Equity Commonwealth
Form 10-Q
May 05, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016
OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 1-9317
EQUITY COMMONWEALTH
(Exact Name of Registrant as Specified in Its Charter)

Maryland	04-6558834
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
Two North Riverside Plaza, Suite 2100, Chicago, IL	60606
(Address of Principal Executive Offices)	(Zip Code)

(312) 646-2800
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
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). Yes ý No o
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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý
Number of registrant's common shares of beneficial interest, $0.01 par value per share, outstanding as of April 30, 2016: 125,502,209.

Table of Contents

EQUITY COMMONWEALTH

FORM 10-Q

March 31, 2016

INDEX

Table of Contents

EXPLANATORY NOTE

References in this Quarterly Report on Form 10-Q to the Company, EQC, we, us or our, refer to Equity Commonwealth and its consolidated subsidiaries as of March 31, 2016, unless the context indicates otherwise.

Table of Contents

PART I. Financial Information

Item 1. Financial Statements.

EQUITY COMMONWEALTH

CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data)
(unaudited)

	March 31, 2016	December 31, 2015 (audited)
ASSETS		
Real estate properties:		
Land	$372,714	$389,410
Buildings and improvements	3,399,909	3,497,942
	3,772,623	3,887,352
Accumulated depreciation	(880,678)	(898,939)
	2,891,945	2,988,413
Properties held for sale	20,347	—
Acquired real estate leases, net	83,121	88,760
Cash and cash equivalents	1,742,128	1,802,729
Restricted cash	36,190	32,245
Rents receivable, net of allowance for doubtful accounts of $4,193 and $7,715, respectively	176,740	174,676
Other assets, net	152,678	144,341
Total assets	$5,103,149	$5,231,164
LIABILITIES AND SHAREHOLDERS' EQUITY		
Senior unsecured debt, net	$1,312,148	$1,450,606
Mortgage notes payable, net	245,691	246,510
Liabilities related to properties held for sale	169	—
Accounts payable and accrued expenses	120,888	123,587
Assumed real estate lease obligations, net	3,624	4,296
Rent collected in advance	23,588	27,340
Security deposits	9,670	10,338
Total liabilities	1,715,778	1,862,677
Shareholders' equity:		
Preferred shares of beneficial interest, $0.01 par value: 50,000,000 shares authorized;		
Series D preferred shares; 6 1/2% cumulative convertible; 4,915,196 shares issued and outstanding, aggregate liquidation preference of $122,880	119,263	119,263
Series E preferred shares; 7 1/4% cumulative redeemable on or after May 15, 2016; 11,000,000 shares issued and outstanding, aggregate liquidation preference $275,000	265,391	265,391
Common shares of beneficial interest, $0.01 par value: 350,000,000 shares authorized; 125,502,748 and 126,349,914 shares issued and outstanding, respectively	1,255	1,263
Additional paid in capital	4,393,409	4,414,611
Cumulative net income	2,380,111	2,333,709
Cumulative other comprehensive loss	(3,014)	(3,687)

Cumulative common distributions	(3,111,868)	(3,111,868)
Cumulative preferred distributions	(657,176)	(650,195)
Total shareholders’ equity	3,387,371	3,368,487
Total liabilities and shareholders’ equity	$ 5,103,149	$ 5,231,164

See accompanying notes.

1

Table of Contents

EQUITY COMMONWEALTH
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share data)
(unaudited)

	Three Months Ended March 31, 2016	2015
Revenues:		
Rental income	$109,888	$167,972
Tenant reimbursements and other income	27,247	45,083
Total revenues	137,135	213,055
Expenses:		
Operating expenses	57,258	97,871
Depreciation and amortization	36,251	62,699
General and administrative	13,312	16,558
Loss on asset impairment	—	1,904
Total expenses	106,821	179,032
Operating income	30,314	34,023
Interest and other income	1,967	3,448
Interest expense (including net amortization of debt discounts, premiums and deferred financing fees of $983 and $29, respectively)	(22,347)	(29,842)
Loss on early extinguishment of debt	(118)	(428)
Foreign currency exchange loss	(5)	—
Gain on sale of properties	36,666	5,868
Income before income taxes	46,477	13,069
Income tax (expense) benefit	(75)	561
Net income	46,402	13,630
Preferred distributions	(6,981)	(6,981)
Net income attributable to Equity Commonwealth common shareholders	$39,421	$6,649
Weighted average common shares outstanding — basic	125,840	129,696
Weighted average common shares outstanding — diluted	127,522	129,874
Earnings per common share attributable to Equity Commonwealth common shareholders:		
Basic	$0.31	$0.05
Diluted	$0.31	$0.05

See accompanying notes.

Table of Contents

EQUITY COMMONWEALTH

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(amounts in thousands)
(unaudited)

	Three Months Ended March 31,	
	2016	2015
Net income	$46,402	$13,630
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on derivative instruments and other assets	673	(2,622)
Foreign currency translation adjustments	—	(16,390)
Total comprehensive income (loss)	$47,075	$(5,382)

See accompanying notes.

Table of Contents

EQUITY COMMONWEALTH
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(unaudited)

	Three Months Ended March 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$46,402	$13,630
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	28,582	46,418
Net amortization of debt discounts, premiums and deferred financing fees	983	29
Straight line rental income	(3,831)	187
Amortization of acquired real estate leases	4,629	10,304
Other amortization	4,161	7,346
Share-based compensation	4,353	3,958
Loss on asset impairment	—	1,904
Loss on early extinguishment of debt	118	428
Foreign currency exchange loss	5	—
Net gain on sale of properties	(36,666)	(5,868)
Change in assets and liabilities:		
Restricted cash	(458)	2,366
Rents receivable and other assets	(15,486)	(28,678)
Accounts payable and accrued expenses	(6,361)	(11,134)
Rent collected in advance	(3,255)	(620)
Security deposits	(192)	51
Cash provided by operating activities	22,984	40,321
CASH FLOWS FROM INVESTING ACTIVITIES:		
Real estate improvements	(25,963)	(12,163)
Principal payments received from direct financing lease	—	1,883
Proceeds from sale of properties, net	118,391	19,841
Proceeds from sale of securities	—	27,068
Increase in restricted cash	(3,487)	(3,458)
Cash provided by investing activities	88,941	33,171
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase and retirement of common shares	(25,563)	—
Payments on borrowings	(139,922)	(1,589)
Deferred financing fees	(52)	(7,143)
Distributions to preferred shareholders	(6,981)	(6,981)
Cash used in financing activities	(172,518)	(15,713)
Effect of exchange rate changes on cash	(8)	(559)
(Decrease) increase in cash and cash equivalents	(60,601)	57,220
Cash and cash equivalents at beginning of period	1,802,729	364,516
Cash and cash equivalents at end of period	$1,742,128	$421,736

See accompanying notes.

EQUITY COMMONWEALTH

4

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(amounts in thousands)
(unaudited)

	Three Months Ended March 31, 2016	2015
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$28,542	$33,479
Taxes (refunded) paid	(72)	2,251
NON-CASH INVESTING ACTIVITIES:		
(Decrease) increase in capital expenditures recorded as liabilities	$(6,312)	$1,139

See accompanying notes.

Table of Contents

EQUITY COMMONWEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements of EQC have been prepared without audit. Certain information and footnote disclosures required by U.S. generally accepted accounting principles, or GAAP, for complete financial statements have been condensed or omitted. We believe the disclosures made are adequate to make the information presented not misleading. However, the accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in our Annual Report on Form 10-K (Annual Report) for the year ended December 31, 2015. Capitalized terms used, but not defined in this Quarterly Report, have the same meanings as in our Annual Report.

In the opinion of our management, all adjustments, which include only normal recurring adjustments considered necessary for a fair presentation, have been included. All intercompany transactions and balances with or among our subsidiaries have been eliminated. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. Reclassifications have been made to the prior years' financial statements to conform to the current year's presentation.

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates. Significant estimates in the condensed consolidated financial statements include the allowance for doubtful accounts, purchase price allocations, useful lives of fixed assets and impairment of real estate and intangible assets.

Share amounts are presented in whole numbers, except where noted.

Note 2. Recent Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. This update is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, but early adoption is permitted. We are currently in the process of evaluating the impact the adoption of this ASU will have on our condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets. The ASU also requires lessees or lessors to capitalize only initial direct costs of leases. This update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, but early adoption is permitted. We are currently in the process of evaluating the impact the adoption of this ASU will have on our condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which provides guidance for revenue recognition. This update is effective for interim and annual reporting periods beginning after December 15, 2017. We are currently in the process of evaluating the impact, if any, the adoption of this ASU will have on our condensed consolidated financial statements.

6

Table of Contents

EQUITY COMMONWEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. This standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as a deferred charge. It is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. We adopted this standard on January 1, 2016 and made the following reclassifications to the prior years' consolidated balance sheet to conform to the current year's presentation (in thousands):

Balance Sheet as of December 31, 2015	Originally Reported	Effect of Change	As Adjusted
Other assets, net	157,549	(13,208)	144,341
Senior unsecured debt, net	1,460,592	(9,986)	1,450,606
Mortgage notes payable, net	249,732	(3,222)	246,510

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, or ASU 2014-08. ASU 2014-08 changes the criteria for reporting a discontinued operation. Under the new pronouncement, a disposal of a part of an organization that has a major effect on its operations and financial results is a discontinued operation. We adopted ASU 2014-08 on January 1, 2015, and determined that our 2016 dispositions, 2015 dispositions and properties held for sale as of March 31, 2016 do not individually represent a strategic shift, as defined by the standard, that has or will have a major effect on our operations and financial results. As a result, the 2016 and 2015 dispositions and properties held for sale have not been presented as discontinued operations in the statements of operations.

Note 3. Real Estate Properties

During the three months ended March 31, 2016 and 2015, we made improvements, excluding tenant-funded improvements, to our properties totaling $31.9 million and $10.9 million, respectively.

Properties Held For Sale:

We classify all properties that meet the criteria outlined in the Property, Plant and Equipment Topic of the FASB Accounting Standards Codification (Codification) as held for sale on our condensed consolidated balance sheets. As of December 31, 2015, we had no properties classified as held for sale. As of March 31, 2016, we classified the following properties as held for sale (dollars in thousands):

Asset	Date Sold	Number of Properties	Number of Buildings	Square Footage	Gross Sales Price
1525 Locust Street	April 2016	1	1	98,009	$17,700
633 Ahua Street	April 2016	1	1	93,141	29,000
		2	2	191,150	$46,700

Summarized balance sheet information for all properties classified as held for sale is as follows (in thousands):

	March 31, 2016
Real estate properties	$ 19,568
Rents receivable, net of allowance for doubtful accounts of $159	21
Other assets, net	758
Properties held for sale	$ 20,347
Rent collected in advance	$ 10
Security deposits	159
Liabilities related to properties held for sale	$ 169

Table of Contents

EQUITY COMMONWEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Property Dispositions:

During the three months ended March 31, 2016, we sold the following properties (dollars in thousands):

Asset	Date Disposed	Number of Properties	Number of Buildings	Square Footage	Gross Sales Price	Gain on Sale
Executive Park	February 2016	1	9	427,443	$50,865	$16,532
3330 N Washington Boulevard	March 2016	1	1	55,719	11,250	5,457
111 East Kilbourn Avenue	March 2016	1	1	373,669	60,500	14,677
		3	11	856,831	$122,615	$36,666

During the year ended December 31, 2015, we disposed of 91 properties (135 buildings) and one land parcel with a combined 18.9 million square feet for an aggregate gross sales price of $2.0 billion, excluding closing costs.

Note 4. Real Estate Mortgages Receivable

As of March 31, 2016 and December 31, 2015, we had total real estate mortgages receivable with an aggregate carrying value of $8.1 million included in other assets in our condensed consolidated balance sheets. We provided mortgage financing totaling $7.7 million at 6.0% per annum in connection with our sale of three suburban office and industrial properties (18 buildings) in January 2013 in Dearborn, MI; this real estate mortgage requires monthly interest payments and matures on January 24, 2023. We also provided mortgage financing totaling $0.4 million at 6.0% per annum in connection with our sale of a suburban office property in Salina, NY in April 2012. This real estate mortgage requires monthly interest payments and matures on April 30, 2019.

We monitor the payment history of the borrowers and have determined that no allowance for losses related to these real estate mortgages receivable were necessary at March 31, 2016, and December 31, 2015.

Note 5. Indebtedness

Unsecured Revolving Credit Facility and Term Loan:
We are party to a credit agreement, pursuant to which the lenders agreed to provide a $750.0 million unsecured revolving credit facility, a $200.0 million 5-year term loan facility, and a $200.0 million 7-year term loan facility. The revolving credit facility has a scheduled maturity date of January 28, 2019, which maturity date may be extended for up to two additional periods of six months at our option subject to satisfaction of certain conditions and the payment of an extension fee of 0.075% of the aggregate amount available under the revolving credit facility. The 5-year term loan and the 7-year term loan have scheduled maturity dates of January 28, 2020 and January 28, 2022, respectively.

The credit agreement permits us to utilize up to $100.0 million of the revolving credit facility for the issuance of letters of credit. Amounts outstanding under the credit agreement generally may be prepaid at any time without premium or penalty, subject to certain exceptions. We have the right to request increases in the aggregate maximum amount of borrowings available under the revolving credit facility and term loans up to an additional $1.15 billion, subject to certain conditions.

Borrowings under the 5-year term loan and 7-year term loan will, subject to certain exceptions, bear interest at a LIBOR rate plus a margin of 90 to 180 basis points for the 5-year term loan and 140 to 235 basis points for the 7-year term loan, in each case depending on our credit rating. Borrowings under the revolving credit facility will, subject to certain exceptions, bear interest at a rate equal to, at our option, either a LIBOR rate or a base rate plus a margin of 87.5 to 155 basis points for LIBOR rate advances and 0 to 55 basis points for base rate advances, in each case depending on our credit rating. In addition, we are required to pay a facility fee of 12.5 to 30 basis points, depending on our credit rating, on the borrowings available under the revolving credit facility, whether or not utilized.

Borrowings under our revolving credit facility currently bear interest at LIBOR plus a spread, which was 125 basis points as of March 31, 2016. As of March 31, 2016, the interest rate payable on borrowings under our revolving credit facility was 1.69%. As of March 31, 2016, we had no balance outstanding and $750.0 million available under our revolving credit facility and the facility fee as of March 31, 2016 was 0.25%. Our term loans currently bear interest at a rate of LIBOR plus a spread, which was 140 and 180 basis points for the 5-year and 7-year term loan, respectively, as of March 31, 2016. As of March 31, 2016, the interest rates for the amounts outstanding under our 5-year term loan and 7-year term loan were 1.84% and 2.24%, respectively. As of March 31, 2016, we had $200.0 million outstanding under each of our 5-year and 7-year term loans.

Debt Covenants:

Our public debt indenture and related supplements, our revolving credit facility agreement and our term loan agreement contain a number of financial and other covenants, including covenants that restrict our ability to incur indebtedness or to make distributions under certain circumstances and require us to maintain financial ratios and a minimum net worth. At March 31, 2016, we believe we were in compliance with all of our respective covenants under our public debt indenture and related supplements, our revolving credit facility and our term loan agreements.

Senior Unsecured Notes:

On February 16, 2016, we redeemed at par $139.1 million of our 6.25% senior unsecured notes due 2016 and recognized a loss on early extinguishment of debt of $0.1 million from the write-off of an unamortized discount and unamortized deferred financing fees for the three months ended March 31, 2016.

Mortgage Notes Payable:

At March 31, 2016, five of our properties (8 buildings) with an aggregate net book value of $288.7 million had secured mortgage notes totaling $245.7 million (including net premiums and discounts and unamortized deferred financing fees) maturing from 2017 through 2026.

Note 6. Shareholders' Equity

Common Share Issuances:

See Note 10 for information regarding equity issuances related to share-based compensation.

Common Share Repurchases:

On August 24, 2015, our Board of Trustees approved a common share repurchase plan, which authorizes the repurchase of up to $100.0 million of our outstanding common shares over the twelve month period following the date of authorization. On September 14, 2015, our Board of Trustees authorized the repurchase of up to an additional $100.0 million of our outstanding common shares over the twelve month period following the date of authorization. On March 17, 2016, our Board of Trustees authorized the repurchase of up to an additional $150.0 million of our outstanding common shares over the next twelve month period following the date of authorization. During the three months ended March 31, 2016, we purchased and retired 983,789 of our common shares at a weighted average price of $25.94 per share.

Preferred Share Distributions:

In 2016, our Board of Trustees declared distributions on our series D preferred shares and series E cumulative redeemable preferred shares to date as follows:

Declaration Date	Record Date	Payment Date	Series D Dividend Per Share	Series E Dividend Per Share
January 26, 2016	February 5, 2016	February 16, 2016	$0.40625	$0.453125

9

EQUITY COMMONWEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 7. Cumulative Other Comprehensive Loss

The following tables present the amounts recognized in cumulative other comprehensive loss for the three months ended March 31, 2016 (in thousands):

	Unrealized Loss on Derivative Instruments
Balances as of January 1, 2016	$ (3,687)
Other comprehensive loss before reclassifications	(445)
Amounts reclassified from cumulative other comprehensive loss to net income	1,118
Net current period other comprehensive income	673
Balances as of March 31, 2016	$ (3,014)

The following tables present reclassifications out of cumulative other comprehensive loss for the three months ended March 31, 2016 (in thousands):

	Amounts Reclassified from Cumulative Other Comprehensive Loss to Net Income	
Details about Cumulative Other Comprehensive Loss Components	Three Months Ended March 31, 2016	Affected Line Items in the Statement of Operations
Interest rate swap contracts	$1,118	Interest expense

Note 8. Income Taxes

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and are generally not subject to federal and state income taxes provided we distribute a sufficient amount of our taxable income to our shareholders and meet other requirements for qualifying as a REIT. We are also subject to certain state and local taxes without regard to our REIT status. In prior periods, we were subject to Australian taxes.

Our provision for income taxes consists of the following (in thousands):

	Three Months Ended March 31,	
	2016	2015
Current:		

State	$75	$90
Foreign	—	(46)
	75	44
Deferred:		
Foreign	—	(605)
	—	(605)
Income tax expense (benefit)	$75	$(561)

Note 9. Derivative Instruments

Risk Management Objective of Using Derivatives

We are exposed to certain risks relating to our ongoing business operations, including the effect of changes in interest rates. The only risk we currently manage by using derivative instruments is related to our interest rate risk.

EQUITY COMMONWEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We may use derivative financial instruments, including interest rate swaps, caps, options, floors and other interest rate derivative contracts, to hedge all or a portion of the interest rate risk associated with our borrowings. The principal objective of such arrangements is to minimize the risks and/or costs associated with our operating and financial structure as well as to hedge specific anticipated transactions. We do not intend to utilize derivatives for speculative or other purposes other than interest rate risk management. The use of derivative financial instruments carries certain risks, including the risk that the counterparties to these contractual arrangements are not able to perform under the agreements. To mitigate this risk, we only enter into derivative financial instruments with counterparties with high credit ratings and with major financial institutions with which we and our affiliates may also have other financial relationships. We do not anticipate that any of the counterparties will fail to meet their obligations.

Cash Flow Hedges of Interest Rate Risk

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements. To accomplish this objective, we periodically use interest rate swaps, caps, or other similar instruments as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in cumulative other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2016, such derivatives were used to hedge the variable cash flows associated with variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

Amounts reported in cumulative other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next twelve months, we estimate that an additional $2.9 million will be reclassified from cumulative other comprehensive loss as an increase to interest expense.

We have interest rate swap agreements to manage our interest rate risk exposure on $169.2 million of mortgage debt due 2019, which require interest at a spread over LIBOR. The interest rate swap agreements utilized by us qualify as cash flow hedges and effectively modify our exposure to interest rate risk by converting our floating interest rate debt to a fixed interest rate basis for this loan through December 1, 2016, thus reducing the impact of interest rate changes on future interest expense.

On March 4, 2016, we purchased an interest rate cap with a LIBOR strike price of 2.50%. The interest rate cap, effective April 1, 2016, has a notional amount of $400.0 million and a maturity date of March 1, 2019.

As of March 31, 2016, we had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional Amount (in thousands)
Interest rate swap	2	$ 169,119
Interest rate cap	1	$ 400,000

The table below presents the fair value of our derivative financial instruments as well as their classification on the condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015 (amounts in thousands):

Interest Rate Derivative Designated as Hedging Instrument	Balance Sheet Location	Fair Value as of March 31, 2016	Fair Value as of December 31, 2015
Pay-fixed swaps	Accounts payable and accrued expenses	$(2,850)	$ (3,687)
Interest rate cap	Other assets	$358	$ —

11

Table of Contents

EQUITY COMMONWEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The table below details the location in the financial statements of the gain or loss recognized on interest rate derivatives designated as cash flow hedges for the three months ended March 31, 2016 and 2015 (amounts in thousands):

	Three Months Ended March 31,	
	2016	2015
Balance at beginning of period	$(3,687)	$(7,462)
Amount of (loss) gain recognized in cumulative other comprehensive loss	(445)	(686)
Amount of loss reclassified from cumulative other comprehensive loss into interest expense	1,118	1,227
Unrealized gain on derivative instruments	673	541
Balance at end of period	$(3,014)	$(6,921)

Credit-risk-related Contingent Features

We have agreements with each of our derivative counterparties that contain a provision where if we either default or are capable of being declared in default on any of our indebtedness, then we could also be declared in default on our derivative obligations.

As of March 31, 2016, the fair value of derivatives in a net liability position including accrued interest but excluding any adjustment for nonperformance risk related to these agreements was $3.2 million. As of March 31, 2016, we have not posted any collateral related to these agreements and were not in breach of any agreement provisions. If we had breached any of these provisions, we could have been required to settle our obligations under the agreements at their aggregate termination value of $3.2 million at March 31, 2016.

Note 10. Share-Based Compensation
Equity Commonwealth 2015 Omnibus Incentive Plan

On January 26, 2016, the Board of Trustees approved an amendment to the 2015 Omnibus Incentive Plan (as amended, the 2015 Incentive Plan) to allow the Compensation Committee (Committee) to authorize in an award agreement a transfer of all or a part of certain equity awards not for value to a “family member” (as defined in the 2015 Incentive Plan).

Recipients of the Company’s restricted shares have the same voting rights as any other common shareholder. During the period of restriction, the Company’s unvested restricted shareholders are eligible to receive dividend payments on their shares at the same rate and on the same date as any other common shareholder. Recipients of the Company’s restricted stock units (RSUs) are entitled to receive dividends with respect to the common shares underlying the RSUs if and when the RSUs are earned, at which time the recipient will be entitled to receive an amount in cash equal to the aggregate amount of ordinary cash dividends that would have been paid in respect of the common shares underlying the recipient’s earned RSUs had such common shares been issued to the recipient on the first day of the performance period. To the extent that an award does not vest, the dividends will be forfeited.

Administration. The 2015 Incentive Plan will be administered by the Compensation Committee, which will determine all terms and recipients of awards under the 2015 Incentive Plan.

2016 Equity Award Activity

On January 26, 2016, the Committee approved a grant of 136,623 restricted common shares and 277,386 RSUs at target to the Company’s officers, certain employees and to Mr. Zell, the Chairman of our Board of Trustees, as part of their compensation for fiscal year 2015.

The restricted shares are service based awards and vest over a four-year period. The restricted shares were granted on January 26, 2016 and were valued at $26.93 per share, the closing price of our common shares on the NYSE on that day.

The RSUs are market based awards with a service condition and grant recipients may earn the RSU grants based on the Company’s total shareholder return (TSR) relative to the TSR's for the constituent REITs that comprise the NAREIT Office Index for the performance period of January 26, 2016 - January 26, 2019. Following the end of the performance period on

EQUITY COMMONWEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

January 26, 2019, the number of earned awards will be determined. The earned awards vest in two tranches with 50% of the earned award vesting on January 26, 2019 and the remaining 50% of the earned award vesting on January 26, 2020, subject to the grant recipient’s continued employment. Compensation expense for the RSU awards was determined using a Monte Carlo simulation model and is being recognized ratably from the grant date to the vesting date of each tranche.

2015 Equity Award Activity

On January 28, 2015, the Committee approved a grant of 126,319 restricted common shares and 256,467 RSUs at target to the Company’s officers, certain employees and to Mr. Zell, the Chairman of our Board of Trustees, as part of their compensation for fiscal year 2014.

The restricted shares are service based awards and vest over a four-year period. The restricted shares were granted on January 28, 2015 and were valued at $26.58 per share, the closing price of our common shares on the NYSE on that day.

The RSUs are market based awards with a service condition and grant recipients may earn the RSU grants based on the Company’s total shareholder return (TSR) relative to the TSR's for the constituent REITs that comprise the NAREIT Office Index for the performance period of January 28, 2015 - January 28, 2018. Following the end of the performance period on January 28, 2018, the number of earned awards will be determined. The earned awards vest in two tranches with 50% of the earned award vesting on January 28, 2018 and the remaining 50% of the earned award vesting on January 28, 2019, subject to the grant recipient’s continued employment. Compensation expense for the RSU awards was determined using a Monte Carlo simulation model and is being recognized ratably from the grant date to the vesting date of each tranche.

Outstanding Equity Awards

As of March 31, 2016, the estimated future compensation expense for all unvested restricted share grants was $16.6 million. Compensation expense for the restricted share awards is being recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award. The weighted average period over which the future compensation expense will be recorded for the restricted shares is approximately 2.8 years.

As of March 31, 2016, the estimated future compensation expense for all unvested RSUs was $28.3 million. The weighted average period over which the future compensation expense will be recorded for the RSUs is approximately 2.6 years.

The assumptions and fair values for the RSUs granted for the three months ended March 31, 2016 are included in the following table on a per share basis.

	2016	
Fair value of RSUs granted	$38.80	
Expected term (years)	4	
Expected volatility	—	
Expected dividend yield	1.86	%
Risk-free rate	1.07	%

During the three months ended March 31, 2016 and 2015, we recorded $4.4 million and $4.0 million, respectively, of compensation expense, net of forfeitures, in general and administrative expense for grants to our Board of Trustees and the Company's employees related to our Plan. At March 31, 2016, 2,387,405 common shares remain available for issuance under the Plan.

13

Table of Contents

EQUITY COMMONWEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 11. Fair Value of Assets and Liabilities

The table below presents certain of our assets and liabilities measured at fair value during 2016, categorized by the level of inputs used in the valuation of each asset and liability (dollars in thousands):

		Fair Value at March 31, 2016 Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring Fair Value Measurements:				
Effective portion of interest rate swap contracts	$(2,850)	$ —	$ (2,850)	$ —
Effective portion of interest rate cap contract	358	—	358	—
Derivative liability	(8,333)	—	—	(8,333)

Effective Portion of Interest Rate Swap and Cap Contracts

The fair value of our interest rate swap and cap contracts is determined using the net discounted cash flows of each derivative based on the market based interest rate curve (level 2 inputs) and adjusted for our credit spread and the actual and estimated credit spreads of the counterparties (level 3 inputs). Although we have determined that the majority of the inputs used to value our derivatives fall within level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by us and the counterparties. As of March 31, 2016, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified as level 2 inputs in the fair value hierarchy.

Derivative Liability

On July 31, 2014, our shareholders voted to approve the reimbursement of expenses incurred by Related/Corvex (Note 14). Approximately $16.7 million was paid during the year ended December 31, 2014. Approximately $8.4 million was to be reimbursed only if the average closing price of our common shares was at least $26.00 (as adjusted for any share splits or share dividends) during the one year period after the date on which the reimbursement was approved by shareholders, and the remaining approximately $8.4 million will be reimbursed only if the average closing price of our common shares is at least $26.00 (as adjusted for any share splits or share dividends) during the one year period between the first and second anniversaries of the date on which the reimbursement was approved by shareholders. The average closing price of our common shares was at least $26.00 during the first one year period after the date on which the reimbursement was approved by shareholders, and in August 2015, we paid $8.4 million to Related/Corvex. The potential future reimbursement represents a derivative instrument as codified in ASC 815 Derivatives and Hedging which requires the potential future reimbursement to be recorded at fair value at each reporting date.

The fair value of the derivative liability as of March 31, 2016 and December 31, 2015 was $8.3 million and $7.2 million, respectively. We recognized expense of $1.1 million for the three months ended March 31, 2016, which was recorded in general and administrative expenses in our condensed consolidated statement of operations for such period. The valuation techniques and significant unobservable inputs used for our level 3 fair value measurement at March 31, 2016 were as follows:

Description	Fair Value at March 31, 2016	Primary Valuation Technique	Unobservable Inputs	Rate
Derivative liability	$8,333	Monte Carlo simulation	Risk-free rate	0.27%
			Volatility	20.0%

14

Table of Contents

EQUITY COMMONWEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Financial Instruments

In addition to the assets and liabilities described in the above table, our financial instruments include our cash and cash equivalents, real estate mortgages receivable, restricted cash, senior unsecured debt and mortgage notes payable. At March 31, 2016 and December 31, 2015, the fair value of these additional financial instruments were not materially different from their carrying values, except as follows (in thousands):

	March 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior unsecured debt and mortgage notes payable, net	$1,557,839	$1,615,440	$1,697,116	$1,749,211

The fair values of our senior notes and mortgage notes payable are based on estimates using discounted cash flow analyses and currently prevailing interest rates adjusted by credit risk spreads (level 3 inputs).

Our cash and cash equivalents consists of cash maintained in time deposits, depository accounts and money market accounts. From time-to-time we may also invest in various U.S. government securities. We continually monitor the credit ratings of the financial institutions holding our deposits to minimize our exposure to credit risk. Throughout the year, we have cash balances in excess of federally insured limits deposited with various financial institutions. We do not believe we are exposed to any significant credit risk on cash and cash equivalents.

Other financial instruments that potentially subject us to concentrations of credit risk consist principally of rents receivable; however, as of March 31, 2016, no single tenant of ours is responsible for more than 4% of our total annualized rents.

Our derivative financial instruments, including interest rate swaps and cap, are entered with major financial institutions and we monitor the amount of credit exposure to any one counterparty.

Note 12. Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per share (amounts in thousands except per share amounts):

	Three Months Ended March 31,	
	2016	2015
Numerator for earnings per common share - basic and diluted:		
Net income	$46,402	$13,630
Preferred distributions	(6,981)	(6,981)
Numerator for net income per share	$39,421	$6,649
Denominator for earnings per common share - basic and diluted:		
Weighted average number of common shares outstanding - basic	125,840	129,696
Weighted average number of common shares outstanding - diluted(1)	127,522	129,874

Net income per common share attributable to Equity Commonwealth common shareholders:		
Basic	$0.31	$0.05
Diluted	$0.31	$0.05
Anti-dilutive securities:		
Effect of Series D preferred shares; 6 1/2% cumulative convertible(2)	2,363	2,363

15

Table of Contents

EQUITY COMMONWEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) As of March 31, 2016, we had granted RSUs to certain employees, officers, and the chairman of the Board of Trustees. The RSUs contain both service and market-based vesting components. None of the RSUs have vested. If the market-based vesting component was measured as of March 31, 2016, and 2015, 1,754 and 254 common shares would be issued to the RSU holders, respectively. Using a weighted average basis, 1,682 and 178 common shares are reflected in diluted earnings per share for the three months ended March 31, 2016 and 2015, respectively.

(2) The Series D preferred shares are excluded from the diluted earnings per share calculation because including the Series D preferred shares would also require that the preferred distributions be added back to net income, resulting in anti-dilution during the periods presented.

Note 13. Segment Information

Our primary business is the ownership and operation of office properties, and we currently have one reportable segment. Due to significant dispositions during 2015, during the fourth quarter of 2015 we changed the composition of our operating segments from two reportable segments (central business district properties and suburban properties) to one reportable segment. This change was made based on the financial information reviewed and used by the chief operating decision maker to make operating decisions, assess performance, develop strategy and allocate capital resources. More than 90% of our revenues are from office properties.

Note 14. Related Person Transactions

The following discussion includes a description of our related person transactions for the three months ended March 31, 2016 and 2015. Certain of these related person transactions, and their approvals, occurred prior to the election of our new Board of Trustees at the Special Meeting and the appointment of our current executive officers following the Special Meeting. The disclosure below under "—Transactions with Prior Related Persons" describes our transactions and approvals with our prior related persons.

Related Person Transactions Following the Special Meeting:

Equity Group Investments and associated entities: Effective February 1, 2016, we entered into a lease with Two North Riverside Plaza Joint Venture Limited Partnership, an entity associated with Mr. Zell, our Chairman, for storage space in the basement of Two North Riverside Plaza, in Chicago, Illinois. The lease expires December 31, 2020, however each party has the right to terminate on 30 days' prior written notice, and the payment is nominal. This lease was approved by the Audit Committee of the Board of Trustees.

Effective July 20, 2015, we entered into a lease with Two North Riverside Plaza Joint Venture Limited Partnership, an entity associated with Mr. Zell, our Chairman, to occupy office space on the twentieth and twenty-first floors of Two North Riverside Plaza in Chicago, Illinois. The initial term of the lease is approximately five years, with one 5-year renewal option. The lease payment is approximately $0.5 million for the initial year beginning in 2016, and $0.8 million to $0.9 million annually thereafter. This lease was approved by the Audit Committee of the Board of Trustees on June 16, 2015. We recently completed improvements to the office space utilizing the $0.7 million tenant improvement allowance provided for by the lease.

Effective June 1, 2014, we entered into a one-year license agreement with Equity Group Investments, a private investment firm (Equity Group), to use office space on the sixth floor at Two North Riverside Plaza in Chicago, Illinois. The license fee was $0.2 million for the initial year. The license fee included the non-exclusive use of additional areas on the sixth floor (such as conference rooms and common areas), certain administrative services (such as mail room services and reception desk staffing), office equipment, office furniture, supplies, licensee's share of building operating expenses and real estate taxes and access to one parking space. Mr. Zell, our Chairman, is the Chairman and Chief Executive Officer of Equity Group, and Mr. Helfand, our President and Chief Executive Officer, is the Co-President of Equity Group. This license agreement was approved by the Audit Committee of the Board of Trustees and was scheduled to expire on May 31, 2015. On May 4, 2015, the Audit Committee of the Board of Trustees approved an agreement to extend the term of the license agreement through November 30, 2015. The license fee payment is approximately $0.1 million for the extended term. On November 2, 2015, the Audit Committee of the Board of Trustees approved an agreement to extend the term of the license agreement through January 31, 2016, for a maximum license fee payment of approximately $0.1 million. The extension of the license agreement was terminated as of December 30, 2015.

Table of Contents

EQUITY COMMONWEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Effective July 31, 2014, we entered into a sublease with Equity Residential Management, L.L.C. to occupy office space on the tenth floor of Two North Riverside Plaza in Chicago, Illinois. Equity Residential Management, L.L.C. leases the space from Two North Riverside Plaza Joint Venture Limited Partnership, an entity associated with Mr. Zell, our Chairman. The initial term of the sublease was approximately seven months commencing on or about October 22, 2014, expiring on May 31, 2015, with one 3-month renewal option. The sublease payment was approximately $0.2 million for the initial term. This sublease was approved by the Audit Committee of the Board of Trustees. On May 4, 2015, the Audit Committee of the Board of Trustees approved an agreement to extend the term of the sublease through November 30, 2015. The sublease payment was approximately $0.2 million for the extended term. On November 2, 2015, the Audit Committee of the Board of Trustees approved an agreement to extend the term of the license agreement through January 31, 2016, for a maximum sublease payment of approximately $0.1 million. The extension of the sublease agreement was terminated as of December 30, 2015.

Related/Corvex: On July 31, 2014, at the reconvened session of our 2014 annual meeting of shareholders, our shareholders voted to approve the reimbursement of approximately $33.5 million of expenses incurred by Related/Corvex since February 2013 in connection with their consent solicitations to remove our former Trustees and elect the new Board of Trustees and to engage in related litigation. Approximately $16.7 million was paid during the year ended December 31, 2014. Approximately $8.4 million was to be reimbursed only if the average closing price of our common shares is at least $26.00 (as adjusted for any share splits or share dividends) during the one year period after the date on which the reimbursement was approved by shareholders, and the remaining approximately $8.4 million will be reimbursed only if the average closing price of our common shares is at least $26.00 (as adjusted for any share splits or share dividends) during the one year period between the first and second anniversaries of the date on which the reimbursement was approved by shareholders. The average closing price of our common shares was at least $26.00 during the first one year period after the date on which the reimbursement was approved by shareholders, and in August 2015, we paid $8.4 million to Related/Corvex.

Transactions with Prior Related Persons:

Termination and Cooperation Agreement: On September 30, 2014, we entered into a termination and cooperation agreement (Cooperation Agreement) with RMR and RMR Australia (together, Former Manager). Under the terms of the agreement, the existing business and property management agreements with RMR terminated effective September 30, 2014.

Pursuant to the Cooperation Agreement, through February 28, 2015, Former Manager agreed to use best efforts to assist us in the transition of our management and operations. We paid Former Manager $1.2 million per month for transition services from October 1, 2014 to February 28, 2015, which included continued management and other services for the Australian assets pursuant to the Australian Management Agreement. Beginning March 1, 2015, we agreed to pay Former Manager $0.1 million per month until we no longer required such services or until the Australia Management Agreement was terminated, which was terminated in the third quarter of 2015, effective October 31, 2015. There is no future obligation to pay any fees to Former Manager.

Note 15. Subsequent Events

In April 2016, we sold two properties (two buildings), with 191,150 square feet for $46.7 million, excluding closing costs, in a series of transactions. These properties were classified as held for sale as of March 31, 2016 (see Note 3).

On April 12, 2016, we sent notice for the redemption of our Series E Preferred Shares. The Series E Preferred Shares will be redeemed at a price of $25.00 per share, plus any accrued and unpaid dividends, on May 15, 2016. The redemption payment will occur on May 16, 2016 (the first business day following the redemption date).

Table of Contents

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our consolidated financial statements and accompanying notes included in this Quarterly Report, and in our Annual Report.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Quarterly Report constitute forward-looking statements within the meaning of the federal securities laws. Any forward-looking statements contained in this Quarterly Report are intended to be made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in market conditions are forward-looking statements. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” or “potential” or the negative of these words ar phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this Quarterly Report reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, see the section entitled “Risk Factors” in our Annual Report on Form 10-K.

OVERVIEW

We are an internally managed and self-advised REIT engaged in the ownership and operation primarily of office buildings throughout the United States. We were formed in 1986 under Maryland law.

At March 31, 2016, our portfolio, excluding properties held for sale, included 60 properties (114 buildings) with a combined 23.0 million square feet for a total investment of $3.8 billion at cost and a depreciated book value of $2.9 billion.

As of March 31, 2016, our overall portfolio was 91.4% leased. During the three months ended March 31, 2016, we entered into leases for 1.9 million square feet, including lease renewals for 1.6 million square feet and new leases for 0.3 million square feet. Renewal leases entered into during the three months ended March 31, 2016 had weighted average cash and GAAP rental rates that were approximately 0.3% higher and 13.2% higher, respectively, as compared to prior rental rates for the same space, and new leases entered into during the three months ended March 31, 2016 had weighted average cash and GAAP rental rates that were approximately 8.9% lower and 1.9% higher, respectively, than prior rental rates for the same space. The change in GAAP rents is different than the change in cash rents due to differences in the amount of rent abatements, the magnitude and timing of contractual rent increases over the lease term, and the years of term for the newly executed leases compared to the prior leases.

In the first quarter of 2016, our management team has continued to focus on executing our plan to reshape our portfolio in order to create long-term value for shareholders. We are continuing to dispose of properties that do not meet our long-term goals. Specifically, we continue to implement the strategy adopted by our Board of Trustees to consider disposing of assets that have one or more of the following attributes:

- assets that do not offer an opportunity to create a competitive advantage;
- assets that are less than 150,000 square feet;
- assets that are not office buildings;
- assets that are not located in the U.S.; or
- assets that produce a low cash yield or require significant capital expenditures.

Table of Contents

We are in the process of executing this strategy and may sell approximately $3.0 billion of assets, excluding the portfolio of properties sold in June 2014 and the sale of our unconsolidated equity investment in SIR in July 2014, depending on market conditions. During the year ended December 31, 2015, we disposed of 91 properties (135 buildings) and one land parcel with a combined 18.9 million square feet for an aggregate gross sales price of $2.0 billion, excluding closing costs.

During the three months ended March 31, 2016, we sold three properties (11 buildings) with a combined 856,831 square feet for an aggregate gross sales price of $122.6 million, excluding closing costs. In April 2016, we sold two properties (2 buildings), with 191,150 square feet for $46.7 million, excluding closing costs, in a series of transactions. These properties were classified as held for sale as of March 31, 2016 (see Note 3). For more information regarding these transactions, see Note 3 to the notes to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report.

We have generated significant proceeds from our dispositions to date and have a cash balance of $1.7 billion as of March 31, 2016. We expect to reinvest the capital received from dispositions to purchase new properties, repay debt, redeem preferred shares, buy back common shares or make other investments or distributions that further our long-term strategic goals. However, we may not be able to make suitable acquisitions or other investments with the proceeds from the