BOSTON PROPERTIES INC
Form 10-K
February 29, 2016
Table of Contents

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

FORM 10-K

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

For the fiscal year ended December 31, 2015
OR

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

For the transition period from to
Commission File Number: 1-13087 (Boston Properties, Inc.)
Commission File Number: 0-50209 (Boston Properties Limited Partnership)

BOSTON PROPERTIES, INC.
BOSTON PROPERTIES LIMITED PARTNERSHIP
(Exact name of Registrants as specified in its charter)

Boston Properties, Inc.	Delaware (State or other jurisdiction of incorporation or organization)	04-2473675 (I.R.S. Employer Identification Number)
Boston Properties Limited Partnership	Delaware (State or other jurisdiction of incorporation or organization)	04-3372948 (I.R.S. Employer Identification Number)
	Prudential Center, 800 Boylston Street, Suite 1900 Boston, Massachusetts (Address of principal executive offices)	02199-8103 (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
Boston Properties, Inc.	Preferred Stock Purchase Rights	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 ý No ¨ Boston Properties Limited Partnership: Yes ý 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 ý Boston Properties Limited Partnership: Yes ¨ No ý

Table of Contents

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 ý No ¨ Boston Properties Limited Partnership: Yes ý 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 ý No ¨ Boston Properties Limited Partnership: Yes ý 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. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Boston Properties, Inc.:
Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Boston Properties Limited Partnership:
Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ý Smaller reporting company ¨
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 ý Boston Properties Limited Partnership: Yes ¨ No ý
As of June 30, 2015, the aggregate market value of the 152,454,431 shares of Common Stock held by non-affiliates of Boston Properties, Inc. was $18,453,084,348 based upon the last reported sale price of $121.04 per share on the New York Stock Exchange on June 30, 2015. (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, 2016, there were 153,592,481 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 17, 2016 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, 2015.

Table of Contents

EXPLANATORY NOTE

This report combines the Annual Reports on Form 10-K for the fiscal year ended December 31, 2015 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. 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 we conduct substantially all of our business and own, either directly or through subsidiaries, substantially all of our 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, 2015, BXP owned an approximate 89.5% ownership interest in BPLP. The remaining approximate 10.5% interest is owned by limited partners. The other limited partners of BPLP are (1) persons who contributed their direct or indirect interests in properties to BPLP in exchange for common units or preferred units of limited partnership interest in BPLP 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 streamlined 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 the revolving credit facility, the issuance of secured and unsecured debt and equity securities and proceeds received from the disposition of certain properties and 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 and development joint venture partners. 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.

Table of Contents

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 OP Unit redemptions. 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 $341.3 million, or 2.2% at December 31, 2015 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 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 11. Noncontrolling Interest;
- Note 12. Stockholders’ Equity / Partners’ Capital;
- Note 15. Earnings Per Share / Per Common Unit;
- Note 19. Selected Interim Financial Information (unaudited); and
- Item 15. Financial Statement Schedule—Schedule III.

This report also includes separate Part II, Item 9A. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of BXP and BPLP in order to establish that the requisite certifications have been made and that BXP and BPLP are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I

Item 1. Business

General

BXP is a fully integrated, self-administered and self-managed real estate investment trust, or “REIT,” and one of the largest owners and developers of office properties in the United States.

Our properties are concentrated in four markets—Boston, 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, 2015, we owned or had interests in 168 commercial real estate properties, aggregating approximately 46.5 million net rentable square feet, including eleven properties under construction/redevelopment totaling approximately 4.6 million net rentable square feet. As of December 31, 2015 our properties consisted of:

- 158 office properties, including 127 Class A office properties (including nine properties under construction/redevelopment) and 31 Office/Technical properties;
- one hotel;
- five retail properties; and
- four residential properties (including two under construction).

We own or control undeveloped land parcels totaling approximately 457.1 acres, which could support approximately 12.7 million square feet of additional development.

We consider Class A office properties to be centrally-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. We consider Office/Technical properties to be properties that support office, research and development, laboratory and other technical uses. Our definitions of Class A office and Office/Technical 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, 2015, we had approximately 765 employees. Our thirty senior officers have an average of thirty-one 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 The 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 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 a free copy 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., The Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199. The name “Boston Properties” and our logo (consisting of a stylized “b”) are registered service marks of BPLP.

Boston Properties Limited Partnership

BPLP is a Delaware limited partnership, and the entity through which we conduct substantially all of our business and own, either directly or through subsidiaries, substantially all of our assets. BXP is the sole general partner and, as of February 22, 2016, the owner of approximately 89.4% 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”) and (4) the 2013 MYLTIP Units that were issued in the form of LTIP Units and earned as of February 4, 2016 (the "2013 MYLTIPS"). 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-

1

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 as are set forth in an amendment to the limited partnership agreement of BPLP. As of December 31, 2015 and February 22, 2016, 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 $2,500.00 per share (or an aggregate of approximately $193.6 million at December 31, 2015 and February 22, 2016, 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 terms and preferences 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 $2,500.00 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 $2,500.00 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 2015

Ground and Air Rights Lease

On July 31, 2015, we entered into a 99-year ground and air rights lease (the "Lease") with the Massachusetts Department of Transportation ("MDOT") with respect to the parking garage located at 100 Clarendon Street (the "Clarendon Garage") and the concourse level of the Massachusetts Bay Transportation Authority's Back Bay Station (the "Station"). The Lease amends and restates the air rights lease which the Company had assumed in 2010 at the time it acquired its interests in both the Clarendon Garage and the office tower located at 200 Clarendon Street (formerly known as the John Hancock Tower). The Lease requires us to pay a total of approximately $37.0 million and provides us with options to acquire certain air rights above both the Clarendon Garage and the Station with the amount of developable square footage associated with the air rights to be determined at a later date. The previous lease had 45 years remaining in its term. Upon execution of the Lease, we made a $5.0 million payment and the Lease requires our remaining obligation to be used to fund improvements to the Station.

Dispositions

For information explaining why BXP and BPLP may have different gains on sales of real estate, see the Explanatory Note.

On February 19, 2015, we completed the sale of a parcel of land within our Washingtonian North property located in Gaithersburg, Maryland for a gross sale price of $8.7 million. Net cash proceeds totaled approximately $8.4 million, resulting in a gain on sale of real estate totaling approximately $3.5 million. The parcel contains approximately 8.5 acres of our approximately 27 acre property.

On March 17, 2015, we completed the sale of our Residences on The Avenue property located in Washington, DC for a gross sale price of $196.0 million. Net cash proceeds totaled approximately $192.5 million, resulting in a gain on sale of real estate totaling approximately $91.4 million. We have agreed to provide net operating income support of up to $6.0 million if the property's net operating income fails to achieve certain thresholds. As of December 31, 2015, our remaining obligation is approximately $5.2 million. This amount has been recorded as a reduction to the gain on sale. The Residences on The Avenue is comprised of 335 apartment units and approximately 50,000 net rentable square feet of retail space, subject to a ground lease that expires on February 1, 2068.

On September 18, 2015, a consolidated entity in which we have 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 (See Note 6 to the Consolidated Financial Statements). 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 our share was approximately $97.3 million. We recognized a gain on sale of real estate totaling approximately $199.5 million and $199.7 million for BXP and BPLP, respectively, of which approximately $101.1 million was allocated to the outside partners and is included within Noncontrolling Interests in Property Partnerships in our Consolidated Statements of Operations (See Note 11 to the Consolidated Financial Statements).

Table of Contents

On October 1, 2015, we completed the sale of an additional parcel of land within our Washingtonian North property located in Gaithersburg, Maryland for a gross sale price of approximately $13.3 million. Net cash proceeds, which included reimbursements for certain infrastructure costs, totaled approximately $13.8 million, resulting in a gain on sale of real estate totaling approximately $2.0 million. The parcel sold consisted of approximately 5.8 acres of our remaining approximately 18.3 acre property.

On December 17, 2015, we completed the sale of our Innovation Place property for a gross sale price of $207.0 million. Net cash proceeds totaled approximately $199.3 million, resulting in a gain on sale of real estate totaling approximately $79.1 and $80.1 million for BXP and BPLP, respectively. Innovation Place, located in San Jose, California, is a 26-acre site with one occupied and three vacant existing office buildings and a total of approximately 574,000 square feet (approximately 463,000 square feet of which are vacant) located at 3100-3130 Zanker Road. 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.

Developments/Redevelopments

As of December 31, 2015, we had eleven properties under construction/redevelopment comprised of nine office properties and two residential properties, which aggregate approximately 4.6 million square feet. We estimate the total investment to complete these projects, in the aggregate, is approximately $2.6 billion of which we had already invested approximately $1.1 billion as of December 31, 2015. For a detailed list of the properties under construction/redevelopment see the following “Liquidity and Capital Resources” within “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

On May 1, 2015, we commenced the redevelopment of Reservoir Place North, a Class A office project with approximately 73,000 net rentable square feet located in Waltham, Massachusetts.

On July 23, 2015, we commenced construction of our Cambridge Residential project, a residential project aggregating approximately 164,000 square feet comprised of 274 apartment units and approximately 9,000 square feet of retail space located in Cambridge, Massachusetts. On August 13, 2015, we acquired an approximately 8,700 square foot parcel of land necessary for the development for a purchase price of approximately $2.0 million.

On July 23, 2015, we commenced construction of our Reston Signature Site project, a residential project aggregating approximately 514,000 square feet comprised of 508 apartment units and approximately 24,000 square feet of retail space located in Reston Town Center in Reston, Virginia.

On August 14, 2015, we partially placed in-service 601 Massachusetts Avenue, a Class A office project with approximately 478,000 net rentable square feet located in Washington, DC.

On September 10, 2015, we partially placed in-service The Point (formerly 99 Third Avenue Retail), a retail project with approximately 16,000 net rentable square feet of retail space located in Waltham, Massachusetts. This project was fully placed in-service on November 1, 2015.

On November 1, 2015, we completed and fully placed in-service 535 Mission Street, a Class A office project with approximately 307,000 net rentable square feet located in San Francisco, California.

On December 2, 2015, we completed and fully placed in-service 690 Folsom Street, an office and retail project with approximately 26,000 net rentable square feet located in San Francisco, California.

Secured Debt Transactions

On September 18, 2015, in connection with the sale of 505 9th Street, N.W. located in Washington, DC by a consolidated entity in which we have a 50% interest, the consolidated entity assigned to the buyer the mortgage loan collateralized by the property totaling approximately $117.0 million. The assigned mortgage loan bears interest at a fixed rate of 5.73% per annum and matures on November 1, 2017 (See Note 3 to the Consolidated Financial Statements).

On October 1, 2015, we used available cash to repay the mortgage loan collateralized by our Kingstowne Two and Kingstowne Retail properties located in Alexandria, Virginia totaling approximately $29.8 million. The mortgage loan bore interest at a fixed rate of 5.99% per annum and was scheduled to mature on January 1, 2016. There was no prepayment penalty.

On December 15, 2015, we legally defeased the mortgage loan collateralized by our 100 & 200 Clarendon Street (formerly known as the John Hancock Tower and Garage) 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.

Derivative Instruments and Hedging Activities

On February 19, 2015, BPLP commenced a planned interest rate hedging program. To date, BPLP has entered into forward-starting interest rate swap contracts which fix the 10-year swap rate at a weighted-average rate of approximately 2.423% per annum on notional amounts aggregating $550.0 million. The interest rate swap contracts were entered into in advance of a financing by BPLP with a target commencement date in September 2016 and maturity in September 2026. BPLP 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.

In addition, our 767 Fifth Partners LLC consolidated entity (the entity in which we have a 60% interest and that owns 767 Fifth Avenue (the General Motors Building) in New York City) entered into forward-starting interest rate swap contracts, including two contracts entered into subsequent to December 31, 2015, which 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. Our 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 (See Notes 7 and 20 to the Consolidated Financial Statements).

Equity Transactions

On June 25, 2015, BPLP redeemed the remaining 12,667 Series Four Preferred Units for cash totaling approximately $0.6 million.

During the year ended December 31, 2015, BXP acquired an aggregate of 424,236 common units of limited partnership interest, including 65,192 common units issued upon the conversion of LTIP Units and 2012 OPP awards presented by the holders for redemption, in exchange for an equal number of shares of common stock. During the year ended December 31, 2015, BXP issued 11,447 shares of common stock as a result of stock options being exercised.

Special Dividend

On December 17, 2015, BXP's Board of Directors declared a special cash dividend of $1.25 per common share, in addition to its regular quarterly dividend of $0.65 per common share, which were paid on January 28, 2016 to shareholders of record as of the close of business on December 31, 2015. The decision to declare a special dividend was primarily a result of the taxable gains associated with the sale of approximately $584 million of assets in 2015. BXP's Board of Directors did not make any change to its policy with respect to regular quarterly dividends. The payment of the regular quarterly dividend of $0.65 per share and the special dividend of $1.25 per share resulted in a total dividend of $1.90 per share on January 28, 2016. Common and LTIP unitholders of limited partnership interest in BPLP, as of the close of business on December 31, 2015, received the same total distribution per unit, on January 28, 2016.

Investments in Unconsolidated Joint Ventures

On May 8, 2015, we entered into a joint venture with an unrelated third party to redevelop an existing building into a Class A office building totaling approximately 115,000 net rentable square feet at 1265 Main Street in Waltham, Massachusetts. The joint venture partner contributed real estate and improvements, with an aggregate fair value of approximately $9.4 million, for its initial 50% interest in the joint venture. For our initial 50% interest, we will contribute cash totaling approximately $9.4 million as the joint venture incurs costs. The joint venture has entered into a fifteen-year lease with a tenant to occupy 100% of the building.

Table of Contents

On June 26, 2015, we entered into a joint venture with an unrelated third party to develop Dock72, an office building totaling approximately 670,000 net rentable square feet located at the Brooklyn Navy Yard in Brooklyn, New York. Each partner contributed cash totaling approximately $9.1 million for their initial 50% interest in the joint venture. The joint venture entered into a 96-year ground lease, comprised of an initial term of 46 years, which may be extended by the joint venture to 2111, subject to certain conditions. The joint venture also entered into a 20-year lease with a tenant to occupy approximately 222,000 net rentable square feet at the building. In addition, the joint venture entered into an option agreement pursuant to which it may lease an additional land parcel at the site, which could support between 600,000 and 1,000,000 net rentable square feet of development. In connection with the execution of the option agreement, the joint venture paid a non-refundable option payment of $1.0 million.

On September 22, 2015, a joint venture in which we have a 50% interest completed and fully placed in-service Annapolis Junction Building Seven, a Class A office project with approximately 127,000 net rentable square feet located in Annapolis, Maryland.

On September 30, 2015, a joint venture in which we have a 50% interest extended the loan collateralized by its Annapolis Junction Building Six property. At the time of the extension, the outstanding balance of the construction loan totaled approximately $13.4 million and was scheduled to mature on November 17, 2015. The extended loan has a total commitment amount of $15.9 million, bears interest at a variable rate equal to LIBOR plus 2.25% per annum and matures on November 17, 2016. Annapolis Junction Building Six is a Class A office property with approximately 119,000 net rentable square feet located in Annapolis, Maryland.

On October 22, 2015, a joint venture in which we have a 50% interest commenced construction of the Hub on Causeway at North Station containing approximately 385,000 net rentable square feet of retail and office space located in Boston, Massachusetts.

On December 22, 2015, a joint venture in which we have a 50% interest completed and fully placed in-service Annapolis Junction Building Eight, a Class A office project with approximately 126,000 net rentable square feet located in Annapolis, Maryland.

Stock Option and Incentive Plan

On January 21, 2015, BXP’s Compensation Committee approved a new equity-based, multi-year, long-term incentive program (the “2015 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 2015 MYLTIP has an aggregate grant fair value of approximately $15.7 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 6, 2015, the measurement period for our 2012 OPP Unit awards ended and BXP’s total stockholder return (“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.

Business and Growth Strategies

Business Strategies

Our primary business objective is to maximize return on investment so as 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, including Boston, 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. 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 lack of available sites and the difficulty of receiving the necessary approvals for development and the necessary financing constitute high barriers to the creation

5

Table of Contents

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 which increase our penetration 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, which can be a significant source of revenue and 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 historically 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 and our organizational depth 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 12.7 million additional square feet of new office, retail and residential development;
- our reputation gained through 46 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; and
- our ability to procure entitlements from multiple municipalities to develop sites and attract land owners to sell or partner with us.

Table of Contents

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

- Development in selected submarkets. We believe the additional development of well-positioned office buildings, residential buildings and mixed-use complexes could be 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 46-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. There may be enhanced opportunities to purchase assets with near-term financing maturities or possibly provide debt on assets at enhanced yields. Opportunities to acquire properties may also come through the purchase of first mortgage or mezzanine debt. We may also acquire properties for cash, but we are also particularly well-positioned 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 or BXP's common stock may facilitate this type of transaction on a tax-efficient basis. In addition, we may consider mergers with and acquisitions of compatible real estate firms.
- 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 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. We have developed this strategy and program for our existing portfolio, where we provide high-quality property management services using our own employees in order to encourage tenants to renew, expand and relocate in our properties. We are able to achieve speed and transaction cost efficiency in replacing departing tenants through the use of in-house and third-party vendors' services for marketing, including calls and presentations to prospective tenants, print advertisements, lease negotiation and construction of tenant improvements. Our tenants benefit from cost efficiencies produced by our experienced work force, which is attentive to preventive maintenance and energy management.

Internal Growth Strategies

We believe that opportunities will exist to increase cash flow from our existing properties because they are of high quality and in desirable locations within markets where, in general, the creation of new supply is limited by the lack of available sites and the difficulty of obtaining the necessary approvals for development on vacant land and financing. 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 improvements and (3) to work with new or existing tenants with space expansion or contraction needs maximizing the cash flow from our assets. We expect to continue our internal growth as a result of our ability to:

Table of Contents

- 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, proximity to sources of business growth and other local factors.

The average lease term of our in-place leases, including unconsolidated joint ventures, was approximately 6.9 years at December 31, 2015 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, 2015, leases with respect to approximately 7.1% of the total square feet in our portfolio, including unconsolidated joint ventures, will expire in calendar year 2016.

- 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.
- 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 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, 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").

8

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, including Mortimer B. Zuckerman, 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. One of our assets is subject to a tax protection agreement, which may limit our ability to dispose of it or require us to pay damages to the prior owner in the event of a taxable sale.

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 and unsecured debt securities contain customary restrictions, requirements and other limitations on our ability to incur indebtedness. 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.

Table of Contents

Sustainability

As one of the largest owners and developers of office properties in the United States, we actively work to promote our growth and operations in a sustainable and responsible manner across our four 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. 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.

During 2015, the National Association of Real Estate Investment Trusts ("NAREIT") selected BXP as a joint winner of NAREIT's Office Leader in the Light Award - the highest achievement for all office REITs and real estate companies. BXP was selected by a panel of judges that evaluated disclosures summarizing implemented energy and water conservation measures, renewable energy procurement, waste diversion and the results of the Global Real Estate Sustainability Benchmark ("GRESB") assessment. In the GRESB assessment, BXP ranked 24th out of 688 global companies, among the top 4% of all participants. 2015 was the fourth straight year that BXP has ranked in the top quartile of GRESB assessment participants, earning another "Green Star" recognition.

Our sustainability strategy, key performance indicators and achievements are disclosed on our website at http://www.bostonproperties.com under the heading "Sustainability".

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 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 four residential properties (including two under construction) and may in the future decide to acquire or develop additional residential properties. As an owner and operator of apartments, we will also face 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 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 allows economic benefits of ownership to flow to us. 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. In connection with these arrangements, Marriott has agreed to operate and maintain our hotel in accordance with its system-wide standard for comparable hotels and to provide the hotel with the benefits of its central reservation system and other chain-wide programs and services. Under a management agreement for the hotel, Marriott acts as the taxable REIT subsidiary's agent to supervise, direct and control the management and operation of the hotel and receives as compensation base management fees that are calculated as a percentage of the hotel's gross revenues, and supplemental incentive fees if the hotel exceeds negotiated profitability breakpoints. In addition, the taxable REIT subsidiary compensates Marriott, on the basis of a formula applied to the hotel's gross revenues, for certain system-wide services provided by Marriott,

Table of Contents

including central reservations, marketing and training. During 2015, 2014 and 2013, Marriott received an aggregate of approximately $2.9 million, $1.0 million and $1.2 million, respectively, from our taxable REIT subsidiary.

Seasonality

Our hotel property traditionally has experienced significant seasonality in its operating income. Below is the net operating income and the percentage of net operating income by quarter for the year ended December 31, 2015.

First Quarter	Second Quarter	Third Quarter	Fourth Quarter
$1.5 million	$4.9 million	$4.5 million	$3.1 million
11%	35%	32%	22%

Corporate Governance

BXP is currently governed by an eleven member Board of Directors. The current members of the Board of Directors of BXP are Mortimer B. Zuckerman, Carol B. Einiger, Dr. Jacob A. Frenkel, Joel I. Klein, Douglas T. Linde, Matthew J. Lustig, Alan J. Patricof, Ivan G. Seidenberg, 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. The Board of Directors of BXP 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
Carol B. Einiger		X	
Dr. Jacob A. Frenkel		X	X *
Joel I. Klein	X		X
Matthew J. Lustig			
Alan J. Patricof	X *		X
Ivan G. Seidenberg **			
Martin Turchin			
David A. Twardock	X	X *	

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

- 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.

Table of Contents

- The Board of Directors has adopted a Policy on Company 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

Bipartisan Budget Act of 2015

On November 2, 2015, Congress enacted the Bipartisan Budget Act of 2015. Among other things, this Act changes the rules applicable to federal income tax audits of partnerships (such as BPLP) and the collection of any tax resulting from any such audits or other tax proceedings. Under the new rules, the partnership itself must pay any "imputed underpayments," consisting of delinquent taxes, interest, and penalties deemed to arise out of an audit of the partnership, unless certain alternative methods are available and the partnership elects to utilize them.

The new rule generally does not apply to audits of taxable years beginning before January 1, 2018, and many of the details, including the means by which a partnership can avail itself of the alternative methods and the manner in which the alternative methods may apply to REITs, will be determined through yet-to-be-proposed Treasury Regulations. Therefore, it is not clear at this time what effect this new legislation will have on us. However, it is possible that in the future, BXP or BPLP, or both, could be subject to, or otherwise bear the economic burden of, federal income tax, interest, and penalties resulting from a federal income tax audit as a result of the changes enacted by the Act.

Protecting Americans from Tax Hikes Act of 2015

On December 18, 2015, Congress enacted the Protecting Americans from Tax Hikes Act of 2015. This legislation modifies a number of rules pertaining to qualification as a REIT and the taxation of REITs and their shareholders, including, among others, the following changes to certain rules described in the disclosure set forth in our prospectus:

- For tax years beginning after December 31, 2017, not more than 20% of our total assets may be represented by securities of one or more taxable REIT subsidiaries. At this time, the securities we own in our taxable REIT subsidiaries do not, in the aggregate, exceed 20% of the total value of our assets.
- A 100% excise tax is imposed on "redetermined TRS service income," which is income of a taxable REIT subsidiary attributable to services provided to, or on behalf of its associated REIT and which would otherwise be increased on distribution, apportionment, or allocation under Section 482 of the Internal Revenue Code of 1986, as amended (i.e., as a result of a determination that the income was not arm's length).

Table of Contents

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 shares or units, 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 43.

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, New York, San Francisco and Washington, DC.

All of our revenue is derived from properties located in four markets: Boston, 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.

Table of Contents

Our investment in property development may be more costly 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 which 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 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.

14

Table of Contents

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 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.

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. economy 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 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;

15

Table of Contents

- 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, 2016, we had no outstanding indebtedness, excluding our unconsolidated joint ventures, that bears interest at variable rates, but we may incur such 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, 2016, our total consolidated debt was approximately $10.0 billion (excluding unconsolidated joint venture debt). Consolidated debt to total consolidated market capitalization ratio, defined as total consolidated debt as a percentage of the market value of our outstanding equity securities plus our total consolidated debt, is a measure of leverage commonly used by analysts in the REIT sector. Our total consolidated market capitalization was approximately $29.9 billion at February 22, 2016. Total consolidated market capitalization was calculated using the closing stock price of BXP's common stock of $114.76 per common share and the following: (1) 153,592,481 outstanding shares of BXP common stock, (2) 16,097,473 outstanding common units of partnership interest in BPLP (excluding common units held by BXP), (3) an aggregate of 1,752,512 common units issuable upon conversion of all outstanding LTIP Units, assuming all conditions have been met for the conversion of the LTIP Units, (4) 216,431 2012 OPP Units that were issued in the form of LTIP Units and earned as of February 6, 2015, (5) 103,883 2013 MYLTIP units that were issued in the form of LTIP units and earned as of February 4, 2016, (6) 80,000 shares (8,000,000 depositary shares, each representing 1/100th of a share), of BXP's 5.25% Series B Cumulative Redeemable Preferred Stock, at a price of $2,500 per share ($25 per depositary share) and (7) our consolidated debt totaling approximately $10.0 billion. The calculation of total consolidated market capitalization does not include 475,558 2014 MYLTIP Units, 367,936 2015 MYLTIP Units and 474,456 2016 MYLTIP Units because, unlike other LTIP Units, they are not earned until certain return thresholds are achieved. Our total consolidated debt, which excludes debt collateralized by our unconsolidated joint ventures, at February 22, 2016, represented approximately 33.48% of our total consolidated market capitalization. This percentage will fluctuate with changes in the value of BPLP's common units and therefore with changes in the value of BXP's common stock and does 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 ours, whose assets are primarily income-producing real estate, the consolidated debt to total consolidated market capitalization ratio may provide investors with an alternate indication of leverage, so long as it is evaluated along with other financial ratios and the various components of our outstanding indebtedness.

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 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.

Table of Contents

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 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.

Table of Contents

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 share of the aggregate revenue from all of our joint ventures represented approximately 18.9% of our total revenue (the sum of our total consolidated revenue and our share of such joint venture revenue) for the three months ended December 31, 2015. 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; and
- our joint ventures may be unable to repay any amounts that we may loan to them.

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).

Table of Contents

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, including Mortimer B. Zuckerman, 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, Mr. Zuckerman, as non-executive Chairman, and other 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 entered into agreements with respect to some properties that we have acquired in exchange for partnership interests in BPLP. Pursuant to those agreements, we have agreed not to sell or otherwise transfer some of our properties, prior to specified dates, in any transaction that would trigger taxable income and 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. As of December 31, 2015, there was one property subject to these restrictions. This property accounted for approximately 7% of our total revenue (the sum of our total consolidated revenue and our share of joint venture revenue) for the year ended December 31, 2015.

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.

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 continue to have significant cash balances that we invest 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, 2015, 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 of types and in amounts and with deductibles that 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

Table of Contents

Reauthorization Act of 2015 (“TRIPRA”), and we can provide no assurance that it will be extended further. Currently, the per occurrence limits of our portfolio property insurance program are $1.0 billion, 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 Terrorism 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 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 2015, the program trigger was $100.0 million and the coinsurance was 15%, 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 5% of the value of the affected property. Specifically, we currently carry earthquake insurance which covers our San Francisco region (excluding Salesforce Tower) with a $170 million per occurrence limit (increased on March 1, 2015 from $120 million) and a $170 million annual aggregate limit (increased on March 1, 2015 from $120 million), $20 million of which is provided by IXP, as a direct insurer. The builders risk policy maintained for the development of Salesforce Tower in San Francisco includes 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 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 $20.0 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 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, 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, New York, and San Francisco. 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

Table of Contents

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

Table of Contents

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; or
- 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.

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 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 real estate investment trust 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 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 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 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.

Table of Contents

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. The 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.

Table of Contents

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.

Shareholder Rights Plan

BXP has a shareholder rights plan. Under the terms of this plan, BXP can in effect prevent a person or group from acquiring more than 15% of the outstanding shares of its common stock because, unless BXP's Board of Directors approves of the acquisition, after the person acquires more than 15% of BXP's outstanding common stock, all other stockholders will have the right to purchase securities from BXP at a price that is less than their then fair market value. This would substantially reduce the value and influence of the stock owned by the acquiring person. The Board of Directors of BXP can prevent the plan from operating by approving the transaction in advance, which gives us significant power to approve or disapprove of the efforts of a person or group to acquire a large interest in our company.

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.

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

Table of Contents

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.

Table of Contents

Item 2. Properties.

At December 31, 2015, we owned or had interests in 168 commercial real estate properties, totaling approximately 46.5 million net rentable square feet, including eleven properties under construction/redevelopment totaling approximately 4.6 million net rentable square feet. Our properties consisted of (1) 158 office properties, including 127 Class A office buildings, including nine properties under construction/redevelopment, and 31 properties that support both office and technical uses, (2) five retail properties, (3) one hotel and (4) four residential properties (including two under construction). In addition, we own or control 457.1 acres of land parcels for future development. The table set forth below shows information relating to the properties we owned, or in which we had an ownership interest, at December 31, 2015.

Properties	Location	% Leased as of December 31, 2015 (1)		Number of Buildings	Net Rentable Square Feet
Class A Office					
767 Fifth Avenue (the General Motors Building) (60% ownership)	New York, NY	96.7	%	1	1,822,412
200 Clarendon Street (formerly the John Hancock Tower)	Boston, MA	77.0	%	1	1,742,257
399 Park Avenue	New York, NY	98.9	%	1	1,710,383
601 Lexington Avenue (55% ownership)	New York, NY	96.0	%	1	1,632,710
100 Federal Street (55% ownership)	Boston, MA	83.9	%	1	1,266,305
Times Square Tower (55% ownership)	New York, NY	100.0	%	1	1,247,454
800 Boylston Street - The Prudential Center	Boston, MA	90.8	%	1	1,227,964
599 Lexington Avenue	New York, NY	99.3	%	1	1,057,978
Bay Colony Corporate Center	Waltham, MA	79.7	%	4	1,006,062
250 West 55th Street	New York, NY	82.8	%	1	986,823
Embarcadero Center Four	San Francisco, CA	89.1	%	1	935,615
111 Huntington Avenue - The Prudential Center	Boston, MA	100.0	%	1	860,455
Embarcadero Center One	San Francisco, CA	95.3	%	1	830,960
Atlantic Wharf Office (55% ownership)	Boston, MA	100.0	%	1	793,827
Embarcadero Center Two	San Francisco, CA	87.4	%	1	780,668
Embarcadero Center Three	San Francisco, CA	95.7	%	1	775,268
Capital Gallery	Washington, DC	99.8	%	1	631,029
South of Market	Reston, VA	89.7	%	3	623,665
Metropolitan Square (51% ownership) (2)	Washington, DC	77.5	%	1	589,629
901 New York Avenue (25% ownership) (2)	Washington, DC	92.4	%	1	539,680
Reservoir Place	Waltham, MA	94.0	%	1	528,885
680 Folsom Street	San Francisco, CA	98.4	%	2	524,793
Fountain Square	Reston, VA	95.2	%	2	521,598
601 and 651 Gateway	South San Francisco, CA	99.6	%	2	506,279
101 Huntington Avenue - The Prudential Center	Boston, MA	95.6	%	1	505,249
2200 Pennsylvania Avenue	Washington, DC	100.0	%	1	458,831

One Freedom Square	Reston, VA	100.0	%	1	432,581
Two Freedom Square	Reston, VA	100.0	%	1	421,757
Market Square North (50% ownership) (2)	Washington, DC	72.8	%	1	415,523
One Tower Center	East Brunswick, NJ	35.5	%	1	412,797

30

Table of Contents

Properties	Location	% Leased as of December 31, 2015 (1)		Number of Buildings	Net Rentable Square Feet
140 Kendrick Street	Needham, MA	84.2	%	3	380,987
One and Two Discovery Square	Reston, VA	97.8	%	2	366,990
Weston Corporate Center	Weston, MA	100.0	%	1	356,995
510 Madison Avenue	New York, NY	100.0	%	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 (3)	San Francisco, CA	82.3	%	1	307,235
Waltham Weston Corporate Center	Waltham, MA	90.3	%	1	306,687
230 CityPoint	Waltham, MA	93.9	%	1	300,573
Wisconsin Place Office	Chevy Chase, MD	97.6	%	1	299,186
540 Madison Avenue (60% ownership) (2)	New York, NY	93.6	%	1	283,695
Quorum Office Park	Chelmsford, MA	90.0	%	2	267,527
355 Main Street	Cambridge, MA	100.0	%	1	265,342
Reston Corporate Center	Reston, VA	100.0	%	2	261,046
611 Gateway	South San Francisco, CA	95.2	%	1	260,337
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	99.3	%	1	256,245
1330 Connecticut Avenue	Washington, DC	98.7	%	1	252,171
500 E Street, S.W.	Washington, DC	100.0	%	1	251,994
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) (2)	Washington, DC	92.8	%	1	230,859
90 Broadway	Cambridge, MA	96.1	%	1	223,771
255 Main Street	Cambridge, MA	100.0	%	1	215,629
77 CityPoint	Waltham, MA	100.0	%	1	209,707
Sumner Square	Washington, DC	100.0	%	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 (4)	San Jose, CA	100.0	%	5	190,636
2600 Tower Oaks Boulevard	Rockville, MD	60.9	%	1	179,369
150 Broadway	Cambridge, MA	100.0	%	1	177,226
Lexington Office Park	Lexington, MA	88.1	%	2	166,858
210 Carnegie Center	Princeton, NJ	73.0	%	1	162,372
206 Carnegie Center	Princeton, NJ	100.0	%	1	161,763
191 Spring Street	Lexington, MA	100.0	%	1	158,900
Kingstowne Two	Alexandria, VA	93.7	%	1	156,251
105 Broadway	Cambridge, MA	100.0	%	1	152,664
212 Carnegie Center	Princeton, NJ	86.9	%	1	151,547
Kingstowne One	Alexandria, VA	77.7	%	1	151,483
214 Carnegie Center	Princeton, NJ	67.6	%	1	150,774
506 Carnegie Center	Princeton, NJ	62.5	%	1	149,110

2440 West El Camino Real	Mountain View, CA	100.0	%	1	141,392
Two Reston Overlook	Reston, VA	100.0	%	1	134,615

Table of Contents

Properties	Location	% Leased as of December 31, 2015 (1)		Number of Buildings	Net Rentable Square Feet
508 Carnegie Center	Princeton, NJ	96.0	%	1	134,433
202 Carnegie Center	Princeton, NJ	45.5	%	1	134,068
101 Carnegie Center	Princeton, NJ	86.5	%	1	128,288
Annapolis Junction Building Seven (50% ownership) (2)	Annapolis, MD	100.0	%	1	127,229
Annapolis Junction Building Eight (50% ownership) (2)	Annapolis, MD	—	%	1	125,685
504 Carnegie Center	Princeton, NJ	48.3	%	1	121,990
40 Shattuck Road	Andover, MA	81.6	%	1	121,542
502 Carnegie Center	Princeton, NJ	91.3	%	1	121,460
701 Carnegie Center	Princeton, NJ	100.0	%	1	120,000
Annapolis Junction Building Six (50% ownership) (2)	Annapolis, MD	48.9	%	1	119,339
91 Hartwell Avenue	Lexington, MA	100.0	%	1	119,216
Annapolis Junction Building One (50% ownership) (2)	Annapolis, MD	88.8	%	1	117,599
325 Main Street	Cambridge, MA	100.0	%	1	115,361
201 Spring Street	Lexington, MA	100.0	%	1	106,300
104 Carnegie Center	Princeton, NJ	90.1	%	1	102,830
33 Hayden Avenue	Lexington, MA	100.0	%	1	80,872
145 Broadway	Cambridge, MA	100.0	%	1	79,616
105 Carnegie Center	Princeton, NJ	62.7	%	1	69,955
32 Hartwell Avenue	Lexington, MA	100.0	%	1	69,154
302 Carnegie Center	Princeton, NJ	100.0	%	1	64,926
195 West Street	Waltham, MA	100.0	%	1	63,500
100 Hayden Avenue	Lexington, MA	100.0	%	1	55,924
181 Spring Street	Lexington, MA	100.0	%	1	55,793
211 Carnegie Center	Princeton, NJ	100.0	%	1	47,025
92 Hayden Avenue	Lexington, MA	100.0	%	1	31,100
690 Folsom Street (5)	San Francisco, CA	55.2	%	1	26,080
201 Carnegie Center	Princeton, NJ	100.0	%	—	6,500
Subtotal for Class A Office Properties		91.6	%	118	38,513,213
Retail					
The Shops at the Prudential Center	Boston, MA	95.6	%	1	490,977
Fountain Square Retail	Reston, VA	97.2	%	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 (formerly 99 Third Avenue Retail)	Waltham, MA	84.7	%	1	16,300
Subtotal for Retail Properties		96.5	%	5	890,009
Office/Technical Properties					
Mountain View Research Park	Mountain View, CA	100.0	%	15	540,433
415 Main Street (6)	Cambridge, MA	100.0	%	1	231,028
7601 Boston Boulevard	Springfield, VA	100.0	%	1	114,028
7435 Boston Boulevard	Springfield, VA	67.1	%	1	103,557
8000 Grainger Court	Springfield, VA	37.6	%	1	88,775

7500 Boston Boulevard	Springfield, VA	100.0	%	1	79,971
7501 Boston Boulevard	Springfield, VA	100.0	%	1	75,756

Table of Contents

Properties	Location	% Leased as of December 31, 2015 (1)			Number of Buildings	Net Rentable Square Feet	
250 Binney Street	Cambridge, MA	100.0	%		1	67,362	
164 Lexington Road	Billerica, MA	—	%		1	64,140	
7450 Boston Boulevard	Springfield, VA	—	%		1	62,402	
7374 Boston Boulevard	Springfield, VA	100.0	%		1	57,321	
8000 Corporate Court	Springfield, VA	100.0	%		1	52,539	
7451 Boston Boulevard	Springfield, VA	67.4	%		1	45,615	
7300 Boston Boulevard	Springfield, VA	100.0	%		1	32,000	
17 Hartwell Avenue	Lexington, MA	—	%		1	30,000	
453 Ravendale Drive	Mountain View, CA	90.7	%		1	29,620	
7375 Boston Boulevard	Springfield, VA	79.2	%		1	26,865	
Subtotal for Office/Technical Properties		84.2	%		31	1,701,412	
Residential Properties							
The Avant at Reston Town Center (359 units)	Reston, VA	93.9	%	(7)	1	355,347	(8)
The Lofts at Atlantic Wharf (86 units)	Boston, MA	96.5	%	(7)	1	87,097	(9)
Subtotal for Residential Properties		94.4	%		2	442,444	
Hotel Property							
Boston Marriott Cambridge (433 rooms)	Cambridge, MA	80.8	%	(10)	1	334,260	(11)
Subtotal for Hotel Property		80.8	%		1	334,260	
Subtotal for In-Service Properties		91.4	%		157	41,881,338	
Properties Under Construction (12)							
Office and Retail							
804 Carnegie Center	Princeton, NJ	100	%		1	130,000	
1265 Main Street (50% ownership)	Waltham, MA	100	%		1	115,000	
Prudential Center Retail Expansion	Boston, MA	100	%		—	15,000	
601 Massachusetts Avenue (3)	Washington, DC	90	%		1	478,000	
10 CityPoint	Waltham, MA	96	%		1	245,000	
888 Boylston Street	Boston, MA	68	%		1	425,000	
Salesforce Tower (95% ownership)	San Francisco, CA	59	%		1	1,400,000	
The Hub on Causeway (50% ownership)	Boston, MA	33	%		1	385,000	
Dock72 (50% ownership)	Brooklyn, NY	33	%		1	670,000	
Residential							
Cambridge Residential / 88 Ames (274 units)	Cambridge, MA	N/A			1	164,000	
Reston Signature Site (508 units)	Reston, VA	N/A			1	514,000	
Redevelopment							
Reservoir Place North	Waltham, MA	—	%		1	73,000	
Subtotal for Properties Under Construction		60	%	(13)	11	4,614,000	
Total Portfolio					168	46,495,338	

(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) Property is an unconsolidated joint venture.

(3) Including leases with future commencement dates, this property is 99% leased as of February 22, 2016.
(4) Property held for redevelopment as of December 31, 2015, with the potential to develop a total of approximately 1.6 million square feet at this location.
(5) Including leases with future commencement dates, this property is 100% leased as of February 22, 2016.
(6) This property was sold on February 1, 2016 (See Note 20 to the Consolidated Financial Statements).

Table of Contents

(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, 2015.

(8) Includes 26,179 square feet of retail space which is 100% leased as of December 31, 2015. Note that this amount is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2015.

(9) Includes 9,617 square feet of retail space which is 100% leased as of December 31, 2015. Note that this amount is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2015.

(10) Represents the weighted-average room occupancy for the year ended December 31, 2015. Note that this amount is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2015.

(11) Includes 4,260 square feet of retail space which is 100% leased of December 31, 2015. Note that this amount is not included in the calculation of the Total Portfolio occupancy rate for In-Service Properties as of December 31, 2015.

(12) Represents percentage leased as of February 22, 2016.

(13) Includes approximately 33,000 square feet of retail space from residential developments which is 0% leased.

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, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Percentage leased (1)	91.4 %	91.7 %	93.4 %	91.4 %	91.3 %
Average annualized revenue per square foot (2)	$60.89	$58.97	$56.36	$55.43	$53.58

(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, 2015, 2014, 2013, 2012, and 2011 multiplied by twelve. These annualized amounts are before rent abatements and include expense reimbursements, which may be estimates as of such date. The aggregate amount of rent abatements per square foot under existing leases as of December 31, 2015, 2014, 2013, 2012, and 2011 for the succeeding twelve month period is $0.60, $1.05, $0.58, $1.17 and $1.10 respectively.

Top 20 Tenants by Square Feet

Our 20 largest tenants by square feet as of December 31, 2015 were as follows:

	Tenant	Square Feet		% of In-Service Portfolio
1	U.S. Government	1,715,994	(1)	4.17 %
2	Citibank	984,692	(2)	2.39 %
3	Biogen	772,212		1.88 %
4	Bank of America	758,995	(3)	1.84 %
5	Wellington Management	680,566	(4)	1.65 %
6	Arnold & Porter	644,409		1.57 %
7	Kirkland & Ellis	621,652	(5)	1.51 %
8	Genentech	570,769		1.39 %
9	Ropes & Gray	528,931		1.29 %
10	O'Melveny & Myers	500,046	(6)	1.22 %
11	Weil Gotshal Manges	455,819	(7)	1.11 %
12	Shearman & Sterling	450,258		1.09 %

13	Microsoft	382,532		0.93	%
14	Google	368,711		0.90	%
15	Finnegan Henderson Farabow	362,405	(8)	0.88	%
16	Ann Inc. (fka Ann Taylor Corp.)	351,026	(9)	0.85	%
17	Morgan Lewis Bockius	339,914		0.83	%
18	PTC	320,655		0.78	%
19	Blue Cross and Blue Shield of Massachusetts	308,210		0.75	%
20	Mass Financial Services	301,668		0.73	%

(1) Includes 1,980 and 232,103 square feet of space in properties in which we have a 51% and 50% interest, respectively.
(2) Includes 443,141, 10,080 and 2,761 square feet of space in properties in which we have a 55%, 60%, and 51% interest, respectively.
(3) Includes 690,912 and 50,887 square feet of space in properties in which we have a 55% and 60% interest, respectively.
(4) Includes 669,807 square feet of space in properties in which we have a 55% interest.
(5) Includes 391,662 and 229,990 square feet of space in properties in which we have a 55% and 51% interest, respectively.
(6) Includes 325,750 square feet of space in a property in which we have a 55% interest.
(7) Includes 427,672 and 28,147 square feet of space in properties in which we have a 60% and 55% interest, respectively.
(8) Includes 292,548 square feet of space in a property in which we have a 25% interest.
(9) Includes 331,209 square feet of space in a property in which we have a 55% interest.

Tenant Diversification

Our tenant diversification as of December 31, 2015 was as follows:

Sector	Percentage of Gross Rent
Legal Services	25%
Media & Technology	18%
Financial Services - all other	18%
Financial Services - commercial and investment banking	11%
Other	10%
Other Professional Services	7%
Retail	7%
Government / Public Administration	4%

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	
2015 (5)	366,784	$20,110,864	$54.83	$20,110,864	$54.83	0.9	%
2016	2,933,268	165,819,092	56.53	167,936,425	57.25	7.1	%
2017	2,946,289	186,771,866	63.39	188,037,990	63.82	7.2	%
2018	1,862,709	118,524,008	63.63	121,135,964	65.03	4.5	%
2019	3,349,851	176,279,203	52.62	182,064,958	54.35	8.2	%
2020	4,537,588	281,177,646	61.97	293,995,079	64.79	11.0	%
2021	2,858,557	158,321,740	55.39	176,217,416	61.65	7.0	%
2022	3,969,739	224,453,825	56.54	246,117,470	62.00	9.7	%
2023	1,366,323	82,256,212	60.20	94,747,317	69.34	3.3	%
2024	2,722,736	158,826,525	58.33	178,524,558	65.57	6.6	%
Thereafter	10,757,883	724,345,138	67.33	923,995,781	85.89	26.2	%

(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, 2015 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, 2015 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, 2015.

Table of Contents

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.

Table of Contents

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, 2016, BXP had approximately 1,324 stockholders of record.

There is no established public trading market for BPLP's common units. On February 22, 2016, there were approximately 176 holders of record and 169,689,954 common units outstanding, 153,592,481 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, 2015	$130.68	$116.64	$ 1.90	(1)	$ 1.90	(1)
September 30, 2015	127.15	94.91	0.65		0.65	
June 30, 2015	143.09	120.44	0.65		0.65	
March 31, 2015	146.07	129.29	0.65		0.65	
December 31, 2014	137.15	115.06	5.15	(2)	5.15	(2)
September 30, 2014	124.04	112.75	0.65		0.65	
June 30, 2014	122.40	113.62	0.65		0.65	
March 31, 2014	115.20	99.55	0.65		0.65	

(1) Includes a special dividend/distribution of $1.25 per common share/unit.

(2) Includes a special dividend/distribution of $4.50 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. For the year ended December 31, 2015, the decision to declare the special distribution was primarily a result of the taxable gains associated with the sale of approximately $584 million of assets in 2015. For the year ended December 31, 2014, the decision to declare the special distribution was primarily a result of the taxable gains associated with the sale of approximately $2.3 billion of assets during 2014 partially offset by our election to deduct costs that were capitalized in prior years that may now be deducted under the new Tangible Property Regulations discussed within "Liquidity and Capital Resources—REIT Tax Distribution Considerations—Application of Recent Regulations" within "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."

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, 2010 through December 31, 2015, among BXP, Standard & Poor's ("S&P") 500 Index, the National Association of Real Estate Investment Trusts, Inc. ("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.

Table of Contents

	As of the year ended December 31,					
	2010	2011	2012	2013	2014	2015
Boston Properties, Inc.	$100.00	$118.15	$128.26	$127.55	$172.88	$176.57
S&P 500 Index	$100.00	$102.11	$118.45	$156.82	$178.28	$180.75
Equity REIT Index	$100.00	$108.28	$129.62	$133.32	$170.68	$175.51
Office REIT Index	$100.00	$99.24	$113.29	$119.60	$150.52	$150.96

(b) None.
(c) Issuer Purchases of Equity Securities. There were no repurchases during the fourth quarter.

Table of Contents

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,				
	2015	2014	2013	2012	2011
	(in thousands, except per share data)				
Statement of Operations Information:					
Total revenue	$2,490,821	$2,396,998	$2,135,539	$1,847,186	$1,722,792
Expenses:					
Rental operating	872,252	835,290	742,956	639,088	572,668
Hotel operating	32,084	29,236	28,447	28,120	26,128
General and administrative	96,319	98,937	115,329	90,129	87,101
Transaction costs	1,259	3,140	1,744	3,653	1,987
Impairment loss	—	—	8,306	—	—
Depreciation and amortization	639,542	628,573	560,637	445,875	429,742
Total expenses	1,641,456	1,595,176	1,457,419	1,206,865	1,117,626
Operating income	849,365	801,822	678,120	640,321	605,166
Other income (expense):					
Income from unconsolidated joint ventures	22,770	12,769	75,074	49,078	85,896
Gains on consolidation of joint ventures	—	—	385,991	—	—
Interest and other income	6,777	8,765	8,310	10,091	5,358
Gains (losses) from investments in securities	(653)	1,038	2,911	1,389	(443)
Interest expense	(432,196)	(455,743)	(446,880)	(410,970)	(391,533)
Gains (losses) from early extinguishments of debt	(22,040)	(10,633)	122	(4,453)	(1,494)
Income from continuing operations	424,023	358,018	703,648	285,456	302,950
Discontinued operations	—	—	137,792	46,683	10,876
Income before gains on sales of real estate	424,023	358,018	841,440	332,139	313,826
Gains on sales of real estate	375,895	168,039	—	—	—
Net income	799,918	526,057	841,440	332,139	313,826
Net income attributable to noncontrolling interests	(216,812)	(82,446)	(91,629)	(42,489)	(41,147)
Net income attributable to Boston Properties, Inc.	583,106	443,611	749,811	289,650	272,679
Preferred dividends	(10,500)	(10,500)	(8,057)	—	—
Net income attributable to Boston Properties, Inc. common shareholders	$572,606	$433,111	$741,754	$289,650	$272,679
Basic earnings per common share attributable to Boston Properties, Inc.:					
Income from continuing operations	$3.73	$2.83	$4.06	$1.65	$1.80
Discontinued operations	—	—	0.81	0.28	0.07
Net income	$3.73	$2.83	$4.87	$1.93	$1.87
	153,471	153,089	152,201	150,120	145,693

Weighted average number of common shares outstanding					
Diluted earnings per common share attributable to Boston Properties, Inc.:					
Income from continuing operations	$3.72	$2.83	$4.05	$1.64	$1.80
Discontinued operations	—	—	0.81	0.28	0.06
Net income	$3.72	$2.83	$4.86	$1.92	$1.86
Weighted average number of common and common equivalent shares outstanding	153,844	153,308	152,521	150,711	146,218

Table of Contents

	December 31, 2015	2014	2013	2012	2011
	(in thousands)				
Balance Sheet information:					
Real estate, gross	$19,481,535	$19,236,403	$18,978,765	$14,893,328	$13,389,472
Real estate, net	15,555,641	15,688,744	15,817,194	11,959,168	10,746,486
Cash and cash equivalents	723,718	1,763,079	2,365,137	1,041,978	1,823,208
Total assets	18,379,456	19,886,767	20,176,264	15,475,065	14,796,839
Total indebtedness	9,036,513	9,906,984	11,341,508	8,912,369	8,704,138
Noncontrolling interests	—	105,325	150,921	208,434	55,652
Stockholders' equity attributable to Boston Properties, Inc.	5,709,435	5,697,298	5,741,153	5,097,065	4,865,998
Equity noncontrolling interests	2,177,492	2,205,638	1,302,465	537,789	547,518

	For the year ended December 31, 2015	2014	2013	2012	2011
	(in thousands, except per share and percentage data)				
Other Information:					
Funds from Operations attributable to Boston Properties, Inc. (1)	$823,715	$807,506	$751,464	$741,419	$710,991
Dividends declared per share (2)	3.85	7.10	4.85	2.30	2.05
Cash flows provided by operating activities	799,411	695,553	777,926	642,949	606,328
Cash flows used in investing activities	(280,226)	(665,124)	(532,640)	(1,278,032)	(90,096)
Cash flows provided by (used in) financing activities	(1,558,546)	(632,487)	1,077,873	(146,147)	828,028
Total square feet at end of year (including development projects)	46,495	45,760	44,399	44,384	42,186
In-service percentage leased at end of year	91.4%	91.7%	93.4%	91.4%	91.3%

(1) Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of NAREIT, we calculate Funds from Operations, or FFO, by adjusting net income (loss) attributable to Boston Properties, Inc. common shareholders (computed in accordance with GAAP, including non-recurring items) for gains (or losses) from sales of properties, impairment losses on depreciable real estate of consolidated real estate, impairment losses on investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated joint ventures, real estate related depreciation and amortization, and after adjustment for unconsolidated partnerships, joint ventures and preferred distributions. FFO is a non-GAAP financial measure. Management believes the use of FFO, combined with the required primary GAAP presentations, has improved investors' understanding of the operating results of REITs and makes comparisons of REIT operating results more meaningful. Management generally considers FFO to be a useful supplemental measure for reviewing BXP's comparative operating and financial performance because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairment losses on depreciable real estate of consolidated real estate, impairment losses on 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 excluding real estate asset depreciation and amortization (which can vary among owners of assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies. BXP's 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. Amount represents BXP's share, which was 89.68%, 89.81%, 89.99%, 89.48% and 88.57% for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively, after allocation to the noncontrolling interests.

FFO should not be considered as an alternative to net income attributable to Boston Properties, Inc. common shareholders (determined in accordance with GAAP) as an indication of our performance. FFO does not represent cash generated from operating activities determined in accordance with GAAP and is not a measure of liquidity or an indicator of our ability to make cash distributions. We believe that to further understand our performance, FFO should be compared with our reported net income attributable to Boston Properties, Inc. common shareholders and considered in addition to cash flows in accordance with GAAP, as presented in BXP's Consolidated Financial Statements.

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

(2) 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.

Table of Contents

Boston Properties Limited Partnership

	For the year ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per unit data)				
Statement of Operations Information:					
Total revenue	$2,490,821	$2,396,998	$2,135,539	$1,847,186	$1,722,792
Expenses:					
Rental operating	872,252	835,290	742,956	639,088	572,668
Hotel operating	32,084	29,236	28,447	28,120	26,128
General and administrative	96,319	98,937	115,329	90,129	87,101
Transaction costs	1,259	3,140	1,744	3,653	1,987
Impairment loss	—	—	4,401	—	—
Depreciation and amortization	631,549	620,064	552,589	437,692	421,519
Total expenses	1,633,463	1,586,667	1,445,466	1,198,682	1,109,403
Operating income	857,358	810,331	690,073	648,504	613,389
Other income (expense):					
Income from unconsolidated joint ventures	22,770	12,769	75,074	49,078	85,896
Gains on consolidation of joint ventures	—	—	385,991	—	—
Interest and other income	6,777	8,765	8,310	10,091	5,358
Gains (losses) from investments in securities	(653)	1,038	2,911	1,389	(443)
Interest expense	(432,196)	(455,743)	(446,880)	(410,970)	(391,533)
Gains (losses) from early extinguishments of debt	(22,040)	(10,633)	122	(4,453)	(1,494)
Income from continuing operations	432,016	366,527	715,601	293,639	311,173
Discontinued operations	—	—	141,365	48,251	10,876
Income before gains on sales of real estate	432,016	366,527	856,966	341,890	322,049
Gains on sales of real estate	377,093	174,686	—	—	—
Net income	809,109	541,213	856,966	341,890	322,049
Net income attributable to noncontrolling interests:					
Noncontrolling interests in property partnerships	(149,855)	(30,561)	(1,347)	(3,792)	(1,558)
Noncontrolling interest-redeemable preferred units	(6)	(1,023)	(6,046)	(3,497)	(3,339)
Net income attributable to Boston Properties Limited Partnership	659,248	509,629	849,573	334,601	317,152
Preferred distributions	(10,500)	(10,500)	(8,057)	—	—
Net income attributable to Boston Properties Limited Partnership common unitholders	$648,748	$499,129	$841,516	$334,601	$317,152
Basic earnings per common unit attributable to Boston Properties Limited Partnership:					
Income from continuing operations	$3.79	$2.93	$4.14	$1.70	$1.86
Discontinued operations	—	—	0.83	0.29	0.07
Net income	$3.79	$2.93	$4.97	$1.99	$1.93

Weighted average number of common units outstanding	171,139	170,453	169,126	167,769	164,486
Diluted earnings per common unit attributable to Boston Properties Limited Partnership:					
Income from continuing operations	$3.78	$2.92	$4.14	$1.70	$1.86
Discontinued operations	—	—	0.83	0.29	0.06
Net income	$3.78	$2.92	$4.97	$1.99	$1.92
Weighted average number of common and common equivalent units outstanding	171,512	170,672	169,446	168,360	165,011

Table of Contents

	December 31, 2015	2014	2013	2012	2011
	(in thousands)				
Balance Sheet information:					
Real estate, gross	$19,061,141	$18,814,558	$18,548,441	$14,454,962	$12,949,326
Real estate, net	15,214,325	15,338,237	15,451,531	11,577,979	10,355,546
Cash and cash equivalents	723,718	1,763,079	2,365,137	1,041,978	1,823,208
Total assets	18,038,140	19,536,260	19,810,601	15,093,876	14,405,899
Total indebtedness	9,036,513	9,906,984	11,341,508	8,912,369	8,704,138
Noncontrolling interests	2,286,689	2,415,371	1,915,573	2,133,458	1,954,603
Boston Properties Limited Partnership partners’ capital	3,684,522	3,639,916	4,187,171	3,330,605	3,124,688
Noncontrolling interests in property partnerships	1,574,400	1,602,467	726,132	(1,964)	(1,063)

	For the year ended December 31, 2015	2014	2013	2012	2011
	(in thousands, except per unit and percentage data)				
Other Information:					
Funds from operations (1)	$918,543	$899,094	$839,369	$828,586	$802,700
Distributions per common unit (2)	3.85	7.10	4.85	2.30	2.05
Cash flows provided by operating activities	799,411	695,553	777,926	642,949	606,328
Cash flows used in investing activities	(280,226)	(665,124)	(532,640)	(1,278,032)	(90,096)
Cash flows provided by (used in) financing activities	(1,558,546)	(632,487)	1,077,873	(146,147)	828,028
Total square feet at end of year (including development projects)	46,495	45,760	44,399	44,384	42,186
In-service percentage leased at end of year	91.4%	91.7%	93.4%	91.4%	91.3%

(1) Pursuant to the revised definition of Funds from Operations adopted by the Board of Governors of the National Association of Real Estate Investment Trusts (“NAREIT”), we calculate Funds from Operations, or FFO, by adjusting net income (loss) attributable to Boston Properties Limited Partnership common unitholders (computed in accordance with GAAP, including non-recurring items) for gains (or losses) from sales of properties, impairment losses on depreciable real estate of consolidated real estate, impairment losses on investments in unconsolidated joint ventures driven by a measurable decrease in the fair value of depreciable real estate held by the unconsolidated joint ventures, real estate related depreciation and amortization, and after adjustment for unconsolidated partnerships, joint ventures and preferred distributions. FFO is a non-GAAP financial measure. Management believes the use of FFO, combined with the required primary GAAP presentations, has improved investors’ understanding of the operating results of REITs and makes comparisons of REIT operating results more meaningful. Management generally considers FFO to be a useful supplemental measure for reviewing BPLP’s comparative operating and financial performance because, by excluding gains and losses related to sales of previously depreciated operating real estate assets, impairment losses on depreciable real estate of consolidated real estate, impairment losses on 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 excluding real estate asset

depreciation and amortization (which can vary among owners of assets in similar condition based on historical cost accounting and useful life estimates), FFO can help one compare the operating performance of a company's real estate between periods or as compared to different companies. BPLP's 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.

FFO should not be considered as an alternative to net income attributable to Boston Properties Limited Partnership common unitholders (determined in accordance with GAAP) as an indication of our performance. FFO does not represent cash generated from operating activities determined in accordance with GAAP and is not a measure of liquidity or an indicator of our ability to make cash distributions. We believe that to further understand our performance, FFO should be compared with our reported net income attributable to Boston Properties Limited Partnership common unitholders and considered in addition to cash flows in accordance with GAAP, as presented in BPLP's Consolidated Financial Statements.

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

(2) 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.

Table of Contents

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, contains forward-looking statements within the meaning of the federal securities laws, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. Such statements are contained principally, but not only, under the captions "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," "estimate," "expect," "intend," "may," "might," "plan," "project," "result," "should," "will" and similar expressions which do not relate solely to his 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;
- 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;

Table of Contents

- 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 and developers of 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 four markets-Boston, New York, San Francisco and Washington, DC. We generate revenue and cash primarily by leasing Class A office space to our tenants. Factors we consider when we lease space include 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, current and anticipated operating costs and real estate taxes, our current and anticipated vacancy, current and anticipated future demand for office space and general economic factors. From time to time, we also generate cash through the strategic sale of assets depending on market conditions.

Our core strategy has always been to own, operate and develop 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 all aspects of the tenant-landlord relationship must be considered. In this regard, we believe that our understanding of tenants' short- and long-term space utilization and amenity needs in the local markets in which we operate, 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

We own and manage many significant buildings with large tenants, and several of these tenants' leases expired in 2015 or will expire in 2016. In some cases, we expect it will take time to reposition, market and/or reach an agreement with desired tenants to re-lease this space. We are planning proactive repositionings of several of our properties, including the retail and low-rise portions of 601 Lexington Avenue and 399 Park Avenue in New York City, 100 Federal Street in Boston, and 1330 Connecticut Avenue and Metropolitan Square in Washington, DC, and we expect they will require significant investments and, in some cases, necessitate that space is vacated. For these reasons, despite the overall roll-up in rents on newly signed leases, we expect our projected 2016 growth in net operating income ("NOI") from our same property portfolio to be relatively flat compared to 2015. However, given our lease-up opportunities in the same property portfolio and expected contributions from our development deliveries, we believe we are well positioned to deliver significant revenue growth in 2017.

Table of Contents

During the fourth quarter of 2015, we signed leases across our regions totaling approximately 1.4 million square feet, which is consistent with our 10-year average, and our overall occupancy improved slightly from 91.3% at September 30, 2015 to 91.4% at December 31, 2015. In addition, we realized roll-up in rents on second generation leases driven in particular by strong roll-ups in Boston and San Francisco, but also in New York and Washington, DC.

Our capital strategy remains largely unchanged. We plan to continue to invest more in higher yielding new developments than acquisitions of existing buildings for which pricing has remained consistent at yields that do not meet our desired return levels. We currently have eleven development projects under construction/redevelopment representing approximately 4.6 million square feet and an estimated total investment of approximately $2.6 billion. In addition, we have significant land holdings that we will continue to move through the design and permitting process and add selectively to our development pipeline. However, given current market conditions, in general we expect we would only commence new construction with significant pre-leasing commitments. The combination of the successful execution of our asset disposition strategy and the delivery of higher yielding development projects over the past three years has resulted in a meaningful decrease in our leverage. As our development deliveries stabilize, we expect our leverage to decrease even further creating significant investment capacity for additional development and opportunistic acquisitions. Although we expect to continue to sell non-core assets and assets for which we can achieve extraordinary pricing, we expect that the gross value of assets sold in 2016 will be less than half of the approximately $584 million of assets we sold in 2015.

A brief overview of each of our markets follows.

New York

Our overall expectations for the midtown Manhattan market and the leasing activity in our portfolio have been generally consistent for the past two years. In 2014 we made the decision to proactively work with our larger existing tenants with upcoming lease expirations to sign new long-term leases but also provide them with early relief in the form of space reductions. We expected (and have seen) the overall market to experience large block availabilities primarily from the addition of new supply, and we believe that our decision to commence discussions with these tenants has been mutually beneficial to them and the value of our assets. Although our overall expectation for the market continues to be relatively restrained compared to Boston and San Francisco, we are experiencing consistent demand for premium space and the majority of our availability and pending roll-over in the next few years are in spaces that would currently lease for gross rents in excess of $100 per square foot. In addition to the repositionings mentioned above, we are addressing the pending roll-over in the high-rise and retail space at 767 Fifth Avenue (the General Motors Building) and the approximately 85,000 square feet of vacant space at 250 West 55th Street resulting from the termination agreement we signed on February 3, 2016 with a tenant in exchange for an approximately $45 million payment. We expect our same property portfolio NOI growth to be negatively impacted in the near term by these factors, but remain confident that our strategy for these assets will result in stronger long-term growth.

Boston

The greater Boston region continues to attract life science and established technology companies, as well as start-up technology and maker organizations. The East Cambridge office and lab markets have been the largest beneficiaries of this growth as overall direct vacancy is now less than 4% and office rents continue to reach new peaks. The vacancy in our East Cambridge properties is even less than the overall submarket at 0.6%. In the fourth quarter of 2015, we successfully increased the zoning at our Kendall Center developments that could or may eventually allow us to develop approximately 540,000 square feet of office space and approximately 400,000 square feet of residential space. Given the high demand and lack of available space, we are already in active discussions with various existing tenants that are growing and in need of future space.

Because we are essentially fully leased in Cambridge, the majority of our recent leasing activity was in our Suburban Waltham/Lexington market where the market continues to get stronger due to the organic growth of our existing tenant base and other tenants in the market looking to expand. Rents in this submarket continue to grow and have increased approximately 25% over the last 18 months. Our current development projects are essentially 100% pre-leased and scheduled for delivery in mid to late 2016.

Table of Contents

The Boston Central Business District (“CBD”) market is strong and much of the available supply has been absorbed over the past few years though there is some speculative development in the Seaport submarket. We addressed one of our largest vacancies by completing a multi-tenant transaction at 100 Federal Street resulting in the base of the building being fully leased. Our largest vacancy exposures remain at 120 St. James Street (the low rise portion of our 200 Clarendon Street property) and 200 Clarendon Street. However, we are confident in our leasing strategy for these spaces as a number of tenants are considering leasing a portion or all of the approximately170,000 square feet of space at 120 St. James Street, and we are currently negotiating leases at 200 Clarendon Street that, when completed, would leave us with approximately 90,000 square feet of available space on three high-rise floors and approximately 110,000 square feet of available space in the mid-rise portion of the building.

Finally, in October 2015, a joint venture in which we have a 50% interest commenced construction of The Hub on Causeway at North Station, which will contain approximately 385,000 net rentable square feet of retail and office space. We have signed leases for 63% of the approximately 200,000 square feet of retail space and are negotiating leases for another 85,000 square feet of retail and office space.

San Francisco

The San Francisco (the “City”) leasing market remains healthy and, while leasing volume in 2015 was not as large as during the record year of 2014, there has been a consistently strong level of overall activity since the end of the second quarter of 2015 and the City’s overall vacancy rate is less than 6%. In the City, tech demand continues to lead the transaction volume and accounted for approximately 52% of the activity. However, we are also executing leases with tenants in a variety of industries. For example, we continue to make progress in pre-leasing at Salesforce Tower where we signed leases for an additional 102,000 square feet with venture capital and management consulting businesses bringing our pre-leasing to 59%. We are also having discussions with companies in various non-tech industries for single or multi-floor leases representing an additional 300,000 square feet of the remaining available space, but many of these tenants’ requirements are lease-expiration driven for occupancy at the end of 2017 or early 2018 and therefore could take longer to evaluate their options and make decisions.

With our 535 Mission Street and 690 Folsom Street development projects fully placed in-service in the fourth quarter of 2015 at 99% and 100% leased (including leases with future commencement dates), respectively, our near-term focus will remain on the lease-up of Salesforce Tower and future roll-over at Embarcadero Center where we expect significant roll up in rents from in-place rents that are well below current market rents.

The supply-demand imbalance has resulted in speculative construction in the City. However, if the two pending development projects in the City’s permitting process are approved, the amount of new development permitted under Proposition M (which is currently less than 1.75 million square feet) will be fully depleted, thereby further limiting an already tight supply. Over the longer term, we will continue to seek new development opportunities to bolster our future pipeline.

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 and slow primarily because there has been no significant increase in demand. Although some additional GSA-related demand is expected, their economic limits may result in the GSA leasing space outside the traditional CBD market. With respect to our properties, our largest roll-over exposure is at Metropolitan Square where we have approximately 120,000 square feet expiring during the first quarter of 2016. We recently completed a lease transaction for approximately 118,000 square feet of that space, and we are planning a repositioning of this building, including updates to its lobby and common areas, that we believe will enhance the marketability and value of the building. We are also actively pursuing tenants to lease the remaining 47,000 square feet of vacancy at 601 Massachusetts Avenue, which we partially placed in-service in August 2015 and is currently 90% leased.

Approximately two-thirds of our regional leasing activity in the fourth quarter of 2015 was in Northern Virginia, including some GSA renewals in Springfield, some expansions at Kingstowne by GSA contractor tenants and other small transactions at Reston Town Center. Our Reston Town Center properties are 97% leased and continue to command a premium compared to the rents realized in nearby submarkets. In July 2015, we commenced construction on our Reston Signature Site residential project located in Reston Town Center and we are pursuing a lead tenant for our planned 275,000 square foot office building on an adjacent site.

Table of Contents

Leasing Statistics

The table below details the leases that commenced during the three and twelve months ended December 31, 2015:

	Three Months Ended December 31, 2015	Twelve Months Ended December 31, 2015
	Total Square Feet	
Vacant space available at the beginning of the period	3,594,790	3,442,468
Property dispositions/properties taken out of service	(437,700)	(510,958)
Properties placed in-service	240,878	910,701
Leases expiring or terminated during the period	1,192,685	5,978,338
Total space available for lease	4,590,653	9,820,549
1st generation leases	67,601	1,085,513
2nd generation leases with new tenants	413,989	2,779,268
2nd generation lease renewals	578,150	2,424,855
Total space leased (1)	1,059,740	6,289,636
Vacant space available for lease at the end of the period	3,530,913	3,530,913
Leases executed during the period, in square feet (2)	1,352,129	5,245,667
Second generation leasing information: (3)		
Leases commencing during the period, in square feet	992,139	5,204,123
Weighted Average Lease Term	89 Months	99 Months
Weighted Average Free Rent Period	34 Days	44 Days
Total Transaction Costs Per Square Foot (4)	$35.31	$45.41
Increase in Gross Rents (5)	12.93%	6.69%
Increase in Net Rents (6)	18.34%	9.51%

(1) Represents leases for which rental revenue recognition has commenced in accordance to GAAP during the three and twelve months ended December 31, 2015.

(2) Represents leases executed during the three and twelve months ended December 31, 2015 for which the Company either (1) commenced rental revenue recognition in such period or (2) will commence rental revenue recognition in subsequent periods, in accordance with GAAP, and includes leases at properties currently under development. The total square feet of leases executed and recognized in the three and twelve months ended December 31, 2015 is 123,589 and 966,489, respectively.

(3) Second generation leases are defined as leases for space that had previously been under lease by us. Of the 992,139 and 5,204,123 square feet of second generation leases that commenced during the three and twelve months ended December 31, 2015, respectively, 885,750 and 4,294,983 square feet were signed in prior periods for the three and twelve months ended December 31, 2015, respectively.

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

(5) Represents the increase in gross rent (base rent plus expense reimbursements) on the new versus expired leases on the 811,210 and 4,075,956 square feet of second generation leases that had been occupied within the prior 12 months for the three and twelve months ended December 31, 2015, 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 811,210 and 4,075,956 square feet of second generation leases that had been occupied within the prior 12 months for the three and twelve months ended December 31, 2015, 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 2015, see "Item 1. Business—Transactions During 2015."

47

Table of Contents

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 that constitutes a business, 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 every 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 its assets is not recoverable and exceeds its fair value. If such criteria are present, an impairment loss is recognized based on the excess of the carrying amount of the asset over 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. Since 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. The components of the property's net income that is 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 the Board of Directors of BXP, 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. On April 10, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"). ASU 2014-08 clarifies that 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). ASU 2014-08 is effective prospectively for reporting periods beginning after December 15, 2014. Early adoption is permitted, and we early adopted ASU 2014-08 during the first quarter of 2014. Our adoption of ASU 2014-08 resulted in the operating results and gains on sales of real estate from operating properties sold during the years ended December 31, 2015 and 2014 not being reflected as Discontinued Operations in our Consolidated Statements of Operations (See Note 3 to the Consolidated Financial Statements).

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 expense costs that we incur to effect a business combination such as 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 is guided by 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 to 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 a controlling financial interest. 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 right to receive the returns from the variable interest entity that would be significant to the variable interest entity. 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

Table of Contents

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 rental income recognized in excess of rent payments actually received pursuant to the terms of the individual lease agreements.

For the year ended December 31, 2015, the impact of the net adjustments of rents from "above-" and "below-market" leases increased rental revenue by approximately $35.9 million. For the year ended December 31, 2015, the impact of the straight-line rent adjustment increased rental revenue by approximately $80.0 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

Table of Contents

(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 6.9 years as of December 31, 2015. 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 revenues are 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 revenues are 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 review each development agreement and record development fees as earned depending on the risk associated with each project. Profit on development fees earned from joint venture projects are recognized as revenue 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.

51

Table of Contents

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 1 basis (as defined in 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 if trading volumes are low. We determine the fair value of our mortgage notes payable using discounted cash flow analyses 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.

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 which may have an effect on our Consolidated Financial Statements (See Note 2 to the Consolidated Financial Statements).

Results of Operations

The following discussion is based on our Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013.

At December 31, 2015, 2014 and 2013, we owned or had interests in a portfolio of 168, 169 and 175 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, 2015, 2014 and 2013 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 or Consolidated, 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 consolidated 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 consolidated, 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, or NOI, is a non-GAAP financial measure, and it is not indicative of cash available to fund cash needs and should not be considered as an alternative to cash flows as a measure of liquidity. We consider NOI to be an appropriate supplemental measure because it helps both investors and management to understand the core operations of our properties. We use NOI internally as a performance measure and believe it provides useful information to investors regarding our financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level. Therefore, we believe NOI is a useful measure for evaluating the operating performance of our real estate assets.

Table of Contents

Our management also uses NOI to evaluate regional property level performance and to make decisions about resource allocations. Further, we believe NOI is useful to investors as a performance measure because, when compared across periods, NOI reflects the impact on operations from trends in occupancy rates, rental rates, operating costs and acquisition and development activity on an unleveraged basis, providing perspectives not immediately apparent from net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders.

NOI excludes certain components, including interest and other income, development and management services income, general and administrative expenses, transaction costs, impairment loss, interest expense, depreciation and amortization expense, gains (losses) from investments in securities, gains (losses) from early extinguishments of debt, income from unconsolidated joint ventures, gains on consolidation of joint ventures, discontinued operations, gains on sales of real estate, noncontrolling interests and preferred dividends/distributions as internal reporting addresses these items on a corporate level. 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. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort operating performance at the property level. NOI presented by us may not be comparable to NOI reported by other REITs 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 an alternative to net income attributable to Boston Properties, Inc. common shareholders or net income attributable to Boston Properties Limited Partnership common unitholders. For a reconciliation of NOI to net income attributable to Boston Properties, Inc. common shareholders and net income attributable to Boston Properties Limited Partnership common unitholders, see Note 14 to the Consolidated Financial Statements.

The gains on sales of real estate, impairment losses 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, impairment losses and depreciation expense when those properties are sold. For additional information see the Explanatory Note.

Comparison of the year ended December 31, 2015 to the year ended December 31, 2014

The table below shows selected operating information for the Same Property Portfolio and the Total Property Portfolio. The Same Property Portfolio consists of 141 properties totaling approximately 37.1 million net rentable square feet of space, excluding unconsolidated joint ventures. The Same Property Portfolio includes properties acquired or consolidated or placed in-service on or prior to January 1, 2014 and owned and in service through December 31, 2015. The Total Property Portfolio includes the effects of the other properties either placed in-service, acquired or consolidated or in development or redevelopment after January 1, 2014 or disposed of on or prior to December 31, 2015. This table includes a reconciliation from the Same Property Portfolio to the Total Property Portfolio by also providing information for the year ended December 31, 2015 and 2014 with respect to the properties which were placed in-service, acquired or consolidated, in development or redevelopment or sold. For the years ended December 31, 2015 and 2014, we did not have any properties that were acquired or consolidated.

	Same Property Portfolio				Properties Placed In-Service Portfolio		Properties in Development or Redevelopment Portfolio		Properties Sold Portfolio		Total
(dollars in thousands)	2015	2014	Increase/ (Decrease)	% Change	2015	2014	2015	2014	2015	2014	2015
Rental Revenue:											
Rental Revenue	$2,226,478	$2,194,353	$32,125	1.46 %	$116,818	$42,390	$661	$2,195	$20,487	$51,772	$2,36
Termination Income	38,894	11,223	27,671	246.56 %	—	171	—	—	—	—	38,89
Total Rental Revenue	2,265,372	2,205,576	59,796	2.71 %	116,818	42,561	661	2,195	20,487	51,772	2,403
Real Estate Operating Expenses	816,830	781,114	35,716	4.57 %	37,998	17,382	254	1,005	8,943	19,867	864,0
Net Operating Income, excluding residential and hotel	1,448,542	1,424,462	24,080	1.69 %	78,820	25,179	407	1,190	11,544	31,905	1,539
Residential Net Operating Income (1)	2,645	2,571	74	2.88 %	6,801	1,311	—	—	1,210	6,389	10,65
Hotel Net Operating Income (1)	13,962	14,149	(187)	(1.32)%	—	—	—	—	—	—	13,96
Consolidated Net Operating Income (1)	$1,465,149	$1,441,182	$23,967	1.66 %	$85,621	$26,490	$407	$1,190	$12,754	$38,294	$1,56

(1) For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see page 52. Residential Net Operating Income for the year ended December 31, 2015 and 2014 are comprised of Residential Revenue of $18,883 and $26,193 less Residential Expenses of $8,227 and $15,922, respectively. Hotel Net Operating Income for the year ended December 31, 2015 and 2014 are comprised of Hotel Revenue of $46,046 and $43,385 less Hotel Expenses of $32,084 and $29,236, respectively, per the Consolidated Statements of Operations.

Table of Contents

Boston Properties, Inc.
The following is a reconciliation of Consolidated Net Operating Income to net income attributable to Boston Properties, Inc. common shareholders (in thousands):

	Total Property Portfolio			
	2015	2014	Increase/ (Decrease)	% Change
Consolidated Net Operating Income	$1,563,931	$1,507,156	$56,775	3.77 %
Other Revenue:				
Development and management services	22,554	25,316	(2,762)	(10.91)%
Other Expenses:				
General and administrative expense	96,319	98,937	(2,618)	(2.65)%
Transaction costs	1,259	3,140	(1,881)	(59.90)%
Depreciation and amortization	639,542	628,573	10,969	1.75 %
Total Other Expenses	737,120	730,650	6,470	0.89 %
Operating Income	849,365	801,822	47,543	5.93 %
Other Income:				
Income from unconsolidated joint ventures	22,770	12,769	10,001	78.32 %
Interest and other income	6,777	8,765	(1,988)	(22.68)%
Gains (losses) from investments in securities	(653)	1,038	(1,691)	(162.91)%
Other Expenses:				
Interest expense	432,196	455,743	(23,547)	(5.17)%
Losses from early extinguishments of debt	22,040	10,633	11,407	107.28 %
Income before gains on sales of real estate	424,023	358,018	66,005	18.44 %
Gains on sales of real estate	375,895	168,039	207,856	123.70 %
Net income	799,918	526,057	273,861	52.06 %
Net income attributable to noncontrolling interests:				
Noncontrolling interests in property partnerships	(149,855)	(30,561)	(119,294)	(390.35)%
Noncontrolling interest - redeemable preferred units of the Operating Partnership	(6)	(1,023)	1,017	99.41 %
Noncontrolling interest - common units of the Operating Partnership	(66,951)	(50,862)	(16,089)	(31.63)%
Net income attributable to Boston Properties, Inc.	583,106	443,611	139,495	31.45 %
Preferred dividends	(10,500)	(10,500)	—	— %
Net income attributable to Boston Properties, Inc. common shareholders	$572,606	$433,111	$139,495	32.21 %

Table of Contents

Boston Properties Limited Partnership

The following is a reconciliation of Consolidated Net Operating Income to net income attributable to Boston Properties Limited Partnership common unitholders (in thousands):

	Total Property Portfolio			
	2015	2014	Increase/ (Decrease)	% Change
Consolidated Net Operating Income	$1,563,931	$1,507,156	$56,775	3.77 %
Other Revenue:				
Development and management services	22,554	25,316	(2,762)	(10.91)%
Other Expenses:				
General and administrative expense	96,319	98,937	(2,618)	(2.65)%
Transaction costs	1,259	3,140	(1,881)	(59.90)%
Depreciation and amortization	631,549	620,064	11,485	1.85 %
Total Other Expenses	729,127	722,141	6,986	0.97 %
Operating Income	857,358	810,331	47,027	5.80 %
Other Income:				
Income from unconsolidated joint ventures	22,770	12,769	10,001	78.32 %
Interest and other income	6,777	8,765	(1,988)	(22.68)%
Gains (losses) from investments in securities	(653)	1,038	(1,691)	(162.91)%
Other Expenses:				
Interest expense	432,196	455,743	(23,547)	(5.17)%
Losses from early extinguishments of debt	22,040	10,633	11,407	107.28 %
Income before gains on sales of real estate	432,016	366,527	65,489	17.87 %
Gains on sales of real estate	377,093	174,686	202,407	115.87 %
Net income	809,109	541,213	267,896	49.50 %
Net income attributable to noncontrolling interests:				
Noncontrolling interests in property partnerships	(149,855)	(30,561)	(119,294)	(390.35)%
Noncontrolling interest—redeemable preferred units	(6)	(1,023)	1,017	99.41 %
Net income attributable to Boston Properties Limited Partnership	659,248	509,629	149,619	29.36 %
Preferred distributions	(10,500)	(10,500)	—	— %
Net income attributable to Boston Properties Limited Partnership common unitholders	$648,748	$499,129	$149,619	29.98 %

Same Property Portfolio

Rental Revenue

Rental revenue from the Same Property Portfolio increased approximately $32.1 million for the year ended December 31, 2015 compared to 2014. The increase was primarily the result of increases in revenue from our leases, other recoveries and parking and other income of approximately $26.7 million, $4.2 million and $1.2 million, respectively. The increase in other recoveries was primarily in the Boston region and related to tenant electric reimbursements.

Rental revenue from our leases increased approximately $26.7 million as a result of our average revenue per square foot increasing by approximately $1.42, contributing approximately $48.4 million partially offset by an approximately $21.7 million decrease due to a reduction in our average occupancy from 93.9% to 92.8%.

For fiscal 2016, we project our occupancy will remain relatively stable and average between 90%-92%. We expect our Same Property Portfolio NOI for 2016 to also be relatively flat compared to 2015, primarily due to the expected down-time following some large lease expirations in 2015 and 2016 and the repositioning of certain assets discussed in “-Overview” above.

Termination Income

Termination income increased by approximately $27.7 million for the year ended December 31, 2015 compared to 2014.

Table of Contents

Termination income for the year ended December 31, 2015 resulted from the termination of thirty-six tenants across the Same Property Portfolio which totaled approximately $38.9 million of which approximately $30.8 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 $6.9 million of our termination income for the year 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. totaling approximately $8.1 million, leaving a remaining claim of approximately $29.4 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 $2.6 million; however, there can be no assurance as to the timing or amount of additional proceeds, if any, that we may receive.

On February 3, 2016, we received approximately $45 million of termination income from a tenant at 250 West 55th Street in New York City (See Note 20 to the Consolidated Financial Statements).

Termination income for the year ended December 31, 2014 resulted from the termination of twenty-nine tenants across the Same Property Portfolio which totaled approximately $11.2 million of which approximately $7.7 million related to an initial distribution we received from our unsecured creditor claim against Lehman Brothers, Inc. (See Note 10 to the Consolidated Financial Statements).

Real Estate Operating Expenses

Real estate operating expenses from the Same Property Portfolio increased approximately $35.7 million, or 4.6%, for the year ended December 31, 2015 compared to 2014 due primarily to (1) an increase of approximately $18.4 million, or 5.1%, in real estate taxes, which we primarily experienced in our New York CBD properties, (2) an increase of approximately $7.3 million, or 6.2%, in repairs and maintenance expense, which we primarily experienced in our Boston and New York CBD buildings, (3) an increase of approximately $3.5 million, or 3.0%, in utilities expense in the Boston region and New York CBD buildings, (4) an increase of approximately $3.5 million, or 8.8%, in roads and grounds expense, which we primarily experienced in the Boston region and (5) an increase of approximately $3.0 million, or 2.1%, in other real estate operating expenses across the portfolio.

Depreciation and Amortization Expense

Depreciation and amortization expense for the Same Property Portfolio decreased approximately $1.3 million, or 0.2%, for BXP and $0.7 million, or 0.1%, for BPLP for the year ended December 31, 2015 compared to 2014. For additional information about the differences between BXP and BPLP, see the Explanatory Note.

Table of Contents

Properties Placed In-Service Portfolio

The table below lists the properties that were placed in-service or partially placed in-service between January 1, 2014 and December 31, 2015. Rental revenue, real estate operating expenses and depreciation and amortization expense from our Properties Placed In-Service Portfolio increased approximately $80.4 million, $21.3 million and $23.0 million, respectively, for the year ended December 31, 2015 compared to 2014 as detailed below.

Name	Quarter Initially Placed In-Service	Quarter Fully Placed In-Service	Square Feet	Rental Revenue			Real Estate Operating Expenses			Depreciati Amortizati	
				2015	2014 (1)	Change	2015	2014	Change	2015	2
				(dollars in thousands)							
Office											
250 West 55th Street	Third Quarter, 2013	Third Quarter, 2014	986,823	$64,539	$25,794	$38,745	$23,272	$12,530	$10,742	$20,909	$
680 Folsom Street (2)	Fourth Quarter, 2013	Third Quarter, 2014	524,793	30,414	15,926	14,488	8,384	4,423	3,961	11,742	5
535 Mission Street	Fourth Quarter, 2014	Fourth Quarter, 2015	307,235	11,962	841	11,121	4,013	429	3,584	3,350	2
690 Folsom Street	Fourth Quarter, 2014	Fourth Quarter, 2015	26,080	963	—	963	237	—	237	364	–
The Point (formerly 99 Third Avenue Retail)	Third Quarter, 2015	Fourth Quarter, 2015	16,300	154	—	154	67	—	67	85	–
601 Massachusetts Avenue	Third Quarter, 2015	N/A	478,000	8,786	—	8,786	2,025	—	2,025	1,762	–
			2,339,231	116,818	42,561	74,257	37,998	17,382	20,616	38,212	1
Residential											
The Avant at Reston Town Center(3)	Fourth Quarter, 2013	First Quarter, 2014	355,347	10,901	4,746	6,155	4,100	3,435	665	2,940	2
			2,694,578	$127,719	$47,307	$80,412	$42,098	$20,817	$21,281	$41,152	$

(1) Includes approximately $171 of termination income.
(2) This property is a two-building complex.
(3) This property has 359 apartment units and 26,179 net rentable square feet of retail space.

Properties in Development or Redevelopment Portfolio

During the years ended December 31, 2015 and 2014, the Properties in Development or Redevelopment Portfolio consisted of our Reservoir Place North property located in Waltham, Massachusetts. We commenced redevelopment of this approximately 73,000 net rentable square foot Class A Office property on May 1, 2015 and it has an expected stabilization date in the first quarter of 2017. Prior to the commencement of redevelopment, this building was operational, and during the years ended December 31, 2015 and 2014, had revenue of approximately $0.7 million and $2.2 million, respectively, and approximately $0.3 million and $1.0 million of real estate operating expenses, respectively. In addition, during the years ended December 31, 2015 and 2014, the building had approximately $0.8 million and $0.6 million, respectively, of depreciation and amortization expense.

58

Table of Contents

Properties Sold Portfolio

The table below lists the properties we sold between January 1, 2014 and December 31, 2015. Rental revenue, real estate and operating expenses and depreciation and amortization expense from our Properties Sold Portfolio decreased approximately $45.0 million, $19.4 million and $11.0 million, respectively, for the year ended December 31, 2015 compared to 2014 as detailed below.

				Rental Revenue			Real Estate Operating Expenses			Depreciation and Amortization Expen		
Name	Date Sold	Property Type	Square Feet (sf) / Acres	2015	2014	Change	2015	2014	Change	2015	2014	Ch
				(dollars in thousands)								
Class A Office, Office/Technical and Land												
Mountain View Technology Park (1)	July 29, 2014	Office /Technical	135,000 sf	$—	$2,603	$(2,603)	$—	$456	$(456)	$—	$1,782	$(
Mountain View Research Park Building Sixteen	July 29, 2014	Office /Technical	63,000 sf	—	1,510	(1,510)	—	235	(235)	—	1,012	(1,
Broad Run Business Park	August 22, 2014	Land Parcel	15.5 acres	—	909	(909)	—	240	(240)	—	8	(8
Patriots Park (2)	October 2, 2014	Class A Office	706,000 sf	—	18,722	(18,722)	—	6,057	(6,057)	—	4,126	(4,
130 Third Avenue	October 24, 2014	Land Parcel	N/A	—	162	(162)	—	250	(250)	—	—	—
75 Ames Street	December 30, 2014	Land Parcel	N/A	—	456	(456)	—	—	—	—	—	—
505 9th Street, N.W. (3)	September 18, 2015	Class A Office	322,000 sf	18,072	25,027	(6,955)	6,334	9,978	(3,644)	2,074	3,397	(1,
Innovation Place (4)	December 17, 2015	Class A Office	574,000 sf	2,415	2,383	32	2,609	2,651	(42)	3,223	2,849	37
				$20,487	51,772	(31,285)	8,943	19,867	(10,924)	5,297	13,174	(7,
Residential												
Residences on The Avenue	March 17, 2015	Residential	323,050 sf (5)	3,230	16,919	(13,689)	2,020	10,530	(8,510)	121	3,219	(3,
				$23,717	$68,691	$(44,974)	$10,963	$30,397	$(19,434)	$5,418	$16,393	$(

(1) This property is a seven-building complex.
(2) This property is a three-building complex.
(3) This property was owned by a consolidated entity in which we had a 50% interest.
(4) This is a 26-acre site with one occupied and three vacant existing office buildings.

(5) 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 properties increased by approximately $385,000 for the year ended December 31, 2015 compared to 2014.

The following reflects our occupancy and rate information for The Lofts at Atlantic Wharf, the Residences on The Avenue and The Avant at Reston Town Center for the years ended December 31, 2015 and 2014. On March 17, 2015, we sold the Residences on The Avenue and therefore there is no information shown for the year ended December 31, 2015.

Table of Contents

	The Lofts at Atlantic Wharf					Residences on The Avenue (1)				The Avant at Reston Town Center (2)					
	2015		2014		Percentage Change	2015	2014		Percentage Change	2015		2014		Percentage Change	
Average Physical Occupancy (3)	96.4	%	96.3	%	0.1 %	N/A	92.3	%	N/A	90.8	%	38.8	%	134.0	%
Average Economic Occupancy (4)	97.4	%	96.5	%	0.9 %	N/A	91.5	%	N/A	89.2	%	34.2	%	160.8	%
Average Monthly Rental Rate (5)	$4,052		$3,926		3.2 %	N/A	$3,148		N/A	$2,268		$2,235		1.5	%
Average Rental Rate Per Occupied Square Foot	$4.50		$4.37		3.0 %	N/A	$3.86		N/A	$2.46		$2.44		0.8	%

(1) This property was sold during the first quarter of 2015. For the operating results refer to “Results of Operations—Properties Sold Portfolio” within “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 3 to the Consolidated Financial Statements.

(2) This property was initially placed in-service during the fourth quarter of 2013 and fully placed in-service during the first quarter of 2014. For the operating results refer to “Results of Operations—Properties Placed In-Service Portfolio” within “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

(3) Average Physical Occupancy is defined as the average number of occupied units divided by the total number of units, expressed as a percentage.

(4) Average Economic Occupancy is defined as total possible revenue less vacancy loss as a percentage of total possible revenue. 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.

(5) Average Monthly Rental Rates are calculated by us as rental revenue in accordance with GAAP, divided by the weighted monthly average number of occupied units.

Hotel Net Operating Income

Net operating income for the Boston Marriott Cambridge hotel property decreased by approximately $0.2 million for the year ended December 31, 2015 compared to 2014 due primarily an increase in the management fee paid to Marriott partially offset by improvements in revenue per available room (“REVPAR”) and the average daily rate. We expect our hotel net operating income for fiscal 2016 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, 2015 and 2014.

	2015		2014		Percentage Change	
Occupancy	80.8	%	80.9	%	(0.1	)%
Average daily rate	$275.43		$254.96		8.0	%
REVPAR	$222.47		$206.22		7.9	%

Development and Management Services

Development and management services income decreased approximately $2.8 million for the year ended December 31, 2015 compared to 2014. Development income decreased by approximately $3.7 million partially offset by an increase in management service income of approximately $0.9 million. The decrease in development income is primarily due to decreases in development fees earned from our Boston and Washington, DC third-party developments and our Washington, DC joint ventures. The increase in management fees is due primarily to an increase in tenant service income from our tenants. We expect our development and management services income for fiscal 2016 to be generally in line with 2015 and contribute between $20 million and $24 million.

General and Administrative

General and administrative expenses decreased approximately $2.6 million for the year ended December 31, 2015 compared to 2014 due primarily to the timing of the recognition of expenses under the Transition Benefits Agreement that we entered into with Mortimer B. Zuckerman in 2013. Because Mr. Zuckerman remained employed by us through July 1, 2014, he received, on January 1, 2015, a lump sum payment of $6.7 million in cash and an equity award of LTIP Units with a value of approximately $11.1 million. The cash payment and equity award vested in three equal installments on each of March 10, 2013, October 1, 2013 and July 1, 2014. As a result, we recognized approximately $4.0 million of compensation expense during the year ended December 31, 2014 related to the Transition Benefits Agreement that did not recur in 2015. We also had

an approximately $1.7 million decrease in the value of BXP's deferred compensation plan and a $0.5 million decrease in other general and administrative expenses (including compensation expense). These decreases were partially offset by the following increases: (1) approximately $2.0 million related to the net effect of the end of the measurement period for the 2011 OPP Awards in 2014, a decrease in the quarterly expense related to the 2012 OPP Awards due to certain members of BXP's senior management reached retirement age and therefore became fully vested and the issuance of the 2015 MYLTIP Units (See Note 17 to the Consolidated Financial Statements) and (2) an approximately $1.6 million increase in health care costs. Based on currently budgeted amounts, we expect general and administrative expenses for fiscal 2016 to be greater than 2015 and between $102 million and $107 million. This estimate assumes a cost-of-living adjustment, projected increase in the value of BXP's deferred compensation plan and the issuance in 2016 of a long-term compensation plan. The projected increased expense associated with the long-term compensation plan is due to the difference between the unvested expense remaining from the issuance of the 2013 MYLTIP Units compared to the expense that would be recognized during the first year of the new long-term compensation plan.
Wages directly related to the development of rental properties are not included in our operating results. These costs are capitalized and included in real estate assets on our Consolidated Balance Sheets and amortized over the useful lives of the real estate. Capitalized wages for the years ended December 31, 2015 and 2014 were approximately $15.9 million and $14.5 million, respectively. These costs are not included in the general and administrative expenses discussed above.

Transaction Costs

Transaction costs decreased approximately $1.9 million for the year ended December 31, 2015 compared to 2014, Transaction costs for both periods were primarily related to the formation of several new and pending joint ventures, pending and completed asset sales and the pursuit of other transactions, including acquisitions.

Other Income and Expense Items

Income from Unconsolidated Joint Ventures

For the year ended December 31, 2015 compared to 2014, income from unconsolidated joint ventures increased by approximately $10.0 million due primarily to an approximately $11.4 million increase 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. This increase was partially offset by an approximately $1.4 million decrease in our share of net income from our other unconsolidated joint ventures which was due primarily to termination income we received from our Metropolitan Square property in Washington, DC during the year ended December 31, 2014 that did not recur in 2015.

Interest and Other Income

Interest and other income decreased approximately $2.0 million for the year ended December 31, 2015 compared to 2014, primarily due to a tax refund we received from the District of Columbia during the year ended December 31, 2014 that did not recur during 2015.

Gains (Losses) from Investments in Securities

Gains (losses) from investments in securities for the years ended December 31, 2015 and 2014 related to investments that we have made to reduce our market risk relating to a deferred compensation plan that we maintain for officers of BXP. 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, 2015 and 2014, we recognized gains (losses) of approximately $(0.7) million and $1.0 million, respectively, on these investments. By comparison, our general and administrative expense increased (decreased) by approximately $(0.6) million and $1.1 million during the years ended December 31, 2015 and 2014, 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.

Table of Contents

Losses from Early Extinguishments of Debt

On December 15, 2015, we legally defeased the mortgage loan collateralized by our 100 & 200 Clarendon Street (formerly known as the John Hancock Tower and Garage) 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.

On December 15, 2014, we used available cash to redeem $300.0 million in aggregate principal amount of BPLP’s 5.625% senior notes due 2015 (the “5.625% Notes”) and $250.0 million in aggregate principal amount of its 5.000% senior notes due 2015 (the “5.000% Notes”). The redemption price for the 5.625% Notes was determined in accordance with the applicable indenture and totaled approximately $308.0 million. The redemption price included approximately $2.8 million of accrued and unpaid interest to, but not including, the redemption date. Excluding such accrued and unpaid interest, the redemption price was approximately 101.73% of the principal amount being redeemed. The redemption price for the 5.000% Notes was determined in accordance with the applicable indenture and totaled approximately $255.8 million. The redemption price included approximately $0.5 million of accrued and unpaid interest to, but not including, the redemption date. Excluding such accrued and unpaid interest, the redemption price was approximately 102.13% of the principal amount being redeemed. We recognized a loss on early extinguishment of debt totaling approximately $10.6 million, which amount included the payment of the redemption premium totaling approximately $10.5 million.

Interest Expense

Interest expense for the Total Property Portfolio decreased approximately $23.5 million for the year ended December 31, 2015 compared to 2014 as detailed below.

Component	Change in interest expense for the year ended December 31, 2015 compared to December 31, 2014 (in thousands)	
Increases to interest expense due to:		
Decrease in capitalized interest (1)	$18,261	
Other interest expense (including senior notes)	192	
Total increases to interest expense	18,453	
Decreases to interest expense due to:		
Redemption of $300.0 million in aggregate principal of BPLP’s 5.625% senior notes due 2015 on December 18, 2014	(18,052	)
Redemption of $250.0 million in aggregate principal of BPLP’s 5.000% senior notes due 2015 on December 18, 2014	(12,294	)
Repayment of $747.5 million in aggregate principal of BPLP’s 3.625% exchangeable senior notes due 2014 on February 18, 2014	(3,343	)

Interest expense associated with the accretion of the adjustment for the equity component allocation of BPLP's unsecured exchangeable debt (2)	(2,438)
Repayment of mortgage financings (3)	(2,303)
Sale of 505 9th Street, N.W. on September 18, 2015	(2,136)
Defeasance of the mortgage loan collateralized by 100 & 200 Clarendon Street (formerly the John Hancock Tower and Garage) on December 15, 2015	(1,434)
Total decreases to interest expense	$(42,000)
Total change in interest expense	$(23,547)

Table of Contents

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(1) The decrease was primarily due to the completion of several development projects. For a list of developments placed in-service refer to “Results of Operations—Properties Placed In-Service Portfolio” within “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

(2) All of BPLP’s exchangeable senior notes were repaid as of February 18, 2014.

(3) Represents the repayment of New Dominion Technology Park Building Two mortgage loan on July 1, 2014 and Kingstowne Two and Retail mortgage loan on October 1, 2015.

Interest expense directly related to the development of rental properties is not included in our operating results. These costs are capitalized and included in real estate assets on our Consolidated Balance Sheets and amortized over the useful lives of the real estate. As properties are placed in-service, we cease capitalizing interest and interest is then expensed. Interest capitalized for the years ended December 31, 2015 and 2014 was approximately $34.2 million and $52.5 million, respectively. These costs are not included in the interest expense referenced above.

We anticipate interest expense for 2016 will be approximately $400 million to $415 million. This amount is net of approximately $40 million to $50 million of capitalized interest. These estimates also assume we will not incur any additional indebtedness, make additional prepayments or repurchases of existing indebtedness and that there will not be any fluctuations in interest rates or any changes in our development activity. If we elect to prepay or repurchase existing indebtedness prior to its maturity, we may incur prepayment penalties or realize the acceleration of amortized costs.

At December 31, 2015, our variable rate debt consisted of BPLP’s $1.0 billion Unsecured Line of Credit, of which no amount was outstanding at December 31, 2015. For a summary of our consolidated debt as of December 31, 2015 and December 31, 2014 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 on Sales of Real Estate

Gains on sales of real estate for the Total Property Portfolio increased approximately $207.9 million and $202.4 million for BXP and BPLP, respectively for the year ended December 31, 2015 compared to 2014 as detailed below.

Table of Contents

Name	Date sold	Property Type	Square Feet (sf) / Acres	Sale Price	Cash Proceeds	BXP's Gain on Sale of Real Estate (1)	
				(dollars in millions)			
2014							
Mountain View Technology Park and Mountain View Research Park Building Sixteen (2)	July 29, 2014	Office /Technical	198,000 sf	$92.1	$90.6	$35.9	
One Reston Overlook (3)	August 20, 2014	Land	N/A	2.6	2.6	1.2	
Broad Run Business Park (4)	August 22, 2014	Land Parcel	15.5 acres	9.8	9.7	4.3	
Patriots Park (5)	October 2, 2014	Class A Office	706,000 sf	321.0	319.1	84.6	
130 Third Avenue	October 24, 2014	Land Parcel	N/A	14.3	13.6	8.3	
75 Ames Street (6)	December 30, 2014	Land Parcel	N/A	56.8	N/A	33.8	
				$496.6	$435.6	$168.1	
2015 (7)							
Washingtonian North	February 19, 2015	Land	8.5 acres	$8.7	$8.4	$3.5	
Residences on The Avenue (8)	March 17, 2015	Residential	323,050 sf (4)	196.0	192.5	91.4	
505 9th Street, N.W. (9)	September 18, 2015	Class A Office	322,000 sf	318.0	194.6	199.5	
Washingtonian North	October 1, 2015	Land	5.8 acres	13.3	13.8	2.0	
Innovation Place (10)	December 17, 2015	Class A Office	574,000 sf	207.0	199.3	79.1	
				$743.0	$608.6	$375.5	(11)

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(1) With the exception of Patriots Park, 505 9th Street and Innovation Place the gains on sales of real estate were the same for BXP and BPLP. The gains on sales of real estate for BPLP were $91.2 million for Patriots Park, $199.7 million for 505 9th Street and $80.1 million for Innovation Place. For additional information about the differences between BXP and BPLP, see the Explanatory Note.

(2) Mountain View Technology Park is a seven-building complex.

(3) Land was taken by eminent domain.

(4) Land parcel was subject to a ground lease that was scheduled to expire on October 31, 2048 with a tenant that exercised its purchase option under the ground lease.

(5) This property is a three-building complex. We have agreed to provide rent support payments to the buyer with a maximum obligation of up to approximately $12.3 million related to the leasing of 17,762 net rentable square feet at the properties, which has been recorded as a reduction to the gain on sale.

(6) We completed the conveyance to an unrelated third party of a condominium interest in our 75 Ames Street property located in Cambridge, Massachusetts. On May 23, 2011, we had entered into a ground lease for the vacant land parcel at 75 Ames Street and had also entered into a development agreement to serve as project manager for a 250,000 square foot research laboratory building to be developed on the site at the ground lessee's expense and to

also serve, upon completion of development, as property manager. Gross proceeds to us were approximately $56.8 million, including $11.4 million in development fees for our services, and were received beginning in May 2011. The cash received under the ground lease was initially recognized as unearned revenue and recognized over the 99-year term of the ground lease as ground lease revenue totaling approximately $459,000 per year prior to the conveyance of the condominium interest. The terms of the ground lease required us to form a condominium for the site upon completion of the development, at which time each party would subject their respective interests in the buildings and land to the condominium and would in turn be conveyed a condominium unit comprised of their respective building as well as an undivided ownership interest in the land. As a result of the conveyance and the transfer of title, we recognized a gain on sale of real estate.

(7) For additional details on the sales that occurred during the year ended December 31, 2015, see Note 3 to the Consolidated Financial Statements.

(8) 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, which 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.

(9) 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.

(10) 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.

(11) 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.

Table of Contents

Noncontrolling interests in property partnerships

Noncontrolling interests in property partnerships increased by approximately $119.3 million for the year ended December 31, 2015 compared to 2014 as detailed below.

Property	Date of Consolidation	Partners' noncontrolling interest for the year ended December 31,		
		2015	2014	Change
		(in thousands)		
505 9th Street (1)	October 1, 2007	$103,507	$2,332	$101,175
Fountain Square (2)	October 4, 2012	5,121	11,083	(5,962)
767 Fifth Avenue (the General Motors Building) (3)	May 31, 2013	(20,784)	(14,990)	(5,794)
Times Square Tower	October 9, 2013	26,858	26,736	122
601 Lexington Avenue	October 30, 2014	21,763	3,177	18,586
100 Federal Street	October 30, 2014	3,986	646	3,340
Atlantic Wharf Office Building	October 30, 2014	9,404	1,577	7,827
		$149,855	$30,561	$119,294

(1) On September 18, 2015, we recognized a gain on sale of real estate totaling approximately $199.5 million and $199.7 million for BXP and BPLP, respectively, of which approximately $101.1 million was allocated to the outside partners (See Notes 3, 6 and 11 to the Consolidated Financial Statements).

(2) On August 6, 2015, the parties amended the joint venture agreement which required us to acquire our partner's nominal 50% interest on September 15, 2015 for approximately $100.9 million in cash. As a result, we stopped accreting the changes in the redemption value through the Consolidated Statement of Operations as of August 6, 2015 (See Note 11 to the Consolidated Financial Statements). Upon our acquisition, we owned 100% and therefore we no longer have noncontrolling interest on this property. During the year ended December 31, 2014, we made an out-of-period adjustment of approximately $1.9 million related to the cumulative non-cash adjustment to the accretion of the changes in the redemption value of the noncontrolling interest.

(3) The net loss allocation is primarily due to the partners' share of the interest expense for the outside members' notes payable which was $30.8 million and $28.3 million for the years ended December 31, 2015 and 2014, respectively.

Noncontrolling Interest—Common Units of the Operating Partnership

For BXP, noncontrolling interest—common units of the Operating Partnership increased by approximately $16.1 million for the year ended December 31, 2015 compared to 2014 due to increases in allocable income and the noncontrolling interest's ownership percentage. Due to our ownership structure, there is no corresponding line item on BPLP's financial statements.

Comparison of the year ended December 31, 2014 to the year ended December 31, 2013

The table below shows selected operating information for the Same Property Portfolio and the Total Property Portfolio. The Same Property Portfolio consists of 131 properties totaling approximately 35.8 million net rentable square feet of space, excluding unconsolidated joint ventures. The Same Property Portfolio includes properties acquired or consolidated or placed in-service on or prior to January 1, 2013 and owned and in service through December 31, 2014. The Total Property Portfolio includes the effects of the other properties either placed in-service, acquired or consolidated or in development or redevelopment after January 1, 2013 or disposed of on or prior to December 31, 2014. This table includes a reconciliation from the Same Property Portfolio to the Total Property Portfolio by also providing information for the year ended December 31, 2014 and 2013 with respect to the properties which were placed in-service, acquired or consolidated, in development or redevelopment or sold.

Table of Contents

	Same Property Portfolio				Properties Acquired or Consolidated Portfolio		Properties Placed In-Service Portfolio		Properties in Development or Redevelopment Portfolio		Properti Portfoli
(dollars in thousands)	2014	2013	Increase/ (Decrease)	% Change	2014	2013	2014	2013	2014	2013	2014
Rental Revenue:											
Rental Revenue	$1,883,215	$1,824,581	$58,634	3.21 %	$329,725	$179,579	$53,407	$6,028	$—	$2,248	$24,362
Termination Income	11,162	2,807	8,355	297.65 %	62	—	171	—	—	—	—
Total Rental Revenue	1,894,377	1,827,388	66,989	3.67 %	329,787	179,579	53,578	6,028	—	2,248	24,362
Real Estate Operating Expenses	692,146	664,694	27,452	4.13 %	101,452	57,199	18,532	1,693	—	421	7,238
Net Operating Income, excluding residential and hotel	1,202,231	1,162,694	39,537	3.40 %	228,335	122,380	35,046	4,335	—	1,827	17,124
Residential Net Operating Income (1)	8,960	10,395	(1,435)	(13.80)%	—	—	1,311	(207)	—	—	—
Hotel Net Operating Income (1)	14,149	11,883	2,266	19.07 %	—	—	—	—	—	—	—
Consolidated Net Operating Income (1)	$1,225,340	$1,184,972	$40,368	3.41 %	$228,335	$122,380	$36,357	$4,128	$—	$1,827	$17,124

(1) For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see page 52. Residential Net Operating Income for the year ended December 31, 2014 and 2013 are comprised of Residential Revenue of $26,193 and $22,318 less Residential Expenses of $15,922 and $12,130, respectively. Hotel Net Operating Income for the year ended December 31, 2014 and 2013 are comprised of Hotel Revenue of $43,385 and $40,330 less Hotel Expenses of $29,236 and $28,447, respectively, per the Consolidated Statements of Operations.

Table of Contents

Boston Properties, Inc.
The following is a reconciliation of Consolidated Net Operating Income to net income attributable to Boston Properties, Inc. common shareholders (in thousands):

	Total Property Portfolio			
	2014	2013	Increase/ (Decrease)	% Change
Consolidated Net Operating Income	$1,507,156	$1,334,441	$172,715	12.94 %
Other Revenue:				
Development and management services	25,316	29,695	(4,379)	(14.75)%
Other Expenses:				
General and administrative expense	98,937	115,329	(16,392)	(14.21)%
Transaction costs	3,140	1,744	1,396	80.05 %
Impairment loss	—	8,306	(8,306)	(100.00)%
Depreciation and amortization	628,573	560,637	67,936	12.12 %
Total Other Expenses	730,650	686,016	44,634	6.51 %
Operating Income	801,822	678,120	123,702	18.24 %
Other Income:				
Income from unconsolidated joint ventures	12,769	75,074	(62,305)	(82.99)%
Gains on consolidation of joint ventures	—	385,991	(385,991)	(100.00)%
Interest and other income	8,765	8,310	455	5.48 %
Gains from investments in securities	1,038	2,911	(1,873)	(64.34)%
Gains (losses) from early extinguishments of debt	(10,633)	122	(10,755)	(8,815.57)%
Other Expenses:				
Interest expense	455,743	446,880	8,863	1.98 %
Income from continuing operations	358,018	703,648	(345,630)	(49.12)%
Discontinued operations:				
Income from discontinued operations	—	8,022	(8,022)	(100.00)%
Gains on sales of real estate from discontinued operations	—	112,829	(112,829)	(100.00)%
Gain on forgiveness of debt from discontinued operations	—	20,182	(20,182)	(100.00)%
Impairment loss from discontinued operations	—	(3,241)	3,241	100.00 %
Income before gains on sales of real estate	358,018	841,440	(483,422)	(57.45)%
Gains on sales of real estate	168,039	—	168,039	100.00 %
Net income	526,057	841,440	(315,383)	(37.48)%
Net income attributable to noncontrolling interests:				
Noncontrolling interests in property partnerships	(30,561)	(1,347)	(29,214)	(2,168.82)%
Noncontrolling interest - redeemable preferred units of the Operating Partnership	(1,023)	(6,046)	5,023	83.08 %
Noncontrolling interest - common units of the Operating Partnership	(50,862)	(70,085)	19,223	27.43 %
Noncontrolling interest in discontinued operations - common units of the Operating Partnership	—	(14,151)	14,151	100.00 %
Net income attributable to Boston Properties, Inc.	443,611	749,811	(306,200)	(40.84)%
Preferred dividends	(10,500)	(8,057)	(2,443)	(30.32)%
Net income attributable to Boston Properties, Inc. common shareholders	$433,111	$741,754	$(308,643)	(41.61)%

Table of Contents

Boston Properties Limited Partnership

The following is a reconciliation of Consolidated Net Operating Income to net income attributable to Boston Properties Limited Partnership common unitholders (in thousands):

	Total Property Portfolio			
	2014	2013	Increase/ (Decrease)	% Change
Consolidated Net Operating Income	$1,507,156	$1,334,441	$172,715	12.94 %
Other Revenue:				
Development and management services	25,316	29,695	(4,379)	(14.75)%
Other Expenses:				
General and administrative expense	98,937	115,329	(16,392)	(14.21)%
Transaction costs	3,140	1,744	1,396	80.05 %
Impairment loss	—	4,401	(4,401)	(100.00)%
Depreciation and amortization	620,064	552,589	67,475	12.21 %
Total Other Expenses	722,141	674,063	48,078	7.13 %
Operating Income	810,331	690,073	120,258	17.43 %
Other Income:				
Income from unconsolidated joint ventures	12,769	75,074	(62,305)	(82.99)%
Gains on consolidation of joint ventures	—	385,991	(385,991)	(100.00)%
Interest and other income	8,765	8,310	455	5.48 %
Gains from investments in securities	1,038	2,911	(1,873)	(64.34)%
Gains (losses) from early extinguishments of debt	(10,633)	122	(10,755)	(8,815.57)%
Other Expenses:				
Interest expense	455,743	446,880	8,863	1.98 %
Income from continuing operations	366,527	715,601	(349,074)	(48.78)%
Discontinued operations:				
Income from discontinued operations	—	8,022	(8,022)	(100.00)%
Gains on sales of real estate from discontinued operations	—	115,459	(115,459)	(100.00)%
Gain on forgiveness of debt from discontinued operations	—	20,736	(20,736)	(100.00)%
Impairment loss from discontinued operations	—	(2,852)	2,852	100.00 %
Income before gains on sales of real estate	366,527	856,966	(490,439)	(57.23)%
Gains on sales of real estate	174,686	—	174,686	100.00 %
Net income	541,213	856,966	(315,753)	(36.85)%
Net income attributable to noncontrolling interests:				
Noncontrolling interests in property partnerships	(30,561)	(1,347)	(29,214)	(2,168.82)%
Noncontrolling interest - redeemable preferred units	(1,023)	(6,046)	5,023	83.08 %
Net income attributable to Boston Properties Limited Partnership	509,629	849,573	$(339,944)	(40.01)%
Preferred distributions	(10,500)	(8,057)	(2,443)	(30.32)%
Net income attributable to Boston Properties Limited Partnership common unitholders	$499,129	$841,516	$(342,387)	(40.69)%

Same Property Portfolio

Rental Revenue

Rental revenue from the Same Property Portfolio increased approximately $58.6 million for the year ended December 31, 2014 compared to 2013. The increase was primarily the result of increases in revenue from our leases, parking income and other income and recoveries of approximately $53.6 million, $4.1 million and $0.9 million, respectively.

Rental revenue from our leases increased approximately $53.6 million as a result of our average revenue per square foot increasing by approximately $1.40, contributing approximately $45.7 million, and an approximately $7.9 million increase due to an increase in average occupancy from 92.3% to 92.7%.

Table of Contents

Termination Income

Termination income increased by approximately $8.4 million for the year ended December 31, 2014 compared to 2013.

Termination income for the year ended December 31, 2014 resulted from the termination of twenty-nine tenants across the Same Property Portfolio which totaled approximately $11.2 million of which approximately $7.7 million related to an initial distribution we received from our unsecured creditor claim against Lehman Brothers, Inc. (See Note 10 to the Consolidated Financial Statements).

Termination income for the year ended December 31, 2013 resulted from the termination of twenty-four tenants across the Same Property Portfolio which totaled approximately $2.8 million, of which approximately $1.0 million was negotiated termination income from one of our Reston, Virginia properties in order to accommodate growth of an existing tenant.

Real Estate Operating Expenses

Real estate operating expenses from the Same Property Portfolio increased approximately $27.5 million, or 4.1%, for the year ended December 31, 2014 compared to 2013 due primarily to (1) an increase of approximately $13.4 million, or 4.5%, in real estate taxes, which we primarily experienced in our Washington, DC and New York regions, (2) an increase of approximately $6.4 million, or 6.1%, in repairs and maintenance expense, which we primarily experienced in the Boston and New York CBD buildings and the Washington, DC region, (3) an increase of approximately $2.6 million, or 7.2%, in roads and grounds expense, which we primarily experienced in the Boston and Washington, DC regions, (4) an increase of approximately $2.0 million, or 1.8%, in utilities expense in the Boston and San Francisco regions and (5) an increase of approximately $3.1 million, or 2.6%, in other operating expenses.

Depreciation and Amortization Expense

Depreciation and amortization expense for the Same Property Portfolio increased approximately $5.5 million, or 1.2%, for BXP and $5.1 million, or 1.1%, for BPLP for the year ended December 31, 2014 compared to 2013.

Properties Acquired or Consolidated Portfolio

We acquired Mountain View Research Park and consolidated 767 Fifth Avenue (the General Motors Building) between January 1, 2013 and December 31, 2014. Rental revenue, real estate operating expenses and depreciation and amortization expense from our Properties Acquired or Consolidated Portfolio increased approximately $150.2 million, $44.3 million and $50.2 million, respectively, for the year ended December 31, 2014 compared to 2013 as detailed below.

Name	Date Acquired / Consolidated	Square Feet	Rental Revenue			Real Estate Operating Expenses			Depreciation and Amortization Expense		
			2014 (1)	2013	Change	2014	2013	Change	2014	2013	Change
			(dollars in thousands)								
Office											
Mountain View Research Park (2)	April 10, 2013	540,433	$19,111	$11,815	$7,296	$4,093	$2,741	$1,352	$9,105	$8,448	$657
767 Fifth Avenue (the General Motors Building) (3)	May 31, 2013	1,822,412	310,676	167,764	142,912	97,359	54,458	42,901	122,802	73,303	49,499
		2,362,845	$329,787	$179,579	$150,208	$101,452	$57,199	$44,253	$131,907	$81,751	$50,156

(1) Includes approximately $62 of termination income.

(2) We acquired the Mountain View Research Park and Mountain View Technology Park properties from the Value-Added Fund. Prior to the acquisition, our ownership interest in the properties was approximately 39.5%. As a result of the acquisition, we owned 100% of the properties and accounted for them on a consolidated basis. On July 29, 2014, we sold Mountain View Technology Park and Mountain View Research Park Building Sixteen. See “Results of Operations—Properties Sold Portfolio” within “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations.” This property is a fifteen-building complex.

(3) Our two joint venture partners in 767 Venture, LLC (the entity that owns this building) transferred all of their interests in the joint venture to third parties. In connection with the transfer, we and our new joint venture partners modified our relative decision making authority and consent rights with respect to the joint venture’s assets and operations. These changes resulted in us having sufficient financial and operating control over 767 Venture, LLC such that we now account for the assets, liabilities and operations of 767 Venture, LLC on a consolidated basis in our financial statements instead of under the equity method of accounting. Our ownership interest in 767 Venture, LLC remained unchanged at 60%.

Table of Contents

For a discussion of the operating results for 767 Fifth Avenue (the General Motors Building), Mountain View Research Park and Mountain View Technology Park for the period prior to consolidation / acquisition or sale refer to "Results of Operations—Other Income and Expense Items - Income from Unconsolidated Joint Ventures" within "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."

Properties Placed In-Service Portfolio

The table below lists the properties placed in-service or partially placed in-service between January 1, 2013 and December 31, 2014. Rental revenue, real estate operating expenses and depreciation and amortization expense from our Properties Placed In-Service Portfolio increased approximately $52.1 million, $19.9 million and $18.4 million, respectively, for the year ended December 31, 2014 compared to 2013 as detailed below.

Name	Quarter Initially Placed In-Service	Quarter Fully Placed In-Service	Square Feet	Rental Revenue			Real Estate Operating Expenses			Depreciation and Amortization Expens		
				2014 (1)	2013	Change	2014	2013	Change	2014	2013	Ch
				(dollars in thousands)								
Office												
300 Binney Street	Second Quarter, 2013	Second Quarter, 2013	195,191	$11,017	$5,717	$5,300	$1,150	$353	$797	$2,114	$1,229	$8
250 West 55th Street	Third Quarter, 2013	Third Quarter, 2014	986,823	25,794	311	25,483	12,530	1,340	11,190	9,395	490	8,9
680 Folsom Street (2)	Fourth Quarter, 2013	Third Quarter, 2014	524,793	15,926	—	15,926	4,423	—	4,423	5,841	—	5,8
535 Mission Street	Fourth Quarter, 2014	N/A	307,235	841	—	841	429	—	429	258	—	25
			2,014,042	53,578	6,028	47,550	18,532	1,693	16,839	17,608	1,719	15,
Residential												
The Avant at Reston Town Center (3)	Fourth Quarter, 2013	First Quarter, 2014	355,347	4,746	157	4,589	3,435	364	3,071	2,689	181	2,5
			2,369,389	$58,324	$6,185	$52,139	$21,967	$2,057	$19,910	$20,297	$1,900	$1

(1) Includes approximately $171 of termination income.
(2) This property is a two-building complex.
(3) This property has 359 apartment units and 26,179 net rentable square feet of retail space.

Properties in Development or Redevelopment Portfolio

During the year ended December 31, 2013, the Properties in Development or Redevelopment Portfolio consisted of our 601 Massachusetts Avenue property located in Washington, DC. We commenced development of this property on April 25, 2013 and partially placed it in-service during the third quarter of 2015. Prior to the commencement of development, this building was operational and, during the year ended December 31, 2013, had approximately $2.2 million of revenue and approximately $0.4 million of real estate operating expenses. In addition, during the year ended December 31, 2013, the building had approximately $4.6 million of depreciation and amortization expense.

Properties Sold Portfolio

The table below lists the properties we sold between January 1, 2013 and December 31, 2014. Rental revenue, real estate and operating expenses and depreciation and amortization expense from our Properties Sold Portfolio increased (decreased) approximately $(3.6) million, $0.4 million and $(1.6) million, respectively, for the year ended December 31, 2014 compared to 2013 as detailed below.

Table of Contents

Name	Date sold	Property Type	Square Feet (sf) / Acres	Rental Revenue 2014	Rental Revenue 2013	Rental Revenue Change	Real Estate Operating Expenses 2014	Real Estate Operating Expenses 2013	Real Estate Operating Expenses Change	Depreciation and Amortization Expense 2014	Depreciation and Amortization Expense 2013	Depreciation and Amortization Expense Change
				(dollars in thousands)								
Class A Office, Office/Technical and Land												
Mountain View Technology Park (1)	July 29, 2014	Office /Technical	135,000 sf	$2,603	$3,168	$(565)	$456	$554	$(98)	$1,783	$2,320	$(537)
Mountain View Research Park Building Sixteen	July 29, 2014	Office /Technical	63,000 sf	1,510	1,693	(183)	235	255	(20)	1,012	1,304	(292)
Broad Run Business Park	August 22, 2014	Land Parcel	15.5 acres	909	1,463	(554)	240	364	(124)	8	14	(6)
Patriots Park (2)	October 2, 2014	Class A Office	706,000 sf	18,722	21,166	(2,444)	6,057	5,537	520	4,126	4,863	(737)
130 Third Avenue	October 24, 2014	Land Parcel	N/A	162	—	162	250	105	145	—	—	—
75 Ames Street	December 30, 2014	Land Parcel	N/A	456	459	(3)	—	—	—	—	—	—
				$24,362	$27,949	$(3,587)	$7,238	$6,815	$423	$6,929	$8,501	$(1,572)

(1) This property is a seven-building complex.
(2) This property is a three-building complex.

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 properties, including The Avant at Reston Town Center which was fully placed in-service during the first quarter of 2014, increased by approximately $83,000 for the year ended December 31, 2014 compared to 2013.

The following reflects our occupancy and rate information for The Lofts at Atlantic Wharf, the Residences on The Avenue and The Avant at Reston Town Center for the years ended December 31, 2014 and 2013.

	The Lofts at Atlantic Wharf 2014	The Lofts at Atlantic Wharf 2013	The Lofts at Atlantic Wharf Percentage Change	Residences on The Avenue (1) 2014	Residences on The Avenue (1) 2013	Residences on The Avenue (1) Percentage Change	The Avant at Reston Town Center (2) 2014	The Avant at Reston Town Center (2) 2013	The Avant at Reston Town Center (2) Percentage Change
Average Physical Occupancy (3)	96.3 %	98.6 %	(2.3)%	92.3 %	93.4 %	(1.2)%	38.8 %	N/A	N/A

Average Economic Occupancy (4)	96.5 %	97.6 %	(1.1)%	91.5 %	93.0 %	(1.6)%	34.2 %	N/A	N/A
Average Monthly Rental Rate (5)	$3,926	$3,778	3.9 %	$3,148	$3,295	(4.5)%	$2,235	N/A	N/A
Average Rental Rate Per Occupied Square Foot	$4.37	$4.20	4.0 %	$3.86	$4.04	(4.5)%	$2.44	N/A	N/A

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(1) This property was sold on March 17, 2015 (See Note 3 to the Consolidated Financial Statements).

(2) This property was initially placed in-service during the fourth quarter of 2013 and fully placed in-service during the first quarter of 2014. For the operating results refer to "Results of Operations—Properties Placed in-Service Portfolio" within "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) Average Physical Occupancy is defined as the average number of occupied units divided by the total number of units, expressed as a percentage.

(4) Average Economic Occupancy is defined as total possible revenue less vacancy loss as a percentage of total possible revenue. 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

Table of Contents

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.

(5) Average Monthly Rental Rates are calculated by us as rental revenue in accordance with GAAP, divided by the weighted monthly average number of occupied units.

Hotel Net Operating Income

Net operating income for the Boston Marriott Cambridge hotel property increased by approximately $2.3 million for the year ended December 31, 2014 compared to 2013 due primarily to improvements in revenue per available room ("REVPAR"), occupancy and a reduction in the management fee paid to Marriott.

The following reflects our occupancy and rate information for the Boston Marriott Cambridge hotel for the years ended December 31, 2014 and 2013.

	2014		2013		Percentage Change	
Occupancy	80.9	%	79.8	%	1.4	%
Average daily rate	$254.96		$233.95		9.0	%
REVPAR	$206.22		$186.71		10.4	%

Development and Management Services

Development and management services income decreased approximately $4.4 million for the year ended December 31, 2014 compared to 2013. The decrease was due to decreases in development fee and management fee income of approximately $2.2 million and $2.2 million, respectively. The decrease in development fees was primarily due to a decrease in fees associated with tenant improvement project management, as well as a decrease in the development fees earned due to the completion of several projects in the Boston and Washington, DC regions. The decrease in management fees is due primarily to a decrease in management and leasing fees earned from our joint ventures primarily due to the consolidation of 767 Fifth Avenue (the General Motors Building), the acquisition of the Mountain View assets and the sale of 125 West 55th Street, partially offset by leasing fees earned at one of our unconsolidated joint ventures in Washington, DC related to a large lease that was signed.

General and Administrative

General and administrative expenses decreased approximately $16.4 million for the year ended December 31, 2014 compared to 2013 due primarily to the timing of the recognition of expenses under the Transition Benefits Agreement that we entered into with Mortimer B. Zuckerman in 2013. On March 11, 2013, BXP announced that Owen D. Thomas would succeed Mr. Zuckerman as its Chief Executive Officer, effective April 2, 2013. Mr. Zuckerman continued to serve as Executive Chairman for a transition period and since January 1, 2015 Mr. Zuckerman has served as the non-executive Chairman of the Board of BXP. Because Mr. Zuckerman remained employed by BXP through July 1, 2014, on January 1, 2015, he received a lump sum cash payment of $6.7 million and an equity award with a value of approximately $11.1 million. The cash payment and equity award vested in three equal installments on each of March 10, 2013, October 1, 2013 and July 1, 2014. As a result, we recognized approximately $13.8 million of compensation expense during the year ended December 31, 2013 and approximately $4.0 million of compensation expense during the year ended December 31, 2014 related to the Transition Benefits Agreement. Under the Transition Benefits Agreement, during the year ended December 31, 2013, we accelerated the remaining approximately $12.9 million of stock-based compensation expense associated with Mr. Zuckerman's unvested long-term equity awards. In addition, for the year ended December 31, 2014 compared to 2013 we had an approximately $1.7 million increase in our capitalized wages due to the signing of several large leases. The increase in capitalized wages is shown as a decrease in general and administrative expenses as these costs are capitalized and included in real estate assets or deferred charges on our Consolidated Balance Sheets (see below). We also had an approximately $1.9 million decrease in the value of BXP's deferred compensation plan. These decreases were partially offset by the following increases: (1) approximately $2.3 million related to the net effect of the termination of the 2011 OPP Awards and the issuance of the 2014 MYLTIP Units (See Note 17 to the Consolidated Financial Statements), (2) an approximately $4.4 million increase in overall compensation expense, (3) approximately $0.3 million related to the write off of the remaining fees associated with BXP's ATM program that expired on June 2, 2014 and (4) approximately $2.9 million

related to other general and administrative expenses.
Wages directly related to the development of rental properties are not included in our operating results. These costs are capitalized and included in real estate assets on our Consolidated Balance Sheets and amortized over the useful lives of the real estate. Capitalized wages for the year ended December 31, 2014 and 2013 were approximately $14.5 million and $12.8 million, respectively. These costs are not included in the general and administrative expenses discussed above.

Table of Contents

Transaction Costs

Transaction costs increased approximately $1.4 million for the year ended December 31, 2014 compared to 2013, primarily due to costs associated the formation of several new joint venture agreements and pending and completed asset sales.

Impairment Loss

On March 28, 2013, we executed a binding contract for the sale of our 303 Almaden Boulevard property located in San Jose, California for a sale price of $40.0 million. The pending sale of this asset caused us to evaluate our strategy for development of the adjacent Almaden land parcel, which can accommodate approximately 840,000 square feet of office development. Based on a shorter than expected hold period, we reduced the carrying value of the land parcel to its fair market value and recognized an impairment loss of approximately $8.3 million and $4.4 million for BXP and BPLP during the three months ended March 31, 2013. For additional information about the differences between BXP and BPLP, see the Explanatory Note.

Other Income and Expense Items

Income from Unconsolidated Joint Ventures

For the year ended December 31, 2014 compared to 2013, income from unconsolidated joint ventures decreased by approximately $62.3 million due primarily to an approximately $46.5 million decrease in our share of net income from 125 West 55th Street due to its sale on May 30, 2013, an approximately $11.2 million decrease in our share of net income from the sale of the Eighth Avenue and 46th Street project in New York City on July 19, 2013, an approximately $7.7 million decrease in our share of net income from 767 Fifth Avenue (the General Motors Building) related to its consolidation on June 1, 2013 and an approximately $0.4 million decrease in our share of net income from the sale of Mountain View Research Park and Mountain View Technology Parks to us on April 10, 2013. These decreases were partially offset by an approximately $3.5 million increase in our share of net income from our other unconsolidated joint ventures, which was primarily related to increased leasing and occupancy at 540 Madison Avenue in New York City.

On April 10, 2013, we acquired the Mountain View Research Park and Mountain View Technology Park properties from the Value-Added Fund for an aggregate net purchase price of approximately $233.1 million. Prior to the acquisition, our ownership interest in the properties was approximately 39.5%. As a result of the acquisition, we owned 100% of the properties and accounted for them on a consolidated basis.

On May 30, 2013, a joint venture in which we have a 60% interest completed the sale of its 125 West 55th Street property located in New York City for a sale price of $470.0 million, including the assumption by the buyer of the mortgage loan collateralized by the property totaling approximately $198.6 million. The mortgage loan bore interest at a fixed rate of 6.09% per annum and was scheduled to mature on March 10, 2020. Net cash proceeds totaled approximately $253.7 million, of which our share was approximately $152.2 million, after the payment of transaction costs. 125 West 55th Street is a Class A office property totaling approximately 588,000 net rentable square feet. We had previously recognized an impairment loss on our investment in the unconsolidated joint venture. As a result, we recognized a gain on sale of real estate totaling approximately $43.2 million. Prior to the sale, the property contributed approximately $3.3 million of net income for the year ended December 31, 2013.

On May 31, 2013, our two joint venture partners in 767 Venture, LLC (the entity that owns 767 Fifth Avenue (the General Motors Building) in New York City) transferred all of their interests in the joint venture to third parties. In connection with the transfer, we and our new joint venture partners modified our relative decision making authority and consent rights with respect to the joint venture’s assets and operations. These changes resulted in us having sufficient financial and operating control over 767 Venture, LLC such that we now account for the assets, liabilities and operations of 767 Venture, LLC on a consolidated basis in our financial statements instead of under the equity method of accounting. Our ownership interest in 767 Venture, LLC remained unchanged at 60%. Prior to the consolidation, the property contributed approximately $7.7 million of net income for the year ended December 31, 2013.

On July 19, 2013, a joint venture in which we have a 50% interest completed the sale of its Eighth Avenue and 46th Street project located in New York City for an imputed sale price of $45.0 million. Eighth Avenue and 46th Street is comprised of an assemblage of land parcels and air-rights. Net cash proceeds to us totaled approximately $21.8

million, after the payment of transaction costs. The joint venture had previously recognized an impairment loss on the property. As a result, the joint venture recognized a gain on sale of real estate totaling approximately $12.6 million, of which our share was approximately $11.3 million.

Table of Contents

For the consolidated operating results for 767 Fifth Avenue (the General Motors Building), Mountain View Research Park and Mountain View Technology Park refer to "Results of Operations—Properties Acquired or Consolidation Portfolio and Properties Sold Portfolio" within "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."

Gains on Consolidation of Joint Ventures

On April 10, 2013, we acquired the Mountain View Research Park and Mountain View Technology Park properties from our Value-Added Fund for an aggregate purchase price of approximately $233.5 million. Prior to the acquisition, our ownership interest in the properties was approximately 39.5%. As a result of the acquisition, we own 100% of the properties and account for them on a consolidated basis. During the year ended December 31, 2013, we recognized a gain on consolidation totaling approximately $26.5 million.

On May 31, 2013, our two joint venture partners in 767 Venture, LLC (the entity that owns 767 Fifth Avenue (the General Motors Building) in New York City) transferred all of their interests in the joint venture to third parties. In connection with the transfer, we and our new joint venture partners modified our relative decision making authority and consent rights with respect to the joint venture's assets and operations. These changes resulted in us having sufficient financial and operating control over 767 Venture, LLC such that we now account for the assets, liabilities and operations of 767 Venture, LLC on a consolidated basis in our financial statements instead of under the equity method of accounting. Our ownership interest in 767 Venture, LLC remained unchanged at 60%. During the year ended December 31, 2013, we recognized a non-cash gain on our investment of approximately $359.5 million. The gain on consolidation resulted from us recognizing the assets, liabilities and equity (including noncontrolling interests) of the joint venture at fair value on the date of consolidation resulting in the recognition of a gain on consolidation equal to the difference between the fair value of our equity interest totaling approximately $721.3 million (as reflected in the business combination table appearing in Note 3 to the Consolidated Financial Statements) and the carrying value of our previously held equity interest totaling approximately $361.8 million. The fair value was determined based on the purchase price paid by the new joint venture partners through a sales process managed by a major New York City sales brokerage firm.

Interest and Other Income

Interest and other income increased approximately $0.5 million for the year ended December 31, 2014 compared to 2013, primarily due to a tax refund we received during the year ended December 31, 2014 from the District of Columbia.

Gains from Investments in Securities

Gains from investments in securities for the year ended December 31, 2014 and 2013 related to investments that we have made to reduce our market risk relating to a deferred compensation plan that we maintain for officers of BXP. 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 year ended December 31, 2014 and 2013, we recognized gains of approximately $1.0 million and $2.9 million, respectively, on these investments. By comparison, our general and administrative expense increased by approximately $1.1 million and $2.9 million during the year ended December 31, 2014 and 2013, 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.

Gains (Losses) from Early Extinguishments of Debt

On December 15, 2014, we used available cash to redeem $300.0 million in aggregate principal amount of BPLP's 5.625% senior notes due 2015 (the "5.625% Notes") and $250.0 million in aggregate principal amount of its 5.000% senior notes due 2015 (the "5.000% Notes"). The redemption price for the 5.625% Notes was determined in accordance with the applicable indenture and totaled approximately $308.0 million. The redemption price included approximately $2.8 million of accrued and unpaid interest to, but not including, the redemption date. Excluding such accrued and unpaid interest, the redemption price was approximately 101.73% of the principal amount being redeemed. The redemption price for the 5.000% Notes was determined in accordance with the applicable indenture and totaled approximately $255.8 million. The redemption price included approximately $0.5 million of accrued and unpaid interest to, but not including, the redemption date. Excluding such accrued and unpaid interest, the redemption price was approximately 102.13% of the principal amount being redeemed. We recognized a loss on early extinguishment of debt totaling approximately $10.6 million, which amount included the payment of the redemption premium totaling approximately $10.5 million.

On April 1, 2013, we used available cash to repay the mortgage loan collateralized by our 140 Kendrick Street property located in Needham, Massachusetts totaling approximately $47.6 million. The mortgage loan bore interest at a fixed rate of 7.51% per annum and was scheduled to mature on July 1, 2013. There was no prepayment penalty. We recognized a gain on early extinguishment of debt totaling approximately $0.3 million related to the acceleration of the remaining balance of the historical fair value debt adjustment, which was the result of purchase accounting.

On April 15, 2013, we announced that holders of BPLP's 3.75% Exchangeable Senior Notes due 2036 (the "Notes") had the right to surrender their Notes for purchase by BPLP (the "Put Right") on May 18, 2013. On April 15, 2013, we also announced that BPLP issued a notice of redemption to the holders of the Notes to redeem, on May 18, 2013 (the "Redemption Date"), all of the Notes outstanding on the Redemption Date. In connection with the notice of redemption, holders of the Notes had the right to exchange their Notes on or prior to May 16, 2013. Notes with respect to which the Put Right was not exercised and that were not surrendered for exchange on or prior to May 16, 2013, were redeemed by BPLP at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest thereon to, but excluding, the Redemption Date. Based on final information provided to BPLP by the trustee for the Notes, no Notes were validly tendered and accepted for purchase in the Put Right. Pursuant to the notice of redemption, an aggregate principal amount of $990,000 of the Notes was redeemed on May 18, 2013. The remaining aggregate principal amount of $449,010,000 of the Notes was surrendered for exchange and, in addition to the repayment of the principal in cash, we issued an aggregate of 419,116 shares of BXP common stock in exchange for the Notes. We recognized a loss on early extinguishment of debt totaling approximately $0.1 million consisting of transaction costs.

Interest Expense

Interest expense for the Total Property Portfolio increased approximately $8.9 million for the year ended December 31, 2014 compared to 2013 as detailed below:

Component	Change in interest expense for the year ended December 31, 2014 compared to December 31, 2013 (in thousands)
Increases to interest expense due to:	
Interest associated with the consolidation of the $1.6 billion of debt outstanding for 767 Fifth Avenue (the General Motors Building) (1)	$20,993
Decrease in capitalized interest (2)	15,677
Partner's share of the interest for the outstanding Outside Members' Notes Payable for 767 Fifth Avenue (the General Motors Building) (2)	12,235
Issuance of $700 million in aggregate principal of BPLP's 3.800% senior notes due 2024 on June 27, 2013	13,207
Issuance of $500 million in aggregate principal of BPLP's 3.125% senior notes due 2023 on April 11, 2013	4,328
Total increases to interest expense	66,440
Decreases to interest expense due to:	
Repayment of $747.5 million in aggregate principal of BPLP's 3.625% exchangeable senior notes due 2014 on February 18, 2014	(25,225)
Interest expense associated with the accretion of the adjustment for the equity component allocation of our BPLP's unsecured exchangeable debt (3)	(20,614)
Repurchases/redemption/exchange of $450.0 million in aggregate principal of BPLP's 3.75% exchangeable senior notes due 2036 on April 15, 2013	(6,281)
Repayment of mortgage financings (4)	(2,572)
Amortization of finance fees	(1,698)

Redemption of $300.0 million in aggregate principal of BPLP’s 5.625% senior notes due 2015 on December 15, 2014	(703)
Redemption of $250.0 million in aggregate principal of BPLP’s 5.000% senior notes due 2015 on December 15, 2014	(376)
Other interest expense (including senior notes)	(108)
Total decreases to interest expense	(57,577)
Total change in interest expense	$8,863

Table of Contents

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(1) This property was consolidated on May 31, 2013. For additional information about the transaction refer to "Properties Acquired or Consolidated Portfolio" within "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) Decrease primarily due to the completion of several development projects including, 300 Binney Street, 250 West 55th Street, 680 Folsom Street and The Avant at Reston Town Center.

(3) All of BPLP's exchangeable senior notes were repaid as of February 18, 2014.

(4) Includes the repayment of Kingstowne One, 140 Kendrick Street and New Dominion Technology Park Building Two on February 5, 2013, April 1, 2013 and July 1, 2014, respectively.

Interest expense directly related to the development of rental properties is not included in our operating results. These costs are capitalized and included in real estate assets on our Consolidated Balance Sheets and amortized over the useful lives of the real estate. Interest capitalized for the year ended December 31, 2014 and 2013 was approximately $52.5 million and $68.2 million, respectively. These costs are not included in the interest expense referenced above.

At December 31, 2014, our variable rate debt consisted of BPLP's $1.0 billion Unsecured Line of Credit, of which no amount was outstanding at December 31, 2014. For a summary of our consolidated debt as of December 31, 2014 and December 31, 2013 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."

Discontinued Operations

On April 10, 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"). ASU 2014-08 clarifies that 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). ASU 2014-08 is effective prospectively for reporting periods beginning after December 15, 2014. Early adoption is permitted, and we early adopted ASU 2014-08 during the first quarter of 2014. Our adoption of ASU 2014-08 resulted in the operating results and gains on sales of real estate from operating properties sold during the year ended December 31, 2014 not being reflected within Discontinued Operations in our Consolidated Statements of Operations (See Note 3 to the Consolidated Financial Statements).

Prior to the adoption of ASU 2014-08, we had the following properties that were considered discontinued operations for the year ended December 31, 2013: Montvale Center, 303 Almaden Boulevard, 1301 New York Avenue, 10 & 20 Burlington Mall Road and One Preserve Parkway. Each of these dispositions is discussed below. For additional information about the differences between BXP and BPLP, see the Explanatory Note.

On February 20, 2013, the foreclosure sale of our Montvale Center property was ratified by the court. As a result of the ratification, the mortgage loan totaling $25.0 million was extinguished and the related obligations were satisfied with the transfer of the real estate resulting in the recognition of a gain on forgiveness of debt totaling approximately $20.2 million and $20.7 million for BXP and BPLP, respectively during the year ended December 31, 2013. The operating results of the property through the date of ratification have been classified as discontinued operations on a historical basis for all periods presented.

On June 28, 2013, we completed the sale of our 303 Almaden Boulevard property located in San Jose, California for a sale price of $40.0 million. Net cash proceeds totaled approximately $39.3 million. 303 Almaden Boulevard is a Class A office property totaling approximately 158,000 net rentable square feet. Because we entered into the related purchase and sale agreement on March 28, 2013 and the carrying value of the property exceeded its net sale price, we recognized an impairment loss totaling approximately $3.2 million and $2.9 million for BXP and BPLP, respectively during the three months ended March 31, 2013. As a result, there was no loss on sale of real estate recognized during the year ended December 31, 2013. The impairment loss and operating results of this property have been classified as discontinued operations on a historical basis for all periods presented.

On August 22, 2013, we completed the sale of our 1301 New York Avenue property located in Washington, DC for a net contract sale price of approximately $121.7 million. After adjusting for outstanding lease and other transaction costs assumed by the buyer, the gross sale price was approximately $135.0 million. Net cash proceeds totaled approximately $121.5 million, resulting in a gain on sale of approximately $86.4 million and $88.6 million for BXP and BPLP, respectively. 1301 New York Avenue is a Class A office property totaling approximately 201,000 net rentable square feet. The operating results of the property through the date of sale have been classified as discontinued operations on a historical basis for all periods presented.

On December 20, 2013, we completed the sale of our 10 & 20 Burlington Mall Road property located in Burlington, Massachusetts for a sale price of approximately $30.0 million. Net cash proceeds totaled approximately $29.4 million, resulting in a gain on sale of approximately $20.5 million and $21.0 million for BXP and BPLP, respectively. 10 & 20

Table of Contents

Burlington Mall Road consists of two Class A office properties aggregating approximately 152,000 net rentable square feet. The operating results of the property through the date of sale have been classified as discontinued operations on a historical basis for all periods presented.

On December 20, 2013, we completed the sale of our One Preserve Parkway property located in Rockville, Maryland for a sale price of approximately $61.3 million. Net cash proceeds totaled approximately $59.9 million, resulting in a gain on sale of approximately $5.9 million. One Preserve Parkway is a Class A office property totaling approximately 184,000 net rentable square feet. The operating results of the property through the date of sale have been classified as discontinued operations on a historical basis for all periods presented.

Gains on Sales of Real Estate

Gains on sales of real estate for the Total Property Portfolio increased approximately $168.1 million and $174.7 million for BXP and BPLP, respectively for the year ended December 31, 2014 compared to 2013 as detailed below.

Name	Date sold	Property Type	Square Feet (sf) / Acres	Sale Price	Cash Proceeds	BXP's Gain on Sale of Real Estate (1)
				(dollars in millions)		
2014						
Mountain View Technology Park and Mountain View Research Park Building Sixteen (2)	July 29, 2014	Office /Technical	198,000 sf	$92.1	$90.6	$35.9
One Reston Overlook (3)	August 20, 2014	Land	N/A	2.6	2.6	1.2
Broad Run Business Park (4)	August 22, 2014	Land Parcel	15.5 acres	9.8	9.7	4.3
Patriots Park (5)	October 2, 2014	Class A Office	706,000 sf	321.0	319.1	84.6
130 Third Avenue	October 24, 2014	Land Parcel	N/A	14.3	13.6	8.3
75 Ames Street (6)						