Boston
Los Angeles
New York
San Francisco
Washington, DC

Boston Properties

2017 Annual Report

On the Cover

Salesforce Tower, San Francisco, CA

Contents

About Boston Properties

Boston Properties, Inc., a self-administered and self-managed real estate investment trust (REIT), is one of the largest owners, managers and developers of Class A office properties in the United States, with presence in five markets: Boston, Los Angeles, New York, San Francisco and Washington, DC. The Company was founded in 1970 by Mortimer B. Zuckerman and Edward H. Linde in Boston, where it maintains its headquarters. Boston Properties became a public company in June 1997 and is traded on the New York Stock Exchange under the ticker symbol "BXP."

Boston Properties is a fully integrated real estate investment trust that develops, redevelops, acquires, manages, operates, and owns a diverse portfolio of primarily Class A office space totaling approximately 50.3 million net rentable square feet and consisting of 167 office properties (including eight properties under construction), six residential properties (including four properties under construction), five retail properties and one hotel. Boston Properties is well-known for its in-house building management expertise and responsiveness to tenants' needs. The Company holds a superior track record in developing premium Central Business District (CBD) office buildings, suburban office centers and build-to-suit projects for the U.S. government and a diverse array of creditworthy tenants.

This Annual Report contains "forward-looking statements" within the meaning of the federal securities laws. See the discussion under "Forward-Looking Statements" in the Form 10-K for matters to be considered in this regard. This Annual Report also contains certain non-GAAP financial measures within the meaning of Regulation G. The calculations of these non-GAAP financial measures may differ from those used by other REITs. The reasons for their use and reconciliations to the most directly comparable GAAP measures are included in the Form 10-K and on the pages immediately following the Form 10-K titled "Disclosures Relating to Non-GAAP Financial Measures."

Owen D. Thomas
Chief Executive Officer

Douglas T. Linde
President

To Our Shareholders

2017 was a successful and exciting year for Boston Properties as we made significant progress in executing our long-term strategy to create value in commercial real estate. Looking back at our activities and accomplishments, 2017 stands out as one of the most productive new business years in our history. Not only did a strong economic backdrop translate into significant long-term leasing commitments with our customers, but we also won multiple mandates to develop new assets, including world-class new headquarter facilities, across our portfolio.

Specifically, this past year we:

• increased diluted FFO per share from $6.03 to $6.22, or 3.2%,

• declared total dividends of $3.05 per share, including an increase of $0.05 per share, or 6.7%, in our regular quarterly dividend commencing in the fourth quarter,

• completed 6.4 million square feet of leasing, including 2.5 million square feet for new development,

• fully delivered two development projects representing 490,000 net rentable square feet and $290 million in total investment at a projected weighted-average stabilized unleveraged cash yield of 9.1%,

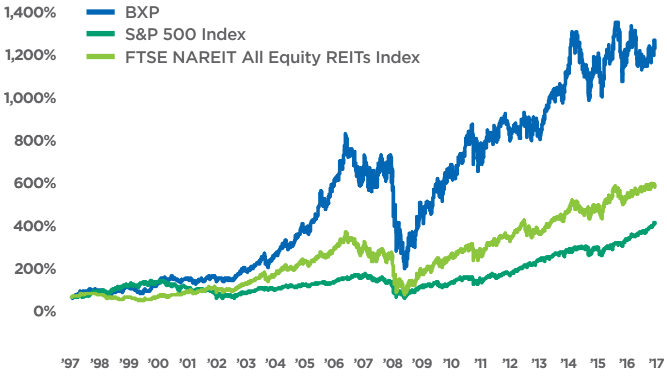
• added six new development projects totaling 2.7 million square feet with an incremental projected development cost of $1.4 billion, bringing our active development pipeline to twelve projects, totaling 6.2 million square feet, with our share of total budgeted costs of $3.4 billion and a projected initial unleveraged cash yield of approximately 7%,

• completed $5.9 billion in total financing,

• exceeded the majority of our 2020 sustainability goals three years early and placed among the top 5% of worldwide participants and second among U.S. Office REITs in the 2017 Global Real Estate Sustainability Benchmark assessment,

• maintained our ongoing commitment to the communities we serve by donating over 2,500 service hours through community events and charitable activities,

BXP's Total Shareholder Return Since IPO of 1,187%



This graph assumes an investment of $100 on June 30, 1997 and the reinvestment of dividends. Data shown is based on the share price or index values, as applicable as of December 31 of each year shown. Source: Thomson Reuters.

BXP 20TH ANNIVERSARY ON NYSE

• continued our focus on setting a "tone at the top" of good governance and adherence to our policies and principles, ranking in the top 8% in an assessment by Green Street Advisors on REIT governance,

• completed a multi-day Investor Conference, showcasing the quality of our assets, people and growth plan, and

• celebrated 20 years as a public company by ringing the closing bell at the New York Stock Exchange.

Our total shareholder return in 2017 was 5.9%, outperforming the 3.2% return for the FTSE NAREIT Office Index. We also outperformed all but one of our peer office REITS with CBD assets in coastal U.S. markets.

Boston Properties has provided outstanding absolute and relative shareholder returns since our IPO in 1997. Specifically, as of December, 31, 2017, we had delivered a total shareholder return since the IPO of 1,187% compared to the S&P 500 Index total return of 342% and the FTSE NAREIT All Equity REITs Index total return of 520%.

Strategy

We remain committed to Boston Properties' long-term strategy, which has driven superior investment returns for our shareholders through our over 20-year history as a public company. The key tenets of our business strategy are to:

• maintain a keen focus on select markets that exhibit the strongest economic growth and investment characteristics over time – currently Boston, New York, San Francisco, Washington, DC, and Los Angeles,

• invest in the highest quality buildings (primarily office) with unique amenities and locations that are able to maintain high occupancy rates and achieve premium rental rates through economic cycles,

• maintain scale and a full-service real estate capability (leasing, development, construction and property management) in our markets to ensure we (1) see all relevant investment deal flow, (2) maintain an ability to execute on all types of real estate opportunities, such as acquisitions, dispositions, repositioning and development, throughout the real estate investment cycle and (3) provide superior service to our tenants,

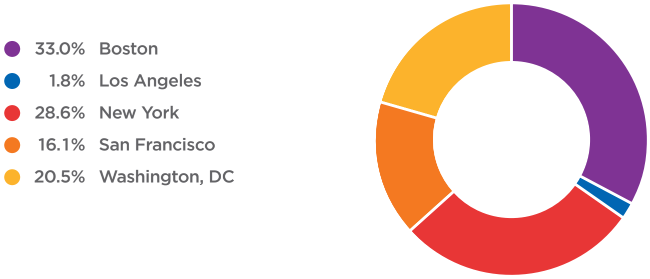
• be astute in market timing for investment decisions by acquiring properties in times of opportunity, developing new properties and selling assets at attractive prices, resulting in continuous portfolio refreshment,

• ensure a strong balance sheet to maintain consistent access to capital and the resultant ability to make opportunistic investments, and

• foster a culture and reputation of integrity and fair dealing, making us the counterparty of choice for tenants and real estate industry participants and employer of choice for talented real estate professionals.

We are excited about our current position in the marketplace, as well as our prospects for growth and creating shareholder value. Although we are the largest U.S. office REIT as measured by total consolidated market capitalization, we have a clear and achievable plan to increase our share of portfolio net operating income (including our share from unconsolidated joint ventures) above 2016 levels by 20% to 25% by the year 2020, through (1) delivering our current development pipeline on time and on budget and (2) leasing up our existing portfolio from an occupancy level of approximately 91% to 93%. Further, our strong balance sheet affords us the capacity to pursue additional opportunities for growth.

BXP's Share of NOI



Percentage of our Net Operating Income (NOI), which includes our share of NOI from our consolidated and unconsolidated joint ventures, excluding termination income, for the three months ended December 31, 2017.

Property Market Conditions

In 2017, the U.S. economy showed improvement from prior years, with GDP growth at 2.3%. Steady job creation resulted in the unemployment rate declining to 4.1%, the lowest level since

Rendering of 7750 Wisconsin Avenue, Bethesda, MD

Diversified Tenants

- 25.9% Media & Technology
- 20.1% Legal Services
- 13.9% Other
- 13.7% Financial Services – all other
- 8.3% Other Professional Services
- 6.8% Financial Services – Commercial & Investment Banking
- 5.7% Government / Public Administration
- 5.6% Retail

Based on square feet as of December 31, 2017

December 2000. We anticipate overall economic growth to continue, and recent tax reform will likely provide a boost to businesses and prolong the economic recovery.

In our markets, the technology, media and life sciences industries have been the key drivers of tenant demand this cycle. Recently, more traditional financial and legal tenants are displaying renewed confidence and growth, yielding positive absorption of office space. As a result, space demand has become more industry-balanced. In addition, demand from co-working operators has been strong and represented a significant percentage of net absorption this cycle.

Customers have also demonstrated their increased financial strength, confidence in the economy and need to attract and retain talent through upgrades of their premises and headquarters. Irrespective of their growth profile, many tenants have expressed interest in enhancing their office properties, creating a significant opportunity for real estate developers. We have benefitted from such activity, winning the rights to develop new space for Fannie Mae, Marriott International, Wilmer Hale, Leidos, Akamai Technologies and Rapid7, in addition to several others.

Though a healthy economy with increasing industry breadth in demand is creating significant net absorption, our markets are generally in equilibrium given new supply. The overall vacancy rate in our markets increased by 0.4% to 8.4%, and average asking rents increased 3.3% for the year.

Capital Market Conditions

A key indicator that we watch carefully is the 10-year U.S. Treasury rate, which has recently been rising and is now close to 3%. This has been driven by Federal Reserve rate hikes, abatement of the quantitative easing program and inflation fears. However, inflation remains at 2.1%, global interest rates continue to be low and liquidity abounds. Though the Federal Reserve is committed to further rate hikes in 2018, we believe further increases in long-term rates in the

Renderings of The Hub on Causeway, Boston, MA

Renderings of 20 CityPoint, Waltham, MA

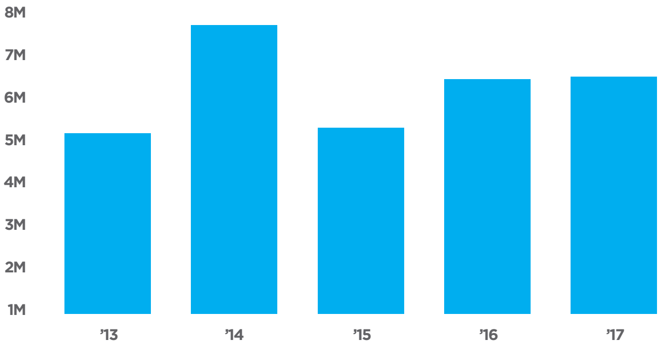
U.S. will be manageable and associated with economic growth and healthy tenant demand.

In the private real estate equity market, office transaction volume ended 2017 down 25% from 2016, primarily due to less product availability in the market, though cap rates remained reasonably stable for leased assets in our core markets. Many domestic and international investors have significant capital targeting commercial real estate, and we foresee healthy transaction volumes and steady pricing in 2018.

Capital Strategy

Our capital strategy is fairly easy to understand. The best use of our capital today is in new developments where we are launching pre-leased projects anticipating unleveraged stabilized cash yields of approximately 7%. Our current pipeline totals $3.4 billion projected to deliver in 2018 through 2022 and the commercial space is an impressive 82% pre-leased. Additionally, we signed leases with anchor tenants for $1.2 billion of future development starts totaling 1.7 million square feet that is 81% pre-leased. Existing leased assets are selling at cap rates in the 4% range,

Leasing Productivity



Signed leases in millions of square feet

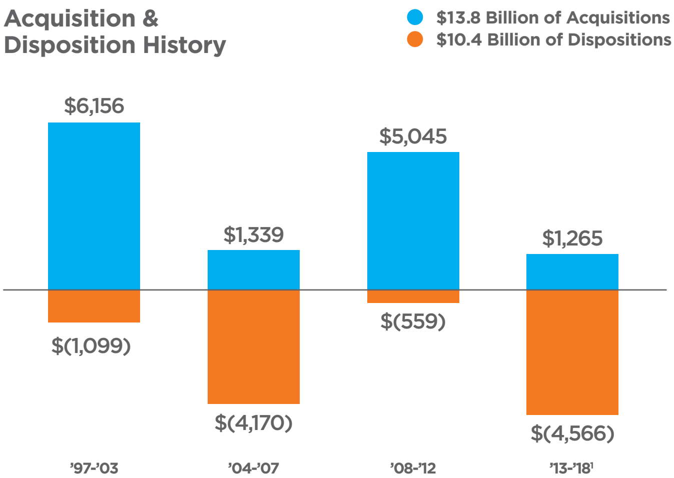
so our development investments have significant projected embedded value creation and are projected to drive our earnings growth over the next few years. And lastly, we keep our leverage low (below 7.0x BXP's Share of Net Debt to BXP's Share of EBITDA) to ensure that we are well-positioned for the difficult to time but inevitable economic downturn.

Leasing

Our leasing teams had a very strong year. In 2017, we executed 305 leases representing 6.4 million square feet of space, including 2.5 million square feet for new developments. The pace of our new development leasing has accelerated and is due in large part to our success in winning projects with important and new customers. Specifically, this year we committed to developing a significant number of properties that will serve as our customers' new headquarters, including Marriott International, Akamai Technologies, and the Transportation Security Administration (TSA), and in early 2018, further committed to developments for Leidos and Fannie Mae. All of these were highly-competitive processes, and Boston Properties was successful due to our expertise, proven development track record and reputation in the market.

Overall, leasing activity in 2017 was balanced across all of our regions, with the exception of Washington DC, which completed leasing of over 2.5 million square feet for the year due in large part to the new development deals aforementioned. Company-wide, leasing activity accelerated in the second half of the year, with 5.0 million square feet leased in the third and fourth quarters. Our average occupancy rate in our portfolio began the year at 90.2% and ended at 90.7%. Average net rental rates on our second generation leases increased by 11.3%, resulting in overall same property revenue growth.

Acquisition & Disposition History



$ in millions

[1] Data through January 26, 2018

Acquisitions & Dispositions

Given market pricing, we remain relatively inactive in the acquisition market. In 2017, we completed two modest purchases for an aggregate initial investment of $36.5 million.

Since most of our assets have substantial embedded gains, asset sales lead to significant special dividends and FFO per share dilution rather than capital available for new investment. However, we are continuously upgrading our portfolio by selling non-core assets. In 2017 we completed three sales for $31 million and anticipate an increase in 2018, including the disposition of 500 E Street in Washington, DC for $128 million, which we sold in the first quarter of 2018.

Developments

During 2017, we fully placed in service two developments with an aggregate cost of $290 million. Those projects consist of:

- 888 Boylston Street – a 417,000 square-foot Class A office and retail building that is 94% leased and is located in Boston, Massachusetts, and

- Reservoir Place North – a 73,000 square-foot redeveloped office building located in Waltham, Massachusetts.

Additionally, we added six new development projects with a total anticipated investment of $1.4 billion to our active development pipeline. The more significant projects include:

- 7750 Wisconsin Avenue – a 740,000 square-foot Class A office development located in Bethesda, Maryland which is 100% pre-leased to Marriott International for their future headquarters. We are a 50% partner with The Bernstein Companies,

- 6595 Springfield Center Drive – a 634,000 square-foot Class A office development located in Springfield, Virginia. The development is 98% pre-leased to the TSA and will become their new corporate headquarters,

Salesforce Tower, San Francisco, CA

Rendering of 17Fifty President's Street, Reston, VA

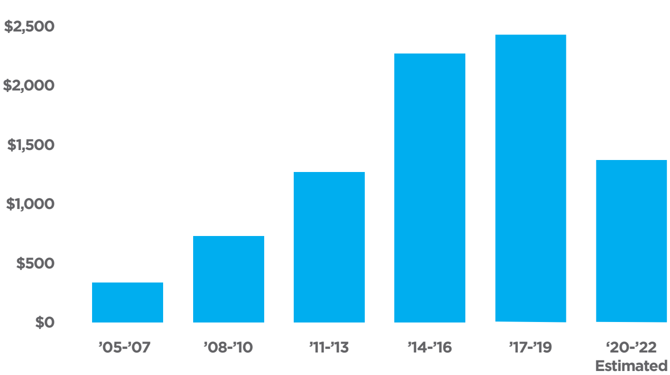
Pictured: (Top) Proto Kendall Square, Cambridge, MA, (Bottom) Signature at Reston, Reston, VA

Rendering of Proto Kendall Square, Cambridge, MA

• 145 Broadway – a 485,000 square-foot Class A office development located in Cambridge, Massachusetts, which is 98% pre-leased to Akamai Technologies for their future headquarters,

• MacArthur Station Residences – a 402-unit residential high-rise building located adjacent to the MacArthur BART Station in Oakland, California,

Development Deliveries



Deliveries in millions of dollars. Estimated deliveries are buildings under construction as of December 31, 2017.

• 20 CityPoint – a 211,000 square-foot Class A office development located in Waltham, Massachusetts. The property is 52% pre-leased to Simpson Gumpertz & Heger, a national engineering firm, and

• The Hub on Causeway residential – a 442-unit residential high-rise building that is part of a larger 1.4 million square foot mixed use development adjacent to one of Boston's major transportation hubs (North Station) and the TD Garden sports arena. We are a 50% partner with the Delaware North Companies.

Our existing and future development projects will lay the groundwork for significant contributions to our FFO growth in the coming years. Our development success has already continued into the beginning of 2018, with a completed lease to develop Leidos' new headquarters at 17Fifty Presidents Street, the last remaining site in the core of Reston Town Center in Reston, Virginia. We also executed a lease for 850,000 square feet with Fannie Mae to anchor our approximately 1.0 million square foot first phase of our Reston Gateway development, which will serve as an expansion of Reston Town Center and be located adjacent to the new Reston Town Center Metro Station.

Rendering of 399 Park Avenue, New York, NY

Rendering of the Exchange at 100 Federal Street, Boston, MA

Asset Refreshment

In 2017, we continued to focus on refreshing our existing assets to create additional value within our current portfolio:

• 399 Park Avenue – a comprehensive capital improvement to the 1.7 million square-foot Class A office building in Manhattan. The redevelopment includes an upgrade to the façade and the Park Avenue entrance, in addition to a new rooftop terrace garden, new elevators and a glass-walled office space on the 13th floor setback,

• One Five Nine East 53rd Street – a complete renovation and rebranding of the office and retail building at the base of our 601 Lexington Avenue property in Manhattan. This six-story, 220,000 square-foot building will have a new lobby at the 53rd Street entrance, a landscaped outdoor plaza and a new food hall space. The redevelopment also includes a new façade and a change to the structural core,

• 191 Spring Street – a full redevelopment of the 171,000 square-foot building in Lexington, Massachusetts. This includes a new façade, an overhaul of the mechanical systems and a complete renovation of the lobby and amenity spaces. The property opened at the end of 2017 and it is 88% leased, and

• Prudential Center Retail – an extensive expansion and upgrade of the retail shops at the Prudential Center in Boston, Massachusetts. This project, which is nearing completion, included a replacement of the food court with Eataly, redevelopment of the outdoor plaza, a change in configuration of the indoor store fronts and overall updates to the lighting and signage throughout the complex.

We continue to examine further opportunities to profitably reposition assets in our portfolio and create additional amenities for our customers.

Balance Sheet

In 2017, we focused on capital raising to strengthen our balance sheet and completed $5.9 billion in total financing. Specifically, we:

• completed a $2.3 billion 10-year mortgage financing secured by interests in 767 Fifth Avenue (the General Motors Building; 60% owned) in New York City, with a fixed interest rate of 3.43% per annum, one of the largest commercial real estate loans ever recorded for a single building,

• completed a $550 million 10-year mortgage financing secured by interests in Colorado Center (50% owned) in Santa Monica, California, with a fixed interest rate of 3.56% per annum,

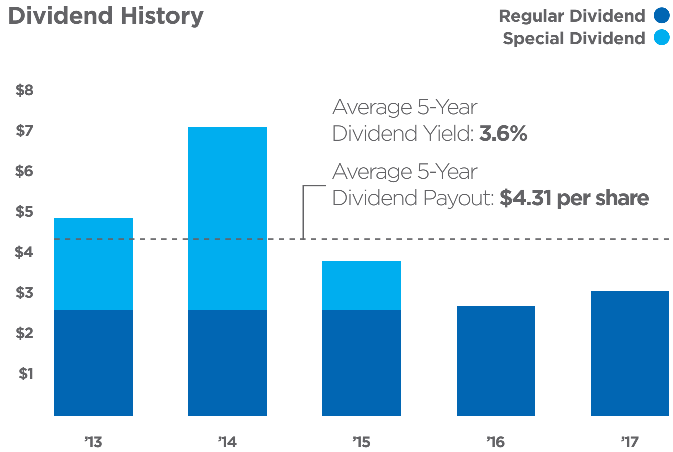
• completed a $204.6 million construction financing with an interest rate of LIBOR plus 2.25% per annum for The Hub on Causeway (50% owned) development in Boston, Massachusetts,

• completed a public offering of $850 million of 3.20% senior unsecured notes due 2025 and used the net proceeds to redeem $850 million of our 3.70% senior unsecured notes due November 2018, and

• renewed and increased the total commitment under our revolving line of credit from $1.0 billion to $1.5 billion, including extending the maturity date, reducing variable interest rates, and adding a $500 million delayed-draw term loan facility.

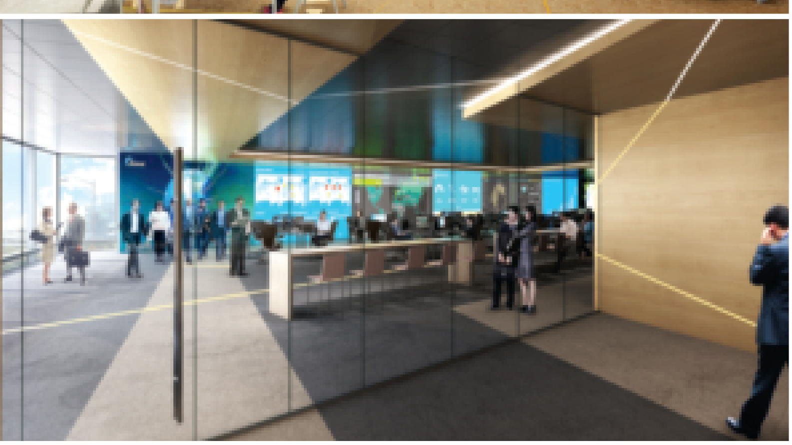
Through these financings in 2017, we lowered our weighted-average cash interest cost from 4.5% to 4.0% and extended our weighted-average debt maturity from 5.0 years to 6.4 years.

Dividend History



Dividends in dollars. There can be no assurance that future dividends declared by the Company's Board of Directors will not differ materially.

Our balance sheet, as of December 31, 2017, remains strong with BXP's Share of Net Debt to BXP's Share of EBITDA of 6.5x and BXP's Share of Debt to BXP's Share of Market Capitalization of 30%. We were recently upgraded to an investment grade rating of Baa1 by Moody's and we maintain ratings with Standard & Poor's of A- and Fitch Ratings of BBB+. We have significant liquidity and ready access to the public and private equity and debt capital markets to fund our existing development pipeline and additional investment opportunities as they become available.



Rendering of 145 Broadway, Cambridge, MA

Building integrated renewable energy at 888 Boylston Street, Boston, MA

Urban bee keeping at Atlantic Wharf, Boston, MA

Corporate Responsibility

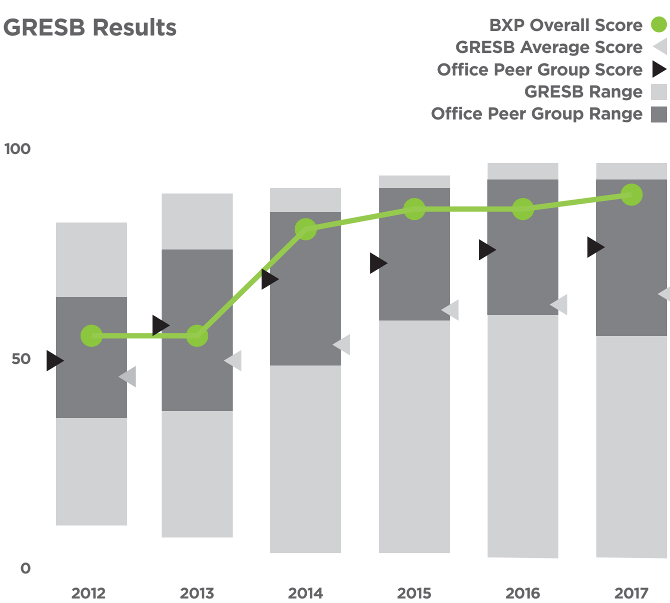
Sustainability

We remain focused on sustainable approaches to development and operations that benefit our clients, shareholders, employees and community stakeholders. To that end, we deliver efficient, healthy and productive workspaces while simultaneously mitigating operational costs and potential external impacts of energy, water, waste and greenhouse gas emissions. By carefully considering the environmental and social impacts of our activities, we ensure that our new developments and existing properties support the long-term stability and prosperity of our company, the natural environment and the communities we serve.

We pride ourselves as a global leader in sustainability and continue to implement sustainability initiatives that improve transparency and performance outcomes. We have exceeded our 2020 sustainability targets three years early by reducing energy use intensity 19.8%, water use intensity 21.8% and greenhouse gas emissions intensity 31.5% below a 2008 base year. In the 2017 Global Real Estate Sustainability Benchmark (GRESB®) assessment, we ranked among the top 5% of 823 public and private real estate companies worldwide, earning a sixth "Green Star" recognition and the highest GRESB 5-star Rating.

We have a long history of owning, developing and operating green buildings that have been certified under the U.S. Green Building Council's (USGBC) Leadership in Energy and Environmental Design™ (LEED®) rating system and EPA's ENERGY STAR® program. We have LEED certified over 21 million square feet of our portfolio, of which over 98.5% is certified at the highest Gold and Platinum levels. During the 2017 calendar year, 66 buildings representing 61% of our actively managed portfolio were ENERGY STAR certified. Detailed sustainability performance information is disclosed on an annual basis in our Global Reporting Initiative (GRI) aligned sustainability report and in the sustainability section of our website.

GRESB Results



Overall score

Sustainability Goals and Progress

Goal	Progress
15x20 Energy Use Reduction Reduce energy use intensity, targets a 15% reduction by 2020. **Units: kBtu/SF**	100%
20x20 Greenhouse Gas Reduction Reduce Scope 1 and Scope 2 greenhouse gas emissions intensity, targets a 20% reduction by 2020. **Units: kgCO2e/SF**	100%
20x20 Water Use Reduction Reduce water use intensity, targets a 20% reduction by 2020. **Units: gallons/SF**	100%
65x20 Waste Diversion Increase waste diverted from landfill, targets a 65% diversion rate by 2020. **Units: % diverted**	74%

We have adopted goals with the following specific time frames, metrics and targets below a 2008 timeline. Data through December 31, 2016.

We will continue to implement policies, programs and projects that complement sustainable development and operations. Our experience demonstrates that through our activities as real estate owners, developers and managers, we can contribute to environmental solutions as a positive force while improving our financial performance and becoming a stronger, more purposeful organization in the process.

Community Involvement

As a leading property owner and developer, our local teams are highly engaged with their local communities in determining how our projects can enhance neighborhoods, improve public amenities and provide high-quality space for working and living. Our community involvement includes our ongoing commitment to volunteerism, philanthropy and sustainability. Throughout 2017, our employees donated 2,500 service hours to charitable organizations, and Boston Properties supported over 500 community events.

Governance

The Board of Directors of Boston Properties is currently comprised of eleven diverse and highly-accomplished individuals who are dedicated to serving the best interests of our shareholders. Among other things, the Board is responsible for directing and providing oversight of Boston Properties' management by reviewing management's strategy, approving and implementing governance policies, monitoring its own performance and the performance of top management, and providing oversight of financial reporting and legal compliance.

Assessing governance is a complex but important factor as it ultimately has an impact on overall valuation. In a recent Green Street Advisors assessment, Boston Properties' governance ranked 7th out of 83 REITs reviewed. Though there are many fluid factors involved in such an assessment, we believe this is an acknowledgement of our strength in governance and the commitment we have made to ensure adherence to our established policies and principles.

Organization and Team

At Boston Properties, we are fortunate to have a very stable, talented and dedicated team that takes great pride in the quality of its work, the communities we support and the assets we nurture. Many of our professionals are recognized leaders in the real estate industry and their local communities, and many of Boston Properties' activities have earned industry recognition. We are deeply appreciative of our team's loyalty and commitment, without which we could not accomplish all that we do.

This year, Boston Properties celebrated 20 years as a public company by ringing the closing bell at the New York Stock Exchange. This was a significant milestone for our company and a reflection of our many accomplishments. At the time of our initial public offering, it was the largest office IPO ever completed with a total market capitalization of \$2.3 billion. Today our total market capitalization is over \$31 billion. Our success and growth these past 20 years is a direct result of the vision of our founders, the oversight and guidance from our Board of Directors, the dedication and skill of our employees, and the loyal support of our shareholders.

We would like to thank all of our colleagues at Boston Properties, as well as our Board of Directors, for all of their contributions in 2017, and importantly, we would also like to thank you, our shareholders, for your continued input and support.

Owen D. Thomas
Chief Executive Officer

Douglas T. Linde
President

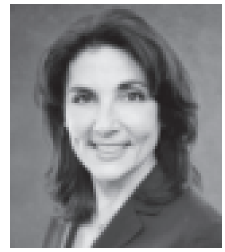
Board of Directors and Chairman Emeritus

Joel I. Klein
Lead Independent Director of Boston Properties, Inc.; Chief Policy and Strategy Officer of Oscar Insurance Corporation

Owen D. Thomas
Chief Executive Officer

Douglas T. Linde
President

Bruce W. Duncan
Chairman and former Chief Executive Officer of First Industrial Realty Trust, Inc.



Karen E. Dykstra
Former Chief Financial and Administrative Officer of AOL, Inc.

Carol B. Einiger
Senior Advisor, Roundtable Investment Partners LLC

Dr. Jacob A. Frenkel
Chairman of JPMorgan Chase International

Matthew J. Lustig
Head of North America Investment Banking and Head of Real Estate & Lodging at Lazard Fréres & Co.

Alan J. Patricof
Managing Director of Greycroft LLC

Martin Turchin
Non-executive Vice Chairman of CBRE Group, Inc.

David A. Twardock
Former President of Prudential Mortgage Capital Company, LLC

Mortimer B. Zuckerman
Co-Founder and Chairman Emeritus

Officers

Executive Officers

Owen D. Thomas
Chief Executive Officer

Douglas T. Linde
President

Raymond A. Ritchey
Senior Executive Vice President

Michael E. LaBelle
Executive Vice President, Chief Financial Officer and Treasurer

Peter D. Johnston
Executive Vice President, Washington, DC Region

Bryan J. Koop
Executive Vice President, Boston Region

Robert E. Pester
Executive Vice President, San Francisco Region

John F. Powers
Executive Vice President, New York Region

Senior Officers

Peter Back
Senior Vice President Construction – San Francisco

John K. Brandbergh
Senior Vice President Leasing – New York

Frank D. Burt
Senior Vice President, General Counsel and Secretary

Michael A. Cantalupa
Senior Vice President Development – Boston

Bruce L. Christman
Senior Vice President and Regional General Counsel – Washington, DC

Steven R. Colvin
Senior Vice President Property Management – San Francisco

Frederick J. DeAngelis
Senior Vice President and Senior Counsel – Boston

Rodney C. Diehl
Senior Vice President Leasing – San Francisco

Donna D. Garesché
Senior Vice President Human Resources

Amy C. Gindel
Senior Vice President Finance and Planning

Thomas L. Hill
Senior Vice President Property Management – New York

Karen D. Holdridge
Senior Vice President and Regional General Counsel - New York

Jonathan L. Kaylor
Senior Vice President Leasing – Washington, DC

Eric G. Kevorkian
Senior Vice President and Senior Corporate Counsel

Jonathan B. Kurtis
Senior Vice President Construction – Washington, DC

Andrew D. Levin
Senior Vice President Leasing – New York

James J. Magaldi
Senior Vice President Finance and Capital Markets

Laura D. McNulty
Senior Vice President Property Management – Washington, DC

David Miller
Senior Vice President Construction - Washington, DC

Richard T. Monopoli
Senior Vice President Development – New York

Peter Otteni
Senior Vice President Development – Washington, DC

David C. Provost
Senior Vice President Leasing – Boston

Jonathan S. Randall
Senior Vice President Construction – Boston

Robert A. Schubert
Senior Vice President Construction – New York

Peter V. See
Senior Vice President Property Management – Boston

Christine M. Shen
Senior Vice President and Regional General Counsel – San Francisco

Kenneth F. Simmons
Senior Vice President Development – Washington, DC

Madeleine C. Timin
Senior Vice President and Regional General Counsel – Boston

Michael R. Walsh
Senior Vice President and Chief Accounting Officer

James J. Whalen, Jr.
Senior Vice President and Chief Information Technology Officer

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

FORM 10-K

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

For the fiscal year ended December 31, 2017
OR

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

For the transition period from to

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

BOSTON PROPERTIES, INC.
BOSTON PROPERTIES LIMITED PARTNERSHIP

(Exact name of Registrants as specified in its charter)

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

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

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

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

Registrant	Title of each class	Name of exchange on which registered
Boston Properties, Inc.	Common Stock, par value $.01 per share	New York Stock Exchange
Boston Properties, Inc.	Depository Shares Each Representing 1/100th of a share of 5.25% Series B Cumulative Redeemable Preferred Stock, par value $0.01 per share	New York Stock Exchange

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 ☒ No ☐ Boston Properties Limited Partnership: Yes ☒ No ☐

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

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

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

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

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

Boston Properties, Inc. ☐ Boston Properties Limited Partnership ☐

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

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

As of June 30, 2017, the aggregate market value of the 154,033,136 shares of Common Stock held by non-affiliates of Boston Properties, Inc. was $18,949,156,391 based upon the last reported sale price of $123.02 per share on the New York Stock Exchange on June 30, 2017. (For this computation, Boston Properties, Inc. has excluded the market value of all shares of Common Stock reported as beneficially owned by executive officers and directors of Boston Properties, Inc.; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of Boston Properties, Inc.)

As of February 22, 2018, there were 154,339,610 shares of Common Stock of Boston Properties, Inc. outstanding.

Because no established market for common units of limited partnership of Boston Properties Limited Partnership exists, there is no market value for such units.

Certain information contained in Boston Properties Inc.'s Proxy Statement relating to its Annual Meeting of Stockholders to be held May 23, 2018 is incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III. Boston Properties, Inc. intends to file such Proxy Statement with the Securities and Exchange Commission not later than 120 days after the end of its fiscal year ended December 31, 2017.

EXPLANATORY NOTE

This report combines the Annual Reports on Form 10-K for the fiscal year ended December 31, 2017 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. 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.

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.

As of December 31, 2017, BXP owned an approximate 89.7% ownership interest in BPLP. The remaining approximate 10.3% interest was owned by limited partners. The other limited partners of BPLP are (1) persons who contributed their direct or indirect interests in properties to BPLP in exchange for common units or preferred units of limited partnership interest in BPLP and/or (2) recipients of long term incentive plan units of BPLP pursuant to BXP’s Stock Option and Incentive Plans. Under the limited partnership agreement of BPLP, unitholders may present their common units of BPLP for redemption at any time (subject to restrictions agreed upon at the time of issuance of the units that may restrict such right for a period of time, generally one year from issuance). Upon presentation of a common unit for redemption, BPLP must redeem the unit for cash equal to the then value of a share of BXP’s common stock. In lieu of cash redemption by BPLP, however, BXP may elect to acquire any common units so tendered by issuing shares of BXP common stock in exchange for the common units. If BXP so elects, its common stock will be exchanged for common units on a one-for-one basis. This one-for-one exchange ratio is subject to specified adjustments to prevent dilution. BXP generally expects that it will elect to issue its common stock in connection with each such presentation for redemption rather than having BPLP pay cash. With each such exchange or redemption, BXP’s percentage ownership in BPLP will increase. In addition, whenever BXP issues shares of its common stock other than to acquire common units of BPLP, BXP must contribute any net proceeds it receives to BPLP and BPLP must issue to BXP an equivalent number of common units of BPLP. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

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

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

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

Shareholders’ equity, partners’ capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of BXP and BPLP. The limited partners of BPLP are accounted for as partners’ capital in BPLP’s financial statements and as noncontrolling interests in BXP’s financial statements. The noncontrolling interests in BPLP's financial statements include the interests of unaffiliated partners in various consolidated partnerships. The noncontrolling interests in BXP's financial statements include the same 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 $318.8 million, or 2.0% at December 31, 2017, and a corresponding difference in depreciation expense, impairment losses and gains on sales of real estate upon the sale of certain properties having an allocation of the real estate step-up. The acquisition accounting was nullified on a prospective basis beginning in 2009 as a result of the Company's adoption of a new accounting standard requiring any future redemptions to be accounted for solely as an equity transaction.

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

- Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities;
- Item 6. Selected Financial Data;
- Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations includes information specific to each entity, where applicable;
- Item 7. Liquidity and Capital Resources includes separate reconciliations of amounts to each entity's financial statements, where applicable;
- Item 8. Financial Statements and Supplementary Data which includes the following specific disclosures for BXP and BPLP:
    - Note 2. Summary of Significant Accounting Policies;
    - Note 3. Real Estate;
    - Note 7. Derivative Instruments and Hedging Activities;
    - Note 11. Noncontrolling Interest;
    - Note 12. Stockholders' Equity / Partners' Capital;
    - Note 14. Segment Information;
    - Note 15. Earnings Per Share / Per Common Unit;
    - Note 19. Selected Interim Financial Information (unaudited); and
- Item 15. Financial Statement Schedule—Schedule 3.

This report also includes the following separate items for each of BXP and BPLP: Part II, Item 9A. Controls and Procedures, calculation of ratios of earnings to fixed charges and calculation of ratios of earnings to combined fixed charges and preferred dividends/distributions (Exhibits 12.1 and 12.2), consents of the independent registered public accounting firm (Exhibits 23.1 and 23.2), and certifications (Exhibits 31.1, 31.2, 31.3, 31.4, 32.1, 32.2, 32.3 and 32.4).

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PART I

Item 1. *Business*

General

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

Our properties are concentrated in five markets—Boston, Los Angeles, New York, San Francisco and Washington, DC. For information concerning the operations of our segments, see Note 14 to the Consolidated Financial Statements. At December 31, 2017, we owned or had interests in 179 commercial real estate properties, aggregating approximately 50.3 million net rentable square feet of primarily Class A office properties, including twelve properties under construction/redevelopment totaling approximately 6.2 million net rentable square feet. As of December 31, 2017 our properties consisted of:

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

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

We are a full-service real estate company, with substantial in-house expertise and resources in acquisitions, development, financing, capital markets, construction management, property management, marketing, leasing, accounting, risk management, tax and legal services. BXP manages BPLP as its sole general partner. As of December 31, 2017, we had approximately 740 employees. Our 36 senior officers have an average of 30 years of experience in the real estate industry, including an average of nineteen years of experience with us. Our principal executive office and Boston regional office are located at Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199 and our telephone number is (617) 236-3300. In addition, we have regional offices at 2400 Broadway, Suite 510, Santa Monica, California 90404, 599 Lexington Avenue, New York, New York 10022, Four Embarcadero Center, San Francisco, California 94111 and 2200 Pennsylvania Avenue NW, Washington, DC 20037.

Our internet address is http://www.bostonproperties.com. On our website, you can obtain free copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or the SEC. You may also obtain BXP's and BPLP's reports by accessing the EDGAR database at the SEC's website at http://www.sec.gov, or we will furnish an electronic or paper copy of these reports free of charge upon written request to: Investor Relations, Boston Properties, Inc., Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199. "Boston Properties" is a registered trademark and the "bxp" logo is a trademark, in both cases, of BPLP.

Boston Properties Limited Partnership

BPLP is a Delaware limited partnership organized in 1997, and the entity through which BXP conducts substantially all of its business and owns, either directly or through subsidiaries, substantially all of its assets. BXP is the sole general partner of BPLP and, as of February 22, 2018, the owner of approximately 89.6% of the economic interests in BPLP. Economic interest was calculated as the number of common partnership units of BPLP owned by BXP as a percentage of the sum of (1) the actual aggregate number of outstanding common partnership units of BPLP, (2) the number of common units issuable upon conversion of all outstanding long term incentive plan units of BPLP, or LTIP Units, other than LTIP Units issued in the form of Multi-Year Long-Term Incentive Plan Awards ("MYLTIP Awards") that remain subject to performance conditions, assuming all conditions have been met for the conversion of the LTIP Units, (3) the 2012 Outperformance Awards that were issued in the form of LTIP Units and earned as of February 6, 2015 (the "2012 OPP Units"), (4) the 2013 MYLTIP Units that were issued in the form of LTIP Units and earned as of February 4, 2016 (the "2013 MYLTIP Units"), (5) the 2014 MYLTIP

Units that were issued in the form of LTIP Units and earned as of February 3, 2017 (the "2014 MYLTIP Units") and (6) the 2015 MYLTIP Units that were issued in the form of LTIP Units and earned as of February 4, 2018 (the "2015 MYLTIP Units"). An LTIP Unit is generally the economic equivalent of a share of BXP's restricted common stock, although LTIP Units issued in the form of MYLTIP Awards are only entitled to receive one-tenth (1/10th) of the regular quarterly distributions (and no special distributions) prior to being earned. BXP's general and limited partnership interests in BPLP entitles BXP to share in cash distributions from, and in the profits and losses of, BPLP in proportion to BXP's percentage interest and entitles BXP to vote on all matters requiring a vote of the limited partners.

Preferred units of BPLP have the rights, preferences and other privileges set forth in an amendment to the limited partnership agreement of BPLP. As of December 31, 2017 and February 22, 2018, BPLP had one series of Preferred Units outstanding consisting of 80,000 Series B Preferred Units. The Series B Preferred Units have a liquidation preference of $2,500 per share (or an aggregate of approximately $193.6 million at December 31, 2017 and February 22, 2018, after deducting the underwriting discount and transaction expenses). The Series B Preferred Units were issued by BPLP on March 27, 2013 in connection with BXP's issuance of 80,000 shares (8,000,000 depositary shares each representing 1/100th of a share) of 5.25% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred Stock"). BXP contributed the net proceeds from the offering to BPLP in exchange for Series B Preferred Units having rights, performance and privileges generally mirroring those of the Series B Preferred Stock. BXP will pay cumulative cash dividends on the Series B Preferred Stock at a rate of 5.25% per annum of the $2,500 liquidation preference per share. BXP may not redeem the Series B Preferred Stock prior to March 27, 2018, except in certain circumstances relating to the preservation of BXP's REIT status. On or after March 27, 2018, BXP may redeem the Series B Preferred Stock for a cash redemption price of $2,500 per share, plus all accrued and unpaid dividends. The Series B Preferred Stock is not redeemable by the holders, has no maturity date and is not convertible into any other security of the Company or its affiliates.

Transactions During 2017

Acquisitions

On May 15, 2017, we acquired 103 Carnegie Center located in Princeton, New Jersey for a purchase price of approximately $15.8 million in cash. 103 Carnegie Center is an approximately 96,000 net rentable square foot Class A office property.

Dispositions

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

On April 19, 2017, we completed the sale of an approximately 9.5-acre parcel of land at 30 Shattuck Road located in Andover, Massachusetts for a gross sale price of $5.0 million. Net cash proceeds totaled approximately $5.0 million, resulting in a gain on sale of real estate totaling approximately $3.7 million.

On June 13, 2017, we completed the sale of 40 Shattuck Road located in Andover, Massachusetts for a gross sale price of $12.0 million. Net cash proceeds totaled approximately $11.9 million, resulting in a gain on sale of real estate totaling approximately $28,000 for BXP and approximately $0.6 million for BPLP. 40 Shattuck Road is an approximately 122,000 net rentable square foot Class A office property.

On August 30, 2017, we completed the sale of our Reston Eastgate property located in Reston, Virginia for a gross sale price of $14.0 million. Net cash proceeds totaled approximately $13.2 million, resulting in a gain on sale of real estate totaling approximately $2.8 million. Reston Eastgate is a parcel of land containing approximately 21.7 acres located at 11011 Sunset Hills Road.

Developments/Redevelopments

As of December 31, 2017, we had twelve properties under construction/redevelopment comprised of eight office properties and four residential properties, which aggregate approximately 6.2 million square feet. We estimate the total investment to complete these projects, in the aggregate, is approximately $3.4 billion of which we had already invested approximately $1.7 billion as of December 31, 2017. For a detailed list of the properties under construction/redevelopment see *"Liquidity and Capital Resources"* within *"Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."*

On April 6, 2017, we commenced the construction of 145 Broadway, a build-to-suit Class A office project with approximately 485,000 net rentable square feet located in Cambridge, Massachusetts. This property is 98% leased with initial occupancy in the fourth quarter of 2019.

On May 27, 2017, we completed and fully placed in-service Reservoir Place North, a Class A office redevelopment project with approximately 73,000 net rentable square feet located in Waltham, Massachusetts. This property is 0% leased.

On August 24, 2017, we entered into a 15-year lease with the General Services Administration under which we will develop the new headquarters for the Transportation Security Administration (TSA). The TSA will occupy 100% of the office space of the approximately 634,000 net rentable square feet Class A office project and a parking garage at 6595 Springfield Center Drive located in Springfield, Virginia. Concurrently with the execution of the lease, we commenced development of the project and expect the building to be available for occupancy by the fourth quarter of 2020.

On September 16, 2017, we completed and fully placed in-service 888 Boylston Street, a Class A office and retail project with approximately 417,000 net rentable square feet located in Boston, Massachusetts. This property is 94% leased, including leases with future commencement dates.

On November 17, 2017, we partially placed in-service 191 Spring Street, a Class A office redevelopment project with approximately 171,000 net rentable square feet located in Lexington, Massachusetts. The property is 88% leased.

On November 28, 2017, we commenced construction of our 20 CityPoint development project totaling approximately 211,000 net rentable square feet of Class A office space located in Waltham, Massachusetts. The project is 52% leased with initial occupancy expected during the third quarter of 2019.

On December 1, 2017, our consolidated entity in which we have a 95% interest partially placed in-service Salesforce Tower, a Class A office project with approximately 1,400,000 net rentable square feet located in San Francisco, California. The property is 97% leased.

On December 1, 2017, we entered into a 16-year lease with a tenant for approximately 288,000 net rentable square feet of Class A office space to be located in our 2100 Pennsylvania Avenue development project. In 2016, we entered into a development agreement with The George Washington University to pursue the development of 2100 Pennsylvania Avenue, a Class A office property with approximately 469,000 net rentable square feet on land parcels located in Washington, DC. The development agreement provides for the execution of a 75-year ground lease for the property upon completion of the entitlement process and relocation of existing tenants anticipated to occur in 2019.

Ground Lease Agreements

On June 29, 2017, we executed a 99-year ground lease (including extension options), with the right to purchase prior to 10 years after stabilization of the development project as defined in the lease, for land adjacent to the MacArthur BART station located in Oakland, California. We have commenced development of a 402-unit residential building and supporting retail space on the site.

Secured Debt Transactions / Derivative and Hedging Activities

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

On April 24, 2017, our consolidated entity that owns 767 Fifth Avenue (the General Motors Building) located in New York City entered into an interest rate lock and commitment agreement with a group of lenders on a ten-year financing totaling $2.3 billion at a fixed interest rate of 3.43% per annum. In conjunction with the interest rate lock and commitment agreement, 767 Fifth Partners LLC, which is a subsidiary of the consolidated entity that owns 767 Fifth Avenue (the General Motors Building) terminated the forward-starting interest rate swap contracts and cash-settled the contracts by making cash payments to the counterparties aggregating approximately $14.4 million. 767 Fifth Partners LLC did not record any hedge ineffectiveness. We are reclassifying into earnings, as an increase to interest expense, approximately $14.4 million (or approximately $1.4 million per year over the 10-year term of the financing), resulting in an effective GAAP interest rate on the financing of approximately 3.64% per annum, inclusive of the amortization of financing costs and additional mortgage recording taxes.

Unsecured Debt Transactions

On April 24, 2017, BPLP 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 BPLP to draw until the first anniversary of the closing date. Based on BPLP's credit rating at December 31, 2017, (1) the applicable Eurocurrency margins for the Revolving Facility and Delayed Draw Facility are 87.5 basis points and 95 basis points, respectively, and (2) the facility fee on the Revolving Facility commitment is 0.15% per annum. The Delayed Draw Facility has a fee on unused commitments equal to 0.15% per annum (See Note 9 to the Consolidated Financial Statements).

On December 4, 2017, BPLP completed a public offering of $850 million in aggregate principal amount of its 3.200% unsecured senior notes due 2025. The notes were priced at 99.757% of the principal amount to yield an effective rate (including financing fees) of approximately 3.350% per annum to maturity. The notes will mature on January 15, 2025, unless earlier redeemed. The aggregate net proceeds from the offering were approximately $841.1 million after deducting underwriting discounts and transaction expenses.

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

Equity Transactions

On June 2, 2017, BXP 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 BXP's prior $600.0 million ATM stock offering program that was scheduled to expire on June 3, 2017. BXP intends to use the net proceeds from any offering for general business purposes, which may include investment opportunities and debt reduction. No shares of common stock have been issued under this ATM stock offering program.

During the year ended December 31, 2017, BXP acquired an aggregate of 495,637 common units of limited partnership interest, including 36,486 common units issued upon the conversion of LTIP Units, 2012 OPP Units, 2013 MYLTIP Units and 2014 MYLTIP Units presented by the holders for redemption, in exchange for an equal number of shares of BXP common stock.

Investments in Unconsolidated Joint Ventures

On July 10, 2017, we acquired an additional 0.2% interest in the unconsolidated joint venture that owns Colorado Center located in Santa Monica, California for approximately $2.1 million in cash. Following the acquisition, we own a 50% interest in the joint venture. We continue to account for the joint venture under the equity method of accounting as there were no changes to the rights of the members as a result of the acquisition. On July 28, 2017, the unconsolidated joint venture obtained mortgage financing collateralized by the property totaling $550.0 million. The mortgage financing bears interest at a fixed rate of 3.56% per annum and matures on August 9, 2027. The loan requires interest-only payments during the 10-year term of the loan, with the entire principal amount due at maturity. The joint venture distributed to the partners the net proceeds from the financing totaling $502.0 million, of which our share was $251.0 million. Colorado Center is a six-building office complex that sits on a 15-acre site and contains an aggregate of approximately 1,118,000 net rentable square feet with an underground parking garage for 3,100 vehicles.

On August 7, 2017, we entered into a joint venture with The Bernstein Companies to develop an approximately 733,000 net rentable square foot (subject to adjustment based on finalized building design) build-to-suit Class A office building and below-grade parking garage at 7750 Wisconsin Avenue in Bethesda, Maryland. The joint venture entered into a lease agreement with an affiliate of Marriott International, Inc. under which Marriott will lease 100% of the office building and garage for a term of 20 years, and the building will serve as Marriott's new worldwide headquarters. Marriott has agreed to fund 100% of the related tenant improvement costs and leasing commissions for the office building. We will serve as co-development manager for the venture and expect to commence construction in 2018. We and The Bernstein Companies each own a 50% interest in the joint venture. For its initial contribution, The Bernstein Companies contributed land with an initial fair value of $72.0 million and cash and improvements aggregating approximately $4.9 million. We contributed cash and improvements aggregating approximately $20.8 million for our initial contribution, of which $11.0 million was distributed to The Bernstein Companies. In addition, we were required to fund $25.0 million into an escrow account to be used by the joint venture to fund future development costs (See Notes 5 and 10 to the Consolidated Financial Statements).

On September 6, 2017, a joint venture in which we have a 50% interest obtained construction financing with a total commitment of $204.6 million collateralized by its Hub on Causeway development project. 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. The Hub on Causeway is an approximately 385,000 net rentable square foot project containing retail and office space located in Boston, Massachusetts (See Note 5 to the Consolidated Financial Statements).

On December 1, 2017, a joint venture in which we have a 50% interest commenced construction of a residential project that we expect will contain approximately 320,000 square feet and 440 residential units at its Hub on Causeway mixed-use development project located in Boston, Massachusetts.

Stock Option and Incentive Plan

On January 25, 2017, BXP's Compensation Committee approved a new equity-based, multi-year, long-term incentive program (the "2017 MYLTIP") as a performance-based component of our overall compensation program. Under the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 718 "Compensation - Stock Compensation," the 2017 MYLTIP has an aggregate grant fair value of approximately $17.7 million, which amount will generally be amortized into earnings over the four-year plan period under the graded vesting method (See Note 17 to the Consolidated Financial Statements).

On February 3, 2017, the measurement period for our 2014 MYLTIP awards ended and, based on BXP's relative TSR performance, the final awards were determined to be 27.7% of target or an aggregate of approximately $3.5 million (after giving effect to voluntary employee separations and the unallocated reserve). As a result, an aggregate of 447,386 2014 MYLTIP Units that had been previously granted were automatically forfeited.

Business and Growth Strategies

Business Strategies

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

- to target a few carefully selected geographic markets: Boston, Los Angeles, New York, San Francisco and Washington, DC, and to be one of the leading, if not the leading, owners, developers and managers in each of those markets with a full-service office in each market providing property management, leasing, development, construction and legal expertise. We select markets and submarkets with a diverse economic base and a deep pool of prospective tenants in various industries and where tenants have demonstrated a preference for high-quality office buildings and other facilities. Additionally, our markets have historically been able to recruit new talent to them and as such created job growth that results in growth in rental rates and occupancy over time. We have explored and may continue to explore for future investment select domestic and international markets that exhibit these same traits;

- to emphasize markets and submarkets within those markets where the difficulty of receiving the necessary approvals for development and the necessary financing constitute high barriers to the creation of new supply, and where skill, financial strength and diligence are required to successfully develop, finance and manage high-quality office, research and development space, as well as selected retail and residential space;
- to take on complex, technically challenging development projects, leveraging the skills of our management team to successfully develop, acquire or reposition properties that other organizations may not have the capacity or resources to pursue;
- to own and develop high-quality real estate designed to meet the demands of today's tenants who require sophisticated telecommunications and related infrastructure, support services, sustainable features and amenities, and to manage those facilities so as to become the landlord of choice for both existing and prospective clients;
- to opportunistically acquire assets that increase our market share in the markets in which we have chosen to concentrate, as well as potential new markets, which exhibit an opportunity to improve or preserve returns through repositioning (through a combination of capital improvements and shift in marketing strategy), changes in management focus and leasing;
- to explore joint venture opportunities with existing property owners located in desirable locations, who seek to benefit from the depth of development and management expertise we are able to provide and our access to capital, and/or to explore joint venture opportunities with strategic institutional partners, leveraging our skills as owners, operators and developers of Class A office space and mixed-use complexes;
- to pursue on a selective basis the sale of properties or interests therein, including core properties, to either (1) take advantage of the demand for our premier properties and realize the value we have created or (2) pare from our portfolio properties that we believe have slower future growth potential;
- to seek third-party development contracts to enable us to retain and utilize our existing development and construction management staff, especially when our internal development is less active or when new development is less-warranted due to market conditions; and
- to enhance our capital structure through our access to a variety of sources of capital and proactively manage our debt expirations. In the current economic climate with relatively low interest rates we have and will continue to attempt to lower the cost of our debt capital and seek opportunities to lock in such low rates through early debt repayment, refinancings and interest rate hedges.

Growth Strategies

External Growth Strategies

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

- our control of sites (including sites under contract or option to acquire) in our markets that could support in excess of 12.2 million additional square feet of new office, retail and residential development;
- our reputation gained through 48 years of successful operations and the stability and strength of our existing portfolio of properties;
- our relationships with leading national corporations, universities and public institutions, including government agencies, seeking new facilities and development services;
- our relationships with nationally recognized financial institutions that provide capital to the real estate industry;
- our track record and reputation for executing acquisitions efficiently provide comfort to domestic and foreign institutions, private investors and corporations who seek to sell commercial real estate in our market areas;

- our ability to act quickly on due diligence and financing;
- our relationships with institutional buyers and sellers of high-quality real estate assets;
- our ability to procure entitlements from multiple municipalities to develop sites and attract land owners to sell or partner with us; and
- our relationship with domestic and foreign investors who seek to partner with companies like ours.

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

- *Development in selected submarkets.* We believe the selected development of well-positioned office buildings, residential buildings and mixed-use complexes is justified in our markets. We believe in acquiring land after taking into consideration timing factors relating to economic cycles and in response to market conditions that allow for its development at the appropriate time. While we purposely concentrate in markets with high barriers-to-entry, we have demonstrated throughout our 48-year history, an ability to make carefully timed land acquisitions in submarkets where we can become one of the market leaders in establishing rent and other business terms. We believe that there are opportunities at key locations in our existing and other markets for a well-capitalized developer to acquire land with development potential.

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

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

- *Acquisition of assets and portfolios of assets from institutions or individuals.* We believe that due to our size, management strength and reputation, we are well positioned to acquire portfolios of assets or individual properties from institutions or individuals if valuations meet our criteria. In addition, we believe that our market knowledge and our liquidity and access to capital may provide us with a competitive advantage when pursuing acquisitions. Opportunities to acquire properties may also come through the purchase of first mortgage or mezzanine debt. We are also able to appeal to sellers wishing to contribute on a tax-deferred basis their ownership of property for equity in a diversified real estate operating company that offers liquidity through access to the public equity markets in addition to a quarterly distribution. Our ability to offer common and preferred units of limited partnership in BPLP to sellers who would otherwise recognize a taxable gain upon a sale of assets for cash or BXP's common stock may facilitate this type of transaction on a tax-efficient basis. Recent Treasury Regulations, may limit certain of the tax benefits previously available to sellers in these transactions.

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

Internal Growth Strategies

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

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

  The average lease term of our in-place leases, including leases signed by our unconsolidated joint ventures, was approximately 7.3 years at December 31, 2017, and we continue to cultivate long-term leasing relationships with a diverse base of high-quality, financially stable tenants. Based on leases in place at December 31, 2017, leases with respect to approximately 4.4% of the total square feet in our portfolio, including unconsolidated joint ventures, will expire in calendar year 2018.

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

- *Replace tenants quickly at best available market terms and lowest possible transaction costs*. We believe that we are well-positioned to attract new tenants and achieve relatively high rental and occupancy rates as a result of our well-located, well-designed and well-maintained properties, our reputation for high-quality building services and responsiveness to tenants, and our ability to offer expansion and relocation alternatives within our submarkets.

- *Extend terms of existing leases to existing tenants prior to expiration*. We have also successfully structured early tenant renewals, which have reduced the cost associated with lease downtime while securing the tenancy of our highest quality credit-worthy tenants on a long-term basis and enhancing relationships.

Policies with Respect to Certain Activities

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

Investment Policies

Investments in Real Estate or Interests in Real Estate

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

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

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

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

Investments in Real Estate Mortgages

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

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

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

Dispositions

Our decision to dispose or partially dispose of properties is based upon the periodic review of our portfolio and the determination by the Board of Directors of BXP that such action would be in our best interests. Any decision to dispose of a property will be authorized by the Board of Directors of BXP or a committee thereof. Some holders of limited partnership interests in BPLP, could incur adverse tax consequences upon the sale of certain of our properties that differ from the tax consequences to BXP. Consequently, holders of limited partnership interests in BPLP may have different objectives regarding the appropriate pricing and timing of any such sale. Such different tax treatment derives in most cases from the fact that we acquired these properties in exchange for partnership interests in contribution transactions structured to allow the prior owners to defer taxable gain. Generally, this deferral continues so long as we do not dispose of the properties in a taxable transaction. Unless a sale by us of these properties is structured as a like-kind exchange under Section 1031 of the Internal Revenue Code or in a manner that otherwise allows deferral to continue, recognition of the deferred tax gain allocable to these prior owners is generally triggered by a sale. As of December 31, 2017, we have no properties that are subject to a tax protection agreement.

Financing Policies

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

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

Policies with Respect to Other Activities

As the sole general partner of BPLP, BXP has the authority to issue additional common and preferred units of limited partnership interest of BPLP. BXP has issued, and may in the future issue, common or preferred units of limited partnership interest to persons who contribute their direct or indirect interests in properties to us in exchange for such common or preferred units. We have not engaged in trading, underwriting or agency distribution or sale of securities of issuers other than BPLP and we do not intend to do so. At all times, we intend to make investments in such a manner as to enable BXP to maintain its qualification as a REIT, unless, due to changes in circumstances or to the Internal Revenue Code of 1986, as amended (or the Treasury Regulations promulgated thereunder), the Board of Directors of BXP determines that it is no longer in the best interest of BXP to qualify as a REIT. We may make loans to third parties, including, without limitation, to joint ventures in which we participate or in connection with the disposition of a property. We intend to make investments in such a way that we will not be treated as an investment company under the 1940 Act. Our policies with respect to these and other activities may be reviewed and modified or amended from time to time by the Board of Directors of BXP.

Sustainability

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

We have been recognized as an industry leader in sustainability. In 2017, BXP ranked among the top 5% of 823 real estate companies in the Global Real Estate Sustainability Benchmark (“GRESB”) assessment. 2017 was the sixth straight year that BXP has ranked in the top quartile of GRESB assessment participants, earning another “Green Star” recognition and a GRESB 5-star Rating. In 2014, 2015 and 2017 BXP was selected by the National Association of Real Estate Investment Trusts (“Nareit”) as a Leader in the Light Award winner. Nareit’s annual Leader in the Light Awards honor Nareit member companies that have demonstrated superior and sustained sustainability practices.

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

Competition

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

Principal factors of competition in our primary business of owning, acquiring and developing office properties are the quality of properties, leasing terms (including rent and other charges and allowances for tenant improvements), attractiveness and convenience of location, the quality and breadth of tenant services and amenities provided, and reputation as an owner and operator of quality office properties in the relevant market. Additionally, our ability to compete depends upon, among other factors, trends of the national and local economies, investment alternatives, financial condition and operating results of current and prospective tenants, availability and cost of capital, construction and renovation costs, taxes, utilities, governmental regulations, legislation and population trends.

In addition, we currently have six residential properties (including four under construction) and may in the future decide to acquire or develop additional residential properties. As an owner, we will also face competition for prospective residents from other operators/owners whose properties may be perceived to offer a better location or better amenities or whose rent may be perceived as a better value given the quality, location and amenities that the resident seeks. We will also compete against condominiums and single-family homes that are for sale or rent. Because the scale of our residential portfolio is relatively small, we expect to continue to retain third parties to manage our residential properties.

Our Hotel Property

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

Corporate Governance

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

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

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

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

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

- The Board of Directors has adopted charters for each of its Audit, Compensation and Nominating and Corporate Governance Committees. A copy of each of these charters is available on our website at http://www.bostonproperties.com under the heading "Corporate Governance" and subheading "Committees and Charters."
- The Board of Directors has adopted Corporate Governance Guidelines, a copy of which is available on our website at http://www.bostonproperties.com under the heading "Corporate Governance" and subheading "Governance Guidelines."
- The Board of Directors has adopted a Code of Business Conduct and Ethics, which governs business decisions made and actions taken by BXP's directors, officers and employees. A copy of this code is available on our website at http://www.bostonproperties.com under the heading "Corporate Governance" and subheading "Code of Conduct and Ethics." BXP intends to disclose on this website any amendment to, or waiver of, any provisions of this Code applicable to the directors and executive officers of BXP that would otherwise be required to be disclosed under the rules of the SEC or the New York Stock Exchange.
- The Board of Directors has established an ethics reporting system that employees may use to anonymously report possible violations of the Code of Business Conduct and Ethics, including concerns regarding questionable accounting, internal accounting controls or auditing matters, by telephone or over the internet.
- The Board of Directors has adopted a Policy on our Political Spending, a copy of which is available on our website at http://www.bostonproperties.com under the heading "Corporate Governance" and subheading "Policy on Political Spending."

Recent Tax Legislation Affecting BXP and BPLP

Tax Cuts and Jobs Act of 2017

The "Tax Cuts and Jobs Act" (the "TCJA"), generally applicable for tax years beginning after December 31, 2017, made significant changes to the Internal Revenue Code (the "Code"), including a number of provisions of the Code that affect the taxation of businesses and their owners, including REITs and their stockholders. Among other changes, these include the following:

- For tax years beginning before January 1, 2026, non-corporate taxpayers are permitted to take a deduction for certain pass-through business income, including dividends received from REITs that are not designated as capital gain dividends or qualified dividend income, subject to certain limitations.
- The maximum U.S. federal income tax rate for corporations has been reduced from 35% to 21%, and corporate alternative minimum tax has been eliminated for corporations, which would generally reduce the amount of U.S. federal income tax payable by our taxable REIT subsidiaries and by us to the extent we were subject corporate U.S. federal income tax (for example, if we distributed less than 100% of our taxable income or recognized built-in gains in assets acquired from C corporations). In addition, the maximum withholding rate on distributions by us to non-U.S. stockholders that are treated as attributable to gain from the sale or exchange of a U.S. real property interest is reduced from 35% to 21%.
- Certain new limitations on the deductibility of interest expense now apply, which limitations may affect the deductibility of interest paid or accrued by us or our taxable REIT subsidiaries. Alternatively, we may be able to avoid the new limitations on interest expense by irrevocably electing to treat an investment as an "electing real property trade or business." As a consequence of making such election, we would be required to use an alternative depreciation system with generally longer recovery periods. We will determine whether to make such an election for any investment held through an entity we control.
- Certain new limitations on net operating losses now apply, which limitations may affect net operating losses generated by us or our taxable REIT subsidiaries.

- New accounting rules generally require us to recognize certain income items for federal income tax purposes no later than when we take the item into account for financial statement purposes, which may accelerate our recognition of certain income items.

This summary does not purport to be a detailed discussion of the changes to U.S. federal income tax laws as a result of the enactment of the TCJA. Technical corrections or other amendments to the TCJA or administrative guidance interpreting the TCJA may be forthcoming at any time. We cannot predict the long-term effect of the TCJA or any future law changes on REITs or their stockholders. Investors are urged to consult their own tax advisors regarding the effect of the TCJA based on their particular circumstances.

Item 1A. ***Risk Factors.***

Set forth below are the risks that we believe are material to our investors. We refer to the equity and debt securities of both BXP and BPLP as our "securities," and the investors who own securities, or both, as our "securityholders." This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements beginning on page 46.

Our performance and value are subject to risks associated with our real estate assets and with the real estate industry.

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

- downturns in the national, regional and local economic conditions (particularly increases in unemployment);
- competition from other office, hotel, retail and residential buildings;
- local real estate market conditions, such as oversupply or reduction in demand for office, hotel, retail or residential space;
- changes in interest rates and availability of financing;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space;
- changes in space utilization by our tenants due to technology, economic conditions and business culture;
- increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs;
- civil disturbances, earthquakes and other natural disasters or terrorist acts or acts of war which may result in uninsured or underinsured losses or decrease the desirability to our tenants in impacted locations;
- significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;
- declines in the financial condition of our tenants and our ability to collect rents from our tenants; and
- decreases in the underlying value of our real estate.

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

Substantially all of our revenue is derived from properties located in five markets: Boston, Los Angeles, New York, San Francisco and Washington, DC. A downturn in the economies of these markets, or the impact that a downturn in the overall national economy may have upon these economies, could result in reduced demand for office space and/or a reduction in rents. Because our portfolio consists primarily of office buildings (as compared to a more diversified real estate portfolio), a decrease in demand for office space in turn could adversely affect our results of operations. Additionally, there are submarkets within our markets that are dependent upon a limited number of industries. For example, in our Washington, DC market, we focus on leasing office properties to governmental agencies and contractors, as well as legal firms. A reduction in spending by the federal government could result in reduced demand for office space and adversely affect our results of operations. In addition, in our New York market, we have historically leased properties to financial, legal and other professional firms. A significant downturn in one or more of these sectors could adversely affect our results of operations.

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

Our investment in property development may be costlier than anticipated.

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

- we may be unable to proceed with the development of properties because we cannot obtain financing on favorable terms or at all;
- we may incur construction costs for a development project that exceed our original estimates due to increases in interest rates and increased materials, labor, leasing or other costs, which could make completion of the project less profitable because market rents may not increase sufficiently to compensate for the increase in construction costs;
- we may be unable to obtain, or face delays in obtaining, required zoning, land-use, building, occupancy, and other governmental permits and authorizations, which could result in increased costs and could require us to abandon our activities entirely with respect to a project;
- we may abandon development opportunities after we begin to explore them and as a result we may lose deposits or fail to recover expenses already incurred;
- we may expend funds on and devote management’s time to projects that we do not complete;
- we may be unable to complete construction and/or leasing of a property on schedule or at all; and
- we may suspend development projects after construction has begun due to changes in economic conditions or other factors, and this may result in the write-off of costs, payment of additional costs or increases in overall costs when the development project is restarted.

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

Our developed properties may be exposed to the following risks:

- we may lease developed properties at rental rates that are less than the rates projected at the time we decide to undertake the development;
- operating expenses and construction costs may be greater than projected at the time of development, resulting in our investment being less profitable than we expected; and
- occupancy rates and rents at newly developed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investments being less profitable than we expected or not profitable at all.

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

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

Our properties face significant competition.

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

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

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

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

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

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

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

We have had and may have in the future agreements with a number of limited partners of BPLP who contributed properties in exchange for partnership interests that require BPLP to maintain for specified periods of time secured debt on certain of our assets and/or allocate partnership debt to such limited partners to enable them to continue to defer recognition of their taxable gain with respect to the contributed property. These tax protection and debt allocation agreements may restrict our ability to repay or refinance debt. As of December 31, 2017, we had no tax protection or debt allocation agreement requirements that may restrict our ability to repay or finance debt.

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

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

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

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

As of February 22, 2018, we had approximately $210 million of outstanding indebtedness, excluding our unconsolidated joint ventures, that bears interest at variable rates, and we may incur more indebtedness in the future. If interest rates increase, then so would the interest costs on our unhedged variable rate debt, which could adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our securityholders. Further, rising interest rates could limit our ability to refinance existing debt when it matures or significantly increase our future interest expense. From time to time, we enter into interest rate swap agreements and other interest rate hedging contracts, including swaps, caps and floors. While these agreements are intended to lessen the impact of rising interest rates on us, they also expose us to the risk that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges under guidance included in ASC 815 “Derivatives and Hedging.” In addition, an increase in interest rates could decrease the amounts third-parties are willing to pay for our assets, thereby limiting our ability to change our portfolio promptly in response to changes in economic or other conditions.

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

The mortgages on our properties contain customary covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. Our unsecured credit facility, unsecured debt securities and certain secured loans contain customary restrictions, requirements and other limitations on our ability to incur indebtedness, including total debt to asset ratios, secured debt to total asset ratios, debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt, which we must maintain. Our continued ability to borrow under our credit facilities is subject to compliance with our financial and other covenants. In addition, our failure to comply with such covenants could cause a default under the applicable debt agreement, and we may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us, or be available only on unattractive terms. Additionally, in the future our ability to satisfy current or prospective lenders' insurance requirements may be adversely affected if lenders generally insist upon greater insurance coverage against acts of terrorism or losses resulting from earthquakes than is available to us in the marketplace or on commercially reasonable terms.

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

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

On February 22, 2018, our Consolidated Debt was approximately $10.4 billion (excluding unconsolidated joint venture debt).

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

	February 22, 2018			
	Shares / Units Outstanding	Common Stock Equivalent	Equivalent Value (1)	
Common Stock	154,339,610	154,339,610	$ 18,284,614	
Common Operating Partnership Units	17,851,125	17,851,125	2,114,823	(2)
5.25% Series B Cumulative Redeemable Preferred Stock	80,000	—	200,000	
Total Equity (A)		172,190,735	$ 20,599,437	
Consolidated Debt (B)			$ 10,433,788	
Consolidated Market Capitalization (A + B)			$ 31,033,225	
Consolidated Debt/Consolidated Market Capitalization [B / (A + B)]			33.62%	

(1) Except for the Series B Cumulative Redeemable Preferred Stock, which have been valued at the liquidation preference of $2,500 per share, values based on the closing price per share of BXP's Common Stock on February 22, 2018 of $118.47.

(2) Includes 1,042,247 LTIP Units (including 118,067 2012 OPP Units, 85,405 2013 MYLTIP Units, 25,107 2014 MYLTIP Units and 28,771 2015 MYLTIP Units), but excludes an aggregate of 1,216,019 MYLTIP Units granted between 2016 and 2018.

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

We face risks associated with property acquisitions.

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

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

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

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

Acquired properties may expose us to unknown liability.

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

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

Competition for acquisitions may result in increased prices for properties.

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

- we may be unable to acquire a desired property because of competition from other well-capitalized real estate investors, including publicly traded and private REITs, institutional investment funds and other real estate investors; and
- even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price.

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

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

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

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

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

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

In appropriate circumstances, we intend to develop, acquire and recapitalize properties in joint ventures with other persons or entities when circumstances warrant the use of these structures. We currently have joint ventures that are and are not consolidated within our financial statements. Our participation in joint ventures subjects us to risks, including but not limited to, the following risks that:

- we could become engaged in a dispute with any of our joint venture partners that might affect our ability to develop, finance or operate a property and could lead to the sale of either parties' ownership interest or the property;
- some of our joint ventures are subject to debt and in the current credit markets the refinancing of such debt may require equity capital calls;
- our joint venture partners may default on their obligations necessitating that we fulfill their obligation ourselves;
- our joint venture partners may have different objectives than we have regarding the appropriate timing and terms of any sale or refinancing of properties or the commencement of development activities;
- our joint venture partners may be structured differently than us for tax purposes and this could create conflicts of interest;
- our joint venture partners may have competing interests in our markets that could create conflicts of interest;
- our joint ventures may be unable to repay any amounts that we may loan to them; and
- our joint venture agreements may contain provisions limiting the liquidity of our interest for sale.

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

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

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

Conflicts of interest exist with holders of interests in BPLP.

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

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

Agreement not to sell some properties.

We have had and may have in the future agreements with the contributors of some properties that we have acquired in exchange for partnership interests in BPLP pursuant to which we have agreed not to sell or otherwise transfer the properties, prior to specified dates, in any transaction that would trigger taxable income to the contributor. In addition, we are responsible for the reimbursement of certain tax-related costs to the prior owners if the subject properties are sold in a taxable sale. In general, our obligations to the prior owners are limited in time and only apply to actual damages suffered.

BPLP has also entered into agreements providing prior owners of properties with the right to guarantee specific amounts of indebtedness and, in the event that the specific indebtedness they guarantee is repaid or reduced, additional and/or substitute indebtedness. These agreements may hinder actions that BPLP may otherwise desire to take to repay or refinance guaranteed indebtedness because BPLP would be required to make payments to the beneficiaries of such agreements if it violates these agreements. As of December 31, 2017, no properties were subject to these restrictions.

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

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

- our hotel property competes for guests with other hotels, a number of which may have greater marketing and financial resources than our hotel-operating business partners;
- if there is an increase in operating costs resulting from inflation and other factors, our hotel-operating business partners may not be able to offset such increase by increasing room rates;
- our hotel property is subject to the fluctuating and seasonal demands of business travelers and tourism; and
- our hotel property is subject to general and local economic and social conditions that may affect demand for travel in general, including war and terrorism.

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

We face risks associated with short-term liquid investments.

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

- direct obligations issued by the U.S. Treasury;
- obligations issued or guaranteed by the U.S. government or its agencies;
- taxable municipal securities;
- obligations (including certificates of deposit) of banks and thrifts;
- commercial paper and other instruments consisting of short-term U.S. dollar denominated obligations issued by corporations and banks;
- repurchase agreements collateralized by corporate and asset-backed obligations;
- both registered and unregistered money market funds; and
- other highly rated short-term securities.

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

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

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

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

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

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

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

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

As of December 31, 2017, the U.S. Government was our largest tenant by square feet. We are subject to compliance with a wide variety of complex legal requirements because we are a federal Government contractor. These laws regulate how we conduct business, require us to administer various compliance programs and require us to impose compliance responsibilities on some of our contractors. Our failure to comply with these laws could subject us to fines, penalties and damages, cause us to be in default of our leases and other contracts with the federal Government and bar us from entering into future leases and other contracts with the federal Government. There can be no assurance that these costs and loss of revenue will not have a material adverse effect on our properties, operations or business.

Some potential losses are not covered by insurance.

We carry insurance coverage on our properties, including those under development, of types and in amounts and with deductibles that we believe are in line with coverage customarily obtained by owners of similar properties. Certain properties owned in joint ventures with third parties are insured by the third party partner with insurance coverage of types and in amounts and with deductibles we believe are in line with coverage customarily obtained by owners of similar properties. In response to the uncertainty in the insurance market following the terrorist attacks of September 11, 2001, the Federal Terrorism Risk Insurance Act (as amended, "TRIA") was enacted in November 2002 to require regulated insurers to make available coverage for "certified" acts of terrorism (as defined by the statute). The expiration date of TRIA was extended to December 31, 2014 by the Terrorism Risk Insurance Program Reauthorization Act of 2007 and further extended to December 31, 2020 by the Terrorism Risk Insurance

Program Reauthorization Act of 2015 (“TRIPRA”), and we can provide no assurance that it will be extended further. Currently, our property insurance program per occurrence limits are $1.0 billion for our portfolio insurance program, including coverage for acts of terrorism other than nuclear, biological, chemical or radiological terrorism (“Terrorism Coverage”). We also carry $250 million of Terrorism Coverage for 601 Lexington Avenue, New York, New York (“601 Lexington Avenue”) in excess of the $1.0 billion of coverage in our property insurance program. Certain properties, including the General Motors Building located at 767 Fifth Avenue in New York, New York (“767 Fifth Avenue”), are currently insured in separate insurance programs. The property insurance program per occurrence limits for 767 Fifth Avenue are $1.625 billion, including Terrorism Coverage. We also currently carry nuclear, biological, chemical and radiological terrorism insurance coverage for acts of terrorism certified under TRIA (“NBCR Coverage”), which is provided by IXP as a direct insurer, for the properties in our portfolio, including 767 Fifth Avenue, but excluding certain other properties owned in joint ventures with third parties or which we manage. The per occurrence limit for NBCR Coverage is $1.0 billion. Under TRIA, after the payment of the required deductible and coinsurance, the NBCR Coverage provided by IXP is backstopped by the Federal Government if the aggregate industry insured losses resulting from a certified act of terrorism exceed a “program trigger.” In 2017, the program trigger was $140 million and the coinsurance was 17%, however, both will increase in subsequent years pursuant to TRIPRA. 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 TRIPRA. We may elect to terminate the NBCR Coverage if the Federal Government seeks recoupment for losses paid under TRIA, if there is a change in our portfolio or for any other reason. We intend to continue to monitor the scope, nature and cost of available terrorism insurance and maintain terrorism insurance in amounts and on terms that are commercially reasonable.

We also currently carry earthquake insurance on our properties located in areas known to be subject to earthquakes in an amount and subject to self-insurance that we believe is commercially reasonable. In addition, this insurance is subject to a deductible in the amount of 3% of the value of the affected property. Specifically, we currently carry earthquake insurance which covers our San Francisco (including Salesforce Tower) and Los Angeles regions with a $240 million (increased from $170 million on March 1, 2017) per occurrence limit, and a $240 million (increased from $170 million on March 1, 2017) annual aggregate limit, $20 million of which is provided by IXP, as a direct insurer. Prior to March 1, 2017, the builders risk policy maintained for the development of Salesforce Tower in San Francisco included a $60 million per occurrence and annual aggregate limit of earthquake coverage. The amount of our earthquake insurance coverage may not be sufficient to cover losses from earthquakes. In addition, the amount of earthquake coverage could impact our ability to finance properties subject to earthquake risk. We may discontinue earthquake insurance or change the structure of our earthquake insurance program on some or all of our properties in the future if the premiums exceed our estimation of the value of the coverage.

IXP, a captive insurance company which is a wholly-owned subsidiary, acts as a direct insurer with respect to a portion of our earthquake insurance coverage for our Greater San Francisco and Los Angeles properties and our NBCR Coverage. Insofar as we own IXP, we are responsible for its liquidity and capital resources, and the accounts of IXP are part of our consolidated financial statements. In particular, if a loss occurs which is covered by our NBCR Coverage but is less than the applicable program trigger under TRIA, IXP would be responsible for the full amount of the loss without any backstop by the Federal Government. IXP would also be responsible for any recoupment charges by the Federal Government in the event losses are paid out and its insurance policy is maintained after the payout by the Federal Government. If we experience a loss and IXP is required to pay under its insurance policy, we would ultimately record the loss to the extent of the required payment. Therefore, insurance coverage provided by IXP should not be considered as the equivalent of third-party insurance, but rather as a modified form of self-insurance. In addition, BPLP has issued a guarantee to cover liabilities of IXP in the amount of $20 million.

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

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

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

We have significant investments in large metropolitan markets that have been or may be in the future the targets of actual or threatened terrorism attacks, including Boston, Los Angeles, New York, San Francisco and Washington, DC. As a result, some tenants in these markets may choose to relocate their businesses to other markets or to lower-profile office buildings within these markets that may be perceived to be less likely targets of future terrorist activity. This could result in an overall decrease in the demand for office space in these markets generally or in our properties in particular, which could increase vacancies in our properties or necessitate that we lease our properties on less favorable terms or both. In addition, future terrorist attacks in these markets could directly or indirectly damage our properties, both physically and financially, or cause losses that materially exceed our insurance coverage. As a result of the foregoing, our ability to generate revenues and the value of our properties could decline materially. See also "—*Some potential losses are not covered by insurance.*"

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

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

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

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

Potential liability for environmental contamination could result in substantial costs.

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

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

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

- properly manage and maintain the asbestos;
- notify and train those who may come into contact with asbestos; and
- undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building.

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

Some of our properties are located in urban and previously developed areas where fill or current or historic industrial uses of the areas have caused site contamination. It is our policy to retain independent environmental consultants to conduct or update Phase I environmental site assessments and asbestos surveys with respect to our acquisition of properties. These assessments generally include a visual inspection of the properties and the surrounding areas, an examination of current and historical uses of the properties and the surrounding areas and a review of relevant state, federal and historical documents, but do not involve invasive techniques such as soil and ground water sampling. Where appropriate, on a property-by-property basis, our practice is to have these consultants conduct additional testing, including sampling for asbestos, for lead and other contaminants in drinking water and, for soil and/or groundwater contamination where underground storage tanks are or were located or where other past site usage creates a potential environmental problem. Even though these environmental assessments are conducted, there is still the risk that:

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

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

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

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

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

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

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

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

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

We may be subject to adverse legislative or regulatory tax changes that could negatively impact our financial condition.

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

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

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

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

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

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

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

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

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

If BXP fails to qualify as a REIT for federal income tax purposes, it will be taxed as a corporation unless certain relief provisions apply. We believe that BXP is organized and qualified as a REIT and intends to operate in a manner that will allow BXP to continue to qualify as a REIT. However, we cannot assure you that BXP is qualified as such, or that it will remain qualified as such in the future. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code as to which there are only limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of such qualification.

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

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

- BXP would not be allowed a deduction for dividends paid to stockholders in computing its taxable income and would be subject to federal income tax at regular corporate rates;
- BXP also could be subject to the federal alternative minimum tax for tax years ending before January 1, 2018 and possibly increased state and local taxes; and
- unless BXP is entitled to relief under statutory provisions, BXP could not elect to be subject to tax as a REIT for four taxable years following the year during which it was disqualified.

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

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

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

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

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

- delay or prevent a change of control over BXP or a tender offer, even if such action might be beneficial to BXP's stockholders; and
- limit BXP's stockholders' opportunity to receive a potential premium for their shares of common stock over then-prevailing market prices.

Stock Ownership Limit

To facilitate maintenance of BXP's qualification as a REIT and to otherwise address concerns relating to concentration of stock ownership, BXP's charter generally prohibits ownership, directly, indirectly or beneficially, by any single stockholder of more than 6.6% of the number of outstanding shares of any class or series of its common stock. We refer to this limitation as the "ownership limit." BXP's Board of Directors may waive, in its sole discretion, or modify the ownership limit with respect to one or more persons if it is satisfied that ownership in excess of this limit will not jeopardize BXP's status as a REIT for federal income tax purposes. In addition, under BXP's charter, each of Mortimer B. Zuckerman and the respective families and affiliates of Mortimer B. Zuckerman and Edward H. Linde, as well as, in general, pension plans and mutual funds, may actually and beneficially own up to 15% of the number of outstanding shares of any class or series of BXP's equity common stock. Shares owned in violation of the ownership limit will be subject to the loss of rights to distributions and voting and other penalties. The ownership limit may have the effect of inhibiting or impeding a change in control.

BPLP's Partnership Agreement

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

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

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

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

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

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

- the extent of investor interest in our securities;

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

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

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

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

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

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

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

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

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. *Properties.*

At December 31, 2017, we owned or had interests in 179 commercial real estate properties, aggregating approximately 50.3 million net rentable square feet, including twelve properties under construction/redevelopment totaling approximately 6.2 million net rentable square feet. Our properties consisted of (1) 167 office properties (including eight properties under construction/redevelopment), (2) six residential properties (including four under construction), (3) five retail properties and (4) one hotel. The table set forth below shows information relating to the properties we owned, or in which we had an ownership interest, at December 31, 2017, and it includes properties held by both consolidated and unconsolidated joint ventures.

Properties	Location	% Leased as of December 31, 2017 (1)	Number of Buildings	Net Rentable Square Feet
Office				
767 Fifth Avenue (the General Motors Building) (60% ownership)	New York, NY	90.6%	1	1,855,282
200 Clarendon Street	Boston, MA	92.1%	1	1,764,440
399 Park Avenue	New York, NY	75.8%	1	1,723,871
601 Lexington Avenue (55% ownership) (2)	New York, NY	98.7%	1	1,437,044
Times Square Tower (55% ownership)	New York, NY	95.8%	1	1,252,109
100 Federal Street (55% ownership)	Boston, MA	93.5%	1	1,247,849
800 Boylston Street - The Prudential Center	Boston, MA	95.2%	1	1,235,538
Colorado Center (50% ownership) (3)	Santa Monica, CA	85.6%	6	1,117,551
599 Lexington Avenue	New York, NY	94.5%	1	1,062,601
Bay Colony Corporate Center	Waltham, MA	90.3%	4	997,209
250 West 55th Street	New York, NY	89.2%	1	981,143
Embarcadero Center Four	San Francisco, CA	87.8%	1	938,749
111 Huntington Avenue - The Prudential Center	Boston, MA	97.3%	1	860,455
Embarcadero Center One	San Francisco, CA	93.0%	1	832,030
Atlantic Wharf Office (55% ownership)	Boston, MA	100.0%	1	793,827
Embarcadero Center Two	San Francisco, CA	94.6%	1	789,114
Embarcadero Center Three	San Francisco, CA	89.7%	1	781,475
Capital Gallery	Washington, DC	100.0%	1	631,029
South of Market	Reston, VA	98.7%	3	623,666
Metropolitan Square (20% ownership) (3)	Washington, DC	74.8%	1	606,927
Mountain View Research Park	Mountain View, CA	94.3%	15	540,433
901 New York Avenue (25% ownership) (3)	Washington, DC	90.9%	1	539,435
Reservoir Place	Waltham, MA	99.0%	1	526,985
680 Folsom Street	San Francisco, CA	98.9%	2	524,793
Fountain Square	Reston, VA	88.0%	2	518,345
601 and 651 Gateway	South San Francisco, CA	100.0%	2	506,279
101 Huntington Avenue - The Prudential Center	Boston, MA	90.3%	1	505,584
601 Massachusetts Avenue	Washington, DC	96.4%	1	478,818
2200 Pennsylvania Avenue	Washington, DC	100.0%	1	458,831
One Freedom Square	Reston, VA	92.8%	1	432,585
Two Freedom Square	Reston, VA	100.0%	1	421,757

Properties	Location	% Leased as of December 31, 2017 (1)	Number of Buildings	Net Rentable Square Feet
Market Square North (50% ownership) (3)	Washington, DC	76.6%	1	416,043
One Tower Center	East Brunswick, NJ	37.3%	1	412,997
140 Kendrick Street	Needham, MA	100.0%	3	380,987
One and Two Discovery Square	Reston, VA	97.7%	2	366,990
888 Boylston Street - The Prudential Center (4)	Boston, MA	88.7%	1	363,320
Weston Corporate Center	Weston, MA	100.0%	1	356,995
510 Madison Avenue	New York, NY	96.9%	1	355,598
One Reston Overlook	Reston, VA	100.0%	1	319,519
1333 New Hampshire Avenue	Washington, DC	100.0%	1	315,371
535 Mission Street	San Francisco, CA	100.0%	1	307,235
Waltham Weston Corporate Center	Waltham, MA	93.4%	1	301,667
Wisconsin Place Office	Chevy Chase, MD	100.0%	1	299,186
230 CityPoint	Waltham, MA	92.2%	1	298,890
540 Madison Avenue (60% ownership) (3)	New York, NY	88.9%	1	283,715
Quorum Office Park	Chelmsford, MA	90.0%	2	267,527
355 Main Street	Cambridge, MA	100.0%	1	265,342
500 E Street, S.W. (5)	Washington, DC	100.0%	1	262,202
Reston Corporate Center	Reston, VA	100.0%	2	261,046
611 Gateway	South San Francisco, CA	29.8%	1	260,197
Democracy Tower	Reston, VA	100.0%	1	259,441
New Dominion Technology Park - Building Two	Herndon, VA	100.0%	1	257,400
200 West Street	Waltham, MA	94.7%	1	256,245
1330 Connecticut Avenue	Washington, DC	86.8%	1	253,145
10 CityPoint	Waltham, MA	96.8%	1	241,199
New Dominion Technology Park - Building One	Herndon, VA	100.0%	1	235,201
510 Carnegie Center	Princeton, NJ	100.0%	1	234,160
500 North Capitol Street, N.W. (30% ownership) (3)	Washington, DC	100.0%	1	230,860
90 Broadway	Cambridge, MA	100.0%	1	223,771
3625-3635 Peterson Way (6)	Santa Clara, CA	100.0%	1	218,366
255 Main Street	Cambridge, MA	98.8%	1	215,629
77 CityPoint	Waltham, MA	100.0%	1	209,707
Sumner Square	Washington, DC	98.5%	1	208,892
University Place	Cambridge, MA	100.0%	1	195,282
300 Binney Street	Cambridge, MA	100.0%	1	195,191
North First Business Park (6)	San Jose, CA	54.9%	5	190,636
2600 Tower Oaks Boulevard	Rockville, MD	50.2%	1	179,421
150 Broadway	Cambridge, MA	100.0%	1	177,226
Lexington Office Park	Lexington, MA	68.4%	2	166,693
206 Carnegie Center	Princeton, NJ	100.0%	1	161,763
210 Carnegie Center	Princeton, NJ	100.0%	1	159,468
Kingstowne Two	Alexandria, VA	79.0%	1	156,251
105 Broadway	Cambridge, MA	100.0%	1	152,664
212 Carnegie Center	Princeton, NJ	54.6%	1	151,547

Properties	Location	% Leased as of December 31, 2017 (1)	Number of Buildings	Net Rentable Square Feet
Kingstowne One	Alexandria, VA	78.3%	1	151,483
214 Carnegie Center	Princeton, NJ	61.2%	1	148,942
2440 West El Camino Real	Mountain View, CA	100.0%	1	141,392
506 Carnegie Center	Princeton, NJ	29.9%	1	140,312
Two Reston Overlook	Reston, VA	100.0%	1	134,615
508 Carnegie Center	Princeton, NJ	100.0%	1	134,433
202 Carnegie Center	Princeton, NJ	82.5%	1	134,381
804 Carnegie Center	Princeton, NJ	100.0%	1	130,000
Annapolis Junction Building Seven (50% ownership) (3)	Annapolis, MD	100.0%	1	127,229
Annapolis Junction Building Eight (50% ownership) (3)	Annapolis, MD	—%	1	125,685
504 Carnegie Center	Princeton, NJ	100.0%	1	121,990
101 Carnegie Center	Princeton, NJ	100.0%	1	121,620
502 Carnegie Center	Princeton, NJ	71.8%	1	121,460
701 Carnegie Center	Princeton, NJ	100.0%	1	120,000
Annapolis Junction Building Six (50% ownership) (3)	Annapolis, MD	75.2%	1	119,339
91 Hartwell Avenue	Lexington, MA	93.2%	1	119,216
Annapolis Junction Building One (50% ownership) (3)	Annapolis, MD	34.6%	1	117,599
325 Main Street	Cambridge, MA	100.0%	1	115,361
1265 Main Street (50% ownership) (3)	Waltham, MA	100.0%	1	114,969
7601 Boston Boulevard	Springfield, VA	100.0%	1	114,028
201 Spring Street	Lexington, MA	100.0%	1	106,300
7435 Boston Boulevard	Springfield, VA	83.4%	1	103,557
104 Carnegie Center	Princeton, NJ	39.8%	1	102,830
103 Carnegie Center	Princeton, NJ	77.7%	1	96,332
8000 Grainger Court	Springfield, VA	100.0%	1	88,775
33 Hayden Avenue	Lexington, MA	100.0%	1	80,872
7500 Boston Boulevard	Springfield, VA	100.0%	1	79,971
7501 Boston Boulevard	Springfield VA	100.0%	1	75,756
Reservoir Place North	Waltham, MA	—%	1	73,258
105 Carnegie Center	Princeton, NJ	56.3%	1	69,955
32 Hartwell Avenue	Lexington, MA	100.0%	1	69,154
250 Binney Street	Cambridge, MA	100.0%	1	67,362
302 Carnegie Center	Princeton, NJ	100.0%	1	64,926
164 Lexington Road	Billerica, MA	—%	1	64,140
195 West Street	Waltham, MA	100.0%	1	63,500
7450 Boston Boulevard	Springfield, VA	100.0%	1	62,402
7374 Boston Boulevard	Springfield, VA	100.0%	1	57,321
100 Hayden Avenue	Lexington, MA	100.0%	1	55,924
181 Spring Street	Lexington, MA	100.0%	1	55,793
8000 Corporate Court	Springfield, VA	100.0%	1	52,539
211 Carnegie Center	Princeton, NJ	100.0%	1	47,025
7451 Boston Boulevard	Springfield, VA	67.4%	1	45,615
7300 Boston Boulevard	Springfield, VA	—%	1	32,000
92 Hayden Avenue	Lexington, MA	100.0%	1	31,100

Properties	Location	% Leased as of December 31, 2017 (1)		Number of Buildings	Net Rentable Square Feet	
17 Hartwell Avenue	Lexington, MA	100.0%		1	30,000	
453 Ravendale Drive	Mountain View, CA	65.7%		1	29,620	
7375 Boston Boulevard	Springfield, VA	100.0%		1	26,865	
690 Folsom Street	San Francisco, CA	100.0%		1	26,080	
201 Carnegie Center	Princeton, NJ	100.0%		—	6,500	
Subtotal for Office Properties		90.5%		159	42,330,265	
Retail						
Prudential Center (retail shops)	Boston, MA	95.6%		1	594,109	
Fountain Square Retail	Reston, VA	96.6%		1	237,209	
Kingstowne Retail	Alexandria, VA	100.0%		1	88,288	
Star Market at the Prudential Center	Boston, MA	100.0%		1	57,235	
The Point	Waltham, MA	84.7%		1	16,300	
Subtotal for Retail Properties		96.3%		5	993,141	
Residential Properties						
The Avant at Reston Town Center (359 units)	Reston, VA	93.0%	(7)	1	355,374	(8)
The Lofts at Atlantic Wharf (86 units)	Boston, MA	93.0%	(7)	1	87,097	(9)
Subtotal for Residential Properties		93.0%		2	442,471	
Hotel Property						
Boston Marriott Cambridge (437 rooms)	Cambridge, MA	79.9%	(10)	1	334,260	(11)
Subtotal for Hotel Property		79.9%		1	334,260	
Subtotal for In-Service Properties		90.7%		167	44,100,137	
Properties Under Construction/Redevelopment (12)						
Office and Retail						
Salesforce Tower (95% ownership)	San Francisco, CA	97%		1	1,400,000	
The Hub on Causeway (50% ownership) (3)	Boston, MA	80%		1	385,000	
145 Broadway	Cambridge, MA	98%		1	485,000	
Dock 72 (50% ownership) (3)	Brooklyn, NY	33%		1	670,000	
20 CityPoint	Waltham, MA	52%		1	211,000	
6595 Springfield Center Drive (TSA Headquarters)	Springfield, VA	98%		1	634,000	
7750 Wisconsin Avenue (Marriott International Headquarters) (50% ownership) (3)	Bethesda, MD	100%		1	740,000	(13)
Residential						
Proto Kendall Square (280 units)	Cambridge, MA	N/A		1	149,600	
Proto Kendall Square - Retail		26%		—	14,400	
The Hub on Causeway - Residential (440 units) (50% ownership) (3)	Boston, MA	N/A		1	320,000	
Signature at Reston (508 units)	Reston, VA	8%		1	490,000	
Signature at Reston - Retail		81%		—	24,600	
MacArthur Station Residences (402 units)	Oakland, CA	N/A		1	324,000	
Redevelopment						
191 Spring Street	Lexington, MA	88%		1	171,000	

Properties	Location	% Leased as of December 31, 2017 (1)		Number of Buildings	Net Rentable Square Feet
One Five Nine East 53rd Street (55% ownership) (14)	New York, NY	—%		—	220,000
Subtotal for Properties Under Construction/ Redevelopment		81%	(15)	12	6,238,600
Total Portfolio				179	50,338,737

(1) Represents signed leases for in-service properties which revenue recognition has commenced in accordance with generally accepted accounting principles in the United States ("GAAP").
(2) Excludes the portion that was removed from the in-service portfolio during the third quarter of 2016 as part of a planned redevelopment.
(3) Property is an unconsolidated joint venture.
(4) Excludes approximately 54,000 square feet of retail space included in Prudential Center (retail shops).
(5) On January 9, 2018, we completed the sale of this property (See Note 20 to the Consolidated Financial Statements).
(6) Property is held for redevelopment.
(7) Note that these amounts are not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2017.
(8) Includes 26,179 square feet of retail space which is 100% leased as of December 31, 2017. Note that this amount is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2017.
(9) Includes 9,617 square feet of retail space which is 100% leased as of December 31, 2017. Note that this amount is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2017.
(10) Represents the weighted-average room occupancy for the year ended December 31, 2017. Note that this amount is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2017.
(11) Includes 4,260 square feet of retail space which is 100% leased of December 31, 2017. Note that this amount is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2017.
(12) Represents percentage leased as of February 22, 2018, including leases with future commencement dates.
(13) Square footage represents an estimate based on current building design.
(14) The low-rise portion of 601 Lexington Avenue.
(15) Excludes residential units.

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

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

	December 31,				
	2017	2016	2015	2014	2013
Percentage leased (1)	90.7%	90.2%	91.4%	91.7%	93.4%
Average annualized revenue per square foot (2)	$63.66	$62.54	$60.89	$58.97	$56.36

(1) Represents signed leases, excluding hotel and residential properties, for which revenue recognition has commenced in accordance with GAAP.
(2) Represents the monthly contractual base rents and recoveries from tenants under existing leases as of December 31, 2017, 2016, 2015, 2014 and 2013 multiplied by twelve. These annualized amounts are before rent abatements and include expense reimbursements, which may be estimates as of such date. The aggregate amounts of rent abatements per square foot under existing leases as of December 31, 2017, 2016, 2015, 2014 and 2013 for the succeeding twelve month period were $1.67, $1.18, $0.60, $1.05 and $0.58, respectively.

Top 20 Tenants by Square Feet

Our 20 largest tenants by square feet as of December 31, 2017 were as follows:

	Tenant	Square Feet		% of In-Service Portfolio
1.	U.S. Government	1,706,503	(1)	3.87%
2.	Arnold & Porter Kaye Scholer	890,578		2.02%
3.	Biogen	772,212		1.75%
4.	Kirkland & Ellis	767,749	(2)	1.74%
5.	Bank of America	665,193	(3)	1.51%
6.	Wellington Management	648,752	(4)	1.47%
7.	Ropes & Gray	539,467		1.22%
8.	O'Melveny & Myers	478,915	(5)	1.09%
9.	Shearman & Sterling	466,360	(6)	1.06%
10.	Google	456,953		1.04%
11.	Weil Gotshal & Manges	393,195	(7)	0.89%
12.	Genentech	392,540		0.89%
13.	Bechtel Corporation	353,504		0.80%
14.	Ann Inc. (fka Ann Taylor Corp.)	351,026	(8)	0.80%
15.	Citibank	347,898	(9)	0.79%
16.	Mass Financial Services	336,981		0.76%
17.	Finnegan Henderson Farabow	321,798	(10)	0.73%
18.	PTC	320,655		0.73%
19.	Microsoft	319,354		0.72%
20.	WeWork	313,377	(11)	0.71%

(1) Includes 157,029 and 1,980 square feet of space in properties in which we have a 50% and 20% interest, respectively.
(2) Includes 484,443 and 223,424 square feet of space in properties in which we have a 55% and 20% interest, respectively.
(3) Includes 597,282, 50,887 and 50 square feet of space in properties in which we have a 55%, 60% and 50% interest, respectively.
(4) Includes 637,993 square feet of space in properties in which we have a 55% interest.
(5) Includes 304,619 square feet of space in a property in which we have a 55% interest.
(6) Includes 37,877 square feet of space in a property in which we have a 50% interest.
(7) Includes 365,048 and 28,147 square feet of space in properties in which we have a 60% and 55% interest, respectively.
(8) Includes 331,209 square feet of space in a property in which we have a 55% interest.
(9) Includes 302,896 and 2,761 square feet of space in properties in which we have a 55% and 20% interest, respectively.
(10) Includes 251,941 square feet of space in a property in which we have a 25% interest.
(11) Includes 117,610 square feet of space in a property in which we have a 20% interest.

Tenant Diversification

Our tenant diversification by square feet as of December 31, 2017 were as follows:

Sector	% of In-Service Portfolio
Media & Technology	26%
Legal Services	20%
Financial Services - all other	14%
Other	14%
Other Professional Services	8%
Financial Services - commercial and investment banking	7%
Government / Public Administration	6%
Retail	5%

Lease Expirations (1)(2)

Year of Lease Expiration	Rentable Square Feet Subject to Expiring Leases	Current Annualized Contractual Rent Under Expiring Leases Without Future Step-Ups (3)	Current Annualized Contractual Rent Under Expiring Leases Without Future Step-Ups p.s.f. (3)	Current Annualized Contractual Rent Under Expiring Leases With Future Step-Ups (4)	Current Annualized Contractual Rent Under Expiring Leases With Future Step-Ups p.s.f. (4)	Percentage of Total Square Feet
2017 (5)	241,693	$13,178,848	$54.53	$13,178,848	$54.53	0.6%
2018	1,574,506	109,293,473	69.41	109,990,312	69.86	3.8%
2019	3,355,102	174,835,041	52.11	178,418,832	53.18	8.2%
2020	4,218,553	261,416,803	61.97	265,424,410	62.92	10.3%
2021	3,891,641	221,224,842	56.85	234,441,767	60.24	9.5%
2022	4,272,453	264,800,966	61.98	276,329,942	64.68	10.4%
2023	1,943,782	114,182,643	58.74	128,257,772	65.98	4.7%
2024	3,134,880	188,492,236	60.13	204,670,298	65.29	7.6%
2025	2,628,101	153,191,742	58.29	173,229,833	65.91	6.4%
2026	2,730,288	210,574,068	77.13	233,233,122	85.42	6.7%
Thereafter	10,864,197	759,168,283	69.88	994,758,653	91.56	26.5%

(1) Includes 100% of unconsolidated joint venture properties. Does not include residential units or the hotel.
(2) Does not include data for leases expiring in a particular year when leases for the same space have already been signed with replacement tenants with future commencement dates. In those cases, the data is included in the year in which the future lease with the replacement tenant expires.
(3) Represents the monthly contractual base rent and recoveries from tenants under existing leases as of December 31, 2017 multiplied by twelve. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimates as of such date.
(4) Represents the monthly contractual base rent under expiring leases with future contractual increases upon expiration and recoveries from tenants under existing leases as of December 31, 2017 multiplied by twelve. This amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimates as of such date.
(5) Represents leases that expired on December 31, 2017.

Item 3. *Legal Proceedings*

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

Item 4. *Mine Safety Disclosures*

Not Applicable.

PART II

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

(a) The common stock of Boston Properties, Inc. is listed on the New York Stock Exchange under the symbol "BXP." At February 22, 2018, BXP had approximately 1,207 stockholders of record.

There is no established public trading market for BPLP's common units. On February 22, 2018, there were approximately 256 holders of record and 171,148,488 common units outstanding, 154,339,610 of which were held by BXP.

The high and low sales prices and dividends per share of BXP common stock and distributions per common unit of BPLP for the periods indicated in the table below were:

Quarter Ended	High	Low	Dividends per common share	Distributions per common unit
December 31, 2017	$ 132.00	$ 119.74	$ 0.80 (1)	$ 0.80 (1)
September 30, 2017	125.09	116.77	0.75	0.75
June 30, 2017	137.35	119.54	0.75	0.75
March 31, 2017	140.13	125.99	0.75	0.75
December 31, 2016	135.47	113.69	0.75 (2)	0.75 (2)
September 30, 2016	144.02	129.49	0.65	0.65
June 30, 2016	133.59	123.45	0.65	0.65
March 31, 2016	127.77	107.28	0.65	0.65

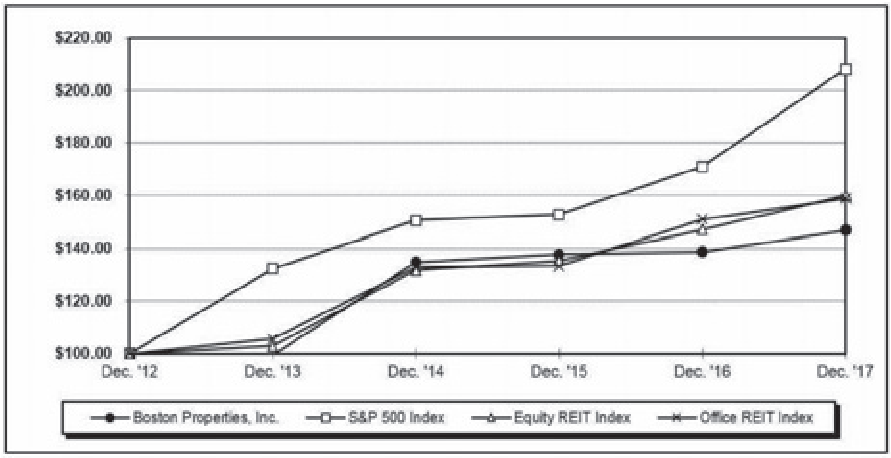
(1) On December 18, 2017, we increased our regular quarterly dividend/distribution to $0.80 per common share/unit.
(2) On December 19, 2016, we increased our regular quarterly dividend/distribution to $0.75 per common share/unit.

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

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

Stock Performance Graph

The following graph provides a comparison of cumulative total stockholder return for the period from December 31, 2012 through December 31, 2017, among BXP, Standard & Poor's ("S&P") 500 Index, Nareit Equity REIT Total Return Index (the "Equity REIT Index") and the Nareit Office REIT Index (the "Office REIT Index"). The Equity REIT Index includes all tax-qualified equity REITs listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ Stock Market. Equity REITs are defined as those with 75% or more of their gross invested book value of assets invested directly or indirectly in the equity ownership of real estate. The Office REIT Index includes all office REITs included in the Equity REIT Index. Data for BXP, the S&P 500 Index, the Equity REIT Index and the Office REIT Index was provided to us by Nareit. Upon written request, we will provide any stockholder with a list of the REITs included in the Equity REIT Index and the Office REIT Index. The stock performance graph assumes an investment of $100 in each of BXP and the three indices, and the reinvestment of any dividends. The historical information set forth below is not necessarily indicative of future performance. The data shown is based on the share prices or index values, as applicable, at the end of each month shown.



	As of the year ended December 31,					
	2012	2013	2014	2015	2016	2017
Boston Properties, Inc.	$ 100.00	$ 99.45	$ 134.78	$ 137.66	$ 138.63	$ 146.80
S&P 500 Index	$ 100.00	$ 132.39	$ 150.51	$ 152.59	$ 170.84	$ 208.14
Equity REIT Index	$ 100.00	$ 102.86	$ 131.68	$ 135.40	$ 147.09	$ 159.85
Office REIT Index	$ 100.00	$ 105.57	$ 132.87	$ 133.25	$ 150.80	$ 158.71

(b) Not applicable.

(c) Issuer Purchases of Equity Securities. None.

Boston Properties Limited Partnership

(a) None.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities. None.

Item 6. *Selected Financial Data*

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

Boston Properties, Inc.

	For the year ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per share data)				
Statement of Operations Information:					
Total revenue	$ 2,602,076	$ 2,550,820	$ 2,490,821	$ 2,396,998	$ 2,135,539
Expenses:					
Rental operating	929,977	889,768	872,252	835,290	742,956
Hotel operating	32,059	31,466	32,084	29,236	28,447
General and administrative	113,715	105,229	96,319	98,937	115,329
Transaction costs	668	2,387	1,259	3,140	1,744
Impairment loss	—	1,783	—	—	8,306
Depreciation and amortization	617,547	694,403	639,542	628,573	560,637
Total expenses	1,693,966	1,725,036	1,641,456	1,595,176	1,457,419
Operating income	908,110	825,784	849,365	801,822	678,120
Other income (expense):					
Income from unconsolidated joint ventures	11,232	8,074	22,770	12,769	75,074
Gain on sale of investment in unconsolidated joint venture	—	59,370	—	—	—
Gains on consolidation of joint ventures	—	—	—	—	385,991
Interest and other income	5,783	7,230	6,777	8,765	8,310
Gains (losses) from investments in securities	3,678	2,273	(653)	1,038	2,911
Interest expense	(374,481)	(412,849)	(432,196)	(455,743)	(446,880)
Gains (losses) from early extinguishments of debt	496	(371)	(22,040)	(10,633)	122
Losses from interest rate contracts	—	(140)	—	—	—
Income from continuing operations	554,818	489,371	424,023	358,018	703,648
Discontinued operations	—	—	—	—	137,792
Income before gains on sales of real estate	554,818	489,371	424,023	358,018	841,440
Gains on sales of real estate	7,663	80,606	375,895	168,039	—
Net income	562,481	569,977	799,918	526,057	841,440
Net income attributable to noncontrolling interests	(100,042)	(57,192)	(216,812)	(82,446)	(91,629)
Net income attributable to Boston Properties, Inc.	462,439	512,785	583,106	443,611	749,811
Preferred dividends	(10,500)	(10,500)	(10,500)	(10,500)	(8,057)
Net income attributable to Boston Properties, Inc. common shareholders	$ 451,939	$ 502,285	$ 572,606	$ 433,111	$ 741,754
Basic earnings per common share attributable to Boston Properties, Inc.:					
Income from continuing operations	$ 2.93	$ 3.27	$ 3.73	$ 2.83	$ 4.06
Discontinued operations	—	—	—	—	0.81
Net income	$ 2.93	$ 3.27	$ 3.73	$ 2.83	$ 4.87
Weighted average number of common shares outstanding	154,190	153,715	153,471	153,089	152,201
Diluted earnings per common share attributable to Boston Properties, Inc.:					
Income from continuing operations	$ 2.93	$ 3.26	$ 3.72	$ 2.83	$ 4.05
Discontinued operations	—	—	—	—	0.81
Net income	$ 2.93	$ 3.26	$ 3.72	$ 2.83	$ 4.86
Weighted average number of common and common equivalent shares outstanding	154,390	153,977	153,844	153,308	152,521

	December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Balance Sheet information:					
Real estate, gross	$ 21,096,642	$ 20,147,263	$ 19,481,535	$ 19,236,403	$ 18,978,765
Real estate, net	16,507,008	15,925,028	15,555,641	15,688,744	15,817,194
Cash and cash equivalents	434,767	356,914	723,718	1,763,079	2,365,137
Total assets (1)	19,372,233	18,851,643	18,351,486	19,852,195	20,135,014
Total indebtedness (1)	10,271,611	9,796,133	9,188,543	10,052,412	11,480,258
Noncontrolling interests	—	—	—	105,325	150,921
Stockholders' equity attributable to Boston Properties, Inc.	5,813,957	5,786,295	5,709,435	5,697,298	5,741,153
Equity noncontrolling interests	2,288,499	2,145,629	2,177,492	2,205,638	1,302,465

	For the year ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per share and percentage data)				
Other Information:					
Funds from Operations attributable to Boston Properties, Inc. (2)	$ 959,412	$ 927,747	$ 823,715	$ 807,506	$ 751,464
Dividends declared per share (3)	3.05	2.70	3.85	7.10	4.85
Cash flows provided by operating activities	907,445	1,036,874	799,411	695,553	777,926
Cash flows used in investing activities	(897,814)	(1,329,057)	(280,226)	(665,124)	(532,640)
Cash flows provided by (used in) financing activities	68,222	(74,621)	(1,558,546)	(632,487)	1,077,873
Total square feet at end of year (including development projects)	50,339	47,704	46,495	45,760	44,399
In-service percentage leased at end of year	90.7%	90.2%	91.4%	91.7%	93.4%

(1) On January 1, 2016, we adopted ASU 2015-03 and retrospectively applied the guidance to our Mortgage Notes Payable and Unsecured Senior Notes for all periods presented. Unamortized deferred financing costs, with the exception of December 31, 2017 and December 31, 2016, were previously included in Total Assets totaling approximately $28.0 million, $34.5 million and $41.2 million are now included in Total Indebtedness as of December 31, 2015, 2014 and 2013, respectively.

(2) Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of Nareit, we calculate Funds from Operations, or "FFO," for BXP by adjusting net income attributable to Boston Properties, Inc. common shareholders (computed in accordance with GAAP) for gains (or losses) from sales of properties, impairment losses on depreciable real estate consolidated on BXP's balance sheet, impairment losses on our investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated joint ventures and our share of real estate-related depreciation and amortization. FFO is a non-GAAP financial measure, but we believe the presentation of FFO, combined with the presentation of required GAAP financial measures, has improved the understanding of operating results of REITs among the investing public and has helped make comparisons of REIT operating results more meaningful. Management generally considers FFO to be a useful measure for understanding and comparing BXP's operating results because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairment losses and real estate asset depreciation and amortization (which can differ across owners of similar assets in similar condition based on historical cost accounting and useful life estimates), FFO can help investors compare the operating performance of a company's real estate across reporting periods and to the operating performance of other companies. Amount represents BXP's share, which was 89.82%, 89.70%, 89.68%, 89.81% and 89.99% for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively, after allocation to the noncontrolling interests.

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

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

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

Boston Properties Limited Partnership

	For the year ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per unit data)				
Statement of Operations Information:					
Total revenue	$ 2,602,076	$ 2,550,820	$ 2,490,821	$ 2,396,998	$ 2,135,539
Expenses:					
Rental operating	929,977	889,768	872,252	835,290	742,956
Hotel operating	32,059	31,466	32,084	29,236	28,447
General and administrative	113,715	105,229	96,319	98,937	115,329
Transaction costs	668	2,387	1,259	3,140	1,744
Impairment loss	—	1,783	—	—	4,401
Depreciation and amortization	609,407	682,776	631,549	620,064	552,589
Total expenses	1,685,826	1,713,409	1,633,463	1,586,667	1,445,466
Operating income	916,250	837,411	857,358	810,331	690,073
Other income (expense):					
Income from unconsolidated joint ventures	11,232	8,074	22,770	12,769	75,074
Gain on sale of investment in unconsolidated joint venture	—	59,370	—	—	—
Gains on consolidation of joint ventures	—	—	—	—	385,991
Interest and other income	5,783	7,230	6,777	8,765	8,310
Gains (losses) from investments in securities	3,678	2,273	(653)	1,038	2,911
Interest expense	(374,481)	(412,849)	(432,196)	(455,743)	(446,880)
Gains (losses) from early extinguishments of debt	496	(371)	(22,040)	(10,633)	122
Losses from interest rate contracts	—	(140)	—	—	—
Income from continuing operations	562,958	500,998	432,016	366,527	715,601
Discontinued operations	—	—	—	—	141,365
Income before gains on sales of real estate	562,958	500,998	432,016	366,527	856,966
Gains on sales of real estate	8,240	82,775	377,093	174,686	—
Net income	571,198	583,773	809,109	541,213	856,966
Net income attributable to noncontrolling interests:					
Noncontrolling interests in property partnerships	(47,832)	2,068	(149,855)	(30,561)	(1,347)
Noncontrolling interest-redeemable preferred units	—	—	(6)	(1,023)	(6,046)
Net income attributable to Boston Properties Limited Partnership	523,366	585,841	659,248	509,629	849,573
Preferred distributions	(10,500)	(10,500)	(10,500)	(10,500)	(8,057)
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 512,866	$ 575,341	$ 648,748	$ 499,129	$ 841,516
Basic earnings per common unit attributable to Boston Properties Limited Partnership:					
Income from continuing operations	$ 2.99	$ 3.36	$ 3.79	$ 2.93	$ 4.14
Discontinued operations	—	—	—	—	0.83
Net income	$ 2.99	$ 3.36	$ 3.79	$ 2.93	$ 4.97
Weighted average number of common units outstanding	171,661	171,361	171,139	170,453	169,126
Diluted earnings per common unit attributable to Boston Properties Limited Partnership:					
Income from continuing operations	$ 2.98	$ 3.35	$ 3.78	$ 2.92	$ 4.14
Discontinued operations	—	—	—	—	0.83
Net income	$ 2.98	$ 3.35	$ 3.78	$ 2.92	$ 4.97
Weighted average number of common and common equivalent units outstanding	171,861	171,623	171,512	170,672	169,446

	December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
Balance Sheet information:					
Real estate, gross	$ 20,685,164	$ 19,733,872	$ 19,061,141	$ 18,814,558	$ 18,548,441
Real estate, net	16,188,205	15,597,508	15,214,325	15,338,237	15,451,531
Cash and cash equivalents	434,767	356,914	723,718	1,763,079	2,365,137
Total assets (1)	19,053,430	18,524,123	18,010,170	19,501,688	19,769,351
Total indebtedness (1)	10,271,611	9,796,133	9,188,543	10,052,412	11,480,258
Noncontrolling interests	2,292,263	2,262,040	2,286,689	2,415,371	1,915,573
Boston Properties Limited Partnership partners' capital	3,807,630	3,811,717	3,684,522	3,639,916	4,187,171
Noncontrolling interests in property partnerships	1,683,760	1,530,647	1,574,400	1,602,467	726,132

	For the year ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per unit and percentage data)				
Other Information:					
Funds from operations attributable to Boston Properties Limited Partnership common unitholders (2)	$ 1,068,119	$ 1,034,251	$ 918,543	$ 899,094	$ 839,369
Distributions per common unit (3)	3.05	2.70	3.85	7.10	4.85
Cash flows provided by operating activities	907,445	1,036,874	799,411	695,553	777,926
Cash flows used in investing activities	(897,814)	(1,329,057)	(280,226)	(665,124)	(532,640)
Cash flows provided by (used in) financing activities	68,222	(74,621)	(1,558,546)	(632,487)	1,077,873
Total square feet at end of year (including development projects)	50,339	47,704	46,495	45,760	44,399
In-service percentage leased at end of year	90.7%	90.2%	91.4%	91.7%	93.4%

(1) On January 1, 2016, we adopted ASU 2015-03 and retrospectively applied the guidance to our Mortgage Notes Payable and Unsecured Senior Notes for all periods presented. Unamortized deferred financing costs, with the exception of December 31, 2017 and December 31, 2016, were previously included in Total Assets totaling approximately $28.0 million, $34.5 million and $41.2 million are now included in Total Indebtedness as of December 31, 2015, 2014 and 2013, respectively.

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

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

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

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

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

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

Forward-Looking Statements

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

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

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

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

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

Overview

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

Economic growth in the United States remains stable resulting in fourth quarter GDP growth of 2.6%. The Federal Reserve has increased interest rates four times since December 2016 with indications of more increases to come, yet interest rates remain relatively low by historical standards. In addition, recently passed Federal tax reform may provide a boost to the U.S. economy and prolong the current economic recovery. Given the pace of GDP growth, low inflation and tax reform, we do not expect a sharp increase in long-term 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 properties;
- 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 increased to 90.7% at December 31, 2017 from 90.2% at September 30, 2017 due mainly to increased leasing activity at our Boston Central Business District ("CBD") assets. During the fourth quarter, we signed leases across our portfolio totaling approximately 2.4 million square feet, which is greater than our most recent 10-year historical quarterly average of 1.4 million, and commenced revenue recognition on approximately 1.3 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 a slight increase in net rental obligations (gross rent less operating expenses) of approximately 0.2%. The muted increase in net rents was primarily due to releasing space at lower rental rates than the expiring tenants at 399 Park Avenue in our New York region and one lease renewal in suburban Montgomery County in our Washington, DC region. Across our portfolio we continue to experience increases in construction costs, which generally result 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, such as those requiring lease-up or repositioning, we intend to continue to invest primarily in higher yielding new development opportunities, in each case with significant pre-leasing commitments, rather than lower yielding acquisitions of stabilized assets for which demand and pricing remain strong.

Our development activity remains vibrant. As of December 31, 2017, our development pipeline consisted of twelve construction/redevelopment projects that, when completed, we expect will total approximately 6.2 million net rentable square feet. Our share of the total budgeted cost for these projects is approximately $3.4 billion, of which approximately $1.5 billion of equity remains to be invested as of December 31, 2017. As of February 22, 2018, approximately 81% of the commercial space in these development projects is pre-leased.

During the fourth quarter of 2017 and into February 2018, we commenced development on two new office projects, including an approximately 276,000 square foot project located in Reston, VA with 100% of the office space pre-leased to Leidos and an approximately 211,000 square foot project located in Waltham, MA that is 52% leased, as of February 22, 2018, to an engineering firm. We also commenced our Hub on Causeway Residential joint venture project located in Boston, MA. We expect our share of the estimated development costs for these three projects to total approximately $400 million.

In addition, we signed leases with two anchor tenants; 1) a tenant for 66% of the office space for our 2100 Pennsylvania Avenue project, which we expect to commence development upon receipt of necessary approvals from the District of Columbia and the expiration of leases in the existing buildings on the site in 2019 and 2) with Fannie Mae to lease approximately 850,000 net rentable square feet of Class A office space at our Reston Gateway development project located in Reston, Virginia. The initial phase of the Reston Gateway development project will consist of approximately 1.0 million net rentable square feet. We expect to commence the construction of this project in the second half of 2018, upon receipt of all necessary approvals.

During the fourth quarter of 2017, we reduced our overall borrowing cost and extended our debt maturities by redeeming $850 million of 3.700% unsecured senior notes that were scheduled to mature on November 15, 2018 with the proceeds from the issuance of $850 million of 3.200% unsecured senior notes maturing January 15, 2025. Excluding our unconsolidated joint ventures assets, we have no debt maturing in 2018 and $700 million of 5.875% unsecured senior notes that matures in October 2019.

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

The same factors that create challenges to acquiring assets present opportunities for us to continue to review our portfolio to identify properties as potential sales candidates because they may no longer fit within our portfolio strategy or they could attract premium pricing in the current market environment. We expect 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 continues to attract life science and established technology companies, as well as start-up technology and maker organizations. The Boston CBD submarket continues to be driven by lease expirations from traditional financial and professional services tenants and a steady flow of new technology companies moving into the CBD. During the fourth quarter of 2017, we signed leases for approximately 68,000 square feet at our 200 Clarendon Street property, bringing our total leasing at the property to more than 350,000 square feet for 2017 and resulting in the property being 97.8% committed at the end of the year. In January 2018, we signed leases for approximately 25,000 square feet at 200 Clarendon Street and are negotiating a lease for another approximately 30,000 square feet. In addition, we completed a lease for approximately 147,000 square feet at our Hub on Causeway podium office project and have reached an agreement with a retail user that, if completed, would bring the total project to 89% leased. We expect to complete the development of this phase of the project in 2019.

The Cambridge office market continues to generate strong rental rates. This is evidenced by the releasing, during January 2018, of approximately 90,000 square feet with an increase in net rents of approximately 122%. Our approximately 1.6 million square foot in-service office portfolio in Cambridge is dominated by large users and is nearly 100% occupied. Our suburban Waltham/Lexington submarket continues to strengthen due to the organic growth of our existing tenant base and other tenants in the market looking for space to accommodate their expanding workforces. During the fourth quarter, we completed approximately 395,000 square feet of leasing in the suburban submarket, including a 110,000 square foot, lease for 52% of our 211,000 square foot 20 CityPoint project.

Los Angeles

Our Colorado Center joint venture asset in Santa Monica, California is approximately 93.8% leased, including leases with future commencement dates, as of December 31, 2017. In our first full year of ownership, our approach to property management, leasing and commitment to invest capital has transformed this once under-leased asset into a top-tier property in the marketplace.

We are committed to growing our presence and portfolio in the Los Angeles market and expect to continue to underwrite investment opportunities in this market while maintaining our disciplined investment approach.

New York

Our overall expectations for the midtown Manhattan office market and the leasing activity in our portfolio remain generally consistent with recent quarters. New supply continues to come into the market in the form of new deliveries and large lease expirations. As a result, tenants have increasing options, and therefore we do not expect significant growth in office rents in the near-term, and we are experiencing higher tenant concessions. However, we are encouraged that we completed leases for approximately 622,000 square feet in the fourth quarter that were primarily long-term renewals. Our New York City portfolio occupancy improved to 90.3% as of December 31, 2017 from 90.0% as of September 30, 2017. We are in discussions for large blocks of space at 399 Park Avenue and One Five Nine East 53rd Street, but we do not expect revenue from replacement tenants to begin until 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 approximately 50,000 square feet of second generation leases that commenced during the fourth quarter of 2017. These leases were for space that had been vacant for less than one year and provided an average increase in net rental obligations of approximately 85.5%.

During the fourth quarter, we leased approximately 205,000 square feet of space at Salesforce Tower, a Class A office project with approximately 1.4 million square feet, and, on December 1, 2017 we partially placed the project in-service. As of February 22, 2018 the project is 97% leased.

Washington, DC

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. Outside of the District of Columbia, our Reston Town Center properties are approximately 96.7% leased, and leasing activity is healthy for our available and near-term expiring space.

Our development activities are active as we signed a lease for an anchor tenant for 66% of the space at our 2100 Pennsylvania Avenue project. In January 2018, we entered into an approximately 276,000 square foot build-to-suit lease with Leidos to construct its new office headquarters at Reston Town Center. In addition, in February 2018, we executed a lease with Fannie Mae to lease approximately 850,000 net rentable square feet of Class A office space at our Reston Gateway development project located in Reston, Virginia. The initial phase of the Reston Gateway development project will consist of approximately 1.0 million net rentable square feet.

Leasing Statistics

The table below details the leases that commenced during the three and twelve months ended December 31, 2017:

	Three Months Ended December 31, 2017	Twelve Months Ended December 31, 2017
	Total Square Feet	
Vacant space available at the beginning of the period	4,257,942	4,196,275
Property dispositions/properties taken out of service	—	(115,289)
Vacant space in properties acquired	—	15,944
Properties placed in-service	179,317	577,177
Leases expiring or terminated during the period	1,178,703	4,796,055
Total space available for lease	5,615,962	9,470,162
1st generation leases	238,716	541,294
2nd generation leases with new tenants	922,775	2,987,671
2nd generation lease renewals	414,943	1,901,669
Total space leased (1)	1,576,434	5,430,634
Vacant space available for lease at the end of the period	4,039,528	4,039,528
Leases executed during the period, in square feet (2)	2,392,019	6,450,435
Second generation leasing information: (3)		
Leases commencing during the period, in square feet	1,337,718	4,889,340
Weighted Average Lease Term	113 Months	100 Months
Weighted Average Free Rent Period	79 Days	102 Days
Total Transaction Costs Per Square Foot (4)	$65.82	$57.58
Increase in Gross Rents (5)	0.50%	7.61%
Increase in Net Rents (6)	0.22%	11.32%

(1) Represents leases for which rental revenue recognition has commenced in accordance to GAAP during the three and twelve months ended December 31, 2017.

(2) Represents leases executed during the three and twelve months ended December 31, 2017 for which we either (a) commenced rental revenue recognition in such period or (b) 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 and twelve months ended December 31, 2017 is 317,507 and 990,562, respectively.

(3) Second generation leases are defined as leases for space that had previously been under lease by us. Of the 1,337,718 and 4,889,340 square feet of second generation leases that commenced during the three and twelve months ended December 31, 2017, respectively, 1,024,217 and 3,902,784 square feet were signed in prior periods for the three and twelve months ended December 31, 2017, respectively.

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

(5) Represents the increase in gross rent (base rent plus expense reimbursements) on the new versus expired leases on the 950,634 and 3,592,233 square feet of second generation leases that had been occupied within the prior 12 months for the three and twelve months ended December 31, 2017, respectively; excludes leases that management considers temporary because the tenant is not expected to occupy the space on a long-term basis.

(6) Represents the increase in net rent (gross rent less operating expenses) on the new versus expired leases on the 950,634 and 3,592,233 square feet of second generation leases that had been occupied within the prior 12 months for the three and twelve months ended December 31, 2017, respectively; excludes leases that management considers temporary because the tenant is not expected to occupy the space on a long-term basis.

For descriptions of significant transactions that we completed during 2017, see "*Item 1. Business—Transactions During 2017*."

Critical Accounting Policies

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

Real Estate

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

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

We record acquired "above-" and "below-market" leases at their fair values (using a discount rate which reflects the risks associated with the leases acquired) equal to the difference between (1) the contractual amounts to be paid pursuant to each in-place lease and (2) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. Acquired "above-" and "below-market" lease values have been reflected within Prepaid Expenses and Other Assets and Other Liabilities, respectively, in our Consolidated Balance Sheets. Other intangible assets acquired include amounts for in-place lease values that are based on our evaluation of the specific characteristics of each tenant's lease. Factors to be considered include estimates of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, we consider leasing commissions, legal and other related expenses.

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

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

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

The capitalized costs include pre-construction costs necessary to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We begin the capitalization of costs during the pre-construction period which we define as activities that are necessary for the development of the property. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portion (1) substantially completed, (2) occupied or held available for occupancy, and we capitalize only those costs associated with the portion under construction or (3) if activities necessary for the development of the property have been suspended.

Investments in Unconsolidated Joint Ventures

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

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

To the extent that we contribute assets to a joint venture, our investment in the joint venture is recorded at our cost basis in the assets that were contributed to the joint venture. To the extent that our cost basis is different than the basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in our share of equity in net income of the joint venture. In accordance with the provisions of ASC 970-323 "Investments-Equity Method and Joint Ventures" ("ASC 970-323"), we will recognize gains on the contribution of real estate to joint ventures, relating solely to the outside partner's interest, to the extent the economic substance of the transaction is a sale.

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

Revenue Recognition

In general, we commence rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. Contractual rental revenue is reported on a straight-line basis over the terms of our respective leases. We recognize rental revenue of acquired in-place "above-" and "below-market" leases at their fair values over the original term of the respective leases. Accrued rental income as reported on the Consolidated Balance Sheets represents cumulative rental income earned in excess of rent payments received pursuant to the terms of the individual lease agreements.

For the year ended December 31, 2017, the impact of the net adjustments of rents from "above-" and "below-market" leases increased rental revenue by approximately $23.5 million. For the year ended December 31, 2017, the impact of the straight-line rent adjustment increased rental revenue by approximately $54.8 million. Those amounts exclude the adjustment of rents from "above-" and "below-market" leases and straight-line income from unconsolidated joint ventures, which are disclosed in Note 5 to the Consolidated Financial Statements.

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

- review relevant financial information, including:
  - financial ratios;
  - net worth;
  - revenue;
  - cash flows;
  - leverage; and
  - liquidity;
- evaluate the depth and experience of the tenant's management team; and
- assess the strength/growth of the tenant's industry.

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

(1) acceptable-risk tenants;

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

- may require a security deposit; and/or
- may reduce upfront tenant improvement investments; or

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

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

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

- payment history;
- credit status and change in status (credit ratings for public companies are used as a primary metric);
- change in tenant space needs (i.e., expansion/downsize);
- tenant financial performance;
- economic conditions in a specific geographic region; and
- industry specific credit considerations.

If our estimates of collectability differ from the cash received, the timing and amount of our reported revenue could be impacted. The average remaining term of our in-place tenant leases, including unconsolidated joint ventures, was approximately 7.3 years as of December 31, 2017. The credit risk is mitigated by the high quality of our existing tenant base, reviews of prospective tenants' risk profiles prior to lease execution and consistent monitoring of our portfolio to identify potential problem tenants.

Recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, are recognized as revenue in the period during which the expenses are incurred. Tenant reimbursements are recognized and presented in accordance with guidance in ASC 605-45 "Principal Agent Considerations" ("ASC 605-45"). ASC 605-45 requires that these reimbursements be recorded on a gross basis, as we are generally the primary obligor with respect to purchasing goods and services from third-party suppliers, have discretion in selecting the supplier and have credit risk. We also receive reimbursement of payroll and payroll related costs from third parties which we reflect on a net basis.

Our parking revenues are derived from leases, monthly parking and transient parking. We recognize parking revenue as earned.

Our hotel revenue is derived from room rentals and other sources such as charges to guests for telephone service, movie and vending commissions, meeting and banquet room revenue and laundry services. Hotel revenue is recognized as earned.

We receive management and development fees from third parties. 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. We record development fees as earned depending on the risk associated with each project. We recognize development fees earned from joint venture projects equal to its cost plus profit to the extent of the third party partners' ownership interest.

Gains on sales of real estate are recognized pursuant to the provisions included in ASC 360-20 "Real Estate Sales" ("ASC 360-20"). The specific timing of the sale is measured against various criteria in ASC 360-20 related to the terms of the transaction and any continuing involvement in the form of management or financial assistance associated with the properties. If the sales criteria for the full accrual method are not met, we defer some or all of the gain recognition and account for the continued operations of the property by applying the finance, leasing, profit sharing, deposit, installment or cost recovery methods, as appropriate, until the sales criteria are met.

Depreciation and Amortization

We compute depreciation and amortization on our properties using the straight-line method based on estimated useful asset lives. We allocate the acquisition cost of real estate to its components and depreciate or amortize these assets over their useful lives. The amortization of acquired "above-" and "below-market" leases and acquired in-place leases is recorded as an adjustment to revenue and depreciation and amortization, respectively, in the Consolidated Statements of Operations.

Fair Value of Financial Instruments

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

We follow the authoritative guidance for fair value measurements when valuing our financial instruments for disclosure purposes. BPLP determine the fair value of its unsecured senior notes using market prices. The inputs used in determining the fair value of BPLP’s unsecured senior notes is categorized at a level basis (as defined in ASC 820 "Fair Value Measurements and Disclosures", the accounting standards for Fair Value Measurements and Disclosures) due to the fact that we use 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. We determine the fair value of our 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, we add our estimates of market spreads to the quoted yields on federal government treasury securities with similar maturity dates to our debt. The inputs used in determining the fair value of our 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 we consider the rates used in the valuation techniques to be unobservable inputs. To the extent that there are outstanding borrowings under the unsecured line of credit, we utilize a discounted cash flow methodology in order to estimate the fair value. To the extent that credit spreads have changed since the origination, the net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate would represent the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate, considering current market conditions and our specific credit profile, at which we estimate we could obtain similar borrowings. To the extent there are outstanding borrowings, this current market rate is estimated and therefore would be primarily based upon a level 3 input.

Derivative Instruments and Hedging Activities

Derivative instruments and hedging activities require management to make judgments on the nature of its derivatives and their effectiveness as hedges. These judgments determine if the changes in fair value of the derivative instruments are reported in the Consolidated Statements of Operations as a component of net income or as a component of comprehensive income and as a component of equity on the Consolidated Balance Sheets. While management believes its judgments are reasonable, a change in a derivative’s effectiveness as a hedge could materially affect expenses, net income and equity. We account for the effective portion of changes in the fair value of a derivative in other comprehensive income (loss) and subsequently reclassify the effective portion to earnings over the term that the hedged transaction affects earnings. We account for the ineffective portion of changes in the fair value of a derivative directly in earnings.

Recent Accounting Pronouncements

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

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

Net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders decreased approximately $50.3 million and $62.5 million for the year ended December 31, 2017 compared to 2016, respectively, as detailed in the following tables and for the reasons discussed below under the heading “*Comparison of the year ended December 31, 2017 to the year ended December 31, 2016*” within “*Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations*.”

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

	Total Property Portfolio			
	2017	2016	Increase/ (Decrease)	% Change
Net Income Attributable to Boston Properties, Inc. Common Shareholders	$ 451,939	$ 502,285	$ (50,346)	(10.02)%
Preferred dividends	10,500	10,500	—	— %
Net Income Attributable to Boston Properties, Inc.	462,439	512,785	(50,346)	(9.82)%
Net Income Attributable to Noncontrolling Interests:				
Noncontrolling interest—common units of the Operating Partnership	52,210	59,260	(7,050)	(11.90)%
Noncontrolling interests in property partnerships	47,832	(2,068)	49,900	2,412.96 %
Net Income	562,481	569,977	(7,496)	(1.32)%
Gains on sales of real estate	7,663	80,606	(72,943)	(90.49)%
Income Before Gains on Sales of Real Estate	554,818	489,371	65,447	13.37 %
Other Expenses:				
Add:				
Losses from interest rate contracts	—	140	(140)	(100.00)%
Interest expense	374,481	412,849	(38,368)	(9.29)%
Other Income:				
Less:				
Gains (losses) from early extinguishments of debt	496	(371)	867	233.69 %
Gains from investments in securities	3,678	2,273	1,405	61.81 %
Interest and other income	5,783	7,230	(1,447)	(20.01)%
Gain on sale of investment in unconsolidated joint venture	—	59,370	(59,370)	(100.00)%
Income from unconsolidated joint ventures	11,232	8,074	3,158	39.11 %
Operating Income	908,110	825,784	82,326	9.97 %
Other Expenses:				
Add:				
Depreciation and amortization	617,547	694,403	(76,856)	(11.07)%
Impairment loss	—	1,783	(1,783)	(100.00)%
Transaction costs	668	2,387	(1,719)	(72.02)%
General and administrative expense	113,715	105,229	8,486	8.06 %
Other Revenue:				
Less:				
Development and management services	34,605	28,284	6,321	22.35 %
Net Operating Income	$1,605,435	$1,601,302	$ 4,133	0.26 %

Boston Properties Limited Partnership

	Total Property Portfolio			
	2017	**2016**	**Increase/ (Decrease)**	**% Change**
Net Income Attributable to Boston Properties Limited Partnership Common Unitholders	$ 512,866	$ 575,341	$ (62,475)	(10.86)%
Preferred distributions	10,500	10,500	—	— %
Net Income Attributable to Boston Properties Limited Partnership	523,366	585,841	(62,475)	(10.66)%
Net Income Attributable to Noncontrolling Interests:				
Noncontrolling interests in property partnerships	47,832	(2,068)	49,900	2,412.96 %
Net Income	571,198	583,773	(12,575)	(2.15)%
Gains on sales of real estate	8,240	82,775	(74,535)	(90.05)%
Income Before Gains on Sales of Real Estate	562,958	500,998	61,960	12.37 %
Other Expenses:				
Add:				
Losses from interest rate contracts	—	140	(140)	(100.00)%
Interest expense	374,481	412,849	(38,368)	(9.29)%
Other Income:				
Less:				
Gains (losses) from early extinguishments of debt	496	(371)	867	233.69 %
Gains from investments in securities	3,678	2,273	1,405	61.81 %
Interest and other income	5,783	7,230	(1,447)	(20.01)%
Gain on sale of investment in unconsolidated joint venture	—	59,370	(59,370)	(100.00)%
Income from unconsolidated joint ventures	11,232	8,074	3,158	39.11 %
Operating Income	916,250	837,411	78,839	9.41 %
Other Expenses:				
Add:				
Depreciation and amortization	609,407	682,776	(73,369)	(10.75)%
Impairment loss	—	1,783	(1,783)	(100.00)%
Transaction costs	668	2,387	(1,719)	(72.02)%
General and administrative expense	113,715	105,229	8,486	8.06 %
Other Revenue:				
Less:				
Development and management services	34,605	28,284	6,321	22.35 %
Net Operating Income	$1,605,435	$1,601,302	$ 4,133	0.26 %

At December 31, 2017, 2016 and 2015, we owned or had interests in a portfolio of 179, 174 and 168 properties, respectively (in each case, the "Total Property Portfolio"). As a result of changes within our Total Property Portfolio, the financial data presented below shows significant changes in revenue and expenses from period-to-period. Accordingly, we do not believe that our period-to-period financial data with respect to the Total Property Portfolio are necessarily meaningful. Therefore, the comparison of operating results for the years ended December 31, 2017, 2016 and 2015 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, losses from interest rate contracts, interest expense, depreciation and amortization, impairment loss, transaction costs and corporate general and administrative expense less (2) gains on sales of real estate, gains (losses) from early extinguishments of debt, gains (losses) from investments in securities, interest and other income, gain on sale of investment in unconsolidated joint venture, income from unconsolidated joint ventures 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 Annual Report on Form 10-K.

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

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

	Same Property Portfolio				Properties Acquired Portfolio		Properties Placed In-Service Portfolio		Properties in Development or Redevelopment Portfolio		Properties Sold Portfolio		Total Property Portfolio			
(dollars in thousands)	2017	2016	Increase/ (Decrease)	% Change	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	Increase/ (Decrease)	% Change
Rental Revenue:																
Rental Revenue	$ 2,395,910	$ 2,329,295	$ 66,615	2.86 %	$ 7,669	$3,929	$73,414	$45,814	$ 4,375	$18,913	$ 846	$ 3,709	$2,482,214	$2,401,660	$ 80,554	3.35 %
Termination Income	24,467	60,183	(35,716)	(59.35)%	6	—	—	—	(1,415)	(890)	—	—	23,058	59,293	(36,235)	(61.11)%
Total Rental Revenue	2,420,377	2,389,478	30,899	1.29 %	7,675	3,929	73,414	45,814	2,960	18,023	846	3,709	2,505,272	2,460,953	44,319	1.80 %
Real Estate Operating Expenses	887,538	856,637	30,901	3.61 %	2,065	857	21,996	11,564	11,387	11,745	689	1,889	923,675	882,692	40,983	4.64 %
Net Operating Income (Loss), Excluding Residential and Hotel (1)	1,532,839	1,532,841	(2)	— %	5,610	3,072	51,418	34,250	(8,427)	6,278	157	1,820	1,581,597	1,578,261	3,336	0.21 %
Residential Net Operating Income (Loss) (2)	10,294	10,246	48	0.47 %	—	—	—	—	—	(623)	—	—	10,294	9,623	671	6.97 %
Hotel Net Operating Income (2)	13,544	13,418	126	0.94 %	—	—	—	—	—	—	—	—	13,544	13,418	126	0.94 %
Consolidated Net Operating Income (Loss) (1) (2)	$ 1,556,677	$ 1,556,505	$ 172	0.01 %	$ 5,610	$3,072	$51,418	$34,250	$ (8,427)	$ 5,655	$ 157	$ 1,820	$1,605,435	$1,601,302	$ 4,133	0.26 %

(1) The change in the Same Property Portfolio was driven by the decrease in termination income. For additional information, see page 61.
(2) For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see page 59. Residential Net Operating Income for the year ended December 31, 2017 and 2016 are comprised of Residential Revenue of $16,596 and $16,699 less Residential Expenses of $6,302 and $7,076, respectively. Hotel Net Operating Income for the year ended December 31, 2017 and 2016 are comprised of Hotel Revenue of $45,603 and $44,884 less Hotel Expenses of $32,059 and $31,466, respectively, per the Consolidated Statements of Operations.

Same Property Portfolio

Rental Revenue

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

Termination Income

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

Termination income for the year ended December 31, 2017 resulted from the termination of 33 tenants across the Same Property Portfolio which totaled approximately $24.5 million of which approximately $21.3 million was attributable to the New York Region. The remaining approximately $2.8 million of termination income was primarily related to the Washington, DC region. In addition, we received the fifth interim distribution from our unsecured creditor's claim against Lehman Brothers, Inc. of approximately $0.4 million (See Note 10 to the Consolidated Financial Statements). Recently, claims of similar priority to that of our remaining claim were quoted privately reflecting a value for our remaining claim of approximately $1.0 million; however, there can be no assurance as to the timing or amount of additional proceeds, if any, that we may receive.

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

Real Estate Operating Expenses

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

Properties Acquired Portfolio

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

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

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

Properties Placed In-Service Portfolio

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

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

Properties in Development or Redevelopment Portfolio

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

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

(1) This is the low-rise portion of 601 Lexington Avenue in New York City. Rental revenue includes termination income of approximately $(1.4) million and $(0.9) million for the years ended December 31, 2017 and 2016, respectively. In addition, real estate operating expense includes demolition costs of approximately $5.8 million and $2.3 million for the years ended December 31, 2017 and 2016, respectively.
(2) Real estate operating expenses includes demolition costs of approximately $2.8 million and $0.3 million for the years ended December 31, 2017 and 2016, respectively.
(3) On April 6, 2017, we commenced the development of 145 Broadway, a build-to-suit Class A office project with approximately 485,000 net rentable square feet located in Cambridge, Massachusetts. Real estate operating expenses for the year ended December 31, 2017 includes approximately $0.8 million of demolition costs.

In addition, during the year ended December 31, 2016, we had approximately $0.6 million of demolition costs related to our Proto Kendall Square residential development project.

Properties Sold Portfolio

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

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

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

Other Operating Income and Expense Items

Residential Net Operating Income

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

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

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

(1) Average Monthly Rental Rate is calculated 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 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 $0.1 million for the year ended December 31, 2017 compared to 2016. We expect our hotel net operating income for fiscal 2018 to be between $13 million and $15 million.

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

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

Other Operating Income and Expense Items

Development and Management Services Revenue

Development and management services revenue increased by approximately $6.3 million for the year ended December 31, 2017 compared to 2016. Development and management services revenue increased by approximately $4.0 million and $2.3 million, respectively. The increase in development revenue is primarily related to an approximately $2.5 million development fee we received as a result of a third-party terminating their development agreement with us. The remaining increase in development revenue was from a third-party development agreement in the Boston region and from our unconsolidated joint ventures that are developing Dock 72 in Brooklyn, New York and The Hub on Causeway in Boston, Massachusetts. Management services revenue increased primarily due to property management fees we earned from our unconsolidated joint venture, that acquired Colorado Center in Santa Monica, California on July 1, 2016, as well as an increase in service income that we earned from our tenants in our New York region. We expect our development and management services revenue to contribute between $29 million and $34 million for 2018.

General and Administrative Expense

General and administrative expense increased by approximately $8.5 million for the year ended December 31, 2017 compared to 2016 primarily due to compensation expense and other general and administrative expenses increasing by approximately $7.2 million and $1.3 million, respectively. The increase in compensation expense was primarily related to (1) an approximately $1.4 million increase in the value of our deferred compensation plan, (2) an approximately $2.8 million difference between the unrecognized expense remaining from the 2014 MYLTIP Units compared to the expense that was recognized during year ended December 31, 2017 for the 2017 MYLTIP Units (See Notes 11 and 17 to the Consolidated Financial Statements) and (3) an increase in other compensation related expenses of approximately $3.0 million. The increase in other general and administrative expenses was primarily related to the write-off of the remaining fees associated with BXP's ATM stock offering program that was scheduled to expire on June 3, 2017 and an increase in other professional fees. We expect our general and administrative expenses to be between $115 million and $120 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 years ended December 31, 2017 and 2016 were approximately $18.6 million and $18.3 million, respectively. These costs are not included in the general and administrative expenses discussed above.

Transaction Costs

Transaction costs decreased by approximately $1.7 million for the year ended December 31, 2017 compared to 2016. This decrease was primarily related to the acquisition of 3625-3635 Peterson Way in Santa Clara, California, on April 22, 2016, and the acquisition of a 49.8% interest in an existing joint venture that owns and operates Colorado Center in Santa Monica, California on July 1, 2016. In general, transaction costs relate to the formation of new and pending joint ventures, pending and completed asset sales and the pursuit of other transactions, including acquisitions are expensed. However, in January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" and we chose to early adopt it during the first quarter of 2017. We expect that acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay (See Note 2 to the Consolidated Financial Statements).

Impairment Loss

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

Depreciation and Amortization Expense

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

Boston Properties, Inc.

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

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

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

(2) On August 19, 2016, the consolidated entity in which we have a 55% interest and that owns 601 Lexington Avenue located in New York City commenced the redevelopment of the six-story, low-rise office and retail building component of the complex. The redeveloped portion of the low-rise building will contain approximately 195,000 net rentable square feet of Class A office space and approximately 25,000 net rentable square feet of retail space. As a result, during the year ended December 31, 2016, we recorded approximately $50.8 million, including $3.2 million related to the step-up of real estate assets, of accelerated depreciation expense for the portion of the complex that was demolished.

Boston Properties Limited Partnership

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

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

(1) We commenced several repositioning and capital improvement projects during the year ended December 31, 2016 and as a result accelerated depreciation and amortization on the portion of the building that was being repositioned or undergoing capital improvements.
(2) On August 19, 2016, the consolidated entity in which we have a 55% interest and that owns 601 Lexington Avenue located in New York City commenced the redevelopment of the six-story, low-rise office and retail building component of the complex. The redeveloped portion of the low-rise building will contain approximately 195,000 net rentable square feet of Class A office space and approximately 25,000 net rentable square feet of retail space. We recorded approximately $47.6 million of accelerated depreciation expense for the portion of the complex that was demolished.

Other Income and Expense Items

Income from Unconsolidated Joint Ventures

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

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

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

Gain on Sale of Investment in Unconsolidated Joint Venture

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

Interest and Other Income

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

On October 20, 2010, we closed a transaction with a financial institution (the "HTC Investor") related to the historic rehabilitation of The Lofts at Atlantic Wharf in Boston, Massachusetts. The HTC Investor has contributed an aggregate of approximately $15 million to the project. As part of its contribution, the HTC Investor received substantially all of the benefits derived from the tax credits. Beginning in July 2012 through July 2016, we recognized the cash received as revenue over the five-year tax credit recapture period as defined in the Internal Revenue Code.

Gains from Investments in Securities

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

Interest Expense

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

Component	**Change in interest expense for the year ended December 31, 2017 compared to December 31, 2016**
	(in thousands)
Increases to interest expense due to:	
Issuance of $1.0 billion in aggregate principal of 2.750% senior notes due 2026 on August 17, 2016	$ 20,801
Refinancing of the debt collateralized by 767 Fifth Avenue (the General Motors Building) (1)	18,998
Utilization of the Unsecured Line of Credit as well as an increase in capacity due to the execution of the 2017 Credit Facility (2)	2,342
Issuance of $850 million in aggregate principal of 3.200% senior notes due 2025 on December 4, 2017	2,080
Issuance of $1.0 billion in aggregate principal of 3.650% senior notes due 2026 on January 20, 2016	1,956
Amortization of deferred financing fees for BPLP's unsecured debt and credit facility	1,313
Other interest expense (excluding senior notes)	165
Total increases to interest expense	47,655
Decreases to interest expense due to:	
Repayment of mortgage financings (3)	(44,900)
Increase in capitalized interest (4)	(21,833)
Decrease in the interest for the Outside Members' Notes Payable for the 767 Fifth Avenue (the General Motors Building) (5)	(18,065)
Redemption of $850 million in aggregate principal of 3.700% senior notes due 2018 on December 17, 2017	(1,225)
Total decreases to interest expense	(86,023)
Total change in interest expense	$ (38,368)

(1) See Note 6 to the Consolidated Financial Statements.

(2) See Note 9 to the Consolidated Financial Statements
(3) Includes the repayment of the mortgage loans collateralized Fountain Square, Embarcadero Center Four and 599 Lexington Avenue.
(4) 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*."
(5) The related interest expense from the Outside Members' Notes Payable totaled approximately $16.3 million and $34.3 million for the years ended December 31, 2017 and 2016, respectively. These amounts are allocated to the outside joint venture partners as an adjustment to Noncontrolling Interests in Property Partnerships in our Consolidated Statements of Operations. On June 7, 2017, a portion of the outside members' notes payable was repaid and the remaining portion was contributed as equity in the consolidated entity (See Notes 6 and 11 to the Consolidated Financial Statements).

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

We estimate net interest expense, which includes debt extinguishment costs, 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. The amount of net interest expense depends on a variety of factors, including, among others, the timing of outflows for development costs, the timing of placing developments in service, the amount of interest capitalization and the incurrence of additional debt financings to fund additional investments. In addition, if we refinance, prepay or repurchase existing indebtedness prior to its maturity, we may incur prepayment penalties, and recognize the acceleration of amortized costs. There can be no assurance that our actual interest expense will not differ materially from the estimates above.

At December 31, 2017, our variable rate debt consisted of BPLP's $2.0 billion 2017 Credit Facility, of which $45.0 million was outstanding at December 31, 2017. For a summary of our consolidated debt as of December 31, 2017 and December 31, 2016 refer to the heading "*Liquidity and Capital Resources—Capitalization—Debt Financing"* within "*Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

Gains (Losses) from Early Extinguishments of Debt

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

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

On April 24, 2017, BPLP entered into the 2017 Credit Facility (See Note 9 to the Consolidated Financial Statements). Certain lenders, under the prior credit facility, chose to not participate in the 2017 Credit Facility and as such we recognized a loss on early extinguishment of debt of approximately $0.3 million related to the acceleration of finance fees associated with the prior credit agreement.

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

On September 1, 2016, we used a portion of the net proceeds from BPLP's August 2016 offering of senior unsecured notes and available cash to repay the mortgage loan collateralized by our Embarcadero Center Four property located in San Francisco, California totaling approximately $344.8 million. The mortgage loan bore interest at a fixed rate of 6.10% per annum (7.02% per annum including the impact of financing costs and interest rate hedges) and was scheduled to mature on December 1, 2016. There was no prepayment penalty. We recognized a loss from early extinguishment of debt totaling approximately $0.7 million consisting of the write-off of unamortized deferred financing costs and the acceleration of the remaining balance related to the effective portion of a previous interest rate hedging program included within accumulated other comprehensive loss.

Losses from Interest Rate Contracts

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

Gains on Sales of Real Estate

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

Boston Properties, Inc.

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

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

(1) The gain on sale of real estate for this property was $28,000.
(2) Excludes approximately $1.1 million of gains on sale of real estate recognized during the year ended December 31, 2017 related to a previously deferred gain amount from sales of real estate occurring in prior years.
(3) Excludes approximately $6.8 million of a gain on sale of real estate recognized during the year ended December 31, 2016 related to a previously deferred gain amount from the 2014 sale of Patriots Park located in Reston, Virginia.

Boston Properties Limited Partnership

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

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

(1) Excludes approximately $1.1 million of gains on sale of real estate recognized during the year ended December 31, 2017 related to a previously deferred gain amount from sales of real estate occurring in prior years.
(2) Excludes approximately $6.8 million of a gain on sale of real estate recognized during the year ended December 31, 2016 related to a previously deferred gain amount from the 2014 sale of Patriots Park located in Reston, Virginia.

Noncontrolling Interests in Property Partnerships

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

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

(1) Under the joint venture agreement, (a) from and after the stabilization date, the partner has the right to cause us 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, we have 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. We expect the stabilization date to occur in the second half of 2018.

(2) On June 7, 2017, our consolidated entity in which we have a 60% interest completed the refinancing of indebtedness that had been secured by direct and indirect interests in 767 Fifth Avenue. The net loss allocation was primarily due to the partners' share of the interest expense for the outside members' notes payable which was $16.3 million and $34.3 million for the years ended December 31, 2017 and 2016, respectively. On June 7, 2017, a portion of the outside members' notes payable was repaid and the remaining portion was contributed as equity in the consolidated entity (See Notes 6 and 11 to the Consolidated Financial Statements).

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

Noncontrolling Interest—Common Units of the Operating Partnership

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

Results of Operations for the Years Ended December 31, 2016 and 2015

Net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders decreased approximately $70.3 million and $73.4 million for the years ended December 31, 2016 compared to 2015, respectively, as detailed in the following tables and for the reasons discussed below under the heading "*Comparison of the year ended December 31, 2016 to the year ended December 31, 2015"* within "*Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations*."

The following are reconciliations of Net Income Attributable to Boston Properties, Inc. Common Shareholders to Net Operating Income and Net Income Attributable to Boston Properties Limited Partnership Common Unitholders to Net Operating Income for the years ended December 31, 2016 and 2015 (in thousands):

Boston Properties, Inc.

	Total Property Portfolio			
	2016	2015	Increase/ (Decrease)	% Change
Net Income Attributable to Boston Properties, Inc. Common Shareholders	$ 502,285	$ 572,606	$ (70,321)	(12.28)%
Preferred dividends	10,500	10,500	—	— %
Net Income Attributable to Boston Properties, Inc.	512,785	583,106	(70,321)	(12.06)%
Net Income Attributable to Noncontrolling Interests:				
Noncontrolling interest—common units of the Operating Partnership	59,260	66,951	(7,691)	(11.49)%
Noncontrolling interest—redeemable preferred units of the Operating Partnership	—	6	(6)	(100.00)%
Noncontrolling interests in property partnerships	(2,068)	149,855	(151,923)	(101.38)%
Net Income	569,977	799,918	(229,941)	(28.75)%
Gains on sales of real estate	80,606	375,895	(295,289)	(78.56)%
Income Before Gains on Sales of Real Estate	489,371	424,023	65,348	15.41 %
Other Expenses:				
Add:				
Losses from interest rate contracts	140	—	140	100.00 %
Losses from early extinguishments of debt	371	22,040	(21,669)	(98.32)%
Interest expense	412,849	432,196	(19,347)	(4.48)%
Other Income:				
Less:				
Gains (losses) from investments in securities	2,273	(653)	2,926	448.09 %
Interest and other income	7,230	6,777	453	6.68 %
Gain on sale of investment in unconsolidated joint venture	59,370	—	59,370	100.00 %
Income from unconsolidated joint ventures	8,074	22,770	(14,696)	(64.54)%
Operating Income	825,784	849,365	(23,581)	(2.78)%
Other Expenses:				
Add:				
Depreciation and amortization	694,403	639,542	54,861	8.58 %
Impairment loss	1,783	—	1,783	100.00 %
Transaction costs	2,387	1,259	1,128	89.59 %
General and administrative expense	105,229	96,319	8,910	9.25 %
Other Revenue:				
Less:				
Development and management services	28,284	22,554	5,730	25.41 %
Net Operating Income	$1,601,302	$1,563,931	$ 37,371	2.39 %

Boston Properties Limited Partnership

	Total Property Portfolio			
	2016	2015	Increase/ (Decrease)	% Change
Net Income Attributable to Boston Properties Limited Partnership Common Unitholders	$ 575,341	$ 648,748	$ (73,407)	(11.32)%
Preferred distributions	10,500	10,500	—	— %
Net Income Attributable to Boston Properties Limited Partnership	585,841	659,248	(73,407)	(11.13)%
Net Income Attributable to Noncontrolling Interests:				
Noncontrolling interest—redeemable preferred units of the Operating Partnership	—	6	(6)	(100.00)%
Noncontrolling interests in property partnerships	(2,068)	149,855	(151,923)	(101.38)%
Net Income	583,773	809,109	(225,336)	(27.85)%
Gains on sales of real estate	82,775	377,093	(294,318)	(78.05)%
Income Before Gains on Sales of Real Estate	500,998	432,016	68,982	15.97 %
Other Expenses:				
Add:				
Losses from interest rate contracts	140	—	140	100.00 %
Losses from early extinguishments of debt	371	22,040	(21,669)	(98.32)%
Interest expense	412,849	432,196	(19,347)	(4.48)%
Other Income:				
Less:				
Gains (losses) from investments in securities	2,273	(653)	2,926	448.09 %
Interest and other income	7,230	6,777	453	6.68 %
Gain on sale of investment in unconsolidated joint venture	59,370	—	59,370	100.00 %
Income from unconsolidated joint ventures	8,074	22,770	(14,696)	(64.54)%
Operating Income	837,411	857,358	(19,947)	(2.33)%
Other Expenses:				
Add:				
Depreciation and amortization	682,776	631,549	51,227	8.11 %
Impairment loss	1,783	—	1,783	100.00 %
Transaction costs	2,387	1,259	1,128	89.59 %
General and administrative expense	105,229	96,319	8,910	9.25 %
Other Revenue:				
Less:				
Development and management services	28,284	22,554	5,730	25.41 %
Net Operating Income	$1,601,302	$1,563,931	$ 37,371	2.39 %

Comparison of the year ended December 31, 2016 to the year ended December 31, 2015

The table below shows selected operating information for the Same Property Portfolio and the Total Property Portfolio. The Same Property Portfolio consists of 143 properties totaling approximately 38.4 million net rentable square feet of space, excluding unconsolidated joint ventures. The Same Property Portfolio includes properties acquired or placed in-service on or prior to January 1, 2015 and owned and in service through December 31, 2016. The Total Property Portfolio includes the effects of the other properties either placed in-service, acquired or in development or redevelopment after January 1, 2015 or disposed of on or prior to December 31, 2016. This table includes a reconciliation from the Same Property Portfolio to the Total Property Portfolio by also providing information for the years ended December 31, 2016 and 2015 with respect to the properties which were placed in-service, acquired, in development or redevelopment or sold.

(dollars in thousands)	Same Property Portfolio 2016	Same Property Portfolio 2015	Same Property Portfolio Increase/ (Decrease)	Same Property Portfolio % Change	Properties Acquired Portfolio 2016	Properties Acquired Portfolio 2015	Properties Placed In-Service Portfolio 2016	Properties Placed In-Service Portfolio 2015	Properties in Development or Redevelopment Portfolio 2016	Properties in Development or Redevelopment Portfolio 2015	Properties Sold Portfolio 2016	Properties Sold Portfolio 2015	Total Property Portfolio 2016	Total Property Portfolio 2015	Total Property Portfolio Increase/ (Decrease)	Total Property Portfolio % Change
Rental Revenue:																
Rental Revenue	$ 2,309,060	$ 2,273,432	$ 35,628	1.57 %	$3,929	$ —	$ 71,763	$21,865	$15,233	$28,209	$ 1,675	$ 40,938	$2,401,660	$2,364,444	$ 37,216	1.57 %
Termination Income	60,183	40,635	19,548	48.11 %	—	—	—	—	(890)	(1,741)	—	—	59,293	38,894	20,399	52.45 %
Total Rental Revenue	2,369,243	2,314,067	55,176	2.38 %	3,929	—	71,763	21,865	14,343	26,468	1,675	40,938	2,460,953	2,403,338	57,615	2.40 %
Real Estate Operating Expenses	852,230	832,164	20,066	2.41 %	857	—	18,995	6,342	10,198	10,491	412	15,028	882,692	864,025	18,667	2.16 %
Net Operating Income, excluding residential and hotel	1,517,013	1,481,903	35,110	2.37 %	3,072	—	52,768	15,523	4,145	15,977	1,263	25,910	1,578,261	1,539,313	38,948	2.53 %
Residential Net Operating Income (loss) (1)	10,246	9,446	800	8.47 %	—	—	—	—	(623)	—	—	1,210	9,623	10,656	(1,033)	(9.69)%
Hotel Net Operating Income (1)	13,418	13,962	(544)	(3.90)%	—	—	—	—	—	—	—	—	13,418	13,962	(544)	(3.90)%
Consolidated Net Operating Income (1)	$ 1,540,677	$ 1,505,311	$ 35,366	2.35 %	$3,072	$ —	$ 52,768	$15,523	$ 3,522	$15,977	$ 1,263	$ 27,120	$1,601,302	$1,563,931	$ 37,371	2.39 %

(1) For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see page 59. Residential Net Operating Income for the year ended December 31, 2016 and 2015 are comprised of Residential Revenue of $16,699 and $18,883 less Residential Expenses of $7,076 and $8,227, respectively. Hotel Net Operating Income for the year ended December 31, 2016 and 2015 are comprised of Hotel Revenue of $44,884 and $46,046 less Hotel Expenses of $31,466 and $32,084, respectively, per the Consolidated Statements of Operations.

Same Property Portfolio

Rental Revenue

Rental revenue from the Same Property Portfolio increased by approximately $35.6 million for the year ended December 31, 2016 compared to 2015. The increase was primarily the result of an increase in revenue from our leases of approximately $38.4 million partially offset by decreases in other recoveries and parking and other income of approximately $1.7 million and $1.1 million, respectively. Rental revenue from our leases increased by approximately $38.4 million as a result of our average revenue per square foot increasing by approximately $1.92, contributing approximately $66.0 million partially, offset by an approximately $27.6 million decrease due to a reduction in our average occupancy from 92.0% to 91.4%.

Termination Income

Termination income increased by approximately $19.5 million for the year ended December 31, 2016 compared to 2015.

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

Termination income for the year ended December 31, 2015 resulted from the termination of 32 tenants across the Same Property Portfolio which totaled approximately $40.6 million of which approximately $32.5 million, $6.4 million, $1.2 million and $0.5 million related to early terminations in our New York, San Francisco, Boston and Washington, DC regions, respectively. The termination income from the New York region was primarily due to distributions we received from our unsecured creditor claim against Lehman Brothers, Inc. (see below) and our negotiated early terminations of a tenant at 767 Fifth Avenue (the General Motors Building), two tenants at 601 Lexington Avenue and a tenant in Princeton, New Jersey each in order to accommodate leasing the space to other tenants. Approximately $7.0 million of our termination income for the year ended December 31, 2015 was non-cash and resulted from the acceleration of “above-” and “below-market” lease revenue and straight-line rent adjustments.

On March 11, 2015 and September 9, 2015, we received the second and third interim distributions from our unsecured creditor claim against Lehman Brothers, Inc. aggregating approximately $8.1 million.

Real Estate Operating Expenses

Real estate operating expenses from the Same Property Portfolio increased by approximately $20.1 million, or 2.4%, for the year ended December 31, 2016 compared to 2015, due primarily to an increase of approximately $21.0 million, or 5.4%, in real estate taxes, which we primarily experienced in the New York CBD properties partially offset by a decrease in other real estate operating expenses of approximately $0.9 million, or 0.2%.

Properties Placed In-Service Portfolio

The table below lists the properties that were placed in-service or partially placed in-service between January 1, 2015 and December 31, 2016. Rental revenue and real estate operating expenses from our Properties Placed In-Service Portfolio increased by approximately $49.9 million and $12.7 million, respectively, for the year ended December 31, 2016 compared to 2015 as detailed below.

Name	Quarter Initially Placed In-Service	Quarter Fully Placed In-Service	Square Feet	Rental Revenue 2016	Rental Revenue 2015	Rental Revenue Change	Real Estate Operating Expenses 2016	Real Estate Operating Expenses 2015	Real Estate Operating Expenses Change
				(dollars in thousands)					
535 Mission Street	Fourth Quarter, 2014	Fourth Quarter, 2015	307,235	$ 23,248	$ 11,962	$ 11,286	$ 6,765	$ 4,013	$ 2,752
690 Folsom Street	Fourth Quarter, 2014	Fourth Quarter, 2015	26,080	1,866	963	903	377	237	140
The Point (1)	Third Quarter, 2015	Fourth Quarter, 2015	16,300	835	154	681	289	67	222
601 Massachusetts Avenue	Third Quarter, 2015	Second Quarter, 2016	478,818	34,050	8,786	25,264	7,919	2,025	5,894
804 Carnegie Center	Second Quarter, 2016	Second Quarter, 2016	130,000	3,947	—	3,947	1,385	—	1,385
10 CityPoint	Second Quarter, 2016	Second Quarter, 2016	241,199	5,540	—	5,540	1,334	—	1,334
Reservoir Place North	Second Quarter, 2016	N/A	73,258	(8)	—	(8)	116	—	116
888 Boylston Street	Third Quarter, 2016	N/A	417,000	2,285	—	2,285	810	—	810
			1,689,890	$ 71,763	$ 21,865	$ 49,898	$ 18,995	$ 6,342	$ 12,653

(1) This is a retail property.

Properties Acquired Portfolio

On April 22, 2016, we acquired 3625-3635 Peterson Way located in Santa Clara, California for a purchase price of approximately $78.0 million in cash. 3625-3635 Peterson Way is an approximately 218,000 net rentable square foot office property. The property is 100% leased to a single tenant through March 2021. Following the lease expiration, we intend to develop the site into a Class A office campus containing an aggregate of approximately 632,000 net rentable square feet. During the year ended December 31, 2016, this building had revenue and real estate operating expenses of approximately $3.9 million and $0.9 million, respectively. We did not acquire any properties during the year ended December 31, 2015.

Properties in Development or Redevelopment Portfolio

The table below lists the properties we placed in development or redevelopment between January 1, 2015 and December 31, 2016. Rental revenue and real estate operating expenses from our Properties in Development or Redevelopment Portfolio decreased by approximately $12.1 million and $0.3 million for the year ended December 31, 2016 compared to 2015, respectively.

Name	Date Commenced Development / Redevelopment	Square Feet	Rental Revenue 2016	Rental Revenue 2015	Rental Revenue Change	Real Estate Operating Expenses 2016	Real Estate Operating Expenses 2015	Real Estate Operating Expenses Change
					(dollars in thousands)			
Reservoir Place North	May 1, 2015	73,000	$ —	$ 661	$ (661)	$ —	$ 254	$ (254)
One Five Nine East 53rd Street (1)	August 19, 2016	220,000	11,530	20,700	(9,170)	8,173	7,889	284
191 Spring Street (2)	December 29, 2016	171,000	2,813	5,107	(2,294)	2,025	2,348	(323)
		464,000	$ 14,343	$ 26,468	$ (12,125)	$ 10,198	$ 10,491	$ (293)

(1) This is the low-rise portion of 601 Lexington Avenue in New York City. Rental revenue includes approximately $(0.9) million and $(1.7) million of termination income for the years ended December 31, 2016 and 2015, respectively. In addition, real estate operating expenses for the year ended December 31, 2016 includes approximately $2.3 million of demolition costs.

(2) Real estate operating expenses for the year ended December 31, 2016 includes approximately $0.3 million of demolition costs.

In addition, during the year ended December 31, 2016, we incurred approximately $0.6 million of demolition costs related to our Proto Kendall Square residential development project.

Properties Sold Portfolio

The table below lists the properties we sold between January 1, 2015 and December 31, 2016. Rental revenue and real estate operating expenses from our Properties Sold Portfolio decreased by approximately $42.5 million and $16.6 million, respectively, for the year ended December 31, 2016 compared to 2015 as detailed below.

				Rental Revenue			Real Estate Operating Expenses		
Name	Date Sold	Property Type	Square Feet	2016	2015	Change	2016	2015	Change
						(dollars in thousands)			
Office									
505 9th Street, N.W. (1)	September 18, 2015	Office	322,000	$ —	$ 18,072	$ (18,072)	$ —	$ 6,334	$ (6,334)
Innovation Place (2)	December 17, 2015	Office	574,000	—	2,415	(2,415)	—	2,609	(2,609)
415 Main Street	February 1, 2016	Office	231,000	1,675	20,451	(18,776)	412	6,085	(5,673)
			1,127,000	1,675	40,938	(39,263)	412	15,028	(14,616)
Residential									
Residences on The Avenue (3)	March 17, 2015	Residential	323,050	—	3,230	(3,230)	—	2,020	(2,020)
			1,450,050	$ 1,675	$ 44,168	$ (42,493)	$ 412	$ 17,048	$ (16,636)

(1) This property was owned by a consolidated entity in which we had a 50% interest.
(2) This is a 26-acre site with one occupied and three vacant office buildings.
(3) This property has 335 apartment units and approximately 50,000 net rentable square feet of retail space.

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

Other Operating Income and Expense Items

Residential Net Operating Income

Net operating income for our residential same properties increased by approximately $0.8 million for the year ended December 31, 2016 compared to 2015.

The following reflects our occupancy and rate information for The Lofts at Atlantic Wharf and The Avant at Reston Town Center for the years ended December 31, 2016 and 2015.

	The Lofts at Atlantic Wharf			The Avant at Reston Town Center		
	2016	2015	Percentage Change	2016	2015	Percentage Change
Average Monthly Rental Rate (1)	$ 4,154	$ 4,052	2.5 %	$ 2,385	$ 2,268	5.2%
Average Rental Rate Per Occupied Square Foot	$ 4.61	$ 4.50	2.4 %	$ 2.62	$ 2.46	6.5%
Average Physical Occupancy (2)	95.6%	96.4%	(0.8)%	93.6%	90.8%	3.1%
Average Economic Occupancy (3)	96.5%	97.4%	(0.9)%	93.6%	89.2%	4.9%

(1) Average Monthly Rental Rate is calculated 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 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 decreased by approximately $0.5 million for the year ended December 31, 2016 compared to 2015.

The following reflects our occupancy and rate information for the Boston Marriott Cambridge hotel for the years ended December 31, 2016 and 2015.

	2016	2015	Percentage Change
Occupancy	79.5%	80.8%	(1.6)%
Average daily rate	$ 271.38	$ 275.43	(1.5)%
REVPAR	$ 215.71	$ 222.47	(3.0)%

Other Operating Income and Expense Items

Development and Management Services Revenue

Development and management services revenue increased by approximately $5.7 million for the year ended December 31, 2016 compared to 2015. Development service income increased by approximately $2.5 million and management service income increased by approximately $3.2 million. The increase in development service income is primarily due to increases in development fees from our Boston and New York unconsolidated joint ventures, as well as an increase in our San Francisco third-party development fees, partially offset by a decrease in development fees from our Washington, DC third-party developments and unconsolidated joint ventures. Management service income increased primarily due to management fees and leasing commissions. The increase in management fees was primarily due to the fees we earned from our Colorado Center joint venture, which we acquired on July 1, 2016, in Santa Monica, California. The increase in leasing commissions was related to a commission we earned on a lease that was extended at one of our third party managed buildings in New York City.

General and Administrative Expense

General and administrative expense increased by approximately $8.9 million for the year ended December 31, 2016 compared to 2015 due primarily to an approximately $8.9 million increase in overall compensation expense. The increase in compensation expense was primarily due to the following items: (1) approximately $3.7 million related to the difference between the unrecognized expense remaining from the 2013 MYLTIP Units compared to the expense that was recognized during the year ended December 31, 2016 for the newly issued 2016 MYLTIP Units, (2) an approximately $2.9 million increase in the value of BXP's deferred compensation plan and (3) an approximately $2.3 million increase in other compensation expenses.

Wages directly related to the development and leasing of rental properties are capitalized and included in real estate assets or deferred charges on our Consolidated Balance Sheets and amortized over the useful lives of the applicable asset or lease term. Capitalized wages for the years ended December 31, 2016 and 2015 were approximately $18.3 million and $15.9 million, respectively. These costs are not included in the general and administrative expenses discussed above.

Transaction Costs

Transaction costs increased by approximately $1.1 million for the year ended December 31, 2016 compared to 2015 due to the write off of approximately $1.0 million of costs related to the unsuccessful pursuit of a development opportunity in Cambridge, Massachusetts. In general, transaction costs relate to the formation of new and pending joint ventures, pending and completed asset sales and the pursuit of other transactions, including acquisitions are expensed (Refer to Note 2 to the Consolidated Financial Statements).

Impairment Loss

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

Depreciation and Amortization Expense

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

Boston Properties, Inc.

Depreciation and amortization expense increased by approximately $54.9 million for the year ended December 31, 2016 compared to 2015, as detailed below.

	Depreciation and Amortization for the year ended December 31,		
Portfolio	2016	2015	Change
		(in thousands)	
Same Property Portfolio	$ 615,432	$ 618,043	$ (2,611)
Properties Placed in-Service Portfolio	16,156	5,561	10,595
Properties Acquired Portfolio	2,693	—	2,693
Properties in Development or Redevelopment Portfolio (1)	60,014	4,402	55,612
Properties Sold Portfolio	108	11,536	(11,428)
	$ 694,403	$ 639,542	$ 54,861

(1) On August 19, 2016, the consolidated entity in which we have a 55% interest and that owns 601 Lexington Avenue located in New York City commenced the redevelopment of the six-story, low-rise office and retail building component of the complex. The redeveloped portion of the low-rise building will contain approximately 195,000 net rentable square feet of Class A office space and approximately 25,000 net rentable square feet of retail space. As a result, during the year ended December 31, 2016, we recorded approximately $50.8 million, including $3.2 million related to the step-up of real estate assets, of accelerated depreciation expense for the portion of the complex that was demolished.

Boston Properties Limited Partnership

Depreciation and amortization expense increased by approximately $51.2 million for the year ended December 31, 2016 compared to 2015, as detailed below.

	Depreciation and Amortization for the year ended December 31,		
Portfolio	2016	2015	Change
		(in thousands)	
Same Property Portfolio	$ 607,385	$ 610,050	$ (2,665)
Properties Placed in-Service Portfolio	16,156	5,561	10,595
Properties Acquired Portfolio	2,693	—	2,693
Properties in Development or Redevelopment Portfolio (1)	56,434	4,402	52,032
Properties Sold Portfolio	108	11,536	(11,428)
	$ 682,776	$ 631,549	$ 51,227

(1) On August 19, 2016, the consolidated entity in which we have a 55% interest and that owns 601 Lexington Avenue located in New York City commenced the redevelopment of the six-story, low-rise office and retail building component of

the complex. The redeveloped portion of the low-rise building will contain approximately 195,000 net rentable square feet of Class A office space and approximately 25,000 net rentable square feet of retail space. We recorded approximately $47.6 million of accelerated depreciation expense for the portion of the complex that was demolished.

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

Income from Unconsolidated Joint Ventures

For the year ended December 31, 2016 compared to 2015, income from unconsolidated joint ventures decreased by approximately $14.7 million due primarily to an approximately $12.4 million decrease in our share of net income from 901 New York Avenue in Washington, DC. During the year ended December 31, 2015, we received a distribution of approximately $24.5 million, which was generated from the excess loan proceeds from the joint venture's refinancing of its mortgage loan to a new 10-year mortgage loan totaling $225.0 million. Our allocation of income and distributions for the year ended December 31, 2015 was not proportionate to our nominal ownership interest as a result of the achievement of specified investment return thresholds, as provided for in the joint venture agreement. In addition, we had an approximately $4.3 million and $0.7 million decrease in our share of net income from our Annapolis Junction joint venture and Metropolitan Square joint venture, respectively. The decrease for Metropolitan Square is documented below under the heading *"Gain on Sale of Investment in Unconsolidated Joint Venture."* The decrease in our share of net income from the Annapolis Junction joint venture is primarily due to an increase in interest expense related to Annapolis Junction Building One having an event of default and as of October 17, 2016 the property was being charged interest at the default interest rate. Also, Annapolis Junction Building Seven and Building Eight had construction loans and, therefore, the venture capitalized the interest and did not expense it during the development period in 2015. In addition, there was an increase in depreciation and amortization expense as a result of Annapolis Junction Building Seven and Building Eight no longer being in development for the entire year ended December 31, 2016. These decreases were partially offset by the acquisition of Colorado Center located in Santa Monica, California and the placing in-service of 1265 Main Street in Waltham, Massachusetts.

Gain on Sale of Investment in Unconsolidated Joint Venture

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

Interest and Other Income

Interest and other income increased by approximately $0.5 million for the year ended December 31, 2016 compared to 2015 due primarily to a purchase rebate program in which we participated.

Gains (Losses) from Investments in Securities

Gains (losses) from investments in securities for the years ended December 31, 2016 and 2015 related to investments that we have made to reduce our market risk relating to a deferred compensation plan that we maintain for BXP's officers. Under this deferred compensation plan, each officer who is eligible to participate is permitted to defer a portion of the officer's current income on a pre-tax basis and receive a tax-deferred return on these deferrals based on the performance of specific investments selected by the officer. In order to reduce our market risk relating to this plan, we typically acquire, in a separate account that is not restricted as to its use, similar or identical investments as those selected by each officer. This enables us to generally match our liabilities to officers of BXP under the deferred compensation plan with equivalent assets and thereby limit our market risk. The performance of these investments is recorded as gains (losses) from investments in securities. During the years ended December 31, 2016 and 2015, we recognized gains (losses) of approximately $2.3 million and $(0.7) million, respectively, on these investments. By comparison, our general and administrative expense increased (decreased) by approximately $2.3 million and $(0.6) million during the years ended December 31, 2016 and 2015, respectively, as a result of increases (decreases) 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 $19.3 million for the year ended December 31, 2016 compared to 2015 as detailed below.

Component	Change in interest expense for the year ended December 31, 2016 compared to December 31, 2015 (in thousands)
Increases to interest expense due to:	
Issuance of $1.0 billion in aggregate principal of 3.650% senior notes due 2026 on January 20, 2016	$ 34,800
Issuance of $1.0 billion in aggregate principal of 2.750% senior notes due 2026 on August 17, 2016	10,442
Increase in interest expense for the Outside Members' Notes Payable for 767 Fifth Avenue (the General Motors Building) (1)	3,529
Other interest expense (excluding senior notes)	96
Increase in the fair value interest adjustment for 767 Fifth Avenue (the General Motors Building)	1,136
Total increases to interest expense	50,003
Decreases to interest expense due to:	
Defeasance of the mortgage loan collateralized by 100 & 200 Clarendon Street on December 15, 2015	(31,457)
Repayment of mortgage financings (2)	(27,936)
Increase in capitalized interest (3)	(5,023)
Sale of 505 9th Street, N.W. on September 18, 2015	(4,934)
Total decreases to interest expense	(69,350)
Total change in interest expense	$ (19,347)

(1) The related interest expense from the Outside Members' Notes Payable totaled approximately $34.3 million and $30.8 million for the year ended December 31, 2016 and 2015, respectively. These amounts are allocated to the outside joint venture partners as an adjustment to Noncontrolling Interests in Property Partnerships in our Consolidated Statements of Operations.

(2) Includes the repayment of Kingstowne Two and Kingstowne Retail, Fountain Square, Embarcadero Center Four and 599 Lexington Avenue.

(3) 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 7—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 that portion and interest is then expensed. Interest capitalized for the years ended December 31, 2016 and 2015 were approximately $39.2 million and $34.2 million, respectively. These costs are not included in the interest expense referenced above.

At December 31, 2016, our variable rate debt consisted of BPLP's $1.0 billion Unsecured Line of Credit, of which no amount was outstanding at December 31, 2016. For a summary of our consolidated debt as of December 31, 2016 refer to the heading "*Liquidity and Capital Resources—Capitalization—Debt Financing"* within "*Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

Losses from Early Extinguishments of Debt

On September 1, 2016, we used a portion of the net proceeds from BPLP's August 2016 offering of senior unsecured notes (See Note 8 to the Consolidated Financial Statements) and available cash to repay the mortgage loan collateralized by our 599 Lexington Avenue property located in New York City totaling $750.0 million. The mortgage loan bore interest at a fixed rate of 5.57% per annum (5.41% per annum including the impact of financing costs and interest rate hedges) and was scheduled to mature on March 1, 2017. There was no prepayment penalty. We recognized a gain from early extinguishment of debt totaling approximately $0.4 million consisting of the acceleration of the remaining balance related to the effective portion of a previous interest rate hedging program included within accumulated other comprehensive loss, offset by the write-off of unamortized deferred financing costs.

On September 1, 2016, we used a portion of the net proceeds from BPLP's August 2016 offering of senior unsecured notes (See Note 8 to the Consolidated Financial Statements) and available cash to repay the mortgage loan collateralized by our Embarcadero Center Four property located in San Francisco, California totaling approximately $344.8 million. The mortgage loan bore interest at a fixed rate of 6.10% per annum (7.02% per annum including the impact of financing costs and interest rate hedges) and was scheduled to mature on December 1, 2016. There was no prepayment penalty. We recognized a loss from early extinguishment of debt totaling approximately $0.7 million consisting of the write-off of unamortized deferred financing costs and the acceleration of the remaining balance related to the effective portion of a previous interest rate hedging program included within accumulated other comprehensive loss.

On December 15, 2015, we legally defeased the mortgage loan collateralized by our 100 & 200 Clarendon Street properties located in Boston, Massachusetts. The mortgage loan had an outstanding principal balance of $640.5 million, bore interest at a fixed rate of 5.68% per annum and was scheduled to mature on January 6, 2017. The cash outlay required for the defeasance in the net amount of approximately $667.3 million was based on the purchase price of U.S. government securities that will generate sufficient cash flow to fund continued interest payments on the loan from the effective date of the defeasance through, and the repayment of the loan on, October 6, 2016, which is the date on which we could repay the loan at par. In connection with the defeasance, the mortgage and other liens on the property were extinguished and all existing collateral, including various guarantees, were released. As a result of the defeasance, we recognized a loss from early extinguishment of debt of approximately $22.0 million, consisting of approximately $26.8 million, which is the difference between the purchase price for the U.S. government securities acquired for the defeasance and the outstanding principal balance of the mortgage loan, and approximately $1.4 million of unamortized deferred financing costs, offset by approximately $4.8 million from the acceleration of the remaining balance of the historical fair value debt adjustment and approximately $1.4 million of accrued interest expense through the effective date of the defeasance.

Losses from Interest Rate Contracts

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

Gains on Sales of Real Estate

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

Boston Properties, Inc.

Gains on sales of real estate decreased by approximately $295.3 million for the year ended December 31, 2016 compared to 2015, respectively, as detailed below.

Name	Date sold	Property Type	Square Feet	Sale Price	Cash Proceeds	Gain on Sale of Real Estate	
				(dollars in millions)			
2016							
415 Main Street	February 1, 2016	Office	231,000	$ 105.4	$ 104.9	$ 60.8	
Broad Run Business Park	August 16, 2016	Land	N/A	18.0	17.9	13.0	
				$ 123.4	$ 122.8	$ 73.8	(1)
2015							
Washingtonian North	February 19, 2015	Land	N/A	$ 8.7	$ 8.4	$ 3.5	
Residences on The Avenue (2)	March 17, 2015	Residential	323,050	196.0	192.5	91.4	
505 9th Street (3)	September 15, 2015	Office	322,000	318.0	194.6	199.5	
Washingtonian North	October 1, 2015	Land	N/A	13.3	13.8	2.0	
Innovation Place (4)	December 17, 2015	Office	574,000	207.0	199.3	79.1	
				$ 743.0	$ 608.6	$ 375.5	(5)

(1) Excludes approximately $6.8 million of a gain on sale of real estate recognized during the year ended December 31, 2016 related to a previously deferred gain amount from the 2014 sale of Patriots Park located in Reston, Virginia.
(2) This property has 335 apartment units and approximately 50,000 net rentable square feet of retail space. We have agreed to provide net operating income support of up to $6.0 million should the property's net operating income fail to achieve certain thresholds. As of December 31, 2016, we have a remaining obligation of approximately $2.8 million. This amount has been recorded as a reduction to the gain on sale. This property is subject to a ground lease that expires on February 1, 2068.
(3) This property was owned by a consolidated entity in which we had a 50% interest. The buyer assumed the mortgage loan which had a balance of $117.0 million. Approximately $101.1 million of the gain on sale of real estate was allocated to the outside partners and is included within Noncontrolling Interests in Property Partnerships in our Consolidated Statements of Operations.
(4) This is a 26-acre site with one occupied and three vacant existing office buildings. The remainder of the site is currently used for 1,699 surface parking spaces, but the land supports an additional 537,000 square feet of office/R&D development and two parking structures with a total of approximately 3,000 parking spaces.
(5) Excludes approximately $0.4 million of gain on sale of real estate recognized during the three months ended December 31, 2015 related to previously deferred gain amounts from a 2014 sale of real estate.

Boston Properties Limited Partnership

Gains on sales of real estate decreased by approximately $294.3 million for the year ended December 31, 2016 compared to 2015, respectively, as detailed below.

Name	Date sold	Property Type	Square Feet	Sale Price	Cash Proceeds	Gain on Sale of Real Estate	
					(dollars in millions)		
2016							
415 Main Street	February 1, 2016	Office	231,000	$ 105.4	$ 104.9	$ 63.0	
Broad Run Business Park	August 16, 2016	Land	N/A	18.0	17.9	13.0	
				$ 123.4	$ 122.8	$ 76.0	(1)
2015							
Washingtonian North	February 19, 2015	Land	N/A	$ 8.7	$ 8.4	$ 3.5	
Residences on The Avenue (2)	March 17, 2015	Residential	323,050	196.0	192.5	91.4	
505 9th Street (3)	September 15, 2015	Office	322,000	318.0	194.6	199.7	
Washingtonian North	October 1, 2015	Land	N/A	13.3	13.8	2.0	
Innovation Place (4)	December 17, 2015	Office	574,000	207.0	199.3	80.1	
				$ 743.0	$ 608.6	$ 376.7	(5)

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

(2) This property has 335 apartment units and approximately 50,000 net rentable square feet of retail space. We have agreed to provide net operating income support of up to $6.0 million should the property's net operating income fail to achieve certain thresholds. As of December 31, 2016, we have a remaining obligation of approximately $2.8 million. This amount has been recorded as a reduction to the gain on sale. This property is subject to a ground lease that expires on February 1, 2068.

(3) This property was owned by a consolidated entity in which we had a 50% interest. The buyer assumed the mortgage loan which had a balance of $117.0 million. Approximately $101.1 million of the gain on sale of real estate was allocated to the outside partners and is included within Noncontrolling Interests in Property Partnerships in our Consolidated Statements of Operations.

(4) This is a 26-acre site with one occupied and three vacant existing office buildings. The remainder of the site is currently used for 1,699 surface parking spaces, but the land supports an additional 537,000 square feet of office/R&D development and two parking structures with a total of approximately 3,000 parking spaces.

(5) Excludes approximately $0.4 million of gain on sale of real estate recognized during the three months ended December 31, 2015 related to previously deferred gain amounts from a 2014 sale of real estate.

Noncontrolling Interests in Property Partnerships

Noncontrolling interests in property partnerships decreased by approximately $151.9 million for the year ended December 31, 2016 compared to 2015 as detailed below.

	Noncontrolling Interests in Property Partnerships for the year ended December 31,		
Property	2016	2015	Change
		(in thousands)	
505 9th Street (1)	$ —	$ 103,507	$ (103,507)
Fountain Square (2)	—	5,121	(5,121)
Salesforce Tower	(34)	—	(34)
767 Fifth Avenue (the General Motors Building) (3)	(26,777)	(20,784)	(5,993)
Times Square Tower	26,777	26,858	(81)
601 Lexington Avenue (4)	(12,462)	21,763	(34,225)
100 Federal Street	1,119	3,986	(2,867)
Atlantic Wharf Office Building	9,309	9,404	(95)
	$ (2,068)	$ 149,855	$ (151,923)

(1) On September 18, 2015, we sold this property and approximately $101.1 million of the gain was allocated to the outside partners (See Note 11 to the Consolidated Financial Statements).

(2) On September 15, 2015, we acquired our partners' nominal 50% interest (See Note 11 to the Consolidated Financial Statements).

(3) The net loss allocation is primarily due to the partners' share of the interest expense for the outside members' notes payable which was $34.3 million and $30.8 million for the year ended December 31, 2016 and 2015, respectively.
(4) On August 19, 2016, the consolidated entity in which we have a 55% interest and that owns this property commenced the redevelopment of the six-story, low-rise office and retail building component of the complex. The redeveloped portion of the low-rise building will contain approximately 195,000 net rentable square feet of Class A office space and approximately 25,000 net rentable square feet of retail space. We will capitalize incremental costs during the redevelopment. BXP and BPLP recognized approximately $50.8 million and $47.6 million, respectively, of depreciation expense associated with the acceleration of depreciation on the assets being removed from service and demolished as part of the redevelopment of the property. Approximately $21.4 million of those amounts was allocated to the outside partners.

Noncontrolling Interest—Common Units of the Operating Partnership

For BXP, noncontrolling interest—common units of the Operating Partnership decreased by approximately $7.7 million for the year ended December 31, 2016 compared to 2015 due primarily to a decrease in allocable income, which was the result of recognizing a greater gain on sales of real estate amount during 2015, partially offset by an increase in the noncontrolling interest's ownership percentage. Due to our 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;
- capital expenditures, including major renovations, tenant improvements and leasing costs;
- development costs;
- dividend requirements on BXP's Series B Preferred Stock;
- possible acquisitions of properties, either directly or indirectly through the acquisition of equity interests 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 development properties are expected to be primarily funded with our available cash balances, construction loans and BPLP's 2017 Credit Facility. 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 as of December 31, 2017 (dollars in thousands):

Construction Properties	Estimated Stabilization Date	Location	# of Buildings	Square Feet	Investment to Date (1)	Estimated Total Investment (1)	Estimated Future Equity Requirement (1)	Percentage Leased (2)
Office								
Salesforce Tower (95% ownership) (3)	Third Quarter, 2019	San Francisco, CA	1	1,400,000	$ 941,872	$ 1,073,500	$ 140,632	97% (4)
The Hub on Causeway (50% ownership)	Fourth Quarter, 2019	Boston, MA	1	385,000	58,699	141,870	—	80% (5)
145 Broadway	Fourth Quarter, 2019	Cambridge, MA	1	485,000	90,960	375,000	284,039	98%
Dock 72 (50% ownership)	First Quarter, 2020	Brooklyn, NY	1	670,000	98,594	204,900	—	33% (6)
6595 Springfield Center Drive (TSA Headquarters)	Fourth Quarter, 2020	Springfield, VA	1	634,000	43,240	313,700	270,460	98%
20 CityPoint	First Quarter, 2021	Waltham, MA	1	211,000	15,073	97,000	81,927	52%
7750 Wisconsin Avenue (Marriott International Headquarters) (50% ownership)	Third Quarter, 2022	Bethesda, MD	1	740,000	21,416	211,100	189,684	100% (7)
Total Office Properties under Construction			7	4,525,000	1,269,854	2,417,070	966,742	85%
Residential								
Proto Kendall Square (280 units)	Second Quarter, 2019	Cambridge, MA	1	149,600	83,670	140,170	56,500	N/A
Proto Kendall Square - Retail			—	14,400	—	—	—	26%
The Hub on Causeway - Residential (440 units) (50% ownership)	Fourth Quarter, 2021	Boston, MA	1	320,000	32,588	153,500	120,912	N/A
Signature at Reston (508 units)	Second Quarter, 2020	Reston, VA	1	490,000	194,242	234,854	40,612	8% (8)
Signature at Reston - Retail			—	24,600	—	—	—	81%
MacArthur Station Residences (402 units)	Fourth Quarter, 2021	Oakland, CA	1	324,000	8,687	263,600	254,913	N/A (9)
Total Residential Properties under Construction			4	1,322,600	319,187	792,124	472,937	61%
Redevelopment Properties								
191 Spring Street	Fourth Quarter, 2018	Lexington, MA	1	171,000	42,813	53,920	11,107	88% (10)
One Five Nine East 53rd Street (55% ownership)	Fourth Quarter, 2019	New York, NY	—	220,000	65,232	106,000	40,768	—%
Total Redevelopment Properties under Construction			1	391,000	108,045	159,920	51,875	38%
Total Properties under Construction and Redevelopment			12	6,238,600	$1,697,086	$ 3,369,114	$ 1,491,554	81% (11)

(1) Represents our share. Includes net revenue during lease up period, acquisition expenses and approximately $61.5 million of construction cost and leasing commission accruals.
(2) Represents percentage leased as of February 22, 2018, including leases with future commencement dates.
(3) See Note 11 to the Consolidated Financial Statements.

(4) 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 December 31, 2017, we had contributed an aggregate of approximately $16.4 million of preferred equity to the venture. This property was 7% placed in-service.
(5) This development has a $102.3 million (our share) construction facility. As of December 31, 2017, approximately $0.4 million have been drawn under this facility.
(6) This development has a $125 million (our share) construction facility. As of December 31, 2017, approximately $18.5 million have been drawn under this facility.
(7) Rentable square feet is an estimate based on current building design.
(8) Investment amounts include approximately $17 million for overbuilding parking structure to support future development requirements and excludes $10 million of the purchase price for the site that is allocated to rights for future development in Reston Town Center. See Note 20 to the Consolidated Financial Statements.
(9) This development is subject to a 99-year ground lease (including extension options) with an option to purchase in the future.
(10) This property was 46% placed in-service.
(11) Percentage leased excludes residential units.

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.

Our primary uses of capital will be the completion of our current development and redevelopment projects. As of December 31, 2017, our share of the remaining development and redevelopment costs that we expect to fund through 2022 is approximately $1.5 billion.

With approximately $301 million of cash and cash equivalents and approximately $1.8 billion available under the 2017 Credit Facility, in each case, as of February 22, 2018, we have sufficient capital to complete these projects. We believe that our strong liquidity, including our availability under BPLP’s 2017 Credit Facility, and proceeds from debt financings and asset sales provide sufficient liquidity to fund our remaining capital requirements on existing development and redevelopment projects and pursue additional attractive investment opportunities. In addition, on June 2, 2017 we renewed BXP’s $600 million ATM stock offering program for a period of three years. We have not sold any shares under this ATM stock offering program. During the fourth quarter, we reduced our overall borrowing cost and extended our debt maturities by refinancing $850 million of 3.700% senior notes that were scheduled to mature on November 15, 2018 with the proceeds from the issuance of $850 million of 3.200% senior notes maturing January 2025.

Given the relatively low interest rates currently available to us in the debt markets, 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 projects, our foreseeable potential development activity and pursue attractive additional 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. 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 our 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 were approximately $434.8 million and $356.9 million at December 31, 2017 and 2016, respectively, representing an increase of approximately $77.9 million. The following table sets forth changes in cash flows:

	Year ended December 31,		
	2017	2016	Increase (Decrease)
		(in thousands)	
Net cash provided by operating activities	$ 907,445	$ 1,036,874	$ (129,429)
Net cash used in investing activities	(897,814)	(1,329,057)	431,243
Net cash provided by (used in) financing activities	68,222	(74,621)	142,843

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 year ended December 31, 2017 consisted primarily of development projects, building and tenant improvements and capital contributions and distributions to/from unconsolidated joint ventures. Cash used in investing activities for the year ended December 31, 2016 consisted primarily of development projects, tenant improvements and capital contributions to unconsolidated joint ventures partially offset by the proceeds from the sale of real estate as detailed below:

	Year ended December 31,	
	2017	2016
	(in thousands)	
Acquisition of real estate (1)	$ (15,953)	$ (78,000)
Construction in progress (2)	(608,404)	(500,350)
Building and other capital improvements	(222,482)	(150,640)
Tenant improvements	(205,331)	(230,298)
Proceeds from sales of real estate (3)	29,810	122,750
Proceeds from sales of real estate placed in escrow (3)	(29,810)	(122,647)
Proceeds from sales of real estate released from escrow (3)	29,810	122,647
Cash released from escrow for land sale contracts	—	1,596
Cash released from escrow for investing activities	9,230	6,694
Cash placed in escrow for investment in unconsolidated joint venture (4)	(25,000)	—
Capital contributions to unconsolidated joint ventures (5)	(109,015)	(575,795)
Capital distributions from unconsolidated joint ventures (6)	251,000	20,440
Proceeds from sale of investment in unconsolidated joint venture (7)	—	55,707
Investments in securities, net	(1,669)	(1,161)
Net cash used in investing activities	$ (897,814)	$ (1,329,057)

Cash used in investing activities changed primarily due to the following:

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

On April 22, 2016, we acquired 3625-3635 Peterson Way located in Santa Clara, California for a purchase price of approximately $78.0 million in cash.

(2) Construction in progress for the year ended December 31, 2017 includes ongoing expenditures associated with Reservoir Place North, 888 Boylston Street and the Prudential Center retail expansion, which were fully placed in-service during the year ended December 31, 2017. In addition, we incurred costs associated with our continued development/redevelopment of Salesforce Tower, One Five Nine East 53rd Street (the low-rise portion of 601 Lexington Avenue), 191 Spring Street, 145 Broadway, 6595 Springfield Center Drive, 20 CityPoint and MacArthur Station Residences, Proto Kendall Square and Signature at Reston residential projects.

Construction in progress for the year ended December 31, 2016 includes ongoing expenditures associated with 601 Massachusetts Avenue, 804 Carnegie Center, 10 CityPoint, Reservoir Place North, 888 Boylston Street and the Prudential Center retail expansion, which were partially or fully placed in-service during the year ended December 31, 2016. In addition, we incurred costs associated with our continued development of Salesforce Tower, One Five Nine East 53rd Street (the low-rise portion of 601 Lexington Avenue), 191 Spring Street and Proto Kendall Square and Signature at Reston residential projects.

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

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

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

On August 16, 2016, we completed the sale of a parcel of land within our Broad Run Business Park property located in Loudoun County, Virginia. Net cash proceeds totaled approximately $17.9 million.

On February 1, 2016, we completed the sale of our 415 Main Street property located in Cambridge, Massachusetts to the tenant for a gross sale price of approximately $105.4 million. Net cash proceeds totaled approximately $104.9 million. As of December 31, 2016, we had released from escrow approximately $104.7 million of the proceeds that were being held for possible investment in a like-kind exchange in accordance with Section 1031 of the Internal Revenue Code.

(4) On August 7, 2017, we deposited $25.0 million into an escrow account to be contributed by us to the unconsolidated joint venture that is developing 7750 Wisconsin Avenue to fund future development costs.

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

Capital contributions to unconsolidated joint ventures for the year ended December 31, 2016 were primarily due to cash contributions of approximately $507.1 million to fund our acquisition of a 49.8% interest in Colorado Center on July 1, 2016. In addition, we had capital contributions of approximately $33.1 million, $22.2 million and $13.1 million to our Hub on Causeway, Dock 72 and 1265 Main Street joint ventures, respectively, which were primarily used to fund development activities.

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

Capital distributions from unconsolidated joint ventures for the year ended December 31, 2016 were primarily due to a return of capital made by the joint venture that owns 1265 Main Street located in Waltham, MA. On December 8, 2016, the joint venture obtained mortgage financing totaling $40.4 million collateralized by the property and subsequently distributed the proceeds of the mortgage financing.

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

Cash provided by financing activities for the year ended December 31, 2017 totaled approximately $0.1 billion. This consisted primarily of the net proceeds from the refinancing of the 767 Fifth Avenue (the General Motors Building) debt partially offset by the payment of our regular dividends and distributions to our shareholders and unitholders. Future debt payments are discussed below under the heading "*Capitalization—Debt Financing*."

Capitalization

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

	December 31, 2017			
	Shares / Units Outstanding	Common Stock Equivalent	Equivalent Value (1)	
Common Stock	154,325,286	154,325,286	$ 20,066,917	
Common Operating Partnership Units	17,628,721	17,628,721	2,292,263	(2)
5.25% Series B Cumulative Redeemable Preferred Stock	80,000	—	200,000	
Total Equity		171,954,007	$ 22,559,180	
Consolidated Debt			$ 10,271,611	
Add:				
BXP's share of unconsolidated joint venture debt (3)			604,845	
Subtract:				
Partners' share of Consolidated Debt (4)			(1,209,280)	
BXP's Share of Debt			$ 9,667,176	
Consolidated Market Capitalization			$ 32,830,791	
BXP's Share of Market Capitalization			$ 32,226,356	
Consolidated Debt/Consolidated Market Capitalization			31.29%	
BXP's Share of Debt/BXP's Share of Market Capitalization			30.00%	

(1) Except for the Series B Cumulative Redeemable Preferred Stock, which have been valued at the liquidation preference of $2,500 per share, values are based on the closing price per share of BXP's Common Stock on December 29, 2017 of $130.03.
(2) Includes 818,343 long-term incentive plan units (including 118,067 2012 OPP Units, 85,405 2013 MYLTIP Units and 25,107 2014 MYLTIP Units), but excludes an aggregate of 1,239,978 MYLTIP Units granted between 2015 and 2017.
(3) See page 107 for additional information.
(4) See page 95 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 December 29, 2017, 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 and 2014 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 had not yet ended as of December 31, 2017, 2015, 2016 and 2017 MYLTIP Units (See Note 20 to the Consolidated Financial Statements) are not included in this calculation.

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 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.*" and for a discussion of our consolidated joint venture indebtedness see *"Liquidity and Capital Resources—Capitalization—Mortgage Notes Payable, Net*" and "*—Mezzanine Notes Payable*" and "*Outside Members*' *Notes Payable*" within "*Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Debt Financing

As of December 31, 2017, we had approximately $10.3 billion of outstanding consolidated indebtedness, representing approximately 31.29% of our Consolidated Market Capitalization as calculated above consisting of approximately (1) $7.247 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 8.2 years and (3) $45.0 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, BPLP's unsecured senior notes unsecured line of credit and term loan and Consolidated Debt Financing Statistics at December 31, 2017 and December 31, 2016. Because the outside members' notes payable are allocated to the partners they have not been included in the Consolidated Debt Financing Statistics.

	December 31,	
	2017	2016
	(Dollars in thousands)	
Debt Summary:		
Balance		
Fixed rate mortgage notes payable, net	$ 2,979,281	$ 2,063,087
Variable rate mortgage notes payable	—	—
Unsecured senior notes, net of discount	7,247,330	7,245,953
Unsecured line of credit	45,000	—
Unsecured term loan	—	—
Mezzanine notes payable	—	307,093
Outside members' notes payable	—	180,000
Consolidated Debt	10,271,611	9,796,133
Add:		
BXP's share of unconsolidated joint venture debt, net (1)	604,845	318,193
Subtract:		
Partners' share of consolidated mortgage notes payable, net (2)	(1,209,280)	(841,636)
Partners' share of consolidated mezzanine notes payable	—	(122,837)
Outside members' notes payable	—	(180,000)
BXP's Share of Debt	$ 9,667,176	$ 8,969,853

	December 31,	
	2017	2016
Consolidated Debt Financing Statistics:		
Percent of total debt:		
Fixed rate	99.56%	100.00%
Variable rate	0.44%	—%
Total	100.00%	100.00%
GAAP Weighted-average interest rate at end of period:		
Fixed rate	4.09%	4.06%
Variable rate	2.46%	—%
Total	4.08%	4.06%
Coupon/Stated Weighted-average interest rate at end of period:		
Fixed rate	3.98%	4.50%
Variable rate	2.35%	—%
Total	3.98%	4.50%
Weighted-average maturity at end of period (in years):		
Fixed rate	6.4	5.0
Variable rate	4.3	—
Total	6.4	5.0

(1) See page 107 for additional information.
(2) See page 95 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 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. Based on BPLP's current credit rating, (1) the applicable Eurocurrency margins for the Revolving Facility and Delayed Draw Facility are 87.5 basis points and 95 basis points, respectively, and (2) the facility fee on the

Revolving Facility commitment is 0.15% per annum. The Delayed Draw Facility has a fee on unused commitments equal to 0.15% per annum (See Note 9 to the Consolidated Financial Statements).

As of December 31, 2017, BPLP had $45.0 million outstanding and letters of credit totaling approximately $1.6 million outstanding, in each case, under the 2017 Credit Facility, and the ability to borrow up to $2.0 billion. As of February 22, 2018, BPLP had approximately $210 million outstanding and letters of credit totaling approximately $1.6 million outstanding under the 2017 Credit Facility, and the ability to borrow approximately $1.8 billion.

Unsecured Senior Notes, Net

For a description of BPLP's outstanding unsecured senior notes as of December 31, 2017, see Note 8 to the Consolidated Financial Statements.

On December 4, 2017, BPLP completed a public offering of $850 million in aggregate principal amount of its 3.200% unsecured senior notes due 2025. The notes were priced at 99.757% of the principal amount to yield an effective rate (including financing fees) of approximately 3.350% per annum to maturity. The notes will mature on January 15, 2025, unless earlier redeemed. The aggregate net proceeds from the offering were approximately $841.1 million after deducting underwriting discounts and transaction expenses.

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

The indenture under which our unsecured senior notes were issued contains restrictions on incurring debt and using our assets as security in other financing transactions and other customary financial and other covenants, 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) unencumbered asset value to be no less than 150% of our unsecured debt. As of December 31, 2017, BPLP believes it was in compliance with each of these financial restrictions and requirements.

Mortgage Notes Payable, Net

The following represents the outstanding principal balances due under the mortgage notes payable at December 31, 2017:

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%	$ 32,944	$ (253)	$ 32,691	N/A		January 15, 2021
University Place	6.94%	6.99%	7,453	(46)	7,407	N/A		August 1, 2021
			40,397	(299)	40,098	N/A		
Consolidated Joint Ventures								
767 Fifth Avenue (the General Motors Building)	3.43%	3.64%	2,300,000	(32,959)	2,267,041	$ 906,816	(2)(3)(4)	June 9, 2027
601 Lexington Avenue	4.75%	4.79%	673,564	(1,422)	672,142	302,464	(5)	April 10, 2022
			2,973,564	(34,381)	2,939,183	1,209,280		
Total			$3,013,961	$ (34,680)	$2,979,281	$1,209,280		

(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 December 31, 2017, the maximum funding obligation under the guarantee was approximately $193.4 million. We earn a fee from the joint venture for providing the guarantee and have an agreement with the outside partners to reimburse the joint venture for their share of any payments made under the guarantee (See Notes 6 and 10 to the Consolidated Financial Statements).
(5) This property is owned by a consolidated entity in which we have a 55% interest.

Contractual aggregate principal payments of mortgage notes payable at December 31, 2017 are as follows:

Year	Principal Payments (in thousands)
2018	$ 18,633
2019	19,670
2020	20,766
2021	40,182
2022	614,710
Thereafter	2,300,000
	$ 3,013,961

Market Risk

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our future earnings, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Our primary market risk results from our indebtedness, which bears interest at fixed and variable rates. The fair value of our debt obligations are affected by changes in the market interest rates. We manage our market risk by matching long-term leases with long-term, fixed-rate, non-recourse debt of similar duration. We continue to follow a conservative strategy of generally pre-leasing development projects on a long-term basis to creditworthy tenants in order to achieve the most favorable construction and permanent financing terms. Approximately 99.6% of our outstanding debt, excluding our unconsolidated joint ventures, has fixed interest rates, which minimizes the interest rate risk through the maturity of such outstanding debt. We also manage our market risk by entering into hedging arrangements with financial institutions. Our primary objectives when undertaking hedging transactions and derivative positions is to reduce our floating rate exposure and to fix a portion of the interest rate for anticipated financing and refinancing transactions. This in turn, reduces the risks that the variability of cash flows imposes on variable rate debt. Our strategy mitigates against future increases in our interest rates.

At December 31, 2017, our weighted-average coupon/stated rate on our fixed rate outstanding Consolidated Debt was 3.98% per annum. At December 31, 2017, we had $45.0 million outstanding of consolidated variable rate debt. At December 31, 2017, the GAAP interest rate on our variable rate debt was approximately 2.46%. If market interest rates on our variable rate debt had been 100 basis points greater, total interest expense would have increased approximately $450,000 for the year ended December 31, 2017.

Funds from Operations

Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of Nareit we calculate Funds from Operations, or "FFO," for 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 years ended December 31, 2017, 2016, 2015, 2014 and 2013:

	Year ended December 31,				
	2017	2016	2015	2014	2013
			(in thousands)		
Net income attributable to Boston Properties, Inc. common shareholders	$ 451,939	$ 502,285	$ 572,606	$ 433,111	$ 741,754
Add:					
Preferred dividends	10,500	10,500	10,500	10,500	8,057
Noncontrolling interest in discontinued operations—common units of the Operating Partnership	—	—	—	—	14,151
Noncontrolling interest—common units of the Operating Partnership	52,210	59,260	66,951	50,862	70,085
Noncontrolling interest—redeemable preferred units of the Operating Partnership	—	—	6	1,023	6,046
Noncontrolling interests in property partnerships	47,832	(2,068)	149,855	30,561	1,347
Impairment loss from discontinued operations	—	—	—	—	3,241
Less:					
Gain on forgiveness of debt from discontinued operations	—	—	—	—	20,182
Gains on sales of real estate from discontinued operations	—	—	—	—	112,829
Income from discontinued operations	—	—	—	—	8,022
Gains on sales of real estate	7,663	80,606	375,895	168,039	—
Income from continuing operations	554,818	489,371	424,023	358,018	703,648
Add:					
Depreciation and amortization	617,547	694,403	639,542	628,573	560,637
Noncontrolling interests in property partnerships' share of depreciation and amortization	(78,190)	(107,087)	(90,832)	(63,303)	(32,583)
BXP's share of depreciation and amortization from unconsolidated joint ventures	34,262	26,934	6,556	19,251	46,214
Corporate-related depreciation and amortization	(1,986)	(1,568)	(1,503)	(1,361)	(1,259)
Depreciation and amortization from discontinued operations	—	—	—	—	4,760
Income from discontinued operations	—	—	—	—	8,022
Less:					
Gain on sale of investment in unconsolidated joint venture (1)	—	59,370	—	—	—
Gains on sales of real estate included within income from unconsolidated joint ventures (2)	—	—	—	—	54,501
Gains on consolidation of joint ventures (3)	—	—	—	—	385,991
Noncontrolling interests in property partnerships (4)	47,832	(2,068)	48,737	30,561	1,347
Noncontrolling interest—redeemable preferred units of the Operating Partnership (5)	—	—	6	1,023	4,079
Preferred dividends	10,500	10,500	10,500	10,500	8,057
Funds from Operations (FFO) attributable to the Operating Partnership common unitholders (including Boston Properties, Inc.)	1,068,119	1,034,251	918,543	899,094	835,464
Less:					
Noncontrolling interest—common units of the Operating Partnership's share of funds from operations	108,707	106,504	94,828	91,588	84,000
Funds from Operations attributable to Boston Properties, Inc. common shareholders	$ 959,412	$ 927,747	$ 823,715	$ 807,506	$ 751,464
Our percentage share of Funds from Operations—basic	89.82%	89.70%	89.68%	89.81%	89.99%
Weighted average shares outstanding—basic	154,190	153,715	153,471	153,089	152,201

(1) The gain on sale of investment in unconsolidated joint venture consists of the gain on sale of a 31% interest in Metropolitan Square. We continue to own a 20% interest in the joint venture.

(2) Consists of the portion of income from unconsolidated joint ventures related to (1) the gain on sale of Eighth Avenue and 46th Street totaling approximately $11.3 million and (2) the gain on sale of 125 West 55th Street totaling approximately $43.2 million.

(3) The gains on consolidation of joint ventures consisted of (1) 767 Fifth Avenue (the General Motors Building) totaling approximately $359.5 million and (2) our Value-Added Fund’s Mountain View properties totaling approximately $26.5 million.

(4) For the year ended December 31, 2015, excludes the noncontrolling interests in property partnerships’ share of a gain on sale of real estate totaling approximately $101.1 million.

(5) Excludes approximately $2.0 million for the year ended December 31, 2013 of income allocated to the holders of Series Two Preferred Units to account for their right to participate on an as-converted basis in the special dividend that was primarily the result of the sale of a 45% interest in our Times Square Tower property.

Reconciliation to Diluted Funds from Operations:

	For the years ended December 31,									
	2017		2016		2015		2014		2013	
	(Dollars in thousands)									
	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)
Basic Funds from Operations	$ 1,068,119	171,661	$ 1,034,251	171,361	$ 918,543	171,139	$ 899,094	170,453	$ 835,464	169,126
Effect of Dilutive Securities:										
Convertible Preferred Units (1)	—	200	—	262	—	373	760	312	3,150	1,221
Stock based compensation and exchangeable senior notes	—	—	—	—	—	—	—	219	—	320
Diluted Funds from Operations	$ 1,068,119	171,861	$ 1,034,251	171,623	$ 918,543	171,512	$ 899,854	170,984	$ 838,614	170,667
Less: Noncontrolling interest—common units of the Operating Partnership's share of diluted Funds from Operations	108,580	17,471	106,341	17,646	94,622	17,668	91,381	17,364	83,167	16,925
Diluted Funds from Operations attributable to Boston Properties, Inc. (2)	$ 959,539	154,390	$ 927,910	153,977	$ 823,921	153,844	$ 808,473	153,620	$ 755,447	153,742

(1) Excludes approximately $2.0 million for the year ended December 31, 2013 of income allocated to the holders of Series Two Preferred Units to account for their right to participate on an as-converted basis in the special dividend that was primarily the result of the sale of a 45% interest in our Times Square Tower property.

(2) BXP's share of diluted Funds from Operations was 89.83%, 89.72%, 89.70%, 89.84% and 90.08% for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, 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 years ended December 31, 2017, 2016, 2015, 2014 and 2013:

	Year ended December 31,				
	2017	2016	2015	2014	2013
			(in thousands)		
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 512,866	$ 575,341	$ 648,748	$ 499,129	$ 841,516
Add:					
Preferred distributions	10,500	10,500	10,500	10,500	8,057
Noncontrolling interest—redeemable preferred units	—	—	6	1,023	6,046
Noncontrolling interests in property partnerships	47,832	(2,068)	149,855	30,561	1,347
Impairment loss from discontinued operations	—	—	—	—	2,852
Less:					
Gain on forgiveness of debt from discontinued operations	—	—	—	—	20,736
Gains on sales of real estate from discontinued operations	—	—	—	—	115,459
Income from discontinued operations	—	—	—	—	8,022
Gains on sales of real estate	8,240	82,775	377,093	174,686	—
Income from continuing operations	562,958	500,998	432,016	366,527	715,601
Add:					
Real estate depreciation and amortization	609,407	682,776	631,549	620,064	552,589
Noncontrolling interests in property partnerships' share of depreciation and amortization	(78,190)	(107,087)	(90,832)	(63,303)	(32,583)
BPLP's share of depreciation and amortization from unconsolidated joint ventures	34,262	26,934	6,556	19,251	46,214
Corporate-related depreciation and amortization	(1,986)	(1,568)	(1,503)	(1,361)	(1,259)
Depreciation and amortization from discontinued operations	—	—	—	—	4,760
Income from discontinued operations	—	—	—	—	8,022
Less:					
Gain on sale of investment in unconsolidated joint venture (1)	—	59,370	—	—	—
Gains on sales of real estate included within income from unconsolidated joint ventures (2)	—	—	—	—	54,501
Gains on consolidation of joint ventures (3)	—	—	—	—	385,991
Noncontrolling interests in property partnerships (4)	47,832	(2,068)	48,737	30,561	1,347
Noncontrolling interest—redeemable preferred units (5)	—	—	6	1,023	4,079
Preferred distributions	10,500	10,500	10,500	10,500	8,057
Funds from operations attributable to Boston Properties Limited Partnership common unitholders (6)	$ 1,068,119	$ 1,034,251	$ 918,543	$ 899,094	$ 839,369
Weighted average units outstanding—basic	171,661	171,361	171,139	170,453	169,126

(1) The gain on sale of investment in unconsolidated joint venture consists of the gain on sale of a 31% interest in Metropolitan Square. We continue to own a 20% interest in the joint venture.

(2) Consists of the portion of income from unconsolidated joint ventures related to (1) the gain on sale of Eighth Avenue and 46th Street totaling approximately $11.3 million and (2) the gain on sale of 125 West 55th Street totaling approximately $43.2 million.

(3) The gains on consolidation of joint ventures consisted of (1) 767 Fifth Avenue (the General Motors Building) totaling approximately $359.5 million and (2) our Value-Added Fund's Mountain View properties totaling approximately $26.5 million.

(4) For the year ended December 31, 2015, excludes the noncontrolling interests in property partnerships' share of a gain on sale of real estate totaling approximately $101.1 million.

(5) Excludes approximately $2.0 million for the year ended December 31, 2013 of income allocated to the holders of Series Two Preferred Units to account for their right to participate on an as-converted basis in the special distribution that was primarily the result of the sale of a 45% interest in our Times Square Tower property.
(6) Our calculation includes OP Units and vested LTIP Units (including vested 2012 OPP Units, vested 2013 MYLTIP Units and vested 2014 MYLTIP Units).

Reconciliation to Diluted Funds from Operations:

	For the years ended December 31,									
	2017		2016		2015		2014		2013	
	(Dollars in thousands)									
	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)	Income (Numerator)	Shares/Units (Denominator)
Basic Funds from Operations	$ 1,068,119	171,661	$ 1,034,251	171,361	$ 918,543	171,139	$ 899,094	170,453	$ 839,369	169,126
Effect of Dilutive Securities:										
Convertible Preferred Units (1)	—	200	—	262	—	373	760	312	3,150	1,221
Stock based compensation and exchangeable senior notes	—	—	—	—	—	—	—	219	—	320
Diluted Funds from Operations	$ 1,068,119	171,861	$ 1,034,251	171,623	$ 918,543	171,512	$ 899,854	170,984	$ 842,519	170,667

(1) Excludes approximately $2.0 million for the year ended December 31, 2013 of income allocated to the holders of Series Two Preferred Units to account for their right to participate on an as-converted basis in the special distribution that was primarily the result of the sale of a 45% interest in our Times Square Tower property.

Net Operating Income

The following are reconciliations of Net Income Attributable to Boston Properties, Inc. Common Shareholders to Net Operating Income and Net Income Attributable to Boston Properties Limited Partnership Common Unitholders to Net Operating Income for the or the fiscal years 2013 through 2017.

Boston Properties, Inc.

	Year ended December 31,				
	2017	2016	2015	2014	2013
			(in thousands)		
Net income attributable to Boston Properties, Inc. common shareholders	$ 451,939	$ 502,285	$ 572,606	$ 433,111	$ 741,754
Add:					
Preferred dividends	10,500	10,500	10,500	10,500	8,057
Noncontrolling interest in discontinued operations—common units of the Operating Partnership	—	—	—	—	14,151
Noncontrolling interest—common units of the Operating Partnership	52,210	59,260	66,951	50,862	70,085
Noncontrolling interest—redeemable preferred units of the Operating Partnership	—	—	6	1,023	6,046
Noncontrolling interest in property partnerships	47,832	(2,068)	149,855	30,561	1,347
Impairment loss from discontinued operations	—	—	—	—	3,241
Losses from interest rate contracts	—	140	—	—	—
Interest expense	374,481	412,849	432,196	455,743	446,880
Depreciation and amortization expense	617,547	694,403	639,542	628,573	560,637
Impairment loss	—	1,783	—	—	8,306
Transaction costs	668	2,387	1,259	3,140	1,744
General and administrative expense	113,715	105,229	96,319	98,937	115,329
Less:					
Gain on forgiveness of debt from discontinued operations	—	—	—	—	20,182
Gains on sales of real estate from discontinued operations	—	—	—	—	112,829
Income from discontinued operations	—	—	—	—	8,022
Gains on sales of real estate	7,663	80,606	375,895	168,039	—
Gains (losses) from early extinguishments of debt	496	(371)	(22,040)	(10,633)	122
Gains (losses) from investments in securities	3,678	2,273	(653)	1,038	2,911
Interest and other income	5,783	7,230	6,777	8,765	8,310
Gains on consolidation of joint ventures	—	—	—	—	385,991
Gain on sale of investment in unconsolidated joint venture	—	59,370	—	—	—
Income from unconsolidated joint ventures	11,232	8,074	22,770	12,769	75,074
Development and management services income	34,605	28,284	22,554	25,316	29,695
Net Operating Income	$ 1,605,435	$ 1,601,302	$ 1,563,931	$ 1,507,156	$ 1,334,441

Boston Properties Limited Partnership

	Year ended December 31,				
	2017	2016	2015	2014	2013
			(in thousands)		
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 512,866	$ 575,341	$ 648,748	$ 499,129	$ 841,516
Add:					
Preferred dividends	10,500	10,500	10,500	10,500	8,057
Noncontrolling interest—redeemable preferred units	—	—	6	1,023	6,046
Noncontrolling interest in property partnerships	47,832	(2,068)	149,855	30,561	1,347
Impairment loss from discontinued operations	—	—	—	—	2,852
Losses from interest rate contracts	—	140	—	—	—
Interest expense	374,481	412,849	432,196	455,743	446,880
Depreciation and amortization expense	609,407	682,776	631,549	620,064	552,589
Impairment loss	—	1,783	—	—	4,401
Transaction costs	668	2,387	1,259	3,140	1,744
General and administrative expense	113,715	105,229	96,319	98,937	115,329
Less:					
Gain on forgiveness of debt from discontinued operations	—	—	—	—	20,736
Gains on sales of real estate from discontinued operations	—	—	—	—	115,459
Income from discontinued operations	—	—	—	—	8,022
Gains on sales of real estate	8,240	82,775	377,093	174,686	—
Gains (losses) from early extinguishments of debt	496	(371)	(22,040)	(10,633)	122
Gains (losses) from investments in securities	3,678	2,273	(653)	1,038	2,911
Interest and other income	5,783	7,230	6,777	8,765	8,310
Gains on consolidation of joint ventures	—	—	—	—	385,991
Gain on sale of investment in unconsolidated joint venture	—	59,370	—	—	—
Income from unconsolidated joint ventures	11,232	8,074	22,770	12,769	75,074
Development and management services income	34,605	28,284	22,554	25,316	29,695
Net Operating Income	$ 1,605,435	$ 1,601,302	$ 1,563,931	$ 1,507,156	$ 1,334,441

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, impairment loss, losses from interest rate contracts, interest expense, depreciation and amortization, transaction costs and corporate general and administrative expense less (2) discontinued operations, gains on sales of real estate, gains (losses) from early extinguishments of debt, gains (losses) from investments in securities, interest and other income, gains on consolidation of joint ventures, gain on sale of investment in unconsolidated joint venture, income from unconsolidated joint ventures 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.

Contractual Obligations

As of December 31, 2017, we were subject to contractual payment obligations as described in the table below.

	Payments Due by Period						
	Total	2018	2019	2020	2021	2022	Thereafter
	(Dollars in thousands)						
Contractual Obligations:							
Long-term debt							
Mortgage debt (1)	$ 3,899,513	$ 132,161	$ 132,157	$ 132,153	$ 149,599	$ 703,301	$ 2,650,142
Unsecured senior notes (1)	8,821,456	287,488	987,488	946,363	1,039,456	171,925	5,388,736
Unsecured line of credit (1) (2)	49,552	1,057	1,057	1,057	1,057	45,324	—
Ground leases	650,284	11,349	16,360	25,552	11,814	8,894	576,315
Tenant obligations (3) (4)	374,103	267,936	59,890	33,574	9,289	1,774	1,640
Construction contracts on development projects (4)	1,688,312	864,387	605,152	192,139	25,872	762	—
Capital lease obligations (1)	51,596	(1,449)	(1,030)	(369)	(1,135)	(1,647)	57,226
Other obligations	1,698	1,529	81	81	7	—	—
Total Contractual Obligations	$ 15,536,514	$ 1,564,458	$ 1,801,155	$ 1,330,550	$ 1,235,959	$ 930,333	$ 8,674,059

(1) Amounts include principal and interest payments.
(2) Interest payments are calculated using the December 31, 2017 interest rate of 2.35%.
(3) Committed tenant-related obligations based on executed leases as of December 31, 2017 (tenant improvements and lease commissions).
(4) Includes 100% of the obligations for our consolidated entities and only our share for the unconsolidated joint ventures.

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

During 2017, we paid approximately $309.8 million to fund tenant-related obligations, including tenant improvements and leasing commissions, and incurred approximately $323 million of new tenant-related obligations associated with approximately 4.0 million square feet of second generation leases, or approximately $80 per square foot. In addition, we signed leases for approximately 2.4 million square feet at our development properties. The tenant-related obligations for the development properties are included within the projects' "Estimated Total Investment" referred to in "*Item 7—Management's Discussion and Analysis of Financial Condition and Results of*

Operations—Liquidity and Capital Resources." In the aggregate, during 2017, we signed leases for approximately 6.4 million square feet of space and incurred aggregate tenant-related obligations of approximately $698 million, or approximately $108 per square foot.

Off-Balance Sheet Arrangements—Joint Venture Indebtedness

We have investments in unconsolidated joint ventures with our effective ownership interests ranging from 20% to 60%. Ten of these joint 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 5 to the Consolidated Financial Statements. At December 31, 2017, the aggregate carrying amount of debt, including both our and our partners' share, incurred by these ventures was approximately $1.4 billion (of which our proportionate share is approximately $604.8 million). The table below summarizes the outstanding debt of these joint venture properties at December 31, 2017. From time to time, we (or the applicable joint venture) have also agreed to guarantee portions of the principal, interest or other amounts in connection with other unconsolidated joint venture borrowings. In addition, we have agreed to customary construction completion guarantees for construction loans, environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) on certain of the loans.

Properties	Our 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%	2.78%	2.95%	$ 120,000	$ (85)	$ 119,915	$ 71,949	(2)(3)	June 5, 2018
Market Square North	50%	4.85%	4.91%	121,122	(231)	120,891	60,446		October 1, 2020
Annapolis Junction Building One	50%	7.03%	7.20%	39,549	(21)	39,528	19,763	(4)	March 31, 2018
Annapolis Junction Building Six	50%	3.64%	3.81%	13,616	(31)	13,585	6,793	(5)	November 17, 2018
Annapolis Junction Building Seven and Eight	50%	3.63%	3.96%	36,097	(197)	35,900	17,950	(6)	December 7, 2019
1265 Main Street	50%	3.77%	3.83%	39,722	(389)	39,333	19,667		January 1, 2032
Colorado Center	50%	3.56%	3.58%	550,000	(989)	549,011	274,505	(2)	August 9, 2027
Dock 72	50%	3.67%	3.96%	36,907	(10,224)	26,683	13,341	(2)(7)	December 18, 2020
The Hub on Causeway - Podium	50%	3.81%	4.17%	863	—	863	431	(2)(8)	September 6, 2021
500 North Capitol Street	30%	4.15%	4.19%	105,000	(321)	104,679	31,404	(2)	June 6, 2023
901 New York Avenue	25%	3.61%	3.68%	225,000	(1,251)	223,749	55,937		January 5, 2025
Metropolitan Square	20%	5.75%	5.81%	163,534	(231)	163,303	32,659		May 5, 2020
Total				$ 1,451,410	$ (13,970)	$ 1,437,440	$ 604,845		

(1) GAAP interest rate differs from the stated interest rate due to the inclusion of the amortization of financing charges.
(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.
(4) On April 11, 2016, a notice of event of default was received from the lender because the loan to value ratio was 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. The loan has one, three-year extension option, subject to certain conditions including that no event of default exists or is ongoing.

(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.

Environmental Matters

It is our policy to retain independent environmental consultants to conduct or update Phase I environmental assessments (which generally do not involve invasive techniques such as soil or ground water sampling) and asbestos surveys in connection with our acquisition of properties. These pre-purchase environmental assessments have not revealed environmental conditions that we believe will have a material adverse effect on our business, assets, financial condition, results of operations or liquidity, and we are not otherwise aware of environmental conditions with respect to our properties that we believe would have such a material adverse effect. However, from time to time environmental conditions at our properties have required and may in the future require environmental testing and/or regulatory filings, as well as remedial action.

In February 1999, we (through a joint venture) acquired from Exxon Corporation a property in Massachusetts that was formerly used as a petroleum bulk storage and distribution facility and was known by the state regulatory authority to contain soil and groundwater contamination. We developed an office park on the property. We engaged a specially licensed environmental consultant to oversee the management of contaminated soil and groundwater that was disturbed in the course of construction. Under the property acquisition agreement, Exxon agreed to (1) bear the liability arising from releases or discharges of oil and hazardous substances which occurred at the site prior to our ownership, (2) continue monitoring and/or remediating such releases and discharges as necessary and appropriate to comply with applicable requirements, and (3) indemnify us for certain losses arising from preexisting site conditions. Any indemnity claim may be subject to various defenses, and there can be no assurance that the amounts paid under the indemnity, if any, would be sufficient to cover the liabilities arising from any such releases and discharges.

Environmental investigations at some of our properties and certain properties owned by our affiliates have identified groundwater contamination migrating from off-site source properties. In each case we engaged a licensed environmental consultant to perform the necessary investigations and assessments, and to prepare any required submittals to the regulatory authorities. In each case the environmental consultant concluded that the properties qualify under the regulatory program or the regulatory practice for a status which eliminates certain deadlines for conducting response actions at a site. We also believe that these properties qualify for liability relief under certain statutory provisions or regulatory practices regarding upgradient releases. Although we believe that the current or former owners of the upgradient source properties may bear responsibility for some or all of the costs of addressing the identified groundwater contamination, we will take such further response actions (if any) that we deem necessary or advisable. Other than periodic testing at some of these properties, no such additional response actions are anticipated at this time.

Some of our properties and certain properties owned by our affiliates are located in urban, industrial and other previously developed areas where fill or current or historical use of the areas have caused site contamination. Accordingly, it is sometimes necessary to institute special soil and/or groundwater handling procedures and/or include particular building design features in connection with development, construction and other property operations in order to achieve regulatory closure and/or ensure that contaminated materials are addressed in an appropriate manner. In these situations, it is our practice to investigate the nature and extent of detected contamination, including potential issues associated with contaminant migration, assess potential liability risks and estimate the costs of required response actions and special handling procedures. We then use this information as part of our decision-making process with respect to the acquisition, deal structure and/or development of the property. For example, we own a parcel in Massachusetts which was formerly used as a quarry/asphalt batching facility. Pre-purchase testing indicated that the site contained relatively low levels of certain contaminants. We have developed an office park on this property. Prior to and during redevelopment activities, we engaged a specially licensed environmental consultant to monitor environmental conditions at the site and prepare necessary regulatory submittals based on the results of an environmental risk characterization. A submittal has been made to the regulatory authorities in order to achieve regulatory closure at this site. The submittal included an environmental deed restriction that mandates compliance with certain protective measures in a portion of the site where low levels of residual soil contamination have been left in place in accordance with applicable laws.

We expect that resolution of the environmental matters described above will not have a material impact on our business, assets, financial condition, results of operations or liquidity. However, we cannot assure you that we have identified all environmental liabilities at our properties, that all necessary remediation actions have been or will be undertaken at our properties, that we will be indemnified, in full or at all, or that we will have insurance coverage in the event that such environmental liabilities arise.

New Accounting Pronouncements

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

Inflation

Substantially all of our leases provide for separate real estate tax and operating expense escalations over a base amount. In addition, many of our leases provide for fixed base rent increases or indexed increases. We believe that inflationary increases in costs may be at least partially offset by the contractual rent increases and operating expense escalations.

Item 7A—*Quantitative and Qualitative Disclosures about Market Risk.*

The following table presents the aggregate carrying value of our mortgage notes payable, net, unsecured senior notes, net and unsecured line of credit and our corresponding estimate of fair value as of December 31, 2017. 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 December 31, 2017, the weighted-average interest rate on our variable rate debt was LIBOR plus 0.875% (2.35%) per annum. The following table presents our aggregate fixed rate debt obligations with corresponding weighted-average interest rates sorted by maturity date and our aggregate variable rate debt obligations sorted by maturity date.

The table below does not include our unconsolidated joint venture debt. For a discussion concerning our unconsolidated joint venture debt, see Note 5 to the Consolidated Financial Statements and "*Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Capitalization—Off-Balance Sheet Arrangements—Joint Venture Indebtedness.*"

	2018	2019	2020	2021	2022	2023+	Total	Estimated Fair Value
				(Dollars in thousands) Mortgage debt				
Fixed Rate	$ 14,708	$ 15,745	$ 16,841	$ 36,346	$ 611,132	$2,284,509	$ 2,979,281	$ 3,042,920
GAAP Average Interest Rate	5.52%	5.53%	5.55%	6.61%	4.79%	3.64%	3.95%	
Variable Rate	—	—	—	—	—	—	—	—
				Unsecured debt				
Fixed Rate	$ (8,800)	$ 691,255	$ 691,748	$ 843,065	$ (6,454)	$5,036,516	$ 7,247,330	$ 7,461,615
GAAP Average Interest Rate	—	5.97%	5.71%	4.29%	—	3.65%	4.15%	
Variable Rate	—	—	—	—	45,000	—	45,000	45,000
Total Debt	$ 5,908	$ 707,000	$ 708,589	$ 879,411	$ 649,678	$7,321,025	$10,271,611	$10,549,535

At December 31, 2017, the weighted-average coupon/stated rates on the fixed rate debt stated above was 3.98% per annum. At December 31, 2017, our outstanding variable rate debt based on LIBOR totaled approximately $45.0 million. At December 31, 2017, the coupon/stated rate on our variable rate debt was approximately 2.35%. If market interest rates on our variable rate debt had been 100 basis points greater, total interest expense would have increased approximately $450,000 for the year ended December 31, 2017.

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

Additional disclosure about market risk is incorporated herein by reference from "*Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Market Risk.*"

Item 8. ***Financial Statements and Supplementary Data***

BOSTON PROPERTIES, INC. AND BOSTON PROPERTIES LIMITED PARTNERSHIP
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

All other schedules for which a provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable, and therefore have been omitted.

Management's Report on Internal Control over Financial Reporting

Management of Boston Properties, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for Boston Properties, Inc. Boston Properties, Inc.'s internal control over financial reporting is a process designed under the supervision of its principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Boston Properties, Inc.'s financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of the end of Boston Properties, Inc.'s 2017 fiscal year, management conducted assessments of the effectiveness of Boston Properties, Inc.'s internal control over financial reporting based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on these assessments, management has determined that Boston Properties, Inc.'s internal control over financial reporting as of December 31, 2017 was effective.

Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of Boston Properties, Inc.; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Boston Properties, Inc.'s assets that could have a material effect on its financial statements.

The effectiveness of Boston Properties, Inc.'s internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report appearing on page 113, which expresses an unqualified opinion on the effectiveness of Boston Properties, Inc.'s internal control over financial reporting as of December 31, 2017.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Boston Properties Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Boston Properties, Inc. and its subsidiaries (the "Company") as of December 31, 2017 and December 31, 2016, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and December 31, 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, MA
February 28, 2018

We have served as the Company's auditor since 1997.

BOSTON PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share and par value amounts)

	December 31, 2017	December 31, 2016
ASSETS		
Real estate, at cost (amounts related to variable interest entities ("VIEs") of $7,172,718 and $6,760,078 at December 31, 2017 and 2016, respectively)	$ 21,096,642	$ 20,147,263
Less: accumulated depreciation (amounts related to VIEs of $(854,172) and $(758,640) at December 31, 2017 and 2016, respectively	(4,589,634)	(4,222,235)
Total real estate	16,507,008	15,925,028
Cash and cash equivalents (amounts related to VIEs of $304,955 and $253,999 at December 31, 2017 and 2016, respectively)	434,767	356,914
Cash held in escrows (amounts related to VIEs of $6,135 and $4,955 at December 31, 2017 and 2016, respectively)	70,602	63,174
Investments in securities	29,161	23,814
Tenant and other receivables, net (amounts related to VIEs of $27,057 and $23,525 at December 31, 2017 and 2016, respectively)	92,186	92,548
Accrued rental income, net (amounts related to VIEs of $242,589 and $224,185 at December 31, 2017 and 2016, respectively)	861,575	799,138
Deferred charges, net (amounts related to VIEs of $281,678 and $290,436 at December 31, 2017 and 2016, respectively)	679,038	686,163
Prepaid expenses and other assets (amounts related to VIEs of $33,666 and $42,718 at December 31, 2017 and 2016, respectively)	77,971	129,666
Investments in unconsolidated joint ventures	619,925	775,198
Total assets	$ 19,372,233	$ 18,851,643
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable, net (amounts related to VIEs of $2,939,183 and $2,018,483 at December 31, 2017 and 2016, respectively)	$ 2,979,281	$ 2,063,087
Unsecured senior notes, net	7,247,330	7,245,953
Unsecured line of credit	45,000	—
Unsecured term loan	—	—
Mezzanine notes payable (amounts related to VIEs of $0 and $307,093 at December 31, 2017 and 2016, respectively)	—	307,093
Outside members' notes payable (amounts related to VIEs of $0 and $180,000 at December 31, 2017 and 2016, respectively)	—	180,000
Accounts payable and accrued expenses (amounts related to VIEs of $106,683 and $110,457 at December 31, 2017 and 2016, respectively)	331,500	298,524
Dividends and distributions payable	139,040	130,308
Accrued interest payable (amounts related to VIEs of $6,907 and $162,226 at December 31, 2017 and 2016, respectively)	83,646	243,933
Other liabilities (amounts related to VIEs of $164,806 and $175,146 at December 31, 2017 and 2016, respectively)	443,980	450,821
Total liabilities	11,269,777	10,919,719
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 December 31, 2017 and December 31, 2016	200,000	200,000
Common stock, $0.01 par value, 250,000,000 shares authorized,154,404,186 and 153,869,075 issued and 154,325,286 and 153,790,175 outstanding at December 31, 2017 and December 31, 2016, respectively	1,543	1,538
Additional paid-in capital	6,377,908	6,333,424
Dividends in excess of earnings	(712,343)	(693,694)
Treasury common stock at cost, 78,900 shares at December 31, 2017 and December 31, 2016	(2,722)	(2,722)
Accumulated other comprehensive loss	(50,429)	(52,251)
Total stockholders' equity attributable to Boston Properties, Inc.	5,813,957	5,786,295
Noncontrolling interests:		
Common units of the Operating Partnership	604,739	614,982
Property partnerships	1,683,760	1,530,647
Total equity	8,102,456	7,931,924
Total liabilities and equity	$ 19,372,233	$ 18,851,643

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

BOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,		
	2017	2016	2015
	(in thousands, except for per share amounts)		
Revenue			
Rental			
Base rent	$ 2,049,368	$ 2,017,767	$ 1,964,732
Recoveries from tenants	367,500	358,975	355,508
Parking and other	105,000	100,910	101,981
Total rental revenue	2,521,868	2,477,652	2,422,221
Hotel revenue	45,603	44,884	46,046
Development and management services	34,605	28,284	22,554
Total revenue	2,602,076	2,550,820	2,490,821
Expenses			
Operating			
Rental	929,977	889,768	872,252
Hotel	32,059	31,466	32,084
General and administrative	113,715	105,229	96,319
Transaction costs	668	2,387	1,259
Impairment loss	—	1,783	—
Depreciation and amortization	617,547	694,403	639,542
Total expenses	1,693,966	1,725,036	1,641,456
Operating income	908,110	825,784	849,365
Other income (expense)			
Income from unconsolidated joint ventures	11,232	8,074	22,770
Gain on sale of investment in unconsolidated joint venture	—	59,370	—
Interest and other income	5,783	7,230	6,777
Gains (losses) from investments in securities	3,678	2,273	(653)
Interest expense	(374,481)	(412,849)	(432,196)
Gains (losses) from early extinguishments of debt	496	(371)	(22,040)
Losses from interest rate contracts	—	(140)	—
Income before gains on sales of real estate	554,818	489,371	424,023
Gains on sales of real estate	7,663	80,606	375,895
Net income	562,481	569,977	799,918
Net income attributable to noncontrolling interests			
Noncontrolling interests in property partnerships	(47,832)	2,068	(149,855)
Noncontrolling interest—redeemable preferred units of the Operating Partnership	—	—	(6)
Noncontrolling interest—common units of the Operating Partnership	(52,210)	(59,260)	(66,951)
Net income attributable to Boston Properties, Inc.	462,439	512,785	583,106
Preferred dividends	(10,500)	(10,500)	(10,500)
Net income attributable to Boston Properties, Inc. common shareholders	$ 451,939	$ 502,285	$ 572,606
Basic earnings per common share attributable to Boston Properties, Inc. common shareholders:			
Net income	$ 2.93	$ 3.27	$ 3.73
Weighted average number of common shares outstanding	154,190	153,715	153,471
Diluted earnings per common share attributable to Boston Properties, Inc. common shareholders:			
Net income	$ 2.93	$ 3.26	$ 3.72
Weighted average number of common and common equivalent shares outstanding	154,390	153,977	153,844
Dividends per common share	$ 3.05	$ 2.70	$ 3.85

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

BOSTON PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended December 31,		
	2017	2016	2015
		(in thousands)	
Net income	$ 562,481	$ 569,977	$ 799,918
Other comprehensive loss:			
Effective portion of interest rate contracts	(6,133)	(47,144)	(10,302)
Amortization of interest rate contracts (1)	6,033	3,751	2,510
Other comprehensive loss	(100)	(43,393)	(7,792)
Comprehensive income	562,381	526,584	792,126
Net income attributable to noncontrolling interests	(100,042)	(57,192)	(216,812)
Other comprehensive income (loss) attributable to noncontrolling interests	1,922	5,256	2,982
Comprehensive income attributable to Boston Properties, Inc.	$ 464,261	$ 474,648	$ 578,296

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

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

BOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Preferred Stock	Additional Paid-in Capital	Dividends in Excess of Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares	Amount							
Equity, December 31, 2014	153,114	$ 1,531	$ 200,000	$ 6,270,257	$ (762,464)	$ (2,722)	$ (9,304)	$ 2,205,638	$ 7,902,936
Redemption of operating partnership units to common stock	424	5	—	14,338	—	—	—	(14,343)	—
Allocated net income for the year	—	—	—	—	583,106	—	—	211,685	794,791
Dividends/distributions declared	—	—	—	—	(601,594)	—	—	(69,447)	(671,041)
Shares issued pursuant to stock purchase plan	6	—	—	780	—	—	—	—	780
Net activity from stock option and incentive plan	36	—	—	5,814	—	—	—	34,451	40,265
Acquisition of redeemable noncontrolling interest in property partnership	—	—	—	(1,586)	—	—	—	—	(1,586)
Sale of interests in property partnerships	—	—	—	(1,053)	—	—	—	1,053	—
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	—	—	2,705	2,705
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	—	—	(170,049)	(170,049)
Dissolution of property partnership	—	—	—	—	—	—	—	(4,082)	(4,082)
Effective portion of interest rate contracts	—	—	—	—	—	—	(7,061)	(3,241)	(10,302)
Amortization of interest rate contracts	—	—	—	—	—	—	2,251	259	2,510
Reallocation of noncontrolling interest	—	—	—	17,137	—	—	—	(17,137)	—
Equity, December 31, 2015	153,580	1,536	200,000	6,305,687	(780,952)	(2,722)	(14,114)	2,177,492	7,886,927
Redemption of operating partnership units to common stock	191	2	—	6,459	—	—	—	(6,461)	—
Allocated net income for the year	—	—	—	—	512,785	—	—	57,192	569,977
Dividends/distributions declared	—	—	—	—	(425,527)	—	—	(49,087)	(474,614)
Shares issued pursuant to stock purchase plan	6	—	—	730	—	—	—	—	730
Net activity from stock option and incentive plan	13	—	—	3,979	—	—	—	27,931	31,910
Sale of interests in property partnerships	—	—	—	1,195	—	—	—	(1,195)	—
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	—	—	11,951	11,951
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	—	—	(51,564)	(51,564)
Effective portion of interest rate contracts	—	—	—	—	—	—	(41,502)	(5,642)	(47,144)
Amortization of interest rate contracts	—	—	—	—	—	—	3,365	386	3,751
Reallocation of noncontrolling interest	—	—	—	15,374	—	—	—	(15,374)	—
Equity, December 31, 2016	153,790	1,538	200,000	6,333,424	(693,694)	(2,722)	(52,251)	2,145,629	7,931,924
Redemption of operating partnership units to common stock	495	5	—	16,911	—	—	—	(16,916)	—
Allocated net income for the year	—	—	—	—	462,439	—	—	100,042	562,481
Dividends/distributions declared	—	—	—	—	(480,816)	—	—	(54,494)	(535,310)
Shares issued pursuant to stock purchase plan	6	—	—	795	—	—	—	—	795
Net activity from stock option and incentive plan	34	—	—	3,899	—	—	—	33,393	37,292
Cumulative effect of a change in accounting principle	—	—	—	—	(272)	—	—	(1,763)	(2,035)
Contributions from noncontrolling interests in property partnerships	—	—	—	—	—	—	—	161,585	161,585
Distributions to noncontrolling interests in property partnerships	—	—	—	—	—	—	—	(54,176)	(54,176)
Effective portion of interest rate contracts	—	—	—	—	—	—	(3,305)	(2,828)	(6,133)
Amortization of interest rate contracts	—	—	—	—	—	—	5,127	906	6,033
Reallocation of noncontrolling interest	—	—	—	22,879	—	—	—	(22,879)	—
Equity, December 31, 2017	154,325	$ 1,543	$ 200,000	$ 6,377,908	$ (712,343)	$ (2,722)	$ (50,429)	$ 2,288,499	$ 8,102,456

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

BOSTON PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2017	2016	2015
		(in thousands)	
Cash flows from operating activities:			
Net income	$ 562,481	$ 569,977	$ 799,918
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	617,547	694,403	639,542
Impairment loss	—	1,783	—
Non-cash compensation expense	35,361	32,911	29,183
Income from unconsolidated joint ventures	(11,232)	(8,074)	(22,770)
Gain on sale of investment in unconsolidated joint venture	—	(59,370)	—
Distributions of net cash flow from operations of unconsolidated joint ventures	26,858	24,955	8,469
(Gains) losses from investments in securities	(3,678)	(2,273)	653
Non-cash portion of interest expense	(1,284)	(35,052)	(42,271)
Settlement of accreted debt discount on redemption of unsecured senior notes	(1,980)	—	—
(Gains) losses from early extinguishments of debt	(13,280)	371	21,837
Gains on sales of real estate	(7,663)	(80,606)	(375,895)
Change in assets and liabilities:			
Cash held in escrows	8,194	2,277	(18,284)
Tenant and other receivables, net	2,433	3,688	(46,326)
Accrued rental income, net	(58,355)	(28,127)	(73,911)
Prepaid expenses and other assets	51,425	52,923	(16,877)
Accounts payable and accrued expenses	10,482	15,666	(6,310)
Accrued interest payable	(160,521)	53,547	26,854
Other liabilities	(44,914)	(106,022)	(34,005)
Tenant leasing costs	(104,429)	(96,103)	(90,396)
Total adjustments	344,964	466,897	(507)
Net cash provided by operating activities	907,445	1,036,874	799,411
Cash flows from investing activities:			
Acquisitions of real estate	(15,953)	(78,000)	—
Construction in progress	(608,404)	(500,350)	(374,664)
Building and other capital improvements	(222,482)	(150,640)	(112,755)
Tenant improvements	(205,331)	(230,298)	(144,572)
Proceeds from sales of real estate	29,810	122,750	602,600
Proceeds from sales of real estate placed in escrow	(29,810)	(122,647)	(200,612)
Proceeds from sales of real estate released from escrow	29,810	122,647	634,165
Cash placed in escrow for land sale contracts	—	—	(7,111)
Cash released from escrow for land sale contracts	—	1,596	5,312
Cash released from escrow for investing activities	9,230	6,694	—
Cash placed in escrow for investment in unconsolidated joint venture	(25,000)	—	—
Capital contributions to unconsolidated joint ventures	(109,015)	(575,795)	(38,207)
Capital distributions from unconsolidated joint ventures	251,000	20,440	24,527
Proceeds from sale of investment in unconsolidated joint venture	—	55,707	—
Investments in marketable securities	—	—	(667,335)
Investments in securities, net	(1,669)	(1,161)	(1,574)
Net cash used in investing activities	(897,814)	(1,329,057)	(280,226)

BOSTON PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2017	2016	2015
		(in thousands)	
Cash flows from financing activities:			
Proceeds from mortgage notes payable	2,300,000	—	—
Repayments of mortgage notes payable	(1,317,653)	(1,326,865)	(54,801)
Proceeds from unsecured senior notes	847,935	1,989,790	—
Redemption of unsecured senior notes	(848,020)	—	—
Borrowings on unsecured line of credit	580,000	25,000	—
Repayments of unsecured line of credit	(535,000)	(25,000)	—
Repayments of mezzanine notes payable	(306,000)	—	—
Repayments of outside members' notes payable	(70,424)	—	—
Payments on capital lease obligations	(401)	(745)	(356)
Proceeds from real estate financing transaction	—	—	6,000
Payments on real estate financing transactions	(2,840)	(5,260)	(3,103)
Deposit on mortgage note payable interest rate lock	(23,200)	—	—
Return of deposit on mortgage note payable interest rate lock	23,200	—	—
Deferred financing costs	(50,705)	(16,121)	(1,510)
Net proceeds from equity transactions	241	(271)	799
Redemption of preferred units	—	—	(633)
Dividends and distributions	(526,578)	(671,626)	(1,226,199)
Contributions from noncontrolling interests in property partnerships	52,009	11,951	2,705
Acquisition of noncontrolling interest in property partnership	—	—	(108,499)
Distributions to noncontrolling interests in property partnerships	(54,342)	(55,474)	(172,949)
Net cash provided by (used in) financing activities	68,222	(74,621)	(1,558,546)
Net increase (decrease) in cash and cash equivalents	77,853	(366,804)	(1,039,361)
Cash and cash equivalents, beginning of year	356,914	723,718	1,763,079
Cash and cash equivalents, end of year	$ 434,767	$ 356,914	$ 723,718
Supplemental disclosures:			
Cash paid for interest	$ 598,486	$ 433,591	$ 481,826
Interest capitalized	$ 61,070	$ 39,237	$ 34,213
Non-cash investing and financing activities:			
Write-off of fully depreciated real estate	$ (124,891)	$ (206,721)	$ (45,455)
Change in real estate included in accounts payable and accrued expenses	$ 27,978	$ (1,481)	$ 74,985
Real estate acquired through capital lease	$ 28,962	$ 21,000	$ —
Outside members' notes payable contributed to noncontrolling interests in property partnerships	$ 109,576	$ —	$ —
Marketable securities transferred in connection with the legal defeasance of mortgage note payable	$ —	$ —	$ 667,335
Mortgage note payable legally defeased	$ —	$ —	$ 640,500
Mortgage note payable assigned in connection with the sale of real estate	$ —	$ —	$ 116,993
Dividends and distributions declared but not paid	$ 139,040	$ 130,308	$ 327,320
Conversions of noncontrolling interests to stockholders' equity	$ 16,916	$ 6,461	$ 14,343
Issuance of restricted securities to employees and directors	$ 35,989	$ 33,615	$ 43,355

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

Management's Report on Internal Control over Financial Reporting

Management of Boston Properties, Inc., the sole general partner of Boston Properties Limited Partnership, is responsible for establishing and maintaining adequate internal control over financial reporting for Boston Properties Limited Partnership. Boston Properties Limited Partnership's internal control over financial reporting is a process designed under the supervision of the principal executive officer and principal financial officer of Boston Properties, Inc. to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Boston Properties Limited Partnership's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of the end of Boston Properties Limited Partnership's 2017 fiscal year, management conducted assessments of the effectiveness of Boston Properties Limited Partnership's internal control over financial reporting based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on these assessments, management has determined that Boston Properties Limited Partnership's internal control over financial reporting as of December 31, 2017 was effective.

Boston Properties Limited Partnership's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of Boston Properties, Inc.; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Boston Properties Limited Partnership's assets that could have a material effect on our financial statements.

The effectiveness of Boston Properties Limited Partnership's internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report appearing on page 122, which expresses an unqualified opinion on the effectiveness of Boston Properties Limited Partnership's internal control over financial reporting as of December 31, 2017.

Report of Independent Registered Public Accounting Firm

To the Partners of
Boston Properties Limited Partnership:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Boston Properties Limited Partnership and its subsidiaries (the "Partnership") as of December 31, 2017 and December 31, 2016, and the related consolidated statements of operations, comprehensive income, partners' capital and cash flows for each of the three years in the period ended December 31, 2017, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Partnership's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2017 and December 31, 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Partnership's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Partnership's consolidated financial statements and on the Partnership's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, MA
February 28, 2018

We have served as the Partnership's auditor since 1997.

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEETS
(in thousands, except for unit amounts)

	December 31, 2017	December 31, 2016
ASSETS		
Real estate, at cost (amounts related to variable interest entities ("VIEs") of $7,172,718 and $6,760,078 at December 31, 2017 and 2016, respectively)	$ 20,685,164	$ 19,733,872
Less: accumulated depreciation (amounts related to VIEs of $(854,172) and $(758,640) at December 31, 2017 and 2016, respectively)	(4,496,959)	(4,136,364)
Total real estate	16,188,205	15,597,508
Cash and cash equivalents (amounts related to VIEs of $304,955 and $253,999 at December 31, 2017 and 2016, respectively)	434,767	356,914
Cash held in escrows (amounts related to VIEs of $6,135 and $4,955 at December 31, 2017 and 2016, respectively)	70,602	63,174
Investments in securities	29,161	23,814
Tenant and other receivables, net (amounts related to VIEs of $27,057 and $23,525 at December 31, 2017 and 2016, respectively)	92,186	92,548
Accrued rental income, net (amounts related to VIEs of $242,589 and $224,185 at December 31, 2017 and 2016, respectively)	861,575	799,138
Deferred charges, net (amounts related to VIEs of $281,678 and $290,436 at December 31, 2017 and 2016, respectively)	679,038	686,163
Prepaid expenses and other assets (amounts related to VIEs of $33,666 and $42,718 at December 31, 2017 and 2016, respectively)	77,971	129,666
Investments in unconsolidated joint ventures	619,925	775,198
Total assets	$ 19,053,430	$ 18,524,123
LIABILITIES AND CAPITAL		
Liabilities:		
Mortgage notes payable, net (amounts related to VIEs of $2,939,183 and $2,018,483 at December 31, 2017 and 2016, respectively)	$ 2,979,281	$ 2,063,087
Unsecured senior notes, net	7,247,330	7,245,953
Unsecured line of credit	45,000	—
Unsecured term loan	—	—
Mezzanine notes payable (amounts related to VIEs of $0 and $307,093 at December 31, 2017 and 2016, respectively)	—	307,093
Outside members' notes payable (amounts related to VIEs of $0 and $180,000 at December 31, 2017 and 2016, respectively)	—	180,000
Accounts payable and accrued expenses (amounts related to VIEs of $106,683 and $110,457 at December 31, 2017 and 2016, respectively)	331,500	298,524
Dividends and distributions payable	139,040	130,308
Accrued interest payable (amounts related to VIEs of $6,907 and $162,226 at December 31, 2017 and 2016, respectively)	83,646	243,933
Other liabilities (amounts related to VIEs of $164,806 and $175,146 at December 31, 2017 and 2016, respectively)	443,980	450,821
Total liabilities	11,269,777	10,919,719
Commitments and contingencies	—	—
Noncontrolling interests:		
Redeemable partnership units—16,810,378 and 17,079,511 common units and 818,343 and 904,588 long term incentive units outstanding at redemption value at December 31, 2017 and December 31, 2016, respectively	2,292,263	2,262,040
Capital:		
5.25% Series B cumulative redeemable preferred units, liquidation preference $2,500 per unit, 80,000 units issued and outstanding at December 31, 2017 and December 31, 2016	193,623	193,623
Boston Properties Limited Partnership partners' capital—1,719,540 and 1,717,743 general partner units and 152,605,746 and 152,072,432 limited partner units outstanding at December 31, 2017 and December 31, 2016, respectively	3,614,007	3,618,094
Noncontrolling interests in property partnerships	1,683,760	1,530,647
Total capital	5,491,390	5,342,364
Total liabilities and capital	$ 19,053,430	$ 18,524,123

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

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,		
	2017	2016	2015
	(in thousands, except for per unit amounts)		
Revenue			
Rental			
Base rent	$ 2,049,368	$ 2,017,767	$ 1,964,732
Recoveries from tenants	367,500	358,975	355,508
Parking and other	105,000	100,910	101,981
Total rental revenue	2,521,868	2,477,652	2,422,221
Hotel revenue	45,603	44,884	46,046
Development and management services	34,605	28,284	22,554
Total revenue	2,602,076	2,550,820	2,490,821
Expenses			
Operating			
Rental	929,977	889,768	872,252
Hotel	32,059	31,466	32,084
General and administrative	113,715	105,229	96,319
Transaction costs	668	2,387	1,259
Impairment loss	—	1,783	—
Depreciation and amortization	609,407	682,776	631,549
Total expenses	1,685,826	1,713,409	1,633,463
Operating income	916,250	837,411	857,358
Other income (expense)			
Income from unconsolidated joint ventures	11,232	8,074	22,770
Gain on sale of investment in unconsolidated joint venture	—	59,370	—
Interest and other income	5,783	7,230	6,777
Gains (losses) from investments in securities	3,678	2,273	(653)
Interest expense	(374,481)	(412,849)	(432,196)
Gains (losses) from early extinguishments of debt	496	(371)	(22,040)
Losses from interest rate contracts	—	(140)	—
Income before gains on sales of real estate	562,958	500,998	432,016
Gains on sales of real estate	8,240	82,775	377,093
Net income	571,198	583,773	809,109
Net income attributable to noncontrolling interests			
Noncontrolling interests in property partnerships	(47,832)	2,068	(149,855)
Noncontrolling interest—redeemable preferred units	—	—	(6)
Net income attributable to Boston Properties Limited Partnership	523,366	585,841	659,248
Preferred distributions	(10,500)	(10,500)	(10,500)
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 512,866	$ 575,341	$ 648,748
Basic earnings per common unit attributable to Boston Properties Limited Partnership			
Net income	$ 2.99	$ 3.36	$ 3.79
Weighted average number of common units outstanding	171,661	171,361	171,139
Diluted earnings per common unit attributable to Boston Properties Limited Partnership			
Net income	$ 2.98	$ 3.35	$ 3.78
Weighted average number of common and common equivalent units outstanding	171,861	171,623	171,512
Distributions per common unit	$ 3.05	$ 2.70	$ 3.85

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

BOSTON PROPERTIES LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the year ended December 31,		
	2017	2016	2015
		(in thousands)	
Net income	$ 571,198	$ 583,773	$ 809,109
Other comprehensive loss:			
Effective portion of interest rate contracts	(6,133)	(47,144)	(10,302)
Amortization of interest rate contracts (1)	6,033	3,751	2,510
Other comprehensive loss	(100)	(43,393)	(7,792)
Comprehensive income	571,098	540,380	801,317
Comprehensive income attributable to noncontrolling interests	(45,704)	2,945	(147,433)
Comprehensive income attributable to Boston Properties Limited Partnership	$ 525,394	$ 543,325	$ 653,884

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

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

BOSTON PROPERTIES LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

(in thousands)

	Total Partners' Capital
Balance at December 31, 2014	$ 3,639,916
Contributions	4,071
Acquisition of redeemable noncontrolling interest in property partnership	(1,586)
Net income allocable to general and limited partner units	592,297
Distributions	(601,594)
Other comprehensive loss	(4,810)
Unearned compensation	1,470
Conversion of redeemable partnership units	14,343
Adjustment to reflect redeemable partnership units at redemption value	40,415
Balance at December 31, 2015	3,684,522
Contributions	3,144
Net income allocable to general and limited partner units	526,581
Distributions	(425,527)
Other comprehensive loss	(38,137)
Unearned compensation	2,760
Conversion of redeemable partnership units	6,461
Adjustment to reflect redeemable partnership units at redemption value	51,913
Balance at December 31, 2016	3,811,717
Contributions	4,937
Net income allocable to general and limited partner units	471,156
Distributions	(480,816)
Other comprehensive income	1,822
Cumulative effect of a change in accounting principle	(272)
Unearned compensation	(243)
Conversion of redeemable partnership units	16,916
Adjustment to reflect redeemable partnership units at redemption value	(17,587)
Balance at December 31, 2017	$ 3,807,630

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

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2017	2016	2015
		(in thousands)	
Cash flows from operating activities:			
Net income	$ 571,198	$ 583,773	$ 809,109
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	609,407	682,776	631,549
Impairment loss	—	1,783	—
Non-cash compensation expense	35,361	32,911	29,183
Income from unconsolidated joint ventures	(11,232)	(8,074)	(22,770)
Gain on sale of investment in unconsolidated joint venture	—	(59,370)	—
Distributions of net cash flow from operations of unconsolidated joint ventures	26,858	24,955	8,469
(Gains) losses from investments in securities	(3,678)	(2,273)	653
Non-cash portion of interest expense	(1,284)	(35,052)	(42,271)
Settlement of accreted debt discount on redemption of unsecured senior notes	(1,980)	—	—
(Gains) losses from early extinguishments of debt	(13,280)	371	21,837
Gains on sales of real estate	(8,240)	(82,775)	(377,093)
Change in assets and liabilities:			
Cash held in escrows	8,194	2,277	(18,284)
Tenant and other receivables, net	2,433	3,688	(46,326)
Accrued rental income, net	(58,355)	(28,127)	(73,911)
Prepaid expenses and other assets	51,425	52,923	(16,877)
Accounts payable and accrued expenses	10,482	15,666	(6,310)
Accrued interest payable	(160,521)	53,547	26,854
Other liabilities	(44,914)	(106,022)	(34,005)
Tenant leasing costs	(104,429)	(96,103)	(90,396)
Total adjustments	336,247	453,101	(9,698)
Net cash provided by operating activities	907,445	1,036,874	799,411
Cash flows from investing activities:			
Acquisitions of real estate	(15,953)	(78,000)	—
Construction in progress	(608,404)	(500,350)	(374,664)
Building and other capital improvements	(222,482)	(150,640)	(112,755)
Tenant improvements	(205,331)	(230,298)	(144,572)
Proceeds from sales of real estate	29,810	122,750	602,600
Proceeds from sales of real estate placed in escrow	(29,810)	(122,647)	(200,612)
Proceeds from sales of real estate released from escrow	29,810	122,647	634,165
Cash placed in escrow for land sale contracts	—	—	(7,111)
Cash released from escrow for land sale contracts	—	1,596	5,312
Cash released from escrow for investing activities	9,230	6,694	—
Cash placed in escrow for investment in unconsolidated joint venture	(25,000)	—	—
Capital contributions to unconsolidated joint ventures	(109,015)	(575,795)	(38,207)
Capital distributions from unconsolidated joint ventures	251,000	20,440	24,527
Proceeds from sale of investment in unconsolidated joint venture	—	55,707	—
Investments in marketable securities	—	—	(667,335)
Investments in securities, net	(1,669)	(1,161)	(1,574)
Net cash used in investing activities	(897,814)	(1,329,057)	(280,226)

BOSTON PROPERTIES LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2017	2016	2015
		(in thousands)	
Cash flows from financing activities:			
Proceeds from mortgage notes payable	2,300,000	—	—
Repayments of mortgage notes payable	(1,317,653)	(1,326,865)	(54,801)
Proceeds from unsecured senior notes	847,935	1,989,790	—
Redemption/repurchase of unsecured senior notes	(848,020)	—	—
Borrowings on unsecured line of credit	580,000	25,000	—
Repayments of unsecured line of credit	(535,000)	(25,000)	—
Repayments of mezzanine notes payable	(306,000)	—	—
Repayments of outside members' notes payable	(70,424)	—	—
Payments on capital lease obligations	(401)	(745)	(356)
Proceeds from real estate financing transaction	—	—	6,000
Payments on real estate financing transactions	(2,840)	(5,260)	(3,103)
Deposit on mortgage note payable interest rate lock	(23,200)	—	—
Return of deposit on mortgage note payable interest rate lock	23,200	—	—
Deferred financing costs	(50,705)	(16,121)	(1,510)
Net proceeds from equity transactions	241	(271)	799
Redemption of preferred units	—	—	(633)
Distributions	(526,578)	(671,626)	(1,226,199)
Contributions from noncontrolling interests in property partnerships	52,009	11,951	2,705
Acquisition of noncontrolling interest in property partnership	—	—	(108,499)
Distributions to noncontrolling interests in property partnerships	(54,342)	(55,474)	(172,949)
Net cash provided by (used in) financing activities	68,222	(74,621)	(1,558,546)
Net increase (decrease) in cash and cash equivalents	77,853	(366,804)	(1,039,361)
Cash and cash equivalents, beginning of year	356,914	723,718	1,763,079
Cash and cash equivalents, end of year	$ 434,767	$ 356,914	$ 723,718
Supplemental disclosures:			
Cash paid for interest	$ 598,486	$ 433,591	$ 481,826
Interest capitalized	$ 61,070	$ 39,237	$ 34,213
Non-cash investing and financing activities:			
Write-off of fully depreciated real estate	$ (123,714)	$ (202,388)	$ (45,455)
Change in real estate included in accounts payable and accrued expenses	$ 27,978	$ (1,481)	$ 74,985
Real estate acquired through capital lease	$ 28,962	$ 21,000	$ —
Outside members' notes payable contributed to noncontrolling interests in property partnerships	$ 109,576	$ —	$ —
Marketable securities transferred in connection with the legal defeasance of mortgage note payable	$ —	$ —	$ 667,335
Mortgage note payable legally defeased	$ —	$ —	$ 640,500
Mortgage note payable assigned in connection with the sale of real estate	$ —	$ —	$ 116,993
Distributions declared but not paid	$ 139,040	$ 130,308	$ 327,320
Conversions of redeemable partnership units to partners' capital	$ 16,916	$ 6,461	$ 14,343
Issuance of restricted securities to employees and directors	$ 35,989	$ 33,615	$ 43,355

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 December 31, 2017 owned an approximate 89.7% (89.5% at December 31, 2016) 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 and 2017 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 and 2014 MYLTIP Units expired on February 6, 2015, February 4, 2016 and February 3, 2017, 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 2015, 2016 and 2017 MYLTIP Units differ from other LTIP Units granted to employees (including the 2012 OPP Units, the 2013 MYLTIP Units and the 2014 MYLTIP Units, which have been earned). Therefore, unless specifically noted otherwise, all references to LTIP Units exclude the 2015, 2016 and 2017 MYLTIP Units. LTIP Units (including the 2012 OPP Units, the 2013 MYLTIP Units and the 2014 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 11, 17 and 20).

At December 31, 2017, 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 12).

Properties

At December 31, 2017, 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 twelve properties under construction/redevelopment totaling approximately 6.2 million net rentable square feet. At December 31, 2017, the Properties consisted of:

- 167 office properties (including eight 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.

Basis of Presentation

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

Variable Interest Entities (VIEs)

On January 1, 2016, the Company adopted Accounting Standards Update ("ASU") ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"). ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 (1) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (2) eliminates the presumption that a general partner should consolidate a limited partnership and (3) affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The Company reviewed all of its legal entities in accordance with ASU 2015-02 and concluded that certain of its legal entities, including Boston Properties Limited Partnership, which had been consolidated in accordance with the voting interest model, are now variable interest entities under the VIE model, as discussed below. The adoption of the guidance did not alter any of the Company's consolidation conclusions, but resulted in additional disclosures.

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

<u>Consolidated Variable Interest Entities</u>

As of December 31, 2017, Boston Properties, Inc. has identified seven consolidated VIEs, including Boston Properties Limited Partnership. Excluding Boston Properties Limited Partnership, the VIEs are (1) the following five in-service properties: 767 Fifth Avenue (the General Motors Building), Time Square Tower, 601 Lexington Avenue, Atlantic Wharf Office Building and 100 Federal Street and (2) the entity that owns 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 interests in property partnerships in the accompanying Consolidated Financial Statements (See Note 11).

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.

<u>Variable Interest Entities Not Consolidated</u>

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.

2. Summary of Significant Accounting Policies

Real Estate

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

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

The Company records acquired "above-" and "below-market" leases at their fair values (using a discount rate which reflects the risks associated with the leases acquired) equal to the difference between (1) the contractual amounts to be paid pursuant to each in-place lease and (2) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. Acquired "above-" and "below-market" lease values have been reflected within Prepaid Expenses and Other Assets and Other Liabilities, respectively, in the Company's Consolidated Balance Sheets. Other intangible assets acquired include amounts for in-place lease values that are based on the Company's evaluation of the specific characteristics of each tenant's lease. Factors to be considered include estimates of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, the Company includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, the Company considers leasing commissions, legal and other related expenses.

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

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

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

The capitalized costs include pre-construction costs necessary to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. The Company begins the capitalization of costs during the pre-construction period which it defines as activities that are necessary for the development of the property. The Company considers a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. The Company ceases capitalization on the portion (1) substantially completed, (2) occupied or held available for occupancy, and capitalizes only those costs associated with the portion under construction or (3) if activities necessary for the development of the property have been suspended. Interest costs capitalized for the years ended December 31, 2017, 2016 and 2015 were $61.1 million, $39.2 million and $34.2 million, respectively. Salaries and related costs capitalized for the years ended December 31, 2017, 2016 and 2015 were $13.2 million, $11.1 million and $10.4 million, respectively.

Expenditures for repairs and maintenance are charged to operations as incurred. Significant betterments are capitalized. When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in net income or loss for the period.

The Company computes depreciation and amortization on properties using the straight-line method based on estimated useful asset lives. In accordance with ASC 805 "Business Combinations," the Company allocates the acquisition cost of real estate to its components and depreciates or amortizes these assets (or liabilities) over their useful lives. The amortization of acquired "above-" and "below-market" leases and acquired in-place leases is recorded as an adjustment to revenue and depreciation and amortization, respectively, in the Consolidated Statements of Operations.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	25 to 40 years
Buildings and improvements	10 to 40 years
Tenant improvements	Shorter of useful life or terms of related lease
Furniture, fixtures, and equipment	3 to 7 years

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and investments with maturities of three months or less from the date of purchase. The majority of the Company's cash and cash equivalents are held at major commercial banks which may at times exceed the Federal Deposit Insurance Corporation limit of $250,000.

Cash Held in Escrows

Escrows include amounts established pursuant to various agreements for security deposits, property taxes, insurance and other costs. Escrows also include cash held by qualified intermediaries for possible investments in like-kind exchanges in accordance with Section 1031 of the Internal Revenue Code in connection with sales of the Company's properties.

Investments in Securities

The Company accounts for investments in trading securities at fair value, with gains or losses resulting from changes in fair value recognized currently in earnings. The designation of trading securities is generally determined at acquisition. The Company maintains a deferred compensation plan that is designed to allow officers of Boston Properties, Inc. to defer a portion of their current income on a pre-tax basis and receive a tax-deferred return on these deferrals. The Company's obligation under the plan is that of an unsecured promise to pay the deferred compensation to the plan participants in the future. At December 31, 2017 and 2016, the Company had maintained approximately $29.2 million and $23.8 million, respectively, in a separate account, which is not restricted as to its use. The Company recognized gains (losses) of approximately $3.7 million, $2.3 million and $(0.7) million on its investments in the account associated with the Company's deferred compensation plan during the years ended December 31, 2017, 2016 and 2015, respectively.

Tenant and Other Receivables

Tenant and other accounts receivable, other than accrued rents receivable, are expected to be collected within one year.

Deferred Charges

Deferred charges include leasing costs and certain financing fees. Leasing costs include acquired intangible in-place lease values and direct and incremental fees and costs incurred in the successful negotiation of leases, including brokerage, legal, internal leasing employee salaries and other costs which have been deferred and are being amortized on a straight-line basis over the terms of the respective leases. Unamortized leasing costs are charged to expense upon the early termination of the lease. Fully amortized deferred leasing costs are removed from the books upon the expiration of the lease. Internal leasing salaries and related costs capitalized for the years ended December 31, 2017, 2016 and 2015 were $5.0 million, $7.2 million and $5.5 million, respectively. Financing fees included in deferred charges consist of external fees and costs incurred to obtain the Company's revolving facility and if applicable, the delayed draw facility and construction financing arrangements where there are not sufficient amounts outstanding. Such financing costs have been deferred and are being amortized over the terms of the respective financing and included within interest expense. Unamortized financing costs are charged to expense upon the early repayment or significant modification of the financing. Fully amortized deferred financing costs are removed from the books upon the maturity of the debt.

External fees and costs incurred to obtain mortgage financings and unsecured senior notes have been deferred and are presented as direct deductions from the carrying amounts of the corresponding debt liability. Such financing costs are being amortized over the terms of the respective financing and included within interest expense. Unamortized financing costs are charged to expense upon the early repayment or significant modification of the financing.

Investments in Unconsolidated Joint Ventures

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

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

To the extent that the Company contributes assets to a joint venture, the Company's investment in the joint venture is recorded at the Company's cost basis in the assets that were contributed to the joint venture. To the extent that the Company's cost basis is different than the basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in the Company's share of equity in net income of the joint venture. In accordance with the provisions of ASC 970-323 "Investments—Equity Method and Joint Ventures" ("ASC 970-323"), the Company will recognize gains on the contribution of real estate to joint ventures, relating solely to the outside partner's interest, to the extent the economic substance of the transaction is a sale.

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

Revenue Recognition

In general, the Company commences rental revenue recognition when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. Contractual rental revenue is reported on a straight-line basis over the terms of the respective leases. The impact of the straight-line rent adjustment increased revenue by approximately $54.8 million, $31.7 million and $80.0 million for the years ended December 31, 2017, 2016 and 2015, respectively, as the revenue recorded exceeded amounts billed. Accrued rental income, as reported on the Consolidated Balance Sheets, represents cumulative rental income earned in excess of rent payments received pursuant to the terms of the individual lease agreements. The Company maintains an allowance against accrued rental income for future potential tenant credit losses. The credit assessment is based on the estimated accrued rental income that is recoverable over the term of the lease. The Company also maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required rent payments. The computation of this allowance is based on the tenants' payment history and current credit status, as well as certain industry or geographic specific credit considerations. If the Company's estimates of collectability differ from the cash received, then the timing and amount of the Company's reported revenue could be impacted. The credit risk is mitigated by the high quality of the Company's existing tenant base, reviews of prospective tenants' risk profiles prior to lease execution and consistent monitoring of the Company's portfolio to identify potential problem tenants.

In accordance with ASC 805, the Company recognizes acquired in-place "above-" and "below-market" leases at their fair values as rental revenue over the original term of the respective leases. The impact of the acquired in-place "above-" and "below-market" leases increased revenue by approximately $23.5 million, $30.2 million and $35.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. The following table summarizes the scheduled amortization of the Company's acquired "above-" and "below-market" lease intangibles for each of the five succeeding years (in thousands).

	Acquired Above-Market Lease Intangibles	Acquired Below-Market Lease Intangibles
2018	$ 8,614	$ 32,152
2019	7,106	27,281
2020	5,394	10,736
2021	2,988	6,399
2022	315	5,669

Recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, are recognized as revenue in the period during which the expenses are incurred. Tenant reimbursements are recognized and presented in accordance with guidance in ASC 605-45 "Principal Agent Considerations" ("ASC 605-45"). ASC 605-45 requires that these reimbursements be recorded on a gross basis, as the Company is generally the primary obligor with respect to purchasing goods and services from third-party suppliers, has discretion in selecting the supplier and has credit risk. The Company also receives reimbursement of payroll and payroll related costs from third parties which the Company reflects on a net basis.

The Company's parking revenues are derived from leases, monthly parking and transient parking. The Company recognizes parking revenue as earned.

The Company's hotel revenue is derived from room rentals and other sources such as charges to guests for telephone service, movie and vending commissions, meeting and banquet room revenue and laundry services. Hotel revenue is recognized as earned.

The Company receives management and development fees from third parties. 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 Company records development fees as earned depending on the risk associated with each project. The Company recognizes development fees earned from joint venture projects equal to its cost plus profit to the extent of the third party partners' ownership interest.

Gains on sales of real estate are recognized pursuant to the provisions included in ASC 360-20 "Real Estate Sales" ("ASC 360-20"). The specific timing of the sale is measured against various criteria in ASC 360-20 related to the terms of the transaction and any continuing involvement in the form of management or financial assistance associated with the properties. If the sales criteria for the full accrual method are not met, the Company defers some or all of the gain recognition and accounts for the continued operations of the property by applying the finance, leasing, profit sharing, deposit, installment or cost recovery methods, as appropriate, until the sales criteria are met.

Ground Leases

The Company has non-cancelable ground lease obligations with various initial term expiration dates through 2114. The Company recognizes ground rent expense on a straight-line basis over the terms of the respective ground lease agreements. The future contractual minimum lease payments to be made by the Company as of December 31, 2017, under non-cancelable ground leases which expire on various dates through 2114, are as follows:

Years Ending December 31,	(in thousands)
2018	$ 11,349
2019	16,360
2020	25,552
2021	11,814
2022	8,894
Thereafter	576,315

Capital Leases

The Company has three capital lease obligations with various initial term expiration dates through 2036. The following reflects the gross amount of assets recorded under capital leases by asset class at December 31, 2017 and December 31, 2016 (in thousands):

	December 31,	
	2017	2016
Buildings and improvements	$ 23,636	$ 23,636
Construction in progress	28,962	—
Total	$ 52,598	$ 23,636

The future minimum lease payments, as of December 31, 2017, related to the three capital leases, through 2036 are as follows:

Years Ending December 31,	(in thousands)
2018	$ 913
2019	1,392
2020	2,097
2021	1,375
2022	930
Thereafter	74,185
Total expected minimum lease payments	80,892
Interest portion	(29,296)
Present value of expected net minimum lease payments	$ 51,596

Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing net income available to common shareholders, as adjusted for undistributed earnings (if any) of certain securities issued by Boston Properties Limited Partnership, by the weighted average number of shares of Common Stock outstanding during the year. Diluted EPS reflects the potential dilution that could occur from shares issuable in connection with awards under stock-based compensation plans, including upon the exercise of stock options, and securities of Boston Properties Limited Partnership that are exchangeable for Common Stock.

Earnings Per Common Unit

Basic earnings per common unit is computed by dividing net income available to common unitholders, as adjusted for undistributed earnings (if any) of certain securities issued by Boston Properties Limited Partnership, by the weighted average number of common units outstanding during the year. Diluted earnings per common unit reflects the potential dilution that could occur from units issuable in connection with awards under Boston Properties, Inc.’s stock-based compensation plans, including upon the exercise of stock options, and conversion of preferred units of Boston Properties Limited Partnership.

Fair Value of Financial Instruments

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

The Company follows the authoritative guidance for fair value measurements when valuing its financial instruments for disclosure purposes. Boston Properties Limited Partnership determines the fair value of its unsecured senior notes using market prices. The inputs used in determining the fair value of Boston Properties Limited Partnership’s unsecured senior notes is categorized at a Level 1 basis (as defined in ASC 820 "Fair Value Measurements and Disclosures", 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 the Company'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, mezzanine notes payable, unsecured senior notes, net and unsecured line of credit and the Company's corresponding estimate of fair value as of December 31, 2017 and December 31, 2016 (in thousands):

	December 31, 2017		December 31, 2016	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Mortgage notes payable, net	$ 2,979,281	$ 3,042,920	$ 2,063,087	$ 2,092,237
Mezzanine notes payable	—	—	307,093	308,344
Unsecured senior notes, net	7,247,330	7,461,615	7,245,953	7,428,077
Unsecured line of credit	45,000	45,000	—	—
Total	$ 10,271,611	$ 10,549,535	$ 9,616,133	$ 9,828,658

The Company uses interest rate swap agreements to manage its interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. To comply with the provisions of ASC 820, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although the Company determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. The Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Derivative Instruments and Hedging Activities

Derivative instruments and hedging activities require management to make judgments on the nature of its derivatives and their effectiveness as hedges. These judgments determine if the changes in fair value of the derivative instruments are reported in the Consolidated Statements of Operations as a component of net income or as a component of comprehensive income and as a component of equity on the Consolidated Balance Sheets. While management believes its judgments are reasonable, a change in a derivative's effectiveness as a hedge could materially affect expenses, net income and equity. The Company accounts for the effective portion of changes in the fair value of a derivative in other comprehensive income (loss) and subsequently reclassifies the effective portion to earnings over the term that the hedged transaction affects earnings. The Company accounts for the ineffective portion of changes in the fair value of a derivative directly in earnings.

Stock-Based Employee Compensation Plans

At December 31, 2017, the Company has a stock-based employee compensation plan. The Company accounts for the plan under the guidance in ASC 718 "Compensation – Stock Compensation" ("ASC 718"), which revised the fair value based method of accounting for share-based payment liabilities, forfeitures and modifications of stock-based awards and clarified previous guidance in several areas, including measuring fair value, classifying an award as equity or as a liability and attributing compensation cost to reporting periods.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates include such items as depreciation and allowances for doubtful accounts. Actual results could differ from those estimates.

Recent Accounting Pronouncements

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 and will supersede 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. 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 is 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, which outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers and notes that lease contracts with customers are a scope exception. ASU 2014-09 is 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 Company expects that executory costs and certain non-lease components of revenue from leases may be impacted by the adoption of ASU 2014-09 (upon the adoption of ASU 2016-02). The adoption of ASU 2014-09 is expected to result 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 revenue. As a result, the modified retrospective approach is expected to result in the Company recognizing on January 1, 2018 the cumulative effect of adopting ASU 2014-09 reflecting the impact of applying the new guidance to certain of the Company's outstanding development services contracts. 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 third parties 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. The adoption of ASU 2014-09 will not have a material impact on the Company's consolidated financial statements.

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 March 2016, the FASB issued ASU 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). ASU 2016-09 is intended to improve the accounting for share-based payments and affects all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment awards are simplified with ASU 2016-09, including income tax consequences, classification of awards as equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for the Company for reporting periods beginning after December 15, 2016, with early adoption permitted. On January 1, 2017, the Company adopted ASU 2016-09 and elected to make an accounting policy change to its method of accounting for forfeitures on its awards of stock-based compensation including the issuance of shares of restricted common stock, LTIP Units and MYLTIP Units. The Company now accounts for forfeitures as they occur instead of estimating the number of forfeitures upon the issuance of such awards of stock-based compensation. The adoption resulted in the Company recognizing cumulative effect of a change in accounting principle adjustments to its consolidated balance sheets totaling approximately $0.3 million to Dividends in Excess of Earnings and Partners’ Capital for Boston Properties, Inc. and Boston Properties Limited Partnership, respectively, and approximately $1.8 million to noncontrolling interests - common units of Boston Properties Limited Partnership and noncontrolling interests - redeemable partnership units for Boston Properties, Inc. and Boston Properties Limited Partnership, respectively.

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 is 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 will be applied retrospectively to all periods presented. The Company adopted ASU 2016-15 effective January 1, 2018. The adoption of ASU 2016-15 will result in the retrospective classification of debt prepayment costs as financing activities instead 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 will require 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 will require 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 will be required to disclose the nature of the restrictions. ASU 2016-18 is effective for reporting periods beginning after December 15, 2017, with early adoption permitted, and will be applied retrospectively to all periods presented. The Company adopted ASU

2016-18 effective January 1, 2018. The adoption of ASU 2016-18 will not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business" ("ASU 2017-01"). ASU 2017-01 clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This update is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted for transactions that have not been reported in previously issued (or available to be issued) financial statements and shall be applied on a prospective basis. The Company early adopted ASU 2017-01 during the first quarter of 2017. The Company expects that acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

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 are 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 will not have a material impact on the Company's consolidated financial statements.

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 is 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 will not have a material impact on the Company's consolidated financial statements.

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 will not have a material impact on the Company's consolidated financial statements.

Boston Properties, Inc.

Equity Offering Costs

Underwriting commissions and offering costs have been reflected as a reduction of additional paid-in capital.

Treasury Stock

Boston Properties, Inc.'s share repurchases are reflected as treasury stock utilizing the cost method of accounting and are presented as a reduction to consolidated stockholders' equity.

Dividends

Earnings and profits, which determine the taxability of dividends to stockholders, will differ from income reported for financial reporting purposes due to the differences for federal income tax purposes in the treatment of gains/losses on the sale of real property, revenue and expense recognition, compensation expense, and in the estimated useful lives and basis used to compute depreciation.

The tax treatment of common dividends per share for federal income tax purposes is as follows:

	For the year ended December 31,								
	2017			2016			2015		
	Per Share		%	Per Share		%	Per Share		%
Ordinary income	$ 2.86		98.29%	$ 2.76		90.51%	$ 2.34		57.97%
Capital gain income	0.05		1.71%	0.29		9.49%	1.70		42.03%
Total	$ 2.91	(1)	100.00%	$ 3.05	(2)	100.00%	$ 4.04	(3)	100.00%

(1) The fourth quarter 2017 regular quarterly dividend was $0.80 per common share of which approximately $0.47 per common share was allocable to 2017 and approximately $0.33 per common share is allocable to 2018.
(2) The fourth quarter 2016 regular quarterly dividend was $0.75 per common share of which approximately $0.56 per common share was allocable to 2016 and approximately $0.19 per common share is allocable to 2017.
(3) The fourth quarter 2015 dividend of $1.90 per common share consists of a $1.25 per common share special dividend and a $0.65 per common share regular quarterly dividend. Approximately $1.35 per common share was allocable to 2015 and approximately $0.55 per common share is allocable to 2016.

Income Taxes

Boston Properties, Inc. has elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the “Code”), commencing with its taxable year ended December 31, 1997. As a result, it generally will not be subject to federal corporate income tax on its taxable income that is distributed to its stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its annual taxable income (with certain adjustments). Boston Properties, Inc.’s policy is to distribute at least 100% of its taxable income. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to Boston Properties, Inc.’s consolidated taxable REIT subsidiaries. Boston Properties, Inc.’s taxable REIT subsidiaries did not have significant tax provisions or deferred income tax items. Boston Properties, Inc. has no uncertain tax positions recognized as of December 31, 2017 and 2016.

The Company owns a hotel property that is leased by a taxable REIT subsidiary and managed by Marriott International, Inc. The hotel taxable REIT subsidiary, a wholly owned subsidiary of Boston Properties Limited Partnership, is the lessee pursuant to the lease for the hotel property. As lessor, Boston Properties Limited Partnership is entitled to a percentage of gross receipts from the hotel property. Marriott International, Inc. continues to manage the hotel property under the Marriott name and under terms of the existing management agreement. The hotel taxable REIT subsidiary is subject to tax at the federal and state level and, accordingly, Boston Properties, Inc. has recorded a tax provision in its Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015.

The net difference between the tax basis and the reported amounts of Boston Properties, Inc.’s assets and liabilities is approximately $1.8 billion and $1.7 billion as of December 31, 2017 and 2016, respectively, which is primarily related to the difference in basis of contributed property and accrued rental income.

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

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

	For the year ended December 31,		
	2017	2016	2015
		(in thousands)	
Net income attributable to Boston Properties, Inc.	$ 462,439	$ 512,785	$ 583,106
Straight-line rent and net "above-" and "below-market" rent adjustments	(77,801)	(65,861)	(92,483)
Book/Tax differences from depreciation and amortization	142,234	235,819	307,115
Book/Tax differences from interest expense	(18,136)	(36,223)	(43,349)
Book/Tax differences on gains/(losses) from capital transactions	1,123	(70,880)	(74,482)
Book/Tax differences from stock-based compensation	37,990	33,463	22,008
Tangible Property Regulations	(116,265)	(104,783)	(74,887)
Other book/tax differences, net	33,411	(6,121)	(15,259)
Taxable income	$ 464,995	$ 498,199	$ 611,769

Boston Properties Limited Partnership

Income Taxes

The partners are required to report their respective share of Boston Properties Limited Partnership's taxable income or loss on their respective tax returns and are liable for any related taxes thereon. Accordingly, the only provision for federal income taxes in the accompanying consolidated financial statements relates to Boston Properties Limited Partnership's consolidated taxable REIT subsidiaries. Boston Properties Limited Partnership's taxable REIT subsidiaries did not have significant tax provisions or deferred income tax items. Boston Properties Limited Partnership has no uncertain tax positions recognized as of December 31, 2017 and 2016.

The Company owns a hotel property which is managed through a taxable REIT subsidiary. The hotel taxable REIT subsidiary, a wholly owned subsidiary Boston Properties Limited Partnership, is the lessee pursuant to the lease for the hotel property. As lessor, Boston Properties Limited Partnership is entitled to a percentage of gross receipts from the hotel property. Marriott International, Inc. continues to manage the hotel property under the Marriott name and under terms of the existing management agreement. The hotel taxable REIT subsidiary is subject to tax at the federal and state level and, accordingly, Boston Properties Limited Partnership has recorded a tax provision in its Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015.

The net difference between the tax basis and the reported amounts of Boston Properties Limited Partnership's assets and liabilities is approximately $2.9 billion and $2.7 billion as of December 31, 2017 and 2016, respectively, which is primarily related to the difference in basis of contributed property and accrued rental income.

Certain entities included in Boston Properties Limited Partnership's consolidated financial statements are subject to certain state and local taxes. These taxes are recorded as operating expenses in the accompanying consolidated financial statements.

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

	For the year ended December 31,		
	2017	2016	2015
		(in thousands)	
Net income attributable to Boston Properties Limited Partnership	$ 523,366	$ 585,841	$ 659,248
Straight-line rent and net "above-" and "below-market" rent adjustments	(86,773)	(73,604)	(103,227)
Book/Tax differences from depreciation and amortization	144,436	245,239	329,629
Book/Tax differences from interest expense	(20,227)	(40,481)	(48,385)
Book/Tax differences on gains/(losses) from capital transactions	784	(69,683)	(67,602)
Book/Tax differences from stock-based compensation	42,371	37,397	24,565
Tangible Property Regulations	(129,673)	(117,102)	(83,587)
Other book/tax differences, net	37,607	(3,387)	(14,561)
Taxable income	$ 511,891	$ 564,220	$ 696,080

3. Real Estate

Boston Properties, Inc.

Real estate consisted of the following at December 31, 2017 and December 31, 2016 (in thousands):

	2017	2016
Land	$ 5,080,679	$ 4,879,020
Land held for future development (1)	204,925	246,656
Buildings and improvements	12,284,164	11,890,626
Tenant improvements	2,219,608	2,060,315
Furniture, fixtures and equipment	37,928	32,687
Construction in progress	1,269,338	1,037,959
Total	21,096,642	20,147,263
Less: Accumulated depreciation	(4,589,634)	(4,222,235)
	$ 16,507,008	$ 15,925,028

(1) Includes pre-development costs.

Boston Properties Limited Partnership

Real estate consisted of the following at December 31, 2017 and December 31, 2016 (in thousands):

	2017	2016
Land	$ 4,976,303	$ 4,774,460
Land held for future development (1)	204,925	246,656
Buildings and improvements	11,977,062	11,581,795
Tenant improvements	2,219,608	2,060,315
Furniture, fixtures and equipment	37,928	32,687
Construction in progress	1,269,338	1,037,959
Total	20,685,164	19,733,872
Less: Accumulated depreciation	(4,496,959)	(4,136,364)
	$ 16,188,205	$ 15,597,508

(1) Includes pre-development costs.

Development/Redevelopment

On April 6, 2017, the Company commenced the construction of 145 Broadway, a build-to-suit Class A office project with approximately 485,000 net rentable square feet located in Cambridge, Massachusetts.

On May 27, 2017, the Company completed and fully placed in-service Reservoir Place North, a Class A office redevelopment project with approximately 73,000 net rentable square feet located in Waltham, Massachusetts.

On August 24, 2017, the Company entered into a 15-year lease with the General Services Administration under which the Company will develop the new headquarters for the Transportation Security Administration (TSA). The TSA will occupy 100% of the office space of the approximately 634,000 net rentable square feet Class A office project and a parking garage at 6595 Springfield Center Drive located in Springfield, Virginia. Concurrently with the execution of the lease, the Company commenced development of the project and expects the building to be available for occupancy by the fourth quarter of 2020.

On September 16, 2017, the Company completed and fully placed in-service 888 Boylston Street, a Class A office and retail project with approximately 417,000 net rentable square feet located in Boston, Massachusetts.

On November 17, 2017, the Company partially placed in-service 191 Spring Street, a Class A office redevelopment project with approximately 171,000 net rentable square feet located in Lexington, Massachusetts.

On November 28, 2017, the Company commenced construction of its 20 CityPoint development project totaling approximately 211,000 net rentable square feet of Class A office space located in Waltham, Massachusetts.

On December 1, 2017, a consolidated entity in which the Company has a 95% interest partially placed in-service Salesforce Tower, a Class A office project with approximately 1,400,000 net rentable square feet located in San Francisco, California.

On December 1, 2017, the Company entered into a 16-year lease with a tenant for approximately 288,000 net rentable square feet of Class A office space to be located in the Company's 2100 Pennsylvania Avenue development project. In 2016, the Company entered into a development agreement with The George Washington University to pursue the development of 2100 Pennsylvania Avenue, a Class A office property with approximately 469,000 net rentable square feet on land parcels located in Washington, DC. The development agreement provides for the execution of a 75-year ground lease for the property upon completion of the entitlement process and relocation of existing tenants anticipated to occur in 2019.

Ground Lease

On June 29, 2017, the Company executed a 99-year ground lease (including extension options), with the right to purchase prior to 10 years after stabilization of the development project as defined in the lease, for land adjacent to the MacArthur BART station located in Oakland, California. The Company has commenced development of a 402-unit residential building and supporting retail space on the site. The Company’s option to purchase the land, is considered a bargain purchase option and as a result, the Company has concluded that the lease should be accounted for as a capital lease. At the inception of the ground lease, the Company recorded an approximately $29.0 million capital lease asset and liability, which is reflected within Construction in Progress and Other Liabilities on the Company’s Consolidated Balance Sheets. Capital lease assets and liabilities are accounted for at the lower of fair market value or the present value of future minimum lease payments. This capital lease is for land only, therefore, the Company will not be depreciating the capital lease asset, because land is assumed to have an indefinite life.

As of June 29, 2017, future minimum lease payments related to this capital lease are as follows (in thousands):

Period from June 29, 2017 through December 31, 2017	$	5
2018		10
2019		10
2020		10
2021		13
Thereafter		38,778
Total expected minimum lease payments		38,826
Interest portion		(9,864)
Present value of expected net minimum lease payments	$	28,962

Acquisitions

On May 15, 2017, the Company acquired 103 Carnegie Center located in Princeton, New Jersey for a purchase price of approximately $15.8 million in cash. 103 Carnegie Center is an approximately 96,000 net rentable square foot Class A office property. The following table summarizes the allocation of the aggregate purchase price, including transaction costs, of 103 Carnegie Center at the date of acquisition (in thousands).

Land	$	2,890
Building and improvements		11,229
Tenant improvements		871
In-place lease intangibles		2,389
Below-market lease intangible		(1,426)
Net assets acquired	$	15,953

The following table summarizes the estimated annual amortization of the acquired below-market lease intangibles and the acquired in-place lease intangibles for 103 Carnegie Center for the remainder of 2017 and each of the next four succeeding fiscal years (in thousands).

	Acquired In-Place Lease Intangibles		Acquired Below-Market Lease Intangibles	
Period from May 15, 2017 through December 31, 2017	$	660	$	(248)
2018		590		(363)
2019		367		(337)
2020		243		(308)
2021		96		(105)

103 Carnegie Center contributed approximately $1.7 million of revenue and approximately ($0.3 million) of earnings to the Company for the period from May 15, 2017 through December 31, 2017.

Dispositions

On April 19, 2017, the Company completed the sale of an approximately 9.5-acre parcel of land at 30 Shattuck Road located in Andover, Massachusetts for a gross sale price of $5.0 million. Net cash proceeds totaled approximately $5.0 million, resulting in a gain on sale of real estate totaling approximately $3.7 million.

On June 13, 2017, the Company completed the sale of 40 Shattuck Road located in Andover, Massachusetts for a gross sale price of $12.0 million. Net cash proceeds totaled approximately $11.9 million, resulting in a gain on sale of real estate totaling approximately $28,000 for Boston Properties, Inc. and approximately $0.6 million for Boston Properties Limited Partnership. 40 Shattuck Road is an approximately 122,000 net rentable square foot Class A office property. 40 Shattuck Road contributed approximately $(28,000) of net loss to the Company for the period from January 1, 2017 through June 13, 2017 and contributed approximately $(50,000) and $0.3 million of net income (loss) to the Company for the years ended December 31, 2016 and 2015, respectively.

On August 30, 2017, the Company completed the sale of its Reston Eastgate property located in Reston, Virginia for a gross sale price of $14.0 million. Net cash proceeds totaled approximately $13.2 million, resulting in a gain on sale of real estate totaling approximately $2.8 million. Reston Eastgate is a parcel of land containing approximately 21.7 acres located at 11011 Sunset Hills Road.

4. Deferred Charges

Deferred charges consisted of the following at December 31, 2017 and December 31, 2016 (in thousands):

	2017	2016
Leasing costs, including lease related intangibles	$ 1,147,181	$ 1,132,092
Financing costs	14,991	6,094
	1,162,172	1,138,186
Less: Accumulated amortization	(483,134)	(452,023)
	$ 679,038	$ 686,163

The following table summarizes the scheduled amortization of the Company's acquired in-place lease intangibles for each of the five succeeding years (in thousands).

	Acquired In-Place Lease Intangibles
2018	$ 33,651
2019	27,333
2020	14,464
2021	8,777
2022	4,758

5. Investments in Unconsolidated Joint Ventures

The investments in unconsolidated joint ventures consist of the following at December 31, 2017 and 2016:

Entity	Properties	Nominal % Ownership	Carrying Value of Investment (1) December 31, 2017	December 31, 2016
			(in thousands)	
Square 407 Limited Partnership	Market Square North	50.0%	$ (8,258)	$ (8,134)
The Metropolitan Square Associates LLC	Metropolitan Square	20.0%	3,339	2,004
BP/CRF 901 New York Avenue LLC	901 New York Avenue	25.0% (2)	(13,811)	(10,564)
WP Project Developer LLC	Wisconsin Place Land and Infrastructure	33.3% (3)	39,710	41,605
Annapolis Junction NFM, LLC	Annapolis Junction	50.0% (4)	18,381	20,539
540 Madison Venture LLC	540 Madison Avenue	60.0%	66,179	67,816
500 North Capitol Venture LLC	500 North Capitol Street, NW	30.0%	(3,876)	(3,389)
501 K Street LLC	1001 6th Street	50.0% (5)	42,657	42,528
Podium Developer LLC	The Hub on Causeway	50.0%	67,120	29,869
Residential Tower Developer LLC	The Hub on Causeway - Residential	50.0% (6)	28,212	20,803
Hotel Tower Developer LLC	The Hub on Causeway - Hotel	50.0%	1,690	933
1265 Main Office JV LLC	1265 Main Street	50.0%	4,641	4,779
BNY Tower Holdings LLC	Dock 72 at the Brooklyn Navy Yard	50.0%	72,104	33,699
CA-Colorado Center Limited Partnership	Colorado Center	50.0%	254,440	510,623
7750 Wisconsin Avenue LLC	7750 Wisconsin Avenue	50.0% (6)	21,452	N/A
			$ 593,980	$ 753,111

(1) Investments with deficit balances aggregating approximately $25.9 million and $22.1 million at December 31, 2017 and 2016, 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:

	December 31, 2017	December 31, 2016
	(in thousands)	
ASSETS		
Real estate and development in process, net	$ 1,768,996	$ 1,519,217
Other assets	367,743	297,263
Total assets	$ 2,136,739	$ 1,816,480
LIABILITIES AND MEMBERS'/PARTNERS' EQUITY		
Mortgage and notes payable, net	$ 1,437,440	$ 865,665
Other liabilities	99,215	67,167
Members'/Partners' equity	600,084	883,648
Total liabilities and members'/partners' equity	$ 2,136,739	$ 1,816,480
Company's share of equity	$ 286,495	$ 450,662
Basis differentials (1)	307,485	302,449
Carrying value of the Company's investments in unconsolidated joint ventures (2)	$ 593,980	$ 753,111

(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 December 31, 2017 and 2016, there was an aggregate basis differential of approximately $322.5 million and $328.8 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 $25.9 million and $22.1 million at December 31, 2017 and 2016, respectively, have been reflected within Other Liabilities in the Company's Consolidated Balance Sheets.

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

	For the year ended December 31,		
	2017	2016	2015
		(in thousands)	
Total revenue (1)	$ 222,517	$ 177,182	$ 155,642
Expenses			
Operating	90,542	76,741	65,093
Depreciation and amortization	57,079	44,989	36,057
Total expenses	147,621	121,730	101,150
Operating income	74,896	55,452	54,492
Other expense			
Interest expense	(46,371)	(34,016)	(32,176)
Net income	$ 28,525	$ 21,436	$ 22,316
Company's share of net income (2)	$ 18,439	$ 9,873	$ 22,031
Basis differential (3)	(7,207)	(1,799)	739
Income from unconsolidated joint ventures	$ 11,232	$ 8,074	$ 22,770
Gain on sale of investment in unconsolidated joint venture	$ —	$ 59,370	$ —

(1) Includes straight-line rent adjustments of approximately $21.7 million, $18.1 million and $3.9 million for the years ended December 31, 2017, 2016 and 2015, respectively.

(2) During the year ended December 31, 2015, the Company received a distribution of approximately $24.5 million, which was generated from the excess loan proceeds from the refinancing of 901 New York Avenue's mortgage loan to a new 10-year mortgage loan totaling $225.0 million. The Company's allocation of income and distributions for the year ended December 31, 2015 was not proportionate to its nominal ownership interest as a result of the achievement of specified investment return thresholds, as provided for in the joint venture agreement.

(3) Includes straight-line rent adjustments of approximately $1.9 million and $1.4 million for the years ended December 31, 2017 and 2016, respectively. Also includes net above-/below-market rent adjustments of approximately $2.9 million and $0.9 million for the years ended December 31, 2017 and 2016, respectively.

On July 10, 2017, the Company acquired an additional 0.2% interest in the unconsolidated joint venture that owns Colorado Center located in Santa Monica, California for approximately $2.1 million in cash. Following the acquisition, the Company owns a 50% interest in the joint venture. The Company continues to account for the joint venture under the equity method of accounting as there were no changes to the rights of the members as a result of the acquisition. On July 28, 2017, the unconsolidated joint venture obtained mortgage financing collateralized by the property totaling $550.0 million. The mortgage financing bears interest at a fixed rate of 3.56% per annum and matures on August 9, 2027. The loan requires interest-only payments during the 10-year term of the loan, with the entire principal amount due at maturity. The joint venture distributed to the partners the net proceeds from the financing totaling $502.0 million, of which the Company's share was $251.0 million. Colorado Center is a six-building office complex that sits on a 15-acre site and contains an aggregate of approximately 1,118,000 net rentable square feet with an underground parking garage for 3,100 vehicles.

On August 7, 2017, the Company entered into a joint venture with The Bernstein Companies to develop an approximately 733,000 net rentable square foot (subject to adjustment based on finalized building design) build-to-suit Class A office building and below-grade parking garage at 7750 Wisconsin Avenue in Bethesda, Maryland. The joint venture entered into a lease agreement with an affiliate of Marriott International, Inc. under which Marriott will lease 100% of the office building and garage for a term of 20 years, and the building will serve as Marriott's new worldwide headquarters. Marriott has agreed to fund 100% of the related tenant improvement costs and leasing commissions for the office building. The Company will serve as co-development manager for the venture and expects to commence construction in 2018. The Company and The Bernstein Companies each own a 50% interest in the joint venture. For its initial contribution, The Bernstein Companies contributed land with an initial fair value of $72.0 million and cash and improvements aggregating approximately $4.9 million. The Company contributed cash and improvements aggregating approximately $20.8 million for its initial contribution, of which $11.0 million was distributed to The Bernstein Companies. In addition, the Company was required to fund $25.0 million into an escrow account to be used by the joint venture to fund future development costs. See also Note 10.

On September 6, 2017, a joint venture in which the Company has a 50% interest obtained construction financing with a total commitment of $204.6 million collateralized by its Hub on Causeway development project. 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. The Hub on Causeway is an approximately 385,000 net rentable square foot project containing retail and office space located in Boston, Massachusetts. In connection with the construction financing, the Company obtained the right to complete the construction of the garage underneath the project being developed by an affiliate of its joint venture partner and obtain funding from the garage construction lender. The Company agreed to guarantee completion of the garage to the construction lender and an affiliate of its partner agreed to reimburse the Company for the partner's share of any payments made under the guarantee.

On December 1, 2017, a joint venture in which the Company has a 50% interest commenced construction of a residential project aggregating approximately 320,000 square feet comprised of 440 residential units at its Hub on Causeway mixed-use development project located in Boston, Massachusetts.

6. Mortgage Notes Payable, Net, Mezzanine Notes Payable and Outside Members' Notes Payable

The Company had outstanding mortgage notes payable totaling approximately $3.0 billion and $2.1 billion as of December 31, 2017 and 2016, respectively, each collateralized by one or more buildings and related land included in real estate assets. The mortgage notes payable are generally due in monthly installments and mature at various dates through June 9, 2027.

Fixed rate mortgage notes payable totaled approximately $3.0 billion and $2.1 billion at December 31, 2017 and 2016, respectively, with contractual interest rates ranging from 3.43% to 7.69% per annum at December 31, 2017 and 4.75% to 7.69% per annum at December 31, 2016 (with a weighted-average interest rate of 3.78% and 5.59% per annum (excluding the mezzanine notes payable) at December 31, 2017 and 2016, respectively). There were no variable rate mortgage loans at December 31, 2017 and 2016.

On June 7, 2017, the Company's consolidated entity in which it has a 60% ownership interest and that owns 767 Fifth Avenue (the General Motors Building) located in New York City completed the refinancing of the indebtedness that had been secured by direct and indirect interests in the property. The new mortgage financing has a principal amount of $2.3 billion, bears interest at a fixed interest rate of 3.43% per annum and matures on June 9, 2027. The loan requires monthly interest-only payments during the 10-year term of the loan, with the entire principal amount being due at maturity.

The refinanced indebtedness consisted of (1) mortgage loans payable collateralized by the property aggregating $1.3 billion, (2) mezzanine loans payable aggregating $306.0 million, (3) additional mezzanine loans payable aggregating $294.0 million and (4) member loans aggregating $450.0 million with outstanding accrued interest payable totaling approximately $425.0 million. The mortgage loans required monthly interest-only payments at a weighted-average fixed interest rate of 5.95% per annum and were scheduled to mature on October 7, 2017. The mezzanine loans required interest-only payments at a weighted-average fixed interest rate of 6.02% per annum and were scheduled to mature on October 7, 2017. In addition, a subsidiary of the consolidated entity had acquired a lender's interest in certain other mezzanine loans assumed during the acquisition of the property having an aggregate principal amount of $294.0 million and a stated interest rate of 6.02% per annum for a purchase price of approximately $263.1 million in cash. These mezzanine loans payable had been eliminated in consolidation and were canceled upon the refinancing of the indebtedness. The member loans bore interest at a fixed rate of 11.0% per annum and were scheduled to mature on June 9, 2017. A portion of the original purchase price of the property was financed with loans from the members on a pro rata basis equal to their percentage interest in the consolidated entity. The Company had eliminated in consolidation its member loan totaling $270.0 million and its share of the related accrued interest payable of approximately $255.0 million at the date of the refinancing. The remaining outside members' notes payable and related accrued interest payable totaling $180.0 million and approximately $170.0 million, respectively, at the date of the refinancing had been reflected as Outside Members' Notes Payable and within Accrued Interest Payable, respectively, on the Company's Consolidated Balance Sheets. The net proceeds from the new financing were used to repay all of the outstanding accrued interest payable on the member loans and a portion of the outstanding principal balance of the member loans totaling approximately $176.1 million. In connection with the refinancing, the members of the Company's consolidated entity contributed the remaining balance of the member notes payable totaling approximately $273.9

million (of which the Company's share of approximately $164.4 million had been eliminated in consolidation) to equity in the consolidated entity (See Note 11). There was no prepayment penalty associated with the repayments. The Company recognized a gain from early extinguishment of debt totaling approximately $14.6 million primarily consisting of the acceleration of the remaining balance related to historical fair value debt adjustments.

No mortgage loans at December 31, 2017 and one mortgage loan totaling approximately $1.3 billion at December 31, 2016 had been accounted for at its fair value on the date the mortgage loan was assumed in connection with the consolidation of real estate. The impact of recording mortgage loans at fair value resulted in a decrease to interest expense of approximately $19.6 million, $46.4 million and $55.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. The cumulative liability related to the fair value adjustment was $33.8 million at December 31, 2016 and is included in mortgage notes payable, net in the Consolidated Balance Sheets.

Contractual aggregate principal payments of mortgage notes payable at December 31, 2017 are as follows:

	Principal Payments (in thousands)
2018	$ 18,633
2019	19,670
2020	20,766
2021	40,182
2022	614,710
Thereafter	2,300,000
Total aggregate principal payments	3,013,961
Deferred financing costs, net	(34,680)
Total carrying value of mortgage notes payable, net	$ 2,979,281

7. Derivative Instruments and Hedging Activities

During the year ended December 31, 2015, Boston Properties Limited Partnership commenced a planned interest rate hedging program and entered into 17 forward-starting interest rate swap contracts that fixed the 10-year swap rate at a weighted-average rate of approximately 2.423% per annum on notional amounts aggregating $550.0 million. These interest rate swap contracts were entered into in advance of a financing with a target commencement date in September 2016 and maturity in September 2026. On August 17, 2016, in conjunction with Boston Properties Limited Partnership's offering of its 2.750% senior unsecured notes due 2026, the Company terminated the forward-starting interest rate swap contracts and cash-settled the contracts by making cash payments to the counterparties aggregating approximately $49.3 million. The Company recognized approximately $0.1 million of losses on interest rate contracts during the year ended December 31, 2016 related to the partial ineffectiveness of the interest rate contracts. The Company is reclassifying into earnings, as an increase to interest expense, approximately $49.2 million (or approximately $4.9 million per year over the 10-year term of the 2.750% senior unsecured notes due 2026) of the amounts recorded in the Consolidated Balance Sheets within Accumulated Other Comprehensive Loss, which represents the effective portion of the applicable interest rate contracts.

In addition, 767 Fifth Partners LLC, which is a subsidiary of the consolidated entity in which the Company has a 60% interest and owns 767 Fifth Avenue (the General Motors Building) in New York City, entered into 16 forward-starting interest rate swap contracts (including two contracts entered into during the year ended December 31, 2016 with notional amounts aggregating $50.0 million) that fix the 10-year swap rate at a weighted-average rate of approximately 2.619% per annum on notional amounts aggregating $450.0 million. These interest rate swap contracts were entered into in advance of a financing with a target commencement date in June 2017 and maturity in June 2027. On April 24, 2017, the consolidated entity that owns 767 Fifth Avenue (the General Motors Building) located in New York City entered into an interest rate lock and commitment agreement with a group of lenders on a ten-year financing totaling $2.3 billion at a fixed interest rate of 3.43% per annum (See Note 6). In conjunction with the interest rate lock and commitment agreement, 767 Fifth Partners LLC terminated the forward-starting interest rate swap contracts and cash-settled the contracts by making cash payments to the counterparties aggregating approximately $14.4 million. 767 Fifth Partners LLC did not record any hedge ineffectiveness. The Company is reclassifying into earnings, as an increase to interest expense, approximately $14.4 million (or approximately $1.4 million per year over the 10-year term of the financing) of the amounts recorded in the Consolidated Balance Sheets within Accumulated Other Comprehensive Loss, which represents the effective portion of the applicable interest rate contracts.

At December 31, 2017, there were no outstanding interest rate swap contracts. 767 Fifth Partners LLC's interest rate swap contracts consisted of the following at December 31, 2016 (dollars in thousands):

Derivative Instrument	Aggregate Notional Amount	Effective Date	Maturity Date	Strike Rate Range Low	Strike Rate Range High	Balance Sheet Location	Fair Value
Interest Rate Swaps	$ 350,000	June 7, 2017	June 7, 2027	2.418% -	2.950%	Other Liabilities	$ (8,773)
Interest Rate Swaps	100,000	June 7, 2017	June 7, 2027	2.336% -	2.388%	Prepaid Expenses and Other Assets	509
	$ 450,000						$ (8,264)

Boston Properties Limited Partnership entered into the interest rate swap contracts designated and qualifying as cash flow hedges to reduce its exposure to the variability in future cash flows attributable to changes in the 10-year swap rate in contemplation of obtaining 10-year fixed-rate financing in September 2016. The Company's 767 Fifth Partners LLC consolidated entity entered into the interest rate swap contracts designated and qualifying as cash flow hedges to reduce its exposure to the variability in future cash flows attributable to changes in the 10-year swap rate in contemplation of obtaining 10-year fixed-rate financing in June 2017. Boston Properties Limited Partnership has formally documented all of its relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. Boston Properties Limited Partnership also assesses and documents, both at the hedging instrument's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows associated with the hedged items. All components of the forward-starting interest rate swap contracts were included in the assessment of hedge effectiveness. The Company accounts for the effective portion of changes in the fair value of a derivative in accumulated other comprehensive loss and subsequently reclassifies the effective portion to earnings over the term that the hedged transaction affects earnings. The Company accounts for the ineffective portion of changes in the fair value of a derivative directly in earnings. The Company classifies cash flows related to derivative instruments within its Consolidated Statements of Cash Flows consistent with the nature of the hedged item.

The following table presents the location in the financial statements of the losses recognized related to the Company's cash flow hedges for the years ended December 31, 2017, 2016 and 2015:

	Year ended December 31, 2017	2016	2015
		(in thousands)	
Amount of loss related to the effective portion recognized in other comprehensive loss	$ (6,133)	$ (47,144)	$ (10,302)
Amount of loss related to the effective portion subsequently reclassified to earnings (1)	$ (6,033)	$ (3,751)	$ (2,510)
Amount of loss related to the ineffective portion and amount excluded from effectiveness testing	$ —	$ (140)	$ —

(1) During the year ended December 31, 2016, the Company accelerated the reclassification of amounts in other comprehensive loss to earnings as a result of the hedged forecasted transactions becoming probable not to occur. The accelerated amounts were a loss of approximately $0.2 million and are included in the table above.

Boston Properties, Inc.

The following table reflects the changes in accumulated other comprehensive loss for the years ended December 31, 2017, 2016 and 2015 (in thousands):

Balance at December 31, 2014	$	(9,304)
Effective portion of interest rate contracts		(10,302)
Amortization of interest rate contracts		2,510
Other comprehensive loss attributable to noncontrolling interests		2,982
Balance at December 31, 2015		(14,114)
Effective portion of interest rate contracts		(47,144)
Amortization of interest rate contracts		3,751
Other comprehensive loss attributable to noncontrolling interests		5,256
Balance at December 31, 2016		(52,251)
Effective portion of interest rate contracts		(6,133)
Amortization of interest rate contracts		6,033
Other comprehensive loss attributable to noncontrolling interests		1,922
Balance at December 31, 2017	$	(50,429)

Boston Properties Limited Partnership

The following table reflects the changes in accumulated other comprehensive loss for the years ended December 31, 2017, 2016 and 2015 (in thousands):

Balance at December 31, 2014	$	(12,973)
Effective portion of interest rate contracts		(10,302)
Amortization of interest rate contracts		2,510
Other comprehensive loss attributable to noncontrolling interests in property partnership		2,428
Balance at December 31, 2015		(18,337)
Effective portion of interest rate contracts		(47,144)
Amortization of interest rate contracts		3,751
Other comprehensive loss attributable to noncontrolling interests in property partnership		877
Balance at December 31, 2016		(60,853)
Effective portion of interest rate contracts		(6,133)
Amortization of interest rate contracts		6,033
Other comprehensive loss attributable to noncontrolling interests in property partnership		2,128
Balance at December 31, 2017	$	(58,825)

8. Unsecured Senior Notes

The following summarizes the unsecured senior notes outstanding as of December 31, 2017 (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			(17,894)	
Deferred financing costs, net			(34,776)	
Total			$ 7,247,330	

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

On December 4, 2017, Boston Properties Limited Partnership completed a public offering of $850.0 million in aggregate principal amount of its 3.200% unsecured senior notes due 2025. The notes were priced at 99.757% of the principal amount to yield an effective rate (including financing fees) of approximately 3.350% per annum to maturity. The notes will mature on January 15, 2025, unless earlier redeemed. The aggregate net proceeds from the offering were approximately $841.1 million after deducting underwriting discounts and transaction expenses.

On December 17, 2017, Boston Properties Limited Partnership completed the redemption of $850.0 million in aggregate principal amount of its 3.700% senior notes due November 15, 2018. The redemption price was approximately $865.5 million. The redemption price included approximately $2.8 million of accrued and unpaid interest to, but not including, the redemption date. Excluding the accrued and unpaid interest, the redemption price was approximately 101.49% of the principal amount being redeemed. The Company recognized a loss from early extinguishment of debt totaling approximately $13.9 million, which amount included the payment of the redemption premium totaling approximately $12.7 million.

The indenture relating to the unsecured senior notes contains certain financial restrictions and requirements, including (1) a leverage ratio not to exceed 60%, (2) a secured debt leverage ratio not to exceed 50%, (3) an interest coverage ratio of greater than 1.50, and (4) an unencumbered asset value of not less than 150% of unsecured debt. At December 31, 2017, Boston Properties Limited Partnership was in compliance with each of these financial restrictions and requirements.

9. Unsecured Credit Facility

On April 24, 2017, Boston Properties Limited Partnership amended and restated its 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, until the first anniversary of the closing date, to draw upon up to four times a minimum of $50.0 million (or, if less, the remaining unused delayed draw term commitments), provided that amounts drawn under the Delayed Draw Facility and subsequently repaid may not be borrowed again. In addition, Boston Properties Limited Partnership may increase the total commitment under the 2017 Credit Facility by up to

$500.0 million through increases in the Revolving Facility or the Delayed Draw Facility, or both, subject to syndication of the increase and other conditions.

At Boston Properties Limited Partnership's option, loans under the Revolving Facility and Delayed Draw Facility will bear interest at a rate per annum equal to (1) (a) in the case of loans denominated in Dollars, Euro or Sterling, LIBOR, and (b) in the case of loans denominated in Canadian Dollars, CDOR, in each case, plus a margin ranging from 77.5 to 155 basis points for the Revolving Commitment and 85 to 175 basis points for the Delayed Draw Facility, based on Boston Properties Limited Partnership's credit rating or (2) an alternate base rate equal to the greatest of (x) the Administrative Agent's prime rate, (y) the Federal Funds rate plus 0.50% or (z) LIBOR for a one-month period plus 1.00%, in each case, plus a margin ranging from 0 to 55 basis points for the Revolving Facility and 0 to 75 basis points for the Delayed Draw Facility, based on Boston Properties Limited Partnership's credit rating. The 2017 Credit Facility also contains a competitive bid option for up to 65% of the Revolving Facility that allows banks that are part of the lender consortium to bid to make loan advances to Boston Properties Limited Partnership at a reduced interest rate.

In addition, Boston Properties Limited Partnership is obligated to pay (1) in quarterly installments a facility fee on the total commitment under the Revolving Facility at a rate per annum ranging from 0.10% to 0.30% based on Boston Properties Limited Partnership's credit rating, (2) an annual fee on the undrawn amount of each letter of credit equal to the LIBOR margin on the Revolving Facility and (3) a fee on the unused commitments under the Delayed Draw Facility equal to 0.15% per annum.

Based on Boston Properties Limited Partnership's December 31, 2017 credit rating, (1) the applicable Eurocurrency margins for the Revolving Facility and Delayed Draw Facility are 87.5 basis points and 95 basis points, respectively, (2) the alternate base rate margin is zero basis points for each of the Revolving Facility and Delayed Draw Facility and (3) the facility fee on the Revolving Facility commitment is 0.15% per annum. At December 31, 2017 there was $45.0 million outstanding on the 2017 Credit Facility. At December 31, 2016, there were no amounts outstanding on the credit facility.

The 2017 Credit Facility contains customary representations and warranties, affirmative and negative covenants and events of default provisions, including failure to pay indebtedness, breaches of covenants, and bankruptcy and other insolvency events, which could result in the acceleration of all amounts and cancellation of all commitments outstanding under the Credit Agreement. Among other covenants, the 2017 Credit Facility requires that Boston Properties Limited Partnership maintain on an ongoing basis: (1) a leverage ratio not to exceed 60%, however, the leverage ratio may increase to no greater than 65% provided that it is reduced back to 60% within one year, (2) a secured debt leverage ratio not to exceed 55%, (3) a fixed charge coverage ratio of at least 1.40, (4) an unsecured debt leverage ratio not to exceed 60%, however, the unsecured debt leverage ratio may increase to no greater than 65% provided that it is reduced to 60% within one year, (5) an unsecured debt interest coverage ratio of at least 1.75 and (6) limitations on permitted investments. At December 31, 2017, Boston Properties Limited Partnership was in compliance with each of these financial and other covenant requirements.

10. 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 11.

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 December 31, 2017, the maximum funding obligation under the guarantee was approximately $193.4 million. The Company earns a fee from the joint venture for providing the guarantee and has an agreement with the outside partners to reimburse the joint venture for their share of any payments made under the guarantee. As of December 31, 2017, 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 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 December 31, 2017, no amounts related to the contingent aspect of any of the guarantees are recorded as liabilities in the Company's consolidated financial statements. See also Note 5.

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, the Company received an initial distribution totaling approximately $7.7 million. During the years ended December 31, 2017, 2016 and 2015, the Company received distributions aggregating approximately $0.4 million, $1.4 million and $8.1 million, respectively, which are included in Base Rent in the Consolidated Statements of Operations, 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 December 31, 2017.

Concentrations of Credit Risk

Management of the Company performs ongoing credit evaluations of tenants and may require tenants to provide some form of credit support such as corporate guarantees and/or other financial guarantees. Although the Company's properties are geographically diverse and the tenants operate in a variety of industries, to the extent the Company has a significant concentration of rental revenue from any single tenant, the inability of that tenant to make its lease payments could have an adverse effect on the Company.

Some potential losses are not covered by insurance.

The Company carries insurance coverage on its properties, including those under development, of types and in amounts and with deductibles that it believes are in line with coverage customarily obtained by owners of similar properties. Certain properties owned in joint ventures with third parties are insured by the third party partner with insurance coverage of types and in amounts and with deductibles the Company believes are in line with coverage customarily obtained by owners of similar properties. In response to the uncertainty in the insurance market following the terrorist attacks of September 11, 2001, the Federal Terrorism Risk Insurance Act (as amended, "TRIA") was enacted in November 2002 to require regulated insurers to make available coverage for "certified" acts of terrorism (as defined by the statute). The expiration date of TRIA was extended to December 31, 2014 by the Terrorism Risk Insurance Program Reauthorization Act of 2007 and further extended to December 31, 2020 by the Terrorism Risk Insurance Program Reauthorization Act of 2015 ("TRIPRA"), and the Company can provide no assurance that it will be extended further. Currently, 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 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 2017, the program trigger was $140 million and the coinsurance was 17%, however, both will increase in subsequent years pursuant to TRIPRA. 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 TRIPRA. The Company may elect to terminate the NBCR Coverage if the Federal Government seeks recoupment for losses paid under TRIA, 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 and maintain terrorism insurance in amounts and on terms that are commercially reasonable.

The Company also currently carries earthquake insurance on its properties located in areas known to be subject to earthquakes in an amount and subject to self-insurance that the Company believes is commercially reasonable. 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 (including Salesforce Tower) and Los Angeles regions with a $240 million (increased from $170 million on March 1, 2017) per occurrence limit, and a $240 million (increased from $170 million on March 1, 2017) annual aggregate limit, $20 million of which is provided by IXP, as a direct insurer. Prior to March 1, 2017, the builders risk policy maintained for the development of Salesforce Tower in San Francisco included a $60 million per occurrence and annual aggregate limit of earthquake coverage. The amount of the Company's earthquake insurance coverage may not be sufficient to cover losses from earthquakes. In addition, the amount of earthquake coverage could impact the Company's ability to finance properties subject to earthquake risk. The Company may discontinue earthquake insurance or change the structure of its earthquake insurance program on some or all of its properties in the future if the premiums exceed the Company's estimation of the value of the coverage.

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

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

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

Legal Matters

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

State and Local Tax Matters

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

Environmental Matters

It is the Company's policy to retain independent environmental consultants to conduct or update Phase I environmental assessments (which generally do not involve invasive techniques such as soil or ground water sampling) and asbestos surveys in connection with the Company's acquisition of properties. These pre-purchase environmental assessments have not revealed environmental conditions that the Company believes will have a material adverse effect on its business, assets, financial condition, results of operations or liquidity, and the Company is not otherwise aware of environmental conditions with respect to its properties that the Company believes would have such a material adverse effect. However, from time to time environmental conditions at the Company's properties have required and may in the future require environmental testing and/or regulatory filings, as well as remedial action.

In February 1999, the Company (through a joint venture) acquired from Exxon Corporation a property in Massachusetts that was formerly used as a petroleum bulk storage and distribution facility and was known by the state regulatory authority to contain soil and groundwater contamination. The Company developed an office park on the property. The Company engaged a specially licensed environmental consultant to oversee the management of contaminated soil and groundwater that was disturbed in the course of construction. Under the property acquisition agreement, Exxon agreed to (1) bear the liability arising from releases or discharges of oil and hazardous substances which occurred at the site prior to the Company's ownership, (2) continue monitoring and/or remediating such releases and discharges as necessary and appropriate to comply with applicable requirements, and (3) indemnify the Company for certain losses arising from preexisting site conditions. Any indemnity claim may be subject to various defenses, and there can be no assurance that the amounts paid under the indemnity, if any, would be sufficient to cover the liabilities arising from any such releases and discharges.

Environmental investigations at some of the Company's properties and certain properties owned by affiliates of the Company have identified groundwater contamination migrating from off-site source properties. In each case the Company engaged a licensed environmental consultant to perform the necessary investigations and assessments and to prepare any required submittals to the regulatory authorities. In each case the environmental consultant concluded that the properties qualify under the regulatory program or the regulatory practice for a status which eliminates certain deadlines for conducting response actions at a site. The Company also believes that these properties qualify for liability relief under certain statutory provisions or regulatory practices regarding upgradient releases. Although the Company believes that the current or former owners of the upgradient source properties may bear responsibility for some or all of the costs of addressing the identified groundwater contamination, the Company will take such further response actions (if any) that it deems necessary or advisable. Other than periodic testing at some of these properties, no such additional response actions are anticipated at this time.

Some of the Company's properties and certain properties owned by the Company's affiliates are located in urban, industrial and other previously developed areas where fill or current or historical uses of the areas have caused site contamination. Accordingly, it is sometimes necessary to institute special soil and/or groundwater handling procedures and/or include particular building design features in connection with development, construction and other property operations in order to achieve regulatory closure and/or ensure that contaminated materials are addressed in an appropriate manner. In these situations, it is the Company's practice to investigate the nature and extent of detected contamination, including potential issues associated with contaminant migration, assess potential liability risks and estimate the costs of required response actions and special handling procedures. The Company then uses this information as part of its decision-making process with respect to the acquisition, deal structure and/or development of the property. For example, the Company owns a parcel in Massachusetts which was formerly used as a quarry/asphalt batching facility. Pre-purchase testing indicated that the site contained relatively low levels of certain contaminants. The Company has developed an office park on this property. Prior to and during redevelopment activities, the Company engaged a specially licensed environmental consultant to monitor environmental conditions at the site and prepare necessary regulatory submittals based on the results of an environmental risk characterization. A submittal has been made to the regulatory authorities in order to achieve regulatory closure at this site. The submittal included an environmental deed restriction that mandates compliance with certain protective measures in a portion of the site where low levels of residual soil contamination have been left in place in accordance with applicable laws.

The Company expects that resolution of the environmental matters relating to the above will not have a material impact on its business, assets, financial condition, results of operations or liquidity. However, the Company cannot assure you that it has identified all environmental liabilities at its properties, that all necessary remediation actions have been or will be undertaken at the Company's properties or that the Company will be indemnified, in full or at all, in the event that such environmental liabilities arise.

11. Noncontrolling Interests

Noncontrolling interests relate to the interests in Boston Properties Limited Partnership not owned by Boston Properties, Inc. and interests in consolidated property partnerships not wholly-owned by the Company. As of December 31, 2017, the noncontrolling interests in Boston Properties Limited Partnership consisted of 16,810,378 OP Units, 818,343 LTIP Units (including 118,067 2012 OPP Units, 85,405 2013 MYLTIP Units and 25,107 2014 MYLTIP Units), 366,618 2015 MYLTIP Units, 473,360 2016 MYLTIP Units and 400,000 2017 MYLTIP Units held by parties other than Boston Properties, Inc.

Noncontrolling Interest—Redeemable Preferred Units

On June 25, 2015, Boston Properties Limited Partnership redeemed the remaining 12,667 Series Four Preferred Units for cash totaling approximately $0.6 million, plus accrued and unpaid distributions. The Series Four Preferred Units bore a preferred distribution equal to 2.00% per annum on a liquidation preference of $50.00 per unit and were not convertible into OP Units. The holders of Series Four Preferred Units had the right, at certain times and subject to certain conditions set forth in the Certificate of Designations establishing the rights, limitations and preferences of the Series Four Preferred Units, to require Boston Properties Limited Partnership to redeem all of their units for cash at the redemption price of $50.00 per unit. Boston Properties Limited Partnership also had the right, at certain times and subject to certain conditions, to redeem all of the Series Four Preferred Units for cash at the redemption price of $50.00 per unit. In order to secure the performance of certain post-issuance obligations by the holders, all of such outstanding Series Four Preferred Units were subject to forfeiture pursuant to the terms of a pledge agreement and not eligible for redemption until the security interest was released and unless such security interest is released. Due to the holders' redemption option existing outside the control of the Company, the

Series Four Preferred Units were presented outside of permanent equity in the Company's Consolidated Balance Sheets.

The following table reflects the activity of the noncontrolling interests—redeemable preferred units for the year ended December 31, 2015 (in thousands):

Balance at December 31, 2014	$	633
Net income		6
Distributions		(6)
Redemption of redeemable preferred units (Series Four Preferred Units)		(633)
Balance at December 31, 2015	$	—

Noncontrolling Interest—Redeemable Interest in Property Partnership

On October 4, 2012, the Company completed the formation of a joint venture, that owns and operates Fountain Square located in Reston, Virginia. The joint venture partner contributed the property valued at approximately $385.0 million and related mortgage indebtedness totaling approximately $211.3 million for a 50% interest in the joint venture. The Company contributed cash totaling approximately $87.0 million for its 50% interest, which cash was distributed to the joint venture partner. Pursuant to the joint venture agreement (i) the Company had rights to acquire the partner's 50% interest and (ii) the partner had the right to cause the Company to acquire the partner's interest on January 4, 2016, in each case at a fixed price totaling approximately $102.0 million in cash. The fixed price option rights were to expire on January 31, 2016. The Company was consolidating this joint venture due to the Company's right to acquire the partner's 50% interest. The Company recorded the noncontrolling interest at its acquisition-date fair value as temporary equity, due to the redemption option existing outside the control of the Company. The Company was accreting the changes in the redemption value quarterly over the period from the acquisition date to the earliest redemption date using the effective interest method. The Company was recording the accretion after the allocation of net income and distributions of cash flow to the noncontrolling interest account balance.

On August 6, 2015, the parties amended the joint venture agreement to require the Company to acquire its partner's 50% interest on September 15, 2015 for approximately $100.9 million in cash. On September 15, 2015, the Company acquired its partner's 50% interest in the consolidated entity that owns Fountain Square for cash of approximately $100.9 million plus working capital and closing prorations and the partner's share of assumed mortgage indebtedness totaling approximately $105.6 million.

The following table reflects the activity of the noncontrolling interest—redeemable interest in property partnership in the Company's Fountain Square consolidated entity for the year ended December 31, 2015 (in thousands):

Balance at December 31, 2014	$	104,692
Net loss		(7)
Distributions		(2,900)
Adjustment to reflect redeemable interest at redemption value		5,128
Acquisition of interest		(106,913)
Balance at December 31, 2015	$	—

Noncontrolling Interest—Common Units

During the years ended December 31, 2017 and 2016, 495,637 and 190,857 OP Units, respectively, were presented by the holders for redemption (including 36,486 and 103,847 OP Units, respectively, issued upon conversion of LTIP Units, 2012 OPP Units, 2013 MYLTIP Units and 2014 MYLTIP Units) and were redeemed by Boston Properties, Inc. in exchange for an equal number of shares of Common Stock.

Boston Properties Limited Partnership exercised its right under the terms of its partnership agreement to convert an aggregate of 625,043 eligible LTIP Units (including an aggregate of 32,349 2012 OPP Units and 2013 MYLTIP Units) into Common Units effective as of May 2, 2016. These conversions were effected solely for administrative efficiency and had no substantive impact on the rights of Boston Properties Limited Partnership or the holders of these LTIP Units, as the economic and other rights of the LTIP Units converted were substantively identical to those of the Common Units. In the future, Boston Properties Limited Partnership intends to convert LTIP Units (including 2012 OPP Units and MYLTIP Units) into Common Units promptly after they become eligible for conversion. The May 2016 conversions were, and future conversions will be, effected at the election of Boston Properties Limited Partnership and are without regard to the investment intentions of the holders of the units.

At December 31, 2017, Boston Properties Limited Partnership had outstanding 366,618 2015 MYLTIP Units, 473,360 2016 MYLTIP Units and 400,000 2017 MYLTIP Units (See Note 17). Prior to the applicable measurement date (February 4, 2018 for 2015 MYLTIP Units (See Note 20), February 9, 2019 for 2016 MYLTIP Units and February 6, 2020 for 2017 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 6, 2015, the measurement period for the Company's 2012 OPP Unit awards ended and Boston Properties, Inc.'s TSR performance was sufficient for employees to earn and therefore become eligible to vest in a portion of the 2012 OPP Unit awards. The final outperformance pool was determined to be approximately $32.1 million, or approximately 80% of the total maximum outperformance pool of $40.0 million. As a result, 174,549 2012 OPP Units were automatically forfeited.

On February 4, 2016, the measurement period for the Company's 2013 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 109.5% of target, or an aggregate of approximately $13.5 million. As a result, 205,762 2013 MYLTIP Units were automatically forfeited.

On February 3, 2017, the measurement period for the Company's 2014 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 27.7% of target or an aggregate of approximately $3.5 million (after giving effect to voluntary employee separations and the unallocated reserve). As a result, an aggregate of 447,386 2014 MYLTIP Units that had been previously granted were automatically forfeited.

The following table presents Boston Properties Limited Partnership's distributions on the OP Units and LTIP Units (including the 2012 OPP Units and 2013 MYLTIP Units and, after the February 3, 2017 measurement date, the 2014 MYLTIP Units) and its distributions on the 2014 MYLTIP Units (prior to the February 3, 2017 measurement date), 2015 MYLTIP Units, 2016 MYLTIP Units and 2017 MYLTIP Units (after the February 7, 2017 issuance date) paid in 2017:

Record Date	Payment Date	Distributions per OP Unit and LTIP Unit	Distributions per MYLTIP Unit
December 29, 2017	January 30, 2018	$0.80	$0.080
September 29, 2017	October 31, 2017	$0.75	$0.075
June 30, 2017	July 31, 2017	$0.75	$0.075
March 31, 2017	April 28, 2017	$0.75	$0.075
December 31, 2016	January 30, 2017	$0.75	$0.075

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 and 2014 MYLTIP Units) assuming that all conditions had been met for the conversion thereof) had all of such units been redeemed at December 31, 2017 was approximately $2.3 billion based on the last reported price of a share of Common Stock on the New York Stock Exchange of $130.03 per share on December 29, 2017.

Boston Properties Limited Partnership

The following table reflects the activity of noncontrolling interests—redeemable common units of Boston Properties Limited Partnership for the years ended December 31, 2017, 2016 and 2015 (in thousands):

Balance at December 31, 2014	$ 2,310,046
Contributions	39,030
Net income	66,951
Distributions	(69,447)
Conversion of redeemable partnership units	(14,343)
Unearned compensation	(4,579)
Other comprehensive loss	(554)
Adjustment to reflect redeemable partnership units at redemption value	(40,415)
Balance at December 31, 2015	2,286,689
Contributions	31,395
Net income	59,260
Distributions	(49,087)
Conversion of redeemable partnership units	(6,461)
Unearned compensation	(3,464)
Other comprehensive loss	(4,379)
Adjustment to reflect redeemable partnership units at redemption value	(51,913)
Balance at December 31, 2016	2,262,040
Contributions	31,743
Net income	52,210
Distributions	(54,494)
Conversion of redeemable partnership units	(16,916)
Unearned compensation	1,650
Cumulative effect of a change in accounting principle	(1,763)
Other comprehensive income	206
Adjustment to reflect redeemable partnership units at redemption value	17,587
Balance at December 31, 2017	$ 2,292,263

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 and $1.5 billion at December 31, 2017 and 2016, respectively, are included in Noncontrolling Interests—Property Partnerships on the accompanying Consolidated Balance Sheets.

On September 18, 2015, a consolidated entity in which the Company has a 50% interest completed the sale of its 505 9th Street, N.W. property located in Washington, DC for approximately $318.0 million, including the assumption by the buyer of approximately $117.0 million of mortgage indebtedness. 505 9th Street, N.W. is an approximately 322,000 net rentable square foot Class A office building. Net cash proceeds totaled approximately $194.6 million, of which the partners' share was approximately $97.3 million. The Company recognized a gain on sale of real estate totaling approximately $199.5 million and $199.7 million for Boston Properties, Inc. and Boston Properties Limited Partnership, respectively, of which approximately $101.1 million was allocated to the outside partners and is included within Noncontrolling Interests in Property Partnerships in the Company's Consolidated Statements of Operations. On December 10, 2015, the consolidated entity was dissolved and the Company reclassified the remaining noncontrolling interest balance totaling approximately $4.1 million to Accounts Payable and Accrued Expenses on the Consolidated Balances Sheets, of which approximately $0.2 million was outstanding at December 31, 2016. No amount was outstanding as of December 31, 2017.

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 agreed to structure this funding by the Company as preferred equity rather than a loan. The preferred equity contributed by the Company shall earn a preferred return equal to LIBOR plus 3.00% per annum and shall be payable to the Company out of any distributions to which the partner would otherwise be entitled until such preferred equity and preferred return have been repaid to the Company. As of December 31, 2017, the Company has contributed an aggregate of approximately $16.4 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 has not yet occurred.

On June 6, 2017, in conjunction with the refinancing of the indebtedness of the Company's consolidated entity in which it has a 60% interest and that owns 767 Fifth Avenue (the General Motors Building) located in New York City, the members of the consolidated entity amended the limited liability company agreement to provide for the contribution of the remaining unpaid principal balance of the members' notes payable totaling approximately $273.9 million (of which the Company's share of approximately $164.4 million is eliminated in consolidation) to equity in the consolidated entity, resulting in an increase of approximately $109.6 million to Noncontrolling Interests in Property Partnerships on the Company's Consolidated Balance Sheets (See Note 6). There were no changes to the ownership interests or rights of the members as a result of the amendment.

The following table reflects the activity of the noncontrolling interests—property partnerships for the years ended December 31, 2017, 2016 and 2015 (in thousands):

Balance at December 31, 2014	$ 1,602,467
Capital contributions	3,758
Dissolution	(4,082)
Net income	144,734
Accumulated other comprehensive loss	(2,428)
Distributions	(170,049)
Balance at December 31, 2015	1,574,400
Capital contributions	10,756
Net loss	(2,068)
Accumulated other comprehensive loss	(877)
Distributions	(51,564)
Balance at December 31, 2016	1,530,647
Capital contributions (1)	161,585
Net loss	47,832
Accumulated other comprehensive loss	(2,128)
Distributions	(54,176)
Balance at December 31, 2017	$ 1,683,760

(1) Includes the contribution of the remaining unpaid principal balance of the members' notes payable totaling $109,576 to equity in the consolidated entity that owns 767 Fifth Avenue (the General Motors Building).

12. Stockholders' Equity / Partners' Capital

Boston Properties, Inc.

As of December 31, 2017, Boston Properties, Inc. had 154,325,286 shares of Common Stock outstanding.

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

During the year ended December 31, 2017, Boston Properties, Inc. issued 6,688 shares of Common Stock upon the exercise of options to purchase Common Stock. During the year ended December 31, 2016, there were no options to purchase Common Stock exercised.

During the years ended December 31, 2017 and 2016, Boston Properties, Inc. issued 495,637 and 190,857 shares of Common Stock, respectively, in connection with the redemption of an equal number of redeemable OP Units from limited partners.

The following table presents Boston Properties, Inc.'s dividends per share and Boston Properties Limited Partnership's distributions per OP Unit and LTIP Unit paid or payable in 2017:

Record Date	Payment Date	Dividend (Per Share)	Distribution (Per Unit)
December 29, 2017	January 30, 2018	$0.80	$0.80
September 29, 2017	October 31, 2017	0.75	0.75
June 30, 2017	July 31, 2017	0.75	0.75
March 31, 2017	April 28, 2017	0.75	0.75
December 31, 2016	January 30, 2017	0.75	0.75

Preferred Stock

As of December 31, 2017, 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. may not redeem the Series B Preferred Stock prior to March 27, 2018, except in certain circumstances relating to the preservation of Boston Properties, Inc.'s REIT status. On or after March 27, 2018, Boston Properties, Inc., at its option, may redeem the Series B Preferred Stock for a cash redemption price of $2,500.00 per share ($25.00 per depositary share), plus all accrued and unpaid dividends. The Series B Preferred Stock is not redeemable by the holders, has no maturity date and is not convertible into any other security of Boston Properties, Inc. or its affiliates.

The following table presents Boston Properties Inc.'s dividends per share on its outstanding Series B Preferred Stock paid or payable in 2017:

Record Date	Payment Date	Dividend (Per Share)
February 2, 2018	February 15, 2018	$32.8125
November 3, 2017	November 15, 2017	32.8125
August 4, 2017	August 15, 2017	32.8125
May 5, 2017	May 15, 2017	32.8125
February 3, 2017	February 15, 2017	32.8125

Boston Properties Limited Partnership

The following table presents the changes in the issued and outstanding partners' capital units since January 1, 2015:

	General Partner Units	Limited Partner Units	Total Partners' Capital Units
Outstanding at December 31, 2014	1,710,644	151,403,301	153,113,945
Units issued to Boston Properties, Inc. related to Common Stock issued under the Employee Stock Purchase Plan	59	6,140	6,199
Units issued to Boston Properties, Inc. related to Common Stock issued under the Stock Option and Incentive Plan, net	340	35,246	35,586
Units issued to Boston Properties, Inc. related to Common Stock issued in exchange for OP Units	4,049	420,187	424,236
Outstanding at December 31, 2015	1,715,092	151,864,874	153,579,966
Units issued to Boston Properties, Inc. related to Common Stock issued under the Employee Stock Purchase Plan	72	5,623	5,695
Units issued to Boston Properties, Inc. related to Common Stock issued under the Stock Option and Incentive Plan, net	172	13,485	13,657
Units issued to Boston Properties, Inc. related to Common Stock issued in exchange for OP Units	2,407	188,450	190,857
Outstanding at December 31, 2016	1,717,743	152,072,432	153,790,175
Units issued to Boston Properties, Inc. related to Common Stock issued under the Employee Stock Purchase Plan	21	6,296	6,317
Units issued to Boston Properties, Inc. related to Common Stock issued under the Stock Option and Incentive Plan, net	111	33,046	33,157
Units issued to Boston Properties, Inc. related to Common Stock issued in exchange for OP Units	1,665	493,972	495,637
Outstanding at December 31, 2017	1,719,540	152,605,746	154,325,286

As of December 31, 2017, Boston Properties, Inc. owned 1,719,540 general partnership units and 152,605,746 limited partnership units.

The following table reflects the activity of the Series B Preferred Units for the years ended December 31, 2017, 2016 and 2015 (in thousands), which activity is included within Boston Properties Limited Partnership's Consolidated Statements of Partners' Capital:

Balance at December 31, 2014	$	193,623
Net income		10,500
Distributions		(10,500)
Balance at December 31, 2015		193,623
Net income		10,500
Distributions		(10,500)
Balance at December 31, 2016		193,623
Net income		10,500
Distributions		(10,500)
Balance at December 31, 2017	$	193,623

13. Future Minimum Rents

The properties are leased to tenants under net operating leases with initial term expiration dates ranging from 2018 to 2046. The future contractual minimum lease payments to be received (excluding operating expense reimbursements) by the Company as of December 31, 2017, under non-cancelable operating leases which expire on various dates through 2046, are as follows:

Years Ending December 31,	(in thousands)
2018	$ 1,962,841
2019	1,998,102
2020	1,920,002
2021	1,783,066
2022	1,596,719
Thereafter	11,160,780

No single tenant represented more than 10.0% of the Company's total rental revenue for the years ended December 31, 2017, 2016 and 2015.

14. Segment Information

The following tables present reconciliations of Net Income Attributable to Boston Properties, Inc. Common Shareholders to Net Operating Income and Net Income Attributable to Boston Properties Limited Partnership Common Unitholders to Net Operating Income for the years ended December 31, 2017, 2016 and 2015.

Boston Properties, Inc.

	Year ended December 31,		
	2017	2016	2015
		(in thousands)	
Net income attributable to Boston Properties, Inc. common shareholders	$ 451,939	$ 502,285	$ 572,606
Add:			
Preferred dividends	10,500	10,500	10,500
Noncontrolling interest—common units of the Operating Partnership	52,210	59,260	66,951
Noncontrolling interest—redeemable preferred units of the Operating Partnership	—	—	6
Noncontrolling interest in property partnerships	47,832	(2,068)	149,855
Losses from interest rate contracts	—	140	—
Interest expense	374,481	412,849	432,196
Depreciation and amortization expense	617,547	694,403	639,542
Impairment loss	—	1,783	—
Transaction costs	668	2,387	1,259
General and administrative expense	113,715	105,229	96,319
Less:			
Gains on sales of real estate	7,663	80,606	375,895
Gains (losses) from early extinguishments of debt	496	(371)	(22,040)
Gains (losses) from investments in securities	3,678	2,273	(653)
Interest and other income	5,783	7,230	6,777
Gain on sale of investment in unconsolidated joint venture	—	59,370	—
Income from unconsolidated joint ventures	11,232	8,074	22,770
Development and management services income	34,605	28,284	22,554
Net Operating Income	$ 1,605,435	$ 1,601,302	$ 1,563,931

Boston Properties Limited Partnership

	Year ended December 31,		
	2017	2016	2015
		(in thousands)	
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 512,866	$ 575,341	$ 648,748
Add:			
Preferred distributions	10,500	10,500	10,500
Noncontrolling interest—redeemable preferred units	—	—	6
Noncontrolling interest in property partnerships	47,832	(2,068)	149,855
Losses from interest rate contracts	—	140	—
Interest expense	374,481	412,849	432,196
Depreciation and amortization expense	609,407	682,776	631,549
Impairment loss	—	1,783	—
Transaction costs	668	2,387	1,259
General and administrative expense	113,715	105,229	96,319
Less:			
Gains on sales of real estate	8,240	82,775	377,093
Gains (losses) from early extinguishments of debt	496	(371)	(22,040)
Gains (losses) from investments in securities	3,678	2,273	(653)
Interest and other income	5,783	7,230	6,777
Gain on sale of investment in unconsolidated joint venture	—	59,370	—
Income from unconsolidated joint ventures	11,232	8,074	22,770
Development and management services income	34,605	28,284	22,554
Net Operating Income	$ 1,605,435	$ 1,601,302	$ 1,563,931

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

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, noncontrolling interests, losses from interest rate contracts, interest expense, depreciation and amortization expense, impairment loss, transactions costs, general and administrative expense, gains on sales of real estate, gains (losses) from early extinguishments of debt, gains (losses) from investments in securities, interest and other income, gain on sale of investment in unconsolidated joint venture, income from unconsolidated joint ventures and development and management services income 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.

Beginning on January 1, 2016, the properties that were historically included in the Company's Office/Technical segment are now included in the Office segment to align with its method of internal reporting, which shifted after the disposition of 415 Main Street in Cambridge, Massachusetts. As such, the amounts previously included in Office/Technical are now included in Office for all periods presented.

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

For the year ended December 31, 2017:

	Boston	New York	San Francisco	Washington, DC	Total
Rental Revenue:					
Office	$ 776,279	$ 969,371	$ 345,519	$ 414,103	$ 2,505,272
Residential	4,745	—	—	11,851	16,596
Hotel	45,603	—	—	—	45,603
Total	826,627	969,371	345,519	425,954	2,567,471
% of Grand Totals	32.20%	37.75%	13.46%	16.59%	100.00%
Rental Expenses:					
Office	301,097	372,810	105,253	144,515	923,675
Residential	2,044	—	—	4,258	6,302
Hotel	32,059	—	—	—	32,059
Total	335,200	372,810	105,253	148,773	962,036
% of Grand Totals	34.84%	38.76%	10.94%	15.46%	100.00%
Net operating income	$ 491,427	$ 596,561	$ 240,266	$ 277,181	$ 1,605,435
% of Grand Totals	30.61%	37.15%	14.97%	17.27%	100.00%

For the year ended December 31, 2016:

	Boston	New York	San Francisco	Washington, DC	Total
Rental Revenue:					
Office	$ 727,265	$ 1,012,518	$ 318,609	$ 402,561	$ 2,460,953
Residential	4,812	—	—	11,887	16,699
Hotel	44,884	—	—	—	44,884
Total	776,961	1,012,518	318,609	414,448	2,522,536
% of Grand Totals	30.80%	40.14%	12.63%	16.43%	100.00%
Rental Expenses:					
Office	282,827	363,188	100,787	135,890	882,692
Residential	2,708	—	—	4,368	7,076
Hotel	31,466	—	—	—	31,466
Total	317,001	363,188	100,787	140,258	921,234
% of Grand Totals	34.41%	39.42%	10.94%	15.23%	100.00%
Net operating income	$ 459,960	$ 649,330	$ 217,822	$ 274,190	$ 1,601,302
% of Grand Totals	28.73%	40.55%	13.60%	17.12%	100.00%

For the year ended December 31, 2015:

	Boston	New York	San Francisco	Washington, DC	Total
Rental Revenue:					
Office	$ 716,246	$ 1,000,030	$ 302,434	$ 384,628	$ 2,403,338
Residential	4,801	—	—	14,082	18,883
Hotel	46,046	—	—	—	46,046
Total	767,093	1,000,030	302,434	398,710	2,468,267
% of Grand Totals	31.08%	40.52%	12.25%	16.15%	100.00%
Rental Expenses:					
Office	287,341	346,897	98,206	131,581	864,025
Residential	2,006	—	—	6,221	8,227
Hotel	32,084	—	—	—	32,084
Total	321,431	346,897	98,206	137,802	904,336
% of Grand Totals	35.54%	38.36%	10.86%	15.24%	100.00%
Net operating income	$ 445,662	$ 653,133	$ 204,228	$ 260,908	$ 1,563,931
% of Grand Totals	28.50%	41.76%	13.06%	16.68%	100.00%

15. 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 participating securities. As such, unvested restricted common stock of Boston Properties, Inc. and Boston Properties Limited Partnership's LTIP Units, 2012 OPP Units and MYLTIP Units are considered participating securities. Participating securities are included in the computation of basic EPS of Boston Properties, Inc. using the two-class method. Participating securities are included in the computation of diluted EPS of Boston Properties, Inc. using the if-converted method if the impact is dilutive. Because the 2012 OPP Units, 2013 MYLTIP Units and 2014 MYLTIP Units required, and the 2015-2017 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 Boston Properties, Inc.'s Common Stock, and the related impact on earnings, are considered when calculating diluted EPS.

	For the Year Ended December 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	$ 451,939	154,190	$ 2.93
Effect of Dilutive Securities:			
Stock Based Compensation	—	200	—
Diluted Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	$ 451,939	154,390	$ 2.93

	For the Year Ended December 31, 2016		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except for per share amounts)		
Basic Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	$ 502,285	153,715	$ 3.27
Allocation of undistributed earnings to participating securities	(283)	—	—
Net income attributable to Boston Properties, Inc. common shareholders	$ 502,002	153,715	$ 3.27
Effect of Dilutive Securities:			
Stock Based Compensation	—	262	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	$ 502,002	153,977	$ 3.26

	For the Year Ended December 31, 2015		
	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	$ 572,606	153,471	$ 3.73
Effect of Dilutive Securities:			
Stock Based Compensation	—	373	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties, Inc. common shareholders	$ 572,606	153,844	$ 3.72

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 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 and 2014 MYLTIP Units required, and the 2015-2017 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 17,471,000, 17,646,000 and 17,668,000 redeemable common units for the years ended December 31, 2017, 2016 and 2015, respectively.

	For the Year Ended December 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	$ 512,866	171,661	$ 2.99
Effect of Dilutive Securities:			
Stock Based Compensation	—	200	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 512,866	171,861	$ 2.98

	For the Year Ended December 31, 2016		
	Income (Numerator)	Units (Denominator)	Per Unit Amount
	(in thousands, except for per unit amounts)		
Basic Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 575,341	171,361	$ 3.36
Allocation of undistributed earnings to participating securities	(316)	—	—
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 575,025	171,361	$ 3.36
Effect of Dilutive Securities:			
Stock Based Compensation	—	262	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 575,025	171,623	$ 3.35

	For the Year Ended December 31, 2015		
	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	$ 648,748	171,139	$ 3.79
Effect of Dilutive Securities:			
Stock Based Compensation	—	373	(0.01)
Diluted Earnings:			
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 648,748	171,512	$ 3.78

16. Employee Benefit Plans

Effective January 1, 1985, the predecessor of the Company adopted a 401(k) Savings Plan (the "Plan") for its employees. Under the Plan, as amended, employees, as defined, are eligible to participate in the Plan after they have completed three months of service. Upon formation, the Company adopted the Plan and the terms of the Plan.

Under the Plan, as amended, the Company's matching contribution equals 200% of the first 3% of participant's eligible earnings contributed (utilizing earnings that are not in excess of an amount established by the IRS ($270,000, $265,000 and $265,000 in 2017, 2016 and 2015, respectively), indexed for inflation) with no vesting requirement. The Company's aggregate matching contribution for the years ended December 31, 2017, 2016 and 2015 was $4.1 million, $4.0 million and $3.7 million, respectively.

The Plan also provides for supplemental retirement contributions to certain employees who had at least ten years of service on January 1, 2001, and who were 40 years of age or older as of January 1, 2001. The maximum supplemental retirement contribution will not exceed the annual limit on contributions established by the IRS. The Company will record an annual supplemental retirement credit for the benefit of each participant. The Company's supplemental retirement contribution and credit for the years ended December 31, 2017, 2016 and 2015 was $18,000, $21,000 and $42,000, respectively.

The Company also maintains a deferred compensation plan that is designed to allow officers of Boston Properties, Inc. to defer a portion of their current income on a pre-tax basis and receive a tax-deferred return on these deferrals. The Company's obligation under the plan is that of an unsecured promise to pay the deferred compensation to the plan participants in the future. At December 31, 2017 and 2016, the Company had maintained approximately $29.2 million and $23.8 million, respectively, in a separate account, which is not restricted as to its use. The Company's liability under the plan is equal to the total amount of compensation deferred by the plan participants and earnings on the deferred compensation pursuant to investments elected by the plan participants. The Company's liability as of December 31, 2017 and 2016 was $29.2 million and $23.8 million, respectively, which are included in the accompanying Consolidated Balance Sheets.

17. Stock Option and Incentive Plan

At Boston Properties, Inc.'s 2012 annual meeting of stockholders held on May 15, 2012, its stockholders approved the Boston Properties, Inc. 2012 Stock Option and Incentive Plan (the "2012 Plan"). The 2012 Plan replaced the 1997 Stock Option and Incentive Plan (the "1997 Plan"). The material terms of the 2012 Plan include, among other things: (1) the maximum number of shares of common stock reserved and available for issuance under the 2012 Plan is the sum of (i) 13,000,000 newly authorized shares, plus (ii) the number of shares available for grant under the 1997 Stock Plan immediately prior to the effective date of the 2012 Plan, plus (iii) any shares underlying grants under the 1997 Plan that are forfeited, canceled or terminated (other than by exercise) in the future; (2) "full-value" awards (i.e., awards other than stock options) are multiplied by a 2.32 conversion ratio to calculate the number of shares available under the 2012 Plan that are used for each full-value award, as opposed to a 1.0 conversion ratio for each stock option awarded under the 2012 Plan; (3) shares tendered or held back for taxes will not be added back to the reserved pool under the 2012 Plan; (4) stock options may not be re-priced without stockholder approval; and (5) the term of the 2012 Plan is for ten years from the date of stockholder approval.

On January 25, 2017, Boston Properties, Inc.'s Compensation Committee approved the 2017 MYLTIP awards under its 2012 Plan to certain officers and employees of Boston Properties, Inc. The 2017 MYLTIP awards utilize Boston Properties, Inc.'s total stockholder return ("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 $42.7 million depending on Boston Properties, Inc.'s TSR relative to the two indices, with four tiers (threshold: approximately $10.7 million; target: approximately $21.3 million; high: approximately $32.0 million; exceptional: approximately $42.7 million) and linear interpolation between tiers. 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 6, 2020 and 50% on February 6, 2021, 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 6, 2020, earned awards will be calculated based on TSR performance up to the date of the change of control. The 2017 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 and no special distributions.

Under ASC 718, the 2017 MYLTIP awards have an aggregate value of approximately $17.7 million, which amount will generally be amortized into earnings over the four-year plan period under the graded vesting method.

On February 3, 2017, the measurement period for the Company's 2014 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 27.7% of target or an aggregate of approximately $3.5 million (after giving effect to voluntary employee separations and the unallocated reserve). As a result, an aggregate of 447,386 2014 MYLTIP Units that had been previously granted were automatically forfeited.

On February 4, 2016, the measurement period for the Company's 2013 MYLTIP awards ended and, based on Boston Properties, Inc.'s relative TSR performance, the final awards were determined to be 109.5% of target or an aggregate of approximately $13.5 million. As a result, 205,762 2013 MYLTIP Units were automatically forfeited.

On February 6, 2015, the measurement period for the Company's 2012 OPP Unit awards ended and Boston Properties, Inc.'s TSR performance was sufficient for employees to earn and therefore become eligible to vest in a portion of the 2012 OPP Unit awards. The final outperformance pool was determined to be approximately $32.1 million, or approximately 80% of the total maximum outperformance pool of $40.0 million. As a result, 174,549 2012 OPP Units were automatically forfeited.

On March 11, 2013, Boston Properties, Inc. announced that Owen D. Thomas would succeed Mortimer B. Zuckerman as its Chief Executive Officer, effective April 2, 2013. Mr. Zuckerman continued to serve as Executive Chairman for a transition period which was completed effective as of the close of business on December 31, 2014 and thereafter served as the non-executive Chairman of the Board of Boston Properties, Inc. until May 17, 2016. In connection with succession planning, Boston Properties, Inc. and Mr. Zuckerman entered into a Transition Benefits Agreement. Because Mr. Zuckerman remained employed by Boston Properties, Inc. through July 1, 2014, he was entitled to receive on January 1, 2015 a lump sum cash payment of $6.7 million and an equity award with a targeted value of approximately $11.1 million. The cash payment and equity award vested one-third on each of March 10, 2013, October 1, 2013 and July 1, 2014.

Boston Properties, Inc. issued 37,414, 22,067 and 34,150 shares of restricted common stock and Boston Properties Limited Partnership issued 113,918, 147,872 and 190,563 (including 85,962 LTIP Units issued on January 1, 2015 to Mortimer B. Zuckerman, non-executive Chairman of the Board of Boston Properties, Inc., pursuant to the Transition Benefits Agreement dated March 10, 2013) LTIP Units to employees and non-employee directors under the 2012 Plan during the years ended December 31, 2017, 2016 and 2015, respectively. Boston Properties, Inc. did not issue any non-qualified stock options under the 2012 Plan during the years ended December 31, 2017, 2016 and 2015. Boston Properties Limited Partnership issued 400,000 2017 MYLTIP Units, 475,004 2016 MYLTIP Units and 375,000 2015 MYLTIP Units to employees under the 2012 Plan during the years ended December 31, 2017, 2016 and 2015, respectively. Employees and non-employee directors paid $0.01 per share of restricted common stock and $0.25 per LTIP Unit, OPP Unit and MYLTIP Unit. When issued, LTIP Units are not economically equivalent in value to a share of Common Stock, but over time can increase in value to one-for-one parity with Common Stock if there is sufficient appreciation in the value of the Company's assets. The aggregate value of the LTIP Units is included in noncontrolling interests in the Consolidated Balance Sheets. Grants of restricted stock and LTIP Units to employees vest in four equal annual installments. Restricted stock is measured at fair value on the date of grant based on the number of shares granted and the closing price of Boston Properties, Inc.'s Common Stock on the date of grant as quoted on the New York Stock Exchange. Such value is recognized as an expense ratably over the corresponding employee service period. Non-qualified stock options, which are valued using the Black-Scholes option-pricing model, are recognized as an expense ratably over the corresponding employee service period. As the 2012 OPP Awards, 2013 MYLTIP Awards, 2014 MYLTIP Awards, 2015 MYLTIP Awards, 2016 MYLTIP Awards and 2017 MYLTIP Awards are subject to both a service condition and a market condition, the Company recognizes the compensation expense related to the 2012 OPP Awards, 2013 MYLTIP Awards, 2014 MYLTIP Awards, 2015 MYLTIP Awards 2016 MYLTIP Awards and 2017 MYLTIP Awards under the graded vesting attribution method. Under the graded vesting attribution method, each portion of the award that vests at a different date is accounted for as a separate award and recognized over the period appropriate to that portion so that the compensation cost for each portion should be recognized in full by the time that portion vests. The Company recognizes forfeitures as they occur on its awards of stock-based compensation (See Note 2). Dividends paid on both vested and unvested shares of restricted stock are charged directly to Dividends in Excess of Earnings in Boston Properties, Inc.'s Consolidated Balance Sheets and Partners' Capital in Boston Properties Limited Partnership's Consolidated Balance Sheets. Aggregate stock-based compensation expense associated with restricted stock, non-qualified stock options, LTIP Units, 2012 OPP Units, 2013 MYLTIP Units, 2014 MYLTIP Units, 2015 MYLTIP Units, 2016 MYLTIP Units and 2017 MYLTIP Units was approximately $33.2 million, $30.6 million and $26.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. At December 31, 2017, there was (1) an aggregate of approximately $19.2 million of unrecognized compensation expense related to unvested restricted stock, LTIP Units, 2013 MYLTIP Units and 2014 MYLTIP Units and (2) an aggregate of approximately $21.0 million of unrecognized compensation expense related to unvested 2015 MYLTIP Units, 2016 MYLTIP Units and 2017 MYLTIP Units that is expected to be recognized over a weighted-average period of approximately 2.3 years.

The shares of restricted stock were valued at approximately $4.9 million ($130.32 per share weighted-average), $2.5 million ($113.51 per share weighted-average) and $4.8 million ($140.88 per share weighted-average) for the years ended December 31, 2017, 2016 and 2015, respectively.

LTIP Units were valued using a Monte Carlo simulation method model in accordance with the provisions of ASC 718. LTIP Units issued during the years ended December 31, 2017, 2016 and 2015 were valued at approximately $13.6 million, $15.4 million and $13.5 million (excluding the number issued to Mr. Zuckerman, as discussed above), respectively. The weighted-average per unit fair value of LTIP Unit grants in 2017, 2016 and 2015 was $119.41, $103.83 and $128.94, respectively. The per unit fair value of each LTIP Unit granted in 2017, 2016 and 2015 was estimated on the date of grant using the following assumptions; an expected life of 5.7 years, 5.7 years and 5.7 years, a risk-free interest rate of 2.14%, 1.61% and 1.47% and an expected price volatility of 28.0%, 33.0% and 26.0%, respectively.

There were no non-qualified stock options granted during the years ended December 31, 2017, 2016 and 2015.

A summary of the status of Boston Properties, Inc.'s stock options as of December 31, 2017, 2016 and 2015 and changes during the years then ended are presented below:

	Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2014	553,312	$ 97.21
Exercised	(11,447)	$ 92.50
Special dividend adjustment	5,264	$ 96.38
Outstanding at December 31, 2015	547,129	$ 96.38
Exercised	—	$ —
Outstanding at December 31, 2016	547,129	$ 96.38
Exercised	(6,688)	$ 99.15
Outstanding at December 31, 2017	540,441	$ 96.35

The following table summarizes information about Boston Properties, Inc.'s stock options outstanding at December 31, 2017:

Options Outstanding				Options Exercisable		
Number Outstanding at 12/31/17	Weighted-Average Remaining Contractual Life	Exercise Price		Number Exercisable at 12/31/17	Exercise Price	
118,502	3.1 years	$	86.86	118,502	$	86.86
54,282	5.3 years	$	95.69	54,282	$	95.69
202,030	5.1 years	$	98.46	202,030	$	98.46
165,627	4.1 years	$	100.77	165,627	$	100.77

The total intrinsic value of the outstanding and exercisable stock options as of December 31, 2017 was approximately $18.2 million. In addition, Boston Properties, Inc. had 514,360 and 465,371 options exercisable at a weighted-average exercise price of $96.32 and $96.10 at December 31, 2016 and 2015, respectively.

Boston Properties, Inc. adopted the 1999 Non-Qualified Employee Stock Purchase Plan (the "Stock Purchase Plan") to encourage the ownership of Common Stock by eligible employees. The Stock Purchase Plan became effective on January 1, 1999 with an aggregate maximum of 250,000 shares of Common Stock available for issuance. The Stock Purchase Plan provides for eligible employees to purchase on the business day immediately following the end of the biannual purchase periods (i.e., January 1-June 30 and July 1-December 31) shares of Common Stock at a purchase price equal to 85% of the average closing prices of the Common Stock during the last ten business days of the purchase period. Boston Properties, Inc. issued 6,317, 5,695 and 6,199 shares with the weighted average purchase price equal to $105.97 per share, $109.27 per share and $108.73 per share under the Stock Purchase Plan during the years ended December 31, 2017, 2016 and 2015, respectively.

18. Related Party Transactions

Prior to joining Boston Properties, Inc. effective January 2, 2014, Mr. John F. Powers provided commercial real estate brokerage services to the Company, on behalf of his prior employer, CBRE, in connection with certain leasing transactions. Mr. Powers received approximately $22,000, $315,000 and $616,000 during the years ended December 31, 2017, 2016 and 2015, respectively, in connection with these transactions. Mr. John F. Powers is an Executive Vice President of Boston Properties, Inc. and the Regional Manager of its New York office.

A firm controlled by Mr. Raymond A. Ritchey's brother was paid aggregate leasing commissions of approximately $368,000, $374,000 and $384,000 for the years ended December 31, 2017, 2016 and 2015, respectively, related to certain exclusive leasing arrangements for certain Northern Virginia properties. Mr. Ritchey is a Senior Executive Vice President of Boston Properties, Inc.

In accordance with Boston Properties, Inc.'s 2012 Plan, and as approved by its Board of Directors, five non-employee directors made elections to receive deferred stock units in lieu of cash fees for 2017. The deferred stock units will be settled in shares of common stock upon the cessation of such director's service on the Board of Directors of Boston Properties, Inc. As a result of these elections, the aggregate cash fees otherwise payable to a non-employee director during a fiscal quarter are converted into a number of deferred stock units equal to the aggregate cash fees divided by the last reported sales price of a share of Boston Properties, Inc.'s common stock on the last trading of the applicable fiscal quarter. The deferred stock units are also credited with dividend equivalents as dividends are paid by Boston Properties, Inc. On May 17, 2016, in connection with the cessation of a director's service on the Board of Directors of Boston Properties, Inc., Boston Properties, Inc. issued 1,507 shares of common stock in settlement of the director's outstanding deferred stock units. At December 31, 2017 and 2016, Boston Properties, Inc. had outstanding 105,479 and 99,035 deferred stock units, respectively.

19. Selected Interim Financial Information (unaudited)

Boston Properties, Inc.

The tables below reflect Boston Properties, Inc.'s selected quarterly information for the years ended December 31, 2017 and 2016.

	2017 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per share amounts)			
Total revenue	$ 632,228	$ 656,907	$ 657,712	$ 655,229
Income before gains on sales of real estate	$ 115,431	$ 163,243	$ 144,813	$ 131,331
Net income attributable to Boston Properties, Inc. common shareholders	$ 97,083	$ 133,709	$ 117,337	$ 103,829
Income attributable to Boston Properties, Inc. per share—basic	$ 0.63	$ 0.87	$ 0.76	$ 0.67
Income attributable to Boston Properties, Inc. per share—diluted	$ 0.63	$ 0.87	$ 0.76	$ 0.67

	2016 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per share amounts)			
Total revenue	$ 665,985	$ 623,546	$ 625,228	$ 636,061
Income before gains on sales of real estate	$ 148,599	$ 117,357	$ 58,521	$ 164,894
Net income attributable to Boston Properties, Inc. common shareholders	$ 181,747	$ 96,597	$ 76,753	$ 147,214
Income attributable to Boston Properties, Inc. per share—basic	$ 1.18	$ 0.63	$ 0.50	$ 0.96
Income attributable to Boston Properties, Inc. per share—diluted	$ 1.18	$ 0.63	$ 0.50	$ 0.96

Boston Properties Limited Partnership

The tables below reflect Boston Properties Limited Partnership's selected quarterly information for the years ended December 31, 2017 and 2016.

	2017 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per unit amounts)			
Total revenue	$ 632,228	$ 656,907	$ 657,712	$ 655,229
Income before gains on sales of real estate	$ 117,578	$ 165,328	$ 146,767	$ 133,285
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 110,662	$ 151,844	$ 132,693	$ 117,667
Income attributable to Boston Properties Limited Partnership per unit—basic	$ 0.64	$ 0.88	$ 0.77	$ 0.69
Income attributable to Boston Properties Limited Partnership per unit—diluted	$ 0.64	$ 0.88	$ 0.77	$ 0.68

	2016 Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except for per unit amounts)			
Total revenue	$ 665,985	$ 623,546	$ 625,228	$ 636,061
Income before gains on sales of real estate	$ 150,586	$ 119,341	$ 63,687	$ 167,384
Net income attributable to Boston Properties Limited Partnership common unitholders	$ 207,296	$ 109,938	$ 91,306	$ 166,801
Income attributable to Boston Properties Limited Partnership per unit—basic	$ 1.21	$ 0.64	$ 0.53	$ 0.97
Income attributable to Boston Properties Limited Partnership per unit—diluted	$ 1.21	$ 0.64	$ 0.53	$ 0.97

20. Subsequent Events

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, which exceeds its carrying value. 500 E Street, S.W. is an approximately 262,000 net rentable square foot Class A office property.

On January 24, 2018, the Company entered into a lease agreement with a tenant 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. The Company expects that the building will be complete and available for occupancy during the first 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 2, 2018 and February 6, 2018, Boston Properties, Inc. issued an aggregate of 18,226 shares of restricted common stock and Boston Properties Limited Partnership issued an aggregate of 195,546 LTIP units under the 2012 Plan to certain employees of Boston Properties, Inc.

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

On February 6, 2018, Boston Properties, Inc.’s Compensation Committee approved the 2018 Multi-Year Long-Term Incentive Program (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 total stockholder return (“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 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 1.0 million net rentable square feet. The Company expects to begin construction in the second half of 2018 upon receipt of all necessary approvals.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosures***

None.

Item 9A. ***Controls and Procedures***

Boston Properties, Inc.

As of the end of the period covered by this report, an evaluation was carried out by our management, with the participation of Boston Properties, Inc.'s Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, Boston Properties, Inc.'s Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, no change in Boston Properties, Inc.'s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fourth quarter of Boston Properties, Inc.'s fiscal year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, Boston Properties, Inc.'s internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting is set forth on page 112 of this Annual Report on Form 10-K and is incorporated herein by reference.

Boston Properties Limited Partnership

As of the end of the period covered by this report, an evaluation was carried out by the management of Boston Properties, Inc., with the participation of its Chief Executive Officer and Chief Financial Officer, of 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. In addition, no change in its internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fourth quarter of its fiscal year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting is set forth on page 121 of this Annual Report on Form 10-K and is incorporated herein by reference.

Item 9B. ***Other Information***

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by Item 10 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 11. *Executive Compensation*

The information required by Item 11 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The following table summarizes Boston Properties, Inc.'s equity compensation plans as of December 31, 2017.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted-average exercise price of outstanding options, warrants and rights		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	
	(a)		(b)		(c)	
Equity compensation plans approved by security holders (1)	3,989,048	(2)	$ 96.35	(2)	9,107,022	(3)
Equity compensation plans not approved by security holders (4)	N/A		N/A		97,477	
Total	3,989,048		$ 96.35		9,204,499	

(1) Includes information related to BXP's 1997 Plan and 2012 Plan.

(2) Includes (a) 540,441 shares of common stock issuable upon the exercise of outstanding options (all of which are vested and exercisable), (b) 818,343 long term incentive units (LTIP units) (522,531 of which are vested) that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (c) 1,284,807 common units issued upon conversion of LTIP units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (d) 366,618 2015 MYLTIP Units that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (e) 473,360 2016 MYLTIP Units that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock, (f) 400,000 2017 MYLTIP Units that, upon the satisfaction of certain conditions, are convertible into common units, which may be presented to BPLP for redemption and acquired by BXP for shares of its common stock and (g) 105,479 deferred stock units which were granted pursuant to elections by certain of BXP's non-employee directors to defer all cash compensation to be paid to such directors and to receive their deferred cash compensation in shares of BXP's common stock upon their retirement from its Board of Directors. Does not include 66,098 shares of restricted stock, as they have been reflected in BXP's total shares outstanding. Because there is no exercise price associated with LTIP units, 2015 MYLTIP Units, 2016 MYLTIP Units, 2017 MYLTIP Units or deferred stock units, such shares are not included in the weighed-average exercise price calculation.

(3) Represents awards available for issuance under BXP's 2012 Plan at a 1.0 conversion ratio. "Full-value" awards (i.e., awards other than stock options) are multiplied by a 2.32 conversion ratio to calculate the number of shares available under the 2012 Plan that are used for each full-value award, as opposed to a 1.0 conversion ratio for each stock option awarded under the 2012 Plan.

(4) Includes information related to the 1999 Non-Qualified Employee Stock Purchase Plan (ESPP). The ESPP was adopted by the Board of Directors of BXP on October 29, 1998. The ESPP has not been approved by BXP's stockholders. The ESPP is available to all our employees that are employed on the first day of the purchase period. Under the ESPP, each eligible employee may purchase shares of our common stock at semi-annual intervals each year at a purchase price equal to 85% of the average closing prices of our common stock on the New York Stock Exchange during the last ten business days of the purchase period. Each eligible employee may contribute no more than $10,000 per year to purchase our common stock under the ESPP.

Additional information concerning security ownership of certain beneficial owners and management required by Item 12 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by Item 13 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

The information required by Item 14 will be included in the Proxy Statement to be filed relating to Boston Properties, Inc.'s 2018 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 15. *Exhibits and Financial Statement Schedules*

(a) Financial Statement Schedule

Boston Properties, Inc.
Schedule 3 - Real Estate and Accumulated Depreciation
December 31, 2017
(dollars in thousands)

Property Name	Type	Location	Encumbrances	Original Land	Original Building	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/ Renovated	Year(s) Acquired	Depreciable Lives (Years)
767 Fifth Avenue (the General Motors Building)	Office	New York, NY	$ 2,267,041	$ 1,796,252	$ 1,532,654	$ 135,559	$ 1,796,252	$ 1,668,213	$ —	$ —	$ 3,464,465	$ 222,981	1968	2013	(1)
Prudential Center	Office	Boston, MA	—	92,077	948,357	501,709	115,638	1,426,505	—	—	1,542,143	511,605	1965/1993/ 2002/2016-2017	1998/1999/ 2000	(1)
Embarcadero Center	Office	San Francisco, CA	—	179,697	847,410	366,780	195,987	1,197,900	—	—	1,393,887	596,100	1970/1989	1998-1999	(1)
399 Park Avenue	Office	New York, NY	—	339,200	700,358	181,418	354,107	866,869	—	—	1,220,976	310,262	1961	2002	(1)
601 Lexington Avenue	Office	New York, NY	672,142	241,600	494,782	290,590	289,639	634,134	—	103,199	1,026,972	254,932	1977/1997	2001	(1)
200 Clarendon Street and Garage	Office	Boston, MA	—	219,543	667,884	139,189	219,616	799,991	7,009	—	1,026,616	161,471	1976	2010	(1)
250 West 55th Street	Office	New York, NY	—	285,263	603,167	43,296	285,263	646,463	—	—	931,726	72,058	2014	2007	(1)
Carnegie Center	Office	Princeton, NJ	—	107,997	389,359	157,960	108,948	543,514	2,854	—	655,316	228,171	1983-2016	1998/1999/ 2000/2007/ 2014/2017	(1)
100 Federal Street	Office	Boston, MA	—	131,067	435,954	79,035	131,067	514,989	—	—	646,056	97,630	1971-1975/ 2017	2012	(1)
Times Square Tower	Office	New York, NY	—	165,413	380,438	87,050	169,193	463,708	—	—	632,901	191,435	2004	2000	(1)
Atlantic Wharf	Office	Boston, MA	—	63,988	454,537	17,473	63,988	472,010	—	—	535,998	101,525	2011	2007	(1)
Fountain Square	Office	Reston, VA	—	56,853	306,298	17,834	56,853	320,474	3,658	—	380,985	60,098	1986-1990	2012	(1)
510 Madison Avenue	Office	New York, NY	—	103,000	253,665	23,875	103,000	277,540	—	—	380,540	54,056	2012	2010	(1)
599 Lexington Avenue	Office	New York, NY	—	81,040	100,507	165,350	87,852	259,045	—	—	346,897	165,739	1986	1997	(1)
680 Folsom Street	Office	San Francisco, CA	—	72,545	219,766	7,545	72,545	227,311	—	—	299,856	30,577	2014	2012	(1)
South of Market and Democracy Tower	Office	Reston, VA	—	13,603	237,479	14,991	13,687	252,386	—	—	266,073	87,711	2008-2009	2003	(1)
601 Massachusetts Avenue	Office	Washington, DC	—	95,310	165,173	2,353	95,322	167,514	—	—	262,836	12,177	2016	2008	(1)
Bay Colony Corporate Center	Office	Waltham, MA	—	18,789	148,451	73,418	18,789	221,869	—	—	240,658	57,320	1985-1989	2011	(1)
Gateway Center	Office	San Francisco, CA	—	28,255	139,245	59,019	30,627	195,892	—	—	226,519	102,634	1984/1986/ 2002	1999	(1)
535 Mission Street	Office	San Francisco, CA	—	40,933	148,378	3,259	40,933	151,637	—	—	192,570	14,637	2015	2013	(1)
2200 Pennsylvania Avenue	Office	Washington, DC	—	—	183,541	4,907	—	188,448	—	—	188,448	46,780	2011	2008	(1)
Mountain View Research Park	Office	Mountain View, CA	—	95,066	68,373	8,136	95,066	76,509	—	—	171,575	15,146	1977-1981/ 2007-2013	2013	(1)
Reservoir Place	Office	Waltham, MA	—	18,605	104,124	43,255	20,108	145,876	—	—	165,984	66,230	1955/1987/ 2017	1997/1998	(1)
1330 Connecticut Avenue	Office	Washington, DC	—	25,982	82,311	32,839	27,135	113,997	—	—	141,132	22,530	1984	2004	(1)
1333 New Hampshire Avenue	Office	Washington, DC	—	34,032	85,660	11,473	35,382	95,783	—	—	131,165	40,499	1996	2003	(1)
Kingstowne Towne Center	Office	Alexandria, VA	—	18,021	109,038	1,371	18,062	110,368	—	—	128,430	39,048	2003-2006	2007	(1)

Boston Properties, Inc.
Schedule 3 - Real Estate and Accumulated Depreciation
December 31, 2017
(dollars in thousands)

Property Name	Type	Location	Encumbrances	Original Land	Original Building	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/ Renovated	Year(s) Acquired	Depreciable Lives (Years)
One Freedom Square	Office	Reston, VA	—	9,929	84,504	32,618	11,293	115,758	—	—	127,051	50,313	2000	2003	(1)
Capital Gallery	Office	Washington, DC	—	4,725	29,565	89,514	8,662	115,142	—	—	123,804	66,009	1981/2006	2007	(1)
Weston Corporate Center	Office	Weston, MA	—	25,753	92,312	(123)	25,854	92,088	—	—	117,942	23,125	2010	2001	(1)
Two Freedom Square	Office	Reston, VA	—	13,930	77,739	23,379	15,420	99,628	—	—	115,048	47,936	2001	2003	(1)
One and Two Reston Overlook	Office	Reston, VA	—	16,456	66,192	25,111	16,179	91,580	—	—	107,759	44,626	1999	2000	(1)
Discovery Square	Office	Reston, VA	—	11,198	71,782	24,414	12,533	94,861	—	—	107,394	43,184	2001	2003	(1)
140 Kendrick Street	Office	Needham, MA	—	18,095	66,905	17,492	19,092	83,400	—	—	102,492	29,013	2000	2004	(1)
355 Main Street	Office	Cambridge, MA	—	18,863	53,346	27,450	21,173	78,486	—	—	99,659	26,915	1981/1996/ 2013	2006	(1)
10 CityPoint	Office	Waltham, MA	—	1,953	85,752	2,833	2,116	88,422	—	—	90,538	4,673	2016	1997	(1)
90 Broadway	Office	Cambridge, MA	—	19,104	52,078	17,180	20,785	67,577	—	—	88,362	19,254	1983/1998/ 2013	2006	(1)
230 CityPoint	Office	Waltham, MA	—	13,189	49,823	25,236	13,593	74,655	—	—	88,248	26,562	1992	2005	(1)
Waltham Weston Corporate Center	Office	Waltham, MA	—	10,385	60,694	11,030	11,097	71,012	—	—	82,109	30,036	2003	1999	(1)
77 CityPoint	Office	Waltham, MA	—	13,847	60,383	5,703	13,873	66,060	—	—	79,933	23,044	2008	2001	(1)
3625-3635 Peterson Way	Office	Santa Clara, CA	—	63,206	14,879	138	63,206	14,879	138	—	78,223	5,120	1979	2016	(1)
North First Business Park	Office	San Jose, CA	—	58,402	13,069	4,416	23,377	16,600	35,910	—	75,887	15,839	1981	2007	(1)
300 Binney Street	Office	Cambridge, MA	—	18,080	51,262	140	18,080	51,402	—	—	69,482	7,755	2013	2009	(1)
2440 West El Camino Real	Office	Mountain View, CA	—	16,741	51,285	1,287	16,741	52,572	—	—	69,313	10,790	1987/2003	2011	(1)
Wisconsin Place	Office	Chevy Chase, MD	—	—	53,349	14,907	—	68,256	—	—	68,256	19,775	2009	2004	(1)
Reston Corporate Center	Office	Reston, VA	—	9,135	50,857	6,236	10,148	56,080	—	—	66,228	26,769	1984	1998	(1)
New Dominion Technology Park, Bldg. Two	Office	Herndon, VA	—	5,584	51,868	4,157	6,510	55,099	—	—	61,609	23,652	2004	1998	(1)
200 West Street	Office	Waltham, MA	—	16,148	24,983	10,673	16,813	34,991	—	—	51,804	21,140	1999	1997	(1)
New Dominion Technology Park, Bldg. One	Office	Herndon, VA	32,691	3,880	43,227	3,882	4,583	46,406	—	—	50,989	25,940	2001	1998	(1)
Sumner Square	Office	Washington, DC	—	624	28,745	19,000	1,478	46,891	—	—	48,369	23,570	1985	1999	(1)
255 Main Street	Office	Cambridge, MA	—	134	25,110	21,583	548	46,279	—	—	46,827	28,250	1987	1997	(1)
University Place	Office	Cambridge, MA	7,407	—	37,091	9,007	390	45,708	—	—	46,098	26,295	1985	1998	(1)
2600 Tower Oaks Boulevard	Office	Rockville, MD	—	4,243	31,125	9,867	4,785	40,450	—	—	45,235	21,020	2001	1998	(1)
Quorum Office Park	Office	Chelmsford, MA	—	3,750	32,454	5,813	5,187	36,830	—	—	42,017	16,594	2001	2000	(1)
500 E Street	Office	Washington, DC	—	109	22,420	14,743	2,379	34,893	—	—	37,272	23,781	1987	1997	(1)
150 Broadway	Office	Cambridge, MA	—	850	25,042	8,540	1,323	33,109	—	—	34,432	16,933	1999	1997	(1)
325 Main Street	Office	Cambridge, MA	—	174	12,200	11,963	965	23,372	—	—	24,337	12,852	1987/2013	1997	(1)
105 Broadway	Office	Cambridge, MA	—	1,299	12,943	8,214	2,395	20,061	—	—	22,456	13,493	1990	1997	(1)
Lexington Office Park	Office	Lexington, MA	—	998	1,426	18,219	1,264	19,379	—	—	20,643	13,404	1982	1997	(1)
201 Spring Street	Office	Lexington, MA	—	2,849	15,303	694	3,124	15,722	—	—	18,846	7,931	1997	1997	(1)
The Point	Office	Waltham, MA	—	6,395	10,040	409	6,480	10,364	—	—	16,844	714	2015	2007	(1)
92-100 Hayden Avenue	Office	Lexington, MA	—	594	6,748	8,181	802	14,721	—	—	15,523	12,495	1985	1997	(1)
91 Hartwell Avenue	Office	Lexington, MA	—	784	6,464	8,269	941	14,576	—	—	15,517	9,849	1985	1997	(1)

Boston Properties, Inc.
Schedule 3 - Real Estate and Accumulated Depreciation
December 31, 2017
(dollars in thousands)

				Original												
Property Name	Type	Location	Encumbrances	Land	Building	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/ Renovated	Year(s) Acquired	Depreciable Lives (Years)
690 Folsom Street	Office	San Francisco, CA	—	3,219	11,038	1,157	3,219	12,195	—	—	15,414	1,295	2015	2012	(1)
181 Spring Street	Office	Lexington, MA	—	1,066	9,520	2,318	1,160	11,744	—	—	12,904	5,194	1999	1997	(1)
195 West Street	Office	Waltham, MA	—	1,611	6,652	4,340	1,858	10,745	—	—	12,603	7,963	1990	1997	(1)
33 Hayden Avenue	Office	Lexington, MA	—	266	3,234	8,381	425	11,456	—	—	11,881	8,211	1979	1997	(1)
7501 Boston Boulevard, Building Seven	Office	Springfield, VA	—	665	9,273	819	791	9,966	—	—	10,757	4,848	1997	1997	(1)
7435 Boston Boulevard, Building One	Office	Springfield, VA	—	392	3,822	3,997	659	7,552	—	—	8,211	5,510	1982	1997	(1)
250 Binney Street	Office	Cambridge, MA	—	110	4,483	3,593	273	7,913	—	—	8,186	5,066	1983	1997	(1)
8000 Grainger Court, Building Five	Office	Springfield, VA	—	366	4,282	3,375	601	7,422	—	—	8,023	5,644	1984	1997	(1)
7450 Boston Boulevard, Building Three	Office	Springfield, VA	—	1,165	4,681	1,773	1,430	6,189	—	—	7,619	3,451	1987	1998	(1)
453 Ravendale Drive	Office	Mountain View, CA	—	5,477	1,090	408	5,477	1,498	—	—	6,975	472	1977	2012	(1)
17 Hartwell Avenue	Office	Lexington, MA	—	26	150	6,252	65	6,363	—	—	6,428	1,098	1968	1997	(1)
7601 Boston Boulevard, Building Eight	Office	Springfield, VA	—	200	878	5,052	551	5,579	—	—	6,130	4,263	1986	1997	(1)
7300 Boston Boulevard, Building Thirteen	Office	Springfield, VA	—	608	4,773	709	661	5,429	—	—	6,090	2,785	2002	1997	(1)
7500 Boston Boulevard, Building Six	Office	Springfield, VA	—	138	3,749	1,655	406	5,136	—	—	5,542	3,965	1985	1997	(1)
8000 Corporate Court, Building Eleven	Office	Springfield, VA	—	136	3,071	1,596	774	4,029	—	—	4,803	2,909	1989	1997	(1)
7374 Boston Boulevard, Building Four	Office	Springfield, VA	—	241	1,605	1,913	398	3,361	—	—	3,759	2,578	1984	1997	(1)
7375 Boston Boulevard, Building Ten	Office	Springfield, VA	—	23	2,685	938	93	3,553	—	—	3,646	2,570	1988	1997	(1)
7451 Boston Boulevard, Building Two	Office	Springfield, VA	—	249	1,542	1,659	613	2,837	—	—	3,450	2,429	1982	1997	(1)
32 Hartwell Avenue	Office	Lexington, MA	—	168	1,943	1,012	314	2,809	—	—	3,123	1,974	1968/1979/ 1987	1997	(1)
164 Lexington Road	Office	Billerica, MA	—	592	1,370	319	643	1,638	—	—	2,281	868	1982	1997	(1)
The Avant at Reston Town Center	Residential	Reston, VA	—	20,350	91,995	830	20,350	92,825	—	—	113,175	9,780	2014	2010	(1)
The Lofts at Atlantic Wharf	Residential	Boston, MA	—	3,529	54,891	1,768	3,529	56,659	—	—	60,188	9,622	2011	2007	(1)
Boston Marriott Cambridge	Hotel	Cambridge, MA	—	478	37,918	38,799	1,201	75,994	—	—	77,195	47,753	1986	1997	(1)
Kendall Center Green Garage	Garage	Cambridge, MA	—	—	35,035	7,448	103	42,380	—	—	42,483	10,779	1984	2006	(1)
Kendall Center Yellow Garage	Garage	Cambridge, MA	—	1,256	15,697	1,621	1,434	17,140	—	—	18,574	5,181	2006	2004	(1)
Kendall Center Blue Garage	Garage	Cambridge, MA	—	1,163	11,633	2,283	1,579	13,500	—	—	15,079	9,209	1990	1997	(1)
Salesforce Tower	Development	San Francisco, CA	—	—	—	947,106	200,349	55,318	—	691,439	947,106	116	N/A	2013	N/A
Signature at Reston	Development	Reston, VA	—	—	—	203,650	—	—	—	203,650	203,650	—	N/A	2013	N/A
Proto Kendall Square	Development	Cambridge, MA	—	—	—	82,905	—	—	—	82,905	82,905	—	N/A	2015	N/A
145 Broadway	Development	Cambridge, MA	—	121	—	79,979	324	—	—	79,776	80,100	—	NA	1997	N/A
191 Spring Street	Development	Lexington, MA	—	2,850	27,166	35,174	3,151	46,288	—	15,751	65,190	19,034	1971/1995	1997	(1)

Boston Properties, Inc.
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Property Name	Type	Location	Encumbrances	Original Land	Original Building	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/ Renovated	Year(s) Acquired	Depreciable Lives (Years)
6595 Springfield Center Drive (TSA Headquarters)	Development	Springfield, VA	—	—	—	41,918	—	—	—	41,918	41,918	—	N/A	2007	N/A
MacArthur Station Residences	Development	Oakland, CA	—	—	—	37,644	—	—	—	37,644	37,644	—	N/A	N/A	N/A
20 CityPoint	Development	Waltham, MA	—	—	—	13,056	—	—	—	13,056	13,056	—	N/A	2007	N/A
Tower Oaks Master Plan	Land	Rockville, MD	—	—	—	29,419	—	—	29,419	—	29,419	—	N/A	1998	N/A
Plaza at Almaden	Land	San Jose, CA	—	—	—	29,085	—	—	29,085	—	29,085	—	N/A	2006	N/A
Springfield Metro Center	Land	Springfield, VA	—	—	—	19,684	—	—	19,684	—	19,684	—	N/A	2007	N/A
214 Third Avenue	Land	Waltham, MA	—	—	—	13,815	—	—	13,815	—	13,815	—	N/A	2006	N/A
Reston Gateway	Land	Reston, VA	—	—	—	13,730	—	—	13,730	—	13,730	—	N/A	1998	N/A
103 Fourth Avenue	Land	Waltham, MA	—	—	—	12,115	—	—	12,115	—	12,115	—	N/A	2007	N/A
Crane Meadow	Land	Marlborough, MA	—	—	—	8,836	—	—	8,836	—	8,836	—	N/A	2000	N/A
Washingtonian North	Land	Gaithersburg, MD	—	—	—	7,645	—	—	7,645	—	7,645	—	N/A	1998	N/A
2100 Pennsylvania Avenue	Land	Washington, DC	—	—	—	6,543	—	—	6,543	—	6,543	—	N/A	N/A	N/A
Fourth and Harrison	Land	San Francisco, CA	—	—	—	5,659	—	—	5,659	—	5,659	—	N/A	N/A	N/A
North First Master Plan	Land	San Jose, CA	—	—	—	3,018	—	—	3,018	—	3,018	—	N/A	2007	N/A
Broad Run Business Park	Land	Loudoun County, VA	—	—	—	2,367	—	—	2,367	—	2,367	—	N/A	1998	N/A
Kendall Center Master Plan	Land	Cambridge, MA	—	—	—	2,207	—	—	2,207	—	2,207	—	N/A	N/A	N/A
Weston Quarry	Land	Weston, MA	—	—	—	1,194	—	—	1,194	—	1,194	—	N/A	2001	N/A
Reston Overlook Master Plan	Land	Reston, VA	—	—	—	39	—	—	39	—	39	—	N/A	2000	N/A
			$ 2,979,281 (2)	$ 4,762,002	$11,634,050	$ 4,662,662	$ 5,080,679	$ 14,503,772	$ 204,925 (3)	$ 1,269,338	$ 21,058,714	$ 4,566,570			

Note: Total Real Estate does not include Furniture, Fixtures and Equipment totaling approximately $37,928. Accumulated Depreciation does not include approximately $23,064 of accumulated depreciation related to Furniture, Fixtures and Equipment.

The aggregate cost and accumulated depreciation for tax purposes was approximately $17.3 billion and $3.6 billion, respectively.

(1) Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to 40 years.
(2) Includes unamortized deferred financing costs totaling approximately $(34.7) million.
(3) Includes pre-development costs.

Boston Properties, Inc.
Real Estate and Accumulated Depreciation
December 31, 2017, 2016 and 2015
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A summary of activity for real estate and accumulated depreciation is as follows:

	2017	2016	2015
Real Estate:			
Balance at the beginning of the year	$ 20,114,576	$ 19,451,683	$ 19,208,417
Additions to/improvements of real estate	1,099,286	977,287	700,792
Assets sold/written-off	(155,148)	(314,394)	$ (457,526)
Balance at the end of the year	$ 21,058,714	$ 20,114,576	$ 19,451,683
Accumulated Depreciation:			
Balance at the beginning of the year	$ 4,201,891	$ 3,905,940	$ 3,529,978
Depreciation expense	497,059	560,024	486,450
Assets sold/written-off	(132,380)	(264,073)	(110,488)
Balance at the end of the year	$ 4,566,570	$ 4,201,891	$ 3,905,940

Note: Real Estate and Accumulated Depreciation amounts do not include Furniture, Fixtures and Equipment.

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Property Name	Type	Location	Encumbrances	Original Land	Original Building	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/ Renovated	Year(s) Acquired	Depreciable Lives (Years)
767 Fifth Avenue (the General Motors Building)	Office	New York, NY	$ 2,267,041	$1,796,252	$ 1,532,654	$ 135,559	$ 1,796,252	$ 1,668,213	$ —	$ —	$ 3,464,465	$ 222,981	1968	2013	(1)
Prudential Center	Office	Boston, MA	—	92,077	948,357	441,339	100,540	1,381,233	—	—	1,481,773	497,960	1965/1993/ 2002/2016-2017	1998/1999/ 2000	(1)
Embarcadero Center	Office	San Francisco, CA	—	179,697	847,410	304,399	180,420	1,151,086	—	—	1,331,506	581,932	1970/1989	1998-1999	(1)
399 Park Avenue	Office	New York, NY	—	339,200	700,358	121,810	339,200	822,168	—	—	1,161,368	296,763	1961	2002	(1)
200 Clarendon Street and Garage	Office	Boston, MA	—	219,543	667,884	139,189	219,616	799,991	7,009	—	1,026,616	161,471	1976	2010	(1)
601 Lexington Avenue	Office	New York, NY	672,142	241,600	494,782	253,504	279,281	607,406	—	103,199	989,886	246,814	1977/1997	2001	(1)
250 West 55th Street	Office	New York, NY	—	285,263	603,167	43,296	285,263	646,463	—	—	931,726	72,058	2014	2007	(1)
100 Federal Street	Office	Boston, MA	—	131,067	435,954	79,035	131,067	514,989	—	—	646,056	97,630	1971-1975/ 2017	2012	(1)
Carnegie Center	Office	Princeton, NJ	—	107,997	389,359	140,642	104,617	530,527	2,854	—	637,998	224,256	1983-2016	1998/1999/ 2000/2007/ 2014/2017	(1)
Times Square Tower	Office	New York, NY	—	165,413	380,438	49,071	159,694	435,228	—	—	594,922	182,850	2004	2000	(1)
Atlantic Wharf	Office	Boston, MA	—	63,988	454,537	17,473	63,988	472,010	—	—	535,998	101,525	2011	2007	(1)
Fountain Square	Office	Reston, VA	—	56,853	306,298	17,834	56,853	320,474	3,658	—	380,985	60,098	1986-1990	2012	(1)
510 Madison Avenue	Office	New York, NY	—	103,000	253,665	23,875	103,000	277,540	—	—	380,540	54,056	2012	2010	(1)
599 Lexington Avenue	Office	New York, NY	—	81,040	100,507	138,108	81,040	238,615	—	—	319,655	159,586	1986	1997	(1)
680 Folsom Street	Office	San Francisco, CA	—	72,545	219,766	7,545	72,545	227,311	—	—	299,856	30,577	2014	2012	(1)
South of Market and Democracy Tower	Office	Reston, VA	—	13,603	237,479	14,655	13,603	252,134	—	—	265,737	87,651	2008-2009	2003	(1)
601 Massachusetts Avenue	Office	Washington, DC	—	95,310	165,173	2,341	95,310	167,514	—	—	262,824	12,177	2016	2008	(1)
Bay Colony Corporate Center	Office	Waltham, MA	—	18,789	148,451	73,418	18,789	221,869	—	—	240,658	57,320	1985-1989	2011	(1)
Gateway Center	Office	San Francisco, CA	—	28,255	139,245	52,630	29,029	191,101	—	—	220,130	101,191	1984/1986/ 2002	1999	(1)
535 Mission Street	Office	San Francisco, CA	—	40,933	148,378	3,259	40,933	151,637	—	—	192,570	14,637	2015	2013	(1)
2200 Pennsylvania Avenue	Office	Washington, DC	—	—	183,541	4,907	—	188,448	—	—	188,448	46,780	2011	2008	(1)
Mountain View Research Park	Office	Mountain View, CA	—	95,066	68,373	8,136	95,066	76,509	—	—	171,575	15,146	1977-1981/ 2007-2013	2013	(1)
Reservoir Place	Office	Waltham, MA	—	18,605	104,124	39,180	19,089	142,820	—	—	161,909	65,309	1955/1987/ 2017	1997/1998	(1)
1330 Connecticut Avenue	Office	Washington, DC	—	25,982	82,311	28,226	25,982	110,537	—	—	136,519	21,484	1984	2004	(1)
Kingstowne Towne Center	Office	Alexandria, VA	—	18,021	109,038	1,207	18,021	110,245	—	—	128,266	39,018	2003-2006	2007	(1)
1333 New Hampshire Avenue	Office	Washington, DC	—	34,032	85,660	6,079	34,032	91,739	—	—	125,771	39,279	1996	2003	(1)
One Freedom Square	Office	Reston, VA	—	9,929	84,504	26,981	9,883	111,531	—	—	121,414	49,037	2000	2003	(1)
Weston Corporate Center	Office	Weston, MA	—	25,753	92,312	(123)	25,854	92,088	—	—	117,942	23,125	2010	2001	(1)
Capital Gallery	Office	Washington, DC	—	4,725	29,565	79,383	6,128	107,545	—	—	113,673	63,717	1981/2006	2007	(1)
Two Freedom Square	Office	Reston, VA	—	13,930	77,739	17,167	13,866	94,970	—	—	108,836	46,532	2001	2003	(1)
One and Two Reston Overlook	Office	Reston, VA	—	16,456	66,192	20,693	15,074	88,267	—	—	103,341	43,627	1999	2000	(1)

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Discovery Square	Office	Reston, VA	—	11,198	71,782	18,869	11,146	90,703	—	—	101,849	41,928	2001	2003	(1)
355 Main Street	Office	Cambridge, MA	—	18,863	53,346	27,152	21,098	78,263	—	—	99,361	26,850	1981/1996/ 2013	2006	(1)
140 Kendrick Street	Office	Needham, MA	—	18,095	66,905	13,502	18,095	80,407	—	—	98,502	28,111	2000	2004	(1)
10 CityPoint	Office	Waltham, MA	—	1,953	85,752	2,670	1,953	88,422	—	—	90,375	4,673	2016	1997	(1)
90 Broadway	Office	Cambridge, MA	—	19,104	52,078	17,001	20,741	67,442	—	—	88,183	19,220	1983/1998/ 2013	2006	(1)
230 CityPoint	Office	Waltham, MA	—	13,189	49,823	23,619	13,189	73,442	—	—	86,631	26,200	1992	2005	(1)
77 CityPoint	Office	Waltham, MA	—	13,847	60,383	5,598	13,847	65,981	—	—	79,828	23,024	2008	2001	(1)
Waltham Weston Corporate Center	Office	Waltham, MA	—	10,385	60,694	8,043	10,350	68,772	—	—	79,122	29,359	2003	1999	(1)
3625-3635 Peterson Way	Office	Santa Clara, CA	—	63,206	14,879	138	63,206	14,879	138	—	78,223	5,120	1979	2016	(1)
North First Business Park	Office	San Jose, CA	—	58,402	13,069	4,393	23,371	16,583	35,910	—	75,864	15,839	1981	2007	(1)
300 Binney Street	Office	Cambridge, MA	—	18,080	51,262	140	18,080	51,402	—	—	69,482	7,755	2013	2009	(1)
2440 West El Camino Real	Office	Mountain View, CA	—	16,741	51,285	1,287	16,741	52,572	—	—	69,313	10,790	1987/2003	2011	(1)
Wisconsin Place	Office	Chevy Chase, MD	—	—	53,349	14,907	—	68,256	—	—	68,256	19,775	2009	2004	(1)
Reston Corporate Center	Office	Reston, VA	—	9,135	50,857	3,625	9,496	54,121	—	—	63,617	26,178	1984	1998	(1)
New Dominion Technology Park, Bldg. Two	Office	Herndon, VA	—	5,584	51,868	412	5,574	52,290	—	—	57,864	22,801	2004	1998	(1)
200 West Street	Office	Waltham, MA	—	16,148	24,983	8,012	16,148	32,995	—	—	49,143	20,538	1999	1997	(1)
New Dominion Technology Park, Bldg. One	Office	Herndon, VA	32,691	3,880	43,227	1,072	3,880	44,299	—	—	48,179	25,304	2001	1998	(1)
Sumner Square	Office	Washington, DC	—	624	28,745	16,920	958	45,331	—	—	46,289	23,103	1985	1999	(1)
255 Main Street	Office	Cambridge, MA	—	134	25,110	19,927	134	45,037	—	—	45,171	27,878	1987	1997	(1)
University Place	Office	Cambridge, MA	7,407	—	37,091	7,557	27	44,621	—	—	44,648	25,971	1985	1998	(1)
2600 Tower Oaks Boulevard	Office	Rockville, MD	—	4,243	31,125	7,704	4,244	38,828	—	—	43,072	20,529	2001	1998	(1)
Quorum Office Park	Office	Chelmsford, MA	—	3,750	32,454	4,115	4,762	35,557	—	—	40,319	16,211	2001	2000	(1)
500 E Street	Office	Washington, DC	—	109	22,420	11,503	1,569	32,463	—	—	34,032	23,051	1987	1997	(1)
150 Broadway	Office	Cambridge, MA	—	850	25,042	6,535	822	31,605	—	—	32,427	16,477	1999	1997	(1)
325 Main Street	Office	Cambridge, MA	—	174	12,200	11,192	772	22,794	—	—	23,566	12,675	1987/2013	1997	(1)
105 Broadway	Office	Cambridge, MA	—	1,299	12,943	6,108	1,868	18,482	—	—	20,350	13,015	1990	1997	(1)
Lexington Office Park	Office	Lexington, MA	—	998	1,426	17,455	1,073	18,806	—	—	19,879	13,235	1982	1997	(1)
201 Spring Street	Office	Lexington, MA	—	2,849	15,303	(405)	2,849	14,898	—	—	17,747	7,681	1997	1997	(1)
The Point	Office	Waltham, MA	—	6,395	10,040	409	6,480	10,364	—	—	16,844	714	2015	2007	(1)
690 Folsom Street	Office	San Francisco, CA	—	3,219	11,038	1,157	3,219	12,195	—	—	15,414	1,295	2015	2012	(1)
91 Hartwell Avenue	Office	Lexington, MA	—	784	6,464	7,642	784	14,106	—	—	14,890	9,705	1985	1997	(1)
92-100 Hayden Avenue	Office	Lexington, MA	—	594	6,748	7,452	619	14,175	—	—	14,794	12,329	1985	1997	(1)
181 Spring Street	Office	Lexington, MA	—	1,066	9,520	1,941	1,066	11,461	—	—	12,527	5,109	1999	1997	(1)
195 West Street	Office	Waltham, MA	—	1,611	6,652	3,351	1,611	10,003	—	—	11,614	7,736	1990	1997	(1)
33 Hayden Avenue	Office	Lexington, MA	—	266	3,234	7,744	266	10,978	—	—	11,244	8,067	1979	1997	(1)

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7501 Boston Boulevard, Building Seven	Office	Springfield, VA	—	665	9,273	314	665	9,587	—	—	10,252	4,732	1997	1997	(1)
250 Binney Street	Office	Cambridge, MA	—	110	4,483	2,939	110	7,422	—	—	7,532	4,922	1983	1997	(1)
7435 Boston Boulevard, Building One	Office	Springfield, VA	—	392	3,822	3,304	486	7,032	—	—	7,518	5,354	1982	1997	(1)
8000 Grainger Court, Building Five	Office	Springfield, VA	—	366	4,282	2,781	453	6,976	—	—	7,429	5,511	1984	1997	(1)
7450 Boston Boulevard, Building Three	Office	Springfield, VA	—	1,165	4,681	1,359	1,327	5,878	—	—	7,205	3,354	1987	1998	(1)
453 Ravendale Drive	Office	Mountain View, CA	—	5,477	1,090	408	5,477	1,498	—	—	6,975	472	1977	2012	(1)
17 Hartwell Avenue	Office	Lexington, MA	—	26	150	6,095	26	6,245	—	—	6,271	1,062	1968	1997	(1)
7300 Boston Boulevard, Building Thirteen	Office	Springfield, VA	—	608	4,773	497	608	5,270	—	—	5,878	2,737	2002	1997	(1)
7601 Boston Boulevard, Building Eight	Office	Springfield, VA	—	200	878	4,359	378	5,059	—	—	5,437	4,107	1986	1997	(1)
7500 Boston Boulevard, Building Six	Office	Springfield, VA	—	138	3,749	1,122	273	4,736	—	—	5,009	3,845	1985	1997	(1)
8000 Corporate Court, Building Eleven	Office	Springfield, VA	—	136	3,071	1,245	686	3,766	—	—	4,452	2,826	1989	1997	(1)
7375 Boston Boulevard, Building Ten	Office	Springfield, VA	—	23	2,685	757	47	3,418	—	—	3,465	2,532	1988	1997	(1)
7374 Boston Boulevard, Building Four	Office	Springfield, VA	—	241	1,605	1,530	303	3,073	—	—	3,376	2,494	1984	1997	(1)
7451 Boston Boulevard, Building Two	Office	Springfield, VA	—	249	1,542	1,346	535	2,602	—	—	3,137	2,357	1982	1997	(1)
32 Hartwell Avenue	Office	Lexington, MA	—	168	1,943	426	168	2,369	—	—	2,537	1,840	1968/1979/ 1987	1997	(1)
164 Lexington Road	Office	Billerica, MA	—	592	1,370	117	592	1,487	—	—	2,079	819	1982	1997	(1)
The Avant at Reston Town Center	Residential	Reston, VA	—	20,350	91,995	830	20,350	92,825	—	—	113,175	9,780	2014	2010	(1)
The Lofts at Atlantic Wharf	Residential	Boston, MA	—	3,529	54,891	1,768	3,529	56,659	—	—	60,188	9,622	2011	2007	(1)
Boston Marriott Cambridge	Hotel	Cambridge, MA	—	478	37,918	35,908	478	73,826	—	—	74,304	47,101	1986	1997	(1)
Kendall Center Green Garage	Garage	Cambridge, MA	—	—	35,035	7,034	—	42,069	—	—	42,069	10,687	1984	2006	(1)
Kendall Center Yellow Garage	Garage	Cambridge, MA	—	1,256	15,697	909	1,256	16,606	—	—	17,862	5,024	2006	2004	(1)
Kendall Center Blue Garage	Garage	Cambridge, MA	—	1,163	11,633	618	1,163	12,251	—	—	13,414	8,834	1990	1997	(1)
Salesforce Tower	Development	San Francisco, CA	—	—	—	947,106	200,349	55,318	—	691,439	947,106	116	N/A	2013	N/A
Signature at Reston	Development	Reston, VA	—	—	—	203,650	—	—	—	203,650	203,650	—	N/A	2013	N/A
Proto Kendall Square	Development	Cambridge, MA	—	—	—	82,905	—	—	—	82,905	82,905	—	N/A	2015	N/A
145 Broadway	Development	Cambridge, MA	—	121	—	79,776	121	—	—	79,776	79,897	—	NA	1997	N/A
191 Spring Street	Development	Lexington, MA	—	2,850	27,166	34,542	2,850	45,957	—	15,751	64,558	18,934	1971/1995	1997	(1)
6595 Springfield Center Drive (TSA Headquarters)	Development	Springfield, VA	—	—	—	41,918	—	—	—	41,918	41,918	—	N/A	2007	N/A

Boston Properties Limited Partnership
Schedule 3—Real Estate and Accumulated Depreciation
December 31, 2017
(dollars in thousands)

Property Name	Type	Location	Encumbrances	Original Land	Original Building	Costs Capitalized Subsequent to Acquisition	Land and Improvements	Building and Improvements	Land Held for Development	Development and Construction in Progress	Total	Accumulated Depreciation	Year(s) Built/ Renovated	Year(s) Acquired	Depreciable Lives (Years)
MacArthur Station Residences	Development	Oakland, CA	—	—	—	37,644	—	—	—	37,644	37,644	—	N/A	N/A	N/A
20 CityPoint	Development	Waltham, MA	—	—	—	13,056	—	—	—	13,056	13,056	—	N/A	2007	N/A
Tower Oaks Master Plan	Land	Rockville, MD	—	—	—	29,419	—	—	29,419	—	29,419	—	N/A	1998	N/A
Plaza at Almaden	Land	San Jose, CA	—	—	—	29,085	—	—	29,085	—	29,085	—	N/A	2006	N/A
Springfield Metro Center	Land	Springfield, VA	—	—	—	19,684	—	—	19,684	—	19,684	—	N/A	2007	N/A
214 Third Avenue	Land	Waltham, MA	—	—	—	13,815	—	—	13,815	—	13,815	—	N/A	2006	N/A
Reston Gateway	Land	Reston, VA	—	—	—	13,730	—	—	13,730	—	13,730	—	N/A	1998	N/A
103 Fourth Avenue	Land	Waltham, MA	—	—	—	12,115	—	—	12,115	—	12,115	—	N/A	2007	N/A
Crane Meadow	Land	Marlborough, MA	—	—	—	8,836	—	—	8,836	—	8,836	—	N/A	2000	N/A
Washingtonian North	Land	Gaithersburg, MD	—	—	—	7,645	—	—	7,645	—	7,645	—	N/A	1998	N/A
2100 Pennsylvania Avenue	Land	Washington, DC	—	—	—	6,543	—	—	6,543	—	6,543	—	N/A	N/A	N/A
Fourth and Harrison	Land	San Francisco, CA	—	—	—	5,659	—	—	5,659	—	5,659	—	N/A	N/A	N/A
North First Master Plan	Land	San Jose, CA	—	—	—	3,018	—	—	3,018	—	3,018	—	N/A	2007	N/A
Broad Run Business Park	Land	Loudoun County, VA	—	—	—	2,367	—	—	2,367	—	2,367	—	N/A	1998	N/A
Kendall Center Master Plan	Land	Cambridge, MA	—	—	—	2,207	—	—	2,207	—	2,207	—	N/A	N/A	N/A
Weston Quarry	Land	Weston, MA	—	—	—	1,194	—	—	1,194	—	1,194	—	N/A	2001	N/A
Reston Overlook Master Plan	Land	Reston, VA	—	—	—	39	—	—	39	—	39	—	N/A	2000	N/A
			$ 2,979,281 (2)	$4,762,002	$11,634,050	$ 4,251,184	$ 4,976,303	$ 14,196,670	$ 204,925 (3)	$ 1,269,338	$20,647,236	$ 4,473,895			

Note: Total Real Estate does not include Furniture, Fixtures and Equipment totaling approximately $37,928. Accumulated Depreciation does not include approximately $23,064 of accumulated depreciation related to Furniture, Fixtures and Equipment.

The aggregate cost and accumulated depreciation for tax purposes was approximately $19.3 billion and $4.1 billion, respectively.

(1) Depreciation of the buildings and improvements are calculated over lives ranging from the life of the lease to 40 years.
(2) Includes unamortized deferred financing costs totaling approximately $(34.7) million.
(3) Includes pre-development costs.

Boston Properties Limited Partnership
Real Estate and Accumulated Depreciation
December 31, 2017, 2016 and 2015
(dollars in thousands)

A summary of activity for real estate and accumulated depreciation is as follows:

	2017	2016	2015
Real Estate:			
Balance at the beginning of the year	$ 19,701,185	$ 19,031,289	$ 18,786,572
Additions to/improvements of real estate	1,099,286	977,287	700,792
Assets sold/written-off	(153,235)	(307,391)	(456,075)
Balance at the end of the year	$ 20,647,236	$ 19,701,185	$ 19,031,289
Accumulated Depreciation:			
Balance at the beginning of the year	$ 4,116,020	$ 3,826,862	$ 3,458,640
Depreciation expense	488,919	548,397	478,457
Assets sold/written-off	(131,044)	(259,239)	(110,235)
Balance at the end of the year	$ 4,473,895	$ 4,116,020	$ 3,826,862

Note: Real Estate and Accumulated Depreciation amounts do not include Furniture, Fixtures and Equipment.

(b) Exhibits

2.1 — Transfer Agreement, dated May 31, 2013, by and among BP 767 Fifth LLC, Sungate Fifth Avenue LLC, 767 LLC and BP/DC 767 Fifth LLC. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Boston Properties, Inc. filed on June 3, 2013.)

2.2 — Purchase and Sale Agreement by and among NBIM Walker 601 LEX NYC LLC, NBIM Walker 100 FED BOS LLC, NBIM Walker ATW BOS LLC and Boston Properties Limited Partnership, dated September 16, 2014. (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on September 18, 2014.)

3.1 — Form of Amended and Restated Certificate of Incorporation of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to Boston Properties, Inc.'s Registration Statement on Form S-11, File No. 333-25279.)

3.2 — Amended and Restated Certificate of Designations of Series E Junior Participating Cumulative Preferred Stock of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to Boston Properties, Inc.'s Current Report on Form 8-K filed on June 18, 2007.)

3.3 — Certificate of Amendment of Amended and Restated Certificate of Incorporation of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to Boston Properties, Inc.'s Current Report on Form 8-K filed on May 20, 2010.)

3.4 — Certificate of Designations of 92,000 shares of 5.25% Series B Cumulative Redeemable Preferred Stock of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.3 to the Registration Statement on Form 8-A of Boston Properties, Inc. filed on March 22, 2013.)

3.5 — Third Amended and Restated By-laws of Boston Properties, Inc. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Boston Properties, Inc. filed on May 19, 2016.)

3.6 — Form of Certificate of Designations for Series A Preferred Stock. (Incorporated by reference to Exhibit 99.26 to Boston Properties, Inc.'s Current Report on Form 8-K filed on November 25, 1998.)

4.1 — Form of Common Stock Certificate. (Incorporated by reference to Exhibit 4.3 to Boston Properties, Inc.'s Registration Statement on Form S-11, File No. 333-25279.)

4.2 — Master Deposit Agreement among Boston Properties, Inc., Computershare Inc. and Computershare Trust Company, N.A., collectively, as depositary, and the holders from time to time of depositary shares as described therein, dated March 22, 2013. (Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A of Boston Properties, Inc. filed on March 22, 2013.)

4.3 — Indenture, dated as of December 13, 2002, by and between Boston Properties Limited Partnership and The Bank of New York, as Trustee. (Incorporated by reference to Exhibit 4.1 to Boston Properties, Inc.'s Current Report on Form 8-K/A filed on December 13, 2002.)

4.4 — Supplemental Indenture No. 8, dated as of October 9, 2009, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 5.875% Senior Note due 2019. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on October 9, 2009.)

4.5 — Supplemental Indenture No. 9, dated as of April 19, 2010, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 5.625% Senior Note due 2020. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on April 19, 2010.)

4.6 — Supplemental Indenture No. 10, dated as of November 18, 2010, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 4.125% Senior Note due 2021 (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on November 18, 2010.)

4.7 — Supplemental Indenture No. 12, dated as of June 11, 2012, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.85% Senior Note due 2023. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on June 11, 2012.)

4.8 — Supplemental Indenture No. 13, dated as of April 11, 2013, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.125% Senior Note due 2023. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on April 11, 2013.)

4.9 — Supplemental Indenture No. 14, dated as of June 27, 2013, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.800% Senior Note due 2024. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on July 1, 2013.)

4.10 — Supplemental Indenture No. 15, dated as of January 20, 2016, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee, including a form of the 3.650% Senior Note due 2026. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on January 20, 2016.)

4.11 — Supplemental Indenture No. 16, dated as of August 17, 2016, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee; including a form of the 2.750% Senior Note due 2026. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership and Boston Properties, Inc. filed on August 17, 2016.)

4.12 — Supplemental Indenture No. 17, dated as of December 4, 2017, between Boston Properties Limited Partnership and The Bank of New York Mellon Trust Company, N.A., as Trustee; including a form of the 3.200% Senior Note due 2025. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership and Boston Properties, Inc. filed on December 4, 2017.)

10.1 — Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of June 29, 1998. (Incorporated by reference to Exhibit 99.1 to Boston Properties, Inc.'s Current Report on Form 8-K filed on July 15, 1998.)

10.2 — Certificate of Designations for the Series Four Preferred Units, dated as of August 29, 2012, constituting an amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 10-Q of Boston Properties, Inc. filed on November 8, 2012.)

10.3 — Certificate of Designations for the 5.25% Series B Cumulative Redeemable Preferred Units, dated as of March 20, 2013, constituting an amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Boston Properties, Inc. filed on March 22, 2013.)

10.4* — Forty-Seventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of April 11, 2003, by Boston Properties, Inc., as general partner. (Incorporated by reference to Exhibit 10.1 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on August 14, 2003.)

10.5* — Seventy-Seventh Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of January 24, 2008, by Boston Properties, Inc., as general partner. (Incorporated by reference to Exhibit 10.3 to Boston Properties, Inc.'s Current Report on Form 8-K filed on January 29, 2008.)

10.6 — Ninety-Eighth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of October 21, 2010. (Incorporated by reference to Exhibit 10.1 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 5, 2010.)

10.7 One Hundred Forty-Ninth Amendment to the Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership, dated as of December 15, 2017. (Filed herewith.)

10.8* — Boston Properties, Inc. 2012 Stock Option and Incentive Plan. (Incorporated by reference to Exhibit A to Boston Properties, Inc.'s Proxy Statement on Schedule 14A filed on March 30, 2012.)

10.9* — Boston Properties, Inc. 1999 Non-Qualified Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 10.59 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 15, 2005.)

10.10* — First Amendment to the Boston Properties, Inc. 1999 Non-Qualified Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 10.60 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 15, 2005.)

10.11* — Second Amendment to the Boston Properties, Inc. 1999 Non-Qualified Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 10.61 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 15, 2005.)

10.12* — Boston Properties Deferred Compensation Plan, Amended and Restated Effective as of January 1, 2009. (Incorporated by reference to Exhibit 10.10 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)

10.13* — Employment Agreement by and between Owen D. Thomas and Boston Properties, Inc. dated March 10, 2013. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Boston Properties, Inc. filed on March 11, 2013.)

10.14* — Employment Agreement by and between Douglas T. Linde and Boston Properties, Inc. dated as of November 29, 2002. (Incorporated by reference to Exhibit 10.12 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)

10.15* — First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Douglas T. Linde. (Incorporated by reference to Exhibit 10.3 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)

10.16* — Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Douglas T. Linde. (Incorporated by reference to Exhibit 10.19 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)

10.17* — Amended and Restated Employment Agreement by and between Raymond A. Ritchey and Boston Properties, Inc. dated as of November 29, 2002. (Incorporated by reference to Exhibit 10.15 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)

10.18* — First Amendment to Amended and Restated Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Raymond A. Ritchey. (Incorporated by reference to Exhibit 10.4 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)

10.19* — Second Amendment to Amended and Restated Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Raymond A. Ritchey. (Incorporated by reference to Exhibit 10.22 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)

10.20* — Employment Agreement by and between Michael E. LaBelle and Boston Properties, Inc. dated as of January 24, 2008. (Incorporated by reference to Exhibit 10.2 to Boston Properties, Inc.'s Current Report on Form 8-K filed on January 29, 2008.)

10.21* — First Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Michael E. LaBelle. (Incorporated by reference to Exhibit 10.27 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)

10.22* — Employment Agreement by and between Peter D. Johnston and Boston Properties, Inc. dated as of August 25, 2005. (Incorporated by reference to Exhibit 10.2 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2005.)

10.23* — First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Peter D. Johnston. (Incorporated by reference to Exhibit 10.6 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)

10.24* — Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Peter D. Johnston. (Incorporated by reference to Exhibit 10.30 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)

10.25* — Employment Agreement by and between Bryan J. Koop and Boston Properties, Inc. dated as of November 29, 2002. (Incorporated by reference to Exhibit 10.10 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)

10.26* — First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Bryan J. Koop. (Incorporated by reference to Exhibit 10.7 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)

10.27* — Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Bryan J. Koop. (Incorporated by reference to Exhibit 10.33 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)

10.28*	—	Employment Agreement by and between Robert E. Pester and Boston Properties, Inc. dated as of December 16, 2002. (Incorporated by reference to Exhibit 10.14 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
10.29*	—	First Amendment to Employment Agreement, dated as of November 1, 2007, by and between Boston Properties, Inc. and Robert E. Pester. (Incorporated by reference to Exhibit 10.9 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
10.30*	—	Second Amendment to Employment Agreement, dated as of December 15, 2008, by and between Boston Properties, Inc. and Robert E. Pester. (Incorporated by reference to Exhibit 10.40 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
10.31*	—	Employment Agreement by and between John F. Powers and Boston Properties, Inc. dated as of November 4, 2013. (Incorporated by reference to Exhibit 10.41 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2014.)
10.32*	—	Employment Agreement by and between John F. Powers and Boston Properties, Inc. dated as of January 2, 2018. (Filed herewith.)
10.33*	—	Boston Properties, Inc. Senior Executive Severance Plan. (Incorporated by reference to Exhibit 10.19 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
10.34*	—	First Amendment to the Boston Properties, Inc. Senior Executive Severance Plan, dated as of October 18, 2007. (Incorporated by reference to Exhibit 10.13 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
10.35*	—	Second Amendment to the Boston Properties, Inc. Senior Executive Severance Plan, dated as of December 15, 2008. (Incorporated by reference to Exhibit 10.52 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
10.36*	—	Third Amendment to the Boston Properties, Inc. Senior Executive Severance Plan, dated as of January 8, 2014. (Incorporated by reference to Exhibit 10.48 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2014.)
10.37*	—	Boston Properties, Inc. Executive Severance Plan, dated as of July 30, 1998. (Incorporated by reference to Exhibit 10.20 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 27, 2003.)
10.38*	—	First Amendment to the Boston Properties, Inc. Executive Severance Plan, dated as of October 18, 2007. (Incorporated by reference to Exhibit 10.14 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
10.39*	—	Second Amendment to the Boston Properties, Inc. Executive Severance Plan, dated as of January 8, 2014. (Incorporated by reference to Exhibit 10.51 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 28, 2014.)
10.40*	—	Boston Properties, Inc. Officer Severance Plan, dated as of July 30, 1998. (Incorporated by reference to Exhibit 10.15 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
10.41*	—	First Amendment to the Boston Properties, Inc. Officer Severance Plan, dated as of October 18, 2007. (Incorporated by reference to Exhibit 10.16 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on November 9, 2007.)
10.42*	—	Second Amendment to the Boston Properties, Inc. Officer Severance Plan, dated as of December 15, 2008. (Incorporated by reference to Exhibit 10.57 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on March 2, 2009.)
10.43	—	Form of Indemnification Agreement by and among Boston Properties, Inc., Boston Properties Limited Partnership and certain officers and directors of the Company. (Incorporated by reference to Exhibit 10.1 to Boston Properties, Inc.'s Quarterly Report on Form 10-Q filed on August 9, 2004.)
10.44*	—	Director Appointment Agreement, dated as of January 20, 2011, by and between Matthew J. Lustig and Boston Properties, Inc. (Incorporated by reference to Exhibit 10.55 to Boston Properties, Inc.'s Annual Report on Form 10-K filed on February 25, 2011.)
10.45	—	Eighth Amended and Restated Credit Agreement, dated as of April 24, 2017, among Boston Properties Limited Partnership and the lenders identified therein. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Boston Properties Limited Partnership filed on April 25, 2017.)
12.1	—	Statement re Computation of Ratios for Boston Properties, Inc. (Filed herewith.)

12.2 — Statement re Computation of Ratios for Boston Properties Limited Partnership. (Filed herewith.)

21.1 — Subsidiaries of Boston Properties, Inc. and Boston Properties Limited Partnership (Filed herewith.)

23.1 — Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting firm for Boston Properties, Inc. (Filed herewith.)

23.2 — Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting firm for Boston Properties Limited Partnership. (Filed herewith.)

31.1 — Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Boston Properties, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)

31.2 — Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Boston Properties, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)

31.3 — Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Boston Properties Limited Partnership pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)

31.4 — Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Boston Properties Limited Partnership pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith.)

32.1 — Section 1350 Certification of Chief Executive Officer of Boston Properties, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)

32.2 — Section 1350 Certification of Chief Financial Officer of Boston Properties, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)

32.3 — Section 1350 Certification of Chief Executive Officer of Boston Properties Limited Partnership pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)

32.4 — Section 1350 Certification of Chief Financial Officer of Boston Properties Limited Partnership pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith.)

101 — The following materials from Boston Properties, Inc.'s and Boston Properties Limited Partnership's Annual Reports on Form 10-K for the year ended December 31, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Partners' Capital, (vi) the Consolidated Statements of Cash Flows, and (vii) related notes to these financial statements.

* Indicates management contract or compensatory plan or arrangement required to be filed or incorporated by reference as an exhibit to this Form 10-K pursuant to Item 15(b) of Form 10-K.

Item 16. ***Form 10-K Summary***

Not Applicable.

SIGNATURES

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

BOSTON PROPERTIES, INC.

February 28, 2018

/s/ MICHAEL E. LABELLE

Michael E. LaBelle
Chief Financial Officer
(duly authorized officer and principal financial officer)

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

February 28, 2018

By: /s/ OWEN D. THOMAS

Owen D. Thomas
Director, Chief Executive Officer and Principal Executive Officer

By: /s/ DOUGLAS T. LINDE

Douglas T. Linde
Director and President

By: /s/ BRUCE W. DUNCAN

Bruce W. Duncan
Director

By: /s/ KAREN E. DYKSTRA

Karen E. Dykstra
Director

By: /s/ CAROL B. EINIGER

Carol B. Einiger
Director

By: /s/ DR. JACOB A. FRENKEL

Dr. Jacob A. Frenkel
Director

By: /s/ JOEL I. KLEIN

Joel I. Klein
Director

By: /s/ MATTHEW J. LUSTIG

Matthew J. Lustig
Director

By: /s/ ALAN J. PATRICOF

Alan J. Patricof
Director

By: /s/ MARTIN TURCHIN

Martin Turchin
Director

By: /s/ DAVID A. TWARDOCK

David A. Twardock
Director

By: /s/ MICHAEL E. LABELLE

Michael E. LaBelle
Executive Vice President, Chief Financial Officer and Principal Financial Officer

By: /s/ MICHAEL R. WALSH

Michael R. Walsh
Senior Vice President, Chief Accounting Officer and Principal Accounting Officer

SIGNATURES

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

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

February 28, 2018

/s/ MICHAEL E. LABELLE

Michael E. LaBelle
Chief Financial Officer
(duly authorized officer and principal financial officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Boston Properties, Inc., as general partner of Boston Properties Limited Partnership, and in the capacities and on the dates indicated.

February 28, 2018

By: /s/ OWEN D. THOMAS

Owen D. Thomas
Director, Chief Executive Officer and Principal Executive Officer

By: /s/ DOUGLAS T. LINDE

Douglas T. Linde
Director and President

By: /s/ BRUCE W. DUNCAN

Bruce W. Duncan
Director

By: /s/ KAREN E. DYKSTRA

Karen E. Dykstra
Director

By: /s/ CAROL B. EINIGER

Carol B. Einiger
Director

By: /s/ DR. JACOB A. FRENKEL

Dr. Jacob A. Frenkel
Director

By: /s/ JOEL I. KLEIN

Joel I. Klein
Director

By: /s/ MATTHEW J. LUSTIG

Matthew J. Lustig
Director

By: /s/ ALAN J. PATRICOF

Alan J. Patricof
Director

By: /s/ MARTIN TURCHIN

Martin Turchin
Director

By: /s/ DAVID A. TWARDOCK

David A. Twardock
Director

By: /s/ MICHAEL E. LABELLE

Michael E. LaBelle
Executive Vice President, Chief Financial Officer and
Principal Financial Officer

By: /s/ MICHAEL R. WALSH

Michael R. Walsh
Senior Vice President, Chief Accounting Officer and
Principal Accounting Officer

Exhibit 31.1

CERTIFICATION

I, Owen D. Thomas, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: February 28, 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 Annual Report on Form 10-K 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: February 28, 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 Annual Report on Form 10-K 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: February 28, 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 Annual Report on Form 10-K 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: February 28, 2018

/s/ MICHAEL E. LABELLE

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

Disclosures Relating to Non-GAAP Financial Measures

The following sets forth reconciliations of certain Non-GAAP financial measures used in the Annual Report to the most directly comparable GAAP financial measures. Additional details can be found in the Company's most recent Supplemental Operating and Financial Data for the quarter ended December 31, 2017 that was included as Exhibit 99.1 to the Company's Form 8-K furnished to the SEC on January 30, 2018.

BXP's Share of Net Operating Income (NOI)

(unaudited and in thousands)

The following sets forth the reconciliation of BXP's Share of NOI, as used in the Annual Report, to the most directly comparable GAAP financial measure:

	Three months ended December 31, 2017
Net income attributable to Boston Properties, Inc. common shareholders	$103,829
Preferred dividends	2,625
Net income attributable to Boston Properties, Inc.	106,454
Net income attributable to noncontrolling interests:	
Noncontrolling interest—common units of the Operating Partnership	11,884
Noncontrolling interests in property partnerships	13,865
Net income	132,203
Gains on sales of real estate	(872)
Income before gains on sales of real estate	131,331
Add:	
Interest expense	91,772
Losses from early extinguishments of debt	13,858
Depreciation and amortization	154,259
Transaction costs	96
General and administrative expense	29,396
Less:	
Gains from investments in securities	962
Interest and other income	2,336
Income from unconsolidated joint ventures	4,197
Development and management services revenue	9,957
Consolidated NOI	403,260
Add:	
BXP's share of NOI from unconsolidated joint ventures [1]	16,459
Less:	
Partners' share of NOI from consolidated joint ventures [2]	45,143
Termination income	756
BXP's share of termination income from unconsolidated joint ventures [1]	66
Add:	
Partners' share of termination income from consolidated joint ventures [2]	6
BXP's Share of NOI (excluding termination income)	$373,760

[1] See "Unconsolidated Joint Ventures" below for additional details.

[2] See "Consolidated Joint Ventures" below for additional details.

BXP's Share of Net Debt to BXP's Share of EBITDA
(unaudited and dollars in thousands)

The following sets forth the reconciliation of BXP's Share of Net Debt to BXP's Share of EBITDA, as used in the Annual Report, including a reconciliation of any non-GAAP financial measure used to calculate such ratio to the most directly comparable GAAP financial measure:

	December 31, 2017
Consolidated debt	$10,271,611
Less:	
Cash and cash equivalents	434,767
Net debt	9,836,844
Add:	
BXP's share of unconsolidated joint venture debt	604,845
Partners' share of cash and cash equivalents from consolidated joint ventures	128,143
Less:	
BXP's share of cash and cash equivalents from unconsolidated joint ventures	59,772
Partners' share of consolidated joint venture debt	1,209,280
BXP's Share of Net Debt (A)	$ 9,300,780
Annualized BXP's Share of EBITDA (B) (see reconciliation below)	$ 1,420,164
BXP's Share of Net Debt to BXP's Share of EBITDA (A ÷ B)	6.5

Reconciliation of BXP's Share of EBITDA
(unaudited and in thousands)

	Three months ended December 31, 2017
Net income attributable to Boston Properties, Inc. common shareholders	$ 103,829
Add:	
Preferred dividends	2,625
Noncontrolling interest—common units of the Operating Partnership	11,884
Noncontrolling interests in property partnerships	13,865
Losses from early extinguishments of debt	13,858
Interest expense	91,772
Depreciation and amortization	154,259
Less:	
Gains from investments in securities	962
Gains on sales of real estate	872
Interest and other income	2,336
Income from unconsolidated joint ventures	4,197
Consolidated EBITDA	383,725
Add:	
BXP's share of NOI from unconsolidated joint ventures [1]	16,459
Less:	
Partners' share of NOI from consolidated joint ventures [2]	45,143
BXP's Share of EBITDA (A)	$ 355,041
Annualized BXP's Share of EBITDA (A x 4)	$1,420,164

1 See "Unconsolidated Joint Ventures" below for additional details.
2 See "Consolidated Joint Ventures" below for additional details.

Consolidated Joint Ventures
for the three months ended December 31, 2017
(unaudited and in thousands)

		Norges Joint Ventures		
	767 Fifth Avenue (The GM Building)	Times Square Tower 601 Lexington Avenue 100 Federal Street Atlantic Wharf Office	Salesforce Tower	Total Consolidated Joint Ventures
REVENUE				
Rental	$65,932	$86,046	$ 3,462	$155,440
Straight-line rent	3,573	4,630	(2,791)	5,412
Fair value lease revenue	3,976	236	—	4,212
Termination income	—	14	—	14
Parking and other	776	1,435	—	2,211
Total revenue	74,257	92,361	671	167,289
EXPENSES				
Operating	28,462	32,792	291	61,545
NET OPERATING INCOME	45,795	59,569	380	105,744
Development and management services revenue	(537)	(910)	(50)	(1,497)
Interest and other income	(336)	(424)	(33)	(793)
Interest expense	21,103	7,073	—	28,176
Depreciation and amortization	24,151	20,604	129	44,884
Other	—	39	—	39
SUBTOTAL	44,381	26,382	46	70,809
NET INCOME	$ 1,414	$33,187	$ 334	$ 34,935
BXP's ownership percentage	60.00%	55.00%	95.00%	
Termination income [1]	—	6	—	6
Partners' share of NOI [1]	$18,318	$26,806	$ 19	$ 45,143
BXP's share of NOI	$27,477	$32,763	$ 361	$ 60,601

[1] Amounts represent the partners' share based on their respective ownership percentage.

Unconsolidated Joint Ventures

for the three months ended December 31, 2017

(unaudited and in thousands)

	540 Madison Avenue	Market Square North	Metropolitan Square	901 New York Avenue	Wisconsin Place Parking Facility	Annapolis Junction [1]	500 North Capitol Street, N.W.	Colorado Center	1265 Main Street	Other Joint Ventures [2]	Total Unconsolidated Joint Ventures
REVENUE											
Rental	$6,135	$4,668	$4,998	$7,081	$1,009	$2,231	$2,992	$13,326	$ 994	$ 789	$44,223
Operating recoveries	738	778	1,446	1,275	430	701	1,246	509	315	—	7,438
Straight-line rent	89	82	1,533	468	—	245	19	2,859	—	—	5,295
Fair value lease revenue	—	—	—	—	—	—	—	96	—	—	96
Termination income	111	—	—	—	—	—	—	—	—	—	111
Total revenue	7,073	5,528	7,977	8,824	1,439	3,177	4,257	16,790	1,309	789	57,163
EXPENSES											
Operating	3,311	2,334	3,983	3,623	783	1,731	1,442	5,330	334	359	23,230
NET OPERATING INCOME	3,762	3,194	3,994	5,201	656	1,446	2,815	11,460	975	430	33,933
Interest	894	1,492	2,335	2,075	—	1,223	1,128	5,033	382	—	14,562
Depreciation and amortization	1,994	1,018	1,949	1,465	1,383	1,075	948	4,325	397	—	14,554
SUBTOTAL	2,888	2,510	4,284	3,540	1,383	2,298	2,076	9,358	779	—	29,116
NET INCOME/(LOSS)	$ 874	$ 684	$ (290)	$1,661	$ (727)	$ (852)	$ 739	$ 2,102	$ 196	$ 430	$ 4,817
BXP's nominal ownership percentage	60.00%	50.00%	20.00%	25.00%	33.33%	50.00%	30.00%	50.00%	50.00%	50.00%	
BXP's share of revenue	$4,244	$2,764	$1,595	$4,246 [3]	$ 479	$1,588	$1,277	$ 9,483	$ 655	$ 394	$26,725
BXP's share of operating expenses	1,987	1,167	797	1,744 [3]	261	866	433	2,665	167	179	10,266
BXP's share of net operating income	2,257	1,597	798	2,502 [3]	218	722	844	6,818	488	215	16,459
Less:											
BXP's share of termination income	66	—	—	— [3]	—	—	—	—	—	—	66
BXP's share of net operating income (excluding termination income)	$2,191	$1,597	$ 798	$2,502 [3]	$ 218	$ 722	$ 844	$ 6,818	$ 488	$ 215	$16,393

1 Annapolis Junction includes four properties in service and two undeveloped land parcels.

2 Includes The Hub on Causeway, 1001 6th Street, Dock 72 and 7750 Wisconsin Avenue.

3 Reflects the allocation percentages pursuant to the achievement of specified investment return thresholds as provided for in the joint venture agreement.

Corporate Information

Corporate Counsel

Goodwin Procter LLP
100 Northern Avenue
Boston, MA 02210

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
101 Seaport Boulevard
Boston, MA 02210

Transfer Agent and Registrar

Registered shareholders with questions about their account or inquiries related to our Dividend Reinvestment and Stock Purchase Plan should contact:

Computershare Trust Company, N.A.
P.O. Box 505000
Louisville, KY 40233
(888) 485-2389
www.computershare.com

Investor Relations

Investor inquiries may be directed to:

Investor Relations
Boston Properties
800 Boylston Street, Suite 1900
Boston, MA 02199
(617) 236-3322
investorrelations@bostonproperties.com

You may also contact us through our website at www.bostonproperties.com.

Annual Meeting of Shareholders

The annual meeting of shareholders of Boston Properties, Inc. will be held on May 23, 2018 at 9:00 a.m. Pacific Time at Salesforce Tower, 415 Mission Street, Lobby Level, San Francisco, CA.

Form 10-K

Boston Properties' Form 10-K is incorporated herein and has been filed with the Securities and Exchange Commission. Additional copies of the Annual Report and Form 10-K may be obtained from the Company free of charge by calling Investor Relations at (617) 236-3322; or by submitting a request through the Contact feature on the Company's website at www.bostonproperties.com.

Stock Information

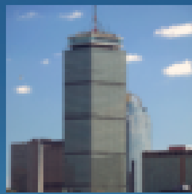
Our common stock is listed on the New York Stock Exchange (NYSE) under the ticker symbol "BXP." On January 31, 2018, the closing sale price per common share on the NYSE was $123.71 and there were approximately 1,212 common shareholders of record. This does not include the number of persons whose shares are held in nominee or "street name" accounts through banks or brokers. The table below sets forth the quarterly high and low sales prices and distributions per common share for fiscal year 2017.

2017	Quarter Ended	High	Low	Distributions
	December 31	$132.00	$119.74	$0.80
	September 30	$125.09	$116.77	$0.75
	June 30	$137.35	$119.54	$0.75
	March 31	$140.13	$125.99	$0.75

bxp Boston Properties

Design: Webster www.websterdesign.com

Corporate Headquarters



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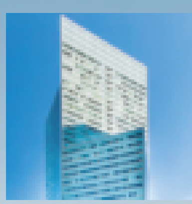

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