results of Operations

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

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

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

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

- risks associated with downturns in the national and local economies, increases in interest rates, and volatility in the securities markets;
- risks associated with actual or threatened terrorist attacks;
- costs of compliance with the Americans with Disabilities Act and other similar laws;
- potential liability for uninsured losses and environmental contamination;
- risks associated with security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology (IT) networks and related systems, which support our operations and our buildings;
- risks associated with BXP's potential failure to qualify as a REIT under the Internal Revenue Code of 1986, as amended;
- possible adverse changes in tax and environmental laws;
- the impact of newly adopted accounting principles on our accounting policies and on period-to-period comparisons of financial results;
- risks associated with possible state and local tax audits;
- risks associated with our dependence on key personnel whose continued service is not guaranteed; and
- the other risk factors identified in our most recently filed Annual Reports on Form 10-K, including those described under the caption "Risk Factors."

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

Overview

BXP is a fully integrated, self-administered and self-managed REIT and one of the largest owners, managers and developers of primarily Class A office properties in the United States. BPLP is the entity through which BXP conducts substantially all of its business and owns (either directly or through subsidiaries) substantially all of its assets. Our properties are concentrated in five markets - Boston, Los Angeles, New York, San Francisco and Washington, DC. We generate revenue and cash primarily by leasing Class A office space to our tenants. When making leasing decisions, we consider, among other things, the creditworthiness of the tenant, the length of the lease, the rental rate to be paid at inception and throughout the lease term, the costs of tenant improvements and other landlord concessions, anticipated operating expenses and real estate taxes, current and anticipated vacancy, current and expected future demand for the space, the impact of any expansion rights and general economic factors.

Our core strategy has always been to develop, acquire and operate properties in supply-constrained markets with high barriers-to-entry and to focus on executing long-term leases with financially strong tenants. Historically, this combination has tended to reduce our exposure in down cycles and enhance revenues as market conditions improve. To be successful in any leasing environment, we believe we must consider all aspects of the tenant-landlord relationship. In this regard, we believe that our understanding of tenants' short- and long-term space utilization and amenity needs in the local markets, our relationships with local brokers, our reputation as a premier developer, owner and operator of Class A office properties, our financial strength and our ability to maintain high building standards provide us with a competitive advantage.

Outlook

A combination of general macroeconomic factors, specific circumstances and trends in our particular markets and the continued success of our development and leasing efforts leaves us optimistic for our industry generally and our company in particular. The outlook for 2018 GDP remains positive with growth projected by the Federal Reserve to reach approximately 2.7%. Job creation remains steady as the United States economy created approximately 605,000 jobs in the first quarter of 2018 and the unemployment rate remains stable at approximately 4.1%. As a result of the Federal Reserve increasing short-term interest rates, combined with an increasing United States fiscal deficit, the 10-year United States Treasury rate has increased approximately 50 basis points so far this year. Though we expect additional interest rate increases by the Federal Reserve in 2018, global rates and inflation continue to be low, therefore, we anticipate modest increases in long-term United States interest rates and expect reasonably healthy operating and financial market conditions to continue.

In this economic climate, we continue to focus on:

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

The overall occupancy of our in-service properties decreased modestly to 90.5% at March 31, 2018 from 90.7% at December 31, 2017. During the first quarter, we signed leases across our portfolio totaling approximately 2.1 million square feet, which is greater than our most recent 10-year historical quarterly average of 1.4 million square feet, and commenced revenue recognition on approximately 1.2 million square feet of leases in second-generation space. Of these second-generation leases, approximately 1.0 million square feet had been vacant for less than one year and, in the aggregate, they represent an increase in net rental obligations (gross rent less operating expenses) of approximately 12.9%. Across our portfolio we continue to experience increases in construction costs, which generally results in increased tenant allowances and costs to build out tenant spaces.

Our investment strategy remains mostly unchanged. Other than possible acquisitions of "value-add" assets, that require lease-up or repositioning, and acquisitions that are otherwise consistent with our long-term strategy, we intend to continue to invest primarily in higher yielding new development opportunities with significant pre-leasing commitments, rather than lower yielding acquisitions of stabilized assets for which demand and pricing remain strong.

Consistent with this strategy, on April 23, 2018, we entered into an agreement to acquire Santa Monica Business Park, an approximately 1.2 million net rentable square foot office park located in Santa Monica, California for a net purchase price of approximately $616.0 million, where we expect our return on investment to increase due to expiration of free rents, and rolling leases up to market rents over the next few years. In addition, we (1) commenced development on an approximately 276,000 net rentable square foot build-to-suit project located in Reston, Virginia with 100% of the office space pre-leased to Leidos and (2) entered into a lease with Fannie Mae for approximately 850,000 square feet of our planned 1.1 million net rentable square foot Reston Gateway office development in Reston, Virginia, for which construction is expected to commence in the second half of 2018.

As of March 31, 2018, our development pipeline consisted of thirteen construction/redevelopment projects that, when completed, we expect will total approximately 6.5 million net rentable square feet. Our share of the total budgeted cost for these projects is approximately $3.5 billion, of which approximately $1.4 billion of equity remains to be invested as of March 31, 2018. As of May 2, 2018, approximately 83% of the commercial space in these development projects is pre-leased.

The same factors that create challenges to acquire assets present opportunities for us to continue to review our portfolio to identify properties as potential sale candidates because they may no longer fit within our portfolio strategy or they could attract premium pricing in the current market environment. For example, during the first quarter of 2018, we completed the sale of 500 E Street, S.W. located in Washington, DC for a gross price of $127.6 million, after adjusting for the assumption of outstanding lease-related costs. Net cash proceeds totaled approximately $116.1 million, resulting in a gain on sale of real estate totaling approximately $96.4 million for BXP and approximately $98.9 million for BPLP. 500 E Street, S.W. is an approximately 262,000 net rentable square foot Class A office property. The property is 100% leased with 21% expected to vacate in February 2019.

We expect to continue to sell a modest number of non-core assets in 2018, subject to market conditions.

A brief overview of each of our markets follows.

Boston

The greater Boston region leasing market continues to improve. During the first quarter of 2018, we completed 33 lease transactions totaling over 400,000 square feet, increasing our occupancy by 0.7% to 94.8% as of March 31, 2018 from 94.1% as of December 31, 2017. In addition, in April 2018, we signed a lease with a retail tenant for approximately 30,000 square feet increasing the space committed at The Hub on Causeway - Podium development project to 88% as of May 2, 2018 from 80% as of February 22, 2018. The Boston central business district ("CBD") submarket continues to be driven by lease expiration demand from traditional financial and professional services tenants and a strong flow of new technology companies moving into the CBD.

Our approximately 1.6 million square foot in-service office portfolio in Cambridge is dominated by large users, is nearly 100% occupied and continues to generate strong rental rates. For example, in January 2018, we re-leased approximately 90,000 square feet to a tenant generating initial net rents that are approximately 122% greater than the prior lease. We are also actively working to meet tenant demand through increasing density and redevelopment. For example, our 98% pre-leased, 145 Broadway development project is the result of obtaining rights to demolish an approximately 80,000 square foot 1980s vintage office building and constructing a 485,000 square foot modern Class A office building for a major technology company. We are currently in discussions with a tenant to expand within Kendall Center, replacing an existing 115,000 net rentable square foot building with a 400,000 net rentable square foot modern Class A office building.

Our suburban Waltham/Lexington submarket continues to strengthen due to increased demand from the organic growth of our existing tenant base and other tenants in the market seeking space to accommodate their expanding workforces. We are in lease negotiations with a tenant to lease 100% of our recently completed Reservoir Place North redevelopment property in Waltham and we are working with an expanding tenant at our 20 CityPoint development project in Waltham.

Los Angeles

As of March 31, 2018, our Colorado Center joint venture asset in Santa Monica, California is approximately 92.6% leased, including leases with future commencement dates. Our approach to property management, leasing and commitment to invest capital has transformed this asset, which was 66% leased when we acquired it in July 2016, into a top-tier property in the marketplace.

The strength of the Santa Monica market, as evidenced by our experience at Colorado Center, affirmed our reasons for entering the market and gave us confidence to move forward with our plan to grow this region. As a result, on April 23, 2018, we entered into an agreement to acquire Santa Monica Business Park in the Ocean Park neighborhood of Santa Monica, California for a net purchase price of approximately $616.0 million. Santa Monica Business Park is a 47-acre office park that contains 21 buildings and approximately 1.2 million net rentable square feet. As of April 23, 2018, including leases with future commencement dates, the property is 94% leased. In addition, the majority of the leases are below-market providing the opportunity for future growth.

We will continue to explore opportunities to increase our presence in the Los Angeles market by seeking investments similar to Colorado Center and Santa Monica Business Park, where our financial, operational, redevelopment and development expertise provide the opportunity to achieve accretive returns.

New York

Our overall expectations for the midtown Manhattan office market have improved as a result of a large financial institution's commitment to remain and expand on Park Avenue, as well as its need to lease additional space during construction of their new headquarters building. This decision changed the supply-demand characteristics for office space in the Park Avenue and Midtown East submarkets. We benefited by completing almost 190,000 square feet of leases during the first quarter of 2018. In addition, we have strong activity for the available space at 399 Park Avenue and are actively negotiating a lease for all the office space at One Five Nine East 53rd Street. However, we do not expect revenue from the majority of these leases to begin until late 2019.

San Francisco

The San Francisco CBD leasing market remains healthy and among the strongest markets in the United States. We continue to benefit from this strength as evidenced by the delivery of our 1.4 million square foot Salesforce Tower at 98% leased, as of May 2, 2018, with tenant discussions ongoing for the only remaining full floor. In addition, approximately 250,000 square feet of second generation leases in our San Francisco and Silicon Valley portfolios commenced during the first quarter of 2018.

Washington, DC

Our focus in the Washington, DC region has centered around (1) matching development sites with tenants to begin development with significant pre-leasing commitments, (2) Reston, Virginia and (3) market conditions in the Washington CBD. In 2017, we committed to developing an aggregate of 1.8 million square feet of new office space pursuant to leases signed with a major law firm at 2100 Pennsylvania Avenue in Washington, DC, the TSA for its new headquarters in Springfield, Virginia and Marriott International, Inc. for its new headquarters and hotel in Bethesda, Maryland. During the first quarter of 2018, we committed to approximately 1.4 million square feet of new developments at 17Fifty Presidents Street, in Reston Town Center, which is 100% pre-leased to Leidos, and the new Fannie Mae headquarters, which is approximately 85% pre-leased, at our Reston Gateway development project. In total, these five development projects aggregated approximately 3.2 million square feet of development for a total budget of approximately $1.7 billion (our share) and are approximately 87% pre-leased, at March 31, 2018.

Our Reston, Virginia portfolio is 95% leased, at March 31, 2018, and continues to see strong tenant demand. We recently signed extensions and expansions with two technology tenants for approximately 112,000 square feet and are negotiating another renewal and expansion of approximately 160,000 square feet. In the aggregate, if completed, these deals will represent an approximately 30% increase in square footage leased by these tenants.

Overall market conditions in the Washington CBD have not changed in any meaningful way over the past few quarters. Leasing activity remains very competitive primarily because there has been a significant increase in supply without a corresponding increase in demand. However, it is unclear at this time how the Federal omnibus spending bill, which includes billions of dollars of increases to non-defense spending, will translate into new job creation and increased tenant demand.

The table below details the leasing activity during the three months ended March 31, 2018:

	Three months ended March 31, 2018
	(Square Feet)
Vacant space available at the beginning of the period	4,039,528
Properties placed (and partially placed) in-service	144,706
Leases expiring or terminated during the period	1,272,804
Total space available for lease	5,457,038
1st generation leases	171,384
2nd generation leases with new tenants	603,623
2nd generation lease renewals	618,474
Total space leased (1)	1,393,481
Vacant space available for lease at the end of the period	4,063,557
Leases executed during the period, in square feet (2)	2,124,620
Second generation leasing information: (3)	
Leases commencing during the period, in square feet	1,222,097
Weighted Average Lease Term	95 months
Weighted Average Free Rent Period	121 days
Total Transaction Costs Per Square Foot (4)	$71.27
Increase in Gross Rents (5)	8.60%
Increase in Net Rents (6)	12.89%

(1) Represents leases for which rental revenue recognition has commenced in accordance with GAAP during the three months ended March 31, 2018.

(2) Represents leases executed during the three months ended March 31, 2018 for which we either (1) commenced rental revenue recognition in such period or (2) will commence rental revenue recognition in subsequent periods, in accordance with GAAP, and includes leases at properties currently under development. The total square feet of leases executed and recognized in the three months ended March 31, 2018 is 374,084.

(3) Second generation leases are defined as leases for space that had previously been leased by us. Of the 1,222,097 square feet of second generation leases that commenced during the three months ended March 31, 2018, leases for 922,711 square feet were signed in prior periods.

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

(5) Represents the increase in gross rent (base rent plus expense reimbursements) on the new versus expired leases on the 956,451 square feet of second generation leases that had been occupied within the prior 12 months for the three months ended March 31, 2018; excludes leases that management considers temporary because the tenant is not expected to occupy the space on a long-term basis.

(6) Represents the increase in net rent (gross rent less operating expenses) on the new versus expired leases on the 956,451 square feet of second generation leases that had been occupied within the prior 12 months for the three months ended March 31, 2018; excludes leases that management considers temporary because the tenant is not expected to occupy the space on a long-term basis.

Transactions during the three months ended March 31, 2018 included the following:

Development activities

- On January 24, 2018, we entered into a lease agreement with Leidos for a build-to-suit project with approximately 276,000 net rentable square feet of Class A office space at our 17Fifty Presidents Street development project located in Reston, Virginia. Concurrently with the execution of the lease, we commenced development of the project and expect the building to be completed and available for occupancy during the second quarter of 2020.
- On January 31, 2018, we partially placed in-service our Signature at Reston development project comprised of 508 apartment units and retail space aggregating approximately 515,000 square feet located in Reston, Virginia. As of May 2, 2018, this property was 18% leased.
- On February 23, 2018, we entered into a lease agreement with Fannie Mae to lease approximately 850,000 square feet of Class A office space at our Reston Gateway development project located in Reston, Virginia. The initial phase of the project will consist of approximately 1.1 million net rentable square feet. As of May 2, 2018, the office space is approximately 85% leased. We expect to begin construction in the second half of 2018 upon receipt of all necessary approvals.

Acquisition and disposition activities

- On January 9, 2018, we completed the sale of our 500 E Street, S.W. property located in Washington, DC for a net contract sale price of approximately $118.6 million. Net cash proceeds totaled approximately $116.1 million, resulting in a gain on sale of real estate totaling approximately $96.4 million for BXP and approximately $98.9 million for BPLP. 500 E Street, S.W. is an approximately 262,000 net rentable square foot Class A office property. The property is 100% leased with 21% expecting to vacate in February 2019.

Transactions completed subsequent to March 31, 2018 including the following:

- On April 19, 2018, a joint venture in which we have a 50% interest obtained construction financing with a total commitment of $180.0 million collateralized by its Hub on Causeway - Residential development project. The construction financing bears interest at a variable rate equal to LIBOR plus 2.00% per annum and matures on April 19, 2022, with two, one-year extension options, subject to certain conditions. The joint venture has not yet drawn any funds under the loan. The Hub on Causeway - Residential is an approximately 320,000 square foot project comprised of 440 residential units located in Boston, Massachusetts.
- On April 23, 2018, we entered into an agreement to acquire Santa Monica Business Park in the Ocean Park neighborhood of Santa Monica, California for a net purchase price of approximately $616.0 million. Santa Monica Business Park is a 47-acre office park consisting of 21 buildings totaling approximately 1.2 million net rentable square feet. Approximately 70% of the rentable square footage is subject to a ground lease with 80 years remaining including renewal periods. The ground lease provides us with the right to purchase the land underlying the properties subject to the ground lease in 2028 with subsequent purchase rights every 15 years. The property is 94% leased, including leases with future commencement dates. The closing is subject to customary closing conditions and termination rights for transactions of this type. There can be no assurance that the acquisition will be completed on the terms currently contemplated, or at all.
- On April 24, 2018, BPLP exercised its option to draw $500.0 million on its unsecured delayed draw term loan facility (the "Delayed Draw Facility"). The Delayed Draw Facility totaling $500.0 million bears interest at a variable rate equal to LIBOR plus 0.90% per annum based on BPLP's current credit rating and matures on April 24, 2022.
- On April 27, 2018, a joint venture in which we have a 60% interest refinanced the mortgage loan collateralized by its 540 Madison Avenue property located in New York City totaling $120.0 million. The mortgage loan bears interest at a variable rate equal to LIBOR plus 1.10% per annum and matures on June 5, 2023. The previous mortgage loan bore interest at a variable rate equal to LIBOR plus 1.50% per annum and was scheduled to mature on June 5, 2018. 540 Madison Avenue is an approximately 284,000 net rentable square foot Class A office property.

Critical Accounting Policies

Management’s Discussion and Analysis of Financial Condition and Results of Operations discuss our Consolidated Financial Statements, which have been prepared in accordance with generally accepted accounting principles (“GAAP”). The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Certain accounting policies are considered to be critical accounting policies, as they require management to make assumptions about matters that are highly uncertain at the time the estimate is made and changes in accounting estimate are reasonably likely to occur from period to period. Management bases its estimates and assumptions on historical experience and current economic conditions. On an on-going basis, management evaluates its estimates and assumptions including those related to revenue, impairment of long-lived assets and the allowance for doubtful accounts. Actual results may differ from those estimates and assumptions.

Our Annual Report on Form 10-K for the year ended December 31, 2017 contains a discussion of our critical accounting policies, except for our policies established following the adoption of each of ASU 2014-09, ASU 2016-15, ASU 2016-18, ASU 2017-05, ASU 2017-09 and ASU 2017-12. The adoption of each of the above pronouncements is discussed in Note 2 to our Consolidated Financial Statements. Management discusses and reviews our critical accounting policies and management’s judgments and estimates with BXP’s Audit Committee.

Results of Operations for the Three Months Ended March 31, 2018 and 2017

Net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders increased approximately $78.9 million and $90.2 million for the three months ended March 31, 2018 compared to 2017, respectively, as detailed in the following tables and for the reasons discussed below under the heading "*Comparison of the three months ended March 31, 2018 to the three months ended March 31, 2017*" within "*Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

The following are reconciliations of net income attributable to Boston Properties, Inc. common shareholders to net operating income and net income attributable to Boston Properties Limited Partnership common unitholders to net operating income for the three months ended March 31, 2018 and 2017 (in thousands):

Boston Properties, Inc.

	Three months ended March 31,			
	2018	2017	Increase/ (Decrease)	% Change
	(in thousands)			
Net Income Attributable to Boston Properties, Inc. Common Shareholders	$ 176,021	$ 97,083	$ 78,938	81.31 %
Preferred dividends	2,625	2,625	—	— %
Net Income Attributable to Boston Properties, Inc.	178,646	99,708	78,938	79.17 %
Net Income Attributable to Noncontrolling Interests:				
Noncontrolling interest—common units of Boston Properties Limited Partnership	20,432	11,432	9,000	78.73 %
Noncontrolling interests in property partnerships	17,234	4,424	12,810	289.56 %
Net Income	216,312	115,564	100,748	87.18 %
Gains on sales of real estate	96,397	133	96,264	72,378.95 %
Income Before Gains on Sales of Real Estate	119,915	115,431	4,484	3.88 %
Other Expenses:				
Add:				
Interest expense	90,220	95,534	(5,314)	(5.56)%
Losses (gains) from investments in securities	126	(1,042)	1,168	112.09 %
Other Income:				
Less:				
Interest and other income	1,648	614	1,034	168.40 %
Income from unconsolidated joint ventures	461	3,084	(2,623)	(85.05)%
Operating Income	208,152	206,225	1,927	0.93 %
Other Expenses:				
Add:				
Depreciation and amortization expense	165,797	159,205	6,592	4.14 %
Transaction costs	21	34	(13)	(38.24)%
Payroll and related costs from management services contracts	2,885	—	2,885	100.00 %
General and administrative expense	35,894	31,386	4,508	14.36 %
Other Revenue:				
Less:				
Direct reimbursements of payroll and related costs from management services contracts	2,885	—	2,885	100.00 %
Development and management services revenue	8,405	6,472	1,933	29.87 %
Net Operating Income	$ 401,459	$ 390,378	$ 11,081	2.84 %

Boston Properties Limited Partnership

	Three months ended March 31,			
	2018	2017	Increase/ (Decrease)	% Change
	(in thousands)			
Net Income Attributable to Boston Properties Limited Partnership Common Unitholders	$ 200,907	$ 110,662	$ 90,245	81.55 %
Preferred distributions	2,625	2,625	—	— %
Net Income Attributable to Boston Properties Limited Partnership	203,532	113,287	90,245	79.66 %
Net Income Attributable to Noncontrolling Interests:				
Noncontrolling interests in property partnerships	17,234	4,424	12,810	289.56 %
Net Income	220,766	117,711	103,055	87.55 %
Gains on sales of real estate	98,907	133	98,774	74,266.17 %
Income Before Gains on Sales of Real Estate	121,859	117,578	4,281	3.64 %
Other Expenses:				
Add:				
Interest expense	90,220	95,534	(5,314)	(5.56)%
Losses (gains) from investments in securities	126	(1,042)	1,168	112.09 %
Other Income:				
Less:				
Interest and other income	1,648	614	1,034	168.40 %
Income from unconsolidated joint ventures	461	3,084	(2,623)	(85.05)%
Operating Income	210,096	208,372	1,724	0.83 %
Other Expenses:				
Add:				
Depreciation and amortization expense	163,853	157,058	6,795	4.33 %
Transaction costs	21	34	(13)	(38.24)%
Payroll and related costs from management services contracts	2,885	—	2,885	100.00 %
General and administrative expense	35,894	31,386	4,508	14.36 %
Other Revenue:				
Less:				
Direct reimbursements of payroll and related costs from management services contracts	2,885	—	2,885	100.00 %
Development and management services revenue	8,405	6,472	1,933	29.87 %
Net Operating Income	$ 401,459	$ 390,378	$ 11,081	2.84 %

At March 31, 2018 and March 31, 2017, we owned or had interests in a portfolio of 179 and 174 properties, respectively (in each case, the "Total Property Portfolio"). As a result of changes within our Total Property Portfolio, the financial data presented below shows significant changes in revenue and expenses from period-to-period. Accordingly, we do not believe that our period-to-period financial data with respect to the Total Property Portfolio provides a complete picture of our performance. Therefore, the comparison of operating results for the three months ended March 31, 2018 and 2017 show separately the changes attributable to the properties that were owned by us and in-service throughout each period compared (the "Same Property Portfolio") and the changes attributable to the properties included in the Placed In-Service, Acquired, Development or Redevelopment or Sold Portfolios.

In our analysis of operating results, particularly to make comparisons of net operating income between periods meaningful, it is important to provide information for properties that were in-service and owned by us throughout each period presented. We refer to properties acquired or placed in-service prior to the beginning of the earliest period presented and owned by us and in-service through the end of the latest period presented as our Same

Property Portfolio. The Same Property Portfolio therefore excludes properties placed in-service, acquired or in development or redevelopment after the beginning of the earliest period presented or disposed of prior to the end of the latest period presented.

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

We believe that, in order to facilitate a clear understanding of our operating results, NOI should be examined in conjunction with net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders as presented in our Consolidated Financial Statements. NOI should not be considered as a substitute for net income attributable to Boston Properties, Inc. common shareholders or net income attributable to Boston Properties Limited Partnership common unitholders (determined in accordance with GAAP) or any other GAAP financial measures and should only be considered together with and as a supplement to our financial information prepared in accordance with GAAP.

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

Comparison of the three months ended March 31, 2018 to the three months ended March 31, 2017.

The table below shows selected operating information for the Same Property Portfolio and the Total Property Portfolio. The Same Property Portfolio consists of 147 properties totaling approximately 39.3 million net rentable square feet of space, excluding unconsolidated joint ventures. The Same Property Portfolio includes properties acquired or fully placed in-service on or prior to January 1, 2017 and owned and in-service through March 31, 2018. The Total Property Portfolio includes the effects of the other properties either placed in-service, acquired or in development or redevelopment after January 1, 2017 or disposed of on or prior to March 31, 2018. This table includes a reconciliation from the Same Property Portfolio to the Total Property Portfolio by also providing information for the three months ended March 31, 2018 and 2017 with respect to the properties that were placed in-service, acquired, in development or redevelopment or sold.

(dollars in thousands)	Same Property Portfolio 2018	Same Property Portfolio 2017	Same Property Portfolio Increase/ (Decrease)	Same Property Portfolio % Change	Properties Placed In-Service Portfolio 2018	Properties Placed In-Service Portfolio 2017	Properties Acquired Portfolio 2018	Properties Acquired Portfolio 2017	Properties in Development or Redevelopment Portfolio 2018	Properties in Development or Redevelopment Portfolio 2017	Properties Sold Portfolio 2018	Properties Sold Portfolio 2017	Total Property Portfolio 2018	Total Property Portfolio 2017	Total Property Portfolio Increase/ (Decrease)	Total Property Portfolio % Change
Rental Revenue:																
Rental Revenue	$622,063	$602,426	$ 19,637	3.26 %	$11,357	$2,835	$689	$—	$858	$ 1,749	$270	$3,453	$635,237	$610,463	$ 24,774	4.06 %
Termination Income	1,357	5,389	(4,032)	(74.82)%	—	—	—	—	5	(1,472)	—	—	1,362	3,917	(2,555)	(65.23)%
Total Rental Revenue	623,420	607,815	15,605	2.57 %	11,357	2,835	689	—	863	277	270	3,453	636,599	614,380	22,219	3.62 %
Real Estate Operating Expenses	232,092	220,911	11,181	5.06 %	5,098	1,102	343	—	394	3,227	129	1,496	238,056	226,736	11,320	4.99 %
Net Operating Income (Loss), excluding residential and hotel	391,328	386,904	4,424	1.14 %	6,259	1,733	346	—	469	(2,950)	141	1,957	398,543	387,644	10,899	2.81 %
Residential Net Operating Income (Loss) (1)	2,492	2,405	87	3.62 %	(605)	—	—	—	—	—	—	—	1,887	2,405	(518)	(21.54)%
Hotel Net Operating Income (1)	1,029	329	700	212.77 %	—	—	—	—	—	—	—	—	1,029	329	700	212.77 %
Net Operating Income (Loss) (1)	$394,849	$389,638	$ 5,211	1.34 %	$ 5,654	$1,733	$346	$—	$469	$(2,950)	$141	$1,957	$401,459	$390,378	$ 11,081	2.84 %

(1) For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see page 45. Residential Net Operating Income for the three months ended March 31, 2018 and 2017 is comprised of Residential Revenue of $4,159 and $3,956, less Residential Expenses of $2,272 and $1,551, respectively. Hotel Net Operating Income for the three months ended March 31, 2018 and 2017 is comprised of Hotel Revenue of $9,102 and $7,420 less Hotel Expenses of $8,073 and $7,091, respectively, per the Consolidated Statements of Operations.

Same Property Portfolio

Rental Revenue

Rental revenue from the Same Property Portfolio increased by approximately $19.6 million for the three months ended March 31, 2018 compared to 2017. The increase was primarily the result of increases in revenue from our leases and parking and other income of approximately $19.6 million and $0.5 million, respectively, partially offset by a decrease in other tenant recoveries of approximately $0.5 million. Rental revenue from our leases increased approximately $19.6 million as a result of our average revenue per square foot increasing by approximately $2.02, which contributed approximately $17.8 million, and an approximately $1.8 million increase due to our average occupancy increasing from 91.4% to 91.7%.

Termination Income

Termination income decreased by approximately $4.0 million for the three months ended March 31, 2018 compared to 2017.

Termination income for the three months ended March 31, 2018 related to seventeen tenants across the Same Property Portfolio and totaled approximately $1.4 million.

Termination income for the three months ended March 31, 2017 related to ten tenants across the Same Property Portfolio and totaled approximately $5.4 million, of which approximately $4.9 million is from a tenant that terminated its lease early at 767 Fifth Avenue (the General Motors Building) in New York City.

Real Estate Operating Expenses

Real estate operating expenses from the Same Property Portfolio increased by approximately $11.2 million, or 5.1%, for the three months ended March 31, 2018 compared to 2017 due primarily to increases in real estate taxes, utilities and other real estate operating expenses of approximately $5.7 million, or 5.3%, $3.2 million, or 11.3%, and $2.3 million, or 2.6%, respectively. The increase in real estate taxes was primarily experienced in the New York CBD properties. The increase in utilities was primarily experienced in the Boston CBD properties.

Properties Placed In-Service Portfolio

The table below lists the properties placed in-service or partially placed in-service from January 1, 2017 through March 31, 2018. Rental revenue and real estate operating expenses increased by approximately $8.6 million and $4.7 million, respectively, for the three months ended March 31, 2018 compared to 2017, as detailed below.

				Rental Revenue			Real Estate Operating Expenses		
Name	Quarter Initially Placed In-Service	Quarter Fully Placed In-Service	Square Feet	2018	2017	Change	2018	2017	Change
				(dollars in thousands)					
Office									
Reservoir Place North	Second Quarter, 2016	Second Quarter, 2017	73,258	$ —	$ —	$ —	$ 131	$ 69	$ 62
888 Boylston Street	Third Quarter, 2016	Third Quarter, 2017	417,000	7,624	2,835	4,789	2,404	1,033	1,371
191 Spring Street	Fourth Quarter, 2017	N/A	171,000	927	—	927	388	—	388
Salesforce Tower	Fourth Quarter, 2017	N/A	1,400,000	2,806	—	2,806	2,175	—	2,175
			2,061,258	11,357	2,835	8,522	5,098	1,102	3,996
Residential									
Signature at Reston	First Quarter, 2018	N/A	514,600	81	—	81	686	—	686
			2,575,858	$ 11,438	$ 2,835	$ 8,603	$ 5,784	$ 1,102	$ 4,682

Properties Acquired Portfolio

The table below lists the properties acquired between January 1, 2017 and March 31, 2018. Rental revenue and real estate operating expenses increased by approximately $0.7 million and $0.3 million, respectively for the three months ended March 31, 2018 compared to 2017, as detailed below.

			Rental Revenue			Real Estate Operating Expenses		
Name	**Date acquired**	**Square Feet**	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
					(dollars in thousands)			
103 Carnegie Center	May 25, 2017	96,332	$ 689	$ —	$ 689	$ 343	$ —	$ 343

Properties in Development or Redevelopment Portfolio

The table below lists the properties we placed in development or redevelopment between January 1, 2017 and March 31, 2018. Rental revenue increased by approximately $0.6 million and real estate operating expenses decreased by approximately $2.8 million for the three months ended March 31, 2018 compared to 2017, as detailed below.

			Rental Revenue			Real Estate Operating Expenses		
Name	**Date commenced development / redevelopment**	**Square Feet**	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
					(dollars in thousands)			
One Five Nine East 53rd Street (1)	August 19, 2016	220,000	$ 863	$ (433)	$ 1,296	$ 394	$ 1,523	$ (1,129)
191 Spring Street (2)	December 29, 2016	171,000	—	—	—	—	1,375	(1,375)
145 Broadway (3)	April 6, 2017	79,616	—	710	(710)	—	329	(329)
		470,616	$ 863	$ 277	$ 586	$ 394	$ 3,227	$ (2,833)

(1) This is the low-rise portion of 601 Lexington Avenue in New York City. Rental revenue includes approximately $5,000 and $(1.5) million of termination income for the three months ended March 31, 2018 and March 31, 2017, respectively. In addition, real estate operating expenses includes approximately $1.1 million of demolition costs for the three months ended March 31, 2017.
(2) Real estate operating expenses for the three months ended March 31, 2017 were entirely related to demolition costs.
(3) On April 6, 2017, we commenced the development of 145 Broadway, a build-to-suit Class A office project with approximately 485,000 net rentable square feet located in Cambridge, Massachusetts.

Properties Sold Portfolio

The table below lists the properties we sold between January 1, 2017 and March 31, 2018. Rental revenue and real estate operating expenses from our Properties Sold Portfolio decreased by approximately $3.2 million and $1.4 million, respectively, for the three months ended March 31, 2018 compared to 2017, as detailed below.

				Rental Revenue			Real Estate Operating Expenses		
Name	**Date Sold**	**Property Type**	**Square Feet**	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
						(dollars in thousands)			
30 Shattuck Road	April 19, 2017	Land	N/A	$ —	$ —	$ —	$ —	$ 12	$ (12)
40 Shattuck Road	June 13, 2017	Office	122,000	—	487	(487)	—	364	(364)
Reston Eastgate	August 30, 2017	Land	N/A	—	—	—	—	29	(29)
500 E Street, S.W.	January 9, 2018	Office	262,000	270	2,966	(2,696)	129	1,091	(962)
			384,000	$ 270	$ 3,453	$ (3,183)	$ 129	$ 1,496	$ (1,367)

Residential Net Operating Income

Net operating income for our residential same properties increased by approximately $87,000 for the three months ended March 31, 2018 compared to 2017.

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

	The Lofts at Atlantic Wharf			The Avant at Reston Town Center		
	2018	2017	Percentage Change	2018	2017	Percentage Change
Average Monthly Rental Rate (1)	$ 4,116	$ 4,167	(1.2)%	$ 2,347	$ 2,370	(1.0)%
Average Rental Rate Per Occupied Square Foot	$ 4.61	$ 4.67	(1.3)%	$ 2.58	$ 2.58	— %
Average Physical Occupancy (2)	92.3%	93.8%	(1.6)%	94.1%	89.8%	4.8 %
Average Economic Occupancy (3)	91.2%	96.6%	(5.6)%	93.1%	89.9%	3.6 %

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

Hotel Net Operating Income

Net operating income for the Boston Marriott Cambridge hotel property increased by approximately $0.7 million for the three months ended March 31, 2018 compared to 2017. The hotel underwent a renovation project on all of its rooms, which was completed during the year ended December 31, 2017. We expect our hotel to contribute between $13 million and $15 million to net operating income for 2018.

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

	2018	2017	Percentage Change
Occupancy	81.0%	66.5%	21.8 %
Average daily rate	$ 218.84	$ 219.87	(0.5)%
Revenue per available room, REVPAR	$ 177.34	$ 146.12	21.4 %

Operating Revenue and Expense Items

Development and Management Services Revenue

Development and management services revenue increased by an aggregate of approximately $1.9 million for the three months ended March 31, 2018 compared to 2017. Development and management services revenue increased by approximately $1.5 million and $0.4 million, respectively. The increase in development revenue is primarily related to increases in (1) fees associated with tenant improvement projects in our San Francisco region and (2) development fees earned from our Boston and Washington, DC unconsolidated joint ventures that are developing The Hub on Causeway in Boston, Massachusetts and 7750 Wisconsin Avenue in Bethesda, Maryland. Management services revenue increased primarily due to an increase in management fees and leasing commissions from our Washington, DC region unconsolidated joint ventures. We expect our development and management services revenue to contribute between $31 million and $36 million for 2018.

General and Administrative Expense

General and administrative expense increased by approximately $4.5 million for the three months ended March 31, 2018 compared to 2017 primarily due to compensation expense and other general and administrative expenses increasing by approximately $4.0 million and $0.5 million, respectively. The increase in compensation expense was primarily related to (1) an increase in the expense associated with MYLTIP Awards, which includes the acceleration of amortization that occurred for employees that reached a certain age and number of years of service and therefore become vested in these awards sooner (See Note 10 to the Consolidated Financial Statements), (2) an increase in health care related expenses and (3) an increase in other compensation related expenses. These increases were partially offset by an approximately $1.1 million decrease in the value of our deferred compensation plan and an increase in capitalized wages of approximately $0.6 million. The increase in capitalized wages is shown as a decrease in general and administrative expense as these costs are capitalized and included in real estate assets or deferred charges on our Consolidated Balance Sheets (see below). The increase in other general and administrative expenses was primarily related to an increase in professional fees. We expect our general and administrative expenses to be between $118 million and $121 million for 2018.

Wages directly related to the development and leasing of rental properties are capitalized and included in real estate assets or deferred charges on our Consolidated Balance Sheets and amortized over the useful lives of the applicable asset or lease term. Capitalized wages for the three months ended March 31, 2018 and 2017 were approximately $4.5 million and $3.9 million, respectively. These costs are not included in the general and administrative expenses discussed above.

Depreciation and Amortization Expense

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

Boston Properties, Inc.

Depreciation and amortization expense increased by approximately $6.6 million for the three months ended March 31, 2018 compared to 2017, as detailed below.

	Depreciation and Amortization Expense for the three months ended March 31,		
	2018	2017	Change
	(in thousands)		
Same Property Portfolio	$ 161,784	$ 156,086	$ 5,698
Properties Placed in-Service Portfolio	3,647	568	3,079
Properties Acquired Portfolio	366	—	366
Properties in Development or Redevelopment Portfolio	—	2,110	(2,110)
Properties Sold Portfolio	—	441	(441)
	$ 165,797	$ 159,205	$ 6,592

Boston Properties Limited Partnership

Depreciation and amortization expense increased by approximately $6.8 million for the three months ended March 31, 2018 compared to 2017, as detailed below.

	Depreciation and Amortization Expense for the three months ended March 31,		
	2018	2017	Change
	(in thousands)		
Same Property Portfolio	$ 159,840	$ 153,939	$ 5,901
Properties Placed in-Service Portfolio	3,647	568	3,079
Properties Acquired Portfolio	366	—	366
Properties in Development or Redevelopment Portfolio	—	2,110	(2,110)
Properties Sold Portfolio	—	441	(441)
	$ 163,853	$ 157,058	$ 6,795

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

ASU 2014-09 “Revenue from Contracts with Customers (Topic 606)” updated the principal versus agent considerations and as a result we determined that amounts reimbursed for payroll and related costs received from third parties in connection with management services contracts should be reflected on a gross basis instead of on a net basis as we have determined that we are the principal under these arrangements (See Note 2 to the Consolidated Financial Statements). It is anticipated that these two financial statement line items will offset against each other.

<u>Other Income and Expense Items</u>

Income from Unconsolidated Joint Ventures

Income from unconsolidated joint ventures decreased by approximately $2.6 million for the three months ended March 31, 2018 compared to 2017 due primarily to a decrease in our share of net income from our 540 Madison Avenue and Colorado Center joint ventures. The decrease in our share of net income from our 540 Madison Avenue joint venture was primarily related to termination income earned during the three months ended March 31, 2017, that did not recur during the three months ended March 31, 2018. In addition, on July 28, 2017, the joint venture that owns Colorado Center obtained mortgage loan financing, which increased interest expense and reduced the net income for the joint venture.

Interest and Other Income

Interest and other income increased by approximately $1.0 million for the three months ended March 31, 2018 compared to 2017, due primarily to an increase in interest rates.

Gains (Losses) from Investments in Securities

Gains (losses) from investments in securities for the three months ended March 31, 2018 and 2017 related to investments that we have made to reduce our market risk relating to a deferred compensation plan that we maintain for BXP’s officers. Under this deferred compensation plan, each officer who is eligible to participate is permitted to defer a portion of the officer’s current income on a pre-tax basis and receive a tax-deferred return on these deferrals based on the performance of specific investments selected by the officer. In order to reduce our market risk relating to this plan, we typically acquire, in a separate account that is not restricted as to its use, similar or identical investments as those selected by each officer. This enables us to generally match our liabilities to BXP’s officers under the deferred compensation plan with equivalent assets and thereby limit our market risk. The performance of these investments is recorded as gains (losses) from investments in securities. During the three months ended March 31, 2018 and 2017, we recognized gains (losses) of approximately $(0.1) million and $1.0 million, respectively, on these investments. By comparison, our general and administrative expense increased (decreased) by approximately $(0.1) million and $1.0 million during the three months ended March 31, 2018 and 2017, respectively, as a result of an increase (decrease) in our liability under our deferred compensation plan that were associated with the performance of the specific investments selected by officers of BXP participating in the plan.

Interest Expense

Interest expense decreased by approximately $5.3 million for the three months ended March 31, 2018 compared to 2017 as detailed below:

Component		**Change in interest expense for the three months ended March 31, 2018 compared to March 31, 2017**
		(in thousands)
Increases to interest expense due to:		
Refinancing of the debt collateralized by 767 Fifth Avenue (the General Motors Building)	$	8,979
Issuance of $850 million in aggregate principal of 3.200% senior notes due 2025 on December 4, 2017		6,865
Utilization of the Unsecured Line of Credit		667
Amortization of deferred financing fees for BPLP’s unsecured debt and credit facility		228
Other interest expense (excluding senior notes)		96
Total increases to interest expense		16,835
Decreases to interest expense due to:		
Decrease in the interest for the Outside Members’ Notes Payable for the 767 Fifth Avenue (the General Motors Building) (1)		(9,178)
Redemption of $850 million in aggregate principal of 3.700% senior notes due 2018 on December 17, 2017		(7,938)
Increase in capitalized interest (2)		(5,033)
Total decreases to interest expense		(22,149)
Total change in interest expense	$	(5,314)

(1) The related interest expense from the Outside Members’ Notes Payable totaled approximately $9.2 million for the three months ended March 31, 2017. This amount was allocated to the outside joint venture partners as an adjustment to Noncontrolling Interests in Property Partnerships in our Consolidated Statements of Operations. On June 7, 2017, a portion of the outside members’ notes payable was repaid and the remaining portion was contributed as equity in the consolidated entity.

(2) The increase was primarily due to the commencement and continuation of several development projects. For a list of development projects refer to *“Liquidity and Capital Resources”* within *“Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations*.”

Interest expense directly related to the development of rental properties is capitalized and included in real estate assets on our Consolidated Balance Sheets and amortized over the useful lives of the real estate or lease term. As portions of properties are placed in-service, we cease capitalizing interest on these portions and interest is then expensed. Interest capitalized for the three months ended March 31, 2018 and 2017 was approximately $17.4 million and $12.3 million, respectively. These costs are not included in the interest expense referenced above.

We estimate net interest expense will be between $365 million to $380 million for 2018. These amounts are net of approximately $55 million to $65 million of estimated capitalized interest. In addition, if we refinance, prepay or repurchase existing indebtedness prior to its maturity, we may incur prepayment penalties, realize the acceleration of amortized costs, and our actual interest expense may differ materially from the estimates above.

At March 31, 2018, our variable rate debt consisted of BPLP’s $2.0 billion unsecured revolving credit agreement (as amended and restated, the "2017 Credit Facility") of which $115.0 million was outstanding at March 31, 2018. For a summary of our consolidated debt as of March 31, 2018 and March 31, 2017 refer to the heading “*Liquidity and Capital Resources—Capitalization—Debt Financing”* within “*Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations*.”

Gains on Sales of Real Estate

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

Boston Properties, Inc.

Gains on sales of real estate increased by approximately $96.3 million for the three months ended March 31, 2018 compared to 2017, as detailed below (dollars in millions):

Name	Date Sold	Property Type	Square Feet	Sale Price	Cash Proceeds	Gain on Sale of Real Estate
2018						
500 E Street, S.W.	January 9, 2018	Office	262,000	$118.6	$116.1	$96.4

In addition, during the three months ended March 31, 2017, we also recognized gains on sales of real estate of approximately $0.1 million related to previously deferred gain amounts from 2015.

Boston Properties Limited Partnership

Gains on sales of real estate increased by approximately $98.8 million for the three months ended March 31, 2018 compared to 2017, as detailed below (dollars in millions):

Name	Date Sold	Property Type	Square Feet	Sale Price	Cash Proceeds	Gain on Sale of Real Estate
2018						
500 E Street, S.W.	January 9, 2018	Office	262,000	$118.6	$116.1	$98.9

In addition, during the three months ended March 31, 2017, we also recognized gains on sales of real estate of approximately $0.1 million related to previously deferred gain amounts from 2015.

Noncontrolling interests in property partnerships

Noncontrolling interests in property partnerships increased by approximately $12.8 million for the three months ended March 31, 2018 compared to 2017, as detailed below.

	Noncontrolling Interests in Property Partnerships for the three months ended March 31,		
Property	2018	2017	Change
		(in thousands)	
Salesforce Tower	$ (164)	$ (65)	$ (99)
767 Fifth Avenue (the General Motors Building) (1)	462	(6,164)	6,626
Times Square Tower	6,901	6,654	247
601 Lexington Avenue (2)	6,327	1,490	4,837
100 Federal Street	1,398	160	1,238
Atlantic Wharf Office	2,310	2,349	(39)
	$ 17,234	$ 4,424	$ 12,810

(1) On June 7, 2017, our consolidated entity in which we have a 60% interest completed the refinancing of indebtedness that had been secured by direct and indirect interests in 767 Fifth Avenue. Prior to this quarter, the net loss allocation

was primarily due to the partners' share of the interest expense for the outside members' notes payable, which was $9.2 million for the three months ended March 31, 2017.

(2) On August 19, 2016, the consolidated entity in which we have a 55% interest and that owns this property commenced the redevelopment of the six-story low-rise office and retail building component of the complex. The redeveloped portion, One Five Nine East 53rd Street, will contain approximately 220,000 square feet. We will capitalize incremental costs during the redevelopment.

Noncontrolling Interest—Common Units of Boston Properties Limited Partnership

For BXP, noncontrolling interest–common units of Boston Properties Limited Partnership increased by approximately $9.0 million for the three months ended March 31, 2018 compared to 2017 due primarily to an increase in allocable income, which was the result of recognizing a greater gain on sales of real estate amount during 2018, partially offset by a decrease in the noncontrolling interest's ownership percentage. Due to our UPREIT ownership structure, there is no corresponding line item on BPLP's financial statements.

Liquidity and Capital Resources

General

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

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

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

- cash flow from operations;
- distribution of cash flows from joint ventures;
- cash and cash equivalent balances;
- issuances of BXP equity securities and/or additional preferred or common units of partnership interest in BPLP;
- BPLP's 2017 Credit Facility and other short-term bridge facilities;
- construction loans;
- long-term secured and unsecured indebtedness (including unsecured exchangeable indebtedness); and
- sales of real estate.

We draw on multiple financing sources to fund our long-term capital needs. Our current consolidated development properties are expected to be primarily funded with our available cash balances, construction loans and BPLP's 2017 Credit Facility, while our unconsolidated development projects are expected to be primarily funded with construction loans. We use BPLP's 2017 Credit Facility primarily as a bridge facility to fund acquisition opportunities, refinance outstanding indebtedness and meet short-term development and working capital needs. Although we may seek to fund our development projects with construction loans, which may require guarantees by BPLP, the financing for each particular project ultimately depends on several factors, including, among others, the project's size and duration, the extent of pre-leasing and our available cash and access to cost effective capital at the given time.

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

Construction Properties	Estimated Stabilization Date	Location	# of Buildings	Estimated Square Feet	Investment to Date (1)	Estimated Total Investment (1)	Estimated Future Equity Requirement (1)	Percentage Leased (2)
Office								
Salesforce Tower (95% ownership)	Q3 2019	San Francisco, CA	1	1,400,000	$ 991,975	$ 1,073,500	$ 89,672	98% (3)
The Hub on Causeway - Podium (50% ownership)	Q4 2019	Boston, MA	1	385,000	69,872	141,870	—	88% (4)
145 Broadway	Q4 2019	Cambridge, MA	1	485,000	122,722	375,000	252,278	98%
Dock 72 (50% ownership)	Q3 2020	Brooklyn, NY	1	670,000	113,554	204,900	—	33% (5)
17Fifty Presidents Street	Q3 2020	Reston, VA	1	276,000	23,977	142,900	118,923	100%
6595 Springfield Center Drive (TSA Headquarters)	Q4 2020	Springfield, VA	1	634,000	60,157	313,700	253,543	98%
20 CityPoint	Q1 2021	Waltham, MA	1	211,000	23,407	97,000	73,593	52%
7750 Wisconsin Avenue (Marriott International Headquarters) (50% ownership)	Q3 2022	Bethesda, MD	1	740,000	44,145	211,100	166,955	100% (6)
Total Office Properties under Construction			8	4,801,000	1,449,809	2,559,970	954,964	86%
Residential								
Proto Kendall Square (280 units)	Q2 2019	Cambridge, MA	1	152,000	104,391	140,170	35,779	14%
Proto Kendall Square - Retail			—	14,500	—	—	—	98%
The Hub on Causeway - Residential (440 units) (50% ownership)	Q4 2021	Boston, MA	1	320,000	36,648	153,500	116,852	N/A
Signature at Reston (508 units)	Q2 2020	Reston, VA	1	490,000	206,961	234,854	27,893	18% (7)
Signature at Reston - Retail			—	24,600	—	—	—	81%
MacArthur Station Residences (402 units)	Q4 2021	Oakland, CA	1	324,000	15,824	263,600	247,776	N/A (8)
Total Residential Properties under Construction			4	1,325,100	363,824	792,124	428,300	87% (9)
Redevelopment Properties								
191 Spring Street	Q4 2018	Lexington, MA	1	171,000	46,410	53,920	7,510	88% (10)
One Five Nine East 53rd Street (55% ownership)	Q4 2019	New York, NY	—	220,000	77,614	106,000	28,386	—% (11)
Total Properties under Redevelopment			1	391,000	124,024	159,920	35,896	38%
Total Properties under Construction and Redevelopment			13	6,517,100	$ 1,937,657	$ 3,512,014	$ 1,419,160	83% (9)

(1) Represents our share. Investment to Date and Estimated Total Investment includes net revenue during lease up period, acquisition expenses and approximately $92.3 million of construction cost and leasing commission accruals.
(2) Represents percentage leased as of May 2, 2018, including leases with future commencement dates.
(3) Under the joint venture agreement, if the project is funded with 100% equity, we have agreed to fund 50% of our partner’s equity requirement, structured as preferred equity. We expect to fund approximately $25.4 million at a rate of LIBOR plus 3.0% per annum and receive priority distributions from all distributions to our partner until the principal and interest are repaid. As of March 31, 2018, we had contributed an aggregate of approximately $17.2 million of preferred equity to the venture. This property is 18% placed in-service as of March 31, 2018.
(4) This development has a $102.3 million (our share) construction loan facility. As of March 31, 2018, $7.6 million (our share) has been drawn under this facility.

(5) This development has a $125 million (our share) construction loan facility. As of March 31, 2018, $30.4 million (our share) has been drawn under this facility.
(6) Rentable square feet is an estimate based on current building design.
(7) This property is 56% placed in-service as of March 31, 2018.
(8) This development is subject to a 99-year ground lease (including extension options) with an option to purchase in the future.
(9) Percentage leased excludes residential units.
(10) This property is 46% placed in-service, as of March 31, 2018.
(11) The low-rise portion of 601 Lexington Avenue.

Contractual rental revenue, recoveries from tenants, other income from operations, available cash balances, mortgage financings and draws on BPLP’s 2017 Credit Facility are the principal sources of capital that we use to fund operating expenses, debt service, maintenance and repositioning capital expenditures, tenant improvements and the minimum distribution required to enable BXP to maintain its REIT qualification. We seek to maximize income from our existing properties by maintaining quality standards for our properties that promote high occupancy rates and permit increases in rental rates while reducing tenant turnover and controlling operating expenses. Our sources of revenue also include third-party fees generated by our property management, leasing and development and construction businesses, as well as the sale of assets from time to time. We believe our revenue, together with our cash balances and proceeds from financing activities, will continue to provide the funds necessary for our short-term liquidity needs, including our properties under development and redevelopment.

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

We anticipate completing the acquisition of Santa Monica Business Park in the second or third quarter of 2018. We continue to evaluate the appropriate capital structure of this investment and may fund a portion of the purchase price with secured debt or unsecured debt, and we may complete the transaction with a joint venture partner.

In addition to funding the purchase price of Santa Monica Business Park, our primary uses of capital will be the completion of our current development and redevelopment projects. As of March 31, 2018, our share of the remaining development and redevelopment costs that we expect to fund through 2022 is approximately $1.4 billion.

With approximately $429.2 million of cash and cash equivalents and approximately $1.5 billion available under BPLP's 2017 Credit Facility, as of May 2, 2018, we have sufficient capital to complete these projects. We believe that our strong liquidity, including the availability under BPLP’s 2017 Credit Facility, and proceeds from debt financings and asset sales will provide sufficient liquidity to fund our remaining capital requirements on existing development and redevelopment projects and still be able to act opportunistically on attractive investment opportunities.

In April 2018, we enhanced our liquidity through (1) a $180.0 million construction financing obtained by a joint venture, in which we have a 50% interest, collateralized by its Hub on Causeway - Residential development project, located in Boston, MA, (2) drawing down 100% of BPLP's $500.0 million Delayed Draw Facility and (3) a $120.0 million refinancing that reduced the interest rate by 0.40%, executed by a joint venture, in which we have a 60% interest, collateralized by its 540 Madison Avenue property located in New York City. Excluding our unconsolidated joint venture assets, we have no debt maturing in 2018 and $700.0 million of 5.875% unsecured senior notes that mature in October 2019.

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

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

REIT Tax Distribution Considerations

Dividend

BXP as a REIT is subject to a number of organizational and operational requirements, including a requirement that BXP currently distribute at least 90% of its annual taxable income (excluding capital gains and with certain other adjustments). Our policy is for BXP to distribute at least 100% of its taxable income, including capital gains, to avoid paying federal tax. On December 18, 2017, the Board of Directors of BXP increased our regular quarterly dividend to $0.80 per common share beginning with the fourth quarter of 2017. The dividend was paid on January 30, 2018 to shareholders of record as of the close of business on December 29, 2017. Common and LTIP unitholders of limited partnership interest in BPLP, as of the close of business on December 29, 2017, received the same total distribution per unit on January 30, 2018.

BXP's Board of Directors will continue to evaluate BXP's dividend rate in light of our actual and projected taxable income, liquidity requirements and other circumstances and there can be no assurance that the future dividends declared by its Board of Directors will not differ materially.

Sales

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

Cash Flow Summary

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

Cash and cash equivalents and cash held in escrows aggregated approximately $455.1 million and $354.2 million at March 31, 2018 and 2017, respectively, representing an increase of approximately $100.9 million. The following table sets forth changes in cash flows:

	Three months ended March 31,		
	2018	**2017**	**Increase (Decrease)**
		(in thousands)	
Net cash provided by operating activities	$ 225,778	$ 239,852	$ (14,074)
Net cash used in investing activities	(183,788)	(267,823)	84,035
Net cash used in financing activities	(92,230)	(37,934)	(54,296)

Our principal source of cash flow is related to the operation of our properties. The average term of our in-place tenant leases, including our unconsolidated joint ventures, is approximately 7.3 years with occupancy rates historically in the range of 90% to 94%. Our properties generate a relatively consistent stream of cash flow that provides us with resources to pay operating expenses, debt service and fund regular quarterly dividend and distribution payment requirements. In addition, over the past several years, we have raised capital through the sale of some of our properties, secured and unsecured borrowings, and equity offerings of BXP.

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

	Three months ended March 31,	
	2018	2017
	(in thousands)	
Construction in progress (1)	$ (150,060)	$ (154,518)
Building and other capital improvements	(53,550)	(43,687)
Tenant improvements	(47,157)	(50,810)
Proceeds from sales of real estate (2)	116,120	133
Capital contributions to unconsolidated joint ventures (3)	(48,823)	(17,980)
Investments in securities, net	(318)	(961)
Net cash used in investing activities	$ (183,788)	$ (267,823)

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(1) Construction in progress for the three months ended March 31, 2018 includes ongoing expenditures associated with 191 Spring Street, Salesforce Tower and Signature at Reston, which were partially placed in-service during the three months ended March 31, 2018. In addition, we incurred costs associated with our continued development/redevelopment of One Five Nine East 53rd Street, 145 Broadway, 20 CityPoint, 17Fifty Presidents Street, 6595 Springfield Center Drive, and MacArthur Station Residences and Proto Kendall Square residential projects.

Construction in progress for the three months ended March 31, 2017 includes ongoing expenditures associated with Reservoir Place North, 888 Boylston Street and the Prudential Center retail expansion, which were partially or fully placed in-service during the three months ended March 31, 2017. In addition, we incurred costs associated with our continued development/redevelopment of Salesforce Tower, One Five Nine East 53rd Street, 191 Spring Street and Proto Kendall Square and Signature at Reston residential projects.

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

(3) Capital contributions to unconsolidated joint ventures for the three months ended March 31, 2018 consisted primarily of cash contributions of approximately $45.6 million to our 7750 Wisconsin Avenue joint venture.

Capital contributions to unconsolidated joint ventures for the three months ended March 31, 2017 were primarily due to cash contributions of approximately $8.1 million and $9.8 million to our Hub on Causeway and Dock 72 joint ventures, respectively.

Cash used in financing activities for the three months ended March 31, 2018 totaled approximately $92.2 million. This consisted primarily of the payment of our regular dividends and distributions to our shareholders and unitholders. Future debt payments are discussed below under the heading “*Capitalization—Debt Financing*.”

Capitalization

The following table presents Consolidated Market Capitalization and BXP's Share of Market Capitalization, as well as the corresponding ratios of Consolidated Debt to Consolidated Market Capitalization and BXP's Share of Debt to BXP's Share of Market Capitalization (in thousands except for percentages):

	March 31, 2018			
	Shares / Units Outstanding	Common Stock Equivalent	Equivalent Value (1)	
Common Stock	154,362	154,362	$ 19,020,486	
Common Operating Partnership Units	17,827	17,827	2,196,643	(2)
5.25% Series B Cumulative Redeemable Preferred Stock (callable on and after March 27, 2018)	80	—	200,000	
Total Equity		172,189	$ 21,417,129	
Consolidated Debt			$ 10,339,313	
Add:				
BXP's share of unconsolidated joint venture debt (3)			622,207	
Subtract:				
Partners' share of Consolidated Debt (4)			(1,208,154)	
BXP's Share of Debt			$ 9,753,366	
Consolidated Market Capitalization			$ 31,756,442	
BXP's Share of Market Capitalization			$ 31,170,495	
Consolidated Debt/Consolidated Market Capitalization			32.56%	
BXP's Share of Debt/BXP's Share of Market Capitalization			31.29%	

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(1) Except for the Series B Cumulative Redeemable Preferred Stock, which is valued at the liquidation preference of $2,500.00 per share, values are based on the closing price per share of BXP's Common Stock on March 29, 2018 of $123.22.
(2) Includes long-term incentive plan units (including 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2015 MYLTIP Units), but excludes MYLTIP Units granted between 2016 and 2018.
(3) See page 64 for additional information.
(4) See page 63 for additional information.

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

(1) our consolidated debt; plus

(2) the product of (x) the closing price per share of BXP common stock on March 29, 2018, as reported by the New York Stock Exchange, multiplied by (y) the sum of:

(i) the number of outstanding shares of common stock of BXP,

(ii) the number of outstanding OP Units in BPLP (excluding OP Units held by BXP),

(iii) the number of OP Units issuable upon conversion of all outstanding LTIP Units, assuming all conditions have been met for the conversion of the LTIP Units, and

(iv) the number of OP Units issuable upon conversion of 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units and 2015 MYLTIP Units that were issued in the form of LTIP Units; plus

(3) the aggregate liquidation preference ($2,500 per share) of the outstanding shares of BXP's 5.25% Series B Cumulative Redeemable Preferred Stock.

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

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

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

For a discussion of our unconsolidated joint venture indebtedness, see "*Liquidity and Capital Resources—Capitalization—Off-Balance Sheet Arrangements—Joint Venture Indebtedness*" within "*Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations*" and for a discussion of our consolidated joint venture indebtedness see "*Liquidity and Capital Resources—Capitalization—Mortgage Notes Payable, Net*" within "*Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Debt Financing

As of March 31, 2018, we had approximately $10.3 billion of outstanding consolidated indebtedness, representing approximately 32.56% of our Consolidated Market Capitalization as calculated above consisting of approximately (1) $7.2 billion (net of discount) in publicly traded unsecured senior notes having a GAAP weighted-average interest rate of 4.15% per annum and maturities in 2019 through 2026; (2) $3.0 billion of property-specific mortgage debt having a GAAP weighted-average interest rate of 3.95% per annum and weighted-average term of 8.0 years and (3) $115.0 million outstanding under BPLP's 2017 Credit Facility that matures on April 24, 2022.

The table below summarizes the aggregate carrying value of our mortgage notes payable, mezzanine notes payable and outside members' notes payable and BPLP's unsecured senior notes, line of credit and term loan as well as Consolidated Debt Financing Statistics at March 31, 2018 and March 31, 2017. Because the outside members' notes payable are allocated to the partners, they have not been included in the Consolidated Debt Financing Statistics.

	March 31,	
	2018	2017
	(dollars in thousands)	
Debt Summary:		
Balance		
Fixed rate mortgage notes payable, net	$ 2,974,930	$ 2,046,959
Unsecured senior notes, net of discount	7,249,383	7,248,152
Unsecured line of credit	115,000	105,000
Unsecured term loan	—	—
Mezzanine notes payable	—	306,734
Outside members' notes payable	—	180,000
Consolidated Debt	10,339,313	9,886,845
Add:		
BXP's share of unconsolidated joint venture debt, net (1)	622,207	317,719
Subtract:		
Partners' share of consolidated mortgage notes payable, net (2)	(1,208,154)	(835,752)
Partners' share of consolidated mezzanine notes payable	—	(122,694)
Outside members' notes payable	—	(180,000)
BXP's Share of Debt	$ 9,753,366	$ 9,066,118

	March 31,	
	2018	2017
Consolidated Debt Financing Statistics:		
Percent of total debt:		
Fixed rate	98.89%	98.92%
Variable rate	1.11%	1.08%
Total	100.00%	100.00%
GAAP Weighted-average interest rate at end of period:		
Fixed rate	4.09%	4.06%
Variable rate	2.73%	2.45%
Total	4.08%	4.04%
Coupon/Stated Weighted-average interest rate at end of period:		
Fixed rate	3.98%	4.50%
Variable rate	2.62%	1.93%
Total	3.97%	4.47%
Weighted-average maturity at end of period (in years):		
Fixed rate	6.1	4.7
Variable rate	4.1	1.3
Total	6.1	4.7

(1) See page 64 for additional information.
(2) See page 63 for additional information.

Credit Facility

On April 24, 2017, BPLP entered into the 2017 Credit Facility. Among other things, the 2017 Credit Facility (1) increased the total commitment of the revolving line of credit (the "Revolving Facility") from $1.0 billion to $1.5 billion, (2) extended the maturity date from July 26, 2018 to April 24, 2022, (3) reduced the per annum variable interest rates, and (4) added a $500.0 million Delayed Draw Facility that permits BPLP to draw until the first anniversary of the closing date (See Note 12 to the Consolidated Financial Statements). Based on BPLP’s current credit rating, (1) the applicable Eurocurrency margins for the Revolving Facility and Delayed Draw Facility are 82.5 basis points and 90 basis points, respectively, and (2) the facility fee on the Revolving Facility commitment is 0.125% per annum. The Delayed Draw Facility has a fee on unused commitments equal to 0.15% per annum.

As of March 31, 2018, we had $115.0 million of borrowings and outstanding letters of credit totaling approximately $1.6 million outstanding under the 2017 Credit Facility, with the ability to borrow approximately $1.9 billion. As of May 2, 2018, we had $500.0 million of borrowings and outstanding letters of credit totaling approximately $1.6 million outstanding under the 2017 Credit Facility, with the ability to borrow approximately $1.5 billion.

Unsecured Senior Notes, Net

The following summarizes the unsecured senior notes outstanding as of March 31, 2018 (dollars in thousands):

	Coupon/Stated Rate	Effective Rate (1)	Principal Amount	Maturity Date (2)
10 Year Unsecured Senior Notes	5.875%	5.967%	$ 700,000	October 15, 2019
10 Year Unsecured Senior Notes	5.625%	5.708%	700,000	November 15, 2020
10 Year Unsecured Senior Notes	4.125%	4.289%	850,000	May 15, 2021
11 Year Unsecured Senior Notes	3.850%	3.954%	1,000,000	February 1, 2023
10.5 Year Unsecured Senior Notes	3.125%	3.279%	500,000	September 1, 2023
10.5 Year Unsecured Senior Notes	3.800%	3.916%	700,000	February 1, 2024
7 Year Unsecured Senior Notes	3.200%	3.350%	850,000	January 15, 2025
10 Year Unsecured Senior Notes	3.650%	3.766%	1,000,000	February 1, 2026
10 Year Unsecured Senior Notes	2.750%	3.495%	1,000,000	October 1, 2026
Total principal			7,300,000	
Net unamortized discount			(17,232)	
Deferred financing costs, net			(33,385)	
Total			$ 7,249,383	

(1) Yield on issuance date including the effects of discounts on the notes, settlements of interest rate contracts and the amortization of financing costs.
(2) No principal amounts are due prior to maturity.

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

Mortgage Notes Payable, Net

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

Properties	Stated Interest Rate	GAAP Interest Rate (1)	Stated Principal Amount	Deferred Financing Costs, Net	Carrying Amount	Carrying Amount (partners' share)		Maturity Date
				(dollars in thousands)				
Wholly-owned								
New Dominion Tech Park, Bldg. One	7.69%	7.84%	$ 31,422	$ (231)	$ 31,191	N/A		January 15, 2021
University Place	6.94%	6.99%	7,003	(42)	6,961	N/A		August 1, 2021
			38,425	(273)	38,152	N/A		
Consolidated Joint Ventures								
767 Fifth Avenue (the General Motors Building)	3.43%	3.64%	2,300,000	(32,087)	2,267,913	$ 907,165	(2)(3)(4)	June 9, 2027
601 Lexington Avenue	4.75%	4.79%	670,203	(1,338)	668,865	300,989	(5)	April 10, 2022
			2,970,203	(33,425)	2,936,778	1,208,154		
Total			$ 3,008,628	$ (33,698)	$ 2,974,930	$ 1,208,154		

(1) GAAP interest rate differs from the stated interest rate due to the inclusion of the amortization of financing charges and the effects of hedging transactions.
(2) The mortgage loan requires interest only payments with a balloon payment due at maturity.
(3) This property is owned by a consolidated entity in which we have a 60% interest.
(4) In connection with the refinancing of the loan, we guaranteed the consolidated entity's obligation to fund various reserves for tenant improvement costs and allowances, leasing commissions and free rent obligations in lieu of cash deposits. As of March 31, 2018, the maximum funding obligation under the guarantee was approximately $171.7 million. We earn a fee from the joint venture for providing the guarantee and have an agreement with our partners to reimburse the joint venture for their share of any payments made under the guarantee (See Note 6 to the Consolidated Financial Statements).
(5) This property is owned by a consolidated entity in which we have a 55% interest.

Off-Balance Sheet Arrangements—Joint Venture Indebtedness

We have investments in unconsolidated joint ventures with our effective ownership interests ranging from 20% to 60%. Ten of these ventures have mortgage indebtedness. We exercise significant influence over, but do not control, these entities and therefore they are presently accounted for using the equity method of accounting. See also Note 4 to the Consolidated Financial Statements. At March 31, 2018, the aggregate carrying amount of debt, including both our and our partners' share, incurred by these ventures was approximately $1.5 billion (of which our proportionate share is approximately $622.2 million). The table below summarizes the outstanding debt of these joint venture properties at March 31, 2018. In addition to other guarantees specifically noted in the table, we have agreed to customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) on certain of the loans.

Properties	Venture Ownership %	Stated Interest Rate	GAAP Interest Rate (1)	Stated Principal Amount	Deferred Financing Costs, Net	Carrying Amount	Carrying Amount (Our Share)		Maturity Date
					(dollars in thousands)				
540 Madison Avenue	60%	3.10%	3.27%	$ 120,000	$ (35)	$ 119,965	$ 71,979	(2)(3)	June 5, 2018
Market Square North	50%	4.85%	4.91%	120,530	(210)	120,320	60,160		October 1, 2020
Annapolis Junction Building One	50%	7.35%	7.52%	39,549	—	39,549	19,775	(4)	March 31, 2018
Annapolis Junction Building Six	50%	3.95%	4.13%	13,481	(23)	13,458	6,729	(5)	November 17, 2018
Annapolis Junction Building Seven and Eight	50%	3.95%	4.23%	35,934	(171)	35,763	17,881	(6)	December 7, 2019
1265 Main Street	50%	3.77%	3.84%	39,534	(382)	39,152	19,576		January 1, 2032
Colorado Center	50%	3.56%	3.58%	550,000	(963)	549,037	274,519	(2)	August 9, 2027
Dock 72	50%	3.94%	5.08%	60,869	(9,438)	51,431	25,716	(2)(7)	December 18, 2020
The Hub on Causeway - Podium	50%	3.97%	4.44%	15,292	(3,304)	11,988	5,994	(2)(8)	September 6, 2021
500 North Capitol Street	30%	4.15%	4.20%	105,000	(306)	104,694	31,408	(2)	June 6, 2023
901 New York Avenue	25%	3.61%	3.69%	225,000	(1,206)	223,794	55,949		January 5, 2025
Metropolitan Square	20%	5.75%	5.81%	162,817	(206)	162,611	32,521		May 5, 2020
Total				$ 1,488,006	$ (16,244)	$ 1,471,762	$ 622,207		

(1) GAAP interest rate differs from the stated interest rate due to the inclusion of the amortization of financing charges, which includes mortgage recording fees.
(2) The loan requires interest only payments with a balloon payment due at maturity.
(3) Mortgage loan bears interest at a variable rate equal to LIBOR plus 1.50% per annum (See Note 12 to the Consolidated Financial Statements).
(4) On April 11, 2016, a notice of event of default was received from the lender because the loan to value ratio is not in compliance with the applicable covenant in the loan agreement. On October 17, 2016, the lender notified the joint venture that it has elected to charge the default rate on the loan. The default rate is defined as LIBOR plus 5.75% per annum. Subsequently, the cash flows generated from the property have become insufficient to fund debt service payments and capital improvements necessary to lease and operate the property and the joint venture is not prepared to fund additional cash shortfalls at this time. Consequently, the joint venture is not current on making debt service payments and remains in default.
(5) The loan bears interest at a variable rate equal to LIBOR plus 2.25% per annum.
(6) The loan bears interest at a variable rate equal to LIBOR plus 2.35% per annum and matures on December 7, 2019, with three, one-year extension options, subject to certain conditions.
(7) The construction financing bears interest at a variable rate equal to LIBOR plus 2.25% per annum and matures on December 18, 2020, with two, one-year extension option, subject to certain conditions.
(8) The construction financing bears interest at a variable rate equal to LIBOR plus 2.25% per annum and matures on September 6, 2021, with two, one-year extension options, subject to certain conditions. In connection with the construction financing, we obtained the right to complete the construction of the garage underneath the project being developed by an affiliate of our joint venture partner and obtain funding from the garage construction lender. We agreed to guarantee completion of the garage to the construction lender and an affiliate of our partner agreed to reimburse us for our partner’s share of any payments under the guarantee.

State and Local Tax Matters

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

Insurance

We carry insurance coverage on our properties of types and in amounts and with deductibles that we believe are in line with coverage customarily obtained by owners of similar properties. For additional information concerning our insurance program, see Note 6 to the Consolidated Financial Statements.

Funds from Operations

Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (“Nareit”), we calculate Funds from Operations, or “FFO,” for each of BXP and BPLP by adjusting net income (loss) attributable to Boston Properties, Inc. common shareholders and net income (loss) attributable to Boston Properties Limited Partnership common unitholders, respectively, (computed in accordance with GAAP) for gains (or losses) from sales of properties, impairment losses on depreciable real estate consolidated on our balance sheet, impairment losses on our investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated joint ventures and our share of real estate-related depreciation and amortization. FFO is a non-GAAP financial measure, but we believe the presentation of FFO, combined with the presentation of required GAAP financial measures, has improved the understanding of operating results of REITs among the investing public and has helped make comparisons of REIT operating results more meaningful. Management generally considers FFO to be useful measures for understanding and comparing our operating results because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairment losses and real estate asset depreciation and amortization (which can differ across owners of similar assets in similar condition based on historical cost accounting and useful life estimates), FFO can help investors compare the operating performance of a company's real estate across reporting periods and to the operating performance of other companies.

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

Boston Properties, Inc.

The following table presents a reconciliation of net income attributable to Boston Properties, Inc. common shareholders to FFO attributable to Boston Properties, Inc. common shareholders for the three months ended March 31, 2018 and 2017:

	Three months ended March 31,	
	2018	2017
	(in thousands)	
Net income attributable to Boston Properties, Inc. common shareholders	$ 176,021	$ 97,083
Add:		
Preferred dividends	2,625	2,625
Noncontrolling interest—common units of Boston Properties Limited Partnership	20,432	11,432
Noncontrolling interests in property partnerships	17,234	4,424
Less:		
Gains on sales of real estate	96,397	133
Income before gains on sales of real estate	119,915	115,431
Add:		
Depreciation and amortization	165,797	159,205
Noncontrolling interests in property partnerships' share of depreciation and amortization	(18,221)	(21,415)
BXP's share of depreciation and amortization from unconsolidated joint ventures	9,444	9,041
Corporate-related depreciation and amortization	(405)	(525)
Less:		
Noncontrolling interests in property partnerships	17,234	4,424
Preferred dividends	2,625	2,625
Funds from Operations (FFO) attributable to Boston Properties Limited Partnership common unitholders (including Boston Properties, Inc.) ("Basic FFO")	256,671	254,688
Less:		
Noncontrolling interest—common units of Boston Properties Limited Partnership's share of funds from operations	26,108	26,305
FFO attributable to Boston Properties, Inc. common shareholders	$ 230,563	$ 228,383
Boston Properties, Inc.'s percentage share of Funds from Operations—basic	89.83%	89.67%
Weighted-average shares outstanding—basic	154,385	153,860

Reconciliation to Diluted Funds from Operations:

	Three months ended March 31, 2018		Three months ended March 31, 2017	
	Income (Numerator)	Shares (Denominator)	Income (Numerator)	Shares (Denominator)
	(in thousands)			
Basic FFO	$ 256,671	171,867	$ 254,688	171,581
Effect of Dilutive Securities				
Stock Based Compensation	—	320	—	354
Diluted FFO	256,671	172,187	254,688	171,935
Less:				
Noncontrolling interest—common units of Boston Properties Limited Partnership's share of diluted FFO	26,060	17,482	26,251	17,721
Boston Properties, Inc.'s share of Diluted FFO (1)	$ 230,611	154,705	$ 228,437	154,214

(1) BXP's share of diluted FFO was 89.85% and 89.69% for the three months ended March 31, 2018 and 2017, respectively.

Boston Properties Limited Partnership

The following table presents a reconciliation of net income attributable to Boston Properties Limited Partnership common unitholders to FFO attributable to Boston Properties Limited Partnership common unitholders for the three months ended March 31, 2018 and 2017:

	Three months ended March 31,	
	2018	2017
	(in thousands)	
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 200,907	$ 110,662
Add:		
Preferred distributions	2,625	2,625
Noncontrolling interests in property partnerships	17,234	4,424
Less:		
Gains on sales of real estate	98,907	133
Income before gains on sales of real estate	121,859	117,578
Add:		
Depreciation and amortization	163,853	157,058
Noncontrolling interests in property partnerships' share of depreciation and amortization	(18,221)	(21,415)
BPLP's share of depreciation and amortization from unconsolidated joint ventures	9,444	9,041
Corporate-related depreciation and amortization	(405)	(525)
Less:		
Noncontrolling interests in property partnerships	17,234	4,424
Preferred distributions	2,625	2,625
Funds from Operations (FFO) attributable to Boston Properties Limited Partnership common unitholders ("Basic FFO") (1)	$ 256,671	$ 254,688
Weighted-average units outstanding—basic	171,867	171,581

(1) Our calculation includes OP Units and vested LTIP Units (including vested 2012 OPP Units, vested 2013 MYLTIP Units, vested 2014 MYLTIP Units and vested 2015 MYLTIP Units).

Reconciliation to Diluted Funds from Operations:

	Three months ended March 31, 2018		Three months ended March 31, 2017	
	Income (Numerator)	Units (Denominator)	Income (Numerator)	Units (Denominator)
	(in thousands)			
Basic FFO	$ 256,671	171,867	$ 254,688	171,581
Effect of Dilutive Securities				
Stock Based Compensation	—	320	—	354
Diluted FFO	$ 256,671	172,187	$ 254,688	171,935

Contractual Obligations

We have various service contracts with vendors related to our property management. In addition, we have certain other contracts we enter into in the ordinary course of business that may extend beyond one year. These contracts include terms that provide for cancellation with insignificant or no cancellation penalties. Contract terms are generally between three and five years.

During the first quarter of 2018, we paid approximately $78.8 million to fund tenant-related obligations, including tenant improvements and leasing commissions, and incurred approximately $105 million of new tenant-related obligations associated with approximately 1.2 million square feet of second generation leases, or approximately $86 per square foot. In addition, we signed leases for approximately 900,000 square feet at our development properties. The tenant-related obligations for the development properties are included within the projects' "Estimated Total Investment" referred to in *"Item 2—Management's Discussion and Analysis of Financial Condition"* and *"Results of Operations—Liquidity and Capital Resources."* In the aggregate, during the first quarter of 2018, we signed leases for approximately 2.1 million square feet of space and incurred aggregate tenant-related obligations of approximately $205 million, or approximately $97 per square foot.

ITEM 3—Quantitative and Qualitative Disclosures about Market Risk.

The following table presents the aggregate carrying value of our mortgage notes payable, net, unsecured senior notes, net, unsecured line of credit and our corresponding estimate of fair value as of March 31, 2018. Approximately $10.2 billion of these borrowings bore interest at fixed rates and therefore the fair value of these instruments is affected by changes in the market interest rates. As of March 31, 2018, the weighted-average interest rate on our variable rate debt was LIBOR plus 0.825%, or 2.62% per annum. The following table presents our aggregate fixed rate debt obligations with corresponding weighted-average interest rates sorted by maturity date and our aggregate variable rate debt obligations sorted by maturity date.

The table below does not include our unconsolidated joint venture debt. For a discussion concerning our unconsolidated joint venture debt, see Note 4 to the Consolidated Financial Statements and "*Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations—Capitalization—Off-Balance Sheet Arrangements—Joint Venture Indebtedness.*"

	2018	2019	2020	2021	2022	2023+	Total	Estimated Fair Value
				(dollars in thousands) Mortgage debt, net				
Fixed Rate	$ 10,357	$ 15,745	$ 16,841	$ 36,346	$ 611,132	$ 2,284,509	$ 2,974,930	$ 2,957,054
Average Interest Rate	5.38%	5.53%	5.55%	6.61%	4.79%	3.64%	3.95%	
Variable Rate	—	—	—	—	—	—	—	—
				Unsecured debt, net				
Fixed Rate	$ (6,623)	$ 691,234	$ 691,727	$ 843,045	$ (6,474)	$ 5,036,474	$ 7,249,383	$ 7,262,443
Average Interest Rate	—	5.97%	5.71%	4.29%	—	3.65%	4.15%	
Variable Rate	—	—	—	—	$ 115,000	—	$ 115,000	$ 115,000
	$ 3,734	$ 706,979	$ 708,568	$ 879,391	$ 719,658	$ 7,320,983	$ 10,339,313	$ 10,334,497

At March 31, 2018, the weighted-average coupon/stated rates on the fixed rate debt stated above was 3.98% per annum. At March 31, 2018, our outstanding variable rate debt based on LIBOR totaled approximately $115.0 million. At March 31, 2018, the coupon/stated rate on our variable rate debt was approximately 2.62%. If market interest rates on our variable rate debt had been 100 basis points greater, total interest expense would have increased approximately $287,500 for the three months ended March 31, 2018.

The fair value amounts were determined solely by considering the impact of hypothetical interest rates on our financial instruments. Due to the uncertainty of specific actions we may undertake to minimize possible effects of market interest rate increases, this analysis assumes no changes in our financial structure.

ITEM 4—Controls and Procedures.

Boston Properties, Inc.

(a) Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report, our management, with the participation of Boston Properties, Inc.'s Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, Boston Properties, Inc.'s Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Control Over Financial Reporting. No change in Boston Properties, Inc.’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the first quarter of our fiscal year ending December 31, 2018 that has materially affected, or is reasonably likely to materially affect, Boston Properties, Inc.’s internal control over financial reporting.

Boston Properties Limited Partnership

(a) Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report, the management of Boston Properties, Inc., the sole general partner of Boston Properties Limited Partnership, with the participation of its Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer of Boston Properties, Inc. concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Control Over Financial Reporting. No change in its internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the first quarter of our fiscal year ending December 31, 2018 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1—Legal Proceedings.

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

ITEM 1A—Risk Factors.

Except to the extent updated below or previously updated or to the extent additional factual information disclosed elsewhere in these Quarterly Reports on Form 10-Q relates to such risk factors (including, without limitation, the matters discussed in Part I, "*Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations*"), there were no material changes to the risk factors disclosed in Part I, "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2017.

ITEM 2—Unregistered Sales of Equity Securities and Use of Proceeds

Boston Properties, Inc.

(a) During the three months ended March 31, 2018, Boston Properties, Inc. issued an aggregate of 24,265 shares of common stock in exchange for 24,265 common units of limited partnership held by certain limited partners of Boston Properties Limited Partnership. Of these shares, 1,500 shares were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended. We relied on the exemption under Section 4(a)(2) based upon factual representations received from the limited partner who received the common shares.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities.

Period	(a) Total Number of Shares of Common Stock Purchased		(b) Average Price Paid per Common Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased
January 1, 2018 - January 31, 2018	8,427	(1)	$122.33	N/A	N/A
February 1, 2018 - February 28, 2018	366	(1)	$119.34	N/A	N/A
March 1, 2018 - March 31, 2018	—		—	N/A	N/A
Total	8,793		$122.21	N/A	N/A

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(1) Represents shares of Common Stock surrendered by employees to the Company to satisfy such employees' tax withholding obligations in connection with the vesting of restricted Common Stock.

Boston Properties Limited Partnership

(a) Each time Boston Properties, Inc. issues shares of stock (other than in exchange for common units when such common units are presented for redemption), it contributes the proceeds of such issuance to Boston Properties Limited Partnership in return for an equivalent number of partnership units with rights and preferences analogous to the shares issued. During the three months ended March 31, 2018, in connection with issuances of common stock by Boston Properties, Inc. pursuant to issuances to employees of restricted common stock under the Boston Properties, Inc. 2012 Stock Option and Incentive Plan and pursuant to issuances under the Boston Properties, Inc. 1999 Non-Qualified Employee Stock Purchase Plan, we issued an aggregate of approximately 21,544 common units to Boston Properties, Inc. in exchange for approximately $363,429, the aggregate proceeds of such common stock issuances to Boston Properties, Inc. Such units were issued in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended.

(b) Not Applicable.

(c) Issuer Purchases of Equity Securities.

Period	(a) Total Number of Units Purchased		(b) Average Price Paid per Unit	(c) Total Number of Units Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Units that May Yet be Purchased
January 1, 2018 - January 31, 2018	8,768	(1)	$117.58	N/A	N/A
February 1, 2018 - February 28, 2018	338,213	(2)	$0.38	N/A	N/A
March 1, 2018 - March 31, 2018	1,755	(3)	$0.25	N/A	N/A
Total	348,736		$3.32	N/A	N/A

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(1) Includes 8,427 common units previously held by Boston Properties, Inc. that were redeemed in connection with the January 15, 2018 surrender of shares of restricted common stock of Boston Properties, Inc. by employees to Boston Properties, Inc. to satisfy such employees' tax withholding obligations in connection with the vesting of restricted common stock and 341 LTIP units that were repurchased in connection with the termination of an employee's employment with Boston Properties, Inc. Under the terms of the applicable LTIP unit vesting agreements, such units were repurchased by Boston Properties Limited Partnership at a price of $0.25 per unit, which was the amount originally paid by such employee for such units.

(2) Includes 337,847 2015 MYLTIP units. The measurement period for such 2015 MYLTIP units ended on February 4, 2018 and Boston Properties, Inc.'s total return to stockholders was sufficient for employees to earn and therefore become eligible to vest in a portion of the 2015 MYLTIP units. Under the terms of the applicable 2015 MYLTIP award agreements, the 337,847 unearned 2015 MYLTIP units were repurchased at a price of $0.25 per 2015 MYLTIP unit, which was the amount originally paid by each employee for the units. Also includes 366 common units previously held by Boston Properties, Inc. that were redeemed in connection with the surrender of shares of restricted common stock of Boston Properties, Inc. by an employee to Boston Properties, Inc. to satisfy such employee's tax withholding obligation in connection with the vesting of restricted common stock.

(3) Represents LTIP units that were repurchased in connection with the termination of certain employees' employment with Boston Properties, Inc. Under the terms of the applicable LTIP unit vesting agreements, such units were repurchased by Boston Properties Limited Partnership at a price of $0.25 per unit, which was the amount originally paid by such employees for such units.

ITEM 3—Defaults Upon Senior Securities.

None.

ITEM 4—Mine Safety Disclosures.

None.

ITEM 5—Other Information.

(a) None.

(b) None.

ITEM 6—Exhibits.

(a) Exhibits

10.1	—	Employment Agreement by and between John F. Powers and Boston Properties, Inc. dated as of January 2, 2018. (Incorporated by reference to Exhibit 10.32 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2018.)
10.2	—	Employment Agreement by and between Owen D. Thomas and Boston Properties, Inc. dated as of April 2, 2018. (Filed herewith.)
12.1	—	Calculation of Ratios of Earnings to Fixed Charges and Calculation of Ratios of Earnings to Combined Fixed Charges and Preferred Dividends for Boston Properties, Inc. (Filed herewith.)
12.2	—	Calculation of Ratios of Earnings to Fixed Charges and Calculation of Ratios of Earnings to Combined Fixed Charges and Preferred Distributions for Boston Properties Limited Partnership. (Filed herewith.)
31.1	—	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Boston Properties, Inc. (Filed herewith.)
31.2	—	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Boston Properties, Inc. (Filed herewith.)
31.3	—	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Boston Properties Limited Partnership. (Filed herewith.)
31.4	—	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Boston Properties Limited Partnership. (Filed herewith.)
32.1	—	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 for Boston Properties, Inc. (Furnished herewith.)
32.2	—	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 for Boston Properties, Inc. (Furnished herewith.)
32.3	—	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 for Boston Properties Limited Partnership. (Furnished herewith.)
32.4	—	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 for Boston Properties Limited Partnership. (Furnished herewith.)
101	—	The following materials from Boston Properties, Inc.'s and Boston Properties Limited Partnership's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2018 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Partners' Capital (vi) the Consolidated Statements of Cash Flows, and (vii) related notes to these financial statements.

SIGNATURES

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

BOSTON PROPERTIES, INC.

May 8, 2018

/s/ MICHAEL R. WALSH

Michael R. Walsh

Chief Accounting Officer
(duly authorized officer and principal accounting officer)

SIGNATURES

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

BOSTON PROPERTIES LIMITED PARTNERSHIP
By: Boston Properties, Inc., its General Partner

May 8, 2018

/s/ MICHAEL R. WALSH

Michael R. Walsh
Chief Accounting Officer
(duly authorized officer and principal accounting officer)

Exhibit 10.2

EMPLOYMENT AGREEMENT

THIS AGREEMENT (the "Agreement") is made the 2nd day of April, 2018, by and between Owen D. Thomas (the "Executive") and Boston Properties, Inc., a Delaware corporation, with its principal executive office located at 800 Boylston Street, Boston, Massachusetts 02199 (together with its subsidiaries, the "Company").

WITNESSETH THAT:

WHEREAS, Executive has been employed by the Company as its Chief Executive Officer and has served the Company as a member of the Company's Board of Directors (the "Board of Directors") pursuant to an Employment Agreement dated March 10, 2013 (the "2013 Agreement") in which capacities he has provided services to the Company and Boston Properties Limited Partnership ("BPLP"), of which the Company is General Partner and owner of the majority economic interest; and

WHEREAS, the Company and Executive desire to continue the Executive's employment as Chief Executive Officer and his service as a member of the Board of Directors based on the terms set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and premises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive hereby agree as follows:

1. Term. The term of Executive's employment with the Company pursuant to this Agreement shall commence on April 2, 2018 (the "Effective Date") and shall continue until and June 30, 2023 unless earlier terminated as provided herein. As used herein, the "Term" shall mean the period of Executive's employment pursuant to this Agreement and shall end upon any termination of Executive's employment with the Company as provided herein. Notwithstanding the foregoing, in the event a Change in Control (as defined in Paragraph 9(d)) occurs during the Term, the Term shall be extended until twenty-four (24) months after the Change in Control.

2. Employment; Duties; Location.

(a) During the Term, Executive shall continue to be employed by the Company as its Chief Executive Officer and shall continue to serve as a member of the Board of Directors under the same terms as the other Directors, with no additional compensation. While Executive remains Chief Executive Officer of the Company, he will be nominated for re-election to the Board of Directors each year. Executive agrees he will resign from the Board of Directors upon his termination of employment from the Company at the request of the Board. Executive's duties and authority shall be commensurate with his title and position with the Company, and shall include the performance of services in respect of BPLP. Executive shall report directly to the Board of Directors. Executive shall be principally located at the Company's New York office.

(b) Executive agrees to his employment as described in this Paragraph 2 and agrees to continue to devote substantially all of his working time and efforts to the performance of his duties hereunder, except as otherwise approved by the Board of Directors or as specifically otherwise provided in this Agreement. Executive shall be permitted to continue such outside positions as set forth in Exhibit A. Executive may also engage in religious, charitable or other community activities as long as such activities do not materially interfere with Executive's performance of his duties to the Company under this Agreement. Other than as set forth in Exhibit A, Executive may not serve on other boards of directors of for-profit companies without the consent of the Board of Directors. Notwithstanding the foregoing, nothing herein shall be interpreted to preclude Executive from (i) engaging in Minority Interest Passive Investments (as defined below), including Minority Interest Passive Investments in, or relating to the ownership, development, operation, management, or leasing of, commercial real estate properties or (ii) participating as an officer or director of, or advisor to, any organization that is not engaged in the acquisition, development, construction, operation, management, or leasing of any commercial real estate property; provided that such activities and related duties and pursuits do not materially restrict Executive's ability to fulfill his obligations as an officer and employee of the Company as set forth herein.

Engaging in a "Minority Interest Passive Investment" means acquiring, holding, and exercising the voting rights associated with an investment made through (i) the purchase of securities (including partnership interests) that represent a non-controlling, minority interest in an entity or (ii) the lending of money, in either case with the purpose or intent of obtaining a return on such investment but without management by Executive of the property or business to which such investment directly or indirectly relates and without any business or strategic consultation by Executive with such entity.

3. Compensation.

(a) Base Salary. The Company shall pay Executive during the Term an annual salary of $875,000 (the "Base Salary"), payable in accordance with the Company's normal business practices for senior executives (including tax withholding), but in no event less frequently than monthly. Executive's Base Salary shall be reviewed at least annually by the Compensation Committee of the Board of Directors (the "Compensation Committee") and may be increased in its discretion but, once increased, may not be decreased (with any such increased Base Salary being considered thereafter the Base Salary for all purposes of this Agreement).

(b) Bonus. Executive's annual target bonus shall be 250 percent of his Base Salary. On each annual compensation determination date established by the Company during the Term in respect of the Company's senior executive team, the Company shall review the performance of the Company and of Executive during the prior year, and the Company may provide Executive with additional compensation as a bonus if the Compensation Committee, in its discretion and with consideration of the target bonus described above, determines that Executive's contribution to the Company warrants such additional payment and the Company's anticipated financial performance for the present period permits such payment. Such bonus for any calendar year shall be paid in cash no later than March 15 of the following calendar year.

(c) Equity Compensation. For each calendar year during the Term, Executive will be eligible to participate in the Company's long-term incentive program, with the size of equity grants to be determined at the discretion of the Compensation Committee based on Company and individual performance and competitive peer group information. Long term incentive may be provided in the form of stock options, restricted stock, restricted stock units and/or Long Term Incentive Units in accordance with the terms of the Boston Properties, Inc. 2012 Stock Option and Incentive Plan or any successor stock incentive plan adopted by the Company from time to time (the "Stock Plan"). Such awards will be pro-rated for any partial year of employment. Such awards will be subject to either time-based and/or performance-based vesting as determined by the Compensation Committee. The terms and conditions of equity grants to Executive in respect of any calendar year, including vesting, and types of awards, shall be no less favorable than the terms and conditions of equity grants provided to other executives of the Company, generally, in respect of such calendar year.

4. Benefits. During the Term, Executive shall be entitled to receive the following benefits:

(a) Medical/Dental Insurance. Executive shall be entitled to participate in any and all health plans, including all medical and dental insurance plans, as in effect from time to time for senior executives of the Company. Such participation shall be subject to (i) the terms of the applicable plan documents, (ii) generally applicable policies of the Company, and (iii) the discretion of the Board of Directors, the Compensation Committee or any administrative or other committee provided for in, or contemplated by, such plan; provided that the terms and conditions of Executive's participation in such plans shall be no less favorable to Executive in any manner than such terms and conditions applicable to other senior executives of the Company. Nothing contained in this Agreement shall be construed to create any obligation on the part of the Company to establish any such plan or to maintain the effectiveness of any such plan which may be in effect from time to time.

(b) Life Insurance; Disability Insurance. The Company shall provide Executive with such life and/or disability insurance as the Company may from time to time make available to senior executives of the Company, with the level of benefits applicable to Executive commensurate with Executive's compensation as compared to that of other senior executives.

(c) Expenses. The Company shall promptly reimburse Executive for all reasonable business expenses incurred by Executive in accordance with the practices of the Company for senior executives of the Company, as in effect from time to time.

(d) Vacation. Executive shall receive paid vacation annually in accordance with terms determined for such Executive by the Company, but in no event shall Executive receive less than four weeks of paid vacation per year.

(e) Deferred Compensation. Executive shall be entitled to participate in any deferred compensation plan or arrangement that the Company may have in place for its senior executives, directors and/or officers.

(f) Automobile. The Company shall provide Executive with the use of a Company-owned or leased automobile.

(g) Other Benefits. The Company shall provide to Executive such other benefits, including the right to participate in such retirement or pension plans, as are made generally available to senior executives of the Company from time to time. Such participation shall be subject to (i) the terms of the applicable plan documents, (ii) generally applicable policies of the Company, and (iii) the discretion of the Board of Directors, the Compensation Committee or any administrative or other committee provided for in, or contemplated by, such plan; provided that the terms and conditions of Executive's participation in such plans shall be no less favorable to Executive in any manner than such terms and conditions applicable to other senior executives of the Company.

(h) Taxation of Payments and Benefits. The Company shall undertake to make deductions, withholdings and tax reports with respect to payments and benefits under this

Agreement to the extent that it reasonably and in good faith believes that it is required to make such deductions, withholdings and tax reports. Payments under this Agreement shall be in amounts net of any such deductions or withholdings. Nothing in this Agreement shall be construed to require the Company to make any payments to compensate Executive for any adverse tax effect associated with any payments or benefits or for any deduction or withholding from any payment or benefit.

5. Indemnification. To the full extent permitted by law and subject to the Company's Certificate of Incorporation and Bylaws, and under terms and conditions no less favorable to Executive in any regard than to any other officer or director of the Company, the Company shall indemnify Executive with respect to any actions commenced against Executive in his capacity as a director or officer or former director or officer of the Company, or any affiliate thereof for which he may serve in such capacity, and the Company shall advance on a timely basis any expenses incurred in defending such actions. The obligation to indemnify hereunder shall survive the termination of this Agreement indefinitely. The Company agrees to maintain directors' and officers' liability insurance with respect to Executive. Executive shall be designated as a "covered person" under the Company's directors' and officers' liability insurance coverage and shall be covered to the same extent as other directors and executive officers, including following the termination of Executive's employment for the maximum statute of limitations period which could apply to any claim against Executive which otherwise would be covered by such insurance.

6. Company Authority/Policies. Executive agrees to observe and comply with the rules and regulations of the Company as adopted by its Board of Directors respecting the performance of his duties and to carry out and perform orders, directions and policies communicated to him from time to time by the Board of Directors, to the extent consistent with Executive's duties pursuant to Paragraph 2 above. Executive also agrees to comply with the Company's stock ownership guidelines in effect from time to time.

7. Records/Nondisclosure/Company Policies.

(a) General. All records, financial statements and similar documents obtained, reviewed or compiled by Executive in the course of the performance by him of services for the Company, whether or not confidential information or trade secrets, shall be the exclusive property of the Company. Executive shall have no rights in such documents upon any termination of Executive's employment.

(b) Confidential Information. Executive will not disclose to any person or entity (except as required by applicable law, the rules of the New York Stock Exchange, or otherwise in connection with the performance of his duties and responsibilities hereunder), or use for his own benefit or gain, any confidential information of the Company obtained by him incident to his employment with the Company. Executive shall take all reasonable steps to safeguard any confidential information and to protect such confidential information against disclosure, misuse, loss, or theft. The term "confidential information" includes, without limitation, financial information, business plans, prospects, and opportunities which have been discussed or considered by the management of the Company, but does not include any information which has become part of the public domain by means other than Executive's non-observance of his obligations hereunder. Executive understands that pursuant to the federal Defend Trade Secrets Act of 2016, Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. For the avoidance of doubt, nothing contained in this Agreement limits Executive's ability to communicate with the Securities and Exchange Commission, including to provide documents or other information, without notice to the Company.

This Paragraph 7 shall survive the termination of this Agreement.

8. Termination/Severance.

(a) General.

(i) At Will Employment. Executive's employment hereunder is "at will" and, therefore, may be terminated at any time, with or without cause, at the option of the Company or Executive, subject only to the severance obligations under this Paragraph 8.

(ii) Notice of Termination. Except for termination as a result of Executive's death as specified in Subparagraph 8(b), during the Term, any termination of Executive's employment by the Company or any such termination by Executive shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision hereunder relied upon by the terminating party.

(iii) Date of Termination. "Date of Termination" shall mean: (A) if Executive's employment is terminated by his death, the date of his death; (B) if Executive's employment is terminated on account of disability under Subparagraph 8(c), the date on which Notice of Termination is given by the Company, or such later date as is indicated in the Notice of Termination; (C) if Executive's employment is terminated by the Company for Cause under Subparagraph 8(d), the date on which a Notice of Termination is given by the Company, or such later date as is indicated in the Notice of Termination; (D) if Executive's employment is terminated by the Company without Cause under Subparagraph 8(e)(i), thirty (30) days after the date on which a Notice of Termination is given by the Company, or such later date as is indicated in the Notice of Termination, *provided* that the Company may establish a Date of Termination earlier than thirty (30) days after the Notice of Termination if, in addition to other amounts due pursuant to this Agreement, it pays Executive the amount equal to the Base Salary and the employer-paid portion of any employee group health plan benefits for the portion of such thirty (30) day period that follows the Date of Termination; (E) if Executive's employment is terminated by Executive under Subparagraph 8(f), thirty (30) days after the date on which a Notice of Termination is given by the Executive, or such other date as is mutually agreed by Executive and the Company; and (F) if Executive's employment is terminated by Executive under Subparagraph 8(e)(ii) for Good Reason, the date on which the Notice of Termination is given by the Executive after the end of the thirty (30) day cure period, or such other date as is mutually agreed by Executive and the Company.

(b) Death. If Executive dies during the Term, the Term shall terminate as of the date of death, and the Company shall, within ninety (90) days of death, pay in a lump sum amount to such person as Executive shall designate in a notice filed with the Company or, if no such person is designated, to Executive's estate, Executive's accrued and unpaid Base Salary to his date of death, plus his target bonus for the calendar year of termination, prorated for the number of days actually employed in the then current calendar year, to the extent unpaid on the

Date of Termination. All unvested stock options and stock-based grants with time-based vesting shall vest and become exercisable by Executive's estate or other legal representatives or nonforfeitable, as applicable, on the Date of Termination, and all unvested stock options and stock-based grants with performance-based vesting shall vest and become exercisable by Executive's estate or other legal representatives or nonforfeitable, as applicable, to the extent provided in the applicable award agreements, and Executive's estate or other legal representatives shall have such period of time to exercise the stock options as is provided in the Stock Plan and agreements with Executive pursuant thereto. For a period of eighteen (18) months following the Date of Termination and subject to the continued copayment of premium amounts by Executive's spouse and dependents in amounts consistent with that applicable to active employees, Executive's spouse and dependents shall continue to participate in the Company's health insurance plan (medical, dental and vision) upon the same terms and conditions in effect for other executives of the Company; provided, however, that (i) the continuation of health benefits under this Subparagraph shall reduce and count against the rights of Executive's spouse and dependents under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA"), and (ii) the value of premiums paid by the Company shall be reportable as taxable income to Executive's spouse to the extent required by applicable law in order for the benefits received by Executive's spouse and dependents to be non-taxable or to avoid imposition of penalty taxes on the Company pursuant to the Patient Protection and Affordable Care Act. In addition to the foregoing, any payments to which Executive's spouse, beneficiaries, or estate may be entitled under any employee benefit plan shall also be paid in accordance with the terms of such plan or arrangement. Such payments, in the aggregate, shall fully discharge the Company's obligations hereunder.

(c) Disability. If during the Term, as a result of Executive's incapacity due to physical or mental illness, Executive shall have been absent from his duties hereunder on a full-time basis for one hundred eighty (180) calendar days in the aggregate in any twelve (12) month period, the Company may terminate Executive's employment hereunder and the Company shall, within ninety (90) days of such termination, pay in a lump sum amount to Executive, Executive's accrued and unpaid Base Salary to his Date of Termination, plus his target bonus for the calendar year of termination, prorated for the number of days actually employed in the then current calendar year, to the extent unpaid on the Date of Termination. During any period during the Term that Executive fails to perform his duties hereunder as a result of incapacity due to physical or mental illness, but prior to Executive's termination in accordance with the preceding sentence or otherwise under this Agreement, Executive shall continue to be treated as an active employee for all purposes under this Agreement and any other benefit and compensation arrangements of the Company. All unvested stock options and stock-based grants with time-based vesting shall vest and become exercisable or nonforfeitable, as applicable, as of the Date of Termination, and all unvested stock options and stock-based grants with performance-based vesting shall become exercisable or nonforfeitable, as applicable, to the extent provided in the applicable award agreements, and Executive shall have such period of time to exercise the stock options as is provided in the Stock Plan and agreements with Executive pursuant thereto. For a period of eighteen (18) months following the Date of Termination and subject to Executive's continued copayment of premium amounts in amounts consistent with that applicable to active employees, Executive, Executive's spouse and dependents shall continue to participate in the Company's health insurance plan (medical, dental and vision) upon the same terms and conditions in effect for other executives of the Company; provided, however, that (i) the continuation of health benefits under this Subparagraph shall reduce and count against the rights of Executive, Executive's spouse and dependents under COBRA, and (ii) the value of premiums paid by the Company shall be reported as taxable income to Executive to the extent required by applicable law in order for the benefits received by Executive, Executive’s spouse and dependents to be non-taxable or to avoid imposition of penalty taxes on the Company pursuant to the Patient Protection and Affordable Care Act. Such payment will be made within sixty (60) days of Executive’s termination of employment. In addition to the foregoing, any payments to which Executive may be entitled under any employee benefit plan shall also be paid in accordance with the terms of such plan or arrangement. Such payments, in the aggregate, shall fully discharge the Company’s obligations hereunder.

(d) Termination by the Company for Cause.

(i) The Company may terminate Executive’s employment hereunder for Cause. “Cause” shall mean: (A) gross negligence or willful misconduct by Executive in connection with the performance of his material duties hereunder; (B) a breach by Executive of any of his material duties hereunder (for reasons other than physical or mental illness) and the failure of Executive to cure such breach within thirty (30) days after written notice thereof by the Company; or (C) indictment of Executive of a felony and such indictment has a material adverse effect on the interests or reputation of the Company. Termination for Cause may only occur after reasonable advance written notice to Executive of the events giving rise to the potential termination for “Cause,” at a meeting of the Board of Directors called for this purpose and at which Executive has the opportunity to be represented by counsel, at which at least two-thirds of the non-employee members of the Board of Directors vote to terminate employment for “Cause.”

(ii) If during the Term, Executive’s employment is terminated by the Company for Cause, then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary. Thereafter, the Company shall have no further obligations to Executive except as otherwise provided hereunder; provided that any such termination shall not adversely affect or alter Executive’s rights under any employee benefit plan of the Company in which Executive, at the Date of Termination, has a vested interest. Notwithstanding the foregoing and in addition to whatever other rights or remedies the Company may have at law or in equity, all vested and unvested stock options, and all unvested other stock-based grants, held by Executive as of the Date of Termination, shall immediately expire on the Date of Termination if Executive’s employment is terminated by the Company for Cause.

(e) Termination by the Company without Cause or by Executive for Good Reason.

(i) The Company may terminate Executive’s employment hereunder without Cause if such termination is approved by the Board of Directors. Any termination by the Company of Executive’s employment hereunder which does not (A) constitute a termination for Cause under Subparagraph (d)(i), (B) result from the death or disability of Executive under Subparagraph (b) or (c), or (C) result from the expiration of the Term on June 30, 2023 shall be deemed a termination without Cause.

(ii) Executive may terminate his employment hereunder for Good Reason. “Good Reason” shall mean the occurrence of any of the following without Executive’s written consent: (A) a material adverse change, in the nature or scope of Executive’s responsibilities, authorities, powers, functions, or duties under this Agreement (which for the avoidance of doubt shall be deemed to occur in the event that the Company ceases to be a standalone public company, whether through becoming a subsidiary of a publicly held company or becoming a privately held company); (B) a breach by the Company of any of its material obligations hereunder; or (C) a material change in the geographic location at which Executive must perform his services. To constitute a Good Reason termination, Executive (1) must provide written notice to the Company within ninety (90) days of Executive's initial actual knowledge of the existence of the event constituting Good Reason, (2) may not terminate his employment pursuant to this Subparagraph unless the Company fails to remedy the event constituting Good Reason within thirty (30) days after such notice has been deemed given pursuant to this Agreement (the "Cure Period"), and (3) Executive must terminate employment with the Company no later than thirty (30) days after the end of the Cure Period, and only if the Company has failed to remedy the event constituting Good Reason within the Cure Period.

(iii) If during the Term and prior to a Change in Control Executive's employment is terminated by the Company without Cause or if Executive terminates his employment for Good Reason in accordance with this Subparagraph (e), then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary and his target bonus for the calendar year of termination, prorated for the number of days actually employed in the then current calendar year, to the extent unpaid on the Date of Termination. In addition, subject to signing by Executive of a general release of claims in a form attached hereto as Exhibit B (the "Release") and the Release becoming irrevocable, all within thirty (30) days after the Date of Termination, Executive shall be entitled to the following:

(A) Salary continuation in an amount (the "Severance Amount") equal to two (2) times the sum of (x) his annual Base Salary under Subparagraph 3(a) and (y) the amount of his cash bonus, if any, received in respect of the immediately preceding calendar year under Subparagraph 3(b) (or, if greater, Executive's target bonus for such immediately preceding calendar year). The Severance Amount shall be paid in equal installments in accordance with the Company's then payroll practice over a twenty-four (24) month period beginning with the first payroll date that occurs at least thirty (30) days after the Date of Termination. Solely for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), each installment payment is considered a separate payment;

(B) For a period of twenty-four (24) months following the Date of Termination or until Executive becomes covered under a group health plan of another employer, whichever is earlier, subject to Executive's continued copayment of premium amounts in amounts consistent with that applicable to active employees, Executive, Executive's spouse and dependents shall continue to participate in the Company's health insurance plan (medical, dental and vision) upon the same terms and conditions in effect for other executives of the Company; provided, however, that (x) the continuation of health benefits under this Subparagraph shall reduce and count against the rights of Executive, Executive's spouse and dependents under COBRA, and (y) the value of premiums paid by the Company shall be reported as taxable income to Executive to the extent required by applicable law in order for the benefits received by Executive's spouse and dependents to be non-taxable or to avoid imposition of penalty taxes on the Company pursuant to the Patient Protection and Affordable Care Act; and

(C) All stock options and other stock-based awards with time-based vesting in which Executive would have vested if he had remained employed for a period of twenty-four (24) months commencing on the Date of Termination shall vest and become exercisable or nonforfeitable, as applicable, as of the Date of Termination, and all stock options and other stock-based awards with performance-based vesting held by Executive shall become exercisable or nonforfeitable to the extent provided in the applicable award agreements. To avoid termination or forfeiture of any unvested stock option or stock-based award during the consideration of the Release, any termination or forfeiture of any unvested portion of any stock option or stock-based award that is eligible for acceleration of vesting pursuant to this Subparagraph that otherwise would have occurred on or within thirty (30) days after the Date of Termination will be delayed until the 30th day after the Date of Termination (but in no event later than the expiration date thereof) and will only occur to the extent such portion of such award does not vest pursuant to this section.

(f) Voluntary Termination by Executive. Executive may terminate his employment hereunder for any reason, including, but not limited to, Good Reason in accordance with Subparagraph (e)(ii). If Executive's employment is terminated by Executive other than for Good Reason, then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary. Thereafter, the Company shall have no further obligations to Executive except as otherwise expressly provided hereunder; provided any such termination shall not adversely affect or alter Executive's rights under any employee benefit plan of the Company in which Executive, at the Date of Termination, has a vested interest. The vesting and exercise of any stock options and the forfeitability of any stock-based grants held by Executive shall be governed by the terms of the Stock Plan and the related agreements between Executive and the Company.

(g) Attainment of Age 62 with 10 or More Years of Service. Notwithstanding any terms of the Stock Plan or any related agreement to the contrary, award agreements between the Company and Executive that are entered into after the Effective Date and govern the terms of stock option, other stock-based, or incentive equity awards ("Incentive Equity Awards") shall either provide or be deemed to provide that if Executive is employed by the Company when he attains age 62 and has completed at least ten (10) years of employment with the Company (at which time, for the avoidance of doubt, Executive shall have satisfied all requirements necessary for retirement treatment, and/or be deemed to satisfy any greater age and service requirement necessary for retirement treatment, under any equity-based awards):

(i) regardless of whether Executive remains employed by the Company, the full number of LTIP units (and/or the full number of shares of common stock or other equity-based awards, if applicable) the Executive earns (if any) under any Incentive Equity Awards with performance-based vesting (e.g., a Multi-Year Long-Term Incentive Program award) ("Performance Awards") shall be determined in the same manner and at the same time as it otherwise would have been the case if Executive had remained employed by the Company through the full vesting period for the applicable Performance Award, including without limitation with respect to performance hurdles and lapse of restrictions on transfer, without any proration of the award due to service time, and with any service-based vesting requirements deemed satisfied over the relevant service-vesting schedule. The benefits of the immediately preceding sentence are referred to below as "Performance Award Enhancements." The period for which the covenants set forth in Paragraph 10 are applicable shall be extended as set forth in Paragraph 10; provided that Executive may waive the Performance Award Enhancements with respect to one or more Performance Awards and thereby affect the length of the period for which such covenants are applicable, as provided in Paragraph 10. To be effective, such waiver must be effected by written notice given before the date of the commencement of any activities otherwise prohibited by Paragraph 10; and

(ii) Incentive Equity Awards with time-based vesting shall vest in full (without proration) and become exercisable or nonforfeitable, as applicable. For the avoidance of doubt, (x) such vesting shall not be construed to affect restrictions on transfer (if any) provided in the applicable award agreement and the (y) vesting of any Performance Award covered by Performance Award Enhancements shall be governed by Subparagraph 8(g)(i) above and not by this Subparagraph 8(g)(ii).

(h) Expiration of the Term. For the avoidance of doubt, the expiration of the Term of this Agreement on June 30, 2023 will not constitute or result in a termination of employment by the Company without Cause, and Executive acknowledges that the severance provisions of Paragraphs 8 (other than Subparagraph 8(g)) and 9 shall not apply.

(i) No Mitigation. Without regard to the reason for the termination of Executive's employment hereunder, Executive shall be under no obligation to mitigate damages with respect to such termination under any circumstances and in the event Executive is employed or receives income from any other source, there shall be no offset against the amounts due from the Company hereunder.

9. Change in Control Payment. The provisions of this Paragraph 9 set forth certain terms of an agreement reached between Executive and the Company regarding Executive's rights and obligations upon the occurrence of a Change in Control of the Company. These provisions are intended to assure and encourage in advance Executive's continued attention and dedication to his assigned duties and his objectivity during the pendency and after the occurrence of any such event. These provisions shall apply in lieu of, and expressly supersede, the provisions of Subparagraph 8(e) regarding severance pay and benefits upon an involuntary termination of employment, if such termination of employment occurs during the Term upon or within twenty-four (24) months after the occurrence of the first event constituting a Change in Control. These provisions shall terminate and be of no further force or effect beginning twenty-four (24) months after the occurrence of a Change in Control, at which point the provisions of Subparagraph 8(e) shall again become effective in accordance with their terms. For the avoidance of doubt, Executive's Change in Control benefits shall be governed solely by this Paragraph 9, and Executive shall not participate in any Change in Control severance plans or programs maintained by the Company.

(a) Change in Control Benefits. During the Term, if upon or within twenty-four (24) months after a Change in Control, Executive's employment is terminated by the Company without Cause or Executive terminates his employment for Good Reason, then the Company shall, through the Date of Termination, pay Executive his accrued and unpaid Base Salary and his target bonus for the calendar year of termination, prorated for the number of days actually employed in the then current calendar year, to the extent unpaid on the Date of Termination. In addition,

(i) all stock options and other stock-based awards with time-based vesting held by Executive shall immediately accelerate and become fully exercisable or nonforfeitable;

(ii) all stock options and other stock-based awards with performance-based vesting held by Executive shall become exercisable or nonforfeitable to the extent provided in the applicable award agreements;

(iii) the Company shall pay Executive a lump sum in cash in an amount equal to three (3) times the sum of (x) his annual Base Salary under Subparagraph 3(a) (or Executive's Base Salary in effect immediately prior to the Change in Control, if higher) and (y) Executive's average annual cash bonus under Subparagraph 3(b) received with respect to the three (3) calendar years preceding the Change in Control, with the bonus in respect of the calendar year immediately preceding the Change in Control being deemed the target bonus for such year if the Change in Control occurs before the bonus in respect of such calendar year has been paid (or, if greater than such three-year average bonus, Executive's target bonus under Paragraph 3(b) hereof). Such amount shall be paid in one lump sum payment on the Date of Termination; provided, however, that if the Change in Control does not constitute a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of Section 409A of the Code, the amount of cash severance payable under this Subparagraph equal to the Severance Amount under Subparagraph 8(e)(iii)(A) shall be paid in equal installments in accordance with the Company's then payroll practice over a twenty-four (24) month period beginning with the first payroll date that occurs thirty (30) days after the Date of Termination, and the balance shall be paid in a lump sum payment on the Date of Termination. Solely for purposes of Section 409A of the Code, each installment payment is considered a separate payment;

(iv) for a period of thirty-six (36) months following the Date of Termination or until Executive becomes covered under a group health plan of another employer, whichever is earlier, subject to Executive's continued copayment of premium amounts in amounts consistent with that applicable to active employees, Executive, Executive's spouse and dependents shall continue to participate in the Company's health insurance plan (medical, dental and vision) upon the same terms and conditions in effect for other executives of the Company; provided, however, that (x) the continuation of health benefits under this Subparagraph shall reduce and count against the rights of Executive, Executive's spouse and dependents under COBRA, and (y) the value of premiums paid by the Company shall be reported as taxable income to Executive to the extent required by applicable law in order for the benefits received by Executive's spouse and dependents to be non-taxable or to avoid imposition of penalty taxes on the Company pursuant to the Patient Protection and Affordable Care Act; and

(v) the Company shall reimburse Executive for financial counseling, tax preparation assistance and out-placement counseling for thirty-six (36) months after the Date of Termination.

(b) Additional Limitation.

(i) Anything in this Agreement to the contrary notwithstanding, in the event that the amount of any compensation, payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, calculated in a manner consistent with Section 280G of the Code and the applicable regulations thereunder (the "Payments"), would be subject to the Excise Tax, the following provisions shall apply:

(A) If the Payments, reduced by the sum of (1) the Excise Tax and (2) the total of the Federal, state, and local income and employment taxes payable by Executive on the amount of the Payments which are in excess of the Threshold Amount, are greater than or equal to the Threshold Amount, Executive shall be entitled to the full benefits payable under this Agreement.

(B) If the Threshold Amount is less than (x) the Payments, but greater than (y) the Payments reduced by the sum of (1) the Excise Tax and (2) the total of the Federal, state, and local income and employment taxes on the amount of the Payments which are in excess of the Threshold Amount, then the Payments shall be reduced (but not below zero) to the minimum extent necessary so that the sum of all Payments shall not exceed the Threshold Amount. In such event, the Payments shall be reduced in the following order: (1) cash payments not subject to Section 409A of the Code; (2) cash payments subject to Section 409A of the Code (to the extent such reduction does not result in tax penalties to Executive); (3) equity-based payments and acceleration; and (4) non-cash forms of benefits; *provided* that in the case of all the foregoing payments all amounts or payments that are not subject to calculation under Treas. Reg. §1.280G-1, Q&A-24(b) or (c) shall be reduced before any amounts that are subject to calculation under Treas. Reg. §1.280G-1, Q&A-24(b) or (c). To the extent any payment is to be made over time (e.g., in installments, etc.), then the payments shall be reduced in reverse chronological order. No reductions shall be made under this Subclause (B) unless agreed by Executive.

(ii) For the purposes of this Subparagraph 9(b), "Threshold Amount" shall mean three times Executive's "base amount" within the meaning of Section 280G(b)(3) of the Code and the regulations promulgated thereunder less one dollar ($1.00); and "Excise Tax" shall mean the excise tax imposed by Section 4999 of the Code, and any interest or penalties incurred by Executive with respect to such excise tax.

(iii) The determination as to which of the alternative provisions of Subparagraph 9(b)(i) shall apply to Executive shall be made by a nationally recognized accounting firm selected by the Company, which does not provide services to the acquirer or other counter-party in the transaction to which this Paragraph 9(b) applies (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and Executive within 15 business days of the Date of Termination, if applicable, or at such earlier time as is reasonably requested by the Company or Executive. For purposes of determining which of the alternative provisions of Subparagraph 9(b)(i) shall apply, Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation applicable to individuals for the calendar year in which the determination is to be made, and state and local income taxes at the highest marginal rates of individual taxation in the state and locality of Executive's residence on the Date of Termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. In making its determinations under this Paragraph 9(b), the Accounting Firm shall value the noncompetition obligations of Executive described in Section 10 and take into account the maximum extent to which such value may be used to reduce the value of the Payments which otherwise could be subject to the Excise Tax. Subject to the last sentence of Subclause 9(b)(i)(B), any determination by the Accounting Firm shall be binding upon the Company and Executive.

(c) "Change in Control" shall have the same meaning as defined in the Stock Plan, as amended from time to time.

10. Noncompetition. Because Executive's services to the Company are special and because Executive has access to the Company's confidential information, Executive covenants and agrees that during Executive's employment with the Company and until the Restricted Period End Date, as defined below, Executive shall not, without the prior written consent of the Company (which shall be authorized by approval of the Board of Directors of the Company,

including the approval of a majority of the independent Directors of the Company), directly or indirectly:

(a) engage, participate or assist in, either individually or as an owner, partner, employee, consultant, director, officer, trustee, or agent of any business that engages or attempts to engage in, directly or indirectly, the acquisition, development, construction, operation, management, or leasing of any commercial real estate property of a type which is the subject of a significant portion of the Company's business (measured as at least 10% of the Company's revenues on a trailing 12-month basis) on the Date of Termination;

(b) intentionally interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between the Company or its affiliates and any tenant, supplier, contractor, lender, employee, or governmental agency or authority; or

(c) call upon, compete for, solicit, divert, or take away, or attempt to divert or take away any of the tenants or employees of the Company or its affiliates, either for himself or for any other business, operation, corporation, partnership, association, agency, or other person or entity.

The "Restricted Period End Date" shall mean the later of (i) the end date of the one-year period immediately following the termination of Executive's employment with the Company for any reason or (ii) the latest date of full vesting applicable to any Performance Award under the terms of the applicable Performance Award for which the Performance Award Enhancements have not been waived by Executive pursuant to Subparagraph 8(g)(i) before the commencement of any activities otherwise prohibited by this Paragraph 10. For the avoidance of doubt, the "latest date of full vesting applicable to any Performance Award" means the date on which all vesting requirements have been satisfied and all restrictions on transfer have expired under the terms of the Performance Award without respect to the terms of Subparagraph 8(g)(i).

This Paragraph 10 shall not be interpreted to prevent Executive from engaging in Minority Interest Passive Investments or any other activity permitted under Subparagraph 2(b). This Paragraph 10 shall survive the termination of this Agreement.

Notwithstanding anything to the contrary herein, the noncompetition provision of this Paragraph 10 shall not apply if Executive's employment terminates after a Change in Control.

11. Conflicting Agreements. Executive hereby represents and warrants that the execution of this Agreement and the performance of his obligations hereunder will not breach or be in conflict with any other agreement to which he is a party or is bound, and that he is not now subject to any covenants against competition or similar covenants which would affect the performance of his obligations hereunder.

12. Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee, on the date of such receipt or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. Address for notice for the Company is as shown above, or as subsequently modified by written notice. Address for notice for Executive is the address shown on the records of the Company.

13. Integration. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements between the parties with respect to any related subject matter, including without limitation the 2013 Agreement, provided, however, that the Indemnification Agreement by and among the Company, BBLP and Executive of March 10, 2013, as amended from time to time, shall remain in full force and effect hereafter.

14. Assignment; Successors and Assigns, etc. Neither the Company nor Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party; provided that the Company may assign its rights under this Agreement without the consent of Executive to a successor to substantially all of the business of the Company in the event that the Company shall effect a reorganization, consolidate with or merge into any other corporation, partnership, organization or other entity, or transfer all or substantially all of its properties or assets to any other corporation, partnership, organization or other entity. This Agreement shall inure to the benefit of and be binding upon the Company and Executive, their respective successors, executors, administrators, heirs and permitted assigns.

15. Miscellaneous. Headings herein are for convenience of reference only and shall not define, limit or interpret the contents hereof.

16. Amendment. This Agreement may be amended, modified or supplemented by the mutual consent of the parties in writing, but no oral amendment, modification or supplement shall be effective.

17. Arbitration; Other Disputes. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered in any court having jurisdiction. Notwithstanding the above, the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of Paragraphs 7 or 10 hereof. In the event that the Company terminates Executive's employment for Cause under Subparagraph 8(d)(i) and Executive only contention is that Cause did not exist, then the Company's only obligation shall be to submit such claim to arbitration and the only issue before the arbitrator will be whether Executive was in fact terminated for Cause. If the arbitrator determines that Executive was not terminated for Cause by the Company, then the only remedies that the arbitrator may award are the payments and benefits provided under Paragraph 8 or Paragraph 9, whichever is applicable, and reasonable legal fees. If the arbitrator finds that Executive was terminated for Cause, the arbitrator will be without authority to award Executive anything, and the parties will each be responsible for their own attorneys' fees, and they will divide the costs of arbitration equally. Furthermore, should a dispute occur concerning Executive's mental or physical capacity as described in Subparagraph 8(c), a doctor selected by Executive and a doctor selected by the Company shall be entitled to examine Executive. If the opinion of the Company's doctor and Executive's doctor conflict, the Company's doctor and Executive's doctor shall together agree upon a third doctor, whose opinion shall be binding. Notwithstanding the foregoing, Executive shall be entitled to all reasonable legal and arbitration fees incurred in obtaining or enforcing any right or benefit under this Agreement (i) prior to a Change in Control, if Executive prevails on at least one material issue in dispute, and (ii) on or

after a Change in Control, except in cases involving frivolous or bad faith claims initiated by Executive. This Paragraph 17 shall survive the termination of this Agreement.

18. Litigation and Regulatory Cooperation. During and after Executive's employment, Executive shall reasonably cooperate with the Company in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company which relate to events or occurrences that transpired while Executive was employed by the Company; provided that such cooperation shall not materially and adversely affect Executive or expose Executive to an increased probability of civil or criminal litigation. Executive's cooperation in connection with such claims or actions shall include, without limitation, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. During and after Executive's employment, Executive also shall cooperate fully with the Company in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the Company. The Company shall also provide Executive with compensation on an hourly basis calculated at his final base compensation rate for requested litigation and regulatory cooperation that occurs after his termination of employment, and reimburse Executive for all costs and expenses incurred in connection with his performance under this Paragraph 18, including, without limitation, reasonable attorneys' fees and costs.

19. Severability. If any provision of this Agreement shall to any extent be held void or unenforceable (as to duration, scope, activity, subject or otherwise) by a court of competent jurisdiction, such provision shall be deemed to be modified so as to constitute a provision conforming as nearly as possible to the original provision while still remaining valid and enforceable. In such event, the remainder of this Agreement (or the application of such provision to persons or circumstances other than those in respect of which it is deemed to be void or unenforceable) shall not be affected thereby. Each other provision of this Agreement, unless specifically conditioned on the voided aspect of such provision, shall remain valid and enforceable to the fullest extent permitted by law; any other provisions of this Agreement that are specifically conditioned on the voided aspect of such invalid provision shall also be deemed to be modified so as to constitute a provision conforming as nearly as possible to the original provision while still remaining valid and enforceable to the fullest extent permitted by law.

20. Governing Law. This Agreement shall be construed and regulated in all respects under the laws of the State of Delaware without reference to principles of conflict of laws.

21. Section 409A.

(a) Anything in this Agreement to the contrary notwithstanding, if at the time of Executive's separation from service within the meaning of Section 409A of the Code, the Company determines that Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that Executive becomes entitled to under this Agreement on account of Executive's separation from service would be considered "non-qualified deferred compensation" otherwise subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after Executive's separation from service, or (B) Executive's death. If any such delayed cash payment is otherwise payable on an installment basis, the first payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of this provision, and the balance of the installments shall be payable in accordance with their original schedule.

(b) All in-kind benefits provided and expenses eligible for reimbursement under this Agreement shall be provided by the Company or incurred by Executive during the time periods set forth in this Agreement. All reimbursements shall be paid as soon as administratively practicable, but in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred. The amount of in-kind benefits provided or reimbursable expenses incurred in one taxable year shall not affect the in-kind benefits to be provided or the expenses eligible for reimbursement in any other taxable year (except for any lifetime or other aggregate limitation applicable to medical expenses). Such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(c) To the extent that any payment or benefit described in this Agreement constitutes "non-qualified deferred compensation" under Section 409A of the Code, and to the extent that such payment or benefit is payable upon Executive's termination of employment, then such payments or benefits shall be payable only upon Executive's "separation from service." The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).

(d) The parties intend that this Agreement will be administered in accordance with Section 409A of the Code. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code. Each payment pursuant to this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

(e) The Company makes no representation or warranty and shall have no liability to Executive or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A of the Code but do not satisfy an exemption from, or the conditions of, such Section.

22. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute one and the same document.

23. Advisor's Fees. The Company shall pay Executive's reasonable advisor fees (legal and tax) incurred in connection with the contemplation, preparation, negotiation and execution of this Agreement up to a maximum of $25,000.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Agreement is entered into as of the date and year first above written.

BOSTON PROPERTIES, INC.

By: /s/ Eric G. Kevorkian

Name: Eric G. Kevorkian

Title: Senior Vice President

/s/ Owen D. Thomas

Owen D. Thomas

Exhibit A

Lehman Brothers Holdings Inc. Director

Exhibit B

<u>Release of Claims</u>

In exchange for and as a condition to the post-employment benefits provided to me contained in the Employment Agreement between the Company and me dated [Date] (the "<u>Employment Agreement</u>"), I agree as follows:

I voluntarily release and forever discharge the Company, its affiliated and/or related entities, its and their respective predecessors, successors and assigns, its and their respective employee benefit plans and fiduciaries of such plans, and the current and former officers, directors, shareholders (but solely in their capacity as shareholders) and employees of each of the foregoing, and except as to shareholders, in their official and personal capacities (collectively referred to as the "<u>Releasees</u>") generally from all claims, demands, debts, damages and liabilities of every name and nature, known or unknown ("<u>Claims</u>"), that, as of the date when I sign this Release of Claims, I have, ever had, now claim to have or ever claimed to have had against any or all of the Releasees relating to my employment by and separation from service with the Company, including without limitation any claim of:

- wrongful discharge;
- breach of any employment, compensation or related contract with any of the Releasees;
- of retaliation or discrimination under federal, state or local law (including, without limitation, Claims of age discrimination or retaliation under the Age Discrimination in Employment Act, Claims of disability discrimination or retaliation under the Americans with Disabilities Act, Claims of discrimination or retaliation under Title VII of the Civil Rights Act of 1964 and Claims of discrimination or retaliation under the fair employment practices laws of the state or states in which I have been employed by the Company or its affiliates, each as amended from time to time);
- under any other federal or state statute (including, but not limited to, the Employee Retirement Income Security Act of 1974, as amended);
- of defamation or other torts;
- of violation of public policy;
- for wages, bonuses, incentive compensation, stock, stock options, vacation pay or any other compensation or benefits, whether based on a statute or otherwise; and
- for damages or other remedies of any sort, including, without limitation, compensatory damages, punitive damages, injunctive relief and attorney's fees;

<u>provided</u>, <u>however</u>, that this Release of Claims shall not affect my rights as a terminated employee as of the date of termination of employment under the Company's benefit and incentive plans and governing practices, including, but not limited to, my stock options, restricted stock, LTIP Units, performance awards, deferred compensation, employee stock purchase plans or my rights under the Employment Agreement. This Release of Claims will also not release the following claims: (a) any claim to enforce the Employment Agreement or for breach of the

Employment Agreement; (b) any claim for vested benefits pursuant to any Employee Retirement Income Security Act (ERISA) plan or other employee benefit plan, policy or arrangement in which I participate; (c) any claim for Workers' Compensation benefits or COBRA benefits; (d) any right of indemnification or contribution that I have pursuant to the Indemnification Agreement between the Company and me dated March 10, 2013 or any successor thereto, or pursuant to the Company's Certificate of Incorporation, By-laws or other governance documents, or (e) any right to coverage I may have under any insurance coverage maintained by the Company or any of its affiliates, including without limitation directors and officers coverage.

I further agree that I shall not seek or accept damages of any nature, other equitable or legal remedies for my own benefit, attorney's fees or costs from any of the Releasees with respect to any Claim released hereunder.

I acknowledge that I have been advised to consult with an attorney before signing this Release of Claims.

I further understand that I have been given an adequate opportunity, if I so desired, to consider this Release of Claims for up to twenty-one (21) days before deciding whether to sign it. If I signed this Release of Claims before the expiration of that twenty-one (21) day period, I acknowledge that such decision was entirely voluntary. I understand that for a period of seven (7) days after I execute this Release of Claims I have the right to revoke it by a written notice to be received by the General Counsel of the Company by the end of that period. I also understand that this Release of Claims shall not be effective or enforceable until the expiration of that period.

I represent and agree that I have carefully read and fully understand all of the provisions of this Release of Claims and that I am voluntarily agreeing to such provisions.

____
Owen D. Thomas

____
Date

EXHIBIT 12.1

BOSTON PROPERTIES, INC.
CALCULATION OF RATIOS OF EARNINGS TO FIXED CHARGES
CALCULATION OF RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS

Boston Properties, Inc.'s ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preferred dividends for the three months ended March 31, 2018 and the five years ended December 31, 2017 were as follows:

	Three Months Ended March 31, 2018	Year Ended December 31, 2017	2016	2015	2014	2013
	(dollars in thousands)					
Earnings:						
Add:						
Income from continuing operations before income from unconsolidated joint ventures, gains on consolidation of joint ventures and gain on sale of investment in unconsolidated joint venture	$ 119,454	$ 543,586	$ 421,927	$ 401,253	$ 345,249	$ 242,583
Gains on sales of real estate	96,397	7,663	80,606	375,895	168,039	—
Amortization of interest capitalized	2,886	10,976	10,685	10,203	8,211	5,522
Distributions from unconsolidated joint ventures	847	26,858	24,955	8,469	7,372	17,600
Fixed charges (see below)	108,784	440,269	456,710	471,441	515,891	528,116
Subtract:						
Interest capitalized	(17,378)	(61,070)	(39,237)	(34,213)	(52,476)	(68,152)
Preferred distributions of consolidated subsidiaries	—	—	—	(6)	(1,023)	(6,046)
Noncontrolling interests in income of subsidiaries that have not incurred fixed charges	(10,446)	(39,429)	(37,171)	(40,248)	(28,958)	(5,818)
Total earnings	**$ 300,544**	**$ 928,853**	**$ 918,475**	**$ 1,192,794**	**$ 962,305**	**$ 713,805**
Fixed charges:						
Interest expensed	$ 90,220	$ 374,481	$ 412,849	$ 432,196	$ 455,743	$ 447,240
Interest capitalized	17,378	61,070	39,237	34,213	52,476	68,152
Portion of rental expense representative of the interest factor (one-third of rental expense)	1,186	4,718	4,624	5,026	6,649	6,678
Preferred distributions of consolidated subsidiaries	—	—	—	6	1,023	6,046
Total fixed charges	**$ 108,784**	**$ 440,269**	**$ 456,710**	**$ 471,441**	**$ 515,891**	**$ 528,116**
Preferred dividends	2,625	10,500	10,500	10,500	10,500	8,057
Total combined fixed charges and preferred dividends	**$ 111,409**	**$ 450,769**	**$ 467,210**	**$ 481,941**	**$ 526,391**	**$ 536,173**
Ratio of earnings to fixed charges	**2.76**	**2.11**	**2.01**	**2.53**	**1.87**	**1.35**
Ratio of earnings to combined fixed charges and preferred dividends	**2.70**	**2.06**	**1.97**	**2.47**	**1.83**	**1.33**

EXHIBIT 12.2

BOSTON PROPERTIES LIMITED PARTNERSHIP
CALCULATION OF RATIOS OF EARNINGS TO FIXED CHARGES
CALCULATION OF RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DISTRIBUTIONS

Boston Properties Limited Partnership's ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preferred distributions for the three months ended March 31, 2018 and the five years ended December 31, 2017 were as follows:

	Three Months Ended March 31, 2018	Year Ended December 31, 2017	2016	2015	2014	2013
	(dollars in thousands)					
Earnings:						
Add:						
Income from continuing operations before income from unconsolidated joint ventures, gains on consolidation of joint ventures and gain on sale of investment in unconsolidated joint venture	$ 121,398	$ 551,726	$ 433,554	$ 409,246	$ 353,758	$ 254,536
Gains on sales of real estate	98,907	8,240	82,775	377,093	174,686	—
Amortization of interest capitalized	2,886	10,976	10,685	10,203	8,211	5,522
Distributions from unconsolidated joint ventures	847	26,858	24,955	8,469	7,372	17,600
Fixed charges (see below)	108,784	440,269	456,710	471,435	514,868	522,070
Subtract:						
Interest capitalized	(17,378)	(61,070)	(39,237)	(34,213)	(52,476)	(68,152)
Noncontrolling interests in income of subsidiaries that have not incurred fixed charges	(10,446)	(39,429)	(37,171)	(40,248)	(28,958)	(5,818)
Total earnings	**$ 304,998**	**$ 937,570**	**$ 932,271**	**$ 1,201,985**	**$ 977,461**	**$ 725,758**
Fixed charges:						
Interest expensed	$ 90,220	$ 374,481	$ 412,849	$ 432,196	$ 455,743	$ 447,240
Interest capitalized	17,378	61,070	39,237	34,213	52,476	68,152
Portion of rental expense representative of the interest factor (one-third of rental expense)	1,186	4,718	4,624	5,026	6,649	6,678
Total fixed charges	**$ 108,784**	**$ 440,269**	**$ 456,710**	**$ 471,435**	**$ 514,868**	**$ 522,070**
Preferred distributions	2,625	10,500	10,500	10,506	11,523	14,103
Total combined fixed charges and preferred distributions	**$ 111,409**	**$ 450,769**	**$ 467,210**	**$ 481,941**	**$ 526,391**	**$ 536,173**
Ratio of earnings to fixed charges	**2.80**	**2.13**	**2.04**	**2.55**	**1.90**	**1.39**
Ratio of earnings to combined fixed charges and preferred distributions	**2.74**	**2.08**	**2.00**	**2.49**	**1.86**	**1.35**

Exhibit 31.1

CERTIFICATION

I, Owen D. Thomas, certify that:

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

Date: May 8, 2018

/s/ OWEN D. THOMAS

Owen D. Thomas
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Michael E. LaBelle, certify that:

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

Date: May 8, 2018

/s/ MICHAEL E. LABELLE

Michael E. LaBelle
Chief Financial Officer

Exhibit 31.3

CERTIFICATION

I, Owen D. Thomas, certify that:

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

Date: May 8, 2018

/s/ Owen D. Thomas

Owen D. Thomas
Chief Executive Officer of Boston Properties, Inc.
General Partner of Boston Properties Limited Partnership

Exhibit 31.4

CERTIFICATION

I, Michael E. LaBelle, certify that:

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

Date: May 8, 2018

/s/ MICHAEL E. LABELLE

Michael E. LaBelle
Chief Financial Officer of Boston Properties, Inc.
General Partner of Boston Properties Limited Partnership

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Boston Properties, Inc. (the “Company”) hereby certifies to his knowledge that the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2018 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification shall not be deemed “filed” for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 regardless of any general incorporation language in such filing.

Date: May 8, 2018

/s/ Owen D. Thomas

Owen D. Thomas
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Boston Properties, Inc. (the "Company") hereby certifies to his knowledge that the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2018 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 regardless of any general incorporation language in such filing.

Date: May 8, 2018

/s/ MICHAEL E. LABELLE

Michael E. LaBelle
Chief Financial Officer

Exhibit 32.3

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Boston Properties, Inc., the sole general partner of Boston Properties Limited Partnership (the “Company”), hereby certifies to his knowledge that the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2018 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification shall not be deemed “filed” for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 regardless of any general incorporation language in such filing.

Date: May 8, 2018

/s/ OWEN D. THOMAS

Owen D. Thomas
Chief Executive Officer of Boston Properties, Inc.
General Partner of Boston Properties Limited Partnership

Exhibit 32.4

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Boston Properties, Inc., the sole general partner of Boston Properties Limited Partnership (the “Company”), hereby certifies to his knowledge that the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2018 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification shall not be deemed “filed” for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 regardless of any general incorporation language in such filing.

Date: May 8, 2018

/s/ Michael E. LaBelle

Michael E. LaBelle
Chief Financial Officer of Boston Properties, Inc.
General Partner of Boston Properties Limited Partnership