



ACCELERATED  
MANAGEMENT  
INTERNALIZATION  
OVERVIEW

NYSE: CIO

# 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 City Office REIT, Inc. (“CIO” or the “Company”) and its current beliefs 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 our ability to close on the internalization transactions on the terms contemplated or at all, expectations regarding our financial performance, including under metrics such as FFO, after the internalization transactions are consummated, 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 and descriptions relating to these expectations, including, without limitation, the anticipated net operating income yield and cap rates. Forward-looking statements presented in this presentation are based on management’s beliefs and assumptions made by, and information currently available to, management.*

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# Internalization Highlights

*Internalization will occur on February 1, 2016*

*Secures a committed and aligned management team*

*Elimination of all external advisory fees (base management and acquisition fees)*

*Accretive to pro forma trailing 12 months' FFO<sup>1</sup>*

*Aligns interests among Management, the Board of Directors and the Company's shareholders*

# Internalization Overview

- City Office is completing an early internalization to immediately secure a committed management team, realize economies of scale and enhance its earnings potential as the Company grows
- The Company will acquire the External Advisor for 297,321 shares of City Office common stock<sup>(1)</sup> plus up to \$3.5 million of cash based on City Office achieving certain fully diluted market capitalization thresholds prior to December 31, 2016
- City Office will enter into a three year Administrative Services Agreement to provide administrative services to the Second City Real Estate funds and will receive payments of \$3.25 million over three years<sup>(2)</sup>

	<b>New: Internalized Management Structure</b>	<b>Old: External Management Structure</b>
<b>Management</b>	<ul style="list-style-type: none"> <li>Management employed by REIT</li> </ul>	<ul style="list-style-type: none"> <li>Management employed by External Advisor/Affiliates</li> </ul>
<b>Base Management Fee</b>	<ul style="list-style-type: none"> <li>None<sup>(3)</sup></li> </ul>	<ul style="list-style-type: none"> <li>The current run-rate base management fee is approximately \$1.3 million per year (Q3 base fee annualized) plus 1.0% of any new equity raised</li> </ul>
<b>Additional Fees</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition fee of 1.0% of the gross purchase price of any new acquisitions</li> <li>\$2.0 million was paid over the twelve months ended September 30, 2015</li> </ul>
<b>Change of Control Termination Fee</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Termination fee based on 3x the trailing 12 month fees charged by the External Advisor, including the base management fee and the acquisition fee for termination prior to April 21, 2018</li> </ul>
<b>Alignment</b>	<ul style="list-style-type: none"> <li>Aligns interests between Management, the Board of Directors and shareholders</li> <li>Pro forma for the internalization, management and the Board of Directors will collectively own approximately 15.9% of the fully diluted equity of the Company</li> </ul>	<ul style="list-style-type: none"> <li>Sub-optimal alignment</li> </ul>

(1): Based on volume weighted average price for 10 days at October 30, 2015 of \$11.7718.

(2): Payable \$1.5 million in year 1, \$1.125 million in year 2 and \$0.625 million in year 3.

(3): Net incremental G&A cost of approximately \$2.0 million per year, offset by the elimination of the Base Management Fees and the Acquisition Fees and the receipt of administrative services payments from Second City Real Estate

# Internal Management: Strong and committed team with a proven track record

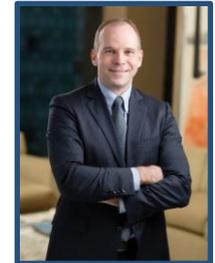
**James Farrar**  
Chief Executive Officer &  
Director

- ❑ Over 15 years of real estate, private equity and corporate finance industry experience
- ❑ Acquired over \$1.3 billion of real estate since 2011
- ❑ Prior experience with a family office focused on real estate and hospitality and the private equity group of the TD Bank



**Greg Tylee**  
Chief Operating Officer &  
President

- ❑ Over 15 years of diverse real estate experience that includes acquisitions of income-producing properties as well as high-rise development
- ❑ Involved in real estate transactions including development and management with a combined enterprise value of over \$2.0 billion
- ❑ Former President of Bosa Properties Inc., a prominent real estate development company with over 400 employees



**Anthony Maretic**  
Chief Financial Officer,  
Secretary & Treasurer

- ❑ Over 15 years of experience in senior financial and operational roles, of which 10 years were spent within the real estate industry
- ❑ Former Chief Operating Officer and Chief Financial Officer of Earls Restaurants Ltd., a multinational hospitality company
- ❑ Held a variety of financial management positions with a U.S based senior living real estate company and Bentall Capital LP



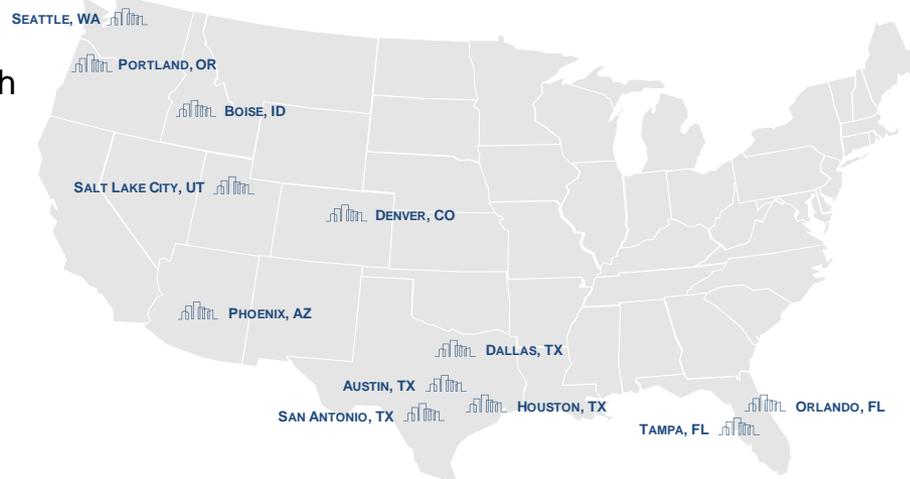
*The Company will employ a strong and committed team with offices in Vancouver and Dallas*

# Focused Strategy and History of High Quality Acquisitions

- City Office REIT owns quality office properties in high growth markets primarily in the Southern and Western United States
- 3.3 million square feet at September 30, 2015
  - Located in vibrant, growing markets with strong leasing fundamentals
  - High percentage of credit tenants
  - Acquired 1.4 million square feet since IPO; deployed over \$250 million of capital
  - Completed substantial leasing activity and property enhancements
- Focused acquisition strategy concentrated on thriving markets with leading economic fundamentals
  - Well located Class A & B office properties in both CBD and key amenity-rich, transit-oriented locations
  - Acquisition prices generally between \$20mm to \$50mm
  - Typical target acquisition cap rates between 7.0% and 8.0%



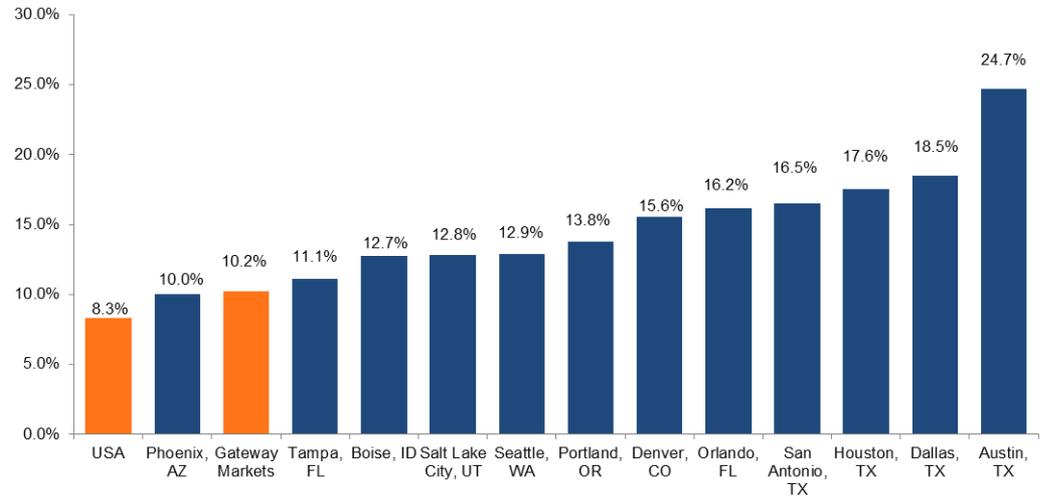
## PRIMARY TARGET MARKETS



# Robust Target Markets

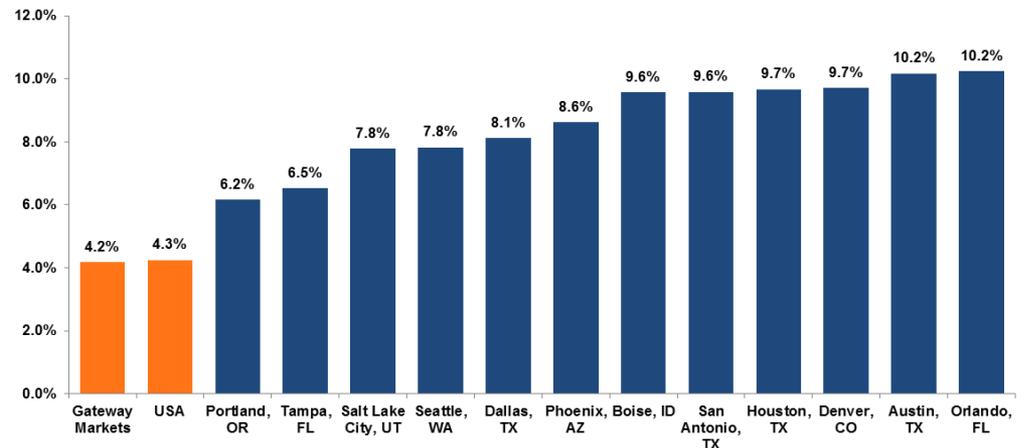
- Focused on markets with desirable attributes for office real estate:
  - Strong economic fundamentals and demographics
  - Growing population
  - Diverse employment base with national and international employers
  - Educated workforce
  - Low-cost center for businesses to operate
  - State capital or university concentration
  - Demonstrated recovery in local real estate conditions

## % JOB GROWTH FROM JUNE 2009 TO JUNE 2015



Source: U.S. Bureau of Labor Statistics as of August 20, 2015.

## % PROJECTED POPULATION GROWTH FROM 2014 TO 2020



Source: SNL Financial LLC

# Portfolio Overview

## □ High Quality Properties Positioned for Stable Income and Capital Appreciation

- Portfolio in-place and committed occupancy of 95.2% <sup>(1)</sup>
- Benefit from low in-place rental rates with weighted average gross rental rate per square foot of \$20.55 <sup>(1)</sup>

## PROPERTY PORTFOLIO – JUNE 30, 2015

Metropolitan Area	Property	Year Built / Last Major Renovation	Economic Interest	NRA (000s SF)	In Place & Committed Occupancy	Annualized Gross Rent per SF	Annualized Base Rent <sup>(2)</sup>	Largest Tenant by NRA
Denver, CO	Cherry Creek	1962 -1980 / 2012	100.0%	356	100.0%	\$16.86	\$5,996,453	State of Colorado Department of Health
	Plaza 25	1981 / 2006	100.0%	197	92.4%	\$20.21	\$3,673,551	Recondo Technology, Inc.
	DTC Crossroads	1999 / 2015	100.0%	191	89.8%	\$24.01	\$4,109,809	Probuild Holdings, Inc.
	Superior Pointe	2000	100.0%	149	89.8%	\$25.53	\$1,943,718	Key Equipment Finance, Inc.
	Logan Tower	1983 / 2014	100.0%	70	95.1%	\$18.36	\$1,221,871	State of Colorado Governor's Energy
Boise, ID	Washington Group Plaza	1970 - 1982 / 2012	100.0%	558	91.6%	\$17.10	\$8,516,444	AECOM Technology Corporation
Portland, OR	AmberGlen	1984 / 2002	76.0%	353	96.7%	\$18.21	\$5,404,842	Planar Systems, Inc.
Orlando, FL	Central Fairwinds	1982 / 2012	90.0%	167	87.5%	\$25.70	\$3,297,512	Fairwinds Credit Union
	Florida Research Park	1999	100.0%	125	100.0%	\$27.50	\$2,427,750	Kaplan, Inc.
Tampa, FL	City Center	1984 / 2012	95.0%	241	100.0%	\$23.15	\$5,543,447	Kobie Marketing, Inc.
Allentown, PA	Corporate Parkway	2006	100.0%	178	100.0%	\$24.66	\$3,148,476	The Dun & Bradstreet Corporation
Dallas, TX	Lake Vista Pointe	2007	100.0%	163	100.0%	\$20.00	\$2,205,036	Ally Financial Inc.
<b>Total / Weighted Average - June 30, 2015</b>				<b>2,747</b>	<b>95.2%</b>	<b>\$20.55</b>	<b>\$47,488,908</b>	
<b>Properties Acquired Subsequent to June 30, 2015</b>								
Dallas, TX	190 Office Center I & II	2008	100.0%	303	97.8%	\$22.38	\$6,626,982	United Healthcare Services, Inc.
Tampa, FL	Intellicenter	2008	100.0%	204	100.0%	\$21.76	\$4,428,975	H. Lee Moffitt Cancer Center & Research Institute

(1) As of June 30, 2015.

(2) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the month ended June 30, 2015 by (ii) 12. For 190 Office Center I & II and Intellicenter, rental payments as of the acquisition date of September 3, 2015 are used.

# Tenant Profile

- High quality in-place tenants; approximately 46% of CIO's base rental revenue is derived from tenants that are government agencies, investment grade companies or their subsidiaries
- Stable and diversified tenant base

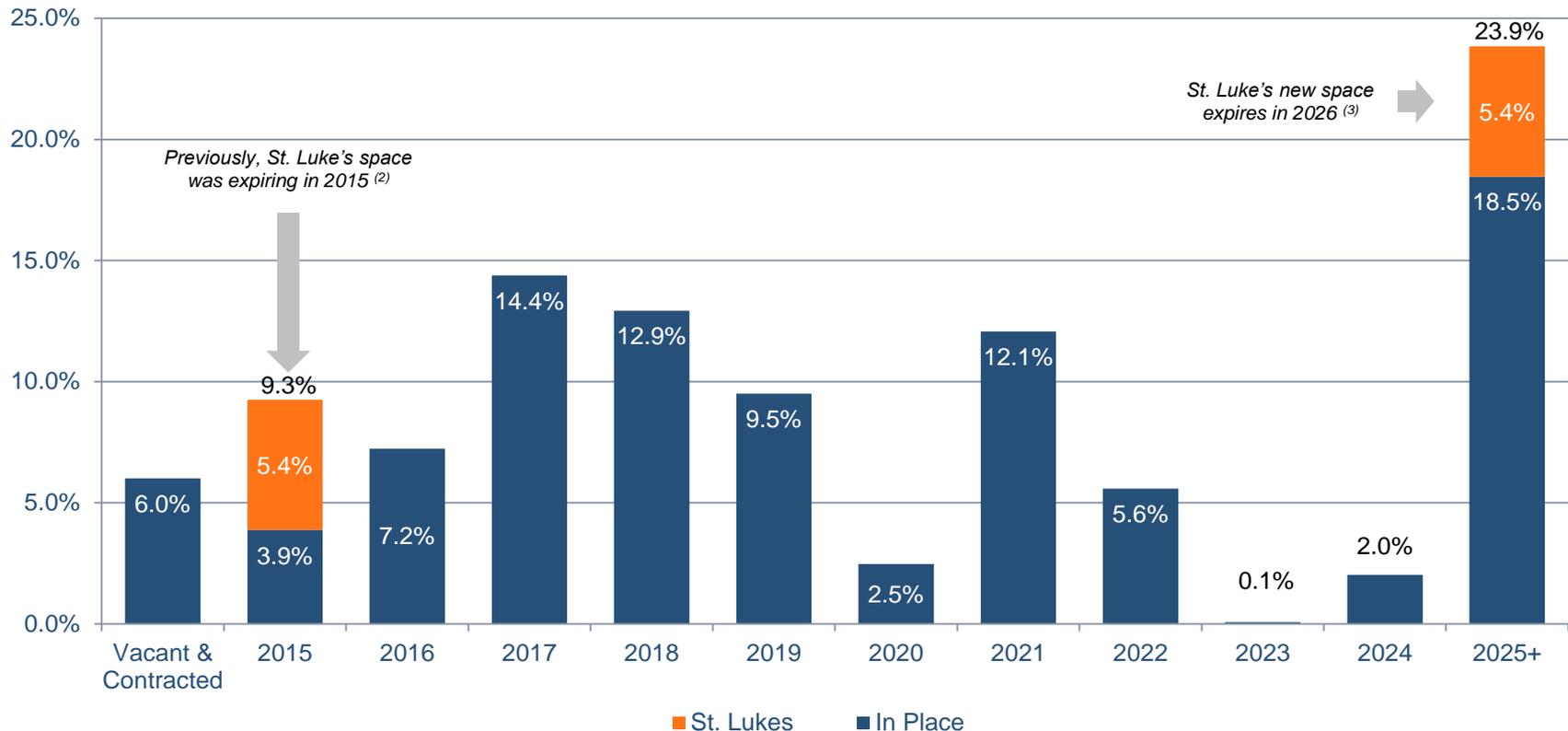
## TOP TEN TENANTS – JUNE 30, 2015

Tenant / Parent		Credit Rating (S&P / Moody's)	Property	Tenant since	% of Net Rentable Area	% of Annualized Base Rent <sup>(1)</sup>
State of Colorado		AA	Cherry Creek	1993	11.6%	11.8%
The Dun & Bradstreet Corporation		BBB-	Corporate Parkway	2006	6.5%	6.6%
Ally Financial Inc.		B1	Lake Vista Pointe	2008	5.9%	4.6%
AECOM Technology Corporation		BB	Washington Group Plaza	1970	5.2%	5.0%
Kaplan, Inc. <sup>(2)</sup>		BB+	Research Park	2008	4.5%	5.1%
Idaho State Tax Commission		AA+	Washington Group Plaza	1992	4.1%	4.1%
Planar Systems, Inc.		--	Amberglen	2002	4.0%	3.3%
ProBuild Holdings, Inc.		--	DTC Crossroads	2007	3.4%	4.7%
Cascade Microtech, Inc.		--	Amberglen	2012	2.4%	2.3%
Key Equipment Finance, Inc.		A	Superior Pointe	2006	2.0%	1.7%
<b>Total</b>					<b>49.6%</b>	<b>49.3%</b>

# Lease Expirations

- Diversified, long-term tenancy profile with well-staggered expirations
- 5.6 year weighted average remaining lease term <sup>(1)</sup>

## LEASE MATURITY SCHEDULE – JUNE 30, 2015



(1) St. Luke's lease extended the weighted average remaining lease term as of June 30, 2015 from 5.0 years to 5.6 years, assuming the lease was in place at that time.

(2) Percentage shows expiring square footage of St. Luke's existing lease, as of June 30, 2015.

(3) Percentage represents the square footage of the new St. Luke's lease divided by the total square footage of the portfolio, as of June 30, 2015.

# Appendix: Financial Impact on G&A

## INTERNALIZATION – NET FINANCIAL IMPACT ON G&A EXPENSES

### Pre-Internalization

- ❑ Corporate G&A is currently ~\$1.8 million for legal, audit, insurance, compliance, etc. 2016 preliminary estimate for these costs is ~\$2.0 million
- ❑ External Advisor is currently paid an annual base management fee of ~\$1.3 million (Q3/15 annualized), increasing to ~\$1.9 million at a \$250 million equity market capitalization (assuming a future \$59 million equity raise using the 10 day VWAP at October 30, 2015)
- ❑ External Advisor is also paid a 1.0% acquisition fee; ~\$2.0 million was paid during the 12 months ended September 30, 2015

### Effect of Internalization

- ❑ The Company paid a total of \$3.2 million in fees consisting of \$1.2 million in base management fees (\$1.3 based on Q3 annualized) and \$2.0 million in acquisition fees during the 12 months ended September 30, 2015
- ❑ G&A costs are estimated to increase by a net incremental \$2.0 million in Year 1<sup>1</sup>
- ❑ Had this cost structure been in-place over the trailing twelve months, it would have been accretive to FFO<sup>1</sup>

### Post-Internalization Impact

- ❑ Entire management team to be employed directly by City Office REIT effective February 1, 2016
- ❑ Elimination of the Acquisition Fee and the Base Management Fee, which rise as equity grows. Anticipated savings of ~\$7.0 million over the next 2.5 years<sup>2</sup>
- ❑ The Administrative Services Agreement will pay fees to City Office, offsetting some of the increased G&A cost

(1): Excluding the one-time costs associated with the internalization; based on the elimination of base management (Q3/15 annualized) and the acquisition fees paid for the twelve months ended September 30, 2015 and net of the administrative services payments from Second City Real Estate.

(2): The savings is estimated based on completing \$200 million of acquisitions each year, consistent with the acquisitions closed for the trailing twelve months ended September 30, 2015, and funding 50% of the acquisition cost with new equity.

# Appendix: Financial Impact of Internalization

## ESTIMATED IMPACT ON FFO<sup>1</sup>

2016 Estimate <sup>1</sup>	Current Management Fee (\$MM)	Mgmt Fee @ \$250MM Market Cap (\$MM)	Mgmt Fee @ \$300MM Market Cap (\$MM)
Pre-Internalization Corporate G&A <sup>2</sup>	\$ (2.0)	\$ (2.0)	\$ (2.0)
<b>Net Financial Impact of Internalization on FFO:</b>			
Net Incremental G&A <sup>3,4</sup>	\$ (2.0)	\$ (2.0)	\$ (2.0)
Elimination of Base Management Fee <sup>5</sup>	\$ 1.3	\$ 1.9	\$ 2.4
Elimination of Acquisition Fee <sup>6</sup>	\$ 2.0	\$ 2.0	\$ 2.0
<b>Internalization Net Impact on FFO</b>	<b>\$ 1.3</b>	<b>\$ 1.9</b>	<b>\$ 2.4</b>
<b>Impact to FFO/share<sup>1,7</sup></b>	<b>\$ 0.07</b>	<b>\$ 0.08</b>	<b>\$ 0.09</b>

(1) - Excluding the one-time costs associated with the internalization.

(2) - Includes legal, audit, compliance, filing fees, insurance and board of director costs. These costs are expected to remain at similar levels post internalization.

(3) - The estimated incremental net G&A expense for 2016 includes employee costs and overhead, rent and technology costs net of payments from the Administrative Services Agreement.

(4) - The Administrative Services Agreement will result in \$3.25 million of payments to City Office over three years as follows: \$1.5 million paid in year 1, \$1.125 million in year 2 and \$0.625 million in year 3.

(5) - The current base management fee paid to the External Advisor is ~\$1.3 million per annum at Q3/15. At a \$250 million market capitalization (using the 10 day VWAP of \$11.77 at October 30, 2015, approximately \$59 million of future equity would be raised), and the base management fee would increase to \$1.9 million per annum. At a \$300 million market capitalization (using the 10 day VWAP of \$11.77 at October 30, 2015, approximately \$109 million of future equity would be raised), and the base management fee would increase to \$2.4 million per annum.

(6) - Assumes future acquisition levels consistent with the twelve months ended September 30, 2015 (rounded).

(7) - Estimate of impact on FFO per share based on the terms of the transaction and using the trailing twelve month FFO per share at Q2/15. Utilizes a \$59 million/\$109 million equity raise assumption for the \$250/\$300 million market capitalization scenarios as described in Note 5, and the 10 day VWAP of \$11.77 at October 30, 2015.



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