

BOSTON PROPERTIES INC
Form 10-Q
August 08, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended June 30, 2011

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 1-13087

BOSTON PROPERTIES, INC.

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of incorporation or organization)
Prudential Center, 800 Boylston Street, Suite 1900, Boston, Massachusetts 02199-8103

04-2473675
(I.R.S. Employer Identification No.)

(Address of principal executive offices) (Zip Code)

(617) 236-3300

(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value \$.01 per share
(Class)

146,904,626
(Outstanding on August 1, 2011)

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BOSTON PROPERTIES, INC.

FORM 10-Q

for the quarter ended June 30, 2011

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1 Financial Statements.****BOSTON PROPERTIES, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)****(in thousands, except for share and par value amounts)**

	June 30, 2011	December 31, 2010
ASSETS		
Real estate, at cost	\$ 11,786,353	\$ 10,933,977
Construction in process	982,318	1,073,402
Land held for future development	284,115	757,556
Less: accumulated depreciation	(2,468,165)	(2,323,818)
Total real estate	10,584,621	10,441,117
Cash and cash equivalents	780,584	478,948
Cash held in escrows	302,439	308,031
Investments in securities	9,975	8,732
Tenant and other receivables (net of allowance for doubtful accounts of \$1,798 and \$2,081, respectively)	44,470	60,813
Related party notes receivable	276,375	270,000
Interest receivable from related party note receivable	79,884	69,005
Accrued rental income (net of allowance of \$2,252 and \$3,116, respectively)	491,878	442,683
Deferred charges, net	449,014	436,019
Prepaid expenses and other assets	92,470	65,663
Investments in unconsolidated joint ventures	772,502	767,252
Total assets	\$ 13,884,212	\$ 13,348,263
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage notes payable	\$ 3,181,469	\$ 3,047,586
Unsecured senior notes (net of discount of \$8,163 and \$8,402, respectively)	3,016,837	3,016,598
Unsecured exchangeable senior notes (net of discount of \$5,892 and \$8,249, respectively)	1,743,337	1,721,817
Unsecured line of credit		
Accounts payable and accrued expenses	173,257	186,059
Dividends and distributions payable	83,369	81,031
Accrued interest payable	62,046	62,327
Other liabilities	231,702	213,000
Total liabilities	8,492,017	8,328,418
Commitments and contingencies		
Noncontrolling interest:		
Redeemable preferred units of the Operating Partnership	55,652	55,652
Equity:		
Stockholders' equity attributable to Boston Properties, Inc.:		
Excess stock, \$.01 par value, 150,000,000 shares authorized, none issued or outstanding		
Preferred stock, \$.01 par value, 50,000,000 shares authorized, none issued or outstanding	1,464	1,402

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Common stock, \$.01 par value, 250,000,000 shares authorized, 146,465,921 and 140,278,005 issued and 146,387,021 and 140,199,105 outstanding at June 30, 2011 and December 31, 2010, respectively

Additional paid-in capital	4,846,003	4,417,162
Dividends in excess of earnings	(69,537)	(24,763)
Treasury common stock at cost, 78,900 shares at June 30, 2011 and December 31, 2010	(2,722)	(2,722)
Accumulated other comprehensive loss	(17,294)	(18,436)
Total stockholders' equity attributable to Boston Properties, Inc.	4,757,914	4,372,643
Noncontrolling interests:		
Common units of the Operating Partnership	579,211	592,164
Property partnerships	(582)	(614)
Total equity	5,336,543	4,964,193
 Total liabilities and equity	 \$ 13,884,212	 \$ 13,348,263

The accompanying notes are an integral part of these financial statements.

Table of Contents**BOSTON PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
(in thousands, except for per share amounts)				
Revenue				
Rental				
Base rent	\$ 348,474	\$ 305,823	\$ 688,009	\$ 608,206
Recoveries from tenants	48,874	44,340	94,770	89,884
Parking and other	21,101	16,423	40,169	31,720
Total rental revenue	418,449	366,586	822,948	729,810
Hotel revenue	8,904	8,371	14,852	14,274
Development and management services	9,098	18,884	16,526	27,828
Total revenue	436,451	393,841	854,326	771,912
Expenses				
Operating				
Rental	144,875	123,284	284,846	248,269
Hotel	6,281	6,089	12,020	11,357
General and administrative	20,069	17,648	44,712	44,470
Acquisition costs	13		85	
Gain from suspension of development				(7,200)
Depreciation and amortization	111,080	81,400	220,508	164,475
Total expenses	282,318	228,421	562,171	461,371
Operating income	154,133	165,420	292,155	310,541
Other income (expense)				
Income from unconsolidated joint ventures	8,882	7,465	16,858	15,375
Interest and other income	1,953	2,117	2,927	3,827
Gains (losses) from investments in securities	6	(678)	379	(478)
Interest expense	(95,236)	(96,755)	(194,387)	(188,784)
Losses from early extinguishments of debt		(6,051)		(8,221)
Income from continuing operations	69,738	71,518	117,932	132,260
Gain on sale of real estate		969		2,734
Net income	69,738	72,487	117,932	134,994
Net income attributable to noncontrolling interests				
Noncontrolling interests in property partnerships	(503)	(864)	(1,032)	(1,668)
Noncontrolling interest redeemable preferred units of the Operating Partnership	(842)	(836)	(1,665)	(1,728)
Noncontrolling interest common units of the Operating Partnership	(8,179)	(9,250)	(14,286)	(17,114)
Noncontrolling interest in gain on sale of real estate common units of the Operating Partnership		(125)		(352)
Net income attributable to Boston Properties, Inc.	\$ 60,214	\$ 61,412	\$ 100,949	\$ 114,132

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Basic earnings per common share attributable to Boston Properties, Inc.:								
Net income	\$	0.41	\$	0.44	\$	0.70	\$	0.82
Weighted average number of common shares outstanding					145,864	139,113	143,990	139,022
Diluted earnings per common share attributable to Boston Properties, Inc.:								
Net income	\$	0.41	\$	0.44	\$	0.70	\$	0.82
Weighted average number of common and common equivalent shares outstanding					146,695	139,826	144,610	139,712

The accompanying notes are an integral part of these financial statements.

Table of Contents**BOSTON PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(Unaudited and in thousands)

	Common Stock		Additional Paid-in Capital	Earnings (Dividends) in Excess of Dividends (Earnings)	Treasury Stock, at cost	Accumulated		Total
	Shares	Amount				Other Comprehensive Loss	Noncontrolling Interests	
Equity, December 31, 2010	140,199	\$ 1,402	\$ 4,417,162	\$ (24,763)	\$ (2,722)	\$ (18,436)	\$ 591,550	\$ 4,964,193
Conversion of operating partnership units to Common Stock	1,650	17	47,534				(47,551)	
Reallocation of noncontrolling interest			(26,630)				26,630	
Allocated net income for the year				100,949			15,318	116,267
Dividends/distributions declared				(145,723)			(19,780)	(165,503)
Sale of common stock, net of offering costs	4,229	42	394,675					394,717
Shares issued pursuant to stock purchase plan	4		312					312
Net activity from stock option and incentive plan	305	3	12,950				13,307	26,260
Distributions to noncontrolling interests in property partnerships							(1,000)	(1,000)
Amortization of interest rate contracts						1,142	155	1,297
Equity, June 30, 2011	146,387	\$ 1,464	\$ 4,846,003	\$ (69,537)	\$ (2,722)	\$ (17,294)	\$ 578,629	\$ 5,336,543
Equity, December 31, 2009	138,880	\$ 1,389	\$ 4,373,679	\$ 95,433	\$ (2,722)	\$ (21,777)	\$ 623,057	\$ 5,069,059
Conversion of operating partnership units to Common Stock	136	1	3,980				(3,981)	
Reallocation of noncontrolling interest			9,132				(9,132)	
Allocated net income for the year				114,132			19,134	133,266
Dividends/distributions declared				(139,139)			(21,507)	(160,646)
Shares issued pursuant to stock purchase plan	5		326					326
Net activity from stock option and incentive plan	252	3	7,318				18,752	26,073
Distributions to noncontrolling interests in property partnerships							(1,000)	(1,000)
Amortization of interest rate contracts						1,622	240	1,862
Equity, June 30, 2010	139,273	\$ 1,393	\$ 4,394,435	\$ 70,426	\$ (2,722)	\$ (20,155)	\$ 625,563	\$ 5,068,940

The accompanying notes are an integral part of these financial statements.

Table of Contents**BOSTON PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Net income	\$ 69,738	\$ 72,487	\$ 117,932	\$ 134,994
Other comprehensive income:				
Effective portion of interest rate contracts		421		421
Amortization of interest rate contracts	648	715	1,297	1,441
	648	1,136	1,297	1,862
Comprehensive income	70,386	73,623	119,229	136,856
Net income attributable to noncontrolling interests	(9,524)	(11,075)	(16,983)	(20,862)
Other comprehensive income attributable to noncontrolling interests	(75)	(146)	(155)	(240)
Comprehensive income attributable to Boston Properties, Inc.	\$ 60,787	\$ 62,402	\$ 102,091	\$ 115,754

The accompanying notes are an integral part of these financial statements.

Table of Contents**BOSTON PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	For the six months ended June 30,	
	2011	2010
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 117,932	\$ 134,994
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	220,508	164,475
Non-cash compensation expense	17,765	20,345
Income from unconsolidated joint ventures	(16,858)	(15,375)
Distributions of net cash flow from operations of unconsolidated joint ventures	17,442	4,674
Losses (gains) from investments in securities	(379)	478
Non-cash portion of interest expense	27,014	28,594
Settlement of accreted debt discount on repurchases of unsecured exchangeable senior notes		(13,230)
Losses from early extinguishments of debt		8,221
Gain from suspension of development		(7,200)
Gain on sale of real estate		(2,734)
Change in assets and liabilities:		
Cash held in escrows	(4,408)	(3,515)
Tenant and other receivables, net	16,346	10,548
Accrued rental income, net	(49,195)	(37,933)
Prepaid expenses and other assets	(6,505)	(4,701)
Accounts payable and accrued expenses	169	(34,421)
Accrued interest payable	(281)	4,463
Other liabilities	(28,517)	(29,489)
Tenant leasing costs	(20,932)	(17,690)
Total adjustments	172,169	75,510
Net cash provided by operating activities	290,101	210,504
Cash flows from investing activities:		
Acquisition of real estate	(41,100)	
Construction in progress	(137,258)	(181,258)
Building and other capital improvements	(13,390)	(7,403)
Tenant improvements	(28,290)	(63,232)
Proceeds from land transaction	43,887	
Deposits on real estate released from escrow	10,000	
Issuance of note receivable	(6,375)	
Capital contributions to unconsolidated joint ventures	(16,716)	(61,105)
Capital distributions from unconsolidated joint ventures		24,990
Investments in securities, net	(864)	2,442
Net cash used in investing activities	(190,106)	(285,566)

The accompanying notes are an integral part of these financial statements.

Table of Contents**BOSTON PROPERTIES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	For the six months ended June 30,	
	2011	2010
	(in thousands)	
Cash flows from financing activities:		
Proceeds from mortgage notes payable	453,306	1,464
Repayments of mortgage notes payable	(468,639)	(36,188)
Proceeds from unsecured senior notes		699,237
Repurchases of unsecured exchangeable senior notes		(172,294)
Deposit on mortgage loan financing	(14,500)	
Deferred financing costs	(6,220)	(5,651)
Net proceeds from ATM stock issuances	394,717	
Net proceeds from equity transactions	8,807	6,054
Dividends and distributions	(164,830)	(162,045)
Distributions to noncontrolling interest in property partnership	(1,000)	(1,000)
Net cash provided by financing activities	201,641	329,577
Net increase in cash and cash equivalents	301,636	254,515
Cash and cash equivalents, beginning of period	478,948	1,448,933
Cash and cash equivalents, end of period	\$ 780,584	\$ 1,703,448
Supplemental disclosures:		
Cash paid for interest	\$ 190,851	\$ 186,067
Interest capitalized	\$ 23,197	\$ 17,110
Non-cash investing and financing activities:		
Additions to real estate included in accounts payable	\$ 19,154	\$ 652
Mortgage note payable assumed in connection with the acquisition of real estate	\$ 143,900	\$
Dividends and distributions declared but not paid	\$ 83,369	\$ 80,865
Conversions of noncontrolling interests to stockholders equity	\$ 47,551	\$ 3,981
Issuance of restricted securities to employees and directors	\$ 25,087	\$ 18,768

The accompanying notes are an integral part of these financial statements.

Table of Contents**BOSTON PROPERTIES, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. Organization**

Boston Properties, Inc. (the Company), a Delaware corporation, is a self-administered and self-managed real estate investment trust (REIT). The Company is the sole general partner of Boston Properties Limited Partnership (the Operating Partnership) and at June 30, 2011 owned an approximate 87.5% (85.9% at June 30, 2010) general and limited partnership interest in the Operating Partnership. Partnership interests in the Operating Partnership are denominated as common units of partnership interest (also referred to as OP Units), long term incentive units of partnership interest (also referred to as LTIP Units) or preferred units of partnership interest (also referred to as Preferred Units). In addition, in February 2008 and February 2011, the Company issued LTIP Units in connection with the granting to employees of outperformance awards (also referred to as 2008 OPP Units and 2011 OPP Units, respectively). Because the rights, preferences and privileges of 2008 OPP Units and 2011 OPP Units differ from other LTIP Units granted to employees as part of the annual compensation process, unless specifically noted otherwise, all references to LTIP Units exclude 2008 OPP Units and 2011 OPP Units. On February 5, 2011, the measurement period for the Company's 2008 OPP Unit awards expired and the Company's total return to shareholders (TRS) was not sufficient for employees to earn and therefore become eligible to vest in any of the 2008 OPP Unit awards. Accordingly, all 2008 OPP Unit awards were automatically forfeited (See Notes 8 and 11).

Unless specifically noted otherwise, all references to OP Units exclude units held by the Company. A holder of an OP Unit may present such OP Unit to the Operating Partnership for redemption at any time (subject to restrictions agreed upon at the time of issuance of OP Units to particular holders that may restrict such redemption right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, the Operating Partnership is obligated to redeem such OP Unit for cash equal to the then value of a share of common stock of the Company (Common Stock). In lieu of a cash redemption, the Company may elect to acquire such OP Unit for one share of Common Stock. Because the number of shares of Common Stock outstanding at all times equals the number of OP Units that the Company owns, one share of Common Stock is generally the economic equivalent of one OP Unit, and the quarterly distribution that may be paid to the holder of an OP Unit equals the quarterly dividend that may be paid to the holder of a share of Common Stock. An LTIP Unit is generally the economic equivalent of a share of restricted common stock of the Company. LTIP Units, whether vested or not, will receive the same quarterly per unit distributions as OP Units, which equal per share dividends on Common Stock (See Note 11).

At June 30, 2011, there was one series of Preferred Units outstanding (i.e., Series Two Preferred Units). The Series Two Preferred Units bear a distribution that is set in accordance with an amendment to the partnership agreement of the Operating Partnership. Preferred Units may also be converted into OP Units or redeemed for cash at the election of the holder thereof or the Operating Partnership in accordance with the terms and conditions set forth in the applicable amendment to the partnership agreement (See Note 8).

All references herein to the Company refer to Boston Properties, Inc. and its consolidated subsidiaries, including the Operating Partnership, collectively, unless the context otherwise requires.

Properties

At June 30, 2011, the Company owned or had interests in a portfolio of 152 commercial real estate properties (the Properties) aggregating approximately 42.1 million net rentable square feet, including eight properties under construction totaling approximately 3.4 million net rentable square feet. In addition, the Company has structured parking for approximately 43,539 vehicles containing approximately 14.7 million square feet. At June 30, 2011, the Properties consist of:

146 office properties, including 127 Class A office properties (including six properties under construction) and 19 Office/Technical properties;

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one hotel;

three retail properties; and

two residential properties (both of which are under construction).

The Company owns or controls undeveloped land parcels totaling approximately 511.6 acres. In addition, the Company has a noncontrolling interest in the Boston Properties Office Value-Added Fund, L.P. (the Value-Added Fund), which is a strategic partnership with two institutional investors through which the Company has pursued the acquisition of value-added investments in assets within its existing markets. The Company's investments through the Value-Added Fund are not included in its portfolio information or any other portfolio level statistics. At June 30, 2011, the Value-Added Fund had investments in 24 buildings comprised of an office property in Chelmsford, Massachusetts and office complexes in Mountain View, California.

The Company considers Class A office properties to be centrally located buildings that are professionally managed and maintained, attract high-quality tenants and command upper-tier rental rates, and that are modern structures or have been modernized to compete with newer buildings. The Company considers Office/Technical properties to be properties that support office, research and development, laboratory and other technical uses. The Company's definitions of Class A Office and Office/Technical properties may be different than those used by other companies.

2. Basis of Presentation and Summary of Significant Accounting Policies

Boston Properties, Inc. does not have any other significant assets, liabilities or operations, other than its investment in the Operating Partnership, nor does it have employees of its own. The Operating Partnership, not Boston Properties, Inc., executes all significant business relationships. All majority-owned subsidiaries and affiliates over which the Company has financial and operating control and variable interest entities (VIE s) in which the Company has determined it is the primary beneficiary are included in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. The Company accounts for all other unconsolidated joint ventures using the equity method of accounting. Accordingly, the Company's share of the earnings of these joint ventures and companies is included in consolidated net income.

The accompanying interim financial statements are unaudited; however, the financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair statement of the financial statements for these interim periods have been included. The results of operations for the interim periods are not necessarily indicative of the results to be obtained for other interim periods or for the full fiscal year. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosure required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the Company's financial statements and notes thereto contained in the Company's Annual Report in the Company's Form 10-K for its fiscal year ended December 31, 2010. Certain prior year amounts have been reclassified to conform to the current year presentation.

For purposes of financial reporting disclosures, the Company estimates the fair value of mortgage notes payable, unsecured senior notes and unsecured exchangeable senior notes. The Company discounts the spread between the future contractual interest payments and hypothetical future interest payments on mortgage debt and unsecured notes based on current market rates for similar securities. In determining the current market rates, the Company adds its estimates of market spreads to the quoted yields on federal government treasury securities with similar maturity dates to its debt. Because the Company's valuations of its financial instruments are based on

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these types of estimates, the actual fair values of its financial instruments may differ materially if the Company's estimates do not prove to be accurate. The following table presents the aggregate carrying value of the Company's indebtedness and the Company's corresponding estimate of fair value as of June 30, 2011 and December 31, 2010 (in thousands):

	June 30, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Mortgage notes payable	\$ 3,181,469	\$ 3,265,715	\$ 3,047,586	\$ 3,121,193
Unsecured senior notes	3,016,837	3,218,348	3,016,598	3,241,542
Unsecured exchangeable senior notes	1,743,337(1)	2,000,833	1,721,817(1)	1,929,291
Total	\$ 7,941,643	\$ 8,484,896	\$ 7,786,001	\$ 8,292,026

(1) Includes the net impact of Accounting Standards Codification (ASC) ASC 470-20 (formerly known as FSP No. APB 14-1) totaling approximately \$74.5 million and \$93.6 million at June 30, 2011 and December 31, 2010, respectively.

3. Real Estate Activity During the Six Months Ended June 30, 2011*Acquisitions*

On February 1, 2011, the Company completed the acquisition of Bay Colony Corporate Center in Waltham, Massachusetts for an aggregate purchase price of approximately \$185.0 million. The purchase price consisted of approximately \$41.1 million of cash and the assumption of approximately \$143.9 million of indebtedness. The assumed debt is a securitized senior mortgage loan that bears interest at a fixed rate of 6.53% per annum and matures on June 11, 2012. The loan requires interest-only payments with a balloon payment due at maturity. Bay Colony Corporate Center is an approximately 966,000 net rentable square foot, four-building Class A office park situated on a 58-acre site in Waltham, Massachusetts. The following table summarizes the allocation of the aggregate purchase price of Bay Colony Corporate Center at the date of acquisition (in thousands).

Land	\$ 18,769
Building and improvements	136,081
Tenant improvements	12,370
In-place lease intangibles	20,626
Above market rents	5,802
Below market rents	(3,332)
Above market assumed debt adjustment	(5,316)
Total aggregate purchase price	\$ 185,000
Less: Indebtedness assumed	(143,900)
Net assets acquired	\$ 41,100

The following table summarizes the estimated amortization of the acquired above-market lease intangibles (net of acquired below-market lease intangibles) and the acquired in-place lease intangibles for Bay Colony Corporate Center for the remainder of 2011 and each of the four succeeding years (in thousands).

Acquired In-Place Lease Intangibles	Acquired Net Above- Market Lease Intangibles
-------------------------------------------	-------------------------------------------------

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Period from July 1, 2011 through December 31, 2011	\$	3,388	\$	302
2012		5,192		520
2013		3,423		349
2014		2,543		221
2015		1,867		300

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The accompanying pro forma information for the six months ended June 30, 2011 and 2010 is presented as if the acquisition of Bay Colony Corporate Center on February 1, 2011 had occurred on January 1, 2010. This pro forma information is based upon the historical consolidated financial statements and should be read in conjunction with the consolidated financial statements and notes thereto. This pro forma information does not purport to represent what the actual results of operations of the Company would have been had the above occurred, nor do they purport to predict the results of operations of future periods.

Pro Forma (in thousands, except per share data)	Six Months Ended June 30,	
	2011	2010
Total revenue	\$ 856,671	\$ 781,458
Income from continuing operations	\$ 117,758	\$ 127,937
Net income attributable to Boston Properties, Inc.	\$ 100,796	\$ 110,365
Basic earnings per share:		
Net income per share attributable to Boston Properties, Inc.	\$ 0.70	\$ 0.79
Diluted earnings per share:		
Net income per share attributable to Boston Properties, Inc.	\$ 0.70	\$ 0.79

Developments

On January 14, 2011, the Company placed in-service approximately 57% of the office component of its Atlantic Wharf development project located in Boston, Massachusetts. The office component is comprised of approximately 790,000 net rentable square feet.

On March 1, 2011, the Company placed in-service approximately 13% of the office component of its 2200 Pennsylvania Avenue development project located in Washington, DC. The office component is comprised of approximately 460,000 net rentable square feet.

On May 1, 2011, the Company placed in-service approximately 16% of its 510 Madison Avenue development project located in New York City. 510 Madison Avenue is an approximately 347,000 net rentable square foot Class A office property.

On May 11, 2011, the Company partially placed in-service the Residences on The Avenue, the residential component of its 2221 I Street, NW development project located in Washington, DC. The residential component is comprised of 335 units and retail space aggregating approximately 325,000 square feet.

On May 24, 2011, the Company signed a lease with a law firm for approximately 184,000 square feet at 250 West 55th Street in New York City. In conjunction with the execution of the lease, the Company has resumed development of the planned approximately 989,000 square foot Class A office project and has commenced capitalization of interest.

Dispositions

On May 23, 2011, the Company entered into a ground lease for 75 Ames Street, a vacant land parcel in Cambridge, Massachusetts located on the same site as the Company's Cambridge Center West Garage property and adjacent to the Company's Seven Cambridge Center property, to a third party. In addition, the Company entered into a development agreement to serve as project manager for a 250,000 square foot research laboratory building to be developed on the site at the ground lessee's expense and will also serve, upon completion of development, as property manager. The terms of the ground lease require the Company to form a condominium for the site upon completion of the development, at which time each party will subject their respective interests in the buildings and land to the condominium and will in turn be conveyed a condominium unit comprised of their respective building as well as an undivided ownership interest in the land. Gross proceeds to the Company are

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expected to be \$56.8 million, including \$11.4 million in development fees for the Company's services. As of June 30, 2011, the Company has received approximately \$47.4 million and anticipates receiving another \$9.4 million in development fees through the third quarter of 2014. The cash received under the ground lease will initially be recognized as unearned revenue and recognized over the 99-year term of the ground lease. The Company will recognize approximately \$459,000 per year in ground lease payments prior to the anticipated conveyance of the condominium interest in 2014. Upon completion of the development and conveyance of the condominium interest, the transaction and related remaining costs will be accounted for and recognized as a gain on sale of real estate in accordance with ASC 360-20 Real Estate Sales.

On June 6, 2011, the Company terminated its agreement, dated April 21, 2011, to sell its Carnegie Center portfolio located in Princeton, New Jersey for approximately \$468.0 million. Carnegie Center is a sixteen building Class A office park set on 560 acres and totaling more than 2.0 million net rentable square feet. Under the terms of the agreement, either party had the right to terminate the agreement at any time without any cost or payment to the other party.

4. Investments in Unconsolidated Joint Ventures

The investments in unconsolidated joint ventures consist of the following at June 30, 2011:

Entity	Properties	Nominal % Ownership
Square 407 Limited Partnership	Market Square North	50.0%
The Metropolitan Square Associates LLC	Metropolitan Square	51.0%
BP/CRF 901 New York Avenue LLC	901 New York Avenue	25.0%(1)
WP Project Developer LLC	Wisconsin Place Land and Infrastructure	33.3%(2)
RBP Joint Venture LLC	Eighth Avenue and 46th Street	50.0%(3)
Boston Properties Office Value-Added Fund, L.P.	300 Billerica Road and Mountain View Research and Technology Parks	37.6%(1)(4)
Annapolis Junction NFM, LLC	Annapolis Junction	50.0%(5)
767 Venture, LLC	The General Motors Building	60.0%
2 GCT Venture LLC	Two Grand Central Tower	60.0%
540 Madison Venture LLC	540 Madison Avenue	60.0%
125 West 55 th Street Venture LLC	125 West 55 th Street	60.0%
500 North Capitol LLC	500 North Capitol Street, NW	30.0%

- (1) The Company's economic ownership can increase based on the achievement of certain return thresholds.
 - (2) The Company's wholly-owned entity that owns the office component of the project owns a 33.3% interest in the entity owning the land and infrastructure of the project.
 - (3) This property consists of assembled land.
 - (4) Represents the Company's effective ownership interest. The Company has a 25.0% interest in the 300 Billerica Road property and a 39.5% interest in the Mountain View Research and Technology Park properties.
 - (5) Comprised of one building, one building under construction and two undeveloped land parcels.
- Certain of the Company's joint venture agreements include provisions whereby, at certain specified times, each partner has the right to initiate a purchase or sale of its interest in the joint ventures at an agreed upon fair value. Under these provisions, the Company is not compelled to purchase the interest of its outside joint venture partners.

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The combined summarized balance sheets of the unconsolidated joint ventures are as follows:

	June 30, 2011	December 31, 2010
	(in thousands)	
ASSETS		
Real estate and development in process, net	\$ 5,000,878	\$ 5,028,851
Other assets	734,831	749,308
Total assets	\$ 5,735,709	\$ 5,778,159
LIABILITIES AND MEMBERS /PARTNERS EQUITY		
Mortgage and notes payable	\$ 3,138,849	\$ 3,151,220
Other liabilities	929,977	969,082
Members /Partners equity	1,666,883	1,657,857
Total liabilities and members /partners equity	\$ 5,735,709	\$ 5,778,159
Company s share of equity	\$ 925,970	\$ 924,235
Basis differentials(1)	(153,468)	(156,983)
Carrying value of the Company s investments in unconsolidated joint ventures	\$ 772,502	\$ 767,252

- (1) This amount represents the aggregate difference between the Company s historical cost basis and the basis reflected at the joint venture level, which is typically amortized over the life of the related assets and liabilities. Basis differentials occur from impairment of investments and upon the transfer of assets that were previously owned by the Company into a joint venture. In addition, certain acquisition, transaction and other costs may not be reflected in the net assets at the joint venture level.

The combined summarized statements of operations of the unconsolidated joint ventures are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
	(in thousands)		(in thousands)	
Total revenue(1)	\$ 144,987	\$ 151,129	\$ 290,632	\$ 302,091
Expenses				
Operating	42,272	42,833	85,114	84,537
Interest	57,007	59,249	114,768	117,585
Depreciation and amortization	48,243	57,391	98,880	114,215
Total expenses	147,522	159,473	298,762	316,337
Net loss	\$ (2,535)	\$ (8,344)	\$ (8,130)	\$ (14,246)
Company s share of net loss	\$ (2,284)	\$ (3,775)	\$ (5,339)	\$ (6,720)
Basis differential	1,759	2,516	3,515	4,793
Elimination of inter-entity interest on partner loan	9,407	8,724	18,682	17,302
Income (loss) from unconsolidated joint ventures	\$ 8,882	\$ 7,465	\$ 16,858	\$ 15,375

- (1) Includes straight-line rent adjustments of \$4.0 million and \$5.6 million for the three months ended June 30, 2011 and 2010, respectively, and \$8.1 million and \$13.8 million for the six months ended June 30, 2011 and 2010, respectively. Includes net above- and below-market rent adjustments of \$29.2 million and \$30.4 million for the three months ended June 30, 2011 and 2010, respectively, and \$58.7 million and \$67.2 million for the six months ended June 30, 2011 and 2010, respectively.

On March 16, 2011, the Company's Value-Added Fund extended the maturity date by two months to May 31, 2011 of the mortgage loan collateralized by its Mountain View Technology Park property located in

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Mountain View, California totaling approximately \$24.7 million. The mortgage loan bears interest at a variable rate equal to LIBOR plus 1.50% per annum and was scheduled to mature on March 31, 2011. On June 29, 2011, the Company's Value-Added Fund extended the maturity date to November 15, 2011.

On March 26, 2011, a joint venture in which the Company has a 30% interest removed from service and commenced the redevelopment of 500 North Capitol Street, NW located in Washington, DC. On January 18, 2011, the joint venture entered into a lease with a law firm for approximately 171,000 square feet of space.

On March 31, 2011, a joint venture in which the Company has a 50% interest refinanced its construction loan collateralized by Annapolis Junction located in Annapolis, Maryland. The construction loan totaling approximately \$42.7 million bore interest at a variable rate equal to LIBOR plus 1.00% per annum and was scheduled to mature on September 12, 2011. The new mortgage loan totaling approximately \$42.3 million bears interest at a variable rate equal to LIBOR plus 1.75% per annum and matures on March 31, 2018 with one, three-year extension option, subject to certain conditions.

On June 3, 2011, a joint venture in which the Company has a 50% interest amended its joint venture agreement to add a new development project to its Annapolis Junction property located in Annapolis, Maryland. The outside joint venture partner contributed the improved parcel of land and the Company contributed cash for its 50% interest. The development project is an approximately 120,000 net rentable square foot Class A office project.

On June 28, 2011, the Company's Value-Added Fund modified the mortgage loan collateralized by its Mountain View Research Park property located in Mountain View, California. The mortgage loan totaling approximately \$112.3 million bore interest at a variable rate equal to LIBOR plus 1.75% per annum and had matured on May 31, 2011. The new mortgage loan totaling \$92.0 million bears interest at a variable rate equal to LIBOR plus 2.50% per annum and matures on May 31, 2014. In connection with the loan modification, the joint venture repaid approximately \$20.3 million of the previous mortgage loan utilizing unfunded capital commitments from the joint venture's partners on a pro rata basis, existing cash reserves and the proceeds from a loan from the Company's Operating Partnership. The loan from the Company's Operating Partnership consists of an agreement to lend up to \$12.0 million to the Company's Value-Added Fund, of which approximately \$6.4 million has been advanced. The loan from the Operating Partnership bears interest at a fixed rate of 10.0% per annum and matures on May 31, 2014.

5. Mortgage Notes Payable

On January 12, 2011, the Company notified the master servicer of the non-recourse mortgage loan collateralized by its Montvale Center property located in Gaithersburg, Maryland that the cash flows generated from the property were insufficient to fund debt service payments and capital improvements necessary to lease and operate the property and that the Company was not prepared to fund any cash shortfalls. Accordingly, the Company requested that the loan be placed with the special servicer. The Company has ceased making debt service payments and is currently in default. The Company is currently accruing interest at the default interest rate of 9.93% per annum.

On February 1, 2011, in connection with the Company's acquisition of Bay Colony Corporate Center in Waltham, Massachusetts, the Company assumed the mortgage loan collateralized by the property totaling approximately \$143.9 million. The assumed debt is a securitized senior mortgage loan that requires interest-only payments with a balloon payment due at maturity. The assumed mortgage loan, which bears contractual interest at a fixed rate of 6.53% per annum and matures on June 11, 2012, was recorded at its fair value of approximately \$149.2 million using an effective interest rate of 3.75% per annum.

On May 11, 2011, the Company refinanced at maturity its mortgage loan collateralized by its 601 Lexington Avenue property located in New York City totaling approximately \$453.3 million utilizing the proceeds of a draw under its Unsecured Line of Credit, which borrowing was secured by a mortgage on the property. The mortgage loan bore interest at a fixed rate of 7.19% per annum.

Table of Contents**6. Unsecured Line of Credit**

On June 24, 2011, the Company's Operating Partnership amended and restated the revolving credit agreement governing the Company's Unsecured Line of Credit, which (1) reduced the total commitment from \$1.0 billion to \$750.0 million, (2) extended the maturity date from August 3, 2011 to June 24, 2014, with a provision for a one-year extension at the Company's option, subject to certain conditions and the payment of an extension fee equal to 0.20% of the total commitment then in effect, and (3) increased the per annum variable interest rates available, which resulted in an increase of the per annum variable interest rate on outstanding balances from Eurodollar plus 0.475% per annum to Eurodollar plus 1.225% per annum. Under the amended Unsecured Line of Credit, the Company may increase the total commitment to \$1.0 billion, subject to syndication of the increase. In addition, a facility fee currently equal to an aggregate of 0.225% per annum of the total commitment is payable by the Company in equal quarterly installments. The interest rate and facility fee are subject to adjustment in the event of a change in the Operating Partnership's unsecured debt ratings. The Unsecured Line of Credit is a recourse obligation of the Company's Operating Partnership. The Unsecured Line of Credit contains a competitive bid option that allows banks that are part of the lender consortium to bid to make loan advances to the Company at a reduced interest rate. At June 30, 2011, the Company had an outstanding balance on the Unsecured Line of Credit of approximately \$453.3 million, which is collateralized by the Company's 601 Lexington Avenue property and included in Mortgage Notes Payable.

The terms of the Unsecured Line of Credit require that the Company maintain a number of customary financial and other covenants on an ongoing basis, including: (1) a leverage ratio not to exceed 60%, however, the leverage ratio may increase to no greater than 65% provided that it is reduced back to 60% within one year, (2) a secured debt leverage ratio not to exceed 55%, (3) a fixed charge coverage ratio of at least 1.40, (4) an unsecured debt leverage ratio not to exceed 60%, however, the unsecured debt leverage ratio may increase to no greater than 65% provided that it is reduced back to 60% within one year, (5) a minimum net worth requirement of \$3.5 billion, (6) an unsecured debt interest coverage ratio of at least 1.75 and (7) limitations on permitted investments, development, partially owned entities, business outside of commercial real estate and commercial non-office properties. At June 30, 2011, the Company was in compliance with each of these financial and other covenant requirements.

7. Commitments and Contingencies***General***

In the normal course of business, the Company guarantees its performance of services or indemnifies third parties against its negligence.

The Company has letter of credit and performance obligations of approximately \$16.3 million related to lender and development requirements.

Certain of the Company's joint venture agreements include provisions whereby, at certain specified times, each partner has the right to initiate a purchase or sale of its interest in the joint ventures. Under these provisions, the Company is not compelled to purchase the interest of its outside joint venture partners.

In connection with the assumption of the General Motors Building's secured loan by the Company's unconsolidated joint venture, 767 Venture, LLC, the Company guaranteed the unconsolidated joint venture's obligation to fund various escrows, including tenant improvements, taxes and insurance in lieu of cash deposits. As of June 30, 2011, the maximum funding obligation under the guarantee was approximately \$21.3 million. The Company earns a fee from the joint venture for providing the guarantee and has an agreement with the outside partners to reimburse the joint venture for their share of any payments made under the guarantee.

In connection with the refinancing in March 2010 of the 125 West 55th Street property's secured loan by the Company's unconsolidated joint venture, 125 West 55th Street Venture LLC, the Company has guaranteed the unconsolidated joint venture's obligation to fund an escrow related to certain lease rollover costs in lieu of an

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initial cash deposit for the full amount. The maximum funding obligation under the guarantee was \$21.3 million. At closing, the joint venture funded a \$10.0 million cash deposit into the escrow account and the remaining \$11.3 million will be further reduced with scheduled monthly deposits into the escrow account from operating cash flows. As of June 30, 2011, the remaining funding obligation under the guarantee was approximately \$4.5 million. The Company earns a fee from the joint venture for providing the guarantee and has an agreement with the outside partners to reimburse the joint venture for their share of any payments made under the guarantee.

In connection with the mortgage financing collateralized by the Company's One Freedom Square property located in Reston, Virginia, the Company has agreed to guarantee approximately \$7.9 million related to its obligation to provide funds for certain tenant re-leasing costs.

From time to time, the Company (or the applicable joint venture) has also agreed to guarantee portions of the principal, interest or other amounts in connection with other unconsolidated joint venture borrowings. In addition to the financial guarantees referenced above, the Company has agreed to customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) on certain of its unconsolidated joint venture loans.

Insurance

The Company carries insurance coverage on its properties of types and in amounts and with deductibles that it believes are in line with coverage customarily obtained by owners of similar properties. In response to the uncertainty in the insurance market following the terrorist attacks of September 11, 2001, the Federal Terrorism Risk Insurance Act (as amended, TRIA) was enacted in November 2002 to require regulated insurers to make available coverage for certified acts of terrorism (as defined by the statute). The expiration date of TRIA was extended to December 31, 2014 by the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA). Currently, the Company's property insurance program per occurrence limits are \$1.0 billion for its portfolio insurance program, including coverage for acts of terrorism certified under TRIA other than nuclear, biological, chemical or radiological terrorism (Terrorism Coverage). The Company currently insures certain properties, including the General Motors Building located at 767 Fifth Avenue in New York, New York (767 Fifth Avenue), in separate stand alone insurance programs. The property insurance program per occurrence limits for 767 Fifth Avenue are \$1.625 billion, including Terrorism Coverage, with \$1.375 billion of Terrorism Coverage in excess of \$250 million being provided by NYXP, LLC (NYXP), as a direct insurer. The Company also currently carries nuclear, biological, chemical and radiological terrorism insurance coverage for acts of terrorism certified under TRIA (NBCR Coverage), which is provided by IXP, LLC (IXP) as a direct insurer, for the properties in our portfolio, including 767 Fifth Avenue, but excluding the properties owned by the Company's Value-Added Fund and certain other properties owned in joint ventures with third parties or which we manage. The per occurrence limit for NBCR Coverage is \$1.0 billion. Under TRIA, after the payment of the required deductible and coinsurance, the NBCR Coverage provided by IXP and the Terrorism Coverage provided by NYXP are backstopped by the Federal Government if the aggregate industry insured losses resulting from a certified act of terrorism exceed a program trigger. The program trigger is \$100 million and the coinsurance is 15%. Under TRIPRA, if the Federal Government pays out for a loss under TRIA, it is mandatory that the Federal Government recoup the full amount of the loss from insurers offering TRIA coverage after the payment of the loss pursuant to a formula in TRIPRA. The Company may elect to terminate the NBCR Coverage if the Federal Government seeks recoupment for losses paid under TRIA, if there is a change in its portfolio or for any other reason. The Company intends to continue to monitor the scope, nature and cost of available terrorism insurance and maintain insurance in amounts and on terms that are commercially reasonable.

The Company also currently carries earthquake insurance on its properties located in areas known to be subject to earthquakes in an amount and subject to self-insurance that the Company believes are commercially reasonable. In addition, this insurance is subject to a deductible in the amount of 5% of the value of the affected property. Specifically, the Company currently carries earthquake insurance which covers its San Francisco region with a \$120 million per occurrence limit and a \$120 million annual aggregate limit, \$20 million of which is

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provided by IXP, as a direct insurer. The amount of the Company's earthquake insurance coverage may not be sufficient to cover losses from earthquakes. In addition, the amount of earthquake coverage could impact the Company's ability to finance properties subject to earthquake risk. The Company may discontinue earthquake insurance on some or all of its properties in the future if the premiums exceed the Company's estimation of the value of the coverage.

IXP, a captive insurance company which is a wholly-owned subsidiary of the Company, acts as a direct insurer with respect to a portion of the Company's earthquake insurance coverage for its Greater San Francisco properties and the Company's NBCR Coverage. NYXP, a captive insurance company which is a wholly-owned subsidiary of the Company, acts as a direct insurer with respect to a portion of the Company's Terrorism Coverage for 767 Fifth Avenue. Currently, NYXP only insures losses which exceed the program trigger under TRIA and NYXP reinsures with a third-party insurance company any coinsurance payable under TRIA. Insofar as the Company owns IXP and NYXP, it is responsible for their liquidity and capital resources, and the accounts of IXP and NYXP are part of the Company's consolidated financial statements. In particular, if a loss occurs which is covered by the Company's NBCR Coverage but is less than the applicable program trigger under TRIA, IXP would be responsible for the full amount of the loss without any backstop by the Federal Government. IXP and NYXP would also be responsible for any recoupment charges by the Federal Government in the event losses are paid out and their insurance policies are maintained after the payout by the Federal Government. If the Company experiences a loss and IXP or NYXP are required to pay under their insurance policies, the Company would ultimately record the loss to the extent of the required payment. Therefore, insurance coverage provided by IXP and NYXP should not be considered as the equivalent of third-party insurance, but rather as a modified form of self-insurance.

The mortgages on the Company's properties typically contain requirements concerning the financial ratings of the insurers who provide policies covering the property. The Company provides the lenders on a regular basis with the identity of the insurance companies in the Company's insurance programs. The ratings of some of the Company's insurers are below the rating requirements in some of the Company's loan agreements and the lenders for these loans could attempt to claim an event of default has occurred under the loan. The Company believes it could obtain insurance with insurers which satisfy the rating requirements. Additionally, in the future, the Company's ability to obtain debt financing secured by individual properties, or the terms of such financing, may be adversely affected if lenders generally insist on ratings for insurers or amounts of insurance which are difficult to obtain or which result in a commercially unreasonable premium. There can be no assurance that a deficiency in the financial ratings of one or more of the Company's insurers will not have a material adverse effect on the Company.

The Company continues to monitor the state of the insurance market in general, and the scope and costs of coverage for acts of terrorism and California earthquake risk in particular, but the Company cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. There are other types of losses, such as from wars or the presence of mold at the Company's properties, for which the Company cannot obtain insurance at all or at a reasonable cost. With respect to such losses and losses from acts of terrorism, earthquakes or other catastrophic events, if the Company experiences a loss that is uninsured or that exceeds policy limits, the Company could lose the capital invested in the damaged properties, as well as the anticipated future revenues from those properties. Depending on the specific circumstances of each affected property, it is possible that the Company could be liable for mortgage indebtedness or other obligations related to the property. Any such loss could materially and adversely affect the Company's business and financial condition and results of operations.

8. Noncontrolling Interests

Noncontrolling interests relate to the interests in the Operating Partnership not owned by the Company and interests in property partnerships not wholly-owned by the Company. As of June 30, 2011, the noncontrolling interests consisted of 17,812,723 OP Units, 1,620,736 LTIP Units, 400,000 2011 OPP Units and 1,113,044 Series Two Preferred Units (or 1,460,688 OP Units on an as converted basis) held by parties other than the Company.

Table of Contents***Noncontrolling Interest Redeemable Preferred Units of the Operating Partnership***

The Preferred Units at June 30, 2011 consisted solely of 1,113,044 Series Two Preferred Units, which bear a preferred distribution equal to the greater of (1) the distribution which would have been paid in respect of the Series Two Preferred Unit had such Series Two Preferred Unit been converted into an OP Unit (including both regular and special distributions) or (2) 6.00% per annum on a liquidation preference of \$50.00 per unit, and are convertible into OP Units at a rate of \$38.10 per Preferred Unit (1.312336 OP Units for each Preferred Unit). The holders of Series Two Preferred Units have the right to require the Operating Partnership to redeem their units for cash at the redemption price of \$50.00 per unit on May 14, 2012, May 14, 2013 and May 12, 2014. The maximum number of units that may be required to be redeemed from all holders on each of these dates is 1,007,662, which is one-sixth of the number of Series Two Preferred Units that were originally issued. The holders also had the right to have their Series Two Preferred Units redeemed for cash on May 12, 2009, May 12, 2010 and May 12, 2011, although no holder exercised such right. On May 14, 2013 and May 12, 2014, the Company also has the right, subject to certain conditions, to redeem Series Two Preferred Units for cash or to convert into OP Units any Series Two Preferred Units that are not redeemed when they are eligible for redemption.

On February 15, 2011, the Operating Partnership paid a distribution on its outstanding Series Two Preferred Units of \$0.75616 per unit. On May 16, 2011, the Operating Partnership paid a distribution on its outstanding Series Two Preferred Units of \$0.73151 per unit.

The following table reflects the activity of the noncontrolling interests redeemable preferred units of the Operating Partnership for the six months ended June 30, 2011 and 2010 (in thousands):

Balance at January 1, 2011	\$ 55,652
Net income	1,665
Distributions	(1,665)
Balance at June 30, 2011	\$ 55,652
Balance at January 1, 2010	\$ 55,652
Net income	1,728
Distributions	(1,728)
Balance at June 30, 2010	\$ 55,652

Noncontrolling Interest Common Units of the Operating Partnership

During the six months ended June 30, 2011, 1,649,708 OP Units were presented by the holders for redemption (including 43,048 OP Units issued upon conversion of LTIP Units) and were redeemed by the Company in exchange for an equal number of shares of Common Stock.

At June 30, 2011, the Company had outstanding 400,000 2011 OPP Units (See Note 10). Prior to the measurement date on January 31, 2014, 2011 OPP Units will be entitled to receive per unit distributions equal to one-tenth (10%) of the regular quarterly distributions payable on an OP Unit, but will not be entitled to receive any special distributions. After the measurement date, the number of 2011 OPP Units, both vested and unvested, that 2011 OPP award recipients have earned, if any, based on the establishment of an outperformance pool, will be entitled to receive distributions in an amount per unit equal to distributions, both regular and special, payable on an OP Unit.

On February 5, 2011, the measurement period for the Company's 2008 OPP Awards expired and the Company's TRS performance was not sufficient for employees to earn and therefore become eligible to vest in any of the 2008 OPP Awards. Accordingly, all 2008 OPP Awards were automatically forfeited and the Operating Partnership repaid employees an amount equal to \$0.25 (which is equal to what they paid upon acceptance of the award) multiplied by the number of 2008 OPP Awards previously received.

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On January 28, 2011, the Operating Partnership paid a distribution on the OP Units and LTIP Units in the amount of \$0.50 per unit, and a distribution on the 2008 OPP Units in the amount of \$0.05 per unit, to holders of record as of the close of business on December 31, 2010. On April 29, 2011, the Operating Partnership paid a distribution on the OP Units and LTIP Units in the amount of \$0.50 per unit, and a distribution on the 2011 OPP Units in the amount of \$0.05 per unit, to holders of record as of the close of business on March 31, 2011. On June 17, 2011, Boston Properties, Inc., as general partner of the Operating Partnership, declared a distribution on the OP Units and LTIP Units in the amount of \$0.50 per unit and a distribution on the 2011 OPP Units in the amount of \$0.05 per unit, in each case payable on July 29, 2011 to holders of record as of the close of business on June 30, 2011.

The Series Two Preferred Units may be converted into OP Units at the election of the holder thereof at any time. A holder of an OP Unit may present such OP Unit to the Operating Partnership for redemption at any time (subject to restrictions agreed upon at the time of issuance of OP Units to particular holders that may restrict such redemption right for a period of time, generally one year from issuance). Upon presentation of an OP Unit for redemption, the Operating Partnership must redeem such OP Unit for cash equal to the then value of a share of common stock of the Company. The Company may, in its sole discretion, elect to assume and satisfy the redemption obligation by paying either cash or issuing one share of Common Stock. The value of the OP Units (not owned by the Company and including LTIP Units assuming that all conditions have been met for the conversion thereof) and Series Two Preferred Units (on an as converted basis) had all of such units been redeemed at June 30, 2011 was approximately \$2.06 billion and \$155.1 million, respectively, based on the closing price of the Company's common stock of \$106.16 per share on June 30, 2011.

Noncontrolling Interest Property Partnerships

The noncontrolling interests in property partnerships consist of the outside equity interest in ventures that are consolidated with the financial results of the Company because the Company exercises control over the entities that own the properties. The equity interests in these ventures that are not owned by the Company, totaling approximately \$(0.6) million at June 30, 2011 and December 31, 2010, are included in Noncontrolling Interests Property Partnerships on the accompanying Consolidated Balance Sheets.

9. Stockholders Equity

As of June 30, 2011, the Company had 146,387,021 shares of Common Stock outstanding.

During the six months ended June 30, 2011, the Company utilized its at the market (ATM) stock offering program to issue an aggregate of 4,228,993 shares of Common Stock for gross proceeds of approximately \$400.0 million and net proceeds of approximately \$394.7 million. No amount remains available for issuance under this ATM program. The Company intends to use the net proceeds from the sales for general business purposes, which may include investment opportunities and debt reduction. The Company's ATM stock offering program provided the Company with the ability to sell from time to time up to an aggregate of \$400.0 million of its common stock through sales agents over a three-year period.

On June 2, 2011, the Company established a new ATM stock offering program through which it may sell from time to time up to an aggregate of \$600.0 million of its common stock through sales agents over a three-year period. The Company did not issue any shares of common stock under this ATM program during the six months ended June 30, 2011.

During the six months ended June 30, 2011, the Company issued 299,263 shares of Common Stock upon the exercise of options to purchase Common Stock by certain employees.

During the six months ended June 30, 2011, the Company issued 1,649,708 shares of Common Stock in connection with the redemption of an equal number of OP Units.

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On January 28, 2011, the Company paid a dividend in the amount of \$0.50 per share of Common Stock to shareholders of record as of the close of business on December 31, 2010. On April 29, 2011, the Company paid a dividend in the amount of \$0.50 per share of Common Stock to shareholders of record as of the close of business on March 31, 2011. On June 17, 2011, the Company's Board of Directors declared a dividend in the amount of \$0.50 per share of Common Stock payable on July 29, 2011 to shareholders of record as of the close of business on June 30, 2011.

10. Earnings Per Share

The following table provides a reconciliation of both the net income attributable to Boston Properties, Inc. and the number of common shares used in the computation of basic earnings per share (EPS), which is calculated by dividing net income attributable to Boston Properties, Inc. by the weighted-average number of common shares outstanding during the period. The terms of the Series Two Preferred Units enable the holders to obtain OP Units of the Operating Partnership, as well as Common Stock of the Company. As a result, the Series Two Preferred Units are considered participating securities and are included in the computation of basic and diluted earnings per share of the Company if the effect of applying the if-converted method is dilutive. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. As a result, unvested restricted common stock of the Company, LTIP Units, 2008 OPP Units and 2011 OPP Units are considered participating securities and are included in the computation of basic and diluted earnings per share of the Company if the effect of applying the if-converted method is dilutive. Because the 2008 OPP Units and 2011 OPP Units require the Company to outperform absolute and relative return thresholds, unless such thresholds have been met by the end of the applicable reporting period, the Company excludes such units from the diluted EPS calculation. For the three and six months ended June 30, 2011, assuming the measurement period for the 2011 OPP Units ended on June 30, 2011, the Company's total return to stockholders compared to the absolute and relative return thresholds for the 2011 OPP Units would have resulted in participants earning the full outperformance awards. As a result, the 2011 OPP Units have been included in the diluted EPS calculation. For the three and six months ended June 30, 2010, the absolute and relative return thresholds for the 2008 OPP Units were not met and as a result the 2008 OPP Units have been excluded from the diluted EPS calculation. Other potentially dilutive common shares, including stock options, restricted stock and other securities of the Operating Partnership that are exchangeable for the Company's Common Stock, and the related impact on earnings, are considered when calculating diluted EPS.

	For the three months ended June 30, 2011		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
	(in thousands, except for per share amounts)		
Basic Earnings:			
Net income attributable to Boston Properties, Inc.	\$ 60,214	145,864	\$ 0.41
Effect of Dilutive Securities:			
Stock Based Compensation		831	(0.00)

Diluted Earnings:			
Net income	\$ 60,214	146,695	\$ 0.41

	For the three months ended June 30, 2010		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
	(in thousands, except for per share amounts)		
Basic Earnings:			
Net income attributable to Boston Properties, Inc.	\$ 61,412	139,113	\$ 0.44
Effect of Dilutive Securities:			
Stock Based Compensation		713	(0.00)

Diluted Earnings:			
Net income	\$ 61,412	139,826	\$ 0.44

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	For the six months ended June 30, 2011		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
Basic Earnings:			
Net income attributable to Boston Properties, Inc.	\$ 100,949	143,990	\$ 0.70
Effect of Dilutive Securities:			
Stock Based Compensation		620	(0.00)

Diluted Earnings:			
Net income	\$ 100,949	144,610	\$ 0.70

	For the six months ended June 30, 2010		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
Basic Earnings:			
Net income attributable to Boston Properties, Inc.	\$ 114,132	139,022	\$ 0.82
Effect of Dilutive Securities:			
Stock Based Compensation		690	(0.00)

Diluted Earnings:			
Net income	\$ 114,132	139,712	\$ 0.82

11. Stock Option and Incentive Plan

On January 20, 2011, the Compensation Committee of the Board of Directors of the Company approved outperformance awards under the Company's 1997 Stock Option and Incentive Plan (the "1997 Plan") to certain officers of the Company. These awards (the "2011 OPP Awards") are part of a broad-based, long-term incentive compensation program designed to provide the Company's management team with the potential to earn equity awards subject to the Company outperforming and creating shareholder value in a pay-for-performance structure. 2011 OPP Awards utilize total return to shareholders ("TRS") over a three-year measurement period as the performance metric and include two years of time-based vesting after the end of the performance measurement period (subject to acceleration in certain events) as a retention tool. Recipients of 2011 OPP Awards will share in an outperformance pool if the Company's TRS, including both share appreciation and dividends, exceeds absolute and relative hurdles over a three-year measurement period from February 1, 2011 to January 31, 2014, based on the average closing price of a share of the Company's common stock of \$93.38 for the five trading days prior to and including February 1, 2011. The aggregate reward that recipients of all 2011 OPP Awards can earn, as measured by the outperformance pool, is subject to a maximum cap of \$40.0 million.

The outperformance pool will consist of (i) two percent (2%) of the excess total return above a cumulative absolute TRS hurdle of 27% over the full three-year measurement period (equivalent to 9% per annum) (the "Absolute TRS Component") and (ii) two percent (2%) of the excess or deficient excess total return above or below a relative TRS hurdle equal to the total return of the SNL Equity REIT Index over the three-year measurement period (the "Relative TRS Component"). In the event that the Relative TRS Component is potentially positive because the Company's TRS is greater than the total return of the SNL Equity REIT Index, but the Company achieves a cumulative absolute TRS below 27% over the three-year measurement period (equivalent to 9% per annum), the actual contribution to the outperformance pool from the Relative TRS Component will be subject to a sliding scale factor as follows: (i) 100% of the potential Relative TRS Component will be earned if the Company's TRS is equal to or greater than a cumulative 27% over three years, (ii) 0% will be earned if the Company's TRS is 0% or less, and (iii) a percentage from 0% to 100% calculated by linear interpolation will be earned if the Company's cumulative TRS over three years is between 0% and 27%. For example, if the Company achieves a cumulative absolute TRS of 18% over the full three-year measurement

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period (equivalent to a 6% absolute annual TRS), the potential Relative TRS Component would be prorated by 66.67%. The potential Relative TRS Component before application of the sliding scale factor will be capped at \$40.0 million. In the event that the Relative TRS Component is negative because the Company's TRS is less than the total return of the SNL Equity REIT Index, any outperformance reward potentially earned under the Absolute TRS Component will be reduced dollar for dollar, provided that the potential Absolute TRS Component before reduction for any negative Relative TRS Component will be capped at \$40.0 million. The algebraic sum of the Absolute TRS Component and the Relative TRS Component determined as described above will never exceed \$40.0 million.

Each employee's 2011 OPP Award was designated as a specified percentage of the aggregate outperformance pool. Assuming the applicable absolute and/or relative TRS thresholds are achieved at the end of the measurement period, the algebraic sum of the Absolute TRS Component and the Relative TRS Component will be calculated and then allocated among the 2011 OPP Award recipients in accordance with each individual's percentage. If there is a change of control prior to January 31, 2014, the measurement period will end on the change of control date and both the Absolute TRS Component (using a pro rated absolute TRS hurdle) and the Relative TRS Component will be calculated and, assuming the applicable absolute and/or relative TRS thresholds are achieved over the shorter measurement period, allocated among the 2011 OPP Award recipients as of that date.

Rewards earned with respect to 2011 OPP Awards will vest 25% on February 1, 2014, 25% on February 1, 2015 and 50% on February 1, 2016, based on continued employment. Vesting will be accelerated in the event of a change in control of the Company, termination of employment without cause, termination of employment by the award recipient for good reason, death, disability or retirement, although restrictions on transfer will continue to apply in certain of these situations. All determinations, interpretations and assumptions relating to the calculation of performance and vesting relating to 2011 OPP Awards will be made by the Compensation Committee. 2011 OPP Awards will be in the form of LTIP Units. LTIP Units will be issued prior to the determination of the outperformance pool, but will remain subject to forfeiture depending on the extent of rewards earned with respect to 2011 OPP Awards. The number of LTIP Units issued initially to recipients of the 2011 OPP Awards is an estimate of the maximum number of LTIP Units that they could earn, based on certain assumptions. The number of LTIP Units actually earned by each award recipient will be determined at the end of the performance measurement period by dividing his or her share of the outperformance pool by the average closing price of a REIT Share for the 15 trading days immediately preceding the measurement date. Total return for the Company and for the SNL Equity REIT Index over the three-year measurement period and other circumstances will determine how many LTIP Units are earned by each recipient; if they are fewer than the number issued initially, the balance will be forfeited as of the performance measurement date. Prior to the measurement date, LTIP units issued on account of 2011 OPP Awards will be entitled to receive per unit distributions equal to one-tenth (10%) of the regular quarterly distributions payable on an OP Unit, but will not be entitled to receive any special distributions. After the measurement date, the number of LTIP Units, both vested and unvested, which 2011 OPP Award recipients have earned based on the establishment of an outperformance pool, will be entitled to receive distributions in an amount per unit equal to distributions, both regular and special, payable on an OP Unit. LTIP Units are designed to qualify as profits interests in the Operating Partnership for federal income tax purposes. As a general matter, the profits interests characteristics of the LTIP Units mean that initially they will not be economically equivalent in value to an OP Unit. If and when events specified by applicable tax regulations occur, LTIP Units can over time increase in value up to the point where they are equivalent to OP Units on a one-for-one basis. After LTIP Units are fully vested, and to the extent the special tax rules applicable to profits interests have allowed them to become equivalent in value to OP Units, LTIP Units may be converted on a one-for-one basis into OP Units. OP Units in turn have a one-for-one relationship in value with Boston Properties, Inc. common stock, and are exchangeable on such one-for-one basis for cash or, at the election of the Company, Boston Properties, Inc. common stock.

The 2011 OPP Units were valued at approximately \$7.8 million utilizing a Monte Carlo simulation to estimate the probability of the performance vesting conditions being satisfied. The Monte Carlo simulation used

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a statistical formula underlying the Black-Scholes and binomial formulas and such simulation was run approximately 100,000 times. For each simulation, the payoff is calculated at the settlement date, which is then discounted to the award date at a risk-free interest rate. The average of the values over all simulations is the expected value of the unit on the award date. Assumptions used in the valuations included (1) factors associated with the underlying performance of the Company's stock price and total shareholder return over the term of the performance awards including total stock return volatility and risk-free interest and (2) factors associated with the relative performance of the Company's stock price and total shareholder return when compared to the SNL Equity REIT Index. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. The fair value of the 2011 OPP Units is based on the sum of: (1) the present value of the expected payoff to the OPP Award on the measurement date, if the TRS over the applicable measurement period exceeds performance hurdles of the Absolute and the Relative Components; and (2) the present value of the distributions payable on the 2011 OPP Units. The ultimate reward realized on account of the OPP Award by the holders of the 2011 OPP Units is contingent on the TRS achieved on the measurement date, both in absolute terms and relative to the TRS of the SNL Equity REIT Index. The per unit fair value of each 2011 OPP Unit was estimated on the date of grant using the following assumptions in the Monte Carlo valuation: expected price volatility for the Company and the SNL Equity REIT index of 41% and 37%, respectively; a risk free rate of 0.98%; and total dividend payments over the measurement period of \$6.10 per share.

During the six months ended June 30, 2011, the Company issued 19,030 shares of restricted common stock, 146,844 non-qualified stock options, 190,067 LTIP Units and 400,000 2011 OPP Units to employees and non-employee directors under the 1997 Plan. Employees and directors paid \$0.01 per share of restricted common stock and \$0.25 per LTIP Unit and 2011 OPP Unit. An LTIP Unit is generally the economic equivalent of a share of restricted stock in the Company. The aggregate value of the LTIP Units is included in noncontrolling interests in the Consolidated Balance Sheets. Grants of restricted stock and LTIP Units vest in four equal annual installments. Restricted stock and LTIP Units are measured at fair value on the date of grant based on the number of shares or units granted, as adjusted for forfeitures, and the closing price of the Company's Common Stock on the date of grant as quoted on the New York Stock Exchange. Such value is recognized as an expense ratably over the corresponding employee service period. The shares of restricted stock granted during the six months ended June 30, 2011 were valued at approximately \$1.8 million (\$93.40 per share weighted-average). The non-qualified stock options granted during the six months ended June 30, 2011 had a fair value on the date of grant of \$24.67 per option, which was computed using the Black-Scholes option-pricing model utilizing the following assumptions: an expected life of 6.0 years, a risk-free interest rate of 2.37%, an expected price volatility of 35.0% and an expected dividend yield of 3.0%. The exercise price of the options is \$92.71, which was the closing price of the Company's common stock on the date of grant. The LTIP Units granted during the six months ended June 30, 2011 were valued at approximately \$16.5 million (\$86.74 per unit fair value weighted-average) using a Monte Carlo simulation method model. The per unit fair value of each LTIP Unit granted was estimated on the date of grant using the following assumptions: an expected life of 5.8 years, a risk-free interest rate of 2.22% and an expected price volatility of 30.0%. As the 2011 OPP Awards are subject to both a service condition and a market condition, the Company recognizes the compensation expense related to the 2011 OPP Awards under the graded vesting attribution method. Under the graded vesting attribution method, each portion of the award that vests at a different date is accounted for as a separate award and recognized over the period appropriate to that portion so that the compensation cost for each portion should be recognized in full by the time that portion vests. Dividends paid on both vested and unvested shares of restricted stock are charged directly to Earnings in Excess of Dividends in the Consolidated Balance Sheets. Aggregate stock-based compensation expense associated with restricted stock, non-qualified stock options, LTIP Units, 2008 OPP Units and 2011 OPP Units was approximately \$5.6 million and \$6.1 million for the three months ended June 30, 2011 and 2010, respectively, and approximately \$17.2 million and \$19.9 million for the six months ended June 30, 2011 and 2010, respectively. Upon the conclusion of the three-year measurement period in February 2011, the 2008 OPP Awards were not earned, the program was terminated and the Company accelerated the then remaining unrecognized compensation expense totaling approximately \$4.3 million during the six months ended June 30, 2011. For the six months ended June 30, 2010, stock-based compensation expense includes an aggregate of approximately \$5.8 million of remaining previously unvested stock-based compensation granted between 2006 and 2009 to Edward H. Linde, the Company's late Chief Executive Officer,

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which expense was accelerated as a result of his passing on January 10, 2010. At June 30, 2011, there was \$34.3 million of unrecognized compensation expense related to unvested restricted stock and LTIP Units and \$6.6 million of unrecognized compensation expense related to unvested 2011 OPP Units that is expected to be recognized over a weighted-average period of approximately 2.8 years.

12. Segment Information

The Company's segments are based on the Company's method of internal reporting which classifies its operations by both geographic area and property type. The Company's segments by geographic area are Greater Boston, Greater Washington, DC, Midtown Manhattan, Greater San Francisco and New Jersey. Segments by property type include: Class A Office, Office/Technical, Residential and Hotels.

Asset information by segment is not reported because the Company does not use this measure to assess performance. Therefore, depreciation and amortization expense is not allocated among segments. Interest and other income, development and management services, general and administrative expenses, acquisition costs, interest expense, depreciation and amortization expense, gain from suspension of development, gains (losses) from investments in securities, losses from early extinguishments of debt, income from unconsolidated joint ventures, gain on sale of real estate and noncontrolling interests are not included in Net Operating Income as internal reporting addresses these items on a corporate level.

Net Operating Income is not a measure of operating results or cash flows from operating activities as measured by accounting principles generally accepted in the United States of America, and it is not indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. All companies may not calculate Net Operating Income in the same manner. The Company considers Net Operating Income to be an appropriate supplemental measure to net income because it helps both investors and management to understand the core operations of the Company's properties.

Information by geographic area and property type:

Three months ended June 30, 2011 (dollars in thousands):

	Greater Boston	Greater Washington, DC	Midtown Manhattan	Greater San Francisco	New Jersey	Total
Rental Revenue:						
Class A	\$ 136,126	\$ 86,752	\$ 113,407	\$ 54,168	\$ 15,811	\$ 406,264
Office/Technical	7,659	3,950				11,609
Residential		576				576
Hotel	8,904					8,904
Total	152,689	91,278	113,407	54,168	15,811	427,353
% of Total	35.73%	21.36%	26.54%	12.67%	3.70%	100.00%
Real Estate Operating Expenses:						
Class A	51,070	24,676	37,378	20,118	7,487	140,729
Office/Technical	2,412	1,011				3,423
Residential		723				723
Hotel	6,281					6,281
Total	59,763	26,410	37,378	20,118	7,487	151,156
% of Total	39.54%	17.47%	24.73%	13.31%	4.95%	100.00%
Net Operating Income	\$ 92,926	\$ 64,868	\$ 76,029	\$ 34,050	\$ 8,324	\$ 276,197
% of Total	33.64%	23.49%	27.53%	12.33%	3.01%	100.00%

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Three months ended June 30, 2010 (dollars in thousands):

	Greater Boston	Greater Washington, DC	Midtown Manhattan	Greater San Francisco	New Jersey	Total
Rental Revenue:						
Class A	\$ 91,479	\$ 82,573	\$ 110,976	\$ 53,484	\$ 16,526	\$ 355,038
Office/Technical	7,597	3,951				11,548
Residential						
Hotel	8,371					8,371
Total	107,447	86,524	110,976	53,484	16,526	374,957
% of Total	28.66%	23.07%	29.60%	14.26%	4.41%	100.00%
Real Estate Operating Expenses:						
Class A	33,919	22,052	36,824	19,621	7,792	120,208
Office/Technical	2,107	969				3,076
Residential						
Hotel	6,089					6,089
Total	42,115	23,021	36,824	19,621	7,792	129,373
% of Total	32.55%	17.80%	28.46%	15.17%	6.02%	100.00%
Net Operating Income	\$ 65,332	\$ 63,503	\$ 74,152	\$ 33,863	\$ 8,734	\$ 245,584
% of Total	26.60%	25.86%	30.19%	13.79%	3.56%	100.00%

Six months ended June 30, 2011 (dollars in thousands):

	Greater Boston	Greater Washington, DC	Midtown Manhattan	Greater San Francisco	New Jersey	Total
Rental Revenue:						
Class A	\$ 263,554	\$ 170,094	\$ 226,414	\$ 107,061	\$ 32,090	\$ 799,213
Office/Technical	15,217	7,942				23,159
Residential		576				576
Hotel	14,852					14,852
Total	293,623	178,612	226,414	107,061	32,090	837,800
% of Total	35.05%	21.32%	27.02%	12.78%	3.83%	100.00%
Real Estate Operating Expenses:						
Class A	98,967	48,185	75,092	39,452	15,402	277,098
Office/Technical	4,892	2,133				7,025
Residential		723				723
Hotel	12,020					12,020
Total	115,879	51,041	75,092	39,452	15,402	296,866
% of Total	39.03%	17.19%	25.30%	13.29%	5.19%	100.00%
Net Operating Income	\$ 177,744	\$ 127,571	\$ 151,322	\$ 67,609	\$ 16,688	\$ 540,934

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% of Total	32.86%	23.58%	27.97%	12.50%	3.09%	100.00%
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Six months ended June 30, 2010 (dollars in thousands):

	Greater Boston	Greater Washington, DC	Midtown Manhattan	Greater San Francisco	New Jersey	Total
Rental Revenue:						
Class A	\$ 179,686	\$ 166,418	\$ 220,918	\$ 106,631	\$ 33,005	\$ 706,658
Office/Technical	15,181	7,971				23,152
Residential						
Hotel	14,274					14,274
Total	209,141	174,389	220,918	106,631	33,005	744,084
% of Total	28.11%	23.44%	29.69%	14.33%	4.43%	100.00%
Real Estate Operating Expenses:						
Class A	67,399	45,723	74,269	38,731	15,630	241,752
Office/Technical	4,373	2,144				6,517
Residential						
Hotel	11,357					11,357
Total	83,129	47,867	74,269	38,731	15,630	259,626
% of Total	32.02%	18.43%	28.61%	14.92%	6.02%	100.00%
Net Operating Income	\$ 126,012	\$ 126,522	\$ 146,649	\$ 67,900	\$ 17,375	\$ 484,458
% of Total	26.01%	26.12%	30.27%	14.01%	3.59%	100.00%

The following is a reconciliation of Net Operating Income to net income attributable to Boston Properties, Inc.:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net Operating Income	\$ 276,197	\$ 245,584	\$ 540,934	\$ 484,458
Add:				
Development and management services income	9,098	18,884	16,526	27,828
Income from unconsolidated joint ventures	8,882	7,465	16,858	15,375
Interest and other income	1,953	2,117	2,927	3,827
Gains on sales of real estate		969		2,734
Less:				
General and administrative expense	20,069	17,648	44,712	44,470
Acquisition costs	13		85	
Gain from suspension of development				(7,200)
Depreciation and amortization expense	111,080	81,400	220,508	164,475
Losses (gains) from investments in securities	(6)	678	(379)	478
Interest expense	95,236	96,755	194,387	188,784
Losses from early extinguishments of debt		6,051		8,221
Noncontrolling interest in property partnerships	503	864	1,032	1,668
Noncontrolling interest redeemable preferred units of the Operating Partnership	842	836	1,665	1,728
Noncontrolling interest common units of the Operating Partnership	8,179	9,250	14,286	17,114
Noncontrolling interest in gains on sales of real estate common units of the Operating Partnership		125		352
Net income attributable to Boston Properties, Inc.	\$ 60,214	\$ 61,412	\$ 100,949	\$ 114,132

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13. Subsequent Events

On July 1, 2011, the Company placed in-service The Lofts at Atlantic Wharf, the residential component of its Atlantic Wharf development project located in Boston, Massachusetts. The residential component is comprised of 86 units and retail space aggregating approximately 88,000 square feet.

On July 13, 2011, the Company completed and placed in-service the Residences on The Avenue, the residential component of its 2221 I Street, NW development project located in Washington, DC. The residential component is comprised of 335 units and retail space aggregating approximately 325,000 square feet.

On July 14, 2011, the Company entered into a 15-year lease for 100% of a build-to-suit development project with approximately 190,000 net rentable square feet of Class A office space located on land owned by the Company at 17 Cambridge Center in Cambridge, Massachusetts.

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ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

As used herein, the terms we, us, our and the Company refer to Boston Properties, Inc., a Delaware corporation organized in 1997, individually or together with its subsidiaries, including Boston Properties Limited Partnership, a Delaware limited partnership, and our predecessors.

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. We caution investors that any forward-looking statements presented in this report, or which management may make orally or in writing from time to time, are based on beliefs and assumptions made by, and information currently available to, management. When used, the words anticipate, believe, estimate, expect, intend, may, might, plan, project, result, should, will and similar expressions which do not relate solely to historical matters to identify forward-looking statements. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected by the forward-looking statements. We caution you that while forward-looking statements reflect our good-faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. Accordingly, investors should use caution in relying on forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

the continuing impact of high unemployment and other macroeconomic trends, which is having and may continue to have a negative effect on the following, among other things:

the fundamentals of our business, including overall market occupancy, tenant space utilization, and rental rates;

the financial condition of our tenants, many of which are financial, legal and other professional firms, our lenders, counterparties to our derivative financial instruments and institutions that hold our cash balances and short-term investments, which may expose us to increased risks of default by these parties; and

the value of our real estate assets, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis;

general risks affecting the real estate industry (including, without limitation, the inability to enter into or renew leases, dependence on tenants' financial condition, and competition from other developers, owners and operators of real estate);

failure to manage effectively our growth and expansion into new markets and sub-markets or to integrate acquisitions and developments successfully;

the ability of our joint venture partners to satisfy their obligations;

risks and uncertainties affecting property development and construction (including, without limitation, construction delays, cost overruns, inability to obtain necessary permits and public opposition to such activities);

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risks associated with the availability and terms of financing and the use of debt to fund acquisitions and developments, including the impact of higher interest rates on the cost and/or availability of financing;

risks associated with forward interest rate contracts and the effectiveness of such arrangements;

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risks associated with downturns in the national and local economies, increases in interest rates, and volatility in the securities markets;

risks associated with actual or threatened terrorist attacks;

costs of compliance with the Americans with Disabilities Act and other similar laws;

potential liability for uninsured losses and environmental contamination;

risks associated with our potential failure to qualify as a REIT under the Internal Revenue Code of 1986, as amended;

possible adverse changes in tax and environmental laws;

the impact of newly adopted accounting principles on our accounting policies and on period-to-period comparisons of financial results;

risks associated with possible state and local tax audits;

risks associated with our dependence on key personnel whose continued service is not guaranteed; and

the other risk factors identified in our most recently filed Annual Report on Form 10-K, including those described under the caption Risk Factors.

The risks set forth above are not exhaustive. Other sections of this report may include additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all risk factors, nor can it assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Investors should also refer to our most recent Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q for future periods and Current Reports on Form 8-K as we file them with the SEC, and to other materials we may furnish to the public from time to time through Forms 8-K or otherwise, for a discussion of risks and uncertainties that may cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements. We expressly disclaim any responsibility to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events, or otherwise, and you should not rely upon these forward-looking statements after the date of this report.

Overview

We are a fully integrated self-administered and self-managed REIT and one of the largest owners and developers of Class A office properties in the United States. Our properties are concentrated in five markets Boston, midtown Manhattan, Washington, DC, San Francisco and Princeton, NJ. We generate revenue and cash primarily by leasing our Class A office space to our tenants. Factors we consider when we lease space include the creditworthiness of the tenant, the length of the lease, the rental rate to be paid, the costs of tenant improvements and other landlord concessions, current and anticipated operating costs and real estate taxes, our current and anticipated vacancy, current and anticipated future demand for office space and general economic factors. From time to time, we also generate cash through the sale of assets.

Our core strategy has always been to operate in supply-constrained markets with high barriers to entry and to focus on executing long-term leases with financially strong tenants. Historically, this combination has tended to reduce our exposure in down cycles and enhance revenues as

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market conditions improve. To be successful in the current leasing environment, we believe all aspects of the tenant-landlord relationship must be considered. In this regard, we believe that our understanding of tenants' short- and long-term space needs in the local markets, our relationships with local brokers, our reputation as a premier owner and operator of Class A office properties,

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our financial strength and our ability to maintain high building standards provide us with a competitive advantage in an increasingly fragmented office market. We expect tenants in our markets to continue to take advantage of the ability to upgrade to high-quality space like ours, particularly those who value our operational expertise and financial stability when making their leasing decisions.

With respect to leasing trends, we believe that rental rates and occupancy levels in all of our markets have stabilized. Leasing trends continue to improve in the Back Bay, Cambridge and Waltham submarkets of Boston, Reston, Virginia, and the Central Business District and suburban submarkets of San Francisco, which suggests that there are pockets of the economy that are growing despite the uncertainty and challenging macroeconomic issues facing the country. These submarkets are experiencing stronger leasing velocity, additional space growth, increasing rental rates and/or lower transaction concessions. The midtown Manhattan market has seen a modest reduction in transaction velocity from its strong activity over the past few quarters. In Washington, DC, the leasing activity in the public sector market has been adversely impacted by the federal budgetary uncertainty and the reductions in discretionary spending programs, while the private sector market has been stable with modest activity.

Overall, during the second quarter of 2011, leases for approximately 1.2 million square feet of space commenced revenue recognition, including leases for approximately 479,000 square feet of first generation space, stemming mostly from completion of development projects, and approximately 761,000 square feet of second generation leases. These second generation leases had an average lease term of approximately 64 months and included an average of approximately 73 days of free rent and total transaction costs, including tenant improvements and leasing commissions, of approximately \$22 per square foot. Transaction costs were relatively low compared to recent historical standards due to a high percentage of renewing tenants and leasing activity emanating from suburban locations. The starting gross rents for second generation leases for approximately 1.2 million square feet of space that had been occupied within the prior 12 months increased on average by approximately 2.5% compared to the ending gross rents from the previous leases for this space. Lease terms are highly dependent on location (i.e., whether the property is in a Central Business District or suburban location), whether the lease is a renewal or with a new tenant, and the length of the lease term.

As of June 30, 2011, leases representing approximately 4.0% of the space at our properties expire through December 31, 2011. While rental rates in our markets have stabilized and have begun to increase in select submarkets, as these leases expire, assuming no further change in current market rental rates, we expect the rental rates we are likely to achieve on new leases will generally be less than the rates currently being paid, thereby generally resulting in less revenue from the same space. We estimate that the average rent currently paid by our office tenants for leases that expire during the remainder of 2011 is approximately 10% greater than current market rates for comparable space. Much of this expected roll-down is due to expiring leases at Embarcadero Center in San Francisco, California. Because the individual labor and industry markets may recover at different paces, we may see varying degrees of strength or softness in our core markets.

The improvement in the leasing markets has also provided us the opportunity to utilize our strong development capabilities with the start of approximately \$1.1 billion in new ground-up projects. The largest project is the resumption of development of 250 West 55th Street, an approximately 989,000 square foot office tower in midtown Manhattan for which we have signed a lease for 19% of the project and are in the process of resuming construction. In addition, we (1) signed a lease for a 190,000 square foot build-to-suit project for Biogen Idec in Cambridge, Massachusetts, (2) began construction for the Defense Intelligence Agency on its 523,000 square foot headquarters in Reston, Virginia, (3) commenced the redevelopment of 500 North Capitol Street in Washington, DC, which is 74% pre-leased, and (4) started a 120,000 square foot speculative project, our second building in a office development located outside Fort Meade in Annapolis, Maryland .

We believe the successful lease-up and completion of our development pipeline will enhance our long-term return on equity and earnings growth as these developments are placed in-service through 2014. Since the beginning of 2011, we have partially or fully placed in-service Atlantic Wharf, The Lofts at Atlantic Wharf,

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2200 Pennsylvania Avenue, the Residences on The Avenue and 510 Madison Avenue. We continue to have discussions with prospective tenants for the commencement of additional developments in our Washington, DC market. We are also finalizing design for the development of a 359 unit residential project adjacent to our mixed-use office and retail complex in Reston Town Center.

We also continue to actively explore acquisition opportunities. Since September 2010, we acquired approximately \$1.5 billion of Class A office properties in four transactions. We believe acquisition opportunities will continue to present themselves in 2011. However, potential buyers have also become more aggressive about expectations for a recovery as evidenced by the high level of interest we are seeing in marketed assets. The combination of relatively low interest rates and the abundance of capital seeking high-quality assets may have a dampening effect on return expectations, particularly in our existing core markets. In light of this fact, we are open to investments in new markets both in the United States and possibly outside the United States. We are primarily interested in investing in markets that share common traits with our existing core markets, namely 24-hour world class cities with highly educated work forces, high barriers to entry and a diverse and strong international tenant base, and in which we would expect to establish an operating platform over time. In evaluating other markets, we believe it is important that we understand the political and legal structures and that those structures are stable. We believe, for example, that London fits these parameters, and while an investment there is not imminent, we have been evaluating opportunities in that market, as well as others, and we expect to continue to do so. While our management team is actively seeking opportunities, our management team intends to carefully evaluate the risks inherent in investing in any new markets and maintain our disciplined investment strategy, which focuses on high-quality assets in supply-constrained markets that have historically provided long-term value creation.

These same market conditions which make acquiring assets at attractive yields challenging provide us with the opportunity to sell assets. We currently have our Two Grand Central Tower joint venture asset (our share is 60%) on the market and may consider the sale of other assets in our portfolio. Given the low interest rate environment and the opportunity to further enhance our capital position and elongate our debt maturity schedule, we have also been active in the capital markets. During the second quarter of 2011, we renewed our Operating Partnership's Unsecured Line of Credit for a term of three years with a maximum commitment of \$750 million, which can be increased to \$1.0 billion subject to certain conditions. We are actively working to refinance 601 Lexington Avenue, which was previously financed with a secured loan that matured on May 11, 2011 and was temporarily refinanced using our Operating Partnership's Unsecured Line of Credit. We expect to finalize a new long-term secured mortgage of approximately \$725 million with a per annum interest rate of approximately 4.75% during the third quarter of 2011. Our remaining liquidity, including available cash as of August 1, 2011 of approximately \$600 million and availability under our Operating Partnership's \$750 million Unsecured Line of Credit, is expected to provide sufficient capacity to fund the completion of our development pipeline and provide capital for future investments. In addition, during the quarter, we established a new \$600 million at the market (ATM) equity offering program that provides an additional source of liquidity. We believe the quality of our assets and our strong balance sheet are attractive to lenders and equity investors' current investment selectivity and should enable us to continue to access multiple sources of capital.

Transactions during the three months ended June 30, 2011 included the following:

During the second quarter of 2011, we utilized our at the market (ATM) stock offering program to issue an aggregate of 533,778 shares of our common stock for gross proceeds of approximately \$50.0 million and net proceeds of approximately \$49.3 million. We intend to use the net proceeds from the sales for general business purposes, which may include investment opportunities and debt reduction. Our ATM stock offering program provided us with the ability to sell from time to time up to an aggregate of \$400.0 million of our common stock through sales agents over a three-year period. No amount remains available for issuance under this ATM program.

On June 2, 2011, we established a new ATM stock offering program through which we may sell from time to time up to an aggregate of \$600.0 million of our common stock through sales agents over a three-year period. No shares of common stock have yet been issued under this new ATM program.

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On May 1, 2011, we placed in-service approximately 16% of our 510 Madison Avenue development project located in New York City. 510 Madison Avenue is an approximately 347,000 net rentable square foot Class A office property.

On May 11, 2011, we refinanced at maturity our mortgage loan collateralized by 601 Lexington Avenue in New York City totaling approximately \$453.3 million utilizing the proceeds of a draw under our Operating Partnership's Unsecured Line of Credit, which borrowing was secured by a mortgage on the property. The mortgage loan bore interest at a fixed rate of 7.19% per annum. We expect to enter into a long-term financing during the third quarter of 2011 totaling approximately \$725.0 million at a per annum interest rate of approximately 4.75%.

On May 11, 2011, we partially placed in-service the Residences on The Avenue, the residential component of our 2221 I Street, NW development project located in Washington, DC. The residential component is comprised of 335 units and retail space aggregating approximately 325,000 square feet. On July 13, 2011, the residential component was completed and placed in-service.

On May 23, 2011, we entered into a ground lease for 75 Ames Street, a vacant land parcel in Cambridge, Massachusetts located on the same site as our Cambridge Center West Garage property and adjacent to our Seven Cambridge Center property, to a third party. In addition, we entered into a development agreement to serve as project manager for a 250,000 square foot research laboratory building to be developed on the site at the ground lessee's expense and will also serve, upon completion of development, as property manager. The terms of the ground lease require us to form a condominium for the site upon completion of the development, at which time each party will subject their respective interests in the buildings and land to the condominium and will in turn be conveyed a condominium unit comprised of their respective building as well as an undivided ownership interest in the land. Gross proceeds to us are expected to be \$56.8 million, including \$11.4 million in development fees for our services. As of June 30, 2011, we had received approximately \$47.4 million and anticipate receiving another \$9.4 million in development fees through the third quarter of 2014. The cash received under the ground lease will initially be recognized as unearned revenue and recognized over the 99-year term of the ground lease. We will recognize approximately \$459,000 per year in ground lease payments prior to the anticipated conveyance of the condominium interest in 2014. Upon completion of the development and conveyance of the condominium interest, the transaction and related remaining costs will be accounted for and recognized as a gain on sale of real estate in accordance with ASC 360-20 Real Estate Sales.

On May 24, 2011, we signed a lease with the law firm of Morrison & Foerster LLP for approximately 184,000 square feet at 250 West 55th Street, our planned approximately 989,000 square foot office project in midtown Manhattan. Construction of the project is scheduled to resume as early as the fall of 2011, and the law firm expects to move into the completed building in the spring of 2014. Our incremental cost to complete the project, excluding capitalized interest, is expected to be approximately \$400.0 million. Including our investment to date and capitalized interest, the total project cost upon building completion is expected to be approximately \$1.05 billion. In conjunction with the execution of the lease, we have resumed the development and commenced capitalization of interest on our existing investment in the project of approximately \$480.0 million and will capitalize the remaining project costs as incurred.

On June 3, 2011, a joint venture in which we have a 50% interest amended its joint venture agreement to add a new development project to its Annapolis Junction property located in Annapolis, Maryland. The outside joint venture partner contributed the improved parcel of land and we contributed cash for our 50% interest. The development project is an approximately 120,000 net rentable square foot Class A office project which is expected to be completed during the first quarter of 2012.

On June 6, 2011, we terminated our agreement, dated April 21, 2011, to sell our Carnegie Center portfolio located in Princeton, New Jersey for approximately \$468.0 million. Carnegie Center is a sixteen building Class A office park set on 560 acres and totaling more than 2.0 million net rentable

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square feet. Under the terms of the agreement, either party had the right to terminate the agreement at any time without any cost or payment to the other party. We are not currently marketing the portfolio for sale.

On June 24, 2011, our Operating Partnership amended and restated the revolving credit agreement governing our Operating Partnership's Unsecured Line of Credit, which (1) reduced the total commitment from \$1.0 billion to \$750.0 million, (2) extended the maturity date from August 3, 2011 to June 24, 2014, with a provision for a one-year extension at the Operating Partnership's option, subject to certain conditions and the payment of an extension fee equal to 0.20% of the total commitment then in effect, and (3) increased the per annum variable interest rates available, which resulted in an increase of the per annum variable interest rate on outstanding balances from Eurodollar plus 0.475% per annum to Eurodollar plus 1.225% per annum. Under the amended Unsecured Line of Credit, our Operating Partnership may increase the total commitment to \$1.0 billion, subject to syndication of the increase. In addition, a facility fee currently equal to an aggregate of 0.225% per annum of the total commitment is payable in equal quarterly installments. The interest rate and facility fee are subject to adjustment in the event of a change in the Operating Partnership's unsecured debt ratings. The amended Unsecured Line of Credit also contains a competitive bid option that allows banks that are part of the lender consortium to bid to make loan advances to the Operating Partnership at a reduced interest rate.

On June 28, 2011, our Value-Added Fund modified the mortgage loan collateralized by its Mountain View Research Park property located in Mountain View, California. The mortgage totaling approximately \$112.3 million bore interest at a variable rate equal to LIBOR plus 1.75% per annum and had matured on May 31, 2011. The new mortgage loan totaling \$92.0 million bears interest at a variable rate equal to LIBOR plus 2.50% per annum and matures on May 31, 2014. In connection with the loan modification, the joint venture repaid approximately \$20.3 million of the previous mortgage loan utilizing unfunded capital commitments from the joint venture's partners on a pro rata basis, existing cash reserves and the proceeds from a loan from our Operating Partnership. The loan from our Operating Partnership consists of an agreement to lend up to \$12.0 million to our Value-Added Fund, of which approximately \$6.4 million has been advanced. The loan from our Operating Partnership bears interest at a fixed rate of 10.0% per annum and matures on May 31, 2014.

On June 29, 2011, our Value-Added Fund extended the maturity date to November 15, 2011 of the mortgage loan collateralized by its Mountain View Technology Park property located in Mountain View, California totaling approximately \$24.7 million. The mortgage loan bears interest at a variable rate equal to LIBOR plus 1.50% per annum.

Transactions completed subsequent to June 30, 2011:

On July 1, 2011, we placed in-service The Lofts at Atlantic Wharf, the residential component of our Atlantic Wharf development project located in Boston, Massachusetts. The residential component is comprised of 86 units and retail space aggregating approximately 88,000 square feet.

On July 1, 2011, we entered into lease amendments with the existing tenant at our three-building complex in Reston, Virginia, which will be redeveloped as the headquarters for the Defense Intelligence Agency. Under the agreements, the tenant will terminate early its leases for approximately 523,000 square feet at the complex and be responsible for certain payments to us aggregating approximately \$14.8 million, of which approximately \$13.0 million will be recognized in the third and fourth quarters of 2011 with the remaining \$1.8 million to be recognized in 2012.

On July 14, 2011, we entered into a 15-year lease with Biogen Idec for 100% of a build-to-suit development project with approximately 190,000 net rentable square feet of Class A office space located on land owned by us at 17 Cambridge Center in Cambridge, Massachusetts. We expect that the project will be complete and available for occupancy during the third quarter of 2013.

Table of Contents**Critical Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, requires management to use judgment in the application of accounting policies, including making estimates and assumptions. We base our estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied resulting in a different presentation of our financial statements. From time to time, we evaluate our estimates and assumptions. In the event estimates or assumptions prove to be different from actual results, adjustments are made in subsequent periods to reflect more current information. Below is a discussion of accounting policies that we consider critical in that they may require complex judgment in their application or require estimates about matters that are inherently uncertain.

Real Estate

Upon acquisitions of real estate, we assess the fair value of acquired tangible and intangible assets, including land, buildings, tenant improvements, above- and below-market leases, origination costs, acquired in-place leases, other identified intangible assets and assumed liabilities, and allocate the purchase price to the acquired assets and assumed liabilities, including land at appraised value and buildings as if vacant. We assess and consider fair value based on estimated cash flow projections that utilize discount and/or capitalization rates that we deem appropriate, as well as available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known and anticipated trends, and market and economic conditions.

The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant. We also consider an allocation of purchase price of other acquired intangibles, including acquired in-place leases that may have a customer relationship intangible value, including (but not limited to) the nature and extent of the existing relationship with the tenants, the tenants' credit quality and expectations of lease renewals. Based on our acquisitions to date, our allocation to customer relationship intangible assets has been immaterial.

We record acquired above- and below-market leases at their fair values (using a discount rate which reflects the risks associated with the leases acquired) equal to the difference between (1) the contractual amounts to be paid pursuant to each in-place lease and (2) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases. Other intangible assets acquired include amounts for in-place lease values that are based on our evaluation of the specific characteristics of each tenant's lease. Factors to be considered include estimates of carrying costs during hypothetical expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, we consider leasing commissions, legal and other related expenses.

Management reviews its long-lived assets used in operations for impairment following the end of each quarter and when there is an event or change in circumstances that indicates an impairment in value. An impairment loss is recognized if the carrying amount of its assets is not recoverable and exceeds its fair value. If such criteria are present, an impairment loss is recognized based on the excess of the carrying amount of the asset over its fair value. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Because cash flows on properties considered to be long-lived assets to be held

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and used are considered on an undiscounted basis to determine whether an asset has been impaired, our established strategy of holding properties over the long term directly decreases the likelihood of recording an impairment loss. If our strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized and such loss could be material. If we determine that impairment has occurred, the affected assets must be reduced to their fair value.

Guidance in Accounting Standards Codification (ASC) 360 Property Plant and Equipment (ASC 360) requires that qualifying assets and liabilities and the results of operations that have been sold, or otherwise qualify as held for sale, be presented as discontinued operations in all periods presented if the property operations are expected to be eliminated and we will not have significant continuing involvement following the sale. The components of the property's net income that is reflected as discontinued operations include the net gain (or loss) upon the disposition of the property held for sale, operating results, depreciation and interest expense (if the property is subject to a secured loan). We generally consider assets to be held for sale when the transaction has been approved by our Board of Directors, or a committee thereof, and there are no known significant contingencies relating to the sale, such that a sale of the property within one year is considered probable. Following the classification of a property as held for sale, no further depreciation is recorded on the assets, and the asset is written down to the lower of carrying value or fair market value.

Real estate is stated at depreciated cost. A variety of costs are incurred in the acquisition, development and leasing of properties. The cost of buildings and improvements includes the purchase price of property, legal fees and other acquisition costs. Beginning January 1, 2009, we are required to expense costs the acquirer incurs to effect a business combination such as legal, due diligence and other closing related costs. Costs directly related to the development of properties are capitalized. Capitalized development costs include interest, internal wages, property taxes, insurance, and other project costs incurred during the period of development. After the determination is made to capitalize a cost, it is allocated to the specific component of a project that is benefited. Determination of when a development project commences and capitalization begins, and when a development project is substantially complete and held available for occupancy and capitalization must cease, involves a degree of judgment. Our capitalization policy on development properties is guided by guidance in ASC 835-20 Capitalization of Interest and ASC 970 Real Estate General. The costs of land and buildings under development include specifically identifiable costs.

The capitalized costs include pre-construction costs necessary to the development of the property, development costs, construction costs, interest costs, real estate taxes, salaries and related costs and other costs incurred during the period of development. We begin the capitalization of costs during the pre-construction period which we define as activities that are necessary to the development of the property. We consider a construction project as substantially completed and held available for occupancy upon the completion of tenant improvements, but no later than one year from cessation of major construction activity. We cease capitalization on the portion (1) substantially completed, (2) occupied or held available for occupancy, and we capitalize only those costs associated with the portion under construction or (3) if activities necessary for the development of the property have been suspended.

Investments in Unconsolidated Joint Ventures

Except for ownership interests in VIEs for which we are the primary beneficiary, we account for our investments in joint ventures under the equity method of accounting because we exercise significant influence over, but do not control, these entities. Our judgment with respect to our level of influence or control of an entity and whether we are the primary beneficiary of a VIE involves the consideration of various factors including the form of our ownership interest, our representation in the entity's governance, the size of our investment (including loans), estimates of future cash flows, our ability to participate in policy making decisions and the rights of the other investors to participate in the decision making process and to replace us as manager and/or liquidate the venture, if applicable. Our assessment of our influence or control over an entity affects the presentation of these investments in our Consolidated Financial Statements.

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These investments are recorded initially at cost, as Investments in Unconsolidated Joint Ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in earnings of unconsolidated joint ventures over the life of the related asset. Under the equity method of accounting, our net equity is reflected within the Consolidated Balance Sheets, and our share of net income or loss from the joint ventures is included within the Consolidated Statements of Operations. The joint venture agreements may designate different percentage allocations among investors for profits and losses, however, our recognition of joint venture income or loss generally follows the joint venture's distribution priorities, which may change upon the achievement of certain investment return thresholds. For ownership interests in VIEs, we consolidate those in which we are the primary beneficiary. Our investments in unconsolidated joint ventures are reviewed for impairment periodically and we record impairment charges when events or circumstances change indicating that a decline in the fair value below the carrying values have occurred and such decline is other-than-temporary. The ultimate realization of our investment in unconsolidated joint ventures is dependent on a number of factors, including the performance of each investment and market conditions. We will record an impairment charge if we determine that a decline in the value of an investment in an unconsolidated joint venture is other than temporary.

To the extent that we contribute assets to a joint venture, our investment in the joint venture is recorded at our cost basis in the assets that were contributed to the joint venture. To the extent that our cost basis is different than the basis reflected at the joint venture level, the basis difference is amortized over the life of the related asset and included in our share of equity in net income of the joint venture. We will recognize gains on the contribution of real estate to joint ventures, relating solely to the outside partner's interest, to the extent the economic substance of the transaction is a sale.

The combined summarized financial information of the unconsolidated joint ventures is disclosed in Note 4 to the Consolidated Financial Statements.

Revenue Recognition

Contractual rental revenue is reported on a straight-line basis over the terms of our respective leases. We recognize rental revenue of acquired in-place above- and below-market leases at their fair values over the terms of the respective leases. Accrued rental income as reported on the Consolidated Balance Sheets represents rental income recognized in excess of rent payments actually received pursuant to the terms of the individual lease agreements.

For the three and six months ended June 30, 2011, we recorded approximately \$2.6 million and \$5.3 million, respectively, of rental revenue representing the net adjustments of rents from above- and below-market leases. For the three and six months ended June 30, 2011, the impact of the straight-line rent adjustment increased rental revenue by approximately \$22.2 million and \$40.7 million, respectively. Those amounts exclude the adjustment of rents from above- and below-market leases and straight-line income from unconsolidated joint ventures, which are disclosed in Note 4 to the Consolidated Financial Statements.

Our leasing strategy is generally to secure creditworthy tenants that meet our underwriting guidelines. Furthermore, following the initiation of a lease, we continue to actively monitor the tenant's creditworthiness to ensure that all tenant related assets are recorded at their realizable value. When assessing tenant credit quality, we:

review relevant financial information, including:

financial ratios;

net worth;

revenue;

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cash flows;

leverage; and

liquidity;

evaluate the depth and experience of the tenant's management team; and

assess the strength/growth of the tenant's industry.

As a result of the underwriting process, tenants are then categorized into one of three categories:

(1) low risk tenants;

(2) the tenant's credit is such that we require collateral, in which case we:

require a security deposit; and/or

reduce upfront tenant improvement investments; or

(3) the tenant's credit is below our acceptable parameters.

We consistently monitor the credit quality of our tenant base. We provide an allowance for doubtful accounts arising from estimated losses that could result from the tenant's inability to make required current rent payments and an allowance against accrued rental income for future potential losses that we deem to be unrecoverable over the term of the lease.

Tenant receivables are assigned a credit rating of 1 through 4. A rating of 1 represents the highest possible rating and no allowance is recorded. A rating of 4 represents the lowest credit rating, in which case we record a full reserve against the receivable balance. Among the factors considered in determining the credit rating include:

payment history;

credit status and change in status (credit ratings for public companies are used as a primary metric);

change in tenant space needs (i.e., expansion/downsize);

tenant financial performance;

economic conditions in a specific geographic region; and

industry specific credit considerations.

If our estimates of collectability differ from the cash received, the timing and amount of our reported revenue could be impacted. The average remaining term of our in-place tenant leases, including unconsolidated joint ventures, was approximately 6.9 years as of June 30, 2011. The credit risk is mitigated by the high quality of our existing tenant base, reviews of prospective tenants' risk profiles prior to lease execution and consistent monitoring of our portfolio to identify potential problem tenants.

Recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, are recognized as revenue in the period during which the expenses are incurred. Tenant reimbursements are recognized and presented in accordance with guidance in ASC 605-45 Principal Agent Considerations (ASC 605-45). ASC 605-45 requires that these reimbursements be recorded on a gross basis, as we are generally the primary obligor with respect to purchasing goods and services from third-party suppliers, have discretion in selecting the supplier and have credit risk. We also receive reimbursement of payroll and payroll related costs from third parties which we reflect on a net basis.

Our hotel revenues are derived from room rentals and other sources such as charges to guests for long-distance telephone service, fax machine use, movie and vending commissions, meeting and banquet room revenue and laundry services. Hotel revenues are recognized as earned.

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We receive management and development fees from third parties. Management fees are recorded and earned based on a percentage of collected rents at the properties under management, and not on a straight-line basis, because such fees are contingent upon the collection of rents. We review each development agreement and record development fees as earned depending on the risk associated with each project. Profit on development fees earned from joint venture projects is recognized as revenue to the extent of the third-party partners' ownership interest.

Gains on sales of real estate are recognized pursuant to the provisions included in ASC 360-20 Real Estate Sales (ASC 360-20). The specific timing of the sale is measured against various criteria in ASC 360-20 related to the terms of the transaction and any continuing involvement in the form of management or financial assistance associated with the properties. If the criteria for the full accrual method are not met, we defer some or all of the gain recognition and account for the continued operations of the property by applying the finance, leasing, profit sharing, deposit, installment or cost recovery methods, as appropriate, until the sales criteria are met.

Depreciation and Amortization

We compute depreciation and amortization on our properties using the straight-line method based on estimated useful asset lives. We allocate the acquisition cost of real estate to land, building, tenant improvements, acquired above- and below-market leases, origination costs and acquired in-place leases based on an assessment of their fair value and depreciate or amortize these assets over their useful lives. The amortization of acquired above- and below-market leases and acquired in-place leases is recorded as an adjustment to revenue and depreciation and amortization, respectively, in the Consolidated Statements of Operations.

Fair Value of Financial Instruments

For purposes of disclosure, we calculate the fair value of our mortgage notes payable and unsecured senior notes. We discount the spread between the future contractual interest payments and hypothetical future interest payments on our mortgage debt and unsecured notes based on a current market rate. In determining the current market rate, we add our estimate of a market spread to the quoted yields on federal government treasury securities with similar maturity dates to our own debt. Because our valuations of our financial instruments are based on these types of estimates, the actual fair value of our financial instruments may differ materially if our estimates do not prove to be accurate.

Derivative Instruments and Hedging Activities

Derivative instruments and hedging activities require management to make judgments on the nature of its derivatives and their effectiveness as hedges. These judgments determine if the changes in fair value of the derivative instruments are reported in the Consolidated Statements of Operations as a component of net income or as a component of comprehensive income and as a component of equity on the Consolidated Balance Sheets. While management believes its judgments are reasonable, a change in a derivative's effectiveness as a hedge could materially affect expenses, net income and equity.

Results of Operations

The following discussion is based on our Consolidated Financial Statements for the three and six months ended June 30, 2011 and 2010.

At June 30, 2011 and June 30, 2010, we owned or had interests in a portfolio of 152 and 144 properties, respectively (in each case, the Total Property Portfolio). As a result of changes within our Total Property Portfolio, the financial data presented below shows significant changes in revenue and expenses from period-to-period. Accordingly, we do not believe that our period-to-period financial data with respect to the Total Property Portfolio are necessarily meaningful. Therefore, the comparison of operating results for the three and six months ended June 30, 2011 and 2010 show separately the changes attributable to the properties that were

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owned by us and in service throughout each period compared (the Same Property Portfolio) and the changes attributable to the properties included in the Placed In-Service, Acquired or Development or Redevelopment Portfolios.

In our analysis of operating results, particularly to make comparisons of net operating income between periods meaningful, it is important to provide information for properties that were in-service and owned by us throughout each period presented. We refer to properties acquired or placed in-service prior to the beginning of the earliest period presented and owned by us and in service through the end of the latest period presented as our Same Property Portfolio. The Same Property Portfolio therefore excludes properties placed in-service, acquired, repositioned or in development or redevelopment after the beginning of the earliest period presented or disposed of prior to the end of the latest period presented.

Net operating income, or NOI, is a non-GAAP financial measure equal to net income attributable to Boston Properties, Inc., the most directly comparable GAAP financial measure, plus income attributable to noncontrolling interests, (gains) losses from investments in securities, losses from early extinguishments of debt, gain from suspension of development, depreciation and amortization, interest expense, acquisition costs, general and administrative expense, less gain on sale of real estate, income from unconsolidated joint ventures, interest and other income and development and management services revenue. We use NOI internally as a performance measure and believe NOI provides useful information to investors regarding our financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level. Therefore, we believe NOI is a useful measure for evaluating the operating performance of our real estate assets.

Our management also uses NOI to evaluate regional property level performance and to make decisions about resource allocations. Further, we believe NOI is useful to investors as a performance measure because, when compared across periods, NOI reflects the impact on operations from trends in occupancy rates, rental rates, operating costs and acquisition and development activity on an unleveraged basis, providing perspective not immediately apparent from net income attributable to Boston Properties, Inc. NOI excludes certain components from net income attributable to Boston Properties, Inc. in order to provide results that are more closely related to a property's results of operations. For example, interest expense is not necessarily linked to the operating performance of a real estate asset and is often incurred at the corporate level as opposed to the property level. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort operating performance at the property level. NOI presented by us may not be comparable to NOI reported by other REITs that define NOI differently. We believe that in order to facilitate a clear understanding of our operating results, NOI should be examined in conjunction with net income attributable to Boston Properties, Inc. as presented in our Consolidated Financial Statements. NOI should not be considered as an alternative to net income attributable to Boston Properties, Inc. as an indication of our performance or to cash flows as a measure of liquidity or ability to make distributions. For a reconciliation of NOI to net income attributable to Boston Properties, Inc., see Note 12 to the Consolidated Financial Statements.

Comparison of the six months ended June 30, 2011 to the six months ended June 30, 2010.

The table below shows selected operating information for the Same Property Portfolio and the Total Property Portfolio. The Same Property Portfolio consists of 130 properties totaling approximately 30.7 million net rentable square feet of space, excluding unconsolidated joint ventures. The Same Property Portfolio includes properties acquired or placed in-service on or prior to January 1, 2010 and owned and in service through June 30, 2011. The Total Property Portfolio includes the effects of the other properties either placed in-service, acquired, repositioned or in development or redevelopment after January 1, 2010 or disposed of on or prior to June 30, 2011. There were no properties that were sold or repositioned after January 1, 2010. This table includes a reconciliation from the Same Property Portfolio to the Total Property Portfolio by also providing information for the six months ended June 30, 2011 and 2010 with respect to the properties which were placed in-service, acquired or in development or redevelopment.

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	Same Property Portfolio				Properties Acquired Portfolio		Properties Placed In-Service Portfolio		Properties in Development or Redevelopment Portfolio		Total Property Portfolio			
	2011	2010	Increase/ (Decrease)	% Change	2011	2010	2011	2010	2011	2010	2011	2010	Increase/ (Decrease)	% Change
Rental Revenue:														
Rental Revenue	\$ 729,290	\$ 724,994	\$ 4,296	0.59%	\$ 62,183	\$ 29,194	\$ 1,435	\$ 67	\$ 820,734	\$ 726,429	\$ 94,305	12.98%		
Termination Income	2,214	3,381	(1,167)	(34.52)%					2,214	3,381	(1,167)	(34.52)%		
Total Rental Revenue	731,504	728,375	3,129	0.43%	62,183	29,194	1,435	67	822,948	729,810	93,138	12.76%		
Real Estate Operating Expenses														
Real Estate Operating Expenses	248,037	246,925	1,112	0.45%	26,494	9,293	113	1,022	1,231	284,846	248,269	36,577	14.73%	
Net Operating Income, excluding hotel														
Net Operating Income, excluding hotel	483,467	481,450	2,017	0.42%	35,689	19,901	1,322	(955)	(1,231)	538,102	481,541	56,561	11.75%	
Hotel Net Operating Income(1)														
Hotel Net Operating Income(1)	2,832	2,917	(85)	(2.91)%						2,832	2,917	(85)	(2.91)%	
Consolidated Net Operating Income(1)														
Consolidated Net Operating Income(1)	486,299	484,367	1,932	0.40%	35,689	19,901	1,322	(955)	(1,231)	540,934	484,458	56,476	11.66%	
Other Revenue:														
Development and management services										16,526	27,828	(11,302)	(40.61)%	
Other Expenses:														
General and administrative expense										44,712	44,470	242	0.54%	
Acquisition costs										85		85	100.00%	
Gain from suspension of development											(7,200)	7,200	100.00%	
Depreciation and amortization	182,096	164,185	17,911	10.91%	29,938	8,474	290			220,508	164,475	56,033	34.07%	
Total Other Expenses	182,096	164,185	17,911	10.91%	29,938	8,474	290			265,305	201,745	63,560	31.51%	
Operating Income	304,203	320,182	(15,979)	(4.99)%	5,751	11,427	1,032	(955)	(1,231)	292,155	310,541	(18,386)	(5.92)%	
Other Income:														
Income from unconsolidated joint ventures										16,858	15,375	1,483	9.65%	
Interest and other										2,927	3,827	(900)	(23.52)%	
Gains (losses) from investments in securities										379	(478)	857	179.29%	
Other Expenses:														
Interest expense										194,387	188,784	5,603	2.97%	
Losses from early extinguishments of debt											8,221	(8,221)	(100.00)%	
Income from continuing operations										117,932	132,260	(14,328)	(10.83)%	
Gains on sales of real estate											2,734	(2,734)	(100.00)%	

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Net income	117,932	134,994	(17,062)	(12.64)%
Net income attributable to noncontrolling interests:				
Noncontrolling interests in property partnerships	(1,032)	(1,668)	(636)	(38.13)%
Noncontrolling interest redeemable preferred units of the Operating Partnership	(1,665)	(1,728)	(63)	(3.65)%
Noncontrolling interest common units of the Operating Partnership	(14,286)	(17,114)	(2,828)	(16.52)%
Noncontrolling interest in gains on sales of real estate common units of the Operating Partnership		(352)	(352)	(100.00)%
Net Income attributable to Boston Properties, Inc.	\$ 100,949	\$ 114,132	\$ (13,183)	(11.55)%

- (1) For a detailed discussion of NOI, including the reasons management believes NOI is useful to investors, see page 38. Hotel Net Operating Income for the six months ended June 30, 2011 and 2010 are comprised of Hotel Revenue of \$14,852 and \$14,274 less Hotel Expenses of \$12,020 and \$11,357, respectively, per the Consolidated Statements of Operations.

Table of Contents**Same Property Portfolio*****Rental Revenue***

Rental revenue from the Same Property Portfolio increased approximately \$4.3 million for the six months ended June 30, 2011 compared to 2010. The increase was primarily the result of an increase of approximately \$1.0 million in rental revenue from our leases, coupled with increases in parking and other revenue and other recoveries of approximately \$2.0 million and \$1.3 million, respectively. The increase in rental revenue from our leases of approximately \$1.0 million is the result of our average revenue per square foot increasing by approximately \$0.25 per square foot, contributing approximately \$3.5 million, offset by an approximately \$2.5 million decrease due to a decline in occupancy from 92.2% to 91.8%.

We expect rental revenue from the Same Property Portfolio to decline sequentially over the remainder of 2011 and into 2012 as a result of the expiration of leases totaling approximately 187,000 square feet at Embarcadero Center Four in San Francisco during the second half of 2011 and the expiration of an approximately 270,000 square foot lease at 111 Huntington Avenue in Boston in October 2011. Although we have re-leased a portion of the Embarcadero Center Four space and we have re-leased the entire 111 Huntington Avenue space, there will be an interruption in revenue in the second half of 2011 and into 2012 projected to be approximately \$7 million and \$16 million, respectively, as we transition between tenancies. In addition, we have begun the redevelopment of the first phase of a two-building redevelopment in Reston, Virginia, which is fully leased to the Defense Intelligence Agency. The first building was removed from service, and therefore also removed from the Same Property Portfolio, in July 2011 and the second building will be similarly removed in the first quarter 2012. These buildings contributed an aggregate of approximately \$10.7 million in revenue for the six months ended June 30, 2011. Due to our decreased occupancy at Embarcadero Center Four, 111 Huntington Avenue and the removal from service of the first of the buildings being redeveloped in Reston, Virginia, we expect a decline in our occupancy to approximately 90% by the end of 2011. With an approximately 279,000 square foot lease commencing at 111 Huntington Avenue in January 2012 and the leasing activity we are currently experiencing in San Francisco and Boston, we expect our occupancy to then begin improving during 2012.

Termination Income

Termination income decreased by approximately \$1.2 million for the six months ended June 30, 2011 compared to 2010.

Termination income for the six months ended June 30, 2011 related to six tenants across the Same Property Portfolio and totaled approximately \$2.2 million, which included approximately \$1.8 million of termination income related to a default by a 30,000 square foot law firm tenant in one of our New York City assets.

Termination income for the six months ended June 30, 2010 was related to twelve tenants across the Same Property Portfolio that terminated their leases and totaled approximately \$3.4 million, which included approximately \$1.6 million of termination income from a small retail tenant in New York City.

On July 1, 2011, we entered into lease amendments with the existing tenant at our three-building complex in Reston, Virginia, which will be redeveloped as the headquarters for the Defense Intelligence Agency. Under the agreements, the tenant will terminate early its leases for approximately 523,000 square feet at the complex and be responsible for certain payments to us aggregating approximately \$14.8 million, of which we anticipate approximately \$13.0 million will be recognized in the third and fourth quarters of 2011 with the remaining \$1.8 million to be recognized in 2012. Once these buildings are placed in redevelopment, they will no longer be considered part of the Same Property Portfolio and any operating results will be shown under the Properties in Development or Redevelopment Portfolio.

Real Estate Operating Expenses

Operating expenses from the Same Property Portfolio increased approximately \$1.1 million for the six months ended June 30, 2011 compared to 2010 due to a net increase in general property operating expenses.

Table of Contents***Depreciation and Amortization Expense***

Depreciation and amortization expense for the Same Property Portfolio increased approximately \$17.9 million for the six months ended June 30, 2011 compared to 2010. The increase was primarily the result of the acceleration of depreciation expense during the six months ended June 30, 2011 totaling approximately \$21.7 million in anticipation of the planned redevelopment of our 12300 & 12310 Sunrise Valley Drive properties located in Reston, Virginia, partially offset by a decrease in depreciation of approximately \$1.8 million resulting from the acceleration of depreciation expense in 2010 related to our decision in 2010 to reclassify three in-service properties to land held for future development that did not recur in 2011. These three properties totaled approximately 131,000 square feet, are currently planned for redevelopment and are no longer held available for lease.

Properties Acquired Portfolio

On December 29, 2010, we completed the acquisition of the John Hancock Tower and Garage in Boston, Massachusetts for an aggregate purchase price of approximately \$930.0 million. The John Hancock Tower is a 62-story, approximately 1,700,000 rentable square foot office tower located in the heart of Boston's Back Bay neighborhood. The garage is an eight-level, 2,013 space parking facility.

On February 1, 2011, we completed the acquisition of Bay Colony Corporate Center in Waltham, Massachusetts for an aggregate purchase price of approximately \$185.0 million. Bay Colony Corporate Center is an approximately 966,000 net rentable square foot, four-building Class A office park situated on a 58-acre site in Waltham, Massachusetts.

Rental Revenue

Rental revenue from our Properties Acquired Portfolio increased approximately \$62.2 million for the six months ended June 30, 2011 compared to 2010, as detailed below:

Property	Date Acquired	Rental Revenue for the six months ended June 30,		
		2011	2010	Change
		(in thousands)		
John Hancock Tower and Garage	December 29, 2010	\$ 53,264	\$	\$ 53,264
Bay Colony Corporate Center	February 1, 2011	8,919		8,919
Total		\$ 62,183	\$	\$ 62,183

Real Estate Operating Expenses

Real estate operating expenses from our Properties Acquired Portfolio increased approximately \$26.5 million for the six months ended June 30, 2011 compared to 2010, as detailed below:

Property	Date Acquired	Real Estate Operating Expenses for the six months ended June 30,		
		2011	2010	Change
		(in thousands)		
John Hancock Tower and Garage	December 29, 2010	\$ 21,265	\$	\$ 21,265
Bay Colony Corporate Center	February 1, 2011	5,229		5,229
Total		\$ 26,494	\$	\$ 26,494

Table of Contents***Depreciation and Amortization Expense***

Depreciation and amortization expense for our Properties Acquired Portfolio increased by approximately \$29.9 million for the six months ended June 30, 2011 compared to 2010 as a result of the expense associated with the John Hancock Tower and Garage and Bay Colony Corporate Center, which were acquired after June 30, 2010.

Properties Placed In-Service Portfolio

At June 30, 2011, we had five additional properties totaling approximately 2,279,000 square feet that were placed in-service or partially placed in-service between January 1, 2010 and June 30, 2011.

Rental Revenue

Rental revenue from our Properties Placed In-Service Portfolio increased approximately \$27.8 million for the six months ended June 30, 2011 compared to 2010, as detailed below:

Property	Quarter Placed In-Service	Rental Revenue for the six months ended June 30,		
		2011	2010 (in thousands)	Change
Weston Corporate Center	Second Quarter, 2010	\$ 8,803	\$ 1,435	\$ 7,368
Atlantic Wharf Office	First Quarter, 2011	14,617		14,617
2200 Pennsylvania Avenue	First Quarter, 2011	3,938		3,938
510 Madison Avenue	Second Quarter, 2011	1,260		1,260
Residences on The Avenue	Second Quarter, 2011	576		576
Total		\$ 29,194	\$ 1,435	\$ 27,759

Real Estate Operating Expenses

Real estate operating expenses from our Properties Placed In-Service Portfolio increased approximately \$9.2 million for the six months ended June 30, 2011 compared to 2010, as detailed below:

Property	Quarter Placed In-Service	Real Estate Operating Expenses for the six months ended June 30,		
		2011	2010 (in thousands)	Change
Weston Corporate Center	Second Quarter, 2010	\$ 1,260	\$ 113	\$ 1,147
Atlantic Wharf Office	First Quarter, 2011	4,083		4,083
2200 Pennsylvania Avenue	First Quarter, 2011	2,619		2,619
510 Madison Avenue	Second Quarter, 2011			