
7601 Tech
Denver, CO



THIRD QUARTER 2019

SUPPLEMENTAL FINANCIAL INFORMATION

www.cityofficereit.com

FORWARD – LOOKING STATEMENTS

This presentation contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Certain statements contained in this presentation, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements within the meaning of the federal securities laws and as such are based upon the current beliefs of City Office REIT, Inc. (the “Company”) as to the outcome and timing of future events. There can be no assurance that actual forward-looking statements, including projected capital resources, projected profitability and portfolio performance, estimates or developments affecting the Company, will be those anticipated by the Company. Examples of forward-looking statements include those pertaining to market rental rates, national or local economic growth, estimated replacement costs of our properties, projected capital improvements, expected sources of financing, expectations as to the timing of closing of acquisitions, dispositions, or other transactions, the expected operating performance of anticipated near-term acquisitions, recently acquired properties and dispositions and descriptions relating to these expectations, including, without limitation, the anticipated net operating income yield. Forward-looking statements presented in this presentation are based on management’s beliefs and assumptions made by, and information currently available to, management.

Forward-looking statements are generally identifiable by use of forward-looking terminology such as “may,” “will,” “should,” “potential,” “intend,” “expect,” “seek,” “anticipate,” “estimate,” “believe,” “could,” “project,” “predict,” “hypothetical,” “continue,” “future” or other similar words or expressions. All forward-looking statements included in this presentation are based upon information available to the Company on the date hereof and the Company is under no duty to update any of the forward-looking statements after the date of this presentation to conform these statements to actual results. The forward-looking statements involve a number of significant risks and uncertainties. Factors that could have a material adverse effect on the Company’s operations and future prospects are set forth in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and subsequent filings with the SEC under the heading entitled “Risk Factors”. The factors set forth in the Risk Factors section and otherwise described in the Company’s filings with SEC could cause the Company’s actual results to differ significantly from those contained in any forward-looking statement contained in this presentation. The Company does not guarantee that the assumptions underlying such forward-looking statements are free from errors. Unless otherwise stated, historical financial information and per share and other data is as of September 30, 2019 or relate to the quarter ended September 30, 2019.

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, the Company’s business, financial condition, liquidity, cash flows and results could differ materially from those expressed in any forward-looking statement. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. Any forward-looking statement speak only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict the occurrence of those matters or the manner in which they may affect us. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. Use caution in relying on past forward-looking statements, which were based on results and trends at the time they were made, to anticipate future results or trends.

COMPANY OVERVIEW

City Office REIT, Inc. (NYSE: CIO) invests in high-quality office properties in 18-hour cities with strong economic fundamentals, primarily in the Southern and Western United States. At September 30, 2019, CIO owned office complexes comprising 5.9 million square feet of net rentable area (“NRA”).

CIO’s portfolio consists of high-quality assets with favorable attributes including:

- Well-located real estate with excellent access to transportation
- Amenity-rich locations
- Well-managed, high-quality properties
- Stable, long-term tenancy profile with well-staggered expirations
- Contractual rent escalations yielding predictable annual growth in rental income

Our strategy is to continue our growth through a combination of internal cash flow growth initiatives and a focused acquisition strategy. Our acquisition strategy is concentrated on thriving markets with leading economic fundamentals and a purchase price generally between \$25 million and \$100 million, which is a market segment in which we believe we have a competitive advantage.

MANAGEMENT TEAM

Jamie Farrar – CEO & Director

Greg Tylee – President & COO

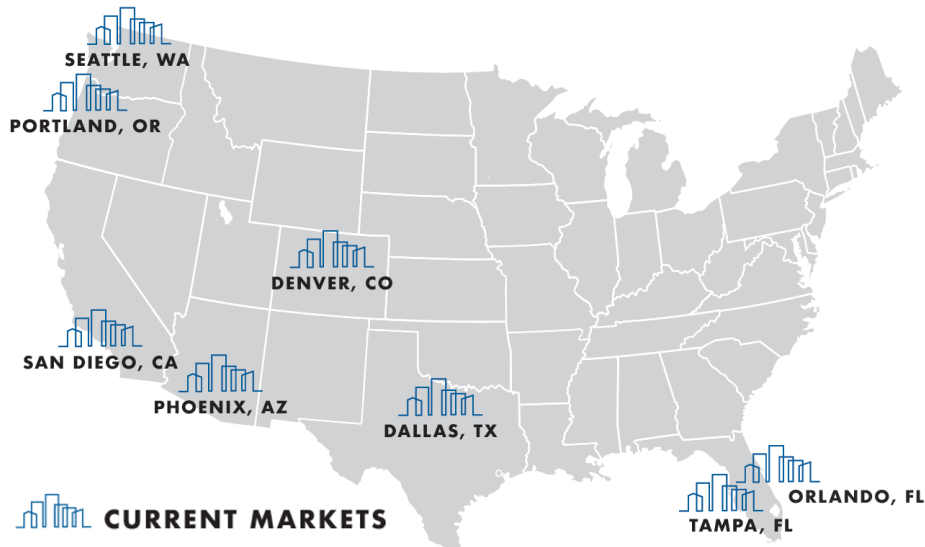
Tony Maretic – CFO, Treasurer & Secretary

INVESTOR RELATIONS

Tony Maretic

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FINANCIAL HIGHLIGHTS

(in thousands, except per share data)

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
INCOME ITEMS					
Net (loss)/income	\$ (947)	\$ 1,321	\$ (920)	\$ (6,684)	\$ (1,161)
NOI	\$ 24,562	\$ 26,645	\$ 23,276	\$ 20,921	\$ 20,294
Same Store Cash NOI Growth	5.8%	5.9%	1.8%	0.7%	0.8%
Net (loss)/income per share - diluted	\$ (0.07)	\$ (0.02)	\$ (0.07)	\$ (0.22)	\$ (0.08)
Core FFO / Share	\$ 0.29	\$ 0.34	\$ 0.29	\$ 0.26	\$ 0.28
AFFO / Share	\$ 0.22	\$ 0.26	\$ 0.21	\$ 0.19	\$ 0.20
EBITDA (CIO share)	\$ 21,830	\$ 23,327	\$ 21,027	\$ 18,590	\$ 18,442

CAPITALIZATION

Common shares	47,647	39,647	39,636	39,544	39,544
Unvested restricted shares	416	408	413	354	347
Total shares	48,063	40,055	40,049	39,898	39,891
Weighted average common shares outstanding - diluted	43,005	40,054	40,017	39,896	37,839
Share price at quarter end	\$ 14.39	\$ 11.99	\$ 11.31	\$ 10.25	\$ 12.62
Market value of common equity	\$ 691,629	\$ 480,262	\$ 452,949	\$ 408,959	\$ 503,428
Total Series A preferred shares outstanding	4,480	4,480	4,480	4,480	4,480
Liquidation preference per preferred share	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Aggregate liquidation preference of preferred shares	\$ 112,000	\$ 112,000	\$ 112,000	\$ 112,000	\$ 112,000
Net debt - CIO share (see page 15)	\$ 617,518	\$ 677,017	\$ 657,080	\$ 611,076	\$ 511,173
Total enterprise value (including net debt)	\$ 1,421,147	\$ 1,269,279	\$ 1,222,029	\$ 1,132,035	\$ 1,126,601

DEBT STATISTICS AND RATIOS

Total principal debt (CIO share)	\$ 649,114	\$ 707,047	\$ 693,248	\$ 643,419	\$ 544,171
Weighted average maturity	5.6 years	5.4 years	5.7 years	5.8 years	6.5 years
Weighted average interest rate	4.0%	4.2%	4.2%	4.1%	4.2%
Fixed rate debt as percentage of total debt	93.4% ⁽¹⁾	79.0%	77.5%	77.4%	90.4%

LEASING STATISTICS

In-Place occupancy	91.2%	93.4%	92.6%	90.4%	90.1%
Weighted average remaining lease term	4.5 years	4.5 years	4.7 years	4.6 years	4.5 years

(1) At September 30, 2019 the fixed rate debt percentage factors in an interest rate swap applied against the \$50 million term loan which effectively fixes the 30 day LIBOR rate component of the term loan at 1.27% throughout the duration of the loan.

PROPERTY OVERVIEW

Metropolitan Area	Property	Economic Interest	NRA (000s SF)	In Place Occupancy	Annualized Base Rent per SF	Annualized Gross Rent per SF ¹	Annualized Base Rent ² (000s)
Phoenix, AZ (20.6%)	Pima Center	100.0%	272	87.0%	\$27.19	\$27.19	\$6,431
	SanTan	100.0%	267	91.7%	\$27.85	\$27.85	\$6,807
	5090 N 40th St	100.0%	175	95.8%	\$29.03	\$29.03	\$4,861
	Camelback Square	100.0%	173	67.1%	\$29.89	\$29.89	\$3,472
	The Quad	100.0%	163	100.0%	\$28.66	\$28.91	\$4,672
	Papago Tech	100.0%	163	86.7%	\$21.78	\$21.78	\$3,072
Denver, CO (19.7%)	Cherry Creek	100.0%	356	100.0%	\$18.59	\$18.59	\$6,612
	Circle Point	100.0%	272	94.3%	\$17.58	\$30.47	\$4,506
	Denver Tech ⁴	100.0%	380	66.9%	\$22.86	\$27.69	\$5,646
	Superior Pointe	100.0%	151	96.5%	\$17.66	\$29.17	\$2,579
Tampa, FL (17.6%)	Park Tower	94.8%	471	92.4%	\$24.58	\$24.58	\$10,696
	City Center	95.0%	241	91.8%	\$25.49	\$25.49	\$5,652
	Intellicenter	100.0%	204	100.0%	\$23.99	\$23.99	\$4,881
Orlando, FL (12.2%)	Carillon Point	100.0%	124	100.0%	\$28.16	\$28.16	\$3,498
	Florida Research Park ⁵	96.6%	397	89.4%	\$23.44	\$27.25	\$8,262
	Central Fairwinds	97.0%	168	92.1%	\$25.32	\$25.32	\$3,921
San Diego, CA (9.9%)	Greenwood Blvd	100.0%	155	100.0%	\$22.75	\$22.75	\$3,527
	Sorrento Mesa	100.0%	296	85.3%	\$25.27	\$31.27	\$6,380
Dallas, TX (9.8%)	Mission City	100.0%	286	96.9%	\$35.01	\$35.01	\$9,703
	190 Office Center	100.0%	303	89.5%	\$25.64	\$25.64	\$6,960
Portland, OR (5.6%)	Lake Vista Pointe	100.0%	163	100.0%	\$16.00	\$24.00	\$2,613
	2525 McKinnon	100.0%	111	92.5%	\$27.41	\$44.41	\$2,823
Seattle, WA (3.4%)	AmberGlen	76.0%	201	96.9%	\$21.30	\$23.89	\$4,151
	Cascade Station	100.0%	128	100.0%	\$26.45	\$32.45	\$3,372
Total / Weighted Average - Excluding Assets Held For Sale³			5,827	91.4%	\$24.35	\$27.18	\$129,481
Denver, CO (1.2%)	Logan Tower	100.0%	72	69.8%	\$21.60	\$21.60	\$1,084
Total / Weighted Average - September 30, 2019³			5,899	91.2%	\$24.32	\$27.13	\$130,565

(1) Lake Vista Pointe, 2525 McKinnon, Sorrento Mesa, and Canyon Park the annualized base rent per square foot on a triple net basis was increased by \$8, \$17, \$6, and \$8 respectively, to estimate a gross equivalent base rent. AmberGlen has a net lease for one tenant which has been grossed up by \$7 on a pro rata basis. Superior Pointe has net leases for eight tenants which have been grossed up by \$12 on a pro-rata basis. Florida Research Park has net leases for six tenants which have been grossed up by \$8 on a pro-rata basis. Circle Point has net leases for twelve tenants which have been grossed up by \$13 on a pro-rata basis. The Quad has one tenant with a net lease, which has been grossed up by \$8 on a pro-rata basis. Cascade Station has net leases for six tenants which have been grossed up by \$7 on a pro-rata basis. Denver Tech has a net lease for one tenant which has been grossed up by \$12 on a pro-rata basis.

(2) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the month ended September 30, 2019 by (ii) 12.

(3) Averages weighted based on the property's NRA, adjusted for occupancy.

(4) Denver Tech comprises of 7601 Tech, which was acquired during the third quarter of 2019, and 7595 Tech (formerly "DTC Crossroads").

(5) Florida Research Park comprises of FRP Collection and FRP Ingenuity Drive.

RECENT ACQUISITION – 7601 TECH



KEY METRICS

Purchase Price: \$48.8 M / \$255 PSF

Closing Date: September 5, 2019

Property Size: 191,368 SF

Year 1 Projected Cash NOI Yield: 7.1%

Estimated Replacement Cost: ~\$350 PSF

Leased at Close⁽¹⁾: 95%

ACQUISITION CHARACTERISTICS

- 7601 Tech is a 191,368 SF six-story office building located in Denver, Colorado
- 95% leased at close including signed leases that commence after quarter end
- Anchored by an investment grade corporate tenant and large public company
- Class A building built in 1997 with high-end finishes, large flexible floorplates and unobstructed views
- Located directly adjacent to existing CIO property and has been integrated to create a 380,000 SF campus with shared amenities and leasing flexibility

(1) Occupancy was 80% at the time of acquisition and as of September 30, 2019. 95% leased represents the expansion of a tenant that has signed a lease agreement and will occupy the expansion space once the buildout has been completed.

NET INCOME

(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Rental and other revenues	\$ 38,946	\$ 33,547	\$ 117,236	\$ 95,317
Operating expenses:				
Property operating expenses	14,384	13,253	42,754	36,627
General and administrative	2,775	1,850	8,435	5,793
Depreciation and amortization	15,035	13,379	44,057	37,044
Total operating expenses	32,194	28,482	95,246	79,464
Operating income	6,752	5,065	21,990	15,853
Interest expense:				
Contractual interest expense	(7,378)	(5,915)	(22,022)	(16,184)
Amortization of deferred financing costs and debt fair value	(321)	(311)	(992)	(1,297)
	(7,699)	(6,226)	(23,014)	(17,481)
Net gain on sale of real estate property	-	-	478	46,980
Net (loss)/income	(947)	(1,161)	(546)	45,352
Less:				
Net income attributable to non-controlling interests in properties	(164)	(135)	(498)	(384)
Net (loss)/income attributable to the Company	(1,111)	(1,296)	(1,044)	44,968
Preferred stock distributions	(1,855)	(1,855)	(5,565)	(5,565)
Net (loss)/income attributable to common stockholders	\$ (2,966)	\$ (3,151)	\$ (6,609)	\$ 39,403
Net (loss)/income per common share:				
Basic	\$ (0.07)	\$ (0.08)	\$ (0.16)	\$ 1.08
Diluted	\$ (0.07)	\$ (0.08)	\$ (0.16)	\$ 1.07
Weighted average common shares outstanding:				
Basic	42,591	37,494	40,610	36,572
Diluted	42,591	37,494	40,610	36,920
Dividend distributions declared per common share	\$ 0.235	\$ 0.235	\$ 0.705	\$ 0.705

BALANCE SHEET

(in thousands, except par value and share data)
(unaudited)

	September 30, 2019	December 31, 2018
Assets		
Real estate properties		
Land	\$ 230,034	\$ 223,789
Building and improvement	782,576	704,113
Tenant improvement	91,016	77,426
Furniture, fixtures and equipment	285	319
	<u>1,103,911</u>	<u>1,005,647</u>
Accumulated depreciation	<u>(93,623)</u>	<u>(70,484)</u>
	<u>1,010,288</u>	<u>935,163</u>
Cash and cash equivalents	12,281	16,138
Restricted cash	20,240	17,007
Rents receivable, net ¹	31,844	26,095
Deferred leasing costs, net	11,235	10,402
Acquired lease intangible assets, net	73,394	75,501
Other assets	16,830	2,755
Assets held for sale	13,905	17,370
Total Assets	<u><u>\$ 1,190,017</u></u>	<u><u>\$ 1,100,431</u></u>
Liabilities and Equity		
Liabilities:		
Debt	\$ 651,693	\$ 645,354
Accounts payable and accrued liabilities	28,431	25,892
Deferred rent	5,574	5,331
Tenant rent deposits	5,691	4,564
Acquired lease intangible liabilities, net	8,763	8,887
Other liabilities	21,349	11,148
Liabilities related to assets held for sale	356	878
Total Liabilities	<u>721,857</u>	<u>702,054</u>
Commitments and Contingencies		
Equity:		
6.625% Series A Preferred stock, \$0.01 par value per share, 5,600,000 shares authorized, 4,480,000 issued and outstanding	112,000	112,000
Common stock, \$0.01 par value, 100,000,000 shares authorized, 47,647,063 and 39,544,073 shares issued and outstanding	476	395
Additional paid-in capital	483,200	377,126
Accumulated deficit	(128,823)	(92,108)
Accumulated other comprehensive income	247	-
Total Stockholders' Equity	<u>467,100</u>	<u>397,413</u>
Non-controlling interests in properties	1,060	964
Total Equity	<u>468,160</u>	<u>398,377</u>
Total Liabilities and Equity	<u><u>\$ 1,190,017</u></u>	<u><u>\$ 1,100,431</u></u>

(1) Rents receivable includes \$28.6 million of straight-line rent receivables. CIO pro-rata share of straight-line rents receivable was \$27.8 million.

STATEMENT OF CASH FLOWS

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash Flows from Operating Activities:		
Net (loss)/income	\$ (546)	\$ 45,352
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:		
Depreciation and amortization	44,057	37,044
Amortization of deferred financing costs and debt fair value	992	1,297
Amortization of above/below market leases	(67)	(143)
Increase in straight-line rent/expense	(4,591)	(3,491)
Non-cash stock compensation	1,310	1,061
Net gain on sale of real estate property	(478)	(46,980)
Changes in non-cash working capital:		
Rents receivable, net	(1,512)	(1,177)
Other assets	(337)	(162)
Accounts payable and accrued liabilities	(1,217)	(1,434)
Deferred rent	73	(1,428)
Tenant rent deposits	(421)	140
Net Cash Provided By Operating Activities	37,263	30,079
Cash Flows to Investing Activities:		
Additions to real estate properties	(13,855)	(15,785)
Acquisition of real estate	(108,358)	(162,462)
Net proceeds from sale of real estate	33,941	84,839
Deferred leasing costs	(2,474)	(3,222)
Net Cash Used In Investing Activities	(90,746)	(96,630)
Cash Flows from Financing Activities:		
Proceeds from sale of common stock	104,816	42,902
Debt issuance and extinguishment costs	(995)	(2,662)
Proceeds from borrowings	154,750	269,824
Repayment of borrowings	(171,575)	(212,128)
Shares withheld for payment of taxes on restricted stock unit vesting	(246)	(87)
Minority interest buyout	-	(1,139)
Contributions from non-controlling interests in properties	68	43
Distributions to non-controlling interests in properties	(470)	(374)
Dividend distributions paid to stockholders and Operating Partnership unitholders	(33,489)	(31,010)
Net Cash Provided By Financing Activities	52,859	65,369
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(624)	(1,182)
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	33,145	35,014
Cash, Cash Equivalents and Restricted Cash, End of Period	\$ 32,521	\$ 33,832

FFO, CORE FFO AND AFFO RECONCILIATION

(in thousands, except per share data)

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net loss attributable to common stockholders	\$ (2,966)	\$ (699)	\$ (2,944)	\$ (8,656)	\$ (3,151)
(+) Depreciation and amortization	15,035	14,604	14,417	15,308	13,379
(-) Net gain on sale of real estate property	-	(478)	-	-	-
(+) Impairment of real estate	-	-	-	3,497	-
	<u>12,069</u>	<u>13,427</u>	<u>11,473</u>	<u>10,149</u>	<u>10,228</u>
Non-controlling interests in properties:					
(+) Share of net income	164	165	169	117	135
(-) Share of FFO	(310)	(312)	(316)	(263)	(278)
Funds from Operations ("FFO")	<u>\$ 11,923</u>	<u>\$ 13,280</u>	<u>\$ 11,326</u>	<u>\$ 10,003</u>	<u>\$ 10,085</u>
(+) Stock based compensation	431	435	444	356	356
Core FFO	<u>\$ 12,354</u>	<u>\$ 13,715</u>	<u>\$ 11,770</u>	<u>\$ 10,359</u>	<u>\$ 10,441</u>
(+) Net recurring straight line rent/expense adjustment	(127)	(850)	(978)	(553)	(735)
(+) Net amortization of above and below market leases	24	(66)	(29)	(41)	(5)
(+) Net amortization of deferred financing costs and debt fair value	318	331	334	320	308
(-) Net recurring tenant improvements and incentives	(1,723)	(1,694)	(1,298)	(1,242)	(761)
(-) Net recurring leasing commissions	(971)	(592)	(918)	(447)	(1,313)
(-) Net recurring capital expenditures	(526)	(496)	(542)	(962)	(396)
Adjusted Funds from Operations ("AFFO")	<u>\$ 9,349</u>	<u>\$ 10,348</u>	<u>\$ 8,339</u>	<u>\$ 7,434</u>	<u>\$ 7,539</u>
Core FFO per common share	<u>\$ 0.29</u>	<u>\$ 0.34</u>	<u>\$ 0.29</u>	<u>\$ 0.26</u>	<u>\$ 0.28</u>
AFFO per common share	<u>\$ 0.22</u>	<u>\$ 0.26</u>	<u>\$ 0.21</u>	<u>\$ 0.19</u>	<u>\$ 0.20</u>
Dividends per common share	\$ 0.235	\$ 0.235	\$ 0.235	\$ 0.235	\$ 0.235
Core FFO Payout Ratio	82%	69%	80%	91%	85%
AFFO Payout Ratio	108%	91%	113%	126%	118%
Weighted average common shares outstanding - diluted	43,005	40,054	40,017	39,896	37,839

NET OPERATING INCOME RECONCILIATION

(in thousands)

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net (loss)/income	\$ (947)	\$ 1,321	\$ (920)	\$ (6,684)	\$ (1,161)
Adjustments to net (loss)/income:					
General and administrative	2,775	3,362	2,299	2,344	1,850
Contractual interest expense	7,378	7,502	7,143	6,132	5,915
Amortization of deferred financing costs and debt fair value	321	334	337	324	311
Depreciation and amortization	15,035	14,604	14,417	15,308	13,379
Net gain on sale of real estate property	-	(478)	-	-	-
Impairment of real estate	-	-	-	3,497	-
Net Operating Income ("NOI")	\$ 24,562	\$ 26,645	\$ 23,276	\$ 20,921	\$ 20,294
Net recurring straight line rent/expense adjustment	(127)	(850)	(978)	(553)	(735)
Net amortization of above and below market leases	24	(66)	(29)	(41)	(5)
Portfolio Adjusted Cash NOI	\$ 24,459	\$ 25,729	\$ 22,269	\$ 20,327	\$ 19,554
NCI in properties - share in cash NOI	(388)	(391)	(394)	(343)	(358)
Adjusted Cash NOI (CIO share)	\$ 24,071	\$ 25,338	\$ 21,875	\$ 19,984	\$ 19,196

REVENUE DETAIL

(in thousands)

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Rental Income	\$ 32,593	\$ 31,956	\$ 31,327	\$ 28,987	\$ 28,195
Expense Reimbursement	5,439	5,646	4,861	4,314	4,502
Other Income ¹	914	3,569	932	866	850
	\$ 38,946	\$ 41,171	\$ 37,120	\$ 34,167	\$ 33,547

(1) Other income in Q2 2019 includes income of \$2.6 million as a result of an assignment by the Company of a purchase contract to a third party.

SAME STORE ANALYSIS

(in thousands)

THREE MONTHS ENDED	Same Store Portfolio			
	Q3 2019	Q3 2018	Variance	% Change
Revenues	\$ 30,576	\$ 29,883	\$ 693	2.3%
Property Operating Expenses	11,856	11,720	(136)	(1.2%)
Net Operating Income	\$ 18,720	\$ 18,163	\$ 557	3.1%
Less: termination fee income	(90)	(80)	(10)	
Less: straight line rent/expense adjustment	155	(363)	518	
Less: above and below market leases	45	62	(17)	
Less: NCI in properties - Cash NOI	(388)	(358)	(30)	
Cash NOI, excluding termination fees	\$ 18,442	\$ 17,424	\$ 1,018	5.8%
Number of Properties	21	21		
Square Feet (in thousands)	4,610	4,610		
% of Portfolio NOI Represented	76.9%	91.1%		
Occupancy % (end of period)	91.1%	91.8%		

NINE MONTHS ENDED	Same Store Portfolio			
	Q3 2019	Q3 2018	Variance	% Change
Revenues	\$ 91,130	\$ 86,501	\$ 4,629	5.4%
Property Operating Expenses	34,133	32,694	(1,439)	(4.4%)
Net Operating Income	\$ 56,997	\$ 53,807	\$ 3,190	5.9%
Less: non-recurring other income	(2,625)	-	(2,625)	
Less: termination fee income	(328)	(1,127)	799	
Less: straight line rent adjustment	(971)	(1,729)	758	
Less: above and below market leases	26	(136)	162	
Less: NCI in properties - Cash NOI	(1,173)	(1,128)	(45)	
Cash NOI, excluding termination fees	\$ 51,926	\$ 49,687	\$ 2,239	4.5%
Number of Properties	21	21		
Square Feet (in thousands)	4,610	4,610		
% of Portfolio NOI Represented	76.0%	91.9%		
Occupancy % (end of period)	91.1%	91.8%		

Recently Acquired ⁽¹⁾		Repositioning		Dispositions ⁽²⁾		All Properties			
Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Variance	% Change
\$ 8,369	\$ 2,643	\$ -	\$ -	\$ 1	\$ 1,021	\$ 38,946	\$ 33,547	\$ 5,399	16%
2,523	957	-	-	5	576	14,384	13,253	(1,131)	(9%)
\$ 5,846	\$ 1,686	\$ -	\$ -	\$ (4)	\$ 445	\$ 24,562	\$ 20,294	\$ 4,268	21%
-	-	-	-	-	-	(90)	(80)	(10)	
(282)	(209)	-	-	-	(163)	(127)	(735)	608	
(21)	(68)	-	-	-	1	24	(5)	29	
-	-	-	-	-	-	(388)	(358)	(30)	
\$ 5,543	\$ 1,409	\$ -	\$ -	\$ (4)	\$ 283	\$ 23,981	\$ 19,116	\$ 4,865	25%

(1) Recently acquired assets excluded consist of Circle Point, The Quad, Greenwood Blvd, Camelback Square, Canyon Park, Cascade Station and 7601 Tech.

(2) Dispositions include Plaza 25 and Sorrento Mesa - 10455

Recently Acquired ⁽¹⁾		Repositioning		Dispositions ⁽²⁾		All Properties			
Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Variance	% Change
\$ 25,730	\$ 4,425	\$ -	\$ -	\$ 376	\$ 4,391	\$ 117,236	\$ 95,317	\$ 21,919	23%
8,358	1,571	-	-	263	2,362	42,754	36,627	(6,127)	(17%)
\$ 17,372	\$ 2,854	\$ -	\$ -	\$ 113	\$ 2,029	\$ 74,482	\$ 58,690	\$ 15,792	27%
-	-	-	-	-	-	(2,625)	-	(2,625)	-
-	-	-	-	-	-	(328)	(1,127)	799	
(920)	(243)	-	-	(64)	(264)	(1,955)	(2,236)	281	
(103)	1	-	-	6	(14)	(71)	(149)	78	
-	-	-	-	-	-	(1,173)	(1,128)	(45)	
\$ 16,349	\$ 2,612	\$ -	\$ -	\$ 55	\$ 1,751	\$ 68,330	\$ 54,050	\$ 14,280	26%

(1) Recently acquired assets excluded consist of Pima Center, Circle Point, The Quad, Greenwood Blvd, Camelback Square, Canyon Park and Cascade Station and 7601 Tech.

(2) Dispositions include Washington Group Plaza, Plaza 25 and Sorrento Mesa - 10455

EBITDA RECONCILIATION

(in thousands)

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net (loss)/income¹	\$ (947)	\$ 1,321	\$ (920)	\$ (6,684)	\$ (1,161)
Contractual interest expense	7,378	7,502	7,143	6,132	5,915
Amortization of deferred financing costs and debt fair value	321	334	337	324	311
Depreciation and amortization	15,035	14,604	14,417	15,308	13,379
Stock based compensation	431	435	444	356	356
Net gain on sale of real estate property	-	(478)	-	-	-
Impairment of real estate	-	-	-	3,497	-
Portfolio EBITDA¹	\$ 22,218	\$ 23,718	\$ 21,421	\$ 18,933	\$ 18,800
NCI in properties interest in EBITDA	(388)	(391)	(394)	(343)	(358)
EBITDA (CIO share)¹	\$ 21,830	\$ 23,327	\$ 21,027	\$ 18,590	\$ 18,442
Circle Point - Full Quarter Adjustment ²	-	-	-	-	88
The Quad - Full Quarter Adjustment ²	-	-	-	-	295
Greenwood Blvd - Full Quarter Adjustment ²	-	-	-	612	-
Camelback Square - Full Quarter Adjustment ²	-	-	-	636	-
Plaza 25 Sale ³	-	-	(52)	-	-
Canyon Park - Full Quarter Adjustment ²	-	-	669	-	-
Sorrento Mesa Building 10455 Sale ⁴	-	(65)	-	-	-
Cascade Station - Full Quarter Adjustment ²	-	522	-	-	-
7601 Tech - Full Quarter Adjustment ²	568	-	-	-	-
Adjusted EBITDA (adjusted for mid-quarter acquisitions and dispositions)	\$ 22,398	\$ 23,784	\$ 21,644	\$ 19,838	\$ 18,825

(1) Includes Circle Point results beginning July 9, 2018, The Quad results beginning July 31, 2018, Greenwood Blvd results beginning December 27, 2018, Camelback Square results beginning December 28, 2018, Canyon Park results beginning February 25, 2019, Cascade Station results beginning June 13, 2019 and 7601 Tech results beginning September 5, 2019.

(2) Estimated based on the number of days since acquisition, pro-rated for a full quarter.

(3) Adjustment to exclude Plaza 25 results from January 1, 2019 to February 7, 2019, the date of disposition.

(4) Adjustment to exclude Sorrento Mesa - 10455 results from April 1, 2019 to May 7, 2019, the date of disposition.

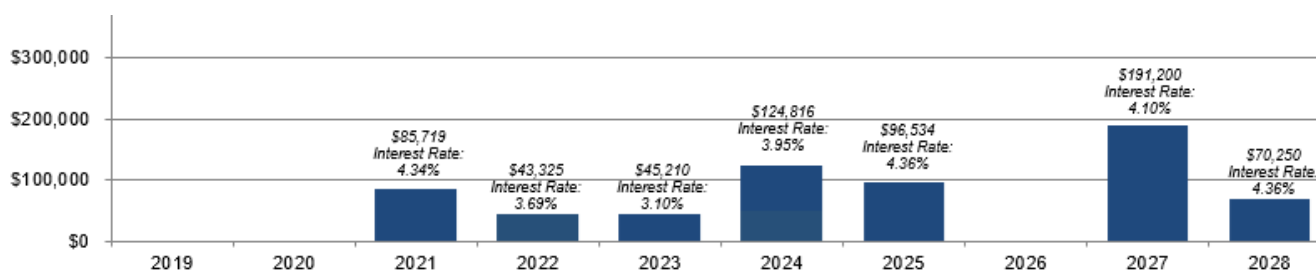
DEBT SUMMARY AND MATURITY

(in thousands)

Property	Ownership	Maturity	Interest Rate		Principal Amount	
			Variable	Fixed	Outstanding	CIO Share
Fixed Rate						
Midland Life Insurance	99%	May-21	n/a	4.34%	\$ 85,720	\$ 84,566
Mission City	100%	Nov-27	n/a	3.78%	47,000	47,000
190 Office Center	100%	Oct-25	n/a	4.79%	41,007	41,007
Canyon Park ⁽¹⁾	100%	Mar-27	n/a	4.30%	40,950	40,950
Circle Point	100%	Sep-28	n/a	4.49%	39,650	39,650
SanTan	100%	Mar-27	n/a	4.56%	34,250	34,250
Intellicenter	100%	Oct-25	n/a	4.65%	33,102	33,102
The Quad	100%	Sep-28	n/a	4.20%	30,600	30,600
FRP Collection	95%	Sep-23	n/a	3.10%	29,142	27,685
2525 McKinnon	100%	Apr-27	n/a	4.24%	27,000	27,000
Cascade Station	100%	May-24	n/a	4.55%	22,390	22,390
Greenwood Blvd	100%	Dec-25	n/a	3.15%	22,425	22,425
5090 N 40th St	100%	Jan-27	n/a	3.92%	22,000	22,000
AmberGlen	76%	May-27	n/a	3.69%	20,000	15,200
Lake Vista Pointe	100%	Aug-24	n/a	4.28%	17,800	17,800
Central Fairwinds	97%	Sep-24	n/a	3.15%	17,626	17,097
FRP Ingenuity Drive	100%	Dec-24	n/a	4.44%	17,000	17,000
Carillon Point	100%	Oct-23	n/a	3.10%	16,067	16,067
					563,729	555,789
Floating Rate						
Unsecured Credit Facility	100%	Mar-22	LIBOR + 150 bps	n/a	43,325	43,325
Term Loan ⁽²⁾	100%	Sep-24	LIBOR + 140 bps	2.67%	50,000	50,000
Total Principal					657,054	649,114
Deferred financing costs, net					(6,058)	(5,999)
Unamortized fair value adjustments					697	697
Total Debt as of September 30, 2019				3.99%	\$651,693	\$643,812

(1) The mortgage loan anticipated repayment date ("ARD") is March 1, 2027. The final scheduled maturity date can be extended up to 5 years beyond the ARD.

(2) Borrowing under the Term Loan bears interest at a rate equal to the LIBOR rate plus a margin between 125 to 215 basis points depending upon the Company's consolidated leverage ratio. The Company entered into a pay-fixed receive-variable interest rate swap, fixing the LIBOR component of the Term Loan at 1.27% over the five-year duration of the Term Loan.



LEVERAGE AND COVERAGE RATIOS

(in thousands, except percentages, ratios and per share data)

	Q3 2019
Market Capitalization	
CIO share of debt principal	\$ 649,114
CIO share of cash and cash equivalents	(11,601)
CIO share of restricted cash	(19,995)
CIO share of net debt	617,518
Market value of common equity ¹	691,629
Liquidation preference of preferred equity	112,000
Total enterprise value	<u>\$ 1,421,147</u>
Net Debt to Enterprise Value including Restricted Cash	<u>43.5%</u>
Leverage	
CIO share of net debt	\$ 617,518
Annualized adjusted EBITDA (adjusted for mid quarter acquisitions/dispositions) ³	93,112
Net Debt including Restricted Cash / Annualized Adjusted EBITDA	<u>6.6x</u>

	Q3 2019
Interest Coverage Ratio	
Cash interest expense ²	\$ 7,498
Non-controlling interest in properties - cash interest expense	(75)
CIO share of cash interest expense	7,423
CIO share of annualized cash interest expense	29,692
CIO share of annualized adjusted EBITDA ³	93,112
Adjusted Interest Coverage Ratio	<u>3.1x</u>
Fixed Charge Coverage Ratio	
CIO share of cash interest expense	\$ 7,423
CIO share of secured debt principal amortization	1,258
Preferred stock dividends	1,855
CIO share of fixed charges	10,536
CIO share of annualized fixed charges	42,144
CIO share of annualized adjusted EBITDA ³	93,112
Fixed Charge Coverage Ratio	<u>2.2x</u>

(1) Based on the September 30, 2019 closing stock price of \$14.39 per share of common stock.

(2) Includes a full quarter interest expense adjustment of \$249 for the Term loan and \$(129) for the property-level loan modifications.

(3) Calculated by multiplying Adjusted EBITDA by 4 and adjusting for the one-time assignment fee net income realized in the second quarter of 2019.

TOP TENANT PROFILE

Top Ten Tenants	Property	Credit Rating (S&P / Moody's) ¹	Tenant Since	NRA (000s)	Percentage of Portfolio NRA
State of Colorado Department of Health	Cherry Creek	AA+	1993	319	5.4%
Seattle Genetics Inc.	Canyon Park	--	2019	207	3.5%
United Healthcare Services, Inc.	190 Office Center	A+	2008	198	3.4%
Ally Financial Inc.	Lake Vista Pointe	BB+	2008	163	2.8%
HF Management Services LLC	Greenwood Blvd	--	2012	155	2.6%
H. Lee Moffitt Cancer Center	Intellicenter	A3	2008	155	2.6%
Toyota Motor Credit	SanTan	AA-	2011	133	2.3%
Kaplan, Inc. ²	Florida Research Park	BB+	2008	125	2.1%
Jackson National Life Insurance Company	Denver Tech	AA-	2007	122	2.1%
GSA US Attorneys Office ³	Park Tower	AA+	1998	108	1.8%
Total				1,685	28.6%

(1) As of September 30, 2019, rating of the tenant or its parent entity.

(2) Parent entity is Graham Holding Company.

(3) Credit rating indicated is for the United States Government.

LEASING ACTIVITY

Q3 2019 Leasing Activity								
	Square Foot (000s)	Total Occupancy	Rate per Square Foot					Weighted Average Remaining Lease Term (Years)
	Leased		GAAP Rents	Tenant Improvements	Tenant per Year of Lease Term	Leasing Commissions	Leasing per Year of Lease Term	
Occupied - June 30, 2019	5,329	93.4%						
Acquisition of 7601 Tech	153							
Leases commenced	13							
Vacated	(119)							
Occupied - September 30, 2019	5,376	91.2%						
Leases not commenced - signed in Q3 2019	26							
Leases not commenced - signed prior to Q3 2019	87							
Committed & Occupied - September 30, 2019	5,489	93.1%						
New leasing - signed in Q3 2019	43		\$ 27.34	\$ 22.86	\$ 6.03	\$ 6.01	\$ 1.58	3.8
Renewals - signed in Q3 2019	101		\$ 32.90	\$ 23.01	\$ 3.60	\$ 9.23	\$ 1.44	6.4
Q3 2019 total new leasing and renewals¹	144		\$ 31.12	\$ 22.87	\$ 4.09	\$ 8.24	\$ 1.47	5.6

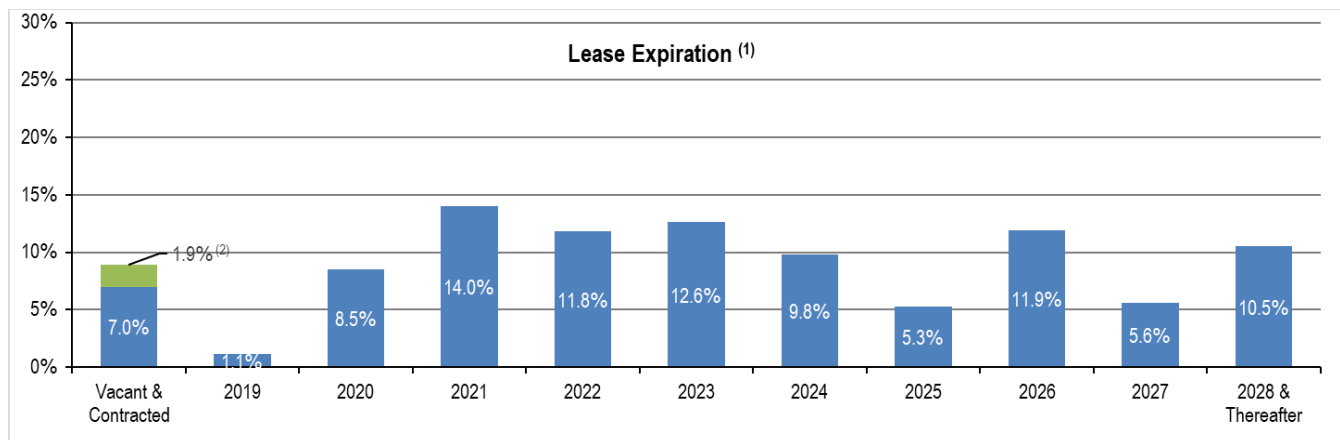
(1) 140,050 SF will commence or has commenced subsequent to quarter end.

LEASING EXPIRATIONS

Year of Lease Expiration	Number of Leases Expiring	NRA of Expiring Leases (000s)	Percentage of NRA	Annualized Base Rent ⁽¹⁾ (000s)	Percentage of Total Properties Rent	Annualized Base Rent per Leased Square Foot Expiring ⁽²⁾	Annualized Base Rent (including Rent Abatement at Sep 30, 2019)	Annualized Base Rent per Leased Square Foot Expiring (Including Rent Abatement at Sep 30, 2019)
Vacant	-	410	7.0%	-	-	-	-	-
Contracted	-	112	1.9%	-	-	-	-	-
2019	12	66	1.1%	1,994	1.5%	30.21	1,945	29.47
2020	53	504	8.5%	12,520	9.6%	24.84	12,520	24.84
2021	71	828	14.0%	20,086	15.4%	24.26	19,922	24.06
2022	54	699	11.8%	18,018	13.8%	25.78	18,008	25.76
2023	54	745	12.6%	19,909	15.2%	26.72	19,705	26.45
2024	50	579	9.8%	14,378	11.0%	24.83	13,810	23.85
2025	21	313	5.3%	7,623	5.8%	24.35	7,548	24.12
2026	14	701	11.9%	15,147	11.6%	21.61	15,147	21.61
2027	4	329	5.6%	7,134	5.5%	21.68	7,134	21.68
2028 & Thereafter	15	613	10.5%	13,756	10.6%	22.44	10,967	17.89
Total / Weighted Average	348	5,899	100.0%	130,565	100.0%	24.32	126,706	23.56

(1) Annualized rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the month of September 30, 2019, by (ii) 12

(2) Annualized rent per leased square foot expiring reflects rental payments for the month of September 30, 2019, multiplied by 12 and divided by the NRA of expiring lease



(1) Percentage represents the NRA of the leases divided by the total NRA of the portfolio, as of September 30, 2019

(2) 1.9% represents the leases under contract but not yet in-occupancy as of September 30, 2019

LEASING AND CAPITAL EXPENDITURES

(in thousands)

	For the 3 months ended September 30, 2019		
	Consolidated	Non-controlling interests	CIO Share ²
Recurring			
Tenant Improvements and incentives	\$ 1,754	\$ (31)	\$ 1,723
Leasing Commissions	980	(9)	971
Capital Expenditures	563	(37)	526
Total Recurring	\$ 3,297	\$ (77)	\$ 3,220
Non-Recurring			
Tenant Improvements and incentives ¹	1,625	-	1,625
Leasing Commissions	35	-	35
Capital Expenditures	1,938	-	1,938
Total Non-Recurring²	\$ 3,598	\$ -	\$ 3,598
Total	\$ 6,895	\$ (77)	\$ 6,818

(1) We exclude leasing costs including free rent amounts embedded within straight line rent for first generation leases, planned at acquisition or paid by the seller. Free rent for the three months ended September 30, 2019 include the following for Canyon Park (\$926) and Cascade Station (\$129).

(2) Non-Recurring tenant improvements, incentives, leasing commissions and capital expenditures for the three months ended September 30, 2019 include the following for Canyon Park (\$1,595), Mission City (\$669), Camelback Square (\$264), Greenwood Blvd (\$261), Circle Point (\$257), Papago Tech (\$193), Cascade Station (\$133), Pima Center (\$109), Sorrento Mesa (\$69), The Quad (\$45), and 7601 Tech (\$3).

DEFINITIONS

Funds from Operations (“FFO”) – The National Association of Real Estate Investment Trusts (“NAREIT”) states FFO should represent net income or loss (computed in accordance with GAAP) plus real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments of unconsolidated partnerships and joint ventures, gains or losses on the sale of property and impairments to real estate.

Core Funds from Operations (“Core FFO”) – We calculate Core FFO by using FFO as defined by NAREIT and adjusting for certain other non-core items. We also exclude from our Core FFO calculation acquisition costs, loss on early extinguishment of debt, changes in the fair value of the earn-out, changes in the fair value of contingent consideration and the amortization of stock based compensation.

Adjusted Funds From Operations (“AFFO”) – We compute AFFO by adding to Core FFO the non-cash amortization of deferred financing fees and non-real estate depreciation, and then subtracting cash paid for recurring tenant improvements, leasing commissions, and capital expenditures, and eliminating the net effect of straight-line rent / expense, deferred market rent and debt fair value amortization. Recurring capital expenditures exclude development / redevelopment activities, capital expenditures planned at acquisition and costs to reposition a property. We exclude first generation leasing costs within the first two years of our initial public offering or acquisition, which are generally to fill vacant space in properties we acquire or were planned at acquisition. We have further excluded all costs associated with tenant improvements, leasing commissions and capital expenditures which were funded by the entity contributing the properties at closing.

Net Operating Income (“NOI”), Adjusted Cash NOI – We define NOI as rental and other revenues less property operating expenses. We define Adjusted Cash NOI as NOI less the effect of recurring straight-line rents / expense, deferred market rent, and any amounts which are funded by the selling entities.

Same Store Net Operating Income (“Same Store NOI”) and Same Store Cash Net Operating Income (“Same Store Cash NOI”) – Same Store NOI and Same Store Cash NOI is calculated as the NOI attributable to the properties continuously owned and operated for the entirety of the reporting periods presented. The Company’s definition of Same Store NOI and Same Store Cash NOI excludes properties that were not stabilized during both of the applicable reporting periods. These exclusions may include, but are not limited to, acquisitions, dispositions and properties undergoing repositioning or significant renovations.

EBITDA – EBITDA is defined as earnings before interest, taxes, depreciation and amortization.

Adjusted EBITDA – Management believes that Adjusted EBITDA is a useful measure of our operating performance. Adjusted EBITDA is defined as EBITDA plus the impact of any acquisitions and dispositions as if they had occurred at the beginning of the period.