City Office REIT, Inc.
Form 424B4
December 08, 2014
Table of Contents

Filed Pursuant to Rule 424(b)(4)
Registration No. 333-199319

FINAL PROSPECTUS

3,750,000 Shares

City Office REIT, Inc.

Common Stock

City Office REIT, Inc. is an externally managed Maryland corporation focused on acquiring, owning and operating high-quality office properties located within our specified target markets, which are located in metropolitan areas in the Southern and Western United States. We are externally managed by City Office Real Estate Management Inc. (our Advisor). As described more fully in this prospectus, our Advisor is an affiliate of Second City Capital Partners II, Limited Partnership, a real estate-focused private equity fund founded in 2010 that manages a $400 million office building and multifamily platform with a national footprint.

We are offering 3,750,000 shares of our common stock.

Our common stock is listed on The New York Stock Exchange (NYSE) under the symbol CIO. The last reported sale price of our common stock on the NYSE on December 3, 2014 was $12.73 per share.

We intend to elect, and to continue to operate in a manner that will allow us, to qualify as a real estate investment trust for U.S. federal income tax purposes (REIT) commencing with our taxable year ending December 31, 2014. Shares of our common stock are subject to limitations on ownership and transfer that are primarily intended to assist us in qualifying as a REIT. Our charter generally prohibits any person from actually, beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 9.8% in value of the aggregate outstanding shares of all classes and series of our stock. See the section entitled Description of Stock Restrictions on Ownership and Transfer included in this prospectus.

At our request, the underwriters have reserved for sale, at the public offering price, up to 130,000 of the shares offered by this prospectus for sale to our directors and executive officers, employees of our Advisor, and other persons having a business relationship with us, our affiliates, or our Advisor (the Reserved Shares). No underwriting discount will be paid to the underwriters for the Reserved Shares.

We are an emerging growth company as the term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements.

Investing in our common stock involves risks. See Risk Factors beginning on page 15 of this prospectus to read about factors that you should consider before investing in our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 12.50	$ 46,875,000
Underwriting discount[1] [2]	$ 0.688	$ 2,557,500
Proceeds, before expenses, to us[2]	$ 11.813	$ 44,317,500

(1) The underwriters will receive compensation in addition to the underwriting discount. See Underwriting.

(2) Reflects that no underwriting discount will be paid to the underwriters for the Reserved Shares.

We have granted the underwriters an option to purchase up to 562,500 additional shares of our common stock at the public offering price less the underwriting discount for 30 days after the date of this prospectus to cover over-allotments, if any.

The underwriters expect to deliver the shares of common stock to purchasers on or about December 10, 2014 through the book-entry facilities of The Depository Trust Company.

Book-Running Managers

Janney Montgomery Scott **Wunderlich Securities** **Oppenheimer & Co.**

Co-Managers

Compass Point **D.A. Davidson & Co.**

The date of this prospectus is December 4, 2014

Table of Contents

TABLE OF CONTENTS

	Page
Prospectus Summary	1
Risk Factors	15
Cautionary Statement Regarding Forward-Looking Statements	40
Structure and Formation of Our Company	42
Use of Proceeds	44
Distribution Policy	45
Capitalization	46
Dilution	47
Market Price of Our Common Stock and Distributions	48
Selected Financial Data	49
Management s Discussion and Analysis of Financial Condition and Results of Operations	51
Industry Overview	62
Business	71
Management	102
Executive and Director Compensation	109
Our Advisor and the Advisory Agreement	115
Conflicts of Interest	120
Certain Relationships and Related Person Transactions	123
Policies with respect to Certain Activities	128
Principal Stockholders	132
Description of Stock	133
Certain Provisions of Maryland Law and of Our Charter and Bylaws	139
Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P.	145
Shares Eligible for Future Sale	160
U.S. Federal Income Tax Considerations	162
ERISA Considerations	179
Underwriting	181
Legal Matters	184
Experts	184
Where You Can Find More Information	184

Table of Contents

We have not, and the underwriters and their affiliates and agents have not, authorized any person to provide any information or represent anything about us other than what is contained in this prospectus. None of the information on our website referred to in this prospectus is incorporated by reference herein. We do not, and the underwriters and their affiliates and agents do not, take any responsibility for, and can provide no assurance as to the reliability of, any information that others may provide to you. We are not, and the underwriters and their affiliates and agents are not, making an offer to sell or soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in any jurisdiction. Any persons who come into possession of this prospectus in jurisdictions outside the United States is required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus to that jurisdiction. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock. Our business, financial condition, results of operations, cash flows and prospects may have changed since that date.

INDUSTRY AND MARKET DATA

We use market data and industry forecasts throughout this prospectus and, in particular, in the sections entitled Industry Overview and Business. Unless otherwise indicated, statements in this prospectus concerning our industry and the markets in which we operate, including our general expectations, competitive position, business opportunity and market size, growth and share, are based on information obtained from industry publications, government publications and third party forecasts. The forecasts and projections are based upon industry surveys and the preparers experience in the industry. There can be no assurance that any of the projections will be achieved. We believe that the surveys and market research performed by others are reliable, but we have not independently verified this information. Accordingly, the accuracy and completeness of the information is not guaranteed.

ENFORCEMENT OF CIVIL LIABILITIES

Some of the members of our board of directors, our officers and the principals of our Advisor reside in Canada, our Advisor is incorporated in British Columbia, Canada, and all or a significant portion of the assets of such persons are located in Canada. As a result, it may not be possible for investors to effect service of process within the United States or in any other jurisdiction outside Canada upon such persons or to enforce against them in courts of any jurisdiction outside Canada judgments predicated upon the civil liability provisions of the federal securities laws of the United States. Second City and our Advisor have appointed National Corporate Research, Ltd., as agent to receive service of process with respect to any action brought against them, respectively, in any federal or state court in the State of New York arising from this offering.

Table of Contents

PROSPECTUS SUMMARY

The following is a summary of material information discussed in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read this entire prospectus carefully, including the risks discussed under the section entitled Risk Factors and our financial statements and the related notes included elsewhere in this prospectus, before making an investment decision to purchase shares of our common stock. Some of the statements in this summary constitute forward-looking statements. See Cautionary Statement Regarding Forward-Looking Statements.

Unless the context suggests otherwise, references in this prospectus to City Office, company, we, us and our are to City Office REIT, Inc., a Maryland corporation, together with its consolidated subsidiaries, including City Office REIT Operating Partnership, L.P., a Maryland limited partnership of which we are the sole general partner and through which we conduct substantially all of our business (our operating partnership), except where it is clear from the context that the term only means the issuer of the shares of common stock in this offering. Our operations prior to our initial public offering described in this prospectus refer to the historical operations of the City Office Predecessor (as defined below), and we have generally described in this prospectus the historical operations of the City Office Predecessor business as if they were conducted by us. Our Advisor refers to our external advisor, City Office Real Estate Management Inc. Second City refers to Second City Capital Partners II, Limited Partnership. Second City GP refers to Second City General Partner II, Limited Partnership. Gibralt refers to Gibralt US, Inc. GCC Amberglen refers to GCC Amberglen Investments Limited Partnership. CIO OP refers to CIO OP Limited Partnership. CIO REIT refers to CIO REIT Stock Limited Partnership and CIO REIT Stock GP Limited Partnership. The Second City Group refers to Second City, any future real estate funds created by the principals of Second City, Second City GP, Gibralt, GCC Amberglen, CIO OP, CIO REIT and Daniel Rapaport.

Unless otherwise indicated, the information contained in this prospectus is as of September 30, 2014 and assumes that (1) 3,750,000 shares of our common stock are sold at a public offering price of $12.50 per share, (2) the underwriters over-allotment option is not exercised and (3) with respect to our property-level information, our acquisition of the Florida Research Park property, which we acquired on November 18, 2014, occurred as of September 30, 2014.

All ownership interests in our properties represent economic interest unless otherwise indicated.

City Office REIT, Inc.

We are an externally managed Maryland corporation focused on acquiring, owning and operating high-quality (Class A and B) office properties located within our specified target markets in the United States. We currently have 12 target markets, which are located in metropolitan areas in the Southern and Western United States. We believe that our target markets possess a number of the following characteristics: favorable economic growth trends, growing populations with above average employment growth forecasts, a large number of government offices, large international, national and regional employers across diversified industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. We also believe that there is a lower level of participation of large institutional investors in our target markets because they generally have concentrated on Gateway markets, which are commonly defined as New York, Los Angeles, Washington, D.C., Boston, Chicago and San Francisco. In addition, we believe that our target markets offer the opportunity for attractive risk-adjusted returns because these markets exhibit positive economic and demographic trends and ownership is often concentrated among local real estate operators that typically do not benefit from the same access to capital as public REITs. We also believe that new construction of office properties has been limited in our target markets since 2008 because rental rates in these markets have generally not supported new development. We anticipate identifying additional target markets with the foregoing characteristics in the future. Within our target markets, we primarily focus on acquiring

properties with a purchase price between $20 million and $50 million and capitalization (cap) rates, which we define as the ratio between the net operating income that a particular property will generate after fixed and variable costs and the price paid to acquire such property, between seven and nine percent, as we believe that large institutional investors and public REITs are generally focused on larger acquisition opportunities. According to data compiled by SNL Financial LLC

from 2013 through June 30, 2014, only 25% of non-development office property acquisitions made by public U.S. REITs had a purchase price of less than $54 million. Additionally, we believe that it is challenging for many local buyers in our target markets to raise the debt and equity capital necessary to complete real estate transactions in excess of $20 million.

We own nine office complexes comprised of 21 office buildings (our properties) with a total of approximately 2.34 million square feet of net rentable area (NRA) in the metropolitan areas of Boise (ID), Dallas (TX), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA) and Orlando (FL). We believe that our properties are high quality assets that provide excellent access to transportation options, are located near affluent neighborhoods, contain extensive amenities and are well maintained. We also believe that our properties have a stable and diverse tenant base, including federal and state governmental agencies and national and regional businesses. As of September 30, 2014, approximately 49.0% of the base rental revenue from our properties was derived from tenants in these markets that are federal or state government agencies or tenants that have received, or whose parent companies have received, an investment grade credit rating from either Standard & Poor s Ratings Services, a division of McGraw Hill Financial, Inc. (Standard & Poor s), or Moody s Investors Services, Inc. (Moody s) (investment grade tenants). Our properties have a stable, long-term tenancy profile and our occupied and committed leases have staggered expirations and a weighted average remaining lease term to maturity of 4.8 years (9.7 years taking into account tenant renewal options). Our leases typically include rent escalation provisions designed to provide annual growth in our rental income.

We intend to elect to be taxed, and to continue to operate in a manner that will allow us to qualify, as a real estate investment trust for U.S. federal income tax purposes (REIT) commencing with our taxable year ending December 31, 2014. We are structured as an umbrella partnership REIT (UPREIT), which means that we conduct substantially all of our business through our operating partnership, of which we serve as the sole general partner, and, as of September 30, 2014, we owned an approximately 71.6% interest (after giving effect to this offering, we will own an approximately 78.6% interest). As an UPREIT, we may be able to acquire properties on attractive terms from sellers that may be able to defer tax obligations by contributing properties to our operating partnership in exchange for interests in the partnership, or common units, which will be redeemable for cash or shares of our common stock. As a result, we believe that having our common stock listed on The New York Stock Exchange (NYSE) makes our common units more attractive to tax-sensitive sellers.

Recent Developments

Our Initial Public Offering

We completed our initial public offering on April 21, 2014, issuing an aggregate of 6,582,150 shares of our common stock (including 782,150 shares sold pursuant to the exercise of the underwriters over-allotment option) at the public offering price of $12.50 per share and receiving approximately $82.3 million of gross proceeds, including shares issued upon exercise of the underwriters over-allotment option. Simultaneously with the closing of our initial public offering, we completed a series of related formation transactions pursuant to which we acquired six office complexes comprised of 16 office buildings with a total of approximately 1.85 million square feet of NRA in exchange for an aggregate of 1,610,765 shares of our common stock, 3,731,209 common units, $19.4 million of cash and the assumption of approximately $159.9 million of debt related to such properties. As of December 31, 2013, these six office complexes had base rents of approximately $29.7 million and in-place and committed occupancy of 91.3%.

Post-Initial Public Offering Investments

On June 4, 2014, we acquired the Plaza 25 property, a three building office property with 196,803 square feet of NRA in the Greenwood Village submarket of Denver, Colorado, for $25.1 million in cash, excluding closing costs, which

was paid with a portion of the proceeds from our initial public offering. The office complex was purchased at a significant discount to replacement cost and has excellent freeway access to transportation. In addition, it is within walking distance to the light rail station and is close to many restaurant and retail amenities. The property has a projected year one cash net operating income (NOI) cap rate of 8.1%.

Table of Contents

On July 18, 2014, we acquired the Lake Vista Pointe property, an office property with 163,336 square feet of NRA in the rapidly growing Lewisville submarket of Dallas, Texas, for $28.4 million, excluding closing costs. We funded a portion of the purchase price with cash on hand and borrowings from our Secured Credit Facility (as defined in Financing Activities below) and the balance through the issuance of an $18.5 million non-recourse mortgage loan. The property is a Class A office building located in a premium business park with strong neighboring tenants. Ally Financial, Inc. leases the entire property and its lease expires in 2021. The property has a projected year one cash NOI cap rate of 7.8%.

On November 18, 2014, we acquired the Florida Research Park property, an office property with 124,500 square feet of NRA in the Central Florida Research Park submarket of Orlando, Florida for $26.5 million, excluding closing costs. We funded a portion of the purchase price with cash on hand and borrowings from our Secured Credit Facility and the balance through the issuance of a non-recourse mortgage loan, as further described below. The property is a Class A office building and has one of the highest parking ratios in the submarket. The property has a projected year one cash NOI cap rate of approximately 9.0%.

Financing Activities

On April 29, 2014, we refinanced the existing $23.5 million mortgage loan on the AmberGlen property with a new $25.4 million mortgage loan. The new mortgage loan matures on May 1, 2019 and bears interest at a fixed rate of 4.38%.

On April 21, 2014, we entered into a credit agreement with KeyBank National Association for a $15 million secured revolving credit facility (the Secured Credit Facility), secured by our Central Fairwinds property. The Secured Credit Facility matures on April 21, 2016, subject to our operating partnership s right to elect a 12-month extension. The Secured Credit Facility provides our operating partnership with the ability to increase the size of the Secured Credit Facility up to a total of $150.0 million (the Accordion Feature). On June 13, 2014, in connection with the acquisition of our Plaza 25 property, our operating partnership exercised a portion of the Accordion Feature, increasing the aggregate principal maximum amount available for borrowing under the Secured Credit Facility to $30.0 million.

On July 18, 2014, we financed a portion of the acquisition of the Lake Vista Pointe property with an $18.5 million mortgage loan. The mortgage loan matures on August 6, 2024 and bears interest at a fixed rate of 4.28%.

On November 18, 2014, we financed a portion of the acquisition of the Florida Research Park property with a $17 million non-recourse mortgage loan. The mortgage loan matures on December 6, 2024 and bears interest at a fixed rate of 4.44%.

Distributions

On May 12, 2014, we declared a dividend distribution to common stockholders of record and our operating partnership declared a distribution to holders of record of common units, in each case as of July 3, 2014, totaling $2.1 million, or $0.183 per share of common stock and common unit. This dividend distribution consisted of a pro rata dividend of $0.940 per share of common stock and common unit covering, on an annualized basis, the period from the consummation of our initial public offering on April 21, 2014 to June 30, 2014. The dividend distribution was paid on July 17, 2014.

On September 15, 2014, we also declared a dividend distribution to common stockholders of record and our operating partnership declared a distribution to holders of record of common units, in each case as of October 3, 2014, totaling $2.7 million, or $0.235 per share of common stock and common unit. This dividend distribution consisted of a

quarterly dividend of $0.235 per share of common stock and common unit for the period from July 1, 2014 through September 30, 2014. The dividend on our common stock was paid on October 17, 2014 to common stockholders of record as of October 3, 2014.

Table of Contents

Our Properties

As of September 30, 2014, and including the Florida Research Park property acquisition that occurred on November 18, 2014, we owned nine office complexes comprised of 21 office buildings with a total of approximately 2.34 million square feet of NRA in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA), Dallas (TX) and Orlando (FL). The following table presents an overview of our portfolio as of September 30, 2014.

Property	Metropolitan Area	Year Built /Last Major Renovation[1]	Economic Interest	NRA (000s Square Feet)[2]	In Place Occupancy	In Place and Committed Occupancy[3]	Annualized Base Rent per Square Foot	Annualized Gross Rent per Square Foot[9]	Annualized Base Rent[4]	Largest Tenant by NRA
Initial Properties										
Washington Group Plaza	Boise, ID	1970 1982 / 2012[5]	100.0%	558	89.0%	89.0%	$ 17.09	$ 17.09	$ 8,478,018	AECOM Technology Corporation[6]
Cherry Creek	Denver, CO	1962 1980 / 2012	100.0	356	98.1%	100.0	16.83	16.83	5,874,490	State of Colorado Department of Health
AmberGlen	Portland, OR	1984 / 2002[7]	76.0	353	92.0%	94.7	15.55	15.55	5,054,391	Planar Systems, Inc.
City Center	Tampa, FL	1984 / 2012	95.0	241	92.0%	93.3	22.77	22.77	5,054,351	RBC Capital Markets
Corporate Parkway	Allentown, PA	2006	100.0	178	100.0%	100.0	17.66	24.66	3,148,476	Dun & Bradstreet, Inc.
Central Fairwinds	Orlando, FL	1982 / 2013	90.0	169	68.5%	76.0	26.16	26.16	3,024,682	Fairwinds Credit Union
Completed Acquisitions Since the IPO										
Plaza 25	Denver, CO	1981 / 2006	100.0	197	92.4%	92.4	19.74	19.74	3,587,291	Recondo Technology, Inc.
Lake Vista Pointe	Dallas, TX	2007	100.0	163	100.0%	100.0	13.50	20.00	2,205,036	Ally Financial, Inc.
Florida Research Park[8]	Orlando, FL	1999	100.0	125	100.0%	100.0	19.50	27.50	2,427,750	Kaplan, Inc.
Total / Weighted Average:				**2,340**	**92.1%**	**93.5%**	**$ 18.02**	**$ 19.56**	**$ 38,854,485**	

(1)

We define major renovation as significant upgrades, alterations or additions to building common areas, interiors, exteriors and/or systems.

(2) NRA in thousands of square feet (SF).

(3) Includes both in place and committed tenants, which we define as our tenants in occupancy as well as tenants that have executed binding leases for space undergoing improvement but are not yet in occupancy, as of September 30, 2014.

(4) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the month ended September 30, 2014 (except for Florida Research Park, the acquisition date) by (ii) 12. If rent abatements that were applied in September 2014 are subtracted from rental payments for September 2014, annualized rent would be $4,495,845 for the AmberGlen property (a decrease of $1.45 per net rentable square foot), $4,016,229 for the City Center property (a decrease of $4.34 per square foot) and $2,634,324 for the Central Fairwinds property (a decrease of $2.21 per square foot). The contractual rent abatements currently in place at the AmberGlen and City Center properties will expire on or before January 2015. The other properties in our portfolio did not have any rent abatements in place for the month of September 2014. The Second City Group paid our operating partnership at the closing of our initial public offering a lump sum payment representing a reimbursement for the amount of all future contractual rent abatements in place at closing for existing tenants at the properties.

(5) Plaza I was built in 1970 with the last major renovation completed in 2012; Plaza II was built in 1975 with the last major renovation completed in 2012; Central Plaza was built in 1982 with the last major renovation completed in 2011; and Plaza IV was built in 1982 with the last major renovation completed in 2010.

(6) AECOM Technology Corporation acquired URS Corporation subsequent to September 30, 2014.

(7) Building 1040 was built in 1984; Building 1195 was built in 1999; Building 1400 was built in 1984; Building 1600 was built in 1987; Building 2345 was built in 1998; and Building 2430 was built in 1998.

(8) The Florida Research Park property was acquired on November 18, 2014.

(9) For Corporate Parkway, Lake Vista Pointe and Florida Research Park, the annualized base rent per square foot on a triple net basis was increased by $7.00, $6.50 and $8.00, respectively, to estimate a gross equivalent base rent.

Our Competitive Strengths

We believe that the following competitive strengths continue to distinguish us from other owners and operators of office properties in our target markets and will enable us to continue to successfully operate and expand our portfolio.

Table of Contents

Experienced Management Team: Our senior management team, led by James Farrar, our chief executive officer, Gregory Tylee, our president and chief operating officer, and Anthony Maretic, our chief financial officer, has an intimate knowledge and understanding of each of our properties as well as a strong familiarity with the local markets in which the properties are located. Mr. Farrar has over 15 years of experience in real estate acquisitions, management and finance and has completed acquisitions and divestitures with a combined enterprise value in excess of approximately $1.5 billion and has completed over $1.0 billion of financings. Mr. Tylee has over 20 years of experience negotiating and structuring complex real estate transactions and developments and has been involved in real estate transactions with a combined enterprise value of approximately $1.7 billion over the course of his career. Mr. Maretic has acted as chief financial officer and chief operating officer of Earls Restaurants Ltd. and has over 20 years of experience in financing, public company reporting requirements and internal controls. Upon completion of this offering, the principals of our Advisor and their affiliates will own approximately 13.5% of the equity interests of our company on a fully diluted basis, which we believe helps to align their interests with those of our stockholders.

Alignment of Interests with Established Local Operators: One component of our management s strategy is to invest in properties in markets where it has relationships with well-established local real estate operators that provide property management services and, in some cases, hold minority interests in the properties that they manage. We believe that this strategy of permitting local real estate operators to invest in our properties helps to align their interests with ours. Consistent with this strategy, eight of our nine properties are managed by well-established local real estate operators, many of which have invested equity with management in the past and three of which hold a minority interest in our properties, furthering the alignment of their interests with ours. These real estate operators typically manage or lease a large number of properties in the markets where our properties are located, providing economies of scale and local market insight. We intend to continue this strategy of offering ownership interests and other incentives to local real estate operators, which we believe can enhance the operating performance of our properties and strengthen our relationships with them.

Properties with Attractive Real Estate Fundamentals: We currently own nine office complexes comprised of 21 office buildings with a total of approximately 2.34 million square feet of NRA in the metropolitan areas of Boise (ID), Dallas (TX), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA) and Orlando (FL). We believe that our target markets have a number of the following characteristics: favorable economic growth trends, growing populations with above average employment growth forecasts, a large number of governmental offices, large international, national and regional employers across diversified industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. Most of the buildings included in our properties have undergone recent investment programs since we acquired them with approximately $7.4 million of capital improvements and $15.0 million for tenant improvements and leasing commissions having been spent in the aggregate.

Investment Grade Tenants and Well-Staggered Lease Maturities: As of September 30, 2014, approximately 49.0% of the base rental revenue of our properties was derived from tenants that are federal or state government agencies or investment grade tenants. Four of our top ten tenants are investment grade tenants, representing approximately 33.5% of the base rental revenue of our properties as of September 30, 2014. Our largest tenant is the Colorado Department of Public Health and Environment, whose lease at the Cherry Creek property represents approximately 14.2% of the base rental revenue of our properties and expires in 2026. Our properties also have a stable, long-term tenancy profile and our occupied and committed leases have staggered expirations and a weighted average remaining lease term to maturity of 4.8 years (9.7 years taking into account tenant renewal options).

Experienced Board of Directors: Our board of directors has extensive experience in the real estate industry, in real estate capital markets and as public company directors. Our board of directors consists of six directors, four of whom are independent under the standards of the NYSE. Our independent directors are William Flatt, former chief financial

officer as well as secretary and later chief operating officer of Parkway Properties, Inc., a NYSE listed REIT specializing in office properties in top-tier Sunbelt markets, John McLernon, formerly the chairman and chief executive officer of Colliers Macaulay Nicolls Group, a global commercial real estate service company, Mark Murski, a managing partner with Brookfield

Financial Corp., a global investment bank, and Stephen Shraiberg, the president of Urban Property Management, Inc., a Denver-based real estate development and management company. Our chief executive officer, James Farrar, and the president of our Advisor, Samuel Belzberg, also serve as members of our board of directors.

Clearly-Defined Acquisition Strategy: We focus on acquiring office properties in our target markets that we believe possess the attractive economic and demographic characteristics described above. We use our Advisor s market-specific knowledge as well as the expertise of local real estate operators and our investment partners to identify acquisition opportunities that we believe offer cash flow stability and long-term value appreciation. Our target markets are attractive, among other reasons, because we believe that ownership is often concentrated among local real estate operators that typically do not benefit from the same access to capital as public REITs and there is a relatively low level of participation of large institutional investors, which can result in attractive pricing levels and risk-adjusted returns. Within our target markets, we focus on acquiring properties with a purchase price between $20 million and $50 million and expected cap rates between seven and nine percent, as we believe that large institutional investors and public REITs generally prefer to target larger assets. According to data compiled by SNL Financial LLC from 2013 through June 30, 2014, only 25% of non-development office property acquisitions made by public U.S. REITs had a purchase price of less than $54 million. Additionally, we believe that many local real estate operators in our target markets have difficulty raising the necessary debt and equity capital to complete acquisitions of more than $20 million.

Strong Lender Relationships: Our management team has strong lending relationships with various banks, insurance companies and commercial mortgage-backed securities (CMBS) platforms. As of September 30, 2014, we have an existing fixed rate debt of $173.2 million with a weighted average of 5.9 years to maturity and a weighted average interest rate of 4.2%. Our existing mortgage loans were provided by insurance companies and CMBS platforms. We have a $30 million Secured Credit Facility with Key Bank National Association and our Secured Credit Facility has an accordion feature that will permit us to borrow up to $150 million, subject to additional collateral availability and lender approval. As of September 30, 2014, $6.4 million was outstanding under our Secured Credit Facility.

Business Objectives and Growth Strategies

Our principal business objective is to provide attractive risk-adjusted returns to our investors over the long-term through a combination of dividends and capital appreciation. Specifically, we intend to pursue the following strategies to achieve these objectives:

Internal Growth

We seek to manage our properties in a manner to increase their value by improving cash flow over time through our Advisor s hands on approach to real estate management alongside local real estate operators. We focus on maintaining strong relationships with existing tenants, which we believe can help reduce marketing, leasing and tenant improvement costs required for new tenancies and minimize interruptions in rental revenue resulting from periods of vacancy and tenant renovations. Our internal growth strategy includes the following:

Seeking Contractual Rent Escalations: With respect to our properties as of September 30, 2014, the leases provide for contractual increases in base rental rates per square foot averaging approximately 2.4% per annum over the next three years. These rental escalations are expected to result in predictable increases in rental revenues for us over time. We will continue to seek to include contractual rent escalators in future leases to further facilitate predictable growth in rental income.

Expanding Our Properties: We seek to enhance our asset base through select expansion and improvement of our properties. We believe that there are several expansion opportunities within our properties, including a potential development site, conversion of certain common areas to leasable space and increasing under reported rentable square footage due to the use of out of date measurement standards.

Table of Contents

Leasing Currently Vacant Space: As of September 30, 2014, the weighted average in place and committed occupancy rate of our properties was 93.5% and we believe that there is potential to generate additional rental income by leasing space in these properties that is currently unoccupied. We believe that our properties compete for tenants with other landlords that are capital constrained and may not be able to enhance their buildings appeal through capital investments or offer tenants attractive tenant improvement packages.

Implementing Improvements and Preventive Maintenance Programs: We seek to operate our portfolio as efficiently as possible. Site visits, property inspections and preventive maintenance programs are performed to ensure that our properties are well maintained so that we will minimize long-term capital expenditures. In addition, we actively pursue cost reduction initiatives, such as eliminating redundant or unnecessary expenses and engaging property tax appeal specialists to lower property tax costs, and make an ongoing effort to increase expense recoveries from tenants on new and renewed leases. We believe that there are opportunities for continued cost reductions at our properties. We also seek to acquire properties within close geographic proximity to one another in order to benefit from economies of scale in the operation of the properties by sharing property management among properties and having greater negotiating leverage with vendors.

External Growth

Our external growth strategy includes the following:

Focusing on Acquisitions in Our Specified Target Markets: We seek to expand our portfolio through acquisitions of office properties primarily located in our target markets. We believe that current economic conditions and relatively low levels of competition from institutional buyers have created attractive investment opportunities for the acquisition of office properties in our target markets as compared to Gateway markets. We also use our management team s market-specific knowledge as well as the expertise of our local real estate operators and our investment partners to identify acquisitions that we believe offer cash flow stability and price appreciation.

We continue to review attractive acquisition opportunities and have identified over $200 million of available office properties representing approximately 1,000,000 square feet that are under various levels of consideration as of the date of this prospectus.

We have not completed our due diligence process or entered into binding agreements with non-refundable deposits to acquire any of these properties. Furthermore, any acquisition would also need to satisfy a number of additional conditions and approvals in addition to completing the full scope of our due diligence process. As a result, we do not deem any of these potential acquisition prospects probable as of the date of this prospectus.

Leveraging Opportunities from Our Advisor: We benefit from the strong existing industry relationships of our management team, which has completed approximately $400 million in acquisitions since April 2013. Historically, our management team has proactively sourced acquisition opportunities through a number of channels, including targeting properties owned by our local property managers and through management s relationships with local owners, investment brokers, mortgage brokers and lenders. We believe that through the activities of the Second City Group, our Advisor will be able to maintain relationships in our target markets that may result in acquisition opportunities for us. During the term of the Advisory Agreement (as defined in Our Advisor and the Advisory Agreement), we have an exclusive right of first opportunity to purchase any office property or property interest that the Second City Group (including any future funds created by the principals of Second City) or our Advisor identifies, provided that the property has greater than 85% occupancy and an average remaining lease term of more than three years.

Conflicts of Interest

We are externally managed by our Advisor. The advisory agreement (the Advisory Agreement) between us, our operating partnership and our Advisor requires our Advisor to manage our business affairs in conformity with policies and investment guidelines that are approved and monitored by our board of directors. Our executive officers are principals of our

Table of Contents

Advisor. Related parties participated in the negotiation of the Advisory Agreement and its terms, including fees payable to our Advisor, and equity awards made pursuant to the Advisory Agreement may not be as favorable to us as a result of such related parties participating in such negotiations. In addition, we may choose not to enforce, or to enforce less vigorously, our rights under the Advisory Agreement because of our desire to maintain our ongoing relationship with our Advisor. Pursuant to the Advisory Agreement, our Advisor is obligated to supply us with our management team. However, our Advisor is not obligated to dedicate any specific personnel exclusively to us, nor are the Advisor s personnel, other than our chief financial officer, obligated to dedicate any specific portion of their time to the management of our business. In addition, subject to the direction and oversight of our board of directors, our Advisor has significant discretion regarding the implementation of our operating policies and strategies, including our investment, finance and leverage and conflicts of interest policies. Our Advisor has advised us that it does not currently intend to provide management or advisory services to other entities but may decide to do so in the future. See Conflicts of Interest and Our Advisor and the Advisory Agreement.

Summary Risk Factors

An investment in shares of our common stock involves a high degree of risk. You should carefully consider the matters discussed below and in the Risk Factors section beginning on page 15 of this prospectus prior to deciding whether to invest in our common stock. If any of the following risks occur, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. In that case, the market price of our common stock could decline and you may lose some or all of your investment.

Some of these risks include:

- there are inherent risks associated with real estate investments and with the real estate industry, each of which could have an adverse impact on our financial performance and the value of our property;

- significant competition may decrease or prevent increases in our properties occupancy and rental rates and may reduce our investment opportunities;

- a decrease in demand for office space may have a material adverse effect on our financial condition and results of operations;

- failure by any major tenant to make rental payments to us because of a deterioration of its financial condition, a termination of its lease, a non-renewal of its lease or otherwise, could seriously harm our results of operations;

- we have a substantial amount of indebtedness outstanding, which may affect our ability to pay distributions, may expose us to interest rate fluctuation risk and may expose us to the risk of default under our debt obligations;

current challenging economic conditions facing us and our tenants may have a material adverse effect on our financial condition and results of operations;

potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by insurance;

we have a limited history and may not be able to successfully operate our business or generate sufficient cash flows or make or sustain distributions to our stockholders;

we may face additional risks and costs associated with owning properties occupied by government tenants, which could negatively impact our cash flows and results of operations;

we may be unable to complete acquisitions and, even if acquisitions are completed, we may fail to successfully operate acquired properties;

acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market;

our failure to qualify as a REIT would result in significant adverse tax consequences to us and would adversely affect our business and the value of our stock;

- our Advisor and certain of its affiliates may have interests that diverge from the interests of our common stockholders;

- we depend upon our Advisor to conduct our operations and, therefore, any adverse changes in the financial health or personnel of our Advisor, or our relationship with our Advisor, could hinder our operating performance and adversely affect the market price of our common stock;

- if our Advisor loses or is unable to retain or obtain key personnel, our ability to implement our investment strategies could be hindered, which could adversely affect our cash flow and ability to make cash distributions to our stockholders;

- our board of directors may amend our investing and financing guidelines without stockholder approval, and, accordingly, you would have limited control over changes in our policies that could increase the risk that we default under our debt obligations or that could harm our business, results of operations and share price; and

- the market price and trading volume of our common stock may be volatile following this offering, and you could experience a loss if you sell your shares.

Our REIT Status

We intend to elect to be taxed, and to continue to operate in a manner that will allow us to qualify, as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2014. We believe that our organization and current and proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our taxable income to our stockholders. As a REIT, we generally will not be subject to U.S. federal income tax on our taxable income that we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some U.S. federal, state and local taxes on our income or property. In addition, the income of our taxable REIT subsidiaries will be subject to taxation at regular corporate rates. See U.S. Federal Income Tax Considerations.

Restrictions on Ownership and Transfer of Our Stock

Due to limitations on the concentration of ownership of REIT stock imposed by the Internal Revenue Code of 1986, as amended (the Code), our charter generally prohibits any person from actually, beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 9.8% in value of the aggregate outstanding shares of all classes and series of our stock. We refer to these restrictions as the ownership limits. Our charter permits our board of directors, in its sole and absolute discretion, to exempt a person, prospectively or retroactively, from one or both of the ownership limits if, among other limitations, the person s ownership of our stock in excess of the ownership limits will not cause us to fail to qualify as a REIT.

Under the Amended and Restated Agreement of Limited Partnership of City Office REIT Operating Partnership, L.P. (the partnership agreement), unitholders do not have redemption or exchange rights, except under limited circumstances, until April 21, 2015, and may not otherwise transfer their units, except under certain limited

circumstances, until April 21, 2015. On or after April 21, 2015, transfers of units by limited partners and their assignees are subject to various conditions, including our right of first refusal, as described under Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P. Transfers and Withdrawals. In addition, our executive officers, our directors, our Advisor, the Second City Group and our other existing security holders (each, a lock-up party) have agreed not to sell or transfer any lock-up securities for a period of 90 days after the date of this prospectus without first obtaining the written consent of Janney Montgomery Scott LLC. In addition, in connection with our initial public offering, each lock-up party agreed not to sell or transfer any lock-up securities for a period of (i) 180 days, (ii) 12 months and (iii) 18 months for each of one-third of the lock-up securities a lock-up party owns, respectively, after April 14, 2014 without first obtaining the written consent of Janney Montgomery Scott LLC.

Table of Contents

Distribution Policy

The Code generally requires that a REIT distribute annually at least 90% of its adjusted REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain. In order to qualify for REIT status and generally not to be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our net taxable income to holders of our common stock out of assets legally available therefor. Our future distributions will be at the discretion of our board of directors and will depend upon our earnings and financial condition, maintenance of REIT qualification, the applicable provisions of the Maryland General Corporation Law and such other factors as our board of directors may determine in its sole discretion. See Distribution Policy.

To date in 2014, we have paid an aggregate of $3.4 million of dividends to holders of our common stock and our operating partnership has paid aggregate distributions of $1.4 million to holders of outstanding common units.

To the extent that our cash available for distribution is less than 90% of our adjusted REIT taxable income, we may consider various funding sources to cover any such shortfall, including borrowing under our credit facility, selling certain of our assets or using a portion of the net proceeds that we receive in this offering or future offerings. Our distribution policy enables us to review the alternative funding sources available to us from time to time.

Dividend Reinvestment Plan

Our stockholders have the opportunity to participate in a dividend reinvestment plan (DRIP) sponsored and administered by American Stock Transfer & Trust Company, LLC (AST), which allows them to acquire additional shares of our common stock by automatically reinvesting their cash dividends. The additional shares are purchased on the open market by the DRIP administrator. The share price of stock acquired pursuant to the DRIP is the average price of all shares purchased with the reinvested distributions by the DRIP administrator on behalf of all DRIP participants relating to a particular distribution by us. The DRIP administrator charges participants under the DRIP commissions and other fees according to the fee schedule provided by AST in connection with any acquisition of shares. We do not subsidize or otherwise provide any discount to DRIP participants in connection with the acquisition of common stock under the DRIP. If our board of directors authorizes, and we declare, a cash dividend or other distribution, then our stockholders who have elected to participate in the DRIP will have their cash distribution reinvested in additional shares of common stock, rather than receiving the cash distribution. Stockholders of record who do not participate in the DRIP continue to receive cash distributions as declared and paid.

Implications of Being an Emerging Growth Company

We qualify as an emerging growth company under the Jumpstart Our Business Startups Act of 2012 (the JOBS Act). As a result, we have elected to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies.

In addition, for so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act);

comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (United States) regarding mandatory audit firm rotation or a supplement to the auditor s report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);

submit certain executive compensation matters to stockholder advisory votes, such as say-on-pay, say-on-frequency and say-on-golden parachutes votes; and

disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer s compensation to median employee compensation.

While we are an emerging growth company, the JOBS Act permits us to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have chosen to opt out of such extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We will remain an emerging growth company until the earliest to occur of: (i) the last day of the fiscal year during which we had $1 billion or more in annual gross revenues; (ii) the end of fiscal year 2019; (iii) our issuance, in a three-year period, of more than $1 billion in non-convertible debt; or (iv) the end of the fiscal year in which the market value of our common stock held by non-affiliates exceeds $700 million on the last business day of our second fiscal quarter.

Corporate Information

City Office REIT, Inc., a Maryland corporation, was incorporated on November 26, 2013. Our principal executive offices are located at Suite 2600, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. Our telephone number is (604) 806-3366. We also maintain a website at *www.cityofficereit.com*. **Information on, or accessible through, our website is not a part of, and is not incorporated into, this prospectus or the registration statement of which it forms a part.**

The Offering

Common stock offered by us	3,750,000 shares (plus up to an additional 562,500 shares of our common stock that we may issue and sell upon the exercise of the underwriters over-allotment option in full)[1]
Common stock to be outstanding after this offering	12,337,148 shares[1]
Common stock and common units to be outstanding after this offering	15,589,052 shares and common units[1][2]
Use of proceeds	We estimate that the net proceeds of this offering, after deducting underwriting discount and estimated offering expenses, will be approximately $43.7 million ($50.4 million if the underwriters exercise their over-allotment option in full). We will contribute the net proceeds of this offering to our operating partnership in exchange for common units. Our operating partnership intends to use the net proceeds of this offering as follows:

approximately $14.9 million to repay amounts outstanding under the Secured Credit Facility; and

the remaining approximately $28.8 million for general working capital purposes, including payment of expenses associated with this offering, possible future acquisitions and creating reserves for capital expenditures, tenant improvements and leasing commissions.

(1) Includes 6,582,150 shares of our common stock (including 782,150 shares sold pursuant to the exercise of the underwriters over-allotment option) issued in our initial public offering, 1,610,765 shares of our common stock issued to CIO REIT as a part of our formation transactions and 394,233 shares of restricted common stock granted to our executive officers, directors and employees of our Advisor under our Equity Incentive Plan. Excludes up to 562,500 shares of common stock that may be issued by us upon exercise of the underwriters over-allotment option and 869,347 shares of common stock or LTIP units (as defined below) available for future issuance under our Equity Incentive Plan.

(2) Includes 3,251,904 common units held by limited partners of our operating partnership, which units may, subject to certain limitations, be redeemed for cash or, at our option, exchanged for shares of common stock on a one-for-one basis.

Table of Contents

	If the underwriters elect to exercise all or any part of their over-allotment option, we may, at the option of the Second City Group, use all or a portion of the additional net proceeds from such exercise to redeem from the Second City Group, for cash, a portion of shares of the common stock and common units held by the Second City Group at a redemption price per common unit or share of common stock equal to the public offering price per share in this offering less underwriting discount.
Our Advisor	Pursuant to the terms of the Advisory Agreement, our Advisor provides management and advisory services to us.
Risk factors	Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under the heading Risk Factors beginning on page 14 and other information included in this prospectus before investing in our common stock.
New York Stock Exchange symbol	CIO
Reserved Share Program	At our request, the underwriters have reserved for sale, at the public offering price, up to 130,000 of the shares offered by this prospectus for sale to our directors and executive officers, employees of our Advisor, other persons having a business relationship with us, our affiliates, our Advisor or affiliates of our Advisor (the Reserved Shares). No underwriting discount will be paid to the underwriters for the Reserved Shares.

Summary Financial Data

The following financial data should be read in conjunction with the audited and unaudited financial statements and the related notes, and our unaudited pro forma financial information and the related notes, included elsewhere in this prospectus.

The following table sets forth summary financial and operating data on a consolidated pro forma and historical basis for our company.

We had no business operations prior to completion of our initial public offering and the related formation transactions. As a result, the historical combined balance sheet data as of December 31, 2013 and December 31, 2012 reflects the financial condition of the entities that own the historical interests in the AmberGlen, Central Fairwinds, City Center, Cherry Creek, Corporate Parkway and Washington Group Plaza properties, which were the initial properties contributed to us in the formation transactions related to our initial public offering (the City Office Predecessor) and the consolidated balance sheet data as of September 30, 2014 (unaudited) reflects our financial condition. The results of operations for the nine months ended September 30, 2014 (unaudited) reflect the historical operations of the City Office Predecessor for the period from January 1, 2014 through April 20, 2014 and the historical results of operations of us for the period from April 21, 2014 through September 30, 2014.

The historical combined balance sheet information as of December 31, 2013 and December 31, 2012 of the City Office Predecessor and the combined statements of operations information for the years ended December 31, 2013 and December 31, 2012 and the nine months ended September 30, 2013 (unaudited) of the City Office Predecessor have been derived from the historical combined financial statements included elsewhere in this prospectus.

The unaudited pro forma consolidated balance sheet data is presented to reflect the historical consolidated balance sheet of our company at September 30, 2014 (which includes the acquisition of the Plaza 25 and Lake Vista Pointe properties), the acquisition of the Florida Research Park property and this offering, assuming the underwriters received uniform discounts and commissions on the 3,750,000 shares, and the use of proceeds thereof as if they

Table of Contents

had all been completed on September 30, 2014. The unaudited pro forma consolidated statement of operations for the nine months ended September 30, 2014 reflects the historical operations of the City Office Predecessor for the period from January 1, 2014 through April 20, 2014 and the historical results of operations of our company for the period from April 21, 2014 through September 30, 2014 and are presented as if our initial public offering and related formation transactions as well as the acquisitions of the Plaza 25, Lake Vista Pointe and Florida Research Park properties had all been completed on January 1, 2013. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2013 reflects the historical results of operations of the City Office Predecessor for the year ended December 31, 2013 and are presented as if our initial public offering and the related Formation Transactions as well as the acquisitions of the Plaza 25, Lake Vista Pointe and Florida Research Park properties had all been completed on January 1, 2013.

Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

Table of Contents

The information presented below should be read in conjunction with Capitalization, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Certain Relationships and Related Person Transactions and our audited and unaudited financial statements and related notes, which are included elsewhere in this prospectus.

City Office REIT, Inc. and the City Office Predecessor

	Nine Months Ended September 30,			**Year Ended December 31,**		
	2014		**2013**	**2013**		**2012**
	(unaudited) Pro-Forma	**(unaudited) Historical**	**(unaudited) Historical**	**(unaudited) Pro-Forma**	**Historical**	**Historical**
Revenue:						
Rental income	$ 28,208,371	$ 23,987,891	$ 12,938,686	$ 36,233,696	$ 18,427,794	$ 9,991,712
Expense reimbursement	2,721,453	1,796,567	1,093,117	3,571,980	1,316,068	1,053,466
Other	593,863	589,631	593,724	792,500	746,716	471,280
Total Revenues	31,523,687	26,374,089	14,625,527	40,598,176	20,490,578	11,516,458
Operating Expenses:						
Property operating expenses	8,215,662	7,304,371	4,005,302	10,604,700	6,021,287	4,109,993
Insurance	562,429	489,471	374,655	734,592	518,361	398,083
Property taxes	2,440,960	1,775,641	1,015,164	2,989,607	1,385,954	969,564
Property management fees	674,072	619,497	397,297	824,160	539,460	571,420
Acquisition costs	1,561,997	1,551,347	1,479,292	1,479,292	1,479,292	212,765
Base management fee	1,066,170	411,471		1,421,560		
Stock based compensation	1,210,563	667,347		1,614,083		
General and administrative	1,342,500	821,379		1,790,000		
Depreciation and amortization	13,257,834	10,633,593	5,245,498	17,862,622	7,775,219	3,956,204
Total Operating Expenses	30,332,187	24,274,117	12,517,208	39,320,616	17,719,573	10,218,029
Operating Income from Continuing Operations	1,191,500	2,099,972	2,108,319	1,277,560	2,771,005	1,298,429
Interest expense, net	(6,552,907)	(8,765,075)	(3,704,586)	(8,874,197)	(5,368,016)	(3,685,881)

Change in fair value of earn-out	(1,047,515)	(1,047,515)				
Canadian offering costs				(1,983,195)	(1,983,195)	
Gain on acquisition		4,474,644				
Equity in income of unconsolidated entity			255,422		402,913	505,877
Net loss	(6,408,922)	(3,237,974)	(1,340,845)	(9,579,832)	(4,177,293)	(1,881,575)
Less:						
Net loss (income) attributable to noncontrolling interests in properties	(8,326)	(8,326)	60,356	(190,624)	44,368	286,481
Net income attributable to Predecessor		(1,973,197)				
Net loss attributable to Predecessor			**$ (1,280,489)**		**$ (4,132,925)**	**$ (1,595,094)**
Net loss attributable to Operating Partnership unitholders noncontrolling interests	1,373,381	1,508,097		2,091,014		
Net loss attributable to stockholders	**$ (5,043,867)**	**$ (3,711,400)**		**$ (7,679,442)**		
Balance Sheet Data (as of end of period):						
Real estate properties, net of accumulated depreciation	$ 210,850,541	$ 189,813,558			$ 100,126,486	$ 42,171,832
Investments in unconsolidated entity					4,337,899	4,882,753
Total Assets	306,501,251	252,165,765			142,990,149	61,016,126
Debt	190,204,305	179,604,305			109,916,430	53,256,600
Total Liabilities	210,274,479	199,635,868			115,282,034	55,006,264
Stockholders and Predecessor Equity	82,146,463	38,449,588			26,624,375	6,149,404
	14,816,720	14,816,720				

Operating Partnership unitholders noncontrolling interests					
Noncontrolling interest in properties	(736,411)	(736,411)		1,083,740	(139,542)
Total Equity	96,226,772	52,529,897		27,708,115	6,009,862
Other Data					
Cash flows from/(to):					
Operating Activities		$ 5,980,825	$ 6,370,561	$ 1,459,782	$ 3,891,017
Investing Activities		(65,656,343)	(73,249,579)	(75,105,500)	(17,109,811)
Financing Activities		61,402,950	71,325,799	77,666,866	14,858,006

Table of Contents

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including the financial statements and the related notes appearing elsewhere in this prospectus, before making an investment decision. If any of the following risks actually occur, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. The market price of our common stock could decline due to any of these risks and, as a result, you may lose all or part of your investment in our common stock. Some statements in this prospectus, including statements contained in the following risk factors, constitute forward-looking statements. Please refer to the section entitled Cautionary Statement Regarding Forward-Looking Statements.

Risks Relating to Our Business and Our Properties

There are inherent risks associated with real estate investments and with the real estate industry, each of which could have an adverse impact on our financial performance and the value of our properties.

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Our financial performance and the value of our properties can be affected by many of these factors, including the following:

- adverse changes in financial conditions of buyers, sellers and tenants of our properties, including bankruptcies, financial difficulties or lease defaults by our tenants;

- the national, regional and local economy, which may be negatively impacted by concerns about inflation, deflation and government deficit, high unemployment rates, decreased consumer confidence, industry slowdowns, reduced corporate profits, liquidity concerns in our markets and other adverse business concerns;

- local real estate conditions, such as an oversupply of, or a reduction in, demand for office space and the availability and creditworthiness of current and prospective tenants;

- vacancies or ability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;

- changes in operating costs and expenses, including, without limitation, increasing labor and material costs, insurance costs, energy prices, environmental restrictions, real estate taxes and costs of compliance with laws, regulations and government policies, which we may be restricted from passing on to our tenants;

- fluctuations in interest rates, which could adversely affect our ability, or the ability of buyers and tenants of our properties, to obtain financing on favorable terms or at all;

competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds;

inability to refinance our indebtedness, which could result in a default on our obligation and trigger cross default provisions that could result in a default on other indebtedness;

the convenience and quality of competing office properties;

inability to collect rent from tenants;

our ability to secure adequate insurance;

our ability to secure adequate management services and to maintain our properties;

changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, government fiscal policies and the Americans with Disabilities Act of 1990 (the ADA); and

civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes, wind damage and floods, which may result in uninsured and underinsured losses.

In addition, because the yields available from equity investments in real estate depend in large part on the amount of rental income earned, as well as property operating expenses and other costs incurred, a period of economic slowdown or recession, or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults among our existing leases, and, consequently, our properties, including any held by joint ventures, may fail to generate revenues sufficient to meet operating, debt service and other expenses. As a result, we may have to borrow amounts to cover fixed costs, and our financial condition, results of operations, cash flow, per share market price of our common stock and ability to satisfy our principal and interest obligations and to make distributions to our stockholders may be adversely affected.

Significant competition may decrease or prevent increases in our properties occupancy and rental rates and may reduce our investment opportunities.

We compete with numerous developers, owners and operators of office properties, many of which own properties similar to ours in the same submarkets in which our properties are located. Furthermore, undeveloped land in many of the markets in which we operate is generally more readily available and less expensive than in Gateway markets, which are commonly defined as New York, Los Angeles, Washington, D.C., Boston, Chicago and San Francisco. If our competitors offer space from existing or new buildings at rental rates below current market rates, or below the rental rates that we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those that we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain or attract tenants when our tenants leases expire. Our competitors may have substantially greater financial resources than we do and may be able to accept more risk than we can prudently manage. In the future, competition from these entities may reduce the number of suitable investment opportunities offered to us or increase the bargaining power of property owners seeking to sell. As a result, our financial condition, results of operations, cash flows and market price of our common stock could be adversely affected.

A decrease in demand for office space may have a material adverse effect on our financial condition and results of operations.

Our portfolio of properties consists entirely of office properties and because we seek to acquire similar properties, a decrease in the demand for office space may have a greater adverse effect on our business and financial condition than if we owned a more diversified real estate portfolio. If parts of our properties are leased within a particular sector, a significant downturn in that sector in which the tenants businesses operate would adversely affect our results of operations. In addition, where a government agency is a tenant, which is the case for a number of our properties, austerity measures and governmental deficit reduction programs may lead government agencies to consolidate and reduce their office space, terminate their lease and decrease their workforce, which may reduce demand for office space in the government sector.

Failure by any major tenant to make rental payments to us, because of a deterioration of its financial condition, a termination of its lease, a non-renewal of its lease or otherwise, could seriously harm our results of operations.

As of September 30, 2014, approximately 57.7% of the base rental revenue of our properties was derived from our ten largest tenants. Our largest tenant is the Colorado Department of Public Health and Environment, which accounted for approximately 14.2% of base rental revenue of our properties for the quarter ended September 30, 2014. The Corporate Parkway property is leased to a single tenant, Dun & Bradstreet, Inc., which accounted for approximately 8.1% of our annualized base rental revenue for the quarter ended September 30, 2014. In addition, the Lake Vista Pointe property is leased to a single tenant, Ally Financial, Inc. Our results of operations depend on our ability to

collect rent from the Colorado Department of Public Health and Environment, Dun & Bradstreet, Inc. and other tenants. At any time, our tenants may experience a downturn in their businesses that may significantly weaken their financial condition, whether as a result of general economic conditions or otherwise. As a result, our tenants may fail to make rental payments when due, delay lease commencements, decline to extend or renew leases upon expiration or declare bankruptcy. Any of these actions could result in the termination of the tenants leases or the failure to renew a lease and the loss of rental income attributable to the terminated leases. The occurrence of any of the situations described above could seriously harm our results of operations.

We may be unable to secure funds for future tenant or other capital improvements or payment of leasing commissions, which could limit our ability to attract or replace tenants and adversely impact our ability to make cash distributions to our stockholders.

When tenants do not renew their leases or otherwise vacate their space, it is common that, in order to attract replacement tenants, we will be required to expend funds for tenant improvements, payment of leasing commissions and other concessions related to the vacated space. Such tenant improvements may require us to incur substantial capital expenditures. We may not be able to fund capital expenditures solely from cash provided from our operating activities because we must distribute at least 90% of our REIT taxable income excluding net capital gains each year to qualify as a REIT. As a result, our ability to fund tenant and other capital improvements or payment of leasing commissions through retained earnings may be limited. If we have insufficient capital reserves, we will have to obtain financing from other sources. We may also have future financing needs for other capital improvements to refurbish or renovate our properties. If we are unable to secure financing on terms that we believe are acceptable or at all, we may be unable to make tenant and other capital improvements or payment of leasing commissions or we may be required to defer such improvements. If this happens, it may cause one or more of our properties to suffer from a greater risk of obsolescence or a decline in value, as a result of fewer potential tenants being attracted to the property or existing tenants not renewing their leases. If we do not have access to sufficient funding in the future, we may not be able to make necessary capital improvements to our properties, pay leasing commissions or other expenses or pay distributions to our stockholders.

We may be required to make rent or other concessions and significant capital expenditures to improve our properties in order to retain and attract tenants, which could adversely affect our financial condition, results of operations and cash flow.

In order to retain existing tenants and attract new clients, we may be required to offer more substantial rent abatements, tenant improvements and early termination rights or accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers, which could adversely affect our results of operations and cash flow. Additionally, if we need to raise capital to make such expenditures and are unable to do so, or such capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which could adversely affect our financial condition, results of operations and cash flow.

We depend on external sources of capital that are outside of our control, which may affect our ability to seize strategic opportunities, satisfy our debt obligations and make distributions to our stockholders.

In order to qualify as a REIT, we are generally required under the Code to annually distribute at least 90% of our REIT taxable income, determined without regard to the distributions paid and excluding any net capital gain. In addition, as a REIT, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs (including redevelopment, acquisition, expansion and renovation activities, payments of principal and interest on and the refinancing of our existing debt, tenant improvements and leasing costs), from operating cash flow. Consequently, we may rely on third-party sources to fund our capital needs. We may not be able to obtain the necessary financing on favorable terms, in the time period that we desire or at all. Any additional debt we incur will increase our leverage, expose us to the risk of default and may impose operating restrictions on us, and any additional equity we raise could be dilutive to existing stockholders. Our access to third-party sources of capital depends, in part, on:

general market conditions;

the market s view of the quality of our assets;

the market s perception of our growth potential;

our current debt levels;

our current and expected future earnings;

Table of Contents

- our cash flow and cash distributions; and
- the market price per share of our common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our principal and interest obligations or make the cash distributions to our stockholders necessary to qualify as a REIT.

We have a substantial amount of indebtedness outstanding which may affect our ability to pay distributions, may expose us to interest rate fluctuation risk and may expose us to the risk of default under our debt obligations.

Our total consolidated indebtedness, as of September 30, 2014, was approximately $179.6 million which reflects the fact that we have drawn approximately $6.4 million under the Secured Credit Facility. We do not anticipate that our internally generated cash flow will be adequate to repay our existing indebtedness upon maturity, and, therefore, we expect to repay our indebtedness through refinancings and future offerings of equity and debt securities, either of which we may be unable to secure on favorable terms or at all. Our substantial outstanding indebtedness, and the limitations imposed on us by our debt agreements, could have other significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to capitalize upon emerging acquisition opportunities or meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations or require us to retain cash for reserves;
- we may be unable to hedge floating rate debt, counterparties may fail to honor their obligations under our hedge agreements and these agreements may not effectively hedge interest rate fluctuation risk;
- we may default on our obligations and the lenders or mortgagees may foreclose on our properties that secure their loans;

- our default under any of our indebtedness with cross default provisions could result in a default on other indebtedness; and
- cross default provisions on properties with minority parties could trigger indemnity obligations.

If any one of these events were to occur, our financial condition, results of operations, cash flows, market price of our common stock and ability to satisfy our debt service obligations and to pay distributions to you could be adversely affected. In addition, any foreclosure on our properties could create taxable income without accompanying cash proceeds, which could adversely affect our ability to meet the distribution requirements necessary to qualify as a REIT.

We could become highly leveraged in the future because our organizational documents contain no limitations on the amount of debt that we may incur.

As of September 30, 2014, our indebtedness represented approximately 71.2% of our total assets. However, our organizational documents contain no limitations on the amount of indebtedness that we or our operating partnership may incur. We could alter the balance between our total outstanding indebtedness and the value of our properties at any time. If we become more highly leveraged, the resulting increase in outstanding debt could adversely affect our ability to make debt service payments, to pay our anticipated distributions and to make the distributions required to qualify as a REIT. The occurrence of any of the foregoing risks could adversely affect our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common stock.

Table of Contents

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to our stockholders.

In providing financing to us, a lender may impose restrictions on us that would affect our ability to incur additional debt, make certain investments, reduce liquidity below certain levels, make distributions to our stockholders and otherwise affect our distribution and operating policies. In general, we expect that our loan agreements will restrict our ability to encumber or otherwise transfer our interest in the respective property without the prior consent of the lender. Such loan documents may contain other negative covenants that may limit our ability to discontinue insurance coverage, replace our Advisor or impose other limitations. Any such restriction or limitation may limit our ability to make distributions to you. Further, such restrictions could make it difficult for us to satisfy the requirements necessary to qualify as a REIT.

We may engage in hedging transactions, which can limit our gains and increase exposure to losses.

Subject to qualifying as a REIT, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. Our hedging transactions may include entering into interest rate swap agreements or interest rate cap or floor agreements, or other interest rate exchange contracts. Hedging activities may not have the desired beneficial impact on our results of operations or financial condition. No hedging activity can completely insulate us from the risks associated with changes in interest rates. Moreover, interest rate hedging could fail to protect us or adversely affect us because, among other things:

- available interest rate hedging may not correspond directly with the interest rate risk for which we seek protection;
- the duration of the hedge may not match the duration of the related liability;
- the party owing money in the hedging transaction may default on its obligation to pay;
- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value, such downward adjustments, or mark-to-market losses, which would reduce our stockholders equity.

Hedging involves risk and typically involves costs, including transaction costs, that may reduce our overall returns on our investments. These costs increase as the period covered by the hedging increases and during periods of rising and volatile interest rates. These costs will also limit the amount of cash available for distribution to stockholders. We generally intend to hedge as much of the interest rate risk as our Advisor determines is in our best interests given the cost of such hedging transactions. The REIT tax rules may limit our ability to enter into hedging transactions by requiring us to limit our income from non-qualifying hedges. If we are unable to hedge effectively because of the REIT tax rules, we will face greater interest rate exposure than may be commercially prudent.

Economic conditions may adversely affect the real estate market and our income.

Continued concerns regarding the uncertainty over whether the U.S. economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment and underemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the mortgage market in the United States and a distressed real estate market have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect our ability to generate revenues, thereby reducing our operating income and earnings.

In addition, local real estate conditions such as an oversupply of properties or a reduction in demand for properties, competition from other similar properties, our ability to provide or arrange for adequate maintenance, insurance and management and advisory services, increased operating costs (including real estate taxes), the attractiveness and location of the property and changes in market rental rates may adversely affect a property s income and value. A rise in energy costs could result in higher operating costs, which may affect our results of operations. In addition, local conditions in the markets in

Table of Contents

which we own or intend to own properties may significantly affect occupancy or rental rates at such properties. Events that could prevent us from raising or maintaining rents or cause us to reduce rents include layoffs, plant closings, relocations of significant local employers and other events reducing local employment rates, an oversupply of or a lack of demand for office space, a decline in household formation and the inability or unwillingness of tenants to pay rent increases.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties, which could have an adverse impact on our financial conditions, results of operations, cash flows and market price of our common stock.

The properties in our portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval or waivers from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that could increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief. Our failure to obtain such permits, licenses and zoning relief or to comply with applicable laws could have an adverse effect on our financial condition, results of operations, cash flow and per share market price of our common stock.

We could incur significant costs related to government regulation and private litigation over environmental matters involving the presence, discharge or threat of discharge of hazardous or toxic substances, which could adversely affect our operations, the value of our properties and our ability to make distributions to our stockholders.

Our properties may be subject to environmental liabilities. Under various federal, state and local laws, a current or previous owner, operator or tenant of real estate can face liability for environmental contamination created by the presence, discharge or threat of discharge of hazardous or toxic substances. Liabilities can include the cost to investigate, clean up and monitor the actual or threatened contamination and damages caused by the contamination or threatened contamination.

The liability under such laws may be strict, joint and several, meaning that we may be liable regardless of whether we knew of, or were responsible for, the presence of the contaminants, and the government entity or private party may seek recovery of the entire amount from us even if there are other responsible parties. Liabilities associated with environmental conditions may be significant and can sometimes exceed the value of the affected property. The presence of hazardous substances on a property may adversely affect our ability to sell or rent that property or to borrow using that property as collateral.

Environmental laws also:

- may require the removal or upgrade of underground storage tanks;

- regulate the discharge of storm water, wastewater and other pollutants;
- regulate air pollutant emissions;
- regulate hazardous materials generation, management and disposal; and
- regulate workplace health and safety.

Existing conditions at some of our properties may expose us to liability related to environmental matters.

Independent environmental consultants have conducted Phase I or similar environmental site assessments on all of our properties. Site assessments are intended to discover and evaluate information regarding the environmental condition of the

surveyed property and surrounding properties. These assessments do not generally include subsurface investigations or mold or asbestos surveys. None of the recent site assessments revealed any past or present environmental liability that we believe would have a material adverse effect on our business, financial condition, cash flows or results of operations. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns. Material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future; and future laws, ordinances or regulations may impose material additional environmental liability.

Costs of future environmental compliance could negatively affect our ability to make distributions to our stockholders, and remedial measures required to address such conditions could have a material adverse effect on our business, financial condition, cash flows or results of operations.

Our properties may contain asbestos or develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem, which could adversely affect the value of the affected property and our ability to make distributions to our stockholders.

We are required by federal regulations with respect to our properties to identify and warn, via signs and labels, of potential hazards posed by workplace exposure to installed asbestos-containing materials (ACMs) and potential ACMs. We may be subject to an increased risk of personal injury lawsuits by workers and others exposed to ACMs and potential ACMs at our properties as a result of these regulations. The regulations may affect the value of any of our properties containing ACMs and potential ACMs. Federal, state and local laws and regulations also govern the removal, encapsulation, disturbance, handling and disposal of ACMs and potential ACMs when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a property.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing because exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions.

The presence of ACMs or significant mold at any of our properties could require us to undertake a costly remediation program to contain or remove the ACMs or mold from the affected property. In addition, the presence of ACMs or significant mold could expose us to claims of liability to our tenants, their or our employees, and others if property damage or health concerns arise.

Potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by insurance.

Certain of our properties are located in Florida, Idaho and Oregon, where natural disasters such as hurricanes and earthquakes are more common than in other states. Given recent extreme weather events across other parts of the United States, it is also possible that our other properties could incur significant damage due to other natural disasters. While we carry insurance to cover a substantial portion of the cost of such events, our insurance includes deductible amounts and certain items may not be covered by insurance. Future natural disasters may significantly affect our operations and properties and, more specifically, may cause us to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on our business, cash flows, financial condition, results of operations and ability to make distributions to our stockholders.

Furthermore, we do not carry insurance for certain losses, including, but not limited to, losses caused by certain environmental conditions, such as mold or asbestos, riots or war. In addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. As a result, we may not have sufficient coverage against all losses that we may experience, including from adverse title claims.

If we experience a loss that is uninsured or exceeds policy limits, we could incur significant costs and lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

Moreover, we carry several different lines of insurance, placed with several large insurance carriers. If any one of these large insurance carriers were to become insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier and any outstanding claims would be at risk for collection. In such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. Replacing insurance coverage at unfavorable rates and the potential of uncollectible claims due to carrier insolvency could adversely affect our results of operations and cash flows.

We have a limited operating history and may not be able to successfully operate our business or generate sufficient cash flow to make or sustain distributions to our stockholders.

We have a limited operating history. We are dependent on our Advisor to manage the business risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objectives as described in this prospectus and that the value of your investment could decline substantially. We may not be able to generate sufficient cash flow over time to pay our operating expenses and make or sustain distributions to our stockholders.

We may be limited in our ability to diversify our investments making us more vulnerable economically than if our investments were diversified.

Our ability to diversify our portfolio may be limited both as to the number of investments owned and the geographic regions in which our investments are located. While we seek to diversify our portfolio by geographic location, we focus on our specified target markets that we believe offer the opportunity for attractive returns and, accordingly, our actual investments may result in concentrations in a limited number of geographic regions. As a result, there is an increased likelihood that the performance of any single property, or the economic performance of a particular region in which our properties are located, could materially affect our operating results.

We may acquire properties with lock-out provisions, or agree to such provisions in connection with obtaining financing, which may prohibit us from selling or refinancing a property during the lock-out period.

We may acquire properties in exchange for common units and agree to restrictions on sales or refinancing, called lock-out provisions, which are intended to preserve favorable tax treatment for the owners of such properties who sell them to us. In addition, we may agree to lock-out provisions in connection with obtaining financing for the acquisition of properties. Lock-out provisions could materially restrict us from selling, otherwise disposing of or refinancing properties. These restrictions could affect our ability to turn our investments into cash and thus affect cash available for distributions to our stockholders. Lock-out provisions could impair our ability to take actions during the lock-out period that would otherwise be in the best interests of our stockholders and, therefore, could adversely impact the market value of our common stock. In particular, lock-out provisions could preclude us from participating in major transactions that could result in a disposition of our assets or a change in control even though that disposition or change in control might be in the best interests of our stockholders.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In

particular, our ability to dispose of one or more properties is subject to weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, such as the recent economic downturn, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. Furthermore, our ability to dispose of the properties that we acquired through our initial public offering within the four years immediately following the completion of our initial public offering and the related formation transactions is subject to certain limitations imposed by our tax protection agreements.

In addition, the Code imposes restrictions on a REIT s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to adjust our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial condition, results of operations, cash flow and per share market price of our common stock.

If we sell properties by providing financing to purchasers, we will bear the risk of default by the purchaser.

If we decide to sell any of our properties, we intend to use commercially reasonable efforts to sell them for cash. However, in some instances we may sell our properties by providing financing to purchasers. If we provide financing to purchasers, we will bear the risk of default by the purchaser which would reduce the value of our assets, impair our ability to make distributions to our stockholders and reduce the price of our common stock.

We may be unable to collect balances due on our leases from any tenants in bankruptcy, which could adversely affect our cash flow and the amount of cash available for distribution to our stockholders.

The bankruptcy or insolvency of one or more of our tenants may adversely affect the income produced by our properties. We cannot assure you that any tenant that files for bankruptcy protection will continue to pay us rent. If a tenant files for bankruptcy, any or all of the tenant s or a guarantor of a tenant s lease obligations could be subject to a bankruptcy proceeding pursuant to Chapter 11 or Chapter 7 of the U.S. Bankruptcy Code. Such a bankruptcy filing would bar all efforts by us to collect pre-bankruptcy rents from these entities or their properties, unless we receive an order from the bankruptcy court permitting us to do so. A tenant or lease guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases and could ultimately preclude collection of these sums. If a lease is rejected by a tenant in bankruptcy, we would only have a general unsecured claim for damages. This claim could be paid only in the event funds were available and then only in the same percentage as that realized on other unsecured claims. Our claim would be capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent already due but unpaid. Therefore, if a lease is rejected, it is unlikely we would receive any payments from the tenant or we would receive substantially less than the full value of any unsecured claims we hold, which would result in a reduction in our rental income, cash flow and the amount of cash available for distribution to our stockholders.

We may face additional risks and costs associated with owning properties occupied by government tenants, which could negatively impact our cash flows and results of operations.

As of the date of this prospectus, we owned nine properties in which some or all of the tenants are federal government agencies. We may continue to pursue the acquisition of office properties in which substantial space is leased to governmental agencies. As such, lease agreements with these federal government agencies contain certain provisions required by federal law, which require, among other things, that the contractor (which is the lessor or the owner of the property), agree to comply with certain rules and regulations, including, but not limited to, rules and regulations

related to anti-kickback procedures, examination of records, audits and records, equal opportunity provisions, prohibition against segregated facilities, certain executive orders, subcontractor cost or pricing data, certain provisions intending to assist small businesses and contractual rights of termination by the tenants. We may be subject to requirements of the Employment Standards Administration s Office of Federal Contract Compliance Programs and requirements to prepare affirmative action plans pursuant to the applicable executive order may be determined to be applicable to us.

In addition, some of our leases with government tenants may be subject to statutory or contractual rights of termination by the tenants, which will allow them to vacate the leased premises before the stated terms of the leases expire with little or

no liability. For fiscal policy reasons, security concerns or other reasons, some or all of our government tenants may decide to vacate our properties. If a significant number of such vacancies occur, our rental income may materially decline, our cash flow and results of operations could be adversely affected and our ability to pay regular distributions to you may be jeopardized.

Some of the leases at our properties contain early termination provisions which, if triggered, may allow tenants to terminate their leases without further payment to us, which could adversely affect our financial condition and results of operations and the value of the applicable property.

Certain tenants have a right to terminate their leases upon payment of a penalty but others are not required to pay any penalty associated with an early termination. Most of our tenants that are federal or state governmental agencies, which account for approximately 26.3% of the base rental revenue from our properties as of September 30, 2014, may, under certain circumstances, vacate the leased premises before the stated terms of the leases expire with little or no liability to us. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on our operations.

The federal government s green lease policies may adversely affect us.

In recent years, the federal government has instituted green lease policies which allow a government tenant to require leadership in energy and environmental design for commercial interiors, or LEED®-CI, certification in selecting new premises or renewing leases at existing premises. In addition, the Energy Independence and Security Act of 2007 allows the General Services Administration to prefer buildings for lease that have received an Energy Star label. Obtaining such certifications and labels may be costly and time consuming, but our failure to do so may result in our competitive disadvantage in acquiring new or retaining existing government tenants.

We may be unable to complete acquisitions and, even if acquisitions are completed, we may fail to successfully operate acquired properties.

Our business plan includes, among other things, growth through identifying suitable acquisition opportunities, consummating acquisitions and leasing such properties. We will evaluate the market of available properties and may acquire properties when we believe strategic opportunities exist. Our ability to acquire properties on favorable terms and successfully develop or operate them is subject to, among others, the following risks:

- we may be unable to acquire a desired property because of competition from other real estate investors with substantial capital, including from other REITs and institutional investment funds;

- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;

- even if we enter into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;

we may incur significant costs in connection with evaluation and negotiation of potential acquisitions, including acquisitions that we are subsequently unable to complete;

we may acquire properties that are not initially accretive to our results upon acquisition, and we may not successfully lease those properties to meet our expectations;

we may be unable to finance the acquisition on favorable terms in the time period we desire, or at all;

even if we are able to finance the acquisition, our cash flows may be insufficient to meet our required principal and interest payments;

we may spend more than budgeted to make necessary improvements or renovations to acquired properties;

we may be unable to quickly and efficiently integrate new acquisitions, particularly the acquisition of portfolios of properties, into our existing operations;

market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

Table of Contents

we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities for clean-up of undisclosed environmental contamination, claims by tenants or other persons dealing with former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market.

We may acquire properties in markets that are new to us. When we acquire properties located in new markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures. We work to mitigate such risks through extensive diligence and research and associations with experienced service providers. However, there can be no guarantee that all such risks will be eliminated.

Adverse market and economic conditions could cause us to recognize impairment charges or otherwise impact our performance.

We intend to review the carrying value of our properties when circumstances, such as adverse market conditions (including conditions resulting from the recent economic downturn), indicate a potential impairment may exist. We intend to base our review on an estimate of the future cash flows (excluding interest charges) expected to result from the property s use and eventual disposition on an undiscounted basis. We intend to consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our evaluation indicates that we may be unable to recover the carrying value of a real estate investment, an impairment loss will be recorded to the extent that the carrying value exceeds the estimated fair value of the property.

Impairment losses would have a direct impact on our operating results because recording an impairment loss results in an immediate negative adjustment to our operating results. 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. If the real estate market deteriorates, we may reevaluate the assumptions used in our impairment analysis. Impairment charges could materially adversely affect our financial condition, results of operations, cash flows and ability to pay distributions on, and the per share market price of, our common stock.

Litigation may result in unfavorable outcomes.

Like many real estate operators, we may be involved in lawsuits involving premises liability claims and alleged violations of landlord-tenant laws, which may give rise to class action litigation or governmental investigations. Any material litigation not covered by insurance, such as a class action, could result in us incurring substantial costs and harm our financial condition, results of operations, cash flows and ability to pay distributions to you.

We may invest in properties with other entities, and our lack of sole decision-making authority or reliance on a joint-venturer s financial condition could make these joint venture investments risky and expose us to losses or impact our ability to qualify or maintain our qualification as a REIT.

We may co-invest in the future with third parties through partnerships, joint ventures or other entities. We may acquire noncontrolling interests or share responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such events, we would not be in a position to exercise sole decision-making authority regarding the property or entity. Investments in entities may, under certain circumstances, involve risks not present were a third party not involved. These risks include the possibility that partners or joint-venturers:

might become bankrupt or fail to fund their share of required capital contributions;

may have economic or other business interests or goals that are inconsistent with our business interests or goals; and

may be in a position to take actions contrary to our policies or objectives or exercise rights to buy or sell at an inopportune time for us.

Table of Contents

Such investments may also have the potential risk of impasses on decisions, such as a sale or refinancing of the property, because neither we nor the partner or joint-venturer would have full control over the partnership or joint venture. Disputes between us and partners or joint-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business or result in costs to terminate the relationship. Actions of partners or joint-venturers may cause losses to our investments and adversely affect our ability to qualify as a REIT. In addition, we may in certain circumstances be liable for the actions of our third-party partners or joint-venturers if:

- we structure a joint venture or conduct business in a manner that is deemed to be a general partnership with a third party;
- third-party managers incur debt or other liabilities on behalf of a joint venture which the joint venture is unable to pay, and the joint venture agreement provides for capital calls, in which case we could be liable to make contributions as set forth in any such joint venture agreement or suffer adverse consequences for a failure to contribute; or
- we agree to cross default provisions or to cross-collateralize our properties with the properties in a joint venture, in which case we could face liability if there is a default relating to those properties in the joint venture or the obligations relating to those properties.

Compliance with the Americans with Disabilities Act and similar laws may require us to make significant unanticipated expenditures.

All of our properties and any future properties that we acquire are and will be required to comply with the ADA. The ADA requires that all public accommodations must meet federal requirements related to access and use by disabled persons. For those projects receiving federal funds, the Rehabilitation Act of 1973 (the RA) also has requirements regarding disabled access. Although we believe that our properties are substantially in compliance with the present requirements, we may incur unanticipated expenses to comply with the ADA, the RA and other applicable legislation in connection with the ongoing operation or redevelopment of our properties. These and other federal, state and local laws may require modifications to our properties, or affect renovations of our properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures.

Our property taxes could increase due to property tax rate changes or reassessment, which may adversely impact our cash flows.

Even if we qualify as a REIT, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes that we pay in the future may increase substantially. In addition, the real property taxes on Cherry Creek are reduced due to having a government user as its largest tenant and loss of such tenant would increase the amount of property taxes. If the property taxes that we pay increase, our cash flow could be impacted, and our ability to pay expected distributions to our stockholders may be adversely affected.

It may be difficult to enforce civil liabilities against members of our board of directors, our officers or officers of our Advisor.

Some of the members of our board of directors, our officers and the principals of our Advisor reside in Canada, our Advisor is incorporated in British Columbia, Canada and substantially all of the assets of such persons are located in Canada. As a result, it may be difficult for you to effect service of process within the United States or in any other jurisdiction outside of Canada upon these persons or to enforce against them in any jurisdiction outside of Canada judgments predicated upon the laws of any such jurisdiction, including any judgment predicated upon the federal and state securities laws of the United States.

Table of Contents

Risks Related to Our Status As a REIT

Our failure to qualify as a REIT would result in significant adverse tax consequences to us and would adversely affect our business and the value of our stock.

We intend to elect, and to continue to operate in a manner that will allow us to qualify, to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2014. Qualification as a REIT involves the application of highly technical and complex tax rules, for which there are only limited judicial and administrative interpretations. The fact that we hold substantially all of our assets through a partnership further complicates the application of the REIT requirements. Even a seemingly minor technical or inadvertent mistake could jeopardize our REIT status. Our REIT status depends upon various factual matters and circumstances that may not be entirely within our control. For example, in order to qualify as a REIT, at least 95% of our gross income in any year must be derived from qualifying sources, such as rents from real property, and we must satisfy a number of requirements regarding the composition of our assets. Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, excluding net capital gains. In addition, new legislation, regulations, administrative interpretations or court decisions, each of which could have retroactive effect, may make it more difficult or impossible for us to qualify as a REIT, or could reduce the desirability of an investment in a REIT relative to other investments. We have not requested and do not plan to request a ruling from the Internal Revenue Service (the IRS) that we qualify as a REIT, and the statements in this prospectus are not binding on the IRS or any court. Accordingly, we cannot be certain that we will be successful in qualifying as a REIT.

If we fail to qualify as a REIT in any taxable year, we will face serious adverse U.S. federal income tax consequences that would substantially reduce the funds available to distribute to you. If we fail to qualify as a REIT:

- we would not be allowed to deduct distributions to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;
- we could also be subject to the U.S. federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year in which we were disqualified.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital and would adversely affect the value of our common stock.

Even if we qualify as a REIT, we may be subject to some U.S. federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, our taxable REIT subsidiaries are subject to tax as regular corporations in the jurisdictions in which they operate.

To qualify as a REIT, we may be forced to borrow funds during unfavorable market conditions to make distributions to our stockholders.

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, excluding any net capital gain, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. To qualify as a REIT and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements. These borrowing needs could result from:

- differences in timing between the actual receipt of cash and inclusion of income for U.S. federal income tax purposes;
- the effect of nondeductible capital expenditures;

Table of Contents

- the creation of reserves; or
- required debt or amortization payments.

We may need to borrow funds at times when the then-prevailing market conditions are not favorable for borrowing. These borrowings could increase our costs or reduce our equity and adversely affect the value of our common stock.

If our operating partnership failed to qualify as a partnership for U.S. federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our operating partnership will be treated as a partnership for U.S. federal income tax purposes. As a partnership, our operating partnership will not be subject to U.S. federal income tax on its income. Instead, each of its partners, including us, will be required to pay tax on its allocable share of the operating partnership s income. We cannot assure you, however, that the IRS will not challenge the status of the operating partnership or any other subsidiary partnership in which we own an interest as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership or any such other subsidiary partnership as an entity taxable as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our operating partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to U.S. federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum income tax rate applicable to qualified dividends payable to non-corporate U.S. stockholders, including individuals, trusts and estates, is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rate. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the market price of our common stock.

The tax imposed on REITs engaging in prohibited transactions may limit our ability to engage in transactions which would be treated as sales for U.S. federal income tax purposes.

A REIT s net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property held in inventory primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as inventory held for sale to customers in the ordinary course of our business, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe-harbors.

To qualify as a REIT, we may be forced to forego otherwise attractive opportunities.

To qualify as a REIT, we must satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts that we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to stockholders at times when it would be more advantageous to reinvest cash in our business or when we do not have funds readily available for distribution. Thus, compliance with the REIT

requirements may hinder our ability to operate solely on the basis of maximizing profits.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of any qualified REIT subsidiary of ours and securities that are qualified real estate assets) generally may not include more than 10% of the outstanding voting securities of any one issuer or more than 10% of

the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, securities of any qualified REIT subsidiary of ours and securities that are qualified real estate assets) may consist of the securities of any one issuer. If we fail to comply with these requirements at the end of any calendar quarter, we must remedy the failure within 30 days or qualify for certain limited statutory relief provisions to avoid losing status as a REIT. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the market price of our shares of common stock.

At any time, the U.S. federal income tax laws governing REITs may be amended or the administrative and judicial interpretations of those laws may be changed. We cannot predict when or if any new U.S. federal income tax law, regulation, or administrative and judicial interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative or judicial interpretation, will be adopted, promulgated or become effective, and any such law, regulation, or interpretation may be effective retroactively. We and our stockholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative and judicial interpretation.

Risks Associated With Our Advisor and the Advisory Agreement

Our Advisor and certain of its affiliates may have interests that diverge from the interests of our common stockholders.

We are subject to conflicts of interest arising out of our relationship with our Advisor and its affiliates. Our Advisor and its affiliates, including the executive officers and employees of our Advisor on whom we rely, could make substantial profits as a result of pursuing transactions that may not be in our best interest, which could have a material adverse effect on our operations and your investment. Examples of these potential conflicts of interests include:

- competition for the time and services of personnel that work for us and our affiliates;
- compensation and fees payable by us to our Advisor, none of which were the result of arm s-length negotiations and may not be on market terms and are payable, in some cases, whether or not our stockholders receive distributions;
- enforcement of the terms of contribution and other agreements relating to the contributions of direct and indirect interests in certain properties from affiliates of our Advisor;
- the possibility that our Advisor and its affiliates may make investment or disposition recommendations to us in order to increase their own compensation even though the investments or dispositions may not be in the best interests of our stockholders; and

the possibility that we may acquire or merge with our Advisor, resulting in an internalization of our management functions.

We depend upon our Advisor to conduct our operations and, therefore, any adverse changes in the financial health of our Advisor or personnel, or our relationship with our Advisor, could hinder our operating performance and adversely affect the market price of our common stock.

We have no employees. Personnel and services that we require are provided to us under contracts with our Advisor. We depend on our Advisor to manage our operations and acquire and manage our portfolio of real estate assets. Our Advisor makes all decisions with respect to the management of our company, subject to the supervision of, and any guidelines established by, our board of directors. Our Advisor depends upon the fees and other compensation that it receives from us in connection with the management of our business and sale of our properties to conduct its operations. Any adverse changes in the financial condition of, or our relationship with, our Advisor could hinder its ability to successfully manage our operations and our portfolio of investments.

Table of Contents

Our Advisor has a limited operating history and the prior performance of programs sponsored by or affiliated with Second City may not be an indication of our future results.

Our Advisor was formed in July 2013 and never acted as an advisor or external manager to a public company prior to our initial public offering. Although the Second City Group has previously invested in office properties, you should not rely upon the past performance of other programs sponsored by or affiliated with the Second City Group to predict our future results. This is particularly true as none of the Second City Group s prior investment programs intended to qualify as a REIT. There can be no assurance that we will continue to find suitable investments or generate sufficient cash flows to pay our operating expenses and make distributions to our stockholders.

The nature of our Advisor s business, and our dependence on our Advisor, makes us subject to certain risks to which we would not ordinarily be subject based on our targeted investments.

While the directors have oversight responsibility with respect to the services provided by our Advisor pursuant to the Advisory Agreement, the services provided by our Advisor under such agreements are not performed by employees of our company or its subsidiaries, but by our Advisor directly. Personnel and services that we require are provided to us under contracts with our Advisor. As a result, our Advisor has the ability to influence many matters affecting our company and the performance of our properties now and in the foreseeable future.

The Advisory Agreement has an initial four-year term and will automatically be renewed for additional one-year terms unless terminated by either us or our Advisor upon prior notice. Accordingly, there can be no assurance that our company will continue to have the benefit of our Advisor s Advisory Services, including its executive officers, or that our Advisor will continue to be our manager. If our Advisor should cease for whatever reason to provide Advisory Services or be our manager, the cost of obtaining substitute services may be greater than the fees that we pay to our Advisor under the Advisory Agreement, and this may adversely impact our ability to meet our objectives and execute our strategy which could materially and adversely affect our cash flows, results of operations and financial condition.

If our Advisor loses or is unable to retain or obtain key personnel, our ability to implement our investment strategies could be hindered, which could adversely affect our cash flow and our ability to make cash distributions to our stockholders.

Our success depends to a significant degree upon the contributions of certain of the officers and other key personnel of our Advisor. We cannot guarantee that all, or any, will remain affiliated with our Advisor. If any of our key personnel were to cease their affiliation with our Advisor, our results of operations could suffer.

We believe that our future success depends upon our Advisor s ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure you that our Advisor will be successful in retaining and attracting such skilled personnel. If our Advisor loses or is unable to obtain the services of key personnel, our ability to implement our investment strategies could be delayed or hindered, and the market price of our common stock may be adversely affected.

Termination of the Advisory Agreement, even for poor performance, could be difficult and costly, including as a result of termination fees, and may cause us to be unable to execute our business plan.

Termination of the Advisory Agreement without cause, even for poor performance, could be difficult and costly. Our agreement provides that we may terminate the Advisory Agreement only (i) for cause upon the affirmative vote of two-thirds of our independent directors or a majority of our outstanding common stock or (ii) a change of control of our Advisor upon the affirmative vote of our independent directors. If we terminate the agreement without cause or if

our Advisor terminates the agreement because of a material breach of the agreement by us or as a result of a change of control of our company, we must pay our Advisor a termination fee payable in cash, shares of our common stock or any combination thereof at the election of our Advisor. The termination fee, if any, will be equal to three times the amount of the acquisition and advisory fees earned by the Advisor for the 12 months preceding the termination. These provisions may substantially restrict our ability to

Table of Contents

terminate the Advisory Agreement without cause and would cause us to incur substantial costs in connection with such a termination. Furthermore, in the event that the Advisory Agreement is terminated and we are unable to identify a suitable replacement to manage us, our ability to execute our business plan could be adversely affected.

Our management structure and agreements and relationships with our Advisor may restrict our investment activities and may create conflicts of interest or the perception of such conflicts.

Our Advisor is authorized to follow broad operating and investment guidelines and, therefore, has discretion in determining the types of properties that are appropriate investments for us, as well as our individual operating and investment decisions. Our board of directors periodically reviews our operating and investment guidelines and our operating activities and investments, but it does not review or approve each decision made by our Advisor on our behalf. In addition, in conducting periodic reviews, our board of directors relies primarily on information provided to it by our Advisor.

The potential for conflicts of interest as a result of our management structure may provoke dissident stockholder activities that result in significant costs.

In the past, in particular following periods of volatility in the overall market or declines in the market price of a company s securities, stockholder litigation, dissident stockholder director nominations and dissident stockholder proposals have often been instituted against companies alleging conflicts of interest in business dealings with affiliated and related persons and entities. Our relationships with our Advisor and its affiliates may precipitate such activities. These activities, if instituted against us, could result in substantial costs and a diversion of our management s attention.

Risks Related to This Offering

The market price and trading volume of our common stock may be volatile following this offering, and you could experience a loss if you sell your shares.

The market price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above the public offering price. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly results of operations or distributions;

- changes in our FFO or earnings estimates;

- the extent of investor interest;

publication of research reports about us or the real estate industry;

increases in market interest rates that lead purchasers of our shares to demand a higher yield;

changes in market valuations of similar companies;

strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;

the reputation of REITs generally and the reputation of REITs with portfolios similar to ours;

the attractiveness of the securities of REITs in comparison to securities issued by other entities (including securities issued by other real estate companies);

adverse market reaction to any additional debt that we incur or acquisitions that we make in the future;

additions or departures of key management personnel;

Table of Contents

- future issuances by us of our common stock;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this prospectus; and
- general market and economic conditions.

We may use a portion of the net proceeds from this offering to make distributions to our stockholders, which would, among other things, reduce our cash available to develop or acquire properties and may reduce the returns on your investment in our common stock.

Prior to the time we have fully invested the net proceeds of this offering, we may fund distributions to our stockholders out of the net proceeds of this offering, which would reduce the amount of cash that we have available to acquire properties and may reduce the returns on your investment in our common stock. The use of these net proceeds for distributions to stockholders could adversely affect our financial results. In addition, funding distributions from the net proceeds of this offering may constitute a return of capital to our stockholders, which would have the effect of reducing each stockholder s tax basis in our common stock.

You will experience immediate and material dilution in connection with the purchase of our shares of common stock in this offering.

As of September 30, 2014, our aggregate historical combined net tangible book value was approximately $15.2 million, or $1.29 per share of our common stock, assuming the redemption of all common units in exchange for shares of our common stock on a one-for-one basis. As a result, the pro forma net tangible book value per share of common stock after the completion of this offering will be less than the public offering price. Due to a public offering price of $12.50 per share, purchasers of our common stock offered hereby will experience immediate and substantial dilution of $8.72 per share in the pro forma net tangible book value per share of our common stock. See Dilution.

The number of our shares of common stock available for future issuance or sale could materially adversely affect the per share trading price of our shares of common stock.

We are offering shares of common stock as described in this prospectus. Upon completion of this offering, we will have outstanding approximately 11,942,915 shares of common stock. Of these shares, all will be freely tradable, except for any shares owned, or any shares purchased in this offering by, our affiliates as that term is defined by Rule 144 under the Securities Act, and subject to the restrictions on ownership and transfer set forth in our charter.

We cannot predict whether future issuances or sales of our shares of common stock or the availability of shares for resale in the open market will decrease the per share trading price of our common stock.

Market interest rates may have an adverse effect on the market price of our securities.

One of the factors that influences the price of our common stock is the dividend yield on our common stock (as a percentage of the price of the stock) relative to market interest rates. An increase in market interest rates may lead our holders of our common stock to expect a higher dividend yield, and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to fall.

Broad market fluctuations could negatively impact the market price of our common stock.

The stock market has recently experienced extreme price and volume fluctuations that have affected the market price of many companies in industries similar or related to ours and that have been unrelated to these companies operating

Table of Contents

performance. These broad market fluctuations could reduce the market price of our common stock. Furthermore, our results of operations and prospects may be below the expectations of public market analysts and investors or may be lower than those of companies with comparable market capitalizations. Either of these factors could lead to a material decline in the market price of our common stock.

The market price of our common stock could be adversely affected by our level of cash distributions.

The market s perception of our growth potential and our current and potential future cash distributions, whether from operations, sales or refinancings, as well as the real estate market value of the underlying assets, may cause our common stock to trade at prices that differ from our net asset value per share. If we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market s expectations with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock.

The historical performance of the City Office Predecessor will not, and the pro forma financial statements included in this prospectus may not, be indicative of our future results or an investment in our common stock.

We have presented in this prospectus under Management s Discussion and Analysis of Financial Condition and Results of Operations, Prospectus Summary Summary Financial Data and Selected Financial Data certain information relating to the summary consolidated pro forma financial data for our company and the historical performance of the City Office Predecessor. When considering this information, you should bear in mind that the combined historical results of the City Office Predecessor are not indicative of the future results that you should expect from us or any investment in our common stock. It is not possible for us to accurately estimate all adjustments needed to reflect all the significant changes that may occur in our future cost structure, funding and operations. Furthermore, you should also not rely upon the pro forma financial statements included in this prospectus as being indicative of our future results.

Future offerings of debt, which would be senior to our common stock upon liquidation, and preferred equity securities, which may be senior to our common stock for purposes of dividend payments or upon liquidation, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by making offerings of debt or preferred equity securities, including medium-term notes, senior or subordinated notes and preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our common stock. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to pay a dividend or make another distribution to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the market price of our common stock and diluting their stock holdings in us.

Our internal controls over financial reporting may not be effective and our independent registered public accounting firm may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation.

We are required to comply with the SEC s rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Though we will be required to

disclose changes made in our internal controls and procedures on a quarterly basis, we will not be required to make our first annual assessment of our internal controls over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC. Additionally, as an emerging growth company, as defined in the JOBS Act, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to be filed with

the SEC or the date we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event that it is not satisfied with the level at which our controls are documented, designed or operating.

When evaluating our internal controls over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. If we identify material weaknesses in our internal controls over financial reporting or are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner or assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the NYSE, the SEC or other regulatory authorities, which could require additional financial and management resources.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies but not to emerging growth companies, including, but not limited to, an exemption from the auditor attestation requirement of Section 404 of the Sarbanes-Oxley Act, which may increase the risk that weaknesses or deficiencies in our internal control over financial reporting go undetected, and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, which may make it more difficult for investors and securities analysts to evaluate us.

We cannot predict if investors will find our common stock less attractive as a result of our taking advantage of these exemptions. If some investors find our common stock less attractive as a result of our choices, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We could be an emerging growth company until the last day of the fiscal year following the fifth anniversary of the completion of this offering, although a variety of circumstances could cause us to lose that status earlier.

Our operating partnership may issue additional common units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our operating partnership and could have a dilutive effect on the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions that we can make to our stockholders.

After giving effect to this offering, we will own 78.6% of the outstanding common units and we may, in connection with our acquisition of properties or otherwise, cause our operating partnership to issue additional common units to third parties. Such issuances would reduce our ownership percentage in our operating partnership and could affect the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders. Because you will not directly own common units, you will not have any voting rights with respect to any such issuances or other partnership level activities of our operating partnership.

Risks Related to Our Organizational Structure

Conflicts of interest exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our operating partnership, which may impede business decisions that could benefit our

stockholders.

Conflicts of interest exist or could arise in the future as a result of the relationships between us, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their management of our company. At the same time, we, as the general partner

of our operating partnership, have fiduciary duties and obligations to our operating partnership and its limited partners under Maryland law and the partnership agreement of our operating partnership in connection with the management of our operating partnership. Our fiduciary duties and obligations as general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company.

Additionally, the partnership agreement provides that we and our officers, directors and employees, will not be liable or accountable to our operating partnership for losses sustained, liabilities incurred or benefits not derived if we, or such officer, director or employee acted in good faith. The partnership agreement also provides that we will not be liable to the operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. Moreover, the partnership agreement provides that our operating partnership is required to indemnify us and our officers, directors, employees, agents and designees from and against any and all claims that relate to the operations of our operating partnership, except (1) if the act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) for any transaction for which the indemnified party received an improper personal benefit, in money, property or services or otherwise in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, if the indemnified person had reasonable cause to believe that the act or omission was unlawful. No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our operating partnership that modify and reduce our fiduciary duties or obligations as the general partner or reduce or eliminate our liability for money damages to the operating partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties that would be in effect were it not for the partnership agreement.

The consideration that we paid for the properties and assets acquired by us in the formation transactions may exceed their aggregate fair market value.

The amount of consideration that we paid for the properties contributed in the formation transactions was based on management s estimate of fair market value, including an analysis of market sales comparables, market capitalization rates for other properties and assets and general market conditions for such properties and assets. In certain instances, the amount of consideration that we paid was not negotiated on an arm s-length basis and management s estimate of fair market value may exceed the fair market value of these properties and assets.

Members of the Second City Group, CIO REIT and CIO OP in particular, own a substantial indirect beneficial interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company and our operating partnership, including the approval of significant corporate transactions.

As of September 30, 2014, the Second City Group owns approximately 4,862,669 common units and shares of our common stock, representing a 41.2% beneficial interest in our company on a fully diluted basis. In addition, our amended and restated bylaws have the effect of granting to the Second City Group the right to designate up to two nominees for election to our board of directors in accordance with, or as provided pursuant to, the partnership agreement, and the partnership agreement will limit any actions in contravention of an express provision of the partnership agreement, limit any transfers of our general partner interest in our operating partnership and prevent our voluntary withdrawal as the general partner based on the Second City Group s ownership of common units. See Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P. Purpose, Business and Management and Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P. Restrictions on General Partner s Authority. For so long as the Second City Group maintains a significant interest in our company, they will have substantial influence on us and could exercise this influence in a manner that conflicts

with the interest of other stockholders.

On or after April 21, 2015, the Second City Group may seek to redeem its common units and sell any common stock received in exchange therefor or in our initial public offering and the related formation transactions. No prediction can be made as to the effect, if any, a future sale of common stock by the Second City Group will have on the market price of the

Table of Contents

common stock prevailing from time to time. However, the future sale of a substantial number of our shares of common stock by the Second City Group, or the perception that such sale could occur, could adversely affect prevailing market prices for our common stock.

We are a holding company with no direct operations and, as such, we rely on funds received from our operating partnership to pay liabilities, and the interests of our stockholders are structurally subordinated to all liabilities and obligations of our operating partnership and its subsidiaries.

We are a holding company and conduct substantially all of our operations through our operating partnership. We do not have, apart from an interest in our operating partnership, any independent operations. As a result, we rely on distributions from our operating partnership to pay any dividends that we may declare on shares of our common stock. We also rely on distributions from our operating partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our operating partnership. In addition, because we are a holding company, your claims as stockholders are structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our operating partnership s and its subsidiaries liabilities and obligations have been paid in full.

We may have assumed unknown liabilities in connection with the formation transactions.

As part of the formation transactions, we acquired entities and assets that are subject to existing liabilities, some of which are unknown or unquantifiable at this time. These assumed liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with our predecessor entities (that had not been asserted or threatened prior to this offering), tax liabilities and accrued but unpaid liabilities incurred in the ordinary course of business. While in some instances we may have the right to seek reimbursement against an insurer, any recourse against third parties, including the contributors of our assets, for these liabilities are limited. There can be no assurance that we are entitled to any such reimbursements or that ultimately we will be able to recover in respect of such rights for any of these historical liabilities.

The contribution agreements executed pursuant to our formation transactions include certain representations and warranties by the contributors regarding the conditions of the properties. The contributors provide an indemnification to us for breaches of their representations and warranties under the contribution agreements. However, we are entitled to indemnification under the contribution agreements to the extent our damages exceed 1% of the consideration paid to the contributors. In addition, the indemnification in the contribution agreements is capped at 10% of the value of the consideration paid to the contributors. Therefore, it is possible that our liabilities will exceed our indemnification payments.

In addition, we have not obtained and do not intend to obtain new or additional title insurance, including any so called date down endorsements or other modifications to our existing title insurance policies. As a result, we may have acquired properties from the Second City Group with unknown material title defects or developments and our title insurance policies may not provide coverage against such defects or developments or insure for the current aggregate market value of our portfolio. There can be no assurance that our current title insurance policies will adequately protect us against any losses resulting from such title defects or adverse developments.

Our tax protection agreements could limit our ability to sell or otherwise dispose of certain properties.

In connection with our initial public offering and the related formation transactions, our operating partnership entered into tax protection agreements that provide that if we dispose of any interest in our initial properties in a taxable transaction prior to the fourth anniversary of the completion of the initial public offering, subject to certain exceptions, we will indemnify Gibralt, GCC Amberglen, Daniel Rapaport and CIO OP for their tax liabilities attributable to the built-in gain that exists with respect to our properties as of the time of our initial public offering and their tax liabilities incurred as a result of such tax protection payment. Therefore, although it may be in our stockholders best interests that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations. Moreover, as a result of these potential tax liabilities, the Second City Group and its affiliates and certain of our officers may have a conflict of interest with respect to our determination as to these properties.

Our tax protection agreements may require our operating partnership to maintain certain debt levels that otherwise would not be required to operate our business.

Under our tax protection agreements, our operating partnership is required to maintain a minimum level of indebtedness throughout the four years immediately following our initial public offering and the related formation transactions, regardless of whether such debt levels are otherwise required to operate our business. Moreover, our operating partnership may be required to provide Gibralt, GCC Amberglen, Daniel Rapaport and CIO OP with the opportunity to guarantee debt upon a future repayment, retirement, refinancing or other reduction of currently outstanding debt prior to the fourth anniversary of the completion of our initial public offering. After such fourth anniversary, our operating partnership will be required to use commercially reasonable efforts to provide the Protected Parties (as defined below) with an opportunity to guarantee its debt, provided that it will not be required to incur any debt that it otherwise would not have incurred. If we fail to make such opportunities available, we will be required to make a cash payment intended to approximate the sum of the tax liabilities resulting from our failure to make such opportunities available or to maintain the minimum level of indebtedness and the tax liabilities incurred as a result of such tax protection payment. See Certain Relationships and Related Person Transactions Tax Protection Agreements. We agreed to these provisions in order to assist the contributors and their owners in deferring the recognition of taxable gain as a result of and after our initial public offering and the related formation transactions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

Our charter, our amended and restated bylaws and Maryland law contain provisions that may delay, defer or prevent a change of control transaction and may prevent our stockholders from receiving a premium for their shares.

Our charter contains ownership limits that may delay, defer or prevent a change of control transaction. Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to qualify as a REIT. Unless exempted by our board of directors, our charter provides that no person may own more than 9.8% of the value of our outstanding shares of capital stock or more than 9.8% in value or number (whichever is more restrictive) of the outstanding shares of our common stock. Our board of directors may not grant such an exemption to any proposed transferee whose ownership in excess of 9.8% of the foregoing ownership limits would result in the termination of our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify as a REIT. The ownership limit may delay or impede a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

We could authorize and issue stock without stockholder approval that may delay, defer or prevent a change of control transaction. Our charter authorizes us to issue additional authorized but unissued shares of our common stock or preferred stock. In addition, our board of directors may classify or reclassify any unissued shares of our common stock or preferred stock and may set the preferences, rights and other terms of the classified or reclassified shares. Our board of directors may also, without stockholder approval, amend our charter to increase the authorized number of shares of our common stock or our preferred stock that we may issue. Our board of directors could establish a class or series of common stock or preferred stock that could, depending on the terms of such class or series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Certain provisions of Maryland law could delay, defer or prevent a change of control transaction. Certain provisions of the Maryland General Corporation Law (MGCL) may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control. In some cases, such an acquisition or change of control could provide you with the opportunity to realize a premium over the then-prevailing market price of

your shares. These MGCL provisions include:

- business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested stockholder for certain periods. An interested stockholder is generally any person who beneficially owns 10% or more of the voting power of our shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then-outstanding voting stock. A person is not an interested stockholder under the statute if our board of directors approved in advance the transaction by which he otherwise would have become an interested

Table of Contents

stockholder. Business combinations with an interested stockholder are prohibited for five years after the most recent date on which the stockholder becomes an interested stockholder. After that period, the MGCL imposes two super-majority voting requirements on such combinations; and

control share provisions that provide that holders of control shares of our company acquired in a control share acquisition have no voting rights with respect to the control shares unless holders of two-thirds of our voting stock (excluding interested shares) consent. Control shares are shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors. A control share acquisition is the direct or indirect acquisition of ownership or control of control shares from a party other than the issuer.

In the case of the business combination provisions of the MGCL, we opted out by resolution of our board of directors. In the case of the control share provisions of the MGCL, we opted out pursuant to a provision in our amended and restated bylaws. However, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL. Further, we may opt in to the control share provisions of the MGCL in the future by amending our bylaws, which our board of directors can do without stockholder approval.

Maryland law, and our charter and amended and restated bylaws, also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. See Description of Stock and Certain Provisions of Maryland Law and of Our Charter and Bylaws.

The ability of our board of directors to revoke our REIT status without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we would become subject to U.S. federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

Our board of directors may amend our investing and financing guidelines without stockholder approval, and, accordingly, you would have limited control over changes in our policies that could increase the risk that we default under our debt obligations or that could harm our business, results of operations and share price.

Although we are not required to maintain any particular leverage ratio, we intend, when appropriate, to employ prudent amounts of leverage and to use debt as a means of providing additional funds for the acquisition of our target assets and the diversification of our portfolio. Although our board of directors has not adopted a policy limiting the total amount of debt that we may incur, our Advisor intends to target a ratio of debt to total assets of 50% on future acquisitions. Our Advisor also intends to target a limit on our floating-rate debt that we may incur of no more than 20% of outstanding debt after giving effect to any interest rate hedges into which we may enter. However, our organizational documents do not limit the amount or percentage of debt that we may incur, nor do they limit the types of properties that we may acquire or develop. The amount of leverage we will deploy for particular investments in our target assets will depend upon our management team s assessment of a variety of factors, which may include the anticipated liquidity and price volatility of the target assets in our investment portfolio, the potential for losses, the availability and cost of financing the assets, our opinion of the creditworthiness of our financing counterparties, the health of the U.S. economy and commercial mortgage markets, our outlook for the level, slope and volatility of interest rates, the credit quality of our target assets and the collateral underlying our target assets. Our board of

directors may alter or eliminate our current guidelines on investing and financing at any time without stockholder approval. Changes in our strategy or in our investing and financing guidelines could expose us to greater credit risk and interest rate risk and could also result in a more leveraged balance sheet. These factors could result in an increase in our debt service and could adversely affect our cash flow and our ability to make expected distributions to you. Higher leverage also increases the risk that we would default on our debt.

Table of Contents

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that a director or officer generally has no liability in that capacity if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. As permitted by the MGCL, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or

- active and deliberate dishonesty established by a final judgment and which is material to the cause of action.

In addition, our charter authorizes us to obligate our company, and our amended and restated bylaws require us, to indemnify and pay or reimburse our present and former directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are included throughout this prospectus, including in the sections entitled Prospectus Summary, Risk Factors, Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and Certain Relationships and Related Person Transactions, and relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, financial condition, liquidity, capital resources, cash flows, results of operations and other financial and operating information. We have used the words approximately, anticipate, assume, believe, bu contemplate, continue, could, estimate, expect, future, intend, may, outlook, plan, potential, should, target, will and similar terms and phrases to identify forward-looking statements in this prospectus. All of our forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we are expecting, including:

- adverse economic or real estate developments in the office sector or the markets in which we operate;
- changes in local, regional and national economic conditions;
- our inability to compete effectively;
- our inability to collect rent from tenants or renew tenants leases;
- demand for and market acceptance of our properties for rental purposes;
- our reliance on, and actual or potential conflicts of interest with, our Advisor;
- defaults on or non-renewal of leases by tenants;
- increased interest rates and operating costs;
- decreased rental rates or increased vacancy rates;
- our failure to obtain necessary outside financing on favorable terms or at all;
- changes in the availability of additional acquisition opportunities;

- availability of qualified personnel;
- our inability to successfully complete real estate acquisitions;
- our failure to successfully operate acquired properties and operations;
- changes in our business strategy;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- our failure to qualify and maintain our status as a REIT;
- government approvals, actions and initiatives, including the need for compliance with environmental requirements;
- outcome of claims and litigation involving or affecting us;
- financial market fluctuations;
- changes in real estate and zoning laws and increases in real property tax rates; and
- additional factors discussed under the sections captioned Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business.

The forward-looking statements contained in this prospectus are based on historical performance and management s current plans, estimates and expectations in light of information currently available to us and are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those that we have

Table of Contents

anticipated. Actual results may differ materially from these expectations due to the factors, risks and uncertainties described above, changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors described in Risk Factors, many of which are beyond our control. We believe that these factors include those described in Risk Factors. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove to be incorrect, our actual results may vary in material respects from what we may have expressed or implied by these forward-looking statements. We caution that you should not place undue reliance on any of our forward-looking statements. Any forward-looking statement made by us in this prospectus speaks only as of the date on which we make it. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable securities laws.

Table of Contents

STRUCTURE AND FORMATION OF OUR COMPANY

Our Company

We were formed as a Maryland corporation on November 26, 2013 and intend to elect, and to continue to operate in a manner that will allow us, to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2014. We commenced operations upon completion of our initial public offering and the related formation transactions on April 21, 2014, issuing an aggregate of 6,582,150 shares of our common stock (including 782,150 shares sold pursuant to the exercise of the underwriters over-allotment option) at the public offering price of $12.50 per share and receiving approximately $82.3 million of gross proceeds, including shares issued upon exercise of the underwriters over-allotment option. We conduct our business through an UPREIT structure in which our properties are owned by our operating partnership through limited partnerships, limited liability companies or other subsidiaries, as described below under Our Operating partnership. We are the sole general partner of our operating partnership and, as of September 30, 2014, we own approximately 71.6% of the partnership interests in our operating partnership (after giving effect to this offering, we will own 78.6% interest).

Our Operating Partnership

Our operating partnership, indirectly through its wholly-owned subsidiaries, holds substantially all of our assets and conducts substantially all of our operations. We contributed the net proceeds of our initial public offering, and intend to contribute the net proceeds from this offering, to our operating partnership in exchange for partnership interests therein. Subject to other classes or series of units that our operating partnership may issue in the future, our interest in our operating partnership entitles us to share in cash distributions from our operating partnership in proportion to our percentage ownership of common units. As the sole general partner of our operating partnership, we generally have the exclusive power under the partnership agreement to manage and conduct its business, subject to limited approval and voting rights of the limited partners described more fully in Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P.

Beginning on or after April 21, 2015, limited partners of our operating partnership and certain qualifying assignees of limited partners collectively holding 3,251,904 common units (representing approximately 28.4% of outstanding common units) will have the right to require our operating partnership to redeem part or all of their outstanding common units for cash, or, at our election, shares of our common stock on a one-for-one basis, based upon the fair market value of an equivalent number of shares of our common stock at the time of the redemption, subject to the restrictions on ownership and transfer of our stock set forth in our charter and described under the section entitled Description of Stock Restrictions on Ownership and Transfer.

Formation Transactions

Simultaneously with the closing of our initial public offering, we acquired, pursuant to contribution agreements, all of the property interests that were owned by entities that owned and controlled our initial properties (the Property Ownership Entities) in exchange for shares of our common stock, common units and cash and we contributed the interests in the Property Ownership Entities that we acquired to our operating partnership in exchange for common units. Upon the completion of these formation transactions, we acquired six office complexes comprised of 16 office buildings with a total of approximately 1.85 million square feet of NRA in exchange for 1,610,765 shares of common stock, 3,731,209 common units, $19.4 million of cash and the assumption of approximately $159.9 million of debt related to such properties. We engaged in the formation transactions to consolidate the ownership of our initial properties into our operating partnership; facilitate our initial public offering; enable us to raise necessary capital to repay then existing and future indebtedness related to certain properties in our portfolio; enable us to qualify as a

REIT commencing with our taxable year ending December 31, 2014; and preserve the tax position of certain continuing investors. As a result of the formation transactions, we acquired a 100% interest in each of the Washington Group Plaza, Cherry Creek and Corporate Parkway properties and we acquired an approximately 76% interest in the AmberGlen property, 90% interest in the Central Fairwinds property and 95% interest in the City Center property. The parties retaining the remaining interests in the AmberGlen, Central Fairwinds and City Center properties at the conclusion of the formation transactions did not receive any common units, common stock or cash from us for their property interests.

Table of Contents

Our Structure

The following diagram depicts our ownership structure and the ownership percentages of our operating partnership and its subsidiaries as of September 30, 2014. This chart is provided for illustrative purposes only and does not show all of our legal entities or ownership percentages of such entities. In addition, this chart does not depict shares of our common stock and common units issuable to certain of our executive officers and directors in connection with equity awards outstanding under the Equity Incentive Plan.

(1) City Office is the sole general partner of our operating partnership and owns a 71.6% ownership interest in our operating partnership.

(2) Our operating partnership owns interests in each of the Property Ownership Entities as follows: Amberglen Properties Limited Partnership (OR) (76%), CORE Cherry Limited Partnership (DE) (100%), Central Fairwinds Limited Partnership (FL) (90%), City Center STF, LP (FL) (95%), SCCP Boise Limited Partnership (DE) (100%), SCCP Boise Outlot Limited Partnership (DE) (100%), SCCP Central Valley Limited Partnership (DE) (100%), CIO Plaza 25, Limited Partnership (DE) (100%) and CIO Lake Vista, Limited Partnership (DE) (100%).

(3) The general partner of each of the Property Ownership Entities is a separate entity established for the purpose of holding such interests: Gibralt Amberglen LLC (DE), CORE Cherry GP Corp. (DE), Central Fairwinds GP Corporation (FL), City Center STF GP Corp. (FL), SCCP Boise GP, Inc. (DE), SCCP Boise Outlot GP, Inc. (DE), SCCP Central Valley GP Corp. (DE), CIO Plaza 25 GP, LLC (DE) and CIO Lake Vista GP, LLC (DE), each of which has elected to be a taxable REIT subsidiary of ours (other than CIO Plaza 25 GP, LLC (DE) and CIO Lake Vista, Limited Partnership (DE)).

(4) In connection with our initial public offering, Gibralt received 123 common units with an aggregate value of approximately $1,538, which represents 0.001% of the total number of shares of our common stock outstanding on a fully diluted basis as of September 30, 2014.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds of this offering, after deducting underwriting discount and estimated offering expenses, will be approximately $43.7 million ($50.4 million if the underwriters exercise their over-allotment option in full). We will contribute the net proceeds of this offering to our operating partnership in exchange for common units. Our operating partnership intends to use the net proceeds of this offering as follows:

- approximately $14.9 million to repay amounts outstanding under the Secured Credit Facility, which matures on April 21, 2016. Borrowings under the Secured Credit Facility bear interest, at our election, either at a base rate plus 1.75% or LIBOR plus 2.75%. As of November 30, 2014, the weighted average annual interest rate was 2.90%. The borrowings under the Secured Credit Facility were used to fund a portion of the purchase price for our Lake Vista Pointe property; and

- the remaining approximately $28.8 million for general working capital purposes, including payment of expenses associated with this offering, possible future acquisitions and creating reserves for capital expenditures, tenant improvements and leasing commissions.

If the underwriters elect to exercise all or any part of their over-allotment option, we may, at the option of the Second City Group, use all or a portion of the additional net proceeds from such exercise to redeem from the Second City Group, for cash, a portion of the shares of common stock and common units held by the Second City Group at a redemption price per common unit or share of common stock equal to the public offering price per share in this offering less the underwriting discount.

Pending application of the net proceeds, our Advisor will invest the net proceeds from this offering for our benefit in interest-bearing accounts and short-term, interest-bearing securities in a manner that is consistent with our intention to qualify for taxation as a REIT. These investments are expected to provide a lower net return than we will seek to achieve from our investment in office properties.

Table of Contents

DISTRIBUTION POLICY

We intend to elect to be taxed, and to continue to operate in a manner that will allow us to qualify, as a REIT commencing with our taxable year ending December 31, 2014. U.S. federal income tax law requires that a REIT distribute annually at least 90% of its net taxable income, excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income, including net capital gains. In addition, a REIT is required to pay a 4% nondeductible excise tax on the amount, if any, by which the distributions that it makes in a calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from prior years. For more information, please see U.S. Federal Income Tax Considerations. To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to continue to make regular quarterly distributions to holders of our common stock over time in an amount equal to our taxable income, which would be reduced by, among other things, the amount of the annual advisory fee and any acquisition fees payable, and offering expenses reimbursable, to our Advisor pursuant to the Advisory Agreement. Although we intend to continue to declare quarterly distributions to our stockholders over time, our board of directors has the sole discretion to determine the timing, form (including cash and shares of our common stock at the election of each of our stockholders) and amount of any distributions to our stockholders. Although not currently anticipated, in the event that our board of directors determines to make distributions in excess of the income or cash flow generated from our portfolio of assets, we may make such distributions from the proceeds of this or future offerings of equity or debt securities or other forms of debt financing or the sale of assets.

If we pay a taxable stock distribution, our stockholders would be sent a form that would allow each stockholder to elect to receive its proportionate share of such distribution in all cash or in all stock and the distribution will be made in accordance with such elections, provided that if the stockholders elections, in the aggregate, would result in the payment of cash in excess of the maximum amount of cash to be distributed, then cash payments to stockholders who elected to receive cash will be prorated and the excess of each such stockholder s entitlement in the distribution, less such prorated cash payment, would be paid to such stockholder in shares of our common stock.

To the extent that in respect of any calendar year, cash available for distribution is less than our taxable income, we could be required to fund distributions from working capital, sell assets or borrow funds to make cash distributions or make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities. In addition, we could be required to utilize the net proceeds of this offering to fund our quarterly distributions, which would reduce the amount of cash that we have available for investing and other purposes. For more information, see U.S. Federal Income Tax Considerations Annual Distribution Requirements.

Our charter allows us to issue preferred stock that could have a preference over our common stock with respect to distributions. We currently have no intention to issue any preferred stock, but if we do, the distribution preference on the preferred stock could limit our ability to make distributions to the holders of our common stock.

Dividends and other distributions made by us will be authorized and determined by our board of directors in its sole discretion out of funds legally available therefor and will be dependent upon a number of factors, including restrictions under applicable law and other factors described below. On May 12, 2014, we declared a dividend distribution to common stockholders of record and our operating partnership declared a distribution to holders of record of common units, in each case as of July 3, 2014, totaling $2.1 million, or $0.183 per share of common stock and common unit. This dividend distribution consisted of a pro rata dividend of $0.940 per share of common stock and common unit covering the period from the consummation of our initial public offering on April 21, 2014 to June 30, 2014. The dividend distribution was paid on July 17, 2014. On September 15, 2014, we also declared a dividend distribution to common stockholders of record and our operating partnership declared a distribution to

holders of record of common units, in each case as of October 3, 2014, totaling $2.7 million, or $0.235 per share of common stock and common unit. This dividend distribution consisted of a quarterly dividend of $0.235 per share of common stock and common unit for the period from July 1, 2014 through September 30, 2014. This dividend distribution was paid on October 17, 2014. We cannot assure you that any distributions will be made or sustained or that our board of directors will not change our distribution policy in the future. Any dividends or other distributions that we pay in the future will depend upon our actual results of operations, economic conditions, debt service requirements, capital expenditures and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including our revenue, operating expenses, interest expense and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, see Risk Factors.

Table of Contents

CAPITALIZATION

The following table sets forth our cash and cash equivalents and actual combined capitalization as of September 30, 2014 and our pro forma cash and cash equivalents and combined capitalization as of September 30, 2014, adjusted to give effect to this offering, assuming the underwriters received uniform discounts and commissions on the 3,750,000 shares, and the intended use of the net proceeds from this offering as described in Use of Proceeds. You should read this table in conjunction with Structure and Formation of Our Company, Use of Proceeds, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes appearing elsewhere in this prospectus.

	As of September 30, 2014	
	Actual (Unaudited)	**Pro Forma Adjusted[1][2] (Unaudited)**
Cash and cash equivalents	$ 8,855,196	$ 36,538,463
Debt:		
Total Debt[3]	$ 179,604,305	$ 190,204,305
Equity		
Common stock, $0.01 par value per share; 100,000,000 shares authorized; 8,192,915 shares issued and outstanding, actual; 11,942,915 shares issued and outstanding, as adjusted[1]	$ 81,929	$ 119,429
Preferred stock, $0.01 par value per share; 100,000,000 shares authorized no shares issued and outstanding		
Additional paid-in capital	45,503,697	89,163,072
Accumulated deficit	(7,136,038)	(7,136,038)
Total stockholders equity		
Noncontrolling interests in our Operating Partnership	14,816,720	14,816,720
Noncontrolling interests in properties	(736,411)	(736,411)
Total equity	52,529,897	96,226,772
Total Capitalization	**$ 232,134,202**	**$ 286,431,077**

(1) Excludes up to 562,500 shares of common stock that may be issued by us upon exercise of the underwriters over-allotment option and 869,347 shares of common stock or LTIP units available for future issuance under our Equity Incentive Plan.

(2) Assumes a public offering price of $12.50 per share.

(3) As of September 30, 2014, we had drawn approximately $6.4 million under the Secured Credit Facility. Subsequent to September 30, 2014, an additional $8.5 million was drawn. We intend to use approximately $14.9 million of the net proceeds of this offering to repay amounts outstanding under the Secured Credit Facility.

Table of Contents

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share and the as adjusted net tangible book value per share of our common stock immediately after this offering. Our historical net tangible book value as of September 30, 2014, was $15.2 million, or $1.29 per share of common stock, assuming the redemption of all common units in exchange for shares of our common stock on a one-for-one basis. Net tangible book value per share is determined by dividing our total tangible assets less our total liabilities by the number of shares of our common stock outstanding.

After giving effect to the sale of 3,750,000 shares of common stock in this offering, after deducting the underwriting discounts (no underwriting discounts will be paid to the underwriters for the Reserved Shares) and estimated offering expenses payable by us and a public offering price of $12.50 per share in this offering, our as adjusted net tangible book value as of September 30, 2014 would have been $59.0 million or $3.78 per share. This amount represents an immediate increase in net tangible book value to our existing stockholders of $2.49 per share and an immediate dilution to investors in this offering of $8.72 per share. The following table illustrates this per share dilution:

Assumed public offering price per share	$ 12.50
Historical net tangible book value per share as of September 30, 2014	1.29
As adjusted net tangible book value per share after giving effect to this offering	3.78
Dilution in as adjusted net tangible book value per share to investors in this offering	$ 8.72

If the underwriters exercise their over-allotment option in full, our as adjusted net tangible book value (calculated as described above) at September 30, 2014 would have been $65.6 million or $4.06 per share, representing an immediate increase in as adjusted net tangible book value to our existing stockholders of $2.77 per share and an immediate dilution to investors in this offering of $8.44 per share.

The following table summarizes as of September 30, 2014, on an as adjusted basis, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by our existing stockholders and by investors in this offering, and before deducting underwriting discounts and estimated offering expenses payable by us.

	Common Units/ Shares Issued		**Net Tangible Book Value of Contribution/Cash**		**Average Price per Share/ OP Unit**
	Number	**Percentage**	**Amount**	**Percentage**	
Second City Funds	4,862,669 [(1)]	31.2%	$ 60,783,363	32.0%	$ 12.50
Share grants to trustees and officers	394,233 [(2)]	2.5			
IPO Investors	6,582,150 [(3)]	42.2	82,276,875	43.3	$ 12.50
New Investors	3,750,000	24.1	46,875,000	24.7	$ 12.50
Total	15,589,052	100%	$ 189,935,238	100%	

1

Represents shares and OP Units issued in the formation transactions less shares redeemed subsequent to the IPO valued at the IPO price.

2 Represents awards of restricted common shares granted to our directors and officers under the equity incentive plan.

3 Represents shares issued in the IPO, including shares issued upon exercise of the underwriters option to purchase additional shares, valued at the IPO price.

Table of Contents

MARKET PRICE OF OUR COMMON STOCK AND DISTRIBUTIONS

Our common stock has been listed on the NYSE under the symbol CIO since April 15, 2014. Prior to that time, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high, low and last sale prices of our common stock and the cash dividends per share of our common stock that we declared with respect to the periods indicated.

	High	Low	Last	Distributions
Second quarter (1) (2)	$ 12.95	$ 11.91	$ 12.68	$ 0.183
Third quarter (3)	13.61	12.34	13.58	0.235
Fourth quarter (through December 3, 2014)	$ 13.49	$ 12.73	$ 12.73	

(1) Information is provided only for the period from April 15, 2014 to June 30, 2014, as shares of our common stock did not begin trading publicly until April 15, 2014.
(2) On May 12, 2014, we declared a dividend distribution to common stockholders of record and our operating partnership declared a distribution to holders of record of common units, in each case as of July 3, 2014, totaling $2.1 million, or $0.183 per share of common stock and common unit. This dividend distribution consisted of a pro rata dividend for the period from the consummation of our initial public offering on April 21, 2014 to June 30, 2014. The dividend distribution was paid on July 17, 2014.
(3) On September 15, 2014, we also declared a dividend distribution to common stockholders of record and our operating partnership declared a distribution to holders of record of common units, in each case as of October 3, 2014, totaling $2.7 million, or $0.235 per share of common stock and common unit. The dividend distribution was paid on October 17, 2014.

On December 3, 2014, the closing sale price of our common stock on the NYSE was $12.73. AST is the transfer agent and registrar for our common stock. On December 1, 2014, we had 8,192,915 holders of record of our common stock. This figure does not represent the actual number of beneficial owners of our common stock because shares of our common stock are frequently held in street name by securities dealers and others for the benefit of beneficial owners who may vote the shares.

We intend to continue to declare quarterly distributions on our common stock. The actual amount and timing of distributions, however, will be at the discretion of our board of directors and will depend upon our financial condition in addition to the requirements of the Code, and no assurance can be given as to the amounts or timing of future distributions. See Distribution Policy.

Table of Contents

SELECTED FINANCIAL DATA

The following financial data should be read in conjunction with the audited and unaudited financial statements and the related notes, and our unaudited pro forma financial information and the related notes, included elsewhere in this prospectus.

The following table sets forth summary financial and operating data on a consolidated pro forma and historical basis for our company.

We had no business operations prior to completion of our initial public offering and the related formation transactions. As a result, the historical combined balance sheet data as of December 31, 2013 and December 31, 2012 reflects the financial condition of the City Office Predecessor and the consolidated balance sheet data as September 30, 2014 (unaudited) reflects our financial condition. The results of operations for the nine months ended September 30, 2014 (unaudited) reflect the historical operations of the City Office Predecessor for the period from January 1, 2014 through April 20, 2014 and the historical results of operations of us for the period from April 21, 2014 through September 30, 2014.

The historical combined balance sheet information as of December 31, 2013 and December 31, 2012 of the City Office Predecessor and the combined statements of operations information for the years ended December 31, 2013 and December 31, 2012 and the nine months ended September 30, 2013 (unaudited) of the City Office Predecessor have been derived from the historical combined financial statements included elsewhere in this prospectus.

The unaudited pro forma consolidated balance sheet data is presented to reflect the historical consolidated balance sheet of our company at September 30, 2014 (which includes the acquisition of the Plaza 25 and Lake Vista Pointe properties), the acquisition of the Florida Research Park property and this offering, assuming the underwriters received uniform discounts and commissions on the 3,750,000 shares, and the use of proceeds thereof as if they had all been completed on September 30, 2014. The unaudited pro forma consolidated statement of operations for the nine months ended September 30, 2014 reflects the historical operations of the City Office Predecessor for the period from January 1, 2014 through April 20, 2014 and the historical results of operations of our company for the period from April 21, 2014 through September 30, 2014 and are presented as if our initial public offering and related formation transactions as well as the acquisitions of the Plaza 25, Lake Vista Pointe and Florida Research Park properties had all been completed on January 1, 2013. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2013 reflects the historical results of operations of the City Office Predecessor for the year ended December 31, 2013 and are presented as if our initial public offering and the related Formation Transactions as well as the acquisitions of the Plaza 25, Lake Vista Pointe and Florida Research Park properties had all been completed on January 1, 2013.

Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

Table of Contents

City Office REIT, Inc. and the City Office Predecessor

	Nine Months Ended September 30,			Year Ended December 31,		
	2014		2013	2013		2012
	(unaudited) Pro-Forma	(unaudited) Historical	(unaudited) Historical	(unaudited) Pro-Forma	Historical	Historical
Revenue:						
Rental income	$ 28,208,371	$ 23,987,891	$ 12,938,686	$ 36,233,696	$ 18,427,794	$ 9,991,712
Expense reimbursement	2,721,453	1,796,567	1,093,117	3,571,980	1,316,068	1,053,466
Other	593,863	589,631	593,724	792,500	746,716	471,280
Total Revenues	31,523,687	26,374,089	14,625,527	$ 40,598,176	$ 20,490,578	$ 11,516,458
Operating Expenses:						
Property operating expenses	8,215,662	7,304,371	4,005,302	10,604,700	6,021,287	4,109,993
Insurance	562,429	489,471	374,655	734,592	518,361	398,083
Property taxes	2,440,960	1,775,641	1,015,164	2,989,607	1,385,954	969,564
Property management fees	674,072	619,497	397,297	824,160	539,460	571,420
Acquisition costs	1,561,997	1,551,347	1,479,292	1,479,292	1,479,292	212,765
Base management fee	1,066,170	411,471		1,421,560		
Stock-based compensation	1,210,563	667,347		1,614,083		
General and administrative	1,342,500	821,379		1,790,000		
Depreciation and amortization	13,257,834	10,633,593	5,245,498	17,862,622	7,775,219	3,956,204
Total Operating Expenses	30,332,187	24,274,117	12,517,208	39,320,616	17,719,573	10,218,029
Operating Income from Continuing Operations	1,191,500	2,099,972	2,108,319	1,277,560	2,771,005	1,298,429
Interest expense, net	(6,552,907)	(8,765,075)	(3,704,586)	(8,874,197)	(5,368,016)	(3,685,881)
Change in fair value of earn-out	(1,047,515)	(1,047,515)				
Canadian offering costs				(1,983,195)	(1,983,195)	
Gain on acquisition		4,474,644				

Equity in income of unconsolidated entity			255,422		402,913	505,877
Net loss	(6,408,922)	(3,237,974)	(1,340,845)	(9,579,832)	(4,177,293)	(1,881,575)
Less:						
Net loss (income) attributable to noncontrolling interests in properties	(8,326)	(8,326)	60,356	(190,624)	44,368	286,481
Net income attributable to Predecessor		(1,973,197)				
Net loss attributable to Predecessor			**$ (1,280,489)**		**$ (4,132,925)**	**$ (1,595,094)**
Net loss attributable to Operating partnership unitholders noncontrolling interests	1,373,381	1,508,097		2,091,014		
Net loss attributable to stockholders	**$ (5,043,867)**	**$ (3,711,400)**		**$ (7,679,442)**		
Balance Sheet Data (as of end of period):						
Real estate properties, net of accumulated depreciation	$ 210,850,541	$ 189,813,558			$ 100,126,486	$ 42,171,832
Investments in unconsolidated entity					4,337,899	4,882,753
Total assets	306,501,251	252,165,765			142,990,149	61,016,126
Debt	190,204,305	179,604,305			109,916,430	53,256,600
Total liabilities	210,274,479	199,635,868			115,282,034	55,006,264
Stockholders and predecessor equity	82,146,463	38,449,588			26,624,375	6,149,404
Operating partnership unitholders noncontrolling interests	14,816,720	14,816,720				
	(736,411)	(736,411)			1,083,740	(139,542)

Noncontrolling interest in properties					
Total equity	96,226,772	52,529,897		27,708,115	6,009,862
Other Data					
Cash flows from/(to):					
Operating Activities		$ 5,980,825	$ 6,370,561	$ 1,459,782	$ 3,891,017
Investing Activities		(65,656,343)	(73,249,579)	(75,105,500)	(17,109,811)
Financing Activities		61,402,950	71,325,799	77,666,866	14,858,006

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based on, and should be read in conjunction with, the condensed consolidated and combined financial statements and the related notes thereto of the City Office REIT, Inc. and the City Office Predecessor (as defined in this section) for the periods ended September 30, 2014, September 30, 2013, December 31, 2013 and December 31, 2012.

As used in this section, unless the context otherwise requires, references to we, our, us, and our company refer to City Office REIT, Inc., a Maryland corporation, together with our consolidated subsidiaries, including City Office REIT Operating Partnership L.P., a Maryland limited partnership, of which we are the sole general partner and which we refer to in this section as our operating partnership, except where it is clear from the context that the term only means City Office REIT, Inc. References to the City Office Predecessor are to the real estate activity and holdings of the entities that own the historical interests in the AmberGlen, Central Fairwinds, City Center, Cherry Creek, Corporate Parkway and Washington Group Plaza properties.

This management s discussion and analysis of financial condition and results of operations contains forward-looking statements that involve risks, uncertainties and assumptions. See Cautionary Statement Regarding Forward-Looking Statements for a discussion of the risks, uncertainties and assumptions associated with those statements. Our actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including, but not limited to, those in Risk Factors and included in other portions of this prospectus.

Overview

Company

We were formed as a Maryland corporation on November 26, 2013. On April 21, 2014, we completed our initial public offering (IPO) of shares of common stock. We contributed the net proceeds of the IPO to our operating partnership in exchange for common units in our operating partnership. Both we and our operating partnership commenced operations upon completion of the IPO and certain related formation transactions (the Formation Transactions).

Our interest in the operating partnership entitles us to share in distributions from, and allocations of profits and losses of, our operating partnership in proportion to our percentage ownership of common units. As the sole general partner of our operating partnership, we have the exclusive power under the partnership agreement to manage and conduct our operating partnership s business, subject to limited approval and voting rights of the limited partners.

On April 21, 2014, we closed the IPO, pursuant to which we sold 5,800,000 shares of common stock to the public at a public offering price of $12.50 per share. We raised $72.5 million in gross proceeds, resulting in net proceeds to us of approximately $63.4 million after deducting approximately $5.1 million in underwriting discounts and approximately $4.0 million in other expenses relating to the IPO. On May 9, 2014, the underwriters of the IPO partially exercised their overallotment option with respect to an additional 782,150 shares of our common stock at the IPO price of $12.50 a share resulting in additional gross proceeds of approximately $9.8 million. The net proceeds to us were $9.1 million after deducting approximately $0.7 million in underwriting discounts. Our common stock began trading on the New York Stock Exchange under the symbol CIO on April 15, 2014.

Pursuant to the Formation Transactions and exercise of the underwriters over-allotment option, our operating partnership acquired a 100% interest in each of the Washington Group Plaza, Cherry Creek and Corporate Parkway properties and acquired an approximate 76% economic interest in the AmberGlen property, 90% interest in the Central Fairwinds property and 95% interest in the City Center property. These initial property interests were contributed in exchange for 3,731,209 common units, 1,610,765 shares of our common stock and $19.4 million of cash. On May 9, 2014, subsequent to the exercise of the underwriters overallotment option, 479,305 common units and 248,095 common stock were redeemed for $9.1 million in cash.

We intend to elect to be taxed and to continue to operate in a manner that will allow us to qualify as a REIT commencing with our taxable year ending December 31, 2014. So long as we qualify as a REIT, we will be permitted to deduct distributions paid to our stockholders, eliminating the U.S. federal taxation of income represented by such distributions at the company level. REITs are subject to a number of organizational and operational requirements. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate tax rates.

Pursuant to the JOBS Act, we qualify as an emerging growth company (EGC). An EGC may choose to take advantage of the extended private company transition period provided for complying with new or revised accounting standards that may be issued by the FASB or the SEC. We have elected to opt out of such extended transition period. This election is irrevocable.

Indebtedness

In connection with the IPO and the related formation transactions, we, through our operating partnership, extinguished the mortgage loan secured by the Central Fairwinds property and completed a refinancing of three properties (Cherry Creek, City Center and Corporate Parkway) with a new $95 million non-recourse mortgage loan and proceeds from the IPO. On April 29, 2014, our company, through our operating partnership, completed a $25.4 million refinancing of the AmberGlen property. Following the formation transactions, the Washington Group Plaza property remained subject to the existing mortgage loan. On June 13, 2014, in connection with the addition of Plaza 25 as an additional collateral security under the Secured Credit Facility, we, through our operating partnership, exercised a portion of the accordion feature of the Secured Credit Facility and entered into an amendment to the credit agreement, thereby increasing the aggregate principal maximum amount available for borrowing under the Secured Credit Facility to $30 million.

For additional information regarding the new mortgage loan, the AmberGlen Mortgage loan, the Washington Mortgage loan and the Secured Credit Facility, please refer to Liquidity and Capital Resources below.

Revenue Base

Upon completion of the IPO and the related Formation Transactions, we owned six office complexes comprised of 16 office buildings with a total of approximately 1.85 million square feet of NRA. As of September 30, 2014, our initial properties were approximately 91% leased (or 93% after giving effect to committed leases, the terms of which have not yet commenced).

Office Leases

Historically, most leases for our initial properties were on a full-service gross or net lease basis, and we expect to continue to use such leases in the future. A full-service gross lease generally has a base year expense stop , whereby we pay a stated amount of expenses as part of the rent payment while future increases (above the base year stop) in property operating expenses are billed to the tenant based on such tenant s proportionate square footage in the property. The property operating expenses are reflected in operating expenses; however, only the increased property operating expenses above the base year stop recovered from tenants are reflected as tenant recoveries in our statements of operations. In a net lease, the tenant is typically responsible for all property taxes and operating expenses. As such, the base rent payment does not include any operating expenses, but rather all such expenses are billed to or paid by the tenant. The full amount of the expenses for this lease type is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries. The tenants in the Corporate Parkway property and the Lake Vista Pointe property have net leases. We are also a lessor for a fee simple ground lease at the AmberGlen property.

All of our remaining leases are full-service gross leases.

Interest Rate Contracts

As of September 30, 2014, we did not have any interest rate contracts.

Factors That May Influence Our Operating Results and Financial Condition

Business and Strategy

We focus on owning and acquiring office properties in our target markets. Our target markets generally possess what we believe are favorable economic growth trends, growing populations with above-average employment growth forecasts, a large number of government offices, large international, national and regional employers across diversified industries, are generally low-cost centers for business operations, and exhibit favorable occupancy trends. We utilize our Advisor s market-specific knowledge and relationships as well as the expertise of local real estate operators and our investment partners to identify acquisition opportunities that we believe will offer cash flow stability and long-term value appreciation. Our target markets are attractive, among other reasons, because we believe that ownership is often concentrated among local real estate operators that typically do not benefit from the same access to capital as public REITs and there is a relatively low level of participation of large institutional investors. We believe that these factors result in attractive pricing levels and risk-adjusted returns.

Rental Revenue and Tenant Recoveries

The amount of net rental revenue generated by our properties will depend principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space and space that becomes available from lease terminations. As of September 30, 2014, our properties were approximately 92% leased (or 93% when giving effect to committed leases, the terms of which have not yet commenced). The amount of rental revenue generated also depends on our ability to maintain or increase rental rates at our properties. We believe that the average rental rates for the portfolio of our properties are generally in-line or slightly below the current average quoted market rates. Negative trends in one or more of these factors could adversely affect our rental revenue in future periods. Future economic downturns or regional downturns affecting our markets or submarkets or downturns in our tenants industries that impair our ability to renew or re-let space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties. In addition, growth in rental revenue will also partially depend on our ability to acquire additional properties that meet our investment criteria.

Operating Expenses

Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs. Increases in these expenses over tenants base years are generally passed along to tenants in our full-service gross leased properties and are generally paid in full by tenants in our net leased properties. As a public company, we estimate that our annual general and administrative expenses will increase due to increased legal, insurance, accounting and other expenses related to corporate governance, SEC reporting and other compliance matters, compared to the period prior to the IPO.

Conditions in Our Markets

Positive or negative changes in economic or other conditions in the markets we operate in, including state budgetary shortfalls, employment rates, natural hazards and other factors, may impact our overall performance.

Summary of Significant Accounting Policies

Basis of Preparation

The City Office Predecessor represents a combination of certain entities holding interests in real estate that are commonly controlled. Due to their common control, the financial statements of the separate entities which own our initial properties are presented on a combined basis.

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). All significant intercompany balances and transactions have been eliminated in combination.

Table of Contents

Variable interest entities (VIE) are accounted for within the scope of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation and are required to be consolidated by their primary beneficiary. The primary beneficiary of a variable interest entity is the enterprise that has the power to direct the activities that most significantly impact the variable interest entity s economic performance and the obligation to absorb losses or the right to receive benefits of the variable interest entity that could be significant to the variable interest entity. We have evaluated the applicability of ASC Topic 810 to our investments in ROC-SCCP Cherry Creek I, LP and determined that this entity is not a VIE or that the City Office Predecessor is not the primary beneficiary and, therefore, consolidation of this property is not required. The property is accounted for using the equity method of accounting.

Use of Estimates

We have made a number of significant estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare these combined financial statements in conformity with GAAP. These estimates and assumptions are based on our best estimates and judgment. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions. Management adjusts such estimates when facts and circumstances dictate. The most significant estimates made include the recoverability of accounts receivable, allocation of property purchase price to tangible and intangible assets acquired and liabilities assumed, the determination of VIEs and which entities should be consolidated, the determination of impairment of long-lived assets, loans receivable and equity method investments, valuation of derivative financial instruments and the useful lives of long-lived assets. Actual results could differ materially from those estimates.

Business Combinations

The fair value of the real estate acquired, which includes the impact of fair value adjustments for assumed mortgage debt related to property acquisitions, is allocated to the acquired tangible assets, consisting of land, building and improvements and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases and value of tenant relationships, based in each case on their fair values. Acquisition costs are expensed as incurred in the accompanying combined statement of income. Also, noncontrolling interests acquired are recorded at estimated fair market value.

The fair value of the tangible assets of an acquired property (which includes land, building and improvements and fixtures and equipment) is determined by valuing the property as if it were vacant. The as-if-vacant value is then allocated to land and building and improvements based on our determination of relative fair values of these assets. Factors considered by us in performing these analyses include an estimate of carrying costs during the 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 rental revenue during the expected lease-up periods based on current market demand. We also estimate costs to execute similar leases including leasing commissions.

The fair value of above-market and below-market lease values are recorded based on the difference between the current in place lease rent and our estimate of current market rents. Below-market lease intangibles are recorded as part lease intangibles liability and amortized into rental revenue over the non-cancelable periods and bargain renewal periods of the respective leases. Above-market leases are recorded as part of intangible assets and amortized as a direct charge against rental revenue over the non-cancelable portion of the respective leases.

The fair value of acquired in place leases are recorded based on the costs we estimate we would have incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the fair value of leasing commissions and legal costs that would be incurred to lease the property to this occupancy level. Additionally, we evaluate the time period over such occupancy level would be achieved and include an estimate of the net operating costs incurred during the lease-up period.

Table of Contents

Revenue Recognition

We recognize lease revenue on a straight-line basis over the term of the lease. Certain leases allow for the tenant to terminate the lease, but the tenant must make a termination payment as stipulated in the lease. If the termination payment is in such an amount that continuation of the lease appears, at the time of lease inception, to be reasonably assured, then we recognize revenue over the term of the lease. We have determined that for these leases, the termination payment is in such an amount that continuation of the lease appears, at the time of inception, to be reasonably assured. We recognize lease termination fees as other revenue in the period received and write off unamortized lease-related intangible and other lease-related account balances, provided there are no further obligations by us under the lease. Otherwise, such fees and balances are recognized on a straight-line basis over the remaining obligation period with the termination payments being recorded as a component of rent receivable-deferred or deferred revenue on the combined balance sheets.

If we fund tenant improvements and the improvements are deemed to be owned by us, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. If we determine that the tenant allowances are lease incentives, we commence revenue recognition when possession or control of the space is turned over to the tenant for tenant work to begin. The lease incentive is recorded as a deferred expense and amortized as a reduction of revenue on a straight-line basis over the respective lease term.

Recoveries from tenants for real estate taxes, insurance and other operating expenses are recognized as revenues in the period that the applicable costs are incurred. We recognize differences between estimated recoveries and the final billed amounts in the subsequent year. Final billings to tenants for real estate taxes, insurance and other operating expenses did not vary significantly as compared to the estimated receivable balances.

Expenditures for maintenance and repairs are charged to operations as incurred.

Impairment of Real Estate Properties

Long-lived assets currently in use are reviewed periodically for possible impairment and will be written down to fair value if considered impaired. Long-lived assets to be disposed of are written down to the lower of cost or fair value less the estimated cost to sell. We review our real estate properties for impairment when there is an event or a change in circumstances that indicates that the carrying amount may not be recoverable. We measure and record impairment losses and reduce the carrying value of properties when indicators of impairment are present and the expected undiscounted cash flows related to those properties are less than their carrying amounts. In cases in which we do not expect to recover our carrying costs on properties held for use, we reduce our carrying costs to fair value. We do not believe that the values of our properties are impaired as of September 30, 2014 and December 31, 2013.

Derivative Instruments and Hedging Activities

We record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. We have not elected to designate any instruments as a hedge under ASC 815-10.

Fair Value of Financial Instruments

ASC 820-10, Fair Value Measurements and Disclosures (ASC 820-10) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820-10 applies to reported

balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820-10

establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity s own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Cash Equivalents, Restricted Cash, Accounts Receivable and Accounts Payable and Accrued Liabilities

We estimate that the fair value approximates carrying value due to the relatively short-term nature of these instruments.

Mortgage Loans Payable

We determine the fair value of City Office s and the City Office Predecessor s fixed rate debt based on a discounted cash flow analysis using a discount rate that approximates the current borrowing rates for instruments of similar maturities. Based on this, we have determined that the fair value of these instruments was $172.7 million and $88.5 million as of September 30, 2014 and December 31, 2013, respectively. Loans with variable rate interest are excluded from the amount noted as the carrying value approximates the fair value. Although we have determined that the majority of the inputs used to value fixed rate debt fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our fixed rate debt utilize Level 3 inputs, such as estimates of current credit spreads. However, as of September 30, 2014 and December 31, 2013, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of the City Office Predecessor s fixed rate debt and determined that the credit valuation adjustments are not significant to the overall valuation of the City Office Predecessor s fixed rate debt. Accordingly, mortgage loans payable have been classified as Level 2 fair value measurements.

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which creates a new Topic Accounting Standards Codification (Topic 606). The standard is principle-based and provides a five-step model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. This standard is effective for interim or annual periods beginning after December 15, 2016 and allows for either full retrospective or modified retrospective adoption. Early adoption of this standard is not allowed. We are currently evaluating the impact the adoption of Topic 606 will have on our financial statements.

JOBS Act

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an EGC can take advantage of the extended transition period provided in Section 7(a)(2)(b) of the Securities Act, for complying with new or revised financial accounting standards. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have determined to opt out of such extended transition period and, as a result, we will comply with new or revised financial accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

Table of Contents

Results of Operations

Comparison of Nine Months Ended September 30, 2014 to Nine Months Ended September 30, 2013

The nine months ended September 30, 2014 include our combined results for the period from April 21, 2014 through September 30, 2014, and the results of the City Office Predecessor for the period from January 1, 2014 through April 20, 2014. The comparable nine-month period in 2013 pertain to the results of the City Office Predecessor only and accordingly may not be directly comparable due to the impact of the Formation Transactions on April 21, 2014. We incurred a loss of $5.2 million since the date of IPO on April 21, 2014, which includes the loss on early extinguishment of City Office Predecessor debt of $1.7 million. In the forthcoming comparison, we have highlighted the impact of the IPO and formation transactions where applicable.

Revenue

Total Revenue. Revenue includes net rental income, including parking, signage and other income, as well as the recovery of operating costs and property taxes from tenants. Total revenues increased $11.8 million, or 80%, to $26.4 million for the nine month period ended September 30, 2014 compared to $14.6 million in the corresponding period in 2013. Revenue increased by $0.8 million from the acquisition of the Corporate Parkway property in May 2013, $3.5 million from the acquisition of the Washington Group Plaza property in June 2013 and $1.3 million from the acquisition of the Plaza 25 property in June 2014, $0.7 million from the acquisition of the Lake Vista Pointe property in July 2015. AmberGlen increased total revenues by $0.3 million due to the increased occupancy at the property over the prior year. The remaining $5.2 million increase is a result of the consolidation of the Cherry Creek property. In January 2014, we acquired the remaining 57.7% of the property we did not already own to bring our ownership to 100%, whereas previously the property was accounted for using the equity method. AmberGlen, City Center and Central Fairwinds revenues were relatively unchanged in comparison to the prior year.

Rental Income. Rental income includes net rental income, income from a ground lease and lease termination income. Total rental income increased $11.1 million, or 85%, to $24.0 million for the nine month period ended September 30, 2014 compared to $12.9 million for the nine month period ended September 30, 2013. The increase in rental income was primarily due to the acquisitions described above. The acquisition of the Corporate Parkway, Washington Group Plaza, Plaza 25, Lake Pointe Vista and Cherry Creek properties contributed an additional $0.8 million, $3.4 million, $1.2 million, $0.5 million and $4.8 million in rental income, respectively. AmberGlen increased total revenues by $0.4 million due to the increased occupancy at the property over the prior year.

Expense Reimbursement. Total expense reimbursement increased $0.7 million, or 64%, to $1.8 million for the nine month period ended September 30, 2014 compared to $1.1 million for the same period in 2013, primarily due to the acquisition of the Washington Group Plaza, Plaza 25, Lake Vista Pointe and Cherry Creek properties described above. The Corporate Parkway property, which was acquired in May 2013, is a net lease and does not have any expense reimbursements.

Other. Other revenue includes parking, signage and other miscellaneous income. Total other revenues were unchanged at $0.6 million for the nine month period ended September 30, 2014 as compared to the corresponding period in 2013. The Corporate Parkway property, which was acquired in May 2013, is a net lease and does not have any other income and minimal other income was generated by Washington Group Plaza, Plaza 25, Lake Vista Pointe and Cherry Creek.

Operating Expenses

Total Operating Expenses. Total operating expenses consists of property operating expenses, as well as insurance, property taxes, property management fees, acquisition costs, base management fees, stock-based compensation, and general and administrative expenses and depreciation and amortization. Total operating expenses increased by $11.8 million, or 94%, to $24.3 million for the nine month period ended September 30, 2014, from $12.5 million for the same period in 2013, primarily due to the acquisitions described above. Total operating expenses increased by $2.7 million, $1.4 million,

$0.6 million and $4.7 million, respectively, from the acquisition of the Washington Group Plaza property in June 2013, the acquisition of the Plaza 25 property in June 2014, the acquisition of the Lake Vista Pointe property in July 2014 and the consolidation of the Cherry Creek property beginning January 2014. The Corporate Parkway property, which was acquired in May 2013, is a net lease and does not have any significant operating expenses. AmberGlen, City Center and Central Fairwinds operating expenses were relatively unchanged in comparison to the prior year. The remaining increase relates to stock-based compensation, base management fees and general and administrative expenses in relation to our formation on April 21, 2014.

Property Operating Expenses. Property operating expenses are comprised mainly of building common area and maintenance expenses, as well as certain expenses that are not recoverable from tenants, the majority of which are related to costs necessary to maintain the appearance and marketability of vacant space. In the normal course of business, property expenses fluctuate and are impacted by various factors including, but not limited to, occupancy levels, weather, utility costs, repairs, maintenance and re-leasing costs. Property operating expenses increased $3.3 million, or 82%, to $7.3 million for the nine month period ended September 30, 2014 compared to $4.0 million for the same period in 2013. The increase in property operating expenses was primarily due to the acquisitions described above. The acquisition of the Washington Group Plaza, Plaza 25, Lake Vista Pointe and Cherry Creek properties contributed an additional $1.2 million, $0.4 million, $0.1 million and $1.5 million in additional property operating expenses, respectively.

Insurance. Insurance costs increased $0.1 million, or 31%, to $0.5 million for the nine month period ended September 30, 2014 compared to $0.4 million for the nine month period ended September 30, 2013 primarily due to the acquisition of the Washington Group Plaza, Corporate Parkway, Plaza 25 and Lake Vista Pointe properties and the consolidation of the Cherry Creek property.

Property Taxes. Property taxes increased $0.8 million, or 75%, to $1.8 million for the nine month period ended September 30, 2014 compared to $1.0 million for the nine month period ended September 30, 2013 primarily due to the acquisition of the Washington Group Plaza, Corporate Parkway, Plaza 25 and Lake Vista Pointe properties and the consolidation of the Cherry Creek property.

Property Management Fees. Property management fees increased $0.2 million, or 56%, to $0.6 million for the nine month period ended September 30, 2014 compared to $0.4 million for the nine month period ended September 30, 2013, primarily due to the additions noted above.

Acquisition Costs. Acquisition costs increased $0.1 million, or 5%, to $1.6 million for the nine month period ended September 30, 2014 compared to $1.5 million for the nine month period ended September 30, 2013. The acquisition costs in the current year are related to the Plaza 25, Lake Vista Pointe and Cherry Creek acquisitions whereas in the prior year, the acquisition costs related to Washington Group Plaza and Corporate Parkway properties.

Base Management Fee. Base Management Fee was $0.4 million for the nine month period ended September 30, 2014 representing the fee paid to our Advisor.

Stock-Based Compensation. Stock-based compensation was $0.7 million for the nine month period ended September 30, 2014 representing the amortization of the management equity grants issued as part of the Formation Transactions.

General and Administrative. General and administrative expenses were $0.8 million for the nine month period ended September 30, 2014 representing the public company costs incurred since the completion of an initial public offering.

Depreciation and Amortization. Depreciation and amortization increased $5.4 million, or 103%, to $10.6 million for the nine month period ended September 30, 2014 compared to $5.2 million for the same period in 2013, primarily due to the addition of the Corporate Parkway, Washington Group Plaza, Plaza 25, Lake Vista Pointe and Cherry Creek properties.

Other Expense (Income)

Interest Expense, Net. Interest expense increased $5.1 million, or 137%, to $8.8 million for the nine month period ended September 30, 2014, compared to $3.7 million for the corresponding period in 2013. Interest expense increased $0.7 million,

$0.6 million, $0.2 million and $2.9 million, respectively, due to interest expense associated with the Corporate Parkway, Washington Group Plaza, Lake Pointe Vista and Cherry Creek property debt. Amortization of deferred financing fees increased $0.8 million over the prior period due to the accelerated amortization on the Cherry Creek bridge loan incurred by the City Office Predecessor. The loss on early extinguishment of City Office Predecessor debt is a result of the write-off of deferred amortization expense and prepayment penalties of $1.7 million related to the City Center, Central Fairwinds, Corporate Parkway and AmberGlen debt as part of the Formation Transactions.

Change in Fair Value of Earn-Out. Change in fair value of earn-out was $1.0 million for the nine month period ended September 30, 2014 representing the change in the estimated fair value of the earn-out liability on the Central Fairwinds property.

Gain on Equity Investment. Gain on equity investment is related to the purchase in January 2014 of the remaining 57.7% of Cherry Creek property that we did not already own. As a result of this transaction, a gain of $4.5 million was recorded.

Equity in Income of Unconsolidated Entity. Equity in income of unconsolidated entity is related to the Cherry Creek property in which the City Office Predecessor owned 42.3% as of December 31, 2013. In January 2014, we acquired the remaining 57.7% of the property we did not already own to bring our ownership to 100% and thus began consolidating the property results.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

We had approximately $8.9 million of cash and cash equivalents and $13.2 million of restricted cash as of September 30, 2014. In addition, we drew down $6.4 million under the Secured Credit Facility in connection with is purchase of the Lake Vista Pointe property. It will continue to use the Secured Credit Facility, among other things, to finance the acquisition of other properties, to provide funds for tenant improvements and capital expenditures and to provide for working capital and other corporate purposes.

Our short-term liquidity requirements primarily consist of operating expenses and other expenditures associated with our properties, distributions to our limited partners and distributions to our stockholders required to qualify for REIT status, capital expenditures and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, reserves established from existing cash, the proceeds from this offering and borrowings under our Secured Credit Facility.

Our long-term liquidity needs consist primarily of funds necessary for the repayment of debt at maturity, property acquisitions and non-recurring capital improvements. We expect to meet our long-term liquidity requirements with net cash from operations, long-term secured and unsecured indebtedness and the issuance of equity and debt securities. We also may fund property acquisitions and non-recurring capital improvements using our Secured Credit Facility pending permanent financing.

We believe we have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity securities. However, we cannot assure you that this is or will continue to be the case. Our ability to incur additional debt is dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. Our ability to access the equity capital markets is dependent on a number of factors as well, including general market conditions for REITs and market perceptions about us.

Table of Contents

Consolidated Indebtedness as of September 30, 2014

As of September 30, 2014, we had approximately $179.6 million of outstanding consolidated indebtedness, of which $173.2 million is fixed rate debt. The following table sets forth information as of September 30, 2014 with respect to our outstanding indebtedness.

Debt	September 30, 2014	Interest Rate as of September 30, 2013	Maturity Date
Secured Credit Facility (1)	$ 6,400,000	LIBOR(2) +2.75%	April 2016
AmberGlen (3)	25,262,516	4.38%	May 2019
Midland Life Insurance (4)	95,000,000	4.34%	May 2021
Lake Vista Pointe (5)	18,460,000	4.28%	August 2024
Washington Group Plaza (5)	34,481,789	3.85%	July 2018
Total	**$ 179,604,305**		

(1) The Revolving Credit Facility currently has $30 million authorized with $26.4 million available immediately. In addition, the Revolving Credit Facility has an accordion feature that will permit us to borrow up to $150 million, subject to additional collateral availability and lender approval. The Revolving Credit Facility bears an interest rate of LIBOR plus 2.75% and requires us to maintain a fixed charge coverage ratio of no less than 1.60x. The Revolving Credit Facility is cross-collateralized by Central Fairwinds and Plaza 25.
(2) As of September 30, 2014, the 3 Month LIBOR rate was 0.24%.
(3) Following the Formation Transactions, on April 29, 2014, we entered into a new mortgage loan in relation to the AmberGlen property for $25.4 million. The loan bears an interest rate of 4.38% and matures on May 1, 2019. We are required to maintain a minimum net worth of $25 million and a minimum liquidity of $2 million.
(4) The loan is cross-collateralized by Corporate Parkway, Cherry Creek and City Center. Interest only until February 2016 then interest payable monthly plus principal based on 360 months of amortization. The loan bears a fixed interest rate of 4.34% and matures on May 6, 2021.
(5) Interest payable monthly plus principal based on 360 months of amortization.

Contractual Obligations and Other Long-Term Liabilities

The following table provides information with respect to our commitments as of September 30, 2014, including any guaranteed or minimum commitments under contractual obligations. The table does not reflect available debt extension options.

	Payments Due by Period				
Contractual Obligation	**Total**	**2014**	**2015-2016**	**2017-2018**	**More than 5 years**
Principal payments on mortgage loans	$ 179,604,305	$ 259,621	$ 9,485,799	$ 37,710,162	$ 132,148,723
Interest payments	43,554,799	1,816,151	14,421,821	13,448,934	13,867,893
Tenant-related commitments	4,175,280	3,045,101	130,179		1,000,000

Total	$ 227,334,384	$ 5,120,873	$ 24,037,799	$ 51,159,096	$ 147,016,616

Cash Flows

Comparison of Period Ended September 30, 2014 to Period Ended September 30, 2013

Cash and cash equivalents were $8.9 million and $7.6 million as of September 30, 2014 and September 30, 2013, respectively.

Cash flow from operating activities. Net cash provided by (used in) operating activities decreased by $0.4 million to $6.0 million for the period ended September 30, 2014 compared to $6.4 million for the same period in 2013. The decrease was primarily attributable to the loss on early extinguishment of debt, offset by changes in rents receivable.

Cash flow to investing activities. Net cash used in investing activities decreased by $7.6 million to $65.7 million for the period ended September 30, 2014 compared to $73.3 million for the same period in 2013. The net cash used in investing activities in 2014 was used to acquire Plaza 25, Lake Vista Pointe and the remaining 57.7% ownership in the Cherry Creek property, complete tenant improvements and associated costs to acquire equipment and enhance capital assets.

Table of Contents

Cash flow from financing activities. Net cash provided by financing activities decreased by $9.9 million to $61.4 million for the period ended September 30, 2014 compared to $71.3 million for the period ended September 30, 2013. Cash flow from financing activities is primarily derived from the proceeds from the sale of common stock, and the re-financing and mortgage proceeds on new financing as part of the formation transactions, offset by mortgage payments during the period.

Off-Balance Sheet Arrangements

As of September 30, 2014, we did not have any off-balance sheet arrangements.

Inflation

Substantially all of our office leases provide for separate real estate tax and operating expense escalations. In addition, most of the leases provide for fixed rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above.

Quantitative and Qualitative Disclosures about Market Risk

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevailing market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We may use derivative financial instruments to manage or hedge interest rate risks related to borrowings. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based upon their credit rating and other factors. We have entered, and we will only enter into, contracts with major financial institutions based on their credit rating and other factors. As of September 30, 2014, we did not have any outstanding derivatives.

Interest risk amounts are our management s estimates based on our capital structure and were determined by considering the effect of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment nor the change to the capital structure as a result of the IPO and Formation Transactions. We may take actions to further mitigate our exposure to changes in interest rates. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

Table of Contents

INDUSTRY OVERVIEW

U.S. National Office Market Overview

The U.S. economy has been growing at a moderate pace since the end of the 2008 recession with gross domestic product increasing at an annualized rate of 2.4% from the end of the recession to September 2014. Total office employment in the United States increased from 26.9 million in September 2009, its post-recession low, to 30.1 million in September 2014 according to the U.S. Bureau of Labor Statistics.

Quarterly Change in Total Office Employment

Source: U.S. Bureau of Labor Statistics

Reis, Inc. projects that the recovering economy and improved job growth will lead to lower vacancy rates and higher rental rates in office buildings in the United States through 2018 as shown in the chart below.

U.S. Office Rental and Vacancy Rates

Source: Reis, Inc.

Table of Contents

Our Target Markets

Our target markets are located in metropolitan areas in the Southern and Western United States. We believe that our target markets possess a number of the following characteristics: favorable economic growth trends, growing populations with above average employment growth forecasts, a large number of government offices, large international, national and regional employers across diversified industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. We also believe that there is a lower level of participation of large institutional investors in our target markets because they generally have concentrated on Gateway markets. In addition, we believe that our target markets offer the opportunity for attractive risk-adjusted returns because these markets exhibit positive economic and demographic trends and ownership is often concentrated among local real estate operators that typically do not benefit from the same access to capital as public REITs. Within our target markets, we primarily focus on acquiring properties with a purchase price between $20 million and $50 million and expected cap rates between seven and nine percent as we believe that large institutional investors and public REITs are focused on larger acquisition opportunities. According to data compiled by SNL Financial LLC from 2013 through June 30, 2014, only 25% of non-development office property acquisitions made by public U.S. REITs had a purchase price of less than $54 million. Additionally, we believe that it is challenging for many local buyers in our target markets to raise the debt and equity capital necessary to complete real estate transactions in excess of $20 million. We currently target 12 specified markets in the United States and own properties in six of these markets (Boise, Denver, Dallas, Orlando, Tampa and Portland). Though we do not currently own a property in six of our target markets, the Second City Group, from which we acquired our initial properties through our initial public offering, has existing properties and relationships in the target markets that we expect to be able to leverage.

Table of Contents

The growth in jobs since the recession has not been spread evenly across the country. We believe that metropolitan areas outside of Gateway markets have exposure to growing segments of the economy such as technology and energy and are creating jobs at a faster rate than the nation as a whole. We also believe that as companies continue to look for ways to reduce costs in the wake of the recession, more jobs are shifting to metropolitan areas with lower costs of living, real estate and doing business generally. These areas include our target markets.

Job Growth from June 2009 to September 2014 in Target and Current Markets

Source: U.S. Bureau of Labor Statistics

Projected Population Growth Estimates from 2012 to 2019

Source: SNL Financial LLC

64

Table of Contents

Unemployment Rate in September 2009 and September 2014 in Target and Current Markets

Source: U.S. Bureau of Labor Statistics

Note: The September 2009 unemployment rate is the higher number in all markets.

Limited New Supply

Despite rising office employment in the United States, we believe that the construction of new office buildings has been low by historical standards since the 2008 recession. While a limited number of build-to-suit projects have been completed, we believe that there has been limited speculative office development over the last several years because current rental rates do not generally support new development. We believe that the combination of job growth and limited new construction is likely to decrease vacancy and increase rental rates in our target markets.

Lower Concentration of Institutional Competitors

We believe that there is a relatively low level of participation of large institutional investors in our target markets because they have generally concentrated on Gateway markets. For example, public REITs own one office property in Salt Lake City (UT), five office properties in Portland (OR) and 11 office properties in San Antonio (TX) as of September 30, 2014 according to data compiled by SNL Financial LLC. We believe that the relatively low level of participation by public REITs and other institutional investors in our target markets has caused acquisition prices to be lower and cap rates to be higher than in the Gateway markets.

Attractive Debt Financing for Well-Capitalized Sponsors

We believe that although there is limited institutional equity available for office buildings in many of our target markets, debt financing is now available on attractive terms for well-known and well-capitalized owners. An important source of debt financing in our target markets is the CMBS market. While the new issuance of CMBS in the United States was approximately $3 billion in 2009, the year-to-date issuance through September 30, 2014 was $67 billion according to the CRE Finance Council. Additionally, we believe that both commercial banks and life insurance companies are now making loans secured by office properties outside the Gateway markets at attractive rates to well-capitalized sponsors. We believe that the combination of acquisition opportunities at relatively high cap rates and attractive debt financing provides well-known and well-capitalized sponsors an opportunity to realize attractive levered returns on equity by investing in office properties outside the Gateway markets.

Table of Contents

Our Initial Markets

Boise Economy

Metropolitan Boise, Idaho (Boise) is home to more than 700 businesses, ranging from major employers to entrepreneurial businesses. Technology is among Idaho s rapidly growing industries and has been prevalent for over 40 years in Boise. According to the Idaho Department of Labor, Boise is home to hundreds of high-tech businesses spanning a diverse range of sectors, including Hewlett-Packard Company s laser jet division and Micron Technology, a computer memory manufacturer. More patents are generated per capita in Boise than any other city in the country and Boise has emerged as one of the leading business incubators in the United States. According to the Boise Valley Economic Partnership, Boise is also home to numerous higher education institutions, with nearly a dozen colleges and universities offering undergraduate and graduate-level programs. Boise State University, Idaho s flagship university, is located across the Boise River from the Washington Group Plaza property. Boise State University has over 22,000 students. Approximately 75% of graduates continue to work and live in Boise. The region today is home to a skilled workforce of approximately 310,000 individuals, almost 110,000 of whom possess college degrees.

Set forth below are the historical and projected office asking rental rates and vacancy rates for Boise for the periods indicated.

Metro Boise Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.

Dallas Economy

Metropolitan Dallas/Fort Worth (Dallas) is currently the fourth largest metropolitan area in the country and its economy continues to be one of the healthiest in the country. According to the Bureau of Labor Statistics, as of September 2014, Dallas ranked second among the 12 largest metropolitan areas in the country with a 3.2% annual growth in employment, which was well above the national average of 1.9%. Dallas s robust growth is expected to continue in next couple of years. SNL Financial LLC forecasts Dallas will have the third highest rate of population growth from 2014 to 2019 among the 100 largest metropolitan areas in the United States. Another macroeconomic factor driving the expansion in Dallas is a comparatively low cost of living, which is currently 4.4% less than the U.S. average and second lowest among the ten largest metropolitan areas according to the Dallas Office of Economic Development. This backdrop of affordability and a rapidly growing labor force has made Dallas an ideal hub for both small businesses and large international companies. Almost 60 Fortune 1000 companies are headquartered in Dallas.

Table of Contents

Set forth below are the historical and projected office asking rental rates and vacancy rates for Dallas for the periods indicated.

Metro Dallas Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.

Denver Economy

Metropolitan Denver, Colorado (Denver) has a diversified economy and is the third-most highly educated workforce among metropolitan areas in the United States. According to the U.S. Census Bureau, 44.1% of Denver s population has a college degree, compared to 34.1% nationally. Colorado has the third largest aerospace economy in the United States and is home to four military commands, eight major space contractors and more than 400 aerospace companies and suppliers. Ten local higher education institutions with bioscience programs and numerous bioscience research assets support the region s burgeoning bioscience industry. Alternative and traditional energy industries are also prominent growth areas.

Set forth below are the historical and projected office asking rental rates and vacancy rates for Denver for the periods indicated.

Metro Denver Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.

Table of Contents

Portland Economy

Metropolitan Portland, Oregon (Portland) is located along a major navigable waterway near the Pacific coast, benefiting numerous employment sectors, with a particular impact on trade and transportation-related industries. The region benefits from relatively low energy costs, accessible natural resources, north-south and east-west interstate highways, international air terminals, large marine shipping facilities and intercontinental railroads. These geographic and economic advantages have led to relatively diverse business development. Portland is noted for sustainable policies, progressive land-use planning and investment in transit-oriented development. We believe that a strong regional economy and healthy demographic trends will lead to above average job growth in Portland and gradually shrinking unemployment levels.

Set forth below are the historical and projected office asking rental rates and vacancy rates for Portland for the periods indicated.

Metro Portland Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.

Tampa Economy

Metropolitan Tampa, Florida (Tampa), which includes St. Petersburg and Clearwater, saw its population grow by 29.8% from 2000 to 2010 and 3.1% between 2010 and 2013. It is anticipated that this trend will continue, with an average of 30,000 new residents expected per year between 2014 and 2019. The region s growing labor force has been largely fueled by migration and graduating students. According to a July 2014 report from the Bureau of Labor Statistics, the Tampa St. Petersburg-Clearwater metropolitan area ranked first in employment growth over the preceding 12 months among 38 metropolitan areas with annual average employment levels above 750,000. The University of South Florida is a major university located in Tampa with approximately 48,000 undergraduate and post-graduate students. The healthcare sector is also becoming one of the region s reliable growth drivers.

Table of Contents

Set forth below are the historical and projected office asking rental rates and vacancy rates for Tampa for the periods indicated.

Metro Tampa Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.

Allentown Economy

Located approximately 60 miles north of Philadelphia, the metropolitan area of Allentown, Pennsylvania, is known locally as Lehigh Valley and comprises the third most populous region in Pennsylvania after Philadelphia and Pittsburgh. Lehigh Valley is home to a variety of large and international companies such as Crayola, Mack Trucks and Dun & Bradstreet, Inc. (D&B). Because of the area s geographic location, Allentown is known as a leading center on the East coast for warehouses and distribution centers. Companies that own and operate warehouses and distribution centers include global brands such as Amazon.com, BMW, Estee Lauder and Home Depot.

Set forth below are the historical office asking rental rates and vacancy rates for Allentown for the periods indicated.

Metro Allentown Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.

Table of Contents

Orlando Economy

Metropolitan Orlando, Florida (Orlando) enjoys worldwide recognition for its entertainment and tourism industry. Local businesses do a large amount of work for Walt Disney World and Universal Studios. Other companies, including Fortune 500 companies such as Home Depot and Darden Restaurants, have also established a presence in Orlando, particularly in its CBD where the city has invested heavily. Orlando s professional services sector has matured recently, partly in reaction to population and job growth. According to the Orlando Economic Development Commission, Orlando is one of the fastest growing local economies in the United States and the hospitality, defense contracting and technology industries are expected to bring more people and jobs to the city.

Set forth below are the office asking rental rates and vacancy rates for Orlando.

Metro Orlando Office Asking Rental Rates and Vacancy Rates

Source: Reis, Inc.

Table of Contents

BUSINESS

Overview

We are an externally managed Maryland corporation focused on acquiring, owning and operating high-quality (Class A and B) office properties located within our specified target markets in the United States. We currently have 12 target markets, which are located in metropolitan areas in the Southern and Western United States. We believe that our target markets possess a number of the following characteristics: favorable economic growth trends, growing populations with above average employment growth forecasts, a large number of government offices, large international, national and regional employers across diversified industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. We also believe that there is a lower level of participation of large institutional investors in our target markets because they generally have concentrated on Gateway markets, which are commonly defined as New York, Los Angeles, Washington, D.C., Boston, Chicago and San Francisco. In addition, we believe that our target markets offer the opportunity for attractive risk-adjusted returns because these markets exhibit positive economic and demographic trends and ownership is often concentrated among local real estate operators that typically do not benefit from the same access to capital as public REITs. We also believe that new construction of office properties has been limited in our target markets since 2008 because rental rates in these markets have generally not supported new development. We anticipate identifying additional target markets with the foregoing characteristics in the future. Within our target markets, we primarily focus on acquiring properties with a purchase price between $20 million and $50 million and expected cap rates between seven and nine percent as we believe that large institutional investors and public REITs are generally focused on larger acquisition opportunities. According to data compiled by SNL Financial LLC from 2013 through June 30, 2014, only 25% of non-development office property acquisitions made by public U.S. REITs had a purchase price of less than $54 million. Additionally, we believe that it is challenging for many local buyers in our target markets to raise the debt and equity capital necessary to complete real estate transactions in excess of $20 million.

Our management team is provided by our Advisor. The principals of our Advisor, who have extensive experience in U.S. real estate markets, are James Farrar, our chief executive officer with over 10 years of U.S. experience, Gregory Tylee, our president and chief operating officer with over 12 years of U.S. experience, Anthony Maretic, our chief financial officer with over 16 years of U.S. experience and Samuel Belzberg, the president of our Advisor and one of our directors with over 48 years of U.S. experience. The Second City Group has existing relationships with the brokerage community and local operators in our target markets. We use local partners to manage and lease our geographically diversified portfolio so that we can benefit from their market knowledge, efficient operations and existing infrastructure without incurring the overhead associated with creating a real estate operation function in each of our markets.

We own nine office complexes comprised of 21 office buildings with a total of approximately 2.34 million square feet of NRA in the metropolitan areas of Boise (ID), Dallas (TX), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA) and Orlando (FL). We believe that our properties are high quality assets that provide excellent access to transportation options, are located near affluent neighborhoods, contain extensive amenities and are well maintained. We also believe that our properties have a stable and diverse tenant base, including federal and state governmental agencies and national and regional businesses. As of September 30, 2014, approximately 49.0% of the base rental revenue from our properties was derived from tenants in these markets that are federal or state government agencies or investment grade tenants. Our largest tenant is the Colorado Department of Public Health and Environment, whose lease at the Cherry Creek property represents approximately 14.2% of the base rental revenue of our portfolio and expires in 2026. Our properties also have a stable, long-term tenancy profile and our occupied and committed leases have staggered expirations and a weighted average remaining lease term to maturity of 4.8 years (9.7 years taking into account tenant renewal options). The majority of our leases are modified gross leases pursuant to which our tenants

reimburse us for operating expenses, property taxes and insurance in excess of a base amount. The base rent amount of the majority of our leases is equal to annualized operating expenses, property taxes and insurance at the time the lease is signed. This structure helps insulate us from increases in certain operating expenses and provides a more predictable cash flow. Our leases typically include rent escalation provisions designed to provide annual growth in our rental income.

Most of the buildings included in our properties have undergone recent investment programs since being acquired with approximately $7.4 million of capital improvements and $15.0 million for tenant improvements and leasing commissions

having been spent in the aggregate. As a result of these investments, occupancies throughout our properties have increased substantially. As of September 30, 2014, the weighted average in place and committed occupancy rate of our properties was 93.5%. Due to recent leasing activity, there are a number of tenants that have signed leases but had not taken occupancy of their space as of September 30, 2014. There are also several tenants that have taken occupancy but are still in their free rent period. As of September 30, 2014, there were seven executed leases for 31,851 square feet with annualized base rents of approximately $641,463 in which the tenant has not begun to pay rent.

Our Advisor

We are externally managed by our Advisor according to the terms set out in the Advisory Agreement. The principals of our Advisor control the general partner of Second City. Second City began its investment activities in the spring of 2010 and was founded by James Farrar, Gregory Tylee and Gibralt, a corporation indirectly owned by Samuel Belzberg. Mr. Belzberg founded First City Financial in the 1970s, built the company into a multi-billion dollar financial services organization with offices located across North America and Europe and founded a real estate company in the 1990s which at its peak operated 26 real estate projects throughout the United States and was ultimately sold to the Blackstone Group. In addition, Mr. Belzberg has been active in various real estate markets in the United States. Since its launch, Second City has obtained commitments for equity capital of over $150 million from institutional investors and high net worth individuals and has acquired real estate assets with a cost of over $580 million across a variety of asset classes in the United States. The Second City Group owns seven other office complexes totaling approximately 1.9 million square feet in Arizona, Florida, New York and Texas. The Second City Group also separately owns approximately 3,000 apartment units in Texas and New York and 330 acres of land held for future development in California and Texas. We believe Second City s acquisition and investment activities of non-competitive properties in many of our target markets provides us with ready access to local operators and acquisition opportunities**.**

Upon completion of this offering, the principals of our Advisor, through the ownership of our common units and common stock, will beneficially own an approximately 13.5% interest in our company on a fully diluted basis, which we believe aligns their interests with those of our stockholders.

Our Competitive Strengths

We believe that the following competitive strengths continue to distinguish us from other owners and operators of office properties in our target markets and will enable us to continue to successfully operate and expand our portfolio.

Experienced Management Team: Our senior management team, led by James Farrar, our chief executive officer, Gregory Tylee, our president and chief operating officer, and Anthony Maretic, our chief financial officer, has an intimate knowledge and understanding of each of our properties as well as a strong familiarity with the local markets in which the properties are located. Mr. Farrar has over 15 years of experience in real estate acquisitions, management and finance and has completed acquisitions and divestitures with a combined enterprise value in excess of approximately $1.5 billion and has completed over $1.0 billion of financings. Mr. Tylee has over 20 years of experience negotiating and structuring complex real estate transactions and developments and has been involved in real estate transactions with a combined enterprise value of approximately $1.7 billion over the course of his career. Mr. Maretic has acted as chief financial officer and chief operating officer of Earls Restaurants Ltd. and has over 20 years of experience in financing, public company reporting requirements and internal controls. Upon completion of this offering, the principals of our Advisor and their affiliates will own approximately 13.5% of the equity interests of our company on a fully diluted basis, which we believe helps to align their interests with those of our stockholders.

Alignment of Interests with Established Local Operators: One component of management s strategy is to invest in properties in markets where it has relationships with well-established local real estate operators that provide property management services and, in some cases, hold minority interests in the properties that they manage. We believe that this strategy of permitting local real estate operators to invest in our properties helps to align their interests with ours. Consistent with this strategy, eight of our nine properties are managed by well-established local real estate operators, many of which have invested equity with management in the past and three of which hold a minority interest in our properties, furthering the

alignment of their interests with ours. These real estate operators typically manage or lease a large number of properties in the markets where our properties are located providing economies of scale and local market insight. For example, the Corporate Parkway property in Allentown, Pennsylvania, is self-managed by the sole tenant, Dun & Bradstreet, Inc. Our strategy of utilizing local real estate operators also eliminates the need for us to incur the overhead costs associated with creating a real estate operation function in each of our markets. We intend to continue this strategy of offering ownership interests and other incentives to local real estate operators, which we believe can enhance the operating performance of our properties and strengthen our relationships with them.

Properties with Attractive Real Estate Fundamentals: We currently own nine office complexes comprised of 21 office buildings with a total of approximately 2.3 million square feet of NRA in the metropolitan areas of Boise (ID), Dallas (TX), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA) and Orlando (FL). We believe that our target markets have a number of the following characteristics: favorable economic growth trends, growing populations with above average employment growth forecasts, a large number of governmental offices, large international, national and regional employers across diversified industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. Most of the buildings included in our properties have undergone recent investment programs since we acquired them with approximately $7.4 million of capital improvements and $15.0 million for tenant improvements and leasing commissions having been spent in the aggregate.

Investment Grade Tenants and Well-Staggered Lease Maturities: As of September 30, 2014, approximately 49.0% of the base rental revenue of our properties was derived from tenants that are federal or state government agencies or investment grade tenants. Four of our top ten tenants are investment grade tenants, representing approximately 33.5% of the base rental revenue of our properties as of September 30, 2014. Our largest tenant is the Colorado Department of Public Health and Environment, whose lease at the Cherry Creek property represents approximately 14.2% of the base rental revenue of our properties and expires in 2026. Our properties also have a stable, long-term tenancy profile and our occupied and committed leases have staggered expirations and a weighted average remaining lease term to maturity of 4.8 years (9.7 years taking into account tenant renewal options).

Experienced Board of Directors: Our board of directors has extensive experience in the real estate industry, in real estate capital markets and as public company directors. Our board of directors consists of six directors, four of whom are independent under the standards of the NYSE. Our independent directors are William Flatt, former chief financial officer as well as secretary and later chief operating officer of Parkway Properties, Inc., a NYSE listed REIT specializing in office properties in top-tier Sunbelt markets, John McLernon, formerly the chairman and chief executive officer of Colliers Macaulay Nicolls Group, a global commercial real estate service company, Mark Murski, a managing partner with Brookfield Financial Corp., a global investment bank, and Stephen Shraiberg, the president of Urban Property Management, Inc., a Denver-based real estate development and management company. Our chief executive officer, James Farrar, and the president of our Advisor, Samuel Belzberg, also serve as members of our board of directors.

Clearly-Defined Acquisition Strategy: We focus on acquiring office properties in our target markets that we believe possess the attractive economic and demographic characteristics described above. We use our Advisor s market-specific knowledge as well as the expertise of local real estate operators and our investment partners to identify acquisition opportunities that we believe offer cash flow stability and long-term value appreciation. Our target markets are attractive, among other reasons, because we believe that ownership is often concentrated among local real estate operators that typically do not benefit from the same access to capital as public REITs and there is a relatively low level of participation of large institutional investors, which can result in attractive pricing levels and risk-adjusted returns. Within our target markets, we focus on acquiring properties with a purchase price between $20 million and $50 million and expected cap rates between seven and nine percent, as we believe that large institutional investors and

public REITs generally prefer to target larger assets. According to data compiled by SNL Financial LLC from 2013 through June 30, 2014, only 25% of non-development office property acquisitions made by public U.S. REITs had a purchase price of less than $54 million. Additionally, we believe that many local real estate operators in our target markets have difficulty raising the necessary debt and equity capital to complete acquisitions of more than $20 million.

Strong Lender Relationships: Our management team has strong lending relationships with various banks, insurance companies and CMBS platforms. As of September 30, 2014, we have an existing fixed rate debt of $173.2 million with a

Table of Contents

weighted average of 5.9 years to maturity and a weighted average interest rate of 4.2%. Our existing mortgages were provided by insurance companies and CMBS platforms. We have a $30 million Secured Credit Facility with Key Bank National Association and our Secured Credit Facility has an accordion feature that will permit us to borrow up to $150 million, subject to additional collateral availability and lender approval. As of September 30, 2014, $6.4 million was outstanding under our Secured Credit Facility.

Business Objectives and Growth Strategies

Our principal business objective is to provide attractive risk-adjusted returns to our investors over the long-term through a combination of dividends and capital appreciation. Specifically, we intend to pursue the following strategies to achieve these objectives:

Internal Growth

We seek to manage our properties in a manner to increase their value by improving cash flow over time through our Advisor s hands on approach to real estate management alongside local real estate operators. We focus on maintaining strong relationships with existing tenants, which we believe can help reduce marketing, leasing and tenant improvement costs required for new tenancies and minimize interruptions in rental revenue resulting from periods of vacancy and tenant renovations. Our internal growth strategy includes the following:

Seeking Contractual Rent Escalations: With respect to our properties as of September 30, 2014, the leases provide for contractual increases in base rental rates per square foot averaging approximately 2.4% per annum over the next three years. These rental escalations are expected to result in predictable increases in rental revenues for us over time. We will continue to seek to include contractual rent escalators in future leases to further facilitate predictable growth in rental income.

Expanding Our Properties: We seek to enhance our asset base through select expansion and improvement of our properties. We believe that there are several expansion opportunities within our properties, including a potential development site, conversion of certain common areas to leasable space and increasing under reported rentable square footage due to the use of out of date measurement standards.