



Equity Commonwealth Supplemental Operating and Financial Data

Third Quarter 2019



Corporate Headquarters

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TABLE OF CONTENTS

| | |
|--|--------------------|
| Corporate Information | |
| Company Profile and Investor Information | 3 |
| Financial Information | |
| Key Financial Data | 4 |
| Condensed Consolidated Balance Sheets | 5 |
| Additional Balance Sheet Information | 6 |
| Condensed Consolidated Statements of Operations | 7 |
| Calculation of Same Property Net Operating Income (NOI) and Same Property Cash Basis NOI | 8 |
| Same Property Results of Operations | 10 |
| Calculation of EBITDA, EBITDAre, and Adjusted EBITDAre | 11 |
| Calculation of Funds from Operations (FFO) and Normalized FFO | 12 |
| Debt Summary | 13 |
| Leverage Ratios, Coverage Ratios and Public Debt Covenants | 14 |
| Acquisitions and Dispositions | 15 |
| Portfolio Information | |
| Property Detail | 16 |
| Leasing Summary | 17 |
| Same Property Leasing Summary | 18 |
| Capital Summary - Expenditures & Same Property Leasing Commitments | 19 |
| Tenants Representing 2% or More of Annualized Rental Revenue | 20 |
| Same Property Lease Expiration Schedule | 21 |
| Additional Support | |
| Common & Potential Common Shares | 22 |
| Definitions | 23 |

Forward-Looking Statements

Some of the statements contained in this presentation constitute forward-looking statements within the meaning of the federal securities laws including, but not limited to, statements pertaining to our capital resources, portfolio performance, results of operations or anticipated market conditions. Any forward-looking statements contained in this presentation are intended to be made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 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 and 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 presentation 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 for the year ended December 31, 2018.

Regulation FD Disclosures

We intend to use any of the following to comply with our disclosure obligations under Regulation FD: press releases, SEC filings, public conference calls, or our website. We routinely post important information on our website at www.eqcre.com, including information that may be deemed to be material. We encourage investors and others interested in the company to monitor these distribution channels for material disclosures.

COMPANY PROFILE AND INVESTOR INFORMATION

Equity Commonwealth (NYSE: EQC) is a Chicago based, internally managed and self-advised real estate investment trust (REIT) with commercial office properties in the United States.

Same Property Statistics

| No. of Properties | Sq. Feet | % Leased | % Commenced |
|-------------------|----------|----------|-------------|
| 7 | 2,469 | 93.5% | 88.2% |

NYSE Trading Symbols

Common Stock: EQC
Preferred Stock Series D: EQCpD

Board of Trustees

| | | |
|---------------------|---|-------------------|
| Sam Zell (Chairman) | David A. Helfand | Kenneth Shea |
| James S. Corl | Peter Linneman (Lead Independent Trustee) | Gerald A. Spector |
| Martin L. Edelman | James L. Lozier, Jr. | James A. Star |
| Edward A. Glickman | Mary Jane Robertson | |

Senior Management

| | | |
|---|--|--|
| David A. Helfand President and Chief Executive Officer | David S. Weinberg Executive Vice President and Chief Operating Officer | |
| Adam S. Markman Executive Vice President, Chief Financial Officer and Treasurer | Orrin S. Shifrin Executive Vice President, General Counsel and Secretary | |

Equity Research Coverage ⁽¹⁾

| | | | |
|--|------------------|----------------|---------------------------------|
| Bank of America / Merrill Lynch | James Feldman | (646) 855-5808 | james.feldman@baml.com |
| Citigroup | Michael Bilerman | (212) 816-1383 | michael.bilerman@citi.com |
| Green Street Advisors | Daniel Ismail | (949) 640-8780 | dismail@greenstreetadvisors.com |
| JMP Securities | Mitch Germain | (212) 906-3546 | mgermain@jmpsecurities.com |
| Stifel Nicolaus | John Guinee | (443) 224-1307 | jwguinee@stifel.com |

Certain terms are defined in the definitions section of this document.

(1) Any opinions, estimates or forecasts regarding EQC's performance made by these analysts do not represent opinions, forecasts or predictions of EQC or its management. EQC does not by its reference to the analysts above imply its endorsement of or concurrence with any information, conclusions or recommendations provided by any of these analysts.

KEY FINANCIAL DATA

(amounts in thousands, except per share data)

| | As of and for the Three Months Ended | | | | |
|--|--------------------------------------|--------------|--------------|--------------|--------------|
| | 9/30/2019 | 6/30/2019 | 3/31/2019 | 12/31/2018 | 9/30/2018 |
| OPERATING INFORMATION | | | | | |
| Ending property count | 7 | 7 | 9 | 10 | 11 |
| Ending square footage ⁽¹⁾ | 2,469 | 2,469 | 3,833 | 5,120 | 5,410 |
| Percent leased | 93.5 % | 90.5 % | 94.4 % | 94.8 % | 94.0 % |
| Percent commenced | 88.2 % | 89.7 % | 93.7 % | 91.2 % | 91.3 % |
| Net income attributable to EQC common shareholders | \$ 21,889 | \$ 240,289 | \$ 208,521 | \$ 13,420 | \$ 30,767 |
| Adjusted EBITDAre ⁽²⁾ | 27,690 | 33,556 | 31,651 | 34,154 | 30,454 |
| SAME PROPERTY OPERATING INFORMATION | | | | | |
| Ending square footage | 2,469 | 2,469 | 2,469 | 2,469 | 2,469 |
| Percent leased | 93.5 % | 90.5 % | 92.0 % | 93.2 % | 93.1 % |
| Percent commenced | 88.2 % | 89.7 % | 91.1 % | 91.6 % | 91.1 % |
| Same Property NOI ⁽²⁾ | \$ 16,677 | \$ 19,440 | \$ 17,078 | \$ 15,949 | \$ 15,846 |
| Same Property Cash Basis NOI ⁽²⁾ | 17,126 | 17,490 | 17,243 | 16,086 | 16,026 |
| Same Property NOI margin | 62.8 % | 66.7 % | 64.3 % | 61.9 % | 61.6 % |
| Same Property Cash Basis NOI margin | 63.4 % | 64.3 % | 64.5 % | 62.2 % | 61.8 % |
| SHARES OUTSTANDING AND PER SHARE DATA ⁽³⁾ | | | | | |
| Shares Outstanding at End of Period | | | | | |
| Common stock outstanding | 121,924 | 121,922 | 121,900 | 121,572 | 121,483 |
| Dilutive restricted share units (RSUs), Operating Partnership Units, and LTIP Units ⁽³⁾ | 1,688 | 1,443 | 1,566 | 1,809 | 1,414 |
| Dilutive Series D Convertible Preferred Shares outstanding ⁽⁴⁾ | — | 2,563 | 2,563 | — | — |
| Preferred Stock Outstanding ⁽⁴⁾ | 4,915 | 4,915 | 4,915 | 4,915 | 4,915 |
| Weighted Average Shares Outstanding - GAAP | | | | | |
| Basic ⁽⁵⁾ | 122,140 | 122,122 | 121,960 | 121,749 | 121,845 |
| Diluted ⁽⁵⁾ | 123,564 | 125,862 | 125,822 | 123,376 | 122,851 |
| Distributions Declared Per Common Share | \$ 3.50 | \$ — | \$ — | \$ — | \$ 2.50 |
| BALANCE SHEET | | | | | |
| Total assets | \$ 3,731,343 | \$ 3,702,171 | \$ 3,713,937 | \$ 3,530,772 | \$ 3,813,728 |
| Total liabilities | 503,230 | 66,548 | 322,376 | 346,774 | 644,217 |
| ENTERPRISE VALUE | | | | | |
| Total debt (book value) | \$ 25,896 | \$ 26,091 | \$ 274,977 | \$ 274,955 | \$ 279,901 |
| Less: Cash and cash equivalents | (3,205,775) | (3,180,548) | (3,069,501) | (2,400,803) | (2,673,328) |
| Plus: Market value of preferred shares | 137,871 | 135,561 | 134,480 | 124,109 | 128,451 |
| Plus: Market value of diluted common shares | 4,233,722 | 4,011,848 | 4,036,090 | 3,698,580 | 3,943,753 |
| Total enterprise value | \$ 1,191,714 | \$ 992,952 | \$ 1,376,046 | \$ 1,696,841 | \$ 1,678,777 |
| RATIOS | | | | | |
| Net debt / enterprise value | (266.8)% | (317.7)% | (203.1)% | (125.3)% | (142.6)% |
| Net debt / annualized adjusted EBITDAre ⁽²⁾ | (28.7)x | (23.5)x | (22.1)x | (15.6)x | (19.6)x |
| Adjusted EBITDAre ⁽²⁾ / interest expense | 86.3x | 8.2x | 7.5x | 6.8x | 6.0x |

(1) Changes in total square footage result from property dispositions, reclassifications, and remeasurement.

(2) Non-GAAP financial measures are defined and reconciled to the most directly comparable GAAP measure herein.

(3) Restricted share units (RSUs) and LTIP Units are equity awards that contain both service and market-based vesting components. Refer to the schedule of Common & Potential Common Shares for information regarding RSUs and LTIP Units and their impact on weighted average shares outstanding.

(4) As of September 30, 2019, we had 4,915 series D preferred shares outstanding that were convertible into 2,563 common shares. The series D preferred shares are dilutive for GAAP EPS for the three months ended June 30, 2019 and March 31, 2019, and are anti-dilutive for GAAP EPS for all other periods presented. Refer to the schedule of Common & Potential Common Shares for information regarding the series D preferred shares and their impact on diluted weighted average shares outstanding for EPS, FFO per share and Normalized FFO per share.

(5) Refer to the schedule of Common & Potential Common Shares for information regarding the components of our weighted average common shares outstanding.

CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share data)

| | September 30, 2019 | December 31, 2018 |
|--|---------------------|---------------------|
| ASSETS | | |
| Real estate properties: | | |
| Land | \$ 85,627 | \$ 135,142 |
| Buildings and improvements | 572,714 | 1,004,500 |
| | 658,341 | 1,139,642 |
| Accumulated depreciation | (197,847) | (375,968) |
| | 460,494 | 763,674 |
| Cash and cash equivalents | 3,205,775 | 2,400,803 |
| Marketable securities | — | 249,602 |
| Restricted cash | 4,456 | 3,298 |
| Rents receivable | 19,347 | 51,089 |
| Other assets, net | 41,271 | 62,306 |
| Total assets | \$ 3,731,343 | \$ 3,530,772 |
| LIABILITIES AND EQUITY | | |
| Senior unsecured debt, net | \$ — | \$ 248,473 |
| Mortgage notes payable, net | 25,896 | 26,482 |
| Accounts payable, accrued expenses and other | 38,218 | 58,300 |
| Rent collected in advance | 3,533 | 9,451 |
| Distributions payable | 435,583 | 4,068 |
| Total liabilities | \$ 503,230 | \$ 346,774 |
| 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 |
| Common shares of beneficial interest, \$0.01 par value: 350,000,000 shares authorized; 121,924,199 and 121,572,155 shares issued and outstanding, respectively | 1,219 | 1,216 |
| Additional paid in capital | 4,310,353 | 4,305,974 |
| Cumulative net income | 3,347,664 | 2,870,974 |
| Cumulative other comprehensive loss | — | (342) |
| Cumulative common distributions | (3,851,947) | (3,420,548) |
| Cumulative preferred distributions | (699,727) | (693,736) |
| Total shareholders' equity | 3,226,825 | 3,182,801 |
| Noncontrolling interest | 1,288 | 1,197 |
| Total equity | \$ 3,228,113 | \$ 3,183,998 |
| Total liabilities and equity | \$ 3,731,343 | \$ 3,530,772 |

ADDITIONAL BALANCE SHEET INFORMATION

(amounts in thousands)

| | September 30, 2019 | December 31, 2018 |
|---|--------------------|-------------------|
| Additional Balance Sheet Information | | |
| Straight-line rents receivable | \$ 16,347 | \$ 47,393 |
| Accounts receivable | 3,000 | 3,696 |
| Rents receivable | \$ 19,347 | \$ 51,089 |
| Capitalized lease incentives, net | \$ 2,124 | \$ 4,308 |
| Deferred leasing costs, net | 26,344 | 51,123 |
| Other | 12,803 | 6,875 |
| Other assets, net | \$ 41,271 | \$ 62,306 |
| Accounts payable | \$ 2,404 | \$ 2,932 |
| Accrued interest | 101 | 4,432 |
| Accrued taxes | 9,978 | 13,228 |
| Accrued capital expenditures | 2,161 | 13,540 |
| Accrued leasing costs | 7,376 | 6,181 |
| Assumed real estate lease obligations, net | — | 117 |
| Security deposits | 3,278 | 4,137 |
| Other accrued liabilities | 12,920 | 13,733 |
| Accounts payable and accrued expenses | \$ 38,218 | \$ 58,300 |

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | |
| Rental revenue | \$ 23,995 | \$ 43,770 | \$ 93,459 | \$ 144,612 |
| Other revenue | 2,740 | 3,103 | 8,396 | 9,485 |
| Total revenues | \$ 26,735 | \$ 46,873 | \$ 101,855 | \$ 154,097 |
| Expenses: | | | | |
| Operating expenses | \$ 9,923 | \$ 20,257 | \$ 36,677 | \$ 64,377 |
| Depreciation and amortization | 5,939 | 11,287 | 22,085 | 38,211 |
| General and administrative | 8,523 | 10,905 | 30,152 | 35,466 |
| Loss on asset impairment | — | — | — | 12,087 |
| Total expenses | \$ 24,385 | \$ 42,449 | \$ 88,914 | \$ 150,141 |
| Interest and other income, net | 19,401 | 12,626 | 57,871 | 31,074 |
| Interest expense (including net amortization of debt discounts, premiums and deferred financing fees of \$(55), \$559, \$264 and \$2,005, respectively) | (321) | (5,085) | (8,597) | (21,550) |
| Loss on early extinguishment of debt | — | — | (6,374) | (6,403) |
| Gain on sale of properties, net | 1,945 | 20,877 | 422,148 | 253,025 |
| Income before income taxes | 23,375 | 32,842 | 477,989 | 260,102 |
| Income tax benefit (expense) | 521 | (65) | (1,119) | (2,616) |
| Net income | \$ 23,896 | \$ 32,777 | \$ 476,870 | \$ 257,486 |
| Net income attributable to noncontrolling interest | (10) | (13) | (180) | (90) |
| Net income attributable to Equity Commonwealth | \$ 23,886 | \$ 32,764 | \$ 476,690 | \$ 257,396 |
| Preferred distributions | (1,997) | (1,997) | (5,991) | (5,991) |
| Net income attributable to Equity Commonwealth common shareholders | \$ 21,889 | \$ 30,767 | \$ 470,699 | \$ 251,405 |
| Weighted average common shares outstanding — basic ⁽¹⁾ | <u>122,140</u> | <u>121,845</u> | <u>122,075</u> | <u>122,504</u> |
| Weighted average common shares outstanding — diluted ⁽¹⁾ | <u>123,564</u> | <u>122,851</u> | <u>125,938</u> | <u>123,389</u> |
| Earnings per common share attributable to Equity Commonwealth common shareholders: | | | | |
| Basic | <u>\$ 0.18</u> | <u>\$ 0.25</u> | <u>\$ 3.86</u> | <u>\$ 2.05</u> |
| Diluted | <u>\$ 0.18</u> | <u>\$ 0.25</u> | <u>\$ 3.79</u> | <u>\$ 2.04</u> |
| Distributions declared per common share | <u>\$ 3.50</u> | <u>\$ 2.50</u> | <u>\$ 3.50</u> | <u>\$ 2.50</u> |

Certain reclassifications were made to conform the prior period to our presentation of the condensed consolidated statements of operations due to the impact of adopting ASU 2016-02. Amounts that were previously disclosed as "Tenant reimbursements and other income" are now included in "Rental revenue" and are no longer presented as a separate line item. Parking revenues that do not represent components of leases and were previously disclosed as "Rental income" are now included in "Other revenue." Subsequent to January 1, 2019, provisions for credit losses are included in "Rental revenue." Provisions for credit losses prior to January 1, 2019 were disclosed as "Operating expenses" and were not reclassified to conform prior periods to the current presentation.

(1) Refer to the schedule of Common & Potential Common Shares for information regarding the components of our weighted average common shares outstanding.

CALCULATION OF SAME PROPERTY NET OPERATING INCOME (NOI) AND SAME PROPERTY CASH BASIS NOI

(amounts in thousands)

| | For the Three Months Ended | | | | |
|---|----------------------------|-------------------|-------------------|------------------|------------------|
| | 9/30/2019 | 6/30/2019 | 3/31/2019 | 12/31/2018 | 9/30/2018 |
| Calculation of Same Property NOI and Same Property Cash Basis NOI: | | | | | |
| Rental revenue | \$ 23,995 | \$ 30,574 | \$ 38,890 | \$ 39,756 | \$ 43,770 |
| Other revenue | 2,740 | 2,794 | 2,862 | 3,169 | 3,103 |
| Operating expenses | (9,923) | (10,974) | (15,780) | (15,539) | (20,257) |
| NOI | \$ 16,812 | \$ 22,394 | \$ 25,972 | \$ 27,386 | \$ 26,616 |
| Straight line rent adjustments | 499 | (11) | (837) | (986) | (1,435) |
| Lease value amortization | (39) | (39) | (39) | (22) | (4) |
| Lease termination fees | (11) | (2,188) | — | (19) | (395) |
| Cash Basis NOI | \$ 17,261 | \$ 20,156 | \$ 25,096 | \$ 26,359 | \$ 24,782 |
| Cash Basis NOI from non-same properties ⁽¹⁾ | (135) | (2,666) | (7,853) | (10,273) | (8,756) |
| Same Property Cash Basis NOI | \$ 17,126 | \$ 17,490 | \$ 17,243 | \$ 16,086 | \$ 16,026 |
| Non-cash rental income and lease termination fees from same properties | (449) | 1,950 | (165) | (137) | (180) |
| Same Property NOI | \$ 16,677 | \$ 19,440 | \$ 17,078 | \$ 15,949 | \$ 15,846 |
| Reconciliation of Same Property NOI to GAAP Net Income: | | | | | |
| Same Property NOI | \$ 16,677 | \$ 19,440 | \$ 17,078 | \$ 15,949 | \$ 15,846 |
| Non-cash rental income and lease termination fees from same properties | 449 | (1,950) | 165 | 137 | 180 |
| Same Property Cash Basis NOI | \$ 17,126 | \$ 17,490 | \$ 17,243 | \$ 16,086 | \$ 16,026 |
| Cash Basis NOI from non-same properties ⁽¹⁾ | 135 | 2,666 | 7,853 | 10,273 | 8,756 |
| Cash Basis NOI | \$ 17,261 | \$ 20,156 | \$ 25,096 | \$ 26,359 | \$ 24,782 |
| Straight line rent adjustments | (499) | 11 | 837 | 986 | 1,435 |
| Lease value amortization | 39 | 39 | 39 | 22 | 4 |
| Lease termination fees | 11 | 2,188 | — | 19 | 395 |
| NOI | \$ 16,812 | \$ 22,394 | \$ 25,972 | \$ 27,386 | \$ 26,616 |
| Depreciation and amortization | (5,939) | (7,561) | (8,585) | (10,830) | (11,287) |
| General and administrative | (8,523) | (9,533) | (12,096) | (8,973) | (10,905) |
| Interest and other income, net | 19,401 | 20,695 | 17,775 | 15,741 | 12,626 |
| Interest expense | (321) | (4,070) | (4,206) | (5,035) | (5,085) |
| Loss on early extinguishment of debt | — | (6,374) | — | (719) | — |
| Gain (loss) on sale of properties, net | 1,945 | 227,166 | 193,037 | (1,608) | 20,877 |
| Income before income taxes | \$ 23,375 | \$ 242,717 | \$ 211,897 | \$ 15,962 | \$ 32,842 |
| Income tax benefit (expense) | 521 | (340) | (1,300) | (540) | (65) |
| Net income | \$ 23,896 | \$ 242,377 | \$ 210,597 | \$ 15,422 | \$ 32,777 |
| Same Property capitalized external legal costs ⁽²⁾ | N/A | N/A | N/A | \$ — | \$ 14 |

(1) Cash Basis NOI from non-same properties for all periods presented includes the operations of disposed properties.

(2) Effective January 1, 2019, with the adoption of ASU 2016-02, we no longer capitalize external legal costs incurred when we enter into leases. We did not recast the comparative prior periods presented for the external legal leasing costs capitalized in those periods.

CALCULATION OF SAME PROPERTY NET OPERATING INCOME (NOI) AND SAME PROPERTY CASH BASIS NOI

(amounts in thousands)

| | For the Nine Months Ended September 30, | |
|---|--|-------------------|
| | 2019 | 2018 |
| Calculation of Same Property NOI and Same Property Cash Basis NOI: | | |
| Rental revenue | \$ 93,459 | \$ 144,612 |
| Other revenue | 8,396 | 9,485 |
| Operating expenses | (36,677) | (64,377) |
| NOI | \$ 65,178 | \$ 89,720 |
| Straight line rent adjustments | (349) | (3,985) |
| Lease value amortization | (117) | 76 |
| Lease termination fees | (2,199) | (2,917) |
| Cash Basis NOI | \$ 62,513 | \$ 82,894 |
| Cash Basis NOI from non-same properties ⁽¹⁾ | (10,654) | (35,777) |
| Same Property Cash Basis NOI | \$ 51,859 | \$ 47,117 |
| Non-cash rental income and lease termination fees from same properties | 1,336 | 256 |
| Same Property NOI | \$ 53,195 | \$ 47,373 |
| Reconciliation of Same Property NOI to GAAP Net Income: | | |
| Same Property NOI | \$ 53,195 | \$ 47,373 |
| Non-cash rental income and lease termination fees from same properties | (1,336) | (256) |
| Same Property Cash Basis NOI | \$ 51,859 | \$ 47,117 |
| Cash Basis NOI from non-same properties ⁽¹⁾ | 10,654 | 35,777 |
| Cash Basis NOI | \$ 62,513 | \$ 82,894 |
| Straight line rent adjustments | 349 | 3,985 |
| Lease value amortization | 117 | (76) |
| Lease termination fees | 2,199 | 2,917 |
| NOI | \$ 65,178 | \$ 89,720 |
| Depreciation and amortization | (22,085) | (38,211) |
| General and administrative | (30,152) | (35,466) |
| Loss on asset impairment | — | (12,087) |
| Interest and other income, net | 57,871 | 31,074 |
| Interest expense | (8,597) | (21,550) |
| Loss on early extinguishment of debt | (6,374) | (6,403) |
| Gain on sale of properties, net | 422,148 | 253,025 |
| Income before income taxes | \$ 477,989 | \$ 260,102 |
| Income tax expense | (1,119) | (2,616) |
| Net income | \$ 476,870 | \$ 257,486 |
| Same Property capitalized external legal costs⁽²⁾ | N/A | \$ 190 |

(1) Cash Basis NOI from non-same properties for all periods presented includes the operations of disposed properties.

(2) Effective January 1, 2019, with the adoption of ASU 2016-02, we no longer capitalize external legal costs incurred when we enter into leases. We did not recast the comparative prior periods presented for the external legal leasing costs capitalized in those periods.

SAME PROPERTY RESULTS OF OPERATIONS

(dollars and square feet in thousands)

| | As of and for the Three Months Ended September 30, | | | As of and for the Nine Months Ended September 30, | | |
|---|---|------------------|--------------|--|------------------|---------------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Properties | 7 | 7 | | 7 | 7 | |
| Square Feet | 2,469 | 2,469 | | 2,469 | 2,469 | |
| % Leased | 93.5 % | 93.1 % | 0.4 % | 93.5 % | 93.1 % | 0.4 % |
| % Commenced | 88.2 % | 91.1 % | (2.9)% | 88.2 % | 91.1 % | (2.9)% |
| Rental revenue | \$ 24,288 | \$ 23,357 | 4.0 % | \$ 73,212 | \$ 68,047 | 7.6 % |
| Other revenue | 2,727 | 2,561 | 6.5 % | 7,731 | 7,259 | 6.5 % |
| Straight line rent adjustment | (499) | (188) | | (980) | 90 | |
| Lease value amortization | 39 | 8 | | 117 | 24 | |
| Lease termination fees | 11 | — | | 2,199 | 142 | |
| Total revenue | 26,566 | 25,738 | 3.2 % | 82,279 | 75,562 | 8.9 % |
| Operating expenses | (9,889) | (9,892) | 0.0% | (29,084) | (28,189) | 3.2 % |
| NOI | \$ 16,677 | \$ 15,846 | 5.2 % | \$ 53,195 | \$ 47,373 | 12.3 % |
| <i>NOI Margin</i> | 62.8 % | 61.6 % | | 64.7 % | 62.7 % | |
| Straight line rent adjustment | \$ 499 | \$ 188 | | \$ 980 | \$ (90) | |
| Lease value amortization | (39) | (8) | | (117) | (24) | |
| Lease termination fees | (11) | — | | (2,199) | (142) | |
| Cash Basis NOI | \$ 17,126 | \$ 16,026 | 6.9 % | 51,859 | 47,117 | 10.1 % |
| <i>Cash Basis NOI Margin</i> | 63.4 % | 61.8 % | | 64.1 % | 62.6 % | |
| Same Property capitalized external legal costs⁽¹⁾ | N/A | \$ 14 | | N/A | \$ 190 | |

(1) Effective January 1, 2019, with the adoption of ASU 2016-02, we no longer capitalize external legal costs incurred when we enter into leases. We did not recast the comparative prior periods presented for the external legal leasing costs capitalized in those periods.

CALCULATION OF EBITDA, EBITDAre, AND ADJUSTED EBITDAre

(amounts in thousands)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|-------------------|-------------------|
| | September 30, | | September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| Net income | \$ 23,896 | \$ 32,777 | \$ 476,870 | \$ 257,486 |
| Interest expense | 321 | 5,085 | 8,597 | 21,550 |
| Income tax (benefit) expense | (521) | 65 | 1,119 | 2,616 |
| Depreciation and amortization | 5,939 | 11,287 | 22,085 | 38,211 |
| EBITDA | \$ 29,635 | \$ 49,214 | \$ 508,671 | \$ 319,863 |
| Loss on asset impairment | — | — | — | 12,087 |
| Gain on sale of properties, net | (1,945) | (20,877) | (422,148) | (253,025) |
| EBITDAre | \$ 27,690 | \$ 28,337 | \$ 86,523 | \$ 78,925 |
| Loss on early extinguishment of debt | — | — | 6,374 | 6,403 |
| Loss on sale of real estate mortgage receivable | — | 2,117 | — | 2,117 |
| Loss on sale of securities | — | — | — | 4,987 |
| Adjusted EBITDAre | \$ 27,690 | \$ 30,454 | \$ 92,897 | \$ 92,432 |

CALCULATION OF FUNDS FROM OPERATIONS (FFO) AND NORMALIZED FFO

(amounts in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------------|------------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Calculation of FFO | | | | |
| Net income | \$ 23,896 | \$ 32,777 | \$ 476,870 | \$ 257,486 |
| Real estate depreciation and amortization | 5,683 | 10,978 | 21,243 | 37,298 |
| Loss on asset impairment | — | — | — | 12,087 |
| Gain on sale of properties, net | (1,945) | (20,877) | (422,148) | (253,025) |
| FFO attributable to Equity Commonwealth | 27,634 | 22,878 | 75,965 | 53,846 |
| Preferred distributions | (1,997) | (1,997) | (5,991) | (5,991) |
| FFO attributable to EQC common shareholders and unitholders | \$ 25,637 | \$ 20,881 | \$ 69,974 | \$ 47,855 |
| Calculation of Normalized FFO | | | | |
| FFO attributable to EQC common shareholders and unitholders | \$ 25,637 | \$ 20,881 | \$ 69,974 | \$ 47,855 |
| Lease value amortization | (39) | (4) | (117) | 76 |
| Straight line rent adjustments | 499 | (1,435) | (349) | (3,985) |
| Loss on early extinguishment of debt | — | — | 6,374 | 6,403 |
| Loss on sale of securities | — | — | — | 4,987 |
| Loss on sale of real estate mortgage receivable | — | 2,117 | — | 2,117 |
| Income taxes related to gains on property sales, net | (423) | 25 | 142 | 2,498 |
| Normalized FFO attributable to EQC common shareholders and unitholders | \$ 25,674 | \$ 21,584 | \$ 76,024 | \$ 59,951 |
| Weighted average common shares and units outstanding -- basic ⁽¹⁾ | 122,189 | 121,891 | 122,121 | 122,548 |
| Weighted average common shares and units outstanding -- diluted ⁽¹⁾ | 123,613 | 122,897 | 123,421 | 123,433 |
| FFO attributable to EQC common shareholders and unitholders per share and unit -- basic & diluted | \$ 0.21 | \$ 0.17 | \$ 0.57 | \$ 0.39 |
| Normalized FFO attributable to EQC common shareholders and unitholders per share and unit -- basic & diluted | \$ 0.21 | \$ 0.18 | \$ 0.62 | \$ 0.49 |

- (1) Our calculations of FFO and Normalized FFO attributable to EQC common shareholders **and unitholders** per share and unit - basic for the three months ended September 30, 2019 and 2018 include 49 and 46 LTIP/Operating Partnership Units, respectively, that are excluded from the calculation of basic earnings per common share attributable to EQC **common shareholders (only)**. Our calculations of FFO and Normalized FFO attributable to EQC common shareholders **and unitholders** per share and unit - basic for the nine months ended September 30, 2019 and 2018 include 46 and 44 LTIP/Operating Partnership Units, respectively, that are excluded from the calculation of basic earnings per common share attributable to EQC **common shareholders (only)**. Refer to the schedule of Common & Potential Common Shares for information regarding the components of our weighted average common shares and units outstanding.

DEBT SUMMARY

As of September 30, 2019

(dollars in thousands)

| | Interest Rate | Principal Balance | Maturity Date | Open at Par Date | Due at Maturity | Years to Maturity |
|------------------------------------|---------------|-------------------|---------------|------------------|-----------------|-------------------|
| Secured Debt: | | | | | | |
| Secured Fixed Rate Debt: | | | | | | |
| 206 East 9th Street ⁽¹⁾ | 5.69 % | \$ 25,579 | 1/5/2021 | 7/5/2020 | \$ 24,836 | 1.3 |

| Scheduled Principal Payments During Period | | |
|--|---------------------------------|---------------|
| Year: | Secured Fixed Rate Debt | Interest Rate |
| 2019 | \$ 146 | 5.7 % |
| 2020 | 597 | 5.7 % |
| 2021 | 24,836 | 5.7 % |
| Thereafter | — | — % |
| | \$ 25,579 ⁽¹⁾ | 5.7 % |

(1) Total debt outstanding as of September 30, 2019, including net unamortized premiums and deferred financing fees was \$25,896.

LEVERAGE RATIOS, COVERAGE RATIOS AND PUBLIC DEBT COVENANTS

(dollars in thousands)

| | As of and for the Three Months Ended | | | | |
|---|--------------------------------------|-----------|-----------|------------|-----------|
| | 9/30/2019 | 6/30/2019 | 3/31/2019 | 12/31/2018 | 9/30/2018 |
| Leverage Ratios | | | | | |
| Total debt / total assets | 0.7 % | 0.7 % | 7.4 % | 7.8 % | 7.3 % |
| Total debt / total market capitalization | 0.6 % | 0.6 % | 6.2 % | 6.7 % | 6.4 % |
| Total debt + preferred stock / total market capitalization | 3.7 % | 3.9 % | 9.2 % | 9.7 % | 9.4 % |
| Total debt / annualized adjusted EBITDAre ⁽¹⁾ | 0.2x | 0.2x | 2.2x | 2.0x | 2.3x |
| Total debt + preferred stock / annualized adjusted EBITDAre ⁽¹⁾ | 1.5x | 1.2x | 3.2x | 2.9x | 3.4x |
| Net debt / enterprise value | (266.8)% | (317.7)% | (203.1)% | (125.3)% | (142.6)% |
| Net debt + preferred stock / enterprise value | (255.3)% | (304.0)% | (193.3)% | (118.0)% | (134.9)% |
| Net debt / annualized adjusted EBITDAre ⁽¹⁾ | (28.7)x | (23.5)x | (22.1)x | (15.6)x | (19.6)x |
| Net debt + preferred stock / annualized adjusted EBITDAre ⁽¹⁾ | (27.5)x | (22.5)x | (21.0)x | (14.7)x | (18.6)x |
| Secured debt / total assets | 0.7 % | 0.7 % | 0.7 % | 0.8 % | 0.8 % |
| Coverage Ratios | | | | | |
| Adjusted EBITDAre / interest expense ⁽¹⁾ | 86.3x | 8.2x | 7.5x | 6.8x | 6.0x |
| Adjusted EBITDAre / interest expense + preferred distributions ⁽¹⁾ | 11.9x | 5.5x | 5.1x | 4.9x | 4.3x |
| Public Debt Covenants ⁽²⁾ | | | | | |
| Debt / adjusted total assets ⁽³⁾ (maximum 60%) | N/A | N/A | 7.0 % | 7.2 % | 6.8 % |
| Secured debt / adjusted total assets ⁽³⁾ (maximum 40%) | N/A | N/A | 0.7 % | 0.7 % | 0.8 % |
| Consolidated income available for debt service / debt service (minimum 1.5x) | N/A | N/A | 5.8x | 6.2x | 4.6x |
| Total unencumbered assets ⁽³⁾ / unsecured debt (minimum 150% / 200%) | N/A | N/A | 1,550 % | 1,520 % | 1,629 % |

(1) Refer to the calculation of EBITDA, EBITDAre, and Adjusted EBITDAre for a reconciliation of these measures to Net income.

(2) After the redemption of all \$250.0 million of our 5.875% senior unsecured notes due 2020 on June 28, 2019, we no longer have any notes outstanding under our public debt indenture and related supplements, collectively the Indenture, and we are no longer required to maintain the financial ratio covenants prescribed in the Indenture. As a result, we are no longer rated by the debt rating agencies.

(3) Adjusted total assets and total unencumbered assets includes original cost of real estate assets plus capital improvements, both calculated in accordance with GAAP, and excludes depreciation and amortization, accounts receivable, other intangible assets, and impairment write downs, if any.

ACQUISITIONS AND DISPOSITIONS

(dollars in thousands)

| |
|---------------------|
| Acquisitions |
|---------------------|

None

| |
|---------------------|
| Dispositions |
|---------------------|

| Property/Portfolio | City | State | No. of Properties | Sq. Feet ⁽¹⁾ | % Leased ⁽¹⁾ | Gross Sales Price | Net Book Value ⁽¹⁾ | Annualized Rental Revenue ⁽¹⁾ |
|------------------------------------|--------------|-------|----------------------|-------------------------|-------------------------|-------------------------|----------------------------------|--|
| 1735 Market Street ⁽²⁾ | Philadelphia | PA | 1 | 1,286,936 | 92.8 % | \$ 451,600 | \$ 192,094 | \$ 37,313 |
| Total Q1 Dispositions | | | 1 | 1,286,936 | 92.8 % | \$ 451,600 | \$ 192,094 | \$ 37,313 |
| 600 108th Avenue NE ⁽³⁾ | Bellevue | WA | 1 | 254,510 | 97.0 % | \$ 195,000 | \$ 34,481 | \$ 9,561 |
| Research Park ⁽⁴⁾ | Austin | TX | 1 | 1,110,007 | 99.1 % | 165,500 | 70,576 | 13,126 |
| Total Q2 Dispositions | | | 2 | 1,364,517 | 98.7 % | \$ 360,500 | \$ 105,057 | \$ 22,687 |
| None | | | — | — | — | \$ — | \$ — | \$ — |
| Total Q3 Dispositions | | | — | — | — | \$ — | \$ — | \$ — |
| Total Disposed Year-to-Date | | | 3 | 2,651,453 | 95.8 % | \$ 812,100 | \$ 297,151 | \$ 60,000 |

Dispositions resulted in a net gain on sale of properties of \$1.9 million and \$422.1 million for the three and nine months ended September 30, 2019, respectively.

(1) As of the quarter-ended preceding each sale.

(2) Proceeds from the sale of 1735 Market Street were approximately \$435.4 million after credits for capital costs, contractual lease costs, and rent abatements.

(3) The property includes an office building and additional development rights.

(4) There is consideration of \$2.0 million being held in escrow related to the sale of this property. To the extent any of these proceeds are ultimately released to the company, the gain on sale will increase.

PROPERTY DETAIL

As of September 30, 2019

(sorted by annualized rental revenue, dollars in thousands)

| Same Property Portfolio⁽¹⁾ | | | | | | | | | | | | |
|---|--------------------|-------------|-------------------------|--------------------|-----------------|--------------------|----------------------------------|---------------------------------|-----------------------|----------------------|---|--|
| Property | City, State | Type | No. of Buildings | Square Feet | % Leased | % Commenced | Annualized Rental Revenue | Undepreciated Book Value | Net Book Value | Year Acquired | Weighted Average Year Built or Substantially Renovated⁽²⁾ | |
| 1 1225 Seventeenth Street <i>(17th Street Plaza)</i> | Denver, CO | Office | 1 | 695,372 | 89.4 % | 87.4 % | \$ 25,645 | \$ 164,581 | \$ 125,450 | 2009 | 1982 | |
| 2 333 108th Avenue NE <i>(Tower 333)</i> | Bellevue, WA | Office | 1 | 435,406 | 100.0 % | 99.3 % | 22,659 | 153,525 | 117,766 | 2009 | 2008 | |
| 3 Bridgepoint Square | Austin, TX | Office | 5 | 440,007 | 87.2 % | 82.6 % | 14,490 | 102,391 | 54,870 | 1997 | 1995 | |
| 4 1250 H Street, NW | Washington, D.C. | Office | 1 | 196,490 | 87.1 % | 87.1 % | 9,497 | 75,681 | 40,446 | 1998 | 1992 | |
| 5 109 Brookline Avenue | Boston, MA | Office | 1 | 285,556 | 99.2 % | 73.9 % | 8,667 | 48,102 | 25,221 | 1995 | 1915 | |
| 6 206 East 9th Street <i>(Capitol Tower)</i> | Austin, TX | Office | 1 | 175,510 | 98.0 % | 86.1 % | 8,025 | 51,759 | 43,592 | 2012 | 1984 | |
| 7 Georgetown-Green and Harris Buildings | Washington, D.C. | Office | 2 | 240,475 | 100.0 % | 100.0 % | 7,007 | 62,302 | 53,149 | 2009 | 2006 | |
| Total Same Properties | | | 12 | 2,468,816 | 93.5 % | 88.2 % | \$ 95,990 | \$ 658,341 | \$ 460,494 | 2005 | 1984 | |

(1) Excludes properties disposed prior to October 1, 2019.

(2) Weighted based on square feet.

LEASING SUMMARY

(dollars and square feet in thousands, except per square foot data)

| | As of and for the Three Months Ended | | | | |
|----------------------------------|--------------------------------------|-----------|-----------|------------|-----------|
| | 9/30/2019 | 6/30/2019 | 3/31/2019 | 12/31/2018 | 9/30/2018 |
| Properties | 7 | 7 | 9 | 10 | 11 |
| Total square feet ⁽¹⁾ | 2,469 | 2,469 | 3,833 | 5,120 | 5,410 |
| Percentage leased | 93.5 % | 90.5 % | 94.4 % | 94.8 % | 94.0 % |
| Percentage commenced | 88.2 % | 89.7 % | 93.7 % | 91.2 % | 91.3 % |

| Total Leases | | | | | |
|---|----------|----------|----------|----------|-----------|
| Square feet | 298 | 58 | 108 | 173 | 563 |
| Lease term (years) | 4.6 | 3.0 | 4.5 | 7.0 | 14.4 |
| Starting cash rent | \$ 38.89 | \$ 45.83 | \$ 54.98 | \$ 45.01 | \$ 47.36 |
| Percent change in cash rent ⁽²⁾ | (0.7)% | 9.1 % | 8.0 % | 10.0 % | (1.2)% |
| Percent change in GAAP rent ⁽²⁾ | 9.1 % | 14.5 % | 17.9 % | 22.5 % | 11.0 % |
| Total TI & LC per square foot ⁽³⁾ | \$ 44.27 | \$ 11.49 | \$ 24.78 | \$ 46.00 | \$ 118.03 |
| Total TI & LC per sq. ft. per year of lease term ⁽³⁾ | \$ 9.60 | \$ 3.83 | \$ 5.56 | \$ 6.60 | \$ 8.22 |

| Renewal Leases | | | | | |
|---|----------|----------|----------|----------|----------|
| Square feet | 182 | 43 | 95 | 93 | 1 |
| Lease term (years) | 2.9 | 2.5 | 4.5 | 6.7 | 5.0 |
| Starting cash rent | \$ 27.88 | \$ 43.58 | \$ 56.78 | \$ 43.12 | \$ 67.85 |
| Percent change in cash rent ⁽²⁾ | (12.7)% | 8.6 % | 8.2 % | 6.5 % | 0.0 % |
| Percent change in GAAP rent ⁽²⁾ | (8.5)% | 13.9 % | 18.4 % | 19.4 % | 17.0 % |
| Total TI & LC per square foot ⁽³⁾ | \$ 9.05 | \$ 7.93 | \$ 22.18 | \$ 32.95 | \$ 2.50 |
| Total TI & LC per sq. ft. per year of lease term ⁽³⁾ | \$ 3.15 | \$ 3.12 | \$ 4.96 | \$ 4.95 | \$ 0.50 |

| New Leases | | | | | |
|---|----------|----------|----------|----------|-----------|
| Square feet | 116 | 15 | 13 | 80 | 562 |
| Lease term (years) | 7.3 | 4.3 | 4.3 | 7.3 | 14.4 |
| Starting cash rent | \$ 56.16 | \$ 52.43 | \$ 42.25 | \$ 47.23 | \$ 47.32 |
| Percent change in cash rent ⁽²⁾ | 11.6 % | 21.2 % | 4.7 % | 18.8 % | (1.2)% |
| Percent change in GAAP rent ⁽²⁾ | 26.4 % | 27.2 % | 7.4 % | 30.3 % | 11.0 % |
| Total TI & LC per square foot ⁽³⁾ | \$ 99.56 | \$ 21.93 | \$ 43.16 | \$ 61.27 | \$ 118.28 |
| Total TI & LC per sq. ft. per year of lease term ⁽³⁾ | \$ 13.55 | \$ 5.05 | \$ 10.02 | \$ 8.35 | \$ 8.23 |

The above leasing summary is based on leases executed during the periods indicated, and excludes leasing activity for assets during the quarter in which the asset was sold or classified as held for sale.

- (1) Changes in total square footage result from property dispositions, reclassifications, and remeasurement.
- (2) Percent change in GAAP and cash rent is a comparison of current rent, including tenant expense reimbursements, if any, to the rent, including tenant expense reimbursements, if any, last received for the same space on a GAAP and cash basis, respectively. Cash rent is calculated before deducting any initial period free rent. New leasing in suites vacant longer than 2 years was excluded from the calculation.
- (3) Includes tenant improvements (TI) and leasing commissions (LC).

SAME PROPERTY LEASING SUMMARY

(dollars and square feet in thousands, except per square foot data)

| | As of and for the Three Months Ended | | | | |
|----------------------|--------------------------------------|-----------|-----------|------------|-----------|
| | 9/30/2019 | 6/30/2019 | 3/31/2019 | 12/31/2018 | 9/30/2018 |
| Properties | 7 | 7 | 7 | 7 | 7 |
| Total square feet | 2,469 | 2,469 | 2,469 | 2,469 | 2,469 |
| Percentage leased | 93.5 % | 90.5 % | 92.0 % | 93.2 % | 93.1 % |
| Percentage commenced | 88.2 % | 89.7 % | 91.1 % | 91.6 % | 91.1 % |

| Total Leases | | | | | |
|---|----------|----------|----------|----------|-----------|
| Square feet | 298 | 58 | 99 | 42 | 464 |
| Lease term (years) | 4.6 | 3.0 | 4.6 | 7.3 | 15.1 |
| Starting cash rent | \$ 38.89 | \$ 45.83 | \$ 55.73 | \$ 56.83 | \$ 49.91 |
| Percent change in cash rent ⁽¹⁾ | (0.7)% | 9.1 % | 7.6 % | 25.8 % | (1.2)% |
| Percent change in GAAP rent ⁽¹⁾ | 9.1 % | 14.5 % | 17.7 % | 35.9 % | 11.0 % |
| Total TI & LC per square foot ⁽²⁾ | \$ 44.27 | \$ 11.49 | \$ 25.95 | \$ 52.43 | \$ 123.35 |
| Total TI & LC per sq. ft. per year of lease term ⁽²⁾ | \$ 9.60 | \$ 3.83 | \$ 5.62 | \$ 7.20 | \$ 8.15 |

| Renewal Leases | | | | | |
|---|----------|----------|----------|----------|----------|
| Square feet | 182 | 43 | 88 | 13 | 1 |
| Lease term (years) | 2.9 | 2.5 | 4.7 | 5.2 | 5.0 |
| Starting cash rent | \$ 27.88 | \$ 43.58 | \$ 57.58 | \$ 46.03 | \$ 67.85 |
| Percent change in cash rent ⁽¹⁾ | (12.7)% | 8.6 % | 7.8 % | 26.6 % | 0.0 % |
| Percent change in GAAP rent ⁽¹⁾ | (8.5)% | 13.9 % | 18.2 % | 30.4 % | 17.0 % |
| Total TI & LC per square foot ⁽²⁾ | \$ 9.05 | \$ 7.93 | \$ 23.72 | \$ 19.12 | \$ 2.50 |
| Total TI & LC per sq. ft. per year of lease term ⁽²⁾ | \$ 3.15 | \$ 3.12 | \$ 5.07 | \$ 3.66 | \$ 0.50 |

| New Leases | | | | | |
|---|----------|----------|----------|----------|-----------|
| Square feet | 116 | 15 | 11 | 29 | 463 |
| Lease term (years) | 7.3 | 4.3 | 4.2 | 8.2 | 15.2 |
| Starting cash rent | \$ 56.16 | \$ 52.43 | \$ 41.59 | \$ 61.89 | \$ 49.86 |
| Percent change in cash rent ⁽¹⁾ | 11.6 % | 21.2 % | 0.3 % | 25.2 % | (1.2)% |
| Percent change in GAAP rent ⁽¹⁾ | 26.4 % | 27.2 % | 2.6 % | 40.0 % | 10.9 % |
| Total TI & LC per square foot ⁽²⁾ | \$ 99.56 | \$ 21.93 | \$ 43.06 | \$ 68.02 | \$ 123.66 |
| Total TI & LC per sq. ft. per year of lease term ⁽²⁾ | \$ 13.55 | \$ 5.05 | \$ 10.35 | \$ 8.25 | \$ 8.16 |

The above leasing summary is based on leases executed during the periods indicated.

(1) Percent change in GAAP and cash rent is a comparison of current rent, including tenant expense reimbursements, if any, to the rent, including tenant expense reimbursements, if any, last received for the same space on a GAAP and cash basis, respectively. Cash rent is calculated before deducting any initial period free rent. New leasing in suites vacant longer than 2 years was excluded from the calculation.

(2) Includes tenant improvements (TI) and leasing commissions (LC).

CAPITAL SUMMARY
EXPENDITURES & SAME PROPERTY LEASING COMMITMENTS

(dollars and square feet in thousands)

| CAPITAL SUMMARY EXPENDITURES | Three Months Ended | | | | |
|--------------------------------------|--------------------|-----------------|-----------------|------------------|------------------|
| | 9/30/2019 | 6/30/2019 | 3/31/2019 | 12/31/2018 | 9/30/2018 |
| Tenant improvements | \$ 707 | \$ 2,491 | \$ 2,450 | \$ 11,078 | \$ 11,490 |
| Leasing costs ⁽¹⁾ | 3,056 | 374 | 843 | 2,224 | 11,699 |
| Building improvements ⁽²⁾ | 804 | 2,328 | 1,256 | 1,936 | 2,223 |
| Total capital expenditures | \$ 4,567 | \$ 5,193 | \$ 4,549 | \$ 15,238 | \$ 25,412 |

| | | | | | |
|--|-------|-------|-------|-------|-------|
| Average square feet during period ⁽³⁾ | 2,469 | 3,151 | 4,477 | 5,265 | 5,876 |
|--|-------|-------|-------|-------|-------|

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Building improvements per average total sq. ft. during period | \$ 0.33 | \$ 0.74 | \$ 0.28 | \$ 0.37 | \$ 0.38 |
|--|----------------|----------------|----------------|----------------|----------------|

| CAPITAL SUMMARY SAME PROPERTY LEASING COMMITMENTS | Three Months Ended September 30, 2019 | | |
|---|--|----------------|-----------|
| | New Leases | Renewal Leases | Total |
| Square feet leased during the period | 116 | 182 | 298 |
| Total TI & LC ⁽⁴⁾ | \$ 11,549 | \$ 1,647 | \$ 13,196 |
| Total TI & LC per square foot ⁽⁴⁾ | \$ 99.56 | \$ 9.05 | \$ 44.27 |
| Weighted average lease term by square foot (years) | 7.3 | 2.9 | 4.6 |
| Total TI & LC per square foot per year of lease term ⁽⁴⁾ | \$ 13.55 | \$ 3.15 | \$ 9.60 |

(1) Legal leasing costs are no longer capitalized after December 31, 2018. Periods presented before 2019 include both capitalized leasing commissions and capitalized legal leasing expenses.

(2) Tenant-funded capital expenditures are excluded.

(3) Average square feet during each period includes properties held for sale at the end of each period.

(4) Includes tenant improvements (TI) and leasing commissions (LC).

TENANTS REPRESENTING 2% OR MORE OF ANNUALIZED RENTAL REVENUE

As of September 30, 2019

(square feet in thousands)

| Tenant | Square Feet ⁽¹⁾ | % of Total Sq. Ft. ⁽¹⁾ | % of Annualized Rental Revenue | Weighted Average Remaining Lease Term |
|--|----------------------------|-----------------------------------|--------------------------------|---------------------------------------|
| 1 Expedia, Inc. ⁽²⁾ | 427 | 18.5 % | 23.0 % | 0.3 |
| 2 Georgetown University ⁽³⁾ | 240 | 10.4 % | 7.3 % | 2.0 |
| 3 Beth Israel Deaconess Medical Center, Inc. | 117 | 5.1 % | 4.1 % | 4.1 |
| 4 Dana-Farber Cancer Institute, Inc. | 77 | 3.3 % | 4.1 % | 9.9 |
| 5 Equinor Energy Services, Inc. | 77 | 3.3 % | 3.4 % | 4.3 |
| 6 KPMG, LLP | 66 | 2.9 % | 2.8 % | 3.4 |
| 7 Crowdstrike, Inc. | 36 | 1.6 % | 2.0 % | 5.1 |
| 8 CBRE, Inc. | 40 | 1.7 % | 2.0 % | 8.5 |
| Total | 1,080 | 46.8 % | 48.7 % | 2.5 ⁽⁴⁾ |

- (1) Square footage as of September 30, 2019 includes space subject to leases that have commenced, space being fitted out for occupancy pursuant to existing leases, and space which is leased but is not occupied or is being offered for sublease by tenants.
- (2) During the third quarter of 2018, an affiliate of Amazon.com, Inc. entered into a new 16-year lease for 429,012 square feet, including all of the Expedia, Inc. space. The lease commences in 2020.
- (3) Georgetown University's leased space includes 111,600 square feet that are sublet to the British International School of Washington. During the fourth quarter of 2017, the British International School of Washington committed to lease the 111,600 square feet space through September 30, 2037 directly from EQC. The lease commenced on October 1, 2019. The 2.0 year weighted average remaining lease term for Georgetown University applies to the 128,875 square feet that Georgetown University continues to occupy after September 30, 2019.
- (4) The weighted average remaining lease term including leases that have been backfilled with new tenants is 11.0 years.

SAME PROPERTY LEASE EXPIRATION SCHEDULE

As of September 30, 2019

(dollars and sq. ft. in thousands)

| Year | Number of Tenants Expiring | Leased Sq. Ft. Expiring ⁽¹⁾ | % of Leased Sq. Ft. Expiring | Cumulative % of Leased Sq. Ft. Expiring | Annualized Rental Revenue Expiring ⁽²⁾ | % of Annualized Rental Revenue Expiring | Cumulative % of Annualized Rental Revenue Expiring |
|--|----------------------------|--|------------------------------|---|---|---|--|
| 2019 | 6 | 18 | 0.8 % | 0.8 % | \$ 559 | 0.6 % | 0.6 % |
| 2020 | 29 | 192 | 8.3 % | 9.1 % | 7,262 | 7.6 % | 8.2 % |
| 2021 | 22 | 234 | 10.1 % | 19.2 % | 8,326 | 8.7 % | 16.9 % |
| 2022 | 14 | 212 | 9.2 % | 28.4 % | 8,039 | 8.4 % | 25.3 % |
| 2023 | 18 | 264 | 11.4 % | 39.8 % | 11,411 | 11.9 % | 37.2 % |
| 2024 | 14 | 273 | 11.8 % | 51.6 % | 11,142 | 11.5 % | 48.7 % |
| 2025 | 9 | 100 | 4.3 % | 55.9 % | 6,321 | 6.6 % | 55.3 % |
| 2026 | 8 | 80 | 3.5 % | 59.4 % | 3,507 | 3.7 % | 59.0 % |
| 2027 | 5 | 142 | 6.2 % | 65.6 % | 3,173 | 3.3 % | 62.3 % |
| 2028 | 3 | 59 | 2.6 % | 68.2 % | 2,923 | 3.0 % | 65.3 % |
| Thereafter | 12 | 733 | 31.8 % | 100.0 % | 33,327 | 34.7 % | 100.0 % |
| Total | <u>140</u> | <u>2,307</u> | <u>100.0 %</u> | | <u>\$ 95,990</u> | <u>100.0 %</u> | |
| Weighted average remaining lease term (in years) | | <u>7.5</u> | | | <u>8.0</u> | | |

(1) Square footage as of September 30, 2019 includes space subject to leases that have commenced, space being fitted out for occupancy pursuant to existing leases, and space which is leased but is not occupied or is being offered for sublease by tenants. The year expiring corresponds to the latest-expiring signed lease for a given suite. Thus, backfilled suites expire in the year stipulated by the new lease.

(2) Excludes the Annualized Rental Revenue of space that is leased but not commenced.

COMMON & POTENTIAL COMMON SHARES

(share amounts in thousands)

| Weighted Average Share Calculation - GAAP EPS | Three Months Ended | | Nine Months Ended | |
|---|--------------------|---------|-------------------|---------|
| | September 30, | | September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| Weighted average common shares outstanding - basic ⁽¹⁾ | 122,140 | 121,845 | 122,075 | 122,504 |
| Weighted average Series D preferred shares convertible to common shares | — | — | 2,563 | — |
| Weighted average dilutive RSUs and LTIP Units ⁽²⁾ | 1,424 | 1,006 | 1,300 | 885 |
| Weighted average common shares outstanding - diluted ⁽¹⁾ | 123,564 | 122,851 | 125,938 | 123,389 |

| Weighted Average Share and Unit Calculation - FFO and Normalized FFO per share and unit | Three Months Ended | | Nine Months Ended | |
|---|--------------------|---------|-------------------|---------|
| | September 30, | | September 30, | |
| | 2019 | 2018 | 2019 | 2018 |
| Weighted average EQC common shares outstanding ⁽¹⁾ | 122,140 | 121,845 | 122,075 | 122,504 |
| Weighted average Operating Partnership Units outstanding ⁽³⁾ | 17 | 1 | 13 | 1 |
| Weighted average time-based LTIP Units ⁽²⁾⁽³⁾ | 32 | 45 | 33 | 43 |
| Weighted average common shares and units outstanding - basic ⁽¹⁾ | 122,189 | 121,891 | 122,121 | 122,548 |
| Weighted average dilutive RSUs and market-based LTIP Units ⁽²⁾ | 1,424 | 1,006 | 1,300 | 885 |
| Weighted average common shares and units outstanding - diluted ⁽¹⁾ | 123,613 | 122,897 | 123,421 | 123,433 |

| Rollforward of Share Count to September 30, 2019 | Series D Preferred Shares ⁽⁴⁾ | EQC Common Shares ⁽⁵⁾ |
|--|--|----------------------------------|
| Outstanding on December 31, 2018 | 4,915 | 121,572 |
| Issuance of restricted shares and shares earned from RSUs, net ⁽⁶⁾ | — | 352 |
| Outstanding on September 30, 2019 | 4,915 | 121,924 |
| Common shares issuable from RSUs, Operating Partnership Units, and LTIP Units as measured on September 30, 2019 ⁽²⁾ | | 1,688 |
| Potential common shares as measured on September 30, 2019 ⁽⁷⁾ | | 123,612 |

(1) Weighted average common shares outstanding for the three months ended September 30, 2019 and 2018 includes 217 and 362 unvested, earned RSUs, respectively. Weighted average common shares outstanding for the nine months ended September 30, 2019 and 2018 includes 208 and 344 unvested, earned RSUs, respectively.

(2) We have granted RSUs and LTIP Units to certain employees, officers, and trustees. RSUs and market-based LTIP Units contain service and market-based vesting components. Time-based LTIP Units contain service-based vesting components.

(3) Our calculations of FFO and Normalized FFO attributable to EQC common shareholders **and unitholders** per share and unit - basic include time-based LTIP Units and Operating Partnership Units that are excluded from the calculation of basic earnings per common share attributable to EQC **common shareholders (only)**.

(4) As of September 30, 2019, we had 4,915 series D preferred shares that were convertible into 2,563 common shares. The series D preferred shares are dilutive for GAAP EPS for the nine months ended September 30, 2019. They are antidilutive for FFO per common share and Normalized FFO per common share for all periods presented.

(5) EQC common shares include unvested restricted shares.

(6) This amount is net of forfeitures and shares surrendered to satisfy statutory tax withholding obligations.

(7) Potential common shares as measured on September 30, 2019 include unvested earned RSUs. The 4,915 series D preferred shares outstanding that were convertible into 2,563 common shares as of September 30, 2019 are excluded.

DEFINITIONS

Annualized Rental Revenue

Annualized Rental Revenue is annualized contractual rents from our tenants pursuant to leases which have commenced as of September 30, 2019, plus estimated recurring expense reimbursements; excludes lease value amortization, straight line rent adjustments, abated ("free") rent periods and parking revenue. We calculate annualized rental revenue by aggregating the recurring billings outlined above for the most recent month during the quarter reported, adding abated rent, and multiplying the sum by 12 to provide an estimation of near-term potentially-recurring revenues. The annualized rental revenue of disposed properties is presented for the quarter-ended preceding each disposition.

Annualized rental revenue is a forward-looking non-GAAP measure. Annualized rental revenue cannot be reconciled to a comparable GAAP measure without unreasonable efforts, primarily due to the fact that it is calculated from the billings of tenants in the most recent month at the most recent rental rates during the quarter reported, whereas historical GAAP measures include billings from a potentially different group of tenants over multiple months at potentially different rental rates.

Building Improvements

Building improvements are expenditures to replace obsolete building components or extend the useful life of existing assets.

Consolidated Income Available for Debt Service

Consolidated income available for debt service is earnings from operations excluding interest expense, depreciation and amortization, taxes, and certain items that we view as nonrecurring or impacting comparability from period to period, determined together with debt service on a pro forma basis for the four consecutive fiscal quarters most recently ended.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), EBITDAre, and Adjusted EBITDAre

We calculate EBITDA as net income (loss) excluding interest expense, income tax expense, and depreciation and amortization.

We calculate EBITDAre in accordance with standards established by the National Association of Real Estate Investment Trusts (NAREIT). NAREIT defines EBITDAre as net income (loss), calculated in accordance with GAAP, plus interest expense, plus income tax expense, plus depreciation and amortization, plus (minus) losses and gains on the disposition of depreciated property, plus impairment write-downs of depreciated property and investments in unconsolidated joint ventures, plus adjustments to reflect the entity's share of EBITDAre of unconsolidated joint ventures. Our calculation of Adjusted EBITDAre differs from our calculations of EBITDA and EBITDAre because we exclude certain items that we view as nonrecurring or impacting comparability from period to period. EBITDA, EBITDAre, and Adjusted EBITDAre are supplemental non-GAAP financial measures.

We consider EBITDA, EBITDAre and Adjusted EBITDAre to be appropriate measures of our operating performance, along with net income (loss), net income (loss) attributable to EQC common shareholders, and cash flow from operating activities. We believe that EBITDA, EBITDAre, and Adjusted EBITDAre provide useful information to investors because by excluding the effects of certain historical amounts, such as interest, depreciation and amortization expense, EBITDA, EBITDAre, and Adjusted EBITDAre may facilitate a comparison of current operating performance with our past operating performance. EBITDA, EBITDAre and Adjusted EBITDAre do not represent cash generated by operating activities in accordance with GAAP and should not be considered alternatives to net income (loss), net income (loss) attributable to EQC common shareholders, or cash flow from operating activities, determined in accordance with GAAP, or as indicators of our financial performance or liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of our needs. These measures should be considered in conjunction with net income (loss), net income (loss) attributable to EQC common shareholders, and cash flow from operating activities as presented in our condensed consolidated statements of operations, condensed consolidated statements of comprehensive income (loss) and condensed consolidated statements of cash flows. Other REITs and real estate companies may calculate EBITDA, EBITDAre and Adjusted EBITDAre differently than we do.

Annualized Adjusted EBITDAre

Annualized Adjusted EBITDAre is Adjusted EBITDAre for the three months ended September 30, 2019 multiplied by four.

Enterprise Value

Enterprise value is net debt plus the market value of our preferred shares plus the market value of our common shares.

Funds from Operations (FFO) and Normalized FFO

We compute FFO in accordance with standards established by NAREIT. NAREIT defines FFO as net income (loss), calculated in accordance with GAAP, excluding real estate depreciation and amortization, gains (or losses) from sales of depreciable property, impairment of depreciable real estate, and our portion of these items related to equity investees and noncontrolling interests. Our calculation of Normalized FFO differs from NAREIT's definition of FFO because we exclude certain items that we view as nonrecurring or impacting comparability from period to period. FFO and Normalized FFO are supplemental non-GAAP financial measures. We consider FFO and Normalized FFO to be appropriate measures of operating performance for a REIT, along with net income (loss), net income (loss) attributable to EQC common shareholders, and cash flow from operating activities.

DEFINITIONS

We believe that FFO and Normalized FFO provide useful information to investors because by excluding the effects of certain historical amounts, such as depreciation expense, FFO and Normalized FFO may facilitate a comparison of our operating performance between periods and with other REITs. FFO and Normalized FFO do not represent cash generated by operating activities in accordance with GAAP and should not be considered as alternatives to net income (loss), net income (loss) attributable to EQC common shareholders, or cash flow from operating activities, determined in accordance with GAAP, or as indicators of our financial performance or liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of our needs. These measures should be considered in conjunction with net income (loss), net income (loss) attributable to EQC common shareholders, and cash flow from operating activities as presented in our condensed consolidated statements of operations, condensed consolidated statements of comprehensive income and condensed consolidated statements of cash flows. Other REITs and real estate companies may calculate FFO and Normalized FFO differently than we do.

Leasing Costs

Leasing costs include leasing commissions (LCs) and related legal expenses.

LTIP Units

LTIP Units are a class of beneficial interests in EQC Operating Trust (the Operating Trust) that may be issued to employees, officers, or trustees of the Operating Trust, EQC, or their subsidiaries.

Net Debt

Net debt is total debt minus cash and cash equivalents.

Net Operating Income (NOI), Same Property NOI, Cash Basis NOI, and Same Property Cash Basis NOI

NOI is income from our real estate including lease termination fees received from tenants less our property operating expenses. NOI excludes amortization of capitalized tenant improvement costs and leasing commissions and corporate level expenses. Cash Basis NOI is NOI excluding the effects of straight line rent adjustments, lease value amortization, and lease termination fees. The quarter-to-date same property versions of these measures include the results of properties continuously owned from July 1, 2018 through September 30, 2019. The year-to-date same property versions of these measures include the results of properties continuously owned from January 1, 2018 through September 30, 2019. Properties classified as held for sale within our condensed consolidated balance sheets are excluded from the same property versions of these measures.

We consider these supplemental non-GAAP financial measures to be appropriate supplemental measures to net income (loss) because they may help to understand the operations of our properties. We use these measures internally to evaluate property level performance, and we believe that they provide useful information to investors regarding our results of operations because they reflect only those income and expense items that are incurred at the property level and may facilitate comparisons of our operating performance between periods and with other REITs. Cash Basis NOI is among the factors considered with respect to acquisition, disposition and financing decisions. These measures do not represent cash generated by operating activities in accordance with GAAP and should not be considered as an alternative to net income (loss), net income (loss) attributable to Equity Commonwealth common shareholders, or cash flow from operating activities, determined in accordance with GAAP, or as indicators of our financial performance or liquidity, nor are these measures necessarily indicative of sufficient cash flow to fund all of our needs. These measures should be considered in conjunction with net income (loss), net income (loss) attributable to EQC common shareholders, and cash flow from operating activities as presented in our condensed consolidated statements of operations, condensed consolidated statements of comprehensive income and condensed consolidated statements of cash flows. Other REITs and real estate companies may calculate these measures differently than we do.

Net Book Value

Net book value represents the carrying value of real estate properties after depreciation and amortization, purchase price allocations, and impairment write-downs, if any.

NOI Margin

NOI Margin is NOI (or the same property or cash basis derivations of NOI defined above) divided by the total revenues used to calculate NOI (or its derivation).

Operating Partnership Units

Operating Partnership Units are beneficial interests in the Operating Trust.

Other Revenue

Other revenue is primarily comprised of parking revenue that does not represent a component of a lease.

Percentage Commenced

Percentage commenced includes space subject to leases that have commenced, whether or not the tenant is in a free rent period.

DEFINITIONS

Percentage Leased

Percentage leased includes space subject to leases that have commenced, space being fitted out for occupancy pursuant to existing leases, and space which is leased but not occupied or is being offered for sublease by tenants.

Rental Revenue

Rental revenue is primarily comprised of minimum lease payments from tenants, including tenant reimbursements. In addition, rental revenue includes lease termination fees and straight line rent adjustments.

Same Properties

Our quarter-to-date same property portfolio is comprised of those properties continuously owned from July 1, 2018 through September 30, 2019. Our year-to-date same property portfolio is comprised of those properties continuously owned from January 1, 2018 through September 30, 2019. Properties classified as held for sale within our condensed consolidated balance sheets are excluded.

Tenant Improvements

Tenant improvements are capital expenditures to improve tenant spaces.

Total Debt

Total debt is the aggregate balance of the following line items on our condensed consolidated balance sheets: senior unsecured debt, net, and mortgage notes payable, net.

Undepreciated Book Value

Undepreciated book value represents the carrying value of real estate properties after purchase price allocations, and impairment write-downs, if any.