

Company Overview

Current Events

- OPI owns, operates, and leases their 184 properties totaling 24.9 million sq ft. primarily to single tenants and those who have high credit characteristics like government entities
- Granted temporary rent assistance to 23 tenants (3.7% of annualized rental income). Despite this, they still collected 98% of contractual rent obligations
- Deferred payments in June will begin to be payable over a 12-month period starting in September

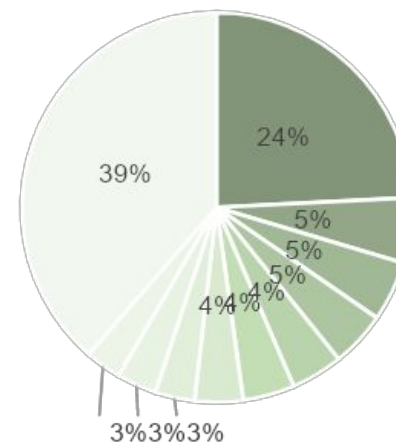
Company History

- On December 31, 2018, the company completed a merger with Select Income REIT and acquired 99 properties with 16.5 million rentable sq. feet.
- In October 2017, OPI acquired First Potomac Realty Trust (FPO) which yielded an acquisition of 72 properties with approximately 6.0 million rentable square feet

**FIRST
POTOMAC**
REALTY TRUST



Top Market Areas

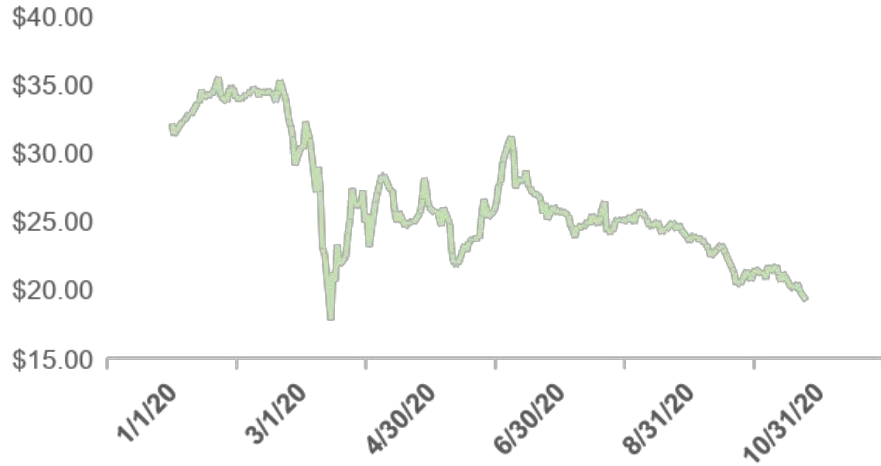


- Washington, D.C. Metro
- Atlanta, GA
- Chicago, IL
- Silicon Valley, CA
- Dallas/Ft. Worth, TX
- Sacramento, CA
- Kansas City, MO
- Richmond, VA
- Boston, MA
- Denver, CO

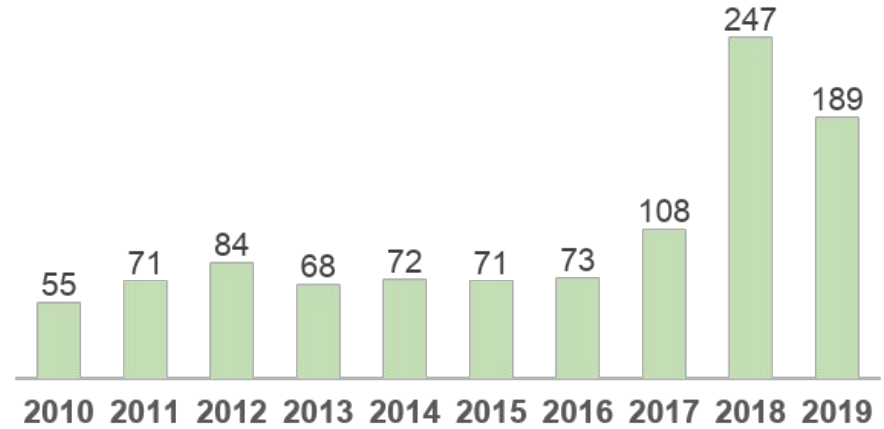
- Their largest tenant is the US Government, which represented **25.2%** of annualized rental income in FY2019.

Quantitative Data

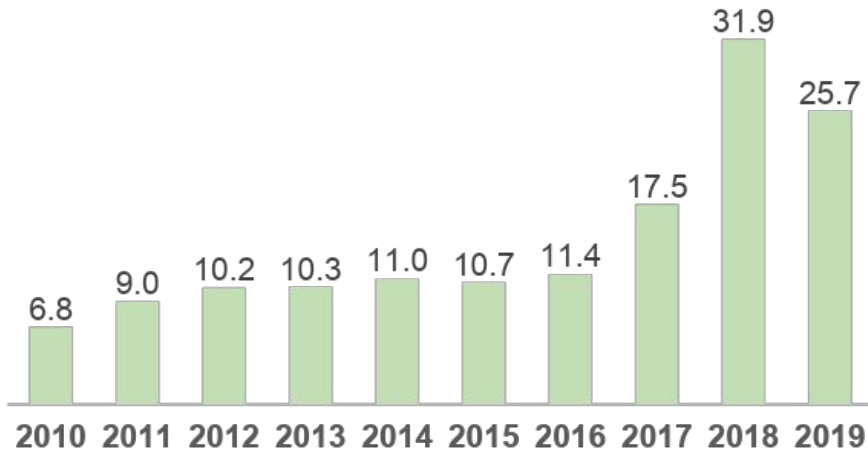
YTD Stock Price



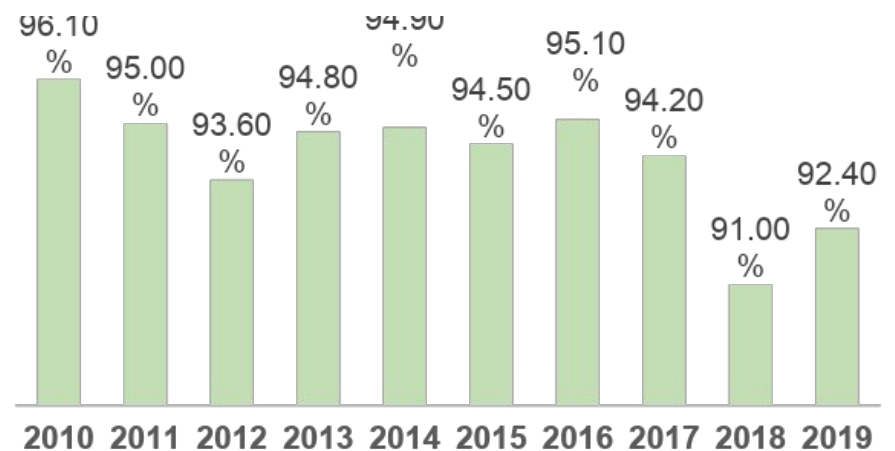
Total Properties



Rentable Square Feet in Millions

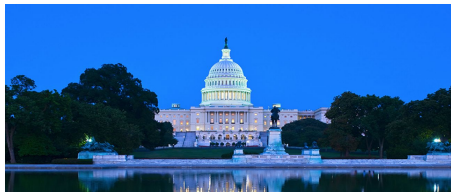


Occupancy Rate



Top Markets and Tenants

Top 3 Markets



Washington, D.C. Metro
24.2% of total annualized rent income

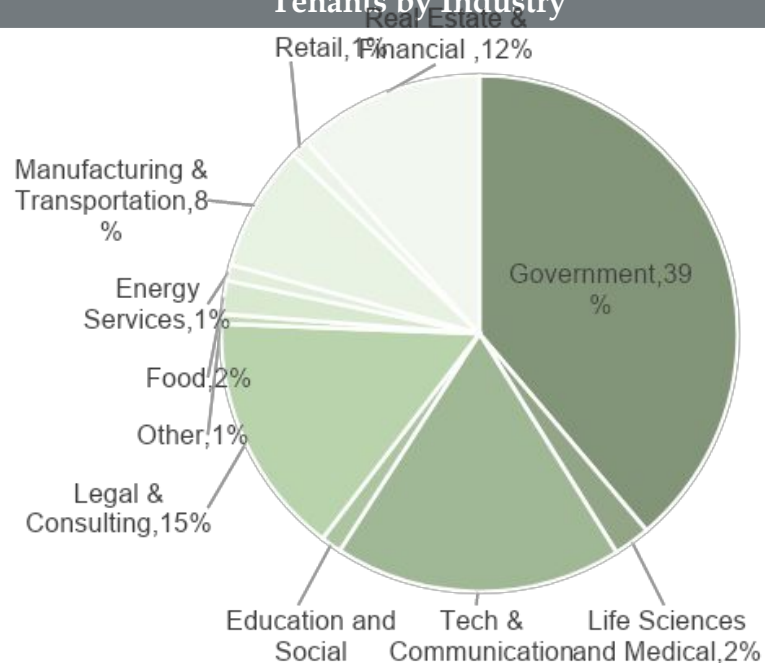


Atlanta, GA
5.4% of total annualized rent income

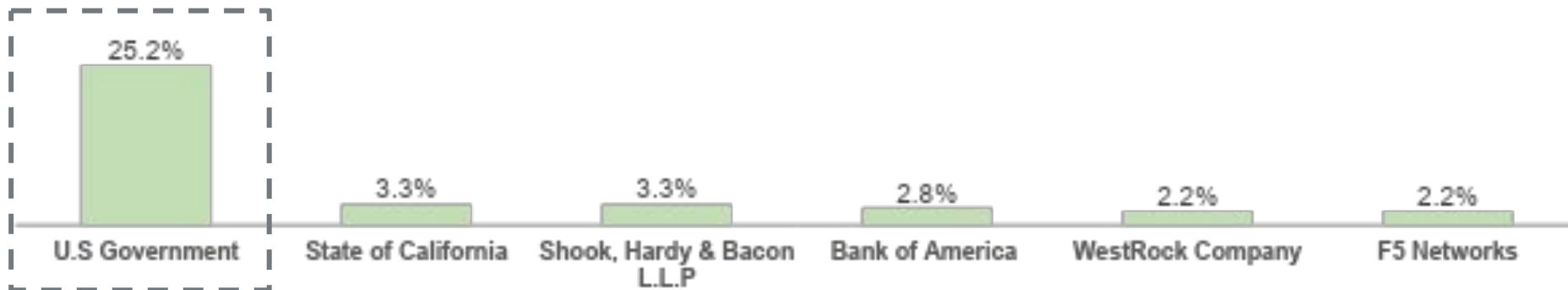


Chicago, IL
5.0% of total annualized rent income

Tenants by Industry

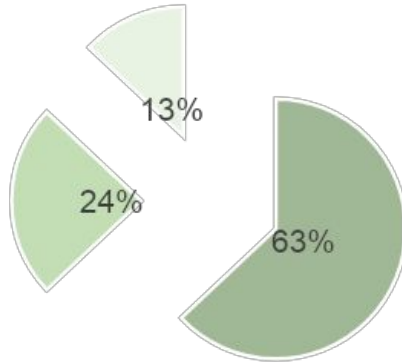


Largest Tenants as % of Total Annualized Rent Income



Strong Tenants in Great Locations

Stable Tenant Profile



■ Investment Grade ■ Not Rated ■ Non Investment Grade

Build to Suit Corporate Headquarters

2555 Grand Boulevard, Kansas City, MO

Square Feet: 595,607

Occupancy: 100% (6/30/2020)

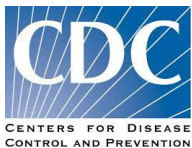
WALT: 13.7 years

Amenities: Connected via skyway to the 85-acre Crown Center mixed-use development offering numerous restaurants, retail stores and a 724-key Westin hotel

Tenant: Shook, Hardy & Bacon

Key Facts: 24 - story Class A constructed in 2003 as a build to suit for Shook, Hardy & Bacon

Representative Government Tenants

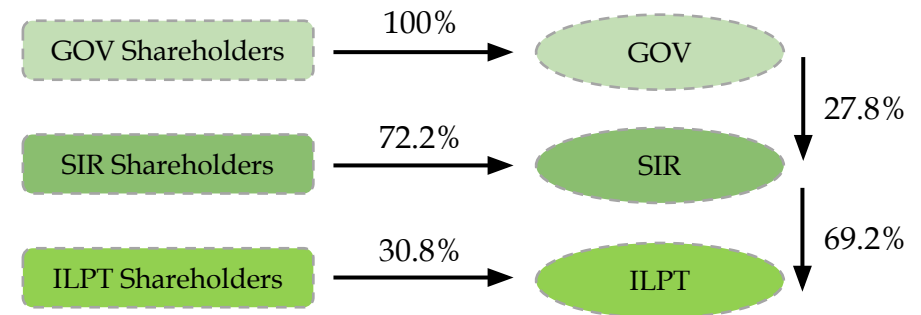


Merger Overview

Structure and Process of the Merger

- Challenged by a high dividend payout ratio and high concentration of near term lease expirations, Government Properties Income Trust (GOV) agreed to merge with Select Income REIT (SIR) at the end of 2018
- Merger was a stock for stock exchange. The share-distribution arrangement eliminated cross ownership, simplifying capital structure amongst three entities
 - GOV sold all of its 24.9 million common shares of SIR, using the net proceeds of ~\$435 million to repay outstanding debt
 - Because SIR had controlling interest in another REIT (Industrial Logistics Properties Trust - ILPT), SIR's 45 million shares of ILPT were distributed as special dividends to SIR shareholders
 - SIR shareholders received 1.04 shares of GOV and .502 shares of ILPT for each common share of SIR
- GOV shareholders owned ~52% of OPI, the new entity, and SIR shareholders owned ~42%
- Post-merger, OPI identified \$750 million worth of properties to deleverage

Existing Ownership Structure



Scaling the Portfolio (as of June 2018)

	GOV	SIR	OPI
Buildings	114	99	213
Occupancy	94%	90%	92%
Expiring Leases 2018-2021	46%	10%	29%
% of Investment Grade Tenants	75%	56%	66%
% of Annualized Rent from Top 10 Tenants	70%	40%	46%



Portfolio Recycling to Continue Once Market Conditions Stabilize

18 Months Post Merger

- **\$1.16 billion** In non-core asset dispositions
- Leverage reduction to **5.9x Net Debt / EBITDA** (below 6.0 – 6.5x initial target)
- Eliminated **\$130 million** in future CapEx over the next 5 years
- **Less than 40%** FFO payout ratio
- **56% Cash Available for Distribution (CAD)** payout ratio (below 75% target)
- **2019 sold off \$848.9 million** of properties with an average cap rate of **5.7%** with an average age of **21 years** and an average occupancy of **70%** with a WALT of **4.7 years**

**Non Core
Asset Sales**



**Leverage
Reduction**

2020 Year to Date

- **Sold off \$85 million** of properties with an average cash on cash yield of **4.0%** with an average age of **22 years** and an average occupancy of **94%** with a WALT of **6 years**
- Enhance portfolio metrics and grow CAD through the acquisition of core properties that generate higher cash flow after capital costs than the properties sold
- Entered agreement to acquire a single-tenant office property in Denver, CO for **\$38.1 million** with a WALT of **11.5 years** and **100%** occupancy

**\$100 - \$300 Million Annual
Capital Recycling Program**



Valuation

Office Properties Income Trust

Dividend Discount Model

FY ended 12/31

OFFICE PROPERTIES
INCOME TRUST

	Year Ended December 31,						
	2018	2019	2020E	2021E	2022E	2023E	2024E
FFO/Share	\$ 5.48	\$ 5.85	\$ 5.44	\$ 5.67	\$ 5.66	\$ 6.26	\$ 6.53
AFFO/Share	\$ 3.30	\$ 3.95	\$ 3.86	\$ 4.13	\$ 4.14	\$ 4.51	\$ 4.36
Dividend	\$ 5.71	\$ 2.20	\$ 2.18	\$ 2.27	\$ 2.27	\$ 2.50	\$ 2.61
Growth(%)		-61.47%	-1.13%	4.33%	-0.19%	10.54%	4.31%
Payout Ratio (% of FFO)	104.2%	37.6%	40.0%	40.0%	40.0%	40.0%	40.0%
Time			0.25	1.25	2.25	3.25	4.25
Discount Factor			0.97	0.87	0.78	0.70	0.63

Discounted Dividend **\$2.12** **\$1.98** **\$1.78** **\$1.76** **\$1.65**

Comparable	Levered Beta	Tax Rate	D/E	Unlevered Beta	Terminal Value
EastGroup Properties, Inc. (NYSE:EGP)	0.86	0.00%	1.05	0.42	CoE 11.4%
Highwoods Properties, Inc. (NYSE:HIW)	0.98	0.00%	0.96	0.50	Dividend Growth 0.0%
Corporate Office Properties Trust (NYSE:OFC)	1.05	0.00%	1.25	0.47	Terminal Dividend \$2.61
Cousins Properties Incorporated (NYSE:CUZ)	1.03	0.00%	0.44	0.72	TV \$12.93
Hudson Pacific Properties, Inc. (NYSE:HPP)	0.78	0.00%	0.93	0.41	Sum of Dividends \$9.28
Kilroy Realty Corporation (NYSE:KRC)	0.70	0.00%	0.71	0.41	
Office Properties Income Trust (NasdaqGS: OPI)	1.12	0.00%	1.31	0.49	

Net Asset Value	
2020E Property NOI	\$ 362.07
Property NOI Margin	60.0%
Cap Rate	9.0%
Property Value	4,022.98
(-) Debt	2,177
(+) Cash	25
Total Equity Value	1,871
Diluted Share Count	48.1
Diluted Equity Value/S	\$ 38.89
Current Price	\$ 19.23
Implied ROI	102.2%

CoE (CAPM)	
Rf (5 year T-Bill)	0.3%
Beta	1.12
MRP	5.4%
Cost of Equity	6.4%

CoE (Div Cap)	
LTM Dividends	2.20
Stock Price	19.23
Dividend Growth	0.0%
Cost of Equity	11.4%

Equity Value	\$ 22.21
Implied P/FFO	4.1x
Current Price	\$ 19.23
Implied ROI	15.5%



Valuation

Office Properties Income Trust

Income Statement (\$ Millions)

OFFICE PROPERTIES
INCOME TRUST

For the fiscal period ending	FY 2018	FY 2019	FY 2020E	FY 2021E	FY 2022E	FY 2023E	FY 2024E
Rental Revenue Build							
Total GLA	31,900	25,726	24,909	24,659	24,409	24,159	23,909
Net New GLA			-	(250)	(250)	(250)	(250)
Remeasurements			-	-	-	-	-
Occupancy Rate	91.0%	92.4%	91.0%	91.0%	91.0%	91.0%	91.0%
Leased GLA	29,029	23,771	22,667	22,440	22,212	21,985	21,757
GLA Expiring							
GLA Expiring	1,611	3,777	2,166	1,998	1,986	2,710	3,869
% of Total	5.1%	14.7%	8.7%	8.1%	8.1%	11.2%	16.2%
Renewal Lease sq ft							
Renewal Lease sq ft	1,015	2,795	1,083	999	993	1,355	1,935
Percentage of Total Expiring GLA	63.0%	74.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Old Effective Rent per sq ft	\$ 27.58	\$ 29.90	\$ 24.66	\$ 28.73	\$ 27.99	\$ 27.04	\$ 26.12
New Effective Rent per sq ft	\$ 27.40	\$ 31.30	\$ 24.66	\$ 28.73	\$ 28.55	\$ 27.58	\$ 26.64
Rent Bump	-0.7%	4.7%	0.0%	0.0%	2.0%	2.0%	2.0%
New Leases sq ft							
New Leases sq ft	330	266	217	200	199	271	387
Percentage of Total Expiring GLA	20%	7%	10.0%	10.0%	10.0%	10.0%	10.0%
Old Effective Rent per sq ft	\$ 21.06	\$ 30.86	\$ 24.66	\$ 28.73	\$ 27.99	\$ 27.04	\$ 26.12
New Effective Rent per sq ft	\$ 24.21	\$ 30.94	\$ 24.66	\$ 28.73	\$ 28.27	\$ 27.58	\$ 26.90
Rent Bump	15.0%	0.3%	0.0%	0.0%	1.0%	2.0%	3.0%
Delayed Leases sq ft							
Delayed New Lease Revenue		8.2	19.1	24.9	22.6	21.9	29.2
Total Renewal and New Lease Revenues	35.8	95.7	32.1	34.5	34.0	44.9	62.0
Old Lease Value	34.9	91.8	32.1	34.4	33.4	44.0	60.6
Roll Up	2.45%	4.30%	0.06%	0.07%	1.90%	2.05%	2.21%
Existing Leased GLA							
Existing Leased GLA	27,418	19,994	20,501	20,442	20,226	19,275	17,888
Rent per sq ft	15.56	33.93	26.52	26.47	26.74	27.00	27.27
Rent Bump			0.0%	0.3%	0.5%	0.8%	1.0%
Total Continuous Revenues			544.7	586.8	586.7	581.5	573.2
Total Rental Revenues			603.4	621.2	620.2	625.8	634.5

For the fiscal period ending	FY 2018	FY 2019	FY 2020E	FY 2021E	FY 2022E	FY 2023E	FY 2024E
Expense Build							
Property Exp.	76.1	108.0	98.1	101.0	100.8	101.7	103.1
% of Revenues	17.8%	15.9%	16.3%	16.3%	16.3%	16.3%	16.3%
Selling General & Admin Exp.	24.9	32.7	30.2	31.1	31.0	31.3	31.7
% of Revenues	5.8%	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%
Depreciation & Amort.	162.5	289.9	249.1	246.6	244.1	241.6	239.1
Other Operating Exp.	89.6	120.9	120.7	124.3	124.1	125.2	126.9
% of Revenues	21.0%	17.8%	20.0%	20.0%	20.0%	20.0%	20.0%

		Dividend Growth					
		-2.0%	-1.0%	0.0%	1.0%	2.0%	
Cost of Equity	9.1%	\$22.34	\$23.78	\$25.53	\$27.72	\$30.53	
	9.3%	\$22.11	\$23.50	\$25.19	\$27.28	\$29.95	
	9.5%	\$21.89	\$23.23	\$24.85	\$26.86	\$29.40	
	9.7%	\$21.67	\$22.97	\$24.53	\$26.45	\$28.87	
	9.9%	\$21.46	\$22.72	\$24.22	\$26.07	\$28.38	
	10.1%	\$21.26	\$22.47	\$23.93	\$25.70	\$27.91	
	10.3%	\$21.07	\$22.24	\$23.64	\$25.34	\$27.46	

		Cap Rate				
		8.0%	8.5%	9.0%	9.5%	10.0%
NOI Margin	54.0%	\$39.93	\$34.95	\$30.53	\$26.56	\$23.00
	56.0%	\$43.07	\$37.91	\$33.31	\$29.21	\$25.51
	58.0%	\$46.21	\$40.86	\$36.10	\$31.85	\$28.02
	60.0%	\$49.34	\$43.81	\$38.89	\$34.49	\$30.53
	62.0%	\$52.48	\$46.76	\$41.68	\$37.13	\$33.03
	64.0%	\$55.62	\$49.71	\$44.47	\$39.77	\$35.54
	66.0%	\$58.75	\$52.67	\$47.25	\$42.41	\$38.05

