

MACK CALI REALTY CORP
Form 10-K
February 20, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-13274 Mack-Cali Realty Corporation

Commission File Number: 333-57103: Mack-Cali Realty, L.P.

MACK-CALI REALTY CORPORATION

MACK-CALI REALTY, L.P.

(Exact Name of Registrant as specified in its charter)

Maryland (Mack-Cali Realty Corporation)

Delaware (Mack-Cali Realty, L.P.)

(State or other jurisdiction of incorporation or organization)

Harborside 3, 210 Hudson St., Ste. 400, Jersey City, New Jersey
(Address of principal executive offices)

22-3305147 (Mack-Cali Realty Corporation)

22-3315804 (Mack-Cali Realty, L.P.)

(IRS Employer Identification No.)

07311
(Zip code)

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(732) 590-1010

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class)	(Name of Each Exchange on Which Registered)
Mack-Cali Realty Corporation Common Stock, \$0.01 par value	New York Stock Exchange
Mack-Cali Realty, L.P. None	None

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Mack-Cali Realty Corporation	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Mack-Cali Realty, L.P.	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Mack-Cali Realty Corporation	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
Mack-Cali Realty, L.P.	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Mack-Cali Realty Corporation	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Mack-Cali Realty, L.P.	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Mack-Cali Realty Corporation	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
Mack-Cali Realty, L.P.	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Mack-Cali Realty Corporation:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

Mack-Cali Realty, L.P.:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Mack-Cali Realty Corporation YES NO
Mack-Cali Realty, L.P. YES NO

As of June 30, 2018, the aggregate market value of the voting stock held by non-affiliates of the Mack-Cali Realty Corporation was \$1,817,581,899. The aggregate market value was computed with reference to the closing price on the New York Stock Exchange on such date. This calculation does not reflect a determination that persons are affiliates for any other purpose. The registrant has no non-voting common stock.

As of February 15, 2019, 90,320,744 shares of common stock, \$0.01 par value, of Mack-Cali Realty Corporation ("Common Stock") were outstanding.

Mack-Cali Realty, L.P. does not have any class of common equity that is registered pursuant to Section 12 of the Exchange Act.

LOCATION OF EXHIBIT INDEX: The index of exhibits is contained herein on page number 129.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Mack-Cali Realty Corporation's definitive proxy statement for fiscal year ended December 31, 2018 to be issued in conjunction with the registrant's annual meeting of shareholders expected to be held on June 12, 2019 are incorporated by reference in Part III of this Form 10-K. The definitive proxy statement will be filed by the registrant with the SEC not later than 120 days from the end of the registrant's fiscal year ended December 31, 2018.

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EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2018 of Mack-Cali Realty Corporation and Mack-Cali Realty, L.P. Unless stated otherwise or the context otherwise requires, references to the Operating Partnership mean Mack-Cali Realty, L.P., a Delaware limited partnership, and references to the General Partner mean Mack-Cali Realty Corporation, a Maryland corporation and real estate investment trust (REIT), and its subsidiaries, including the Operating Partnership. References to the Company, we, us and our mean collectively the General Partner, the Operating Partnership and those entities/subsidiaries consolidated by the General Partner.

The Operating Partnership conducts the business of providing leasing, management, acquisition, development, construction and tenant-related services for its General Partner. The Operating Partnership, through its operating divisions and subsidiaries, including the Mack-Cali property-owning partnerships and limited liability companies is the entity through which all of the General Partner's operations are conducted. The General Partner is the sole general partner of the Operating Partnership and has exclusive control of the Operating Partnership's day-to-day management.

As of December 31, 2018, the General Partner owned an approximate 89.8 percent common unit interest in the Operating Partnership. The remaining approximate 10.2 percent common unit interest is owned by limited partners. The limited partners of the Operating Partnership are (1) persons who contributed their interests in properties to the Operating Partnership in exchange for common units (each, a Common Unit) or preferred units of limited partnership interest in the Operating Partnership or (2) recipients of long term incentive plan units of the Operating Partnership pursuant to the General Partner's executive compensation plans.

A Common Unit of the Operating Partnership and a share of common stock of the General Partner (the Common Stock) have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the Company. The General Partner owns a number of common units of the Operating Partnership equal to the number of issued and outstanding shares of the General Partner's common stock. Common unitholders (other than the General Partner) have the right to redeem their Common Units, subject to certain restrictions under the Second Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as amended (the Partnership Agreement), and agreed upon at the time of issuance of the units that may restrict such right for a period of time, generally one year from issuance. The redemption is required to be satisfied in shares of Common Stock of the General Partner, cash, or a combination thereof, calculated as follows: one share of the General Partner's Common Stock, or cash equal to the fair market value of a share of the General Partner's Common Stock at the time of redemption, for each Common Unit. The General Partner, in its sole discretion, determines the form of redemption of Common Units (i.e., whether a common unitholder receives Common Stock of the General Partner, cash, or any combination thereof). If the General Partner elects to satisfy the redemption with shares of Common Stock of the General Partner as opposed to cash, the General Partner is obligated to issue shares of its Common Stock to the redeeming unitholder. Regardless of the rights described above, the common unitholders may not put their units for cash to the Company or the General Partner under any circumstances. With each such redemption, the General Partner's percentage ownership in the Operating Partnership will increase. In addition, whenever the General Partner issues shares of its Common Stock other than to acquire Common Units, the General Partner must contribute any net proceeds it receives to the Operating Partnership and the Operating Partnership must issue to the General Partner an equivalent number of Common Units. This structure is commonly referred to as an umbrella partnership REIT, or UPREIT.

The Company believes that combining the annual reports on Form 10-K of the General Partner and the Operating Partnership into this single report provides the following benefits:

- enhance investors' understanding of the General Partner and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business of the Company;

- eliminate duplicative disclosure and provide a more streamlined and readable presentation because a substantial portion of the disclosure applies to both the General Partner and the Operating Partnership; and
- create time and cost efficiencies through the preparation of one combined report instead of two separate reports.

The Company believes it is important to understand the few differences between the General Partner and the Operating Partnership in the context of how they operate as a consolidated company. The financial results of the Operating Partnership are consolidated into the financial statements of the General Partner. The General Partner does not have any other significant assets, liabilities or operations, other than its interests in the Operating Partnership, nor does the Operating Partnership have employees of its own. The Operating Partnership, not the General Partner, generally executes all significant business relationships other than transactions involving the securities of the General Partner. The Operating Partnership holds substantially all of the assets of the General Partner, including ownership interests in joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from equity offerings by the General Partner, which are contributed to the capital of the Operating Partnership in consideration of common or preferred units in the Operating Partnership, as applicable, the Operating Partnership generates all remaining capital required by the Company's business. These sources include working capital, net cash provided by operating activities, borrowings under the Company's

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unsecured revolving credit facility and unsecured term loan facilities, the issuance of secured and unsecured debt and equity securities and proceeds received from the disposition of properties and joint ventures.

Shareholders' equity, partners' capital and noncontrolling interests are the main areas of difference between the consolidated financial statements of the General Partner and the Operating Partnership. The limited partners of the Operating Partnership are accounted for as partners' capital in the Operating Partnership's financial statements as is the General Partner's interest in the Operating Partnership. The noncontrolling interests in the Operating Partnership's financial statements comprise the interests of unaffiliated partners in various consolidated partnerships and development joint venture partners. The noncontrolling interests in the General Partner's financial statements are the same noncontrolling interests at the Operating Partnership's level and include limited partners of the Operating Partnership. The differences between shareholders' equity and partners' capital result from differences in the equity issued at the General Partner and Operating Partnership levels.

To help investors better understand the key differences between the General Partner and the Operating Partnership, certain information for the General Partner and the Operating Partnership in this report has been separated, as set forth below:

- Item 6. Selected Financial Data;

- Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations includes information specific to each entity, where applicable;

- Item 8. Financial Statements and Supplementary Data which includes the following specific disclosures for Mack-Cali Realty Corporation and Mack-Cali Realty, L.P.:
 - Note 2. Significant Accounting Policies, where applicable;

 - Note 14. Redeemable Noncontrolling Interests;

 - Note 15. Mack-Cali Realty Corporation's Stockholders' Equity and Mack-Cali Realty, L.P.'s Partners' Capital;

 - Note 16. Noncontrolling Interests in Subsidiaries;

 - Note 17. Segment Reporting, where applicable; and

- Note 19. Condensed Quarterly Financial Information (unaudited).

This report also includes separate Part II, Item 9A. Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of the General Partner and the Operating Partnership in order to establish that the requisite certifications have been made and that the General Partner and Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

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PART I

ITEM 1. BUSINESS

GENERAL

Mack-Cali Realty Corporation, a Maryland corporation, together with its subsidiaries (collectively the General Partner), is a fully-integrated, self-administered and self-managed real estate investment trust (REIT). The General Partner controls Mack-Cali Realty, L.P., a Delaware limited partnership, together with its subsidiaries (collectively, the Operating Partnership), as its sole general partner and owned an 89.8 percent and 89.6 percent common unit interest in the Operating Partnership as of December 31, 2018 and December 31, 2017, respectively. The General Partner's business is the ownership of interests in and operation of the Operating Partnership and all of the General Partner's expenses are incurred for the benefit of the Operating Partnership. The General Partner is reimbursed by the Operating Partnership for all expenses it incurs relating to the ownership and operation of the Operating Partnership.

The Operating Partnership conducts the business of providing leasing, management, acquisition, development, construction and tenant-related services for its General Partner. The Operating Partnership, through its operating divisions and subsidiaries, including the Mack-Cali property-owning partnerships and limited liability companies, is the entity through which all of the General Partner's operations are conducted. Unless stated otherwise or the context requires, the Company refers to the General Partner and its subsidiaries, including the Operating Partnership and its subsidiaries.

The Company owns and operates a real estate portfolio comprised predominantly of Class A office and office/flex properties located primarily in the Northeast with a recent emphasis on expansion into the multi-family rental sector in the same markets. The Company performs substantially all real estate leasing, management, acquisition and development on an in-house basis. Mack-Cali Realty Corporation was incorporated on May 24, 1994. The Company's executive offices are located at Harborside 3, 210 Hudson Street, Suite 400, Jersey City, New Jersey 07311, and its telephone number is (732) 590-1010. The Company has an internet website at www.mack-cali.com.

As of December 31, 2018, the Company owned or had interests in 135 properties, consisting of 56 office and 55 flex properties, totaling approximately 15.4 million square feet, leased to approximately 700 commercial tenants and 24 multi-family rental properties containing 6,910 residential units, plus developable land (collectively, the Properties). The Properties are comprised of: (a) 120 wholly-owned or Company-controlled properties consisting of 52 office buildings and 52 flex buildings aggregating approximately 14.9 million square feet and 16 multi-family properties totaling 3,988 apartment units, (collectively, the Consolidated Properties); and (b) four office properties totaling approximately 0.5 million square feet, eight multi-family properties totaling 2,922 apartment units, two retail properties totaling 81,700 square feet and a 350-room hotel, which are owned by unconsolidated joint ventures in which the Company has investment interests. Unless otherwise indicated, all references to square feet represent net rentable area. As of December 31, 2018, the Company's core, stabilized office and flex properties included in the Consolidated Properties were 83.2 percent leased. Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future, and leases that expire at the period end date. Leases that expired as of December 31, 2018 aggregate 10,108 square feet, or 0.1 percent of the net rentable square footage. The Properties are located in six states, primarily in the Northeast, and the District of Columbia. See Item 2: Properties.

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The Company's historical strategy has been to focus its operations, acquisition and development of office properties in high-barrier-to-entry markets and sub-markets where it believes it is, or can become, a significant and preferred owner and operator. In September 2015, the Company announced a strategic initiative to transform into a more concentrated owner of New Jersey Hudson River waterfront and transit-oriented office properties and a regional owner of luxury multi-family residential properties. As part of this plan, over the past three years, the Company sold or has contracted to sell multiple properties, primarily commercial office, which it believes do not meet its long-term goals.

The Company believes that its Properties have excellent locations and access and are well-maintained and professionally managed. As a result, the Company believes that its Properties attract high quality tenants and residents, and achieve high rental, occupancy and tenant retention rates within their markets. The Company also believes that its extensive market knowledge provides it with a significant competitive advantage, which is further enhanced by its strong reputation for, and emphasis on, delivering highly responsive, professional management services.

BUSINESS STRATEGIES

Operations

Reputation: The Company has established a reputation as a highly-regarded landlord with an emphasis on delivering quality customer service in buildings it owns and/or manages. The Company believes that its continued success depends in part on enhancing its reputation as an operator of choice, which will facilitate the retention of current tenants and residents and the attraction of new tenants

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and residents. The Company believes it provides a superior level of service to its customers that is an important factor in working to achieve positive leasing results as well as improving tenant retention.

Communication with tenants: The Company emphasizes frequent communication with its customers to ensure first-class service to the Properties. Property management personnel generally are located on site at the Properties to provide convenient access to management and to ensure that the Properties are well-maintained. Property management's primary responsibility is to ensure that buildings are operated at peak efficiency in order to meet both the Company's and tenants' needs and expectations. Property management personnel additionally budget and oversee capital improvements and building system upgrades to enhance the Properties' competitive advantages in their respective markets and to maintain the quality of the Properties.

The Company's in-house leasing representatives for its office portfolio develop and maintain long-term relationships with the Company's diverse tenant base and coordinate leasing, expansion, relocation and build-to-suit opportunities. This approach allows the Company to offer office space in the appropriate size and location to current or prospective tenants in any of its sub-markets.

The Company's in-house multi-family rental management team emphasizes meticulous attention to detail and an unwavering commitment to customer service to complement the quality, design excellence and luxury living attributes of its multi-family rental properties. The Company believes this strategy will enable the Company to buttress management's reputation with the market-leading designs, amenities and features of its multi-family rental properties to attract quality residents.

Portfolio Management: The Company plans to continue to own and operate a portfolio of office and office/flex properties in high-barrier-to-entry markets, with a primary focus in the Northeast. The Company also expects to continue to complement its core portfolio of office and office/flex properties by pursuing acquisition and development opportunities in the multi-family rental sector. The Company's primary objectives are to maximize operating cash flow and to enhance the value of its portfolio through effective management, acquisition, development and property sales strategies.

The Company seeks to maximize the value of its existing office and office/flex portfolio through implementing operating strategies designed to produce the highest effective rental and occupancy rates and lowest tenant installation costs within the markets that it operates, and further within the parameters of those markets. The Company continues to pursue internal growth through leasing vacant space, re-leasing space at the highest possible effective rents in light of current market conditions with contractual rent increases and developing or redeveloping office space for its diverse base of high credit quality tenants, including Bank of Tokyo-Mitsubishi UFJ Ltd; KPMG, LLP; and TD Ameritrade Services Company. In addition, the Company seeks economies of scale through volume discounts to take advantage of its size and dominance in particular sub-markets, and operating efficiencies through the use of in-house management, leasing, marketing, financing, accounting, legal and development.

The Company continually reviews its portfolio and opportunities to divest office and office/flex properties that, among other things, no longer meet its long-term strategy, have reached their potential, are less efficient to operate or can be sold at attractive prices when market conditions are favorable. The Company anticipates continuing to redeploy the proceeds from sales of office and office/flex properties to develop, redevelop and acquire multi-family rental properties, as well as reposition certain office properties into multi-family/mixed use properties, in its core

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Northeast sub-markets as part of its overall strategy to reposition its portfolio from office and office/flex to a mix of office, office/flex and multi-family rental properties.

The Company believes that the opportunity to invest in multi-family development properties at higher returns on cost will position the Company to potentially produce higher levels of net operating income than if the Company were to only purchase stabilized multi-family properties at market returns. The Company believes that the transition to a company with a greater proportion of its properties in the multi-family residential sector will ultimately result in the creation of greater shareholder value than remaining a primarily suburban commercial office company, in part due to the lower capitalization rates associated with the multi-family sector.

Acquisitions: The Company also believes that growth opportunities exist through acquiring operating properties or properties for redevelopment with attractive returns in its core Northeast sub-markets where, based on its expertise in leasing, managing and operating properties, it believes it is, or can become, a significant and preferred owner and operator. The Company intends either directly or through joint ventures to acquire, invest in or redevelop additional properties, that: (i) are expected to provide attractive long-term yields; (ii) are well-located, of high quality and competitive in their respective sub-markets; (iii) are located in its existing sub-markets or in sub-markets in which the Company is or can become a significant and preferred owner and operator; and (iv) it believes have been under-managed or are otherwise capable of improved performance through intensive management, capital improvements and/or leasing that should result in increased effective rental and occupancy rates.

The Company has entered into and may continue in the future to enter into joint ventures (including limited liability companies and partnerships) through which it would own an indirect economic interest of less than 100 percent of a property owned directly by such

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joint ventures, and may include joint ventures that the Company does not control or manage, especially in connection with its expansion into the multi-family rental sector. The decision to pursue property acquisitions either directly or through joint ventures is based on a variety of factors and considerations, including: (i) the economic and tax terms required by a seller or co-developer of a property; (ii) the Company's desire to diversify its portfolio by expanding into the multi-family rental sector and achieve a blended portfolio of office and multi-family rental properties by market and sub-market; (iii) the Company's goal of maintaining a strong balance sheet; and (iv) the Company's expectation that, in some circumstances, it will be able to achieve higher returns on its invested capital or reduce its risk if a joint venture vehicle is used. Investments in joint ventures are not limited to a specified percentage of the Company's assets. Each joint venture agreement is individually negotiated, and the Company's ability to operate and/or dispose of its interests in a joint venture in its sole discretion may be limited to varying degrees depending on the terms of the joint venture agreement. Many of the Company's joint venture agreements entitle it to receive leasing, management, development and similar fees and/or a promoted interest if certain return thresholds are met. See Note 4: Investments in Unconsolidated Joint Ventures to the Company's Financial Statements.

Development: The Company seeks to selectively develop additional properties either directly or through joint ventures where it believes such development will result in a favorable risk-adjusted return on investment in coordination with the above operating strategies. The Company identifies development opportunities primarily through its local market presence. Such development primarily will occur: (i) in stable core Northeast sub-markets where the demand for such space exceeds available supply; and (ii) where the Company is, or can become, a significant and preferred owner and operator. As part of the Company's strategy to expand its multi-family rental portfolio, the Company may consider development opportunities with respect to improved land with existing commercial uses and seek to rezone the sites for multi-family rental use and development. As a result of competitive market conditions for land suitable for development, the Company may be required to hold land prior to construction for extended periods while entitlements or rezoning is obtained. The Company also may undertake repositioning opportunities that may require the expenditure of significant amounts of capital.

Property Sales: While management's principal intention is to own and operate its properties on a long-term basis, it periodically assesses the attributes of each of its properties, with a particular focus on the supply and demand fundamentals of the sub-markets in which they are located. The Company continually reviews its portfolio and opportunities to divest properties that, among other things, no longer meet its long-term strategy, have reached their potential, are less efficient to operate, or can be sold at attractive prices when market conditions are favorable. Consistent with its strategic initiative announced in 2015, the Company completed the sale of rental property for aggregate gross sales proceeds of \$385.1 million during 2018 and \$415.6 million during 2017.

Financial

The Company currently intends to maintain a ratio of debt-to-undepreciated assets (total debt of the Company as a percentage of total undepreciated assets) of 50 percent or less, however there can be no assurance that the Company will be successful in maintaining this ratio. As of December 31, 2018 and 2017, the Company's total debt constituted approximately 45 percent and 47 percent of total undepreciated assets of the Company, respectively. The decrease in this ratio in 2018 was primarily the result of using proceeds from property sales to repay outstanding debt during the year. Although there is no limit in the Company's organizational documents on the amount of indebtedness that the Company may incur, the Company has entered into certain financial agreements which contain covenants that limit the Company's ability to incur indebtedness under certain circumstances. The Company intends to utilize the most appropriate sources of capital for future acquisitions, development, capital improvements and other investments, which may include funds from operating activities, proceeds from property and land sales, joint venture capital, and short-term and long-term borrowings (including draws on the Company's unsecured revolving credit facility), and the issuance of additional debt or equity securities.

EMPLOYEES

As of December 31, 2018, the Company had approximately 352 full-time employees.

COMPETITION

The leasing of real estate is highly competitive. The Properties compete for tenants and residents with lessors and developers of similar properties located in their respective markets primarily on the basis of location, the quality of properties, leasing terms (including rent and other charges and allowances for tenant improvements), services or amenities provided, the design and condition of the Properties, and reputation as an owner and operator of quality properties in the relevant markets. Additionally, the number of competitive multi-family rental properties in a particular area could have a material effect on the Company's ability to lease residential units and on rents charged. In addition, other forms of multi-family rental properties or single family housing provide alternatives to potential residents of multi-family properties. The Company competes with other entities, some of which may have significant resources or who may be willing to accept lower returns or pay higher prices than the Company in terms of acquisition and development opportunities. The Company also experiences competition when attempting to acquire or dispose of real estate, including competition from domestic and foreign financial institutions, other REITs, life insurance companies, pension trusts, trust funds, partnerships, individual investors and others.

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REGULATIONS

Many laws and governmental regulations apply to the ownership and/or operation of the Properties and changes in these laws and regulations, or their interpretation by agencies and the courts, occur frequently.

Under various laws and regulations relating to the protection of the environment and human health, an owner of real estate may be held liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in the property. These laws often impose liability without regard to whether the owner was responsible for, or even knew of, the presence of such substances. The presence of such substances may adversely affect the owner's ability to rent or sell the property or to borrow using such property as collateral and may expose it to liability resulting from any release of, or exposure to, such substances. Persons who arrange for the disposal or treatment of hazardous or toxic substances at another location may also be liable for the costs of removal or remediation of such substances at the disposal or treatment facility, whether or not such facility is owned or operated by such person. Certain environmental laws impose liability for the release of asbestos-containing materials into the air, and third parties may also seek recovery from owners or operators of real properties for personal injury associated with asbestos-containing materials and other hazardous or toxic substances.

In connection with the ownership (direct or indirect), operation, management and development of real properties, the Company may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, potentially liable for removal or remediation costs, as well as certain other related costs, including governmental penalties and injuries to persons and property.

There can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability, (ii) the current environmental condition of the Properties will not be affected by tenants, by the condition of land or operations in the vicinity of the Properties (such as the presence of underground storage tanks), or by third parties unrelated to the Company, or (iii) the Company's assessments reveal all environmental liabilities and that there are no material environmental liabilities of which the Company is aware. If compliance with the various laws and regulations, now existing or hereafter adopted, exceeds the Company's budgets for such items, the Company's ability to make expected distributions to stockholders could be adversely affected.

There are no other laws or regulations which have a material effect on the Company's operations, other than typical federal, state and local laws affecting the development and operation of real property, such as zoning laws.

INDUSTRY SEGMENTS

The Company operates in two industry segments: (i) commercial and other real estate and (ii) multi-family real estate and services. As of December 31, 2018, the Company does not have any foreign operations and its business is not seasonal. Please see our financial statements attached hereto and incorporated by reference herein for financial information relating to our industry segments.

SIGNIFICANT TENANTS

As of December 31, 2018, no tenant accounted for more than 10 percent of the Company's consolidated revenues.

RECENT DEVELOPMENTS

Management Changes

In March 2018, the Company announced the appointment of Michael J. DeMarco, Chief Executive Officer of the General Partner, to its Board of Directors effective March 14, 2018. Mr. DeMarco's addition to the Board expanded the total number of members from nine to ten. In February 2019, the Company announced that the Board of Directors increased its size from ten to eleven members, effective immediately, and nominated a slate of eleven candidates consisting of Lisa Myers, Laura Pomerantz and all of the current directors of the Company (other than Kenneth M. Duberstein, who decided not to stand for re-election and will retire from the Board of Directors at the Company's 2019 annual meeting of shareholders) for election to the Board of Directors at the Company's 2019 annual meeting of shareholders, which is expected to be held on June 12, 2019.

In January 2018, the Company announced the appointment of David J. Smetana as chief financial officer and Nicholas Hilton as executive vice president of leasing of the General Partner. Mr. Smetana began to perform his duties as chief financial officer and Anthony Krug ceased to serve as chief financial officer immediately following the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2017. Mr. Krug remained an employee of the Company and provided transition services through March 31, 2018. Mr. Hilton's employment commenced on February 12, 2018 following the departure of Christopher DeLorenzo.

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In June 2018, the Company announced that the employment of Mitchell E. Rudin as Vice Chairman of the General Partner was terminated effective as of June 5, 2018. In November 2018, the Company announced that the employment of Robert Andrew Marshall as President and Executive Vice President of Development of Roseland Residential Trust (RRT) was terminated effective as of October 31, 2018. In addition, the Company also restructured certain other corporate and property management personnel during the year ended December 31, 2018.

Acquisitions

On February 6, 2019, the Company completed the acquisition of a 271,988 square foot office property located in Iselin, New Jersey, for a purchase price of \$61.5 million, which was funded using funds available with the Company's qualified intermediary and borrowings under the Company's unsecured revolving credit facility.

On January 25, 2019, the Company signed an agreement to acquire a 377-unit multi-family rental property located in Jersey City, New Jersey for approximately \$264 million, subject to certain conditions. The acquisition is expected to be completed in the second quarter 2019.

Consolidations

On August 2, 2018, the Company, which held a 24.27 percent subordinated interest in the unconsolidated joint venture, Marbella Tower Urban Renewal Associates LLC, a 412-unit multi-family operating property located in Jersey City, New Jersey, acquired its equity partner's 50 percent interest for \$65.6 million in cash. The property was subject to a mortgage loan that had a principal balance of \$95 million. The cash portion of the acquisition was funded primarily through borrowings under the Company's unsecured revolving credit facility. Concurrently with the closing, the joint venture repaid the \$95 million mortgage loan in full and obtained a new loan collateralized by the property in the amount of \$131 million, which bears interest at 4.07 percent and matures in August 2026. The venture distributed \$37.4 million of the loan proceeds, of which the Company's share was \$30.4 million. As a result of the acquisition, the Company increased its ownership of the property from a 24.27 percent subordinated interest to a 74.27 percent controlling interest. In accordance with Accounting Standards Codification (ASC) 810, Consolidation, the Company evaluated the acquisition and determined that the entity meets the criteria of a variable interest entity (VIE). As such, the Company consolidated the asset upon acquisition and accordingly, remeasured its equity interests, as required by the FASB's consolidation guidance, at fair value (based upon the income approach using current rates and market cap rates and discount rates). As a result, the Company recorded a gain on change of control of interests of \$14.2 million (a non-cash item) in the year ended December 31, 2018, when the Company accounted for the transaction as a VIE that is not a business in accordance with ASC 810-10-30-4. Additional non-cash items included in the acquisition were the Company's carrying value of its interest in the joint venture of \$14 million and the noncontrolling interest's fair value of \$29.8 million.

Properties Commencing Initial Operations

During the year ended December 31, 2018, four multi-family rental properties and a hotel with a total of 1,317 apartment units and rooms commenced initial operations for total development costs of approximately \$458 million.

Dispositions

During the year ended December 31, 2018, the Company disposed of 30 office properties and a developable land property in New Jersey and New York for net sales proceeds of approximately \$370.0 million, with net gains of approximately \$150.5 million from the dispositions.

The Company identified as held for sale six office properties and a multi-family rental property as of December 31, 2018. The total estimated sales proceeds, net of expected selling costs, from the sales are expected to be approximately \$124 million. The Company determined that the carrying value of four of the properties was not expected to be recovered from estimated net sales proceeds and accordingly recognized an unrealized loss allowance of \$20.1 million for the year ended December 31, 2018.

Land Impairments

The Company owns two separate developable land parcels in Conshohocken and Bala Cynwyd, Pennsylvania, that were being considered for development into multi-family rental properties. During the fourth quarter 2018, the Company made the decision to pursue selling the land parcels rather than developing them. Due to the shortening of the expected periods of ownership, the Company determined that it was necessary to reduce the carrying values of the land parcels to their estimated fair values (ascertained by broker opinions of value obtained during the marketing process) and recorded total land impairments charges of \$24.6 million at December 31, 2018.

Joint Venture Activity

On January 31, 2019, the Company, which held a 24.27 percent subordinated interest in the unconsolidated joint venture, Marbella Tower Urban Renewal Associates South LLC, a 311-unit multi-family operating property located in Jersey City, New Jersey, acquired

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its equity partner's 50 percent interest for \$77.5 million in cash. The acquisition was funded primarily using available cash. Concurrently with the closing, the joint venture repaid in full the property's \$74.7 million mortgage loan and obtained a new loan in the amount of \$117 million.

On December 11, 2018, the Company acquired one of its partner's interest in the unconsolidated joint venture that owns the Metropolitan and Shops at 40 Park and the Lofts at 40 Park for \$1.3 million. As a result, the Company increased its ownership from 12.5 percent interest to 25 percent interest in the Metropolitan and Shops at 40 Park and from 25 percent interest to 50 percent interest in the Lofts at 40 Park.

Development Activity

In 2015, the Company entered into a 90-percent owned joint venture with XS Port Imperial Hotel, LLC to form XS Hotel Urban Renewal Associates LLC, which is developing a 372-key hotel (164 keys Residence Inn and 208 keys Marriott Envue) in Weehawken, New Jersey. The Residence Inn opened in 4Q 2018 and the Marriott Envue is expected to open in 2Q 2019. The construction of the project is estimated to cost \$159.9 million, with construction costs of \$147.1 million incurred by the venture through December 31, 2018. The project costs are expected to be funded from a \$94 million construction loan (with \$73.4 million outstanding as of December 31, 2018).

The Company is developing a 313-unit multi-family project known as Building 8/9 at Port Imperial in Weehawken, New Jersey, which began construction in third quarter 2018. The construction project, which is estimated to cost \$142.6 million, of which construction costs of \$35.4 million have been incurred through December 31, 2018, is expected to be ready for occupancy in fourth quarter 2020. The Company is expected to fund \$50.6 million of the construction costs, of which the Company has funded \$35.4 million as of December 31, 2018 and the remaining construction costs are expected to be funded primarily from a \$92 million construction loan.

The Company is developing a 326-unit multi-family project known as Chase III at Overlook Ridge, in Malden, Massachusetts, which began construction in third quarter 2018. The construction project, which is estimated to cost \$99.9 million of which \$20.2 million have been incurred through December 31, 2018, is expected to be ready for occupancy in fourth quarter 2020. The Company is expected to fund \$37.9 million of construction costs, of which the Company has funded \$20.2 million as of December 31, 2018 and the remaining construction costs are expected to be funded primarily from a \$62 million construction loan.

Operations

Of the Company's core office markets, most continue to show signs of rental rate improvement while the leased percentage has declined or stabilized. The percentage leased in the Company's consolidated portfolio of stabilized core operating commercial properties was 83.2 percent at December 31, 2018, as compared to 87.6 percent at December 31, 2017 and 90.6 percent at December 31, 2016 (after adjusting for properties identified as non-core at the time). Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future and leases that expire at the period end date. Leases that expired as of December 31, 2018, 2017 and 2016 aggregate 10,108, 343,217 and 151,655 square feet, respectively, or 0.1, 2.3 and 0.7 percentage of the net rentable square footage, respectively. With the positive rental rate results the Company has achieved in most of its markets recently, the Company believes that rental rates on new leases will generally be, on average, not lower than rates currently being paid. If these recent leasing results do not prove to be sustaining during 2019, the Company may receive less revenue from the same space.

FINANCING ACTIVITY

During the year ended December 31, 2018, the Company obtained new mortgage debt aggregating approximately \$328 million, collateralized by 3 properties, with effective interest rates ranging from 4.17 percent to 4.56 percent. On August 2, 2018, the Company obtained \$131 million of mortgage debt in connection with the Company's acquisition and consolidation of its joint venture partner's majority ownership interest in Marbella. On December 7, 2018, the Company retired \$70 million of construction debt associated with the Portside 5/6 development project, replacing it with a \$97 million permanent mortgage. On December 17, 2018, the Company retired \$70.1 million of construction debt associated with the River House 11 development project, replacing it with a \$100 million permanent mortgage. On January 8, 2018, the Company prepaid mortgage debt of approximately \$209 million that encumbered the Company's property at Harborside Plaza 5, for which it incurred costs of approximately \$8.4 million.

AVAILABLE INFORMATION

The Company's internet website is www.mack-cali.com. The Company makes available free of charge on or through its website the annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished by the General Partner or the Operating Partnership pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after it electronically files or furnishes such materials to the Securities and Exchange Commission. In addition, the Company's internet website includes other items related to corporate governance matters, including, among other things, the General Partner's corporate governance principles, charters of various committees of the Board of Directors of

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the General Partner and the General Partner's code of business conduct and ethics applicable to all employees, officers and directors. The General Partner intends to disclose on the Company's internet website any amendments to or waivers from its code of business conduct and ethics as well as any amendments to its corporate governance principles or the charters of various committees of the Board of Directors. Copies of these documents may be obtained, free of charge, from our internet website. Any shareholder also may obtain copies of these documents, free of charge, by sending a request in writing to: Mack-Cali Investor Relations Department, Harborside 3, 210 Hudson St., Ste. 400, Jersey City, NJ 07311.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We consider portions of this report, including the documents incorporated by reference, to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of such act. Such forward-looking statements relate to, without limitation, our future economic performance, plans and objectives for future operations and projections of revenue and other financial items.

Forward-looking statements can be identified by the use of words such as may, will, plan, potential, projected, should, expect, anticipate, estimate, target, continue, or comparable terminology. Forward-looking statements are inherently subject to certain risks, trends and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions at the time made, we can give no assurance that such expectations will be achieved. Future events and actual results, financial and otherwise, may differ materially from the results discussed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Among the factors about which we have made assumptions are:

- risks and uncertainties affecting the general economic climate and conditions, which in turn may have a negative effect on the fundamentals of our business and the financial condition of our tenants and residents;
- the value of our real estate assets, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis;
- the extent of any tenant bankruptcies or of any early lease terminations;
- our ability to lease or re-lease space at current or anticipated rents;
- changes in the supply of and demand for our properties;
- changes in interest rate levels and volatility in the securities markets;
- our ability to complete construction and development activities on time and within budget, including without limitation obtaining regulatory permits and the availability and cost of materials, labor and equipment;
- forward-looking financial and operational information, including information relating to future development projects, potential acquisitions or dispositions, leasing activities, capitalization rates, and projected revenue and income;

- changes in operating costs;
- our ability to obtain adequate insurance, including coverage for terrorist acts;
- our credit worthiness and the availability of financing on attractive terms or at all, which may adversely impact our ability to pursue acquisition and development opportunities and refinance existing debt and our future interest expense;
- changes in governmental regulation, tax rates and similar matters; and
- other risks associated with the development and acquisition of properties, including risks that the development may not be completed on schedule, that the tenants or residents will not take occupancy or pay rent, or that development or operating costs may be greater than anticipated.

For further information on factors which could impact us and the statements contained herein, see Item 1A: Risk Factors. We assume no obligation to update and supplement forward-looking statements that become untrue because of subsequent events, new information or otherwise.

ITEM 1A. RISK FACTORS

Our results from operations and ability to make distributions on our equity and debt service on our indebtedness may be affected by the risk factors set forth below. All investors should consider the following risk factors before deciding to purchase securities of the Company. The Company refers to itself as *we* or *our* in the following risk factors.

Adverse economic and geopolitical conditions in general and the Northeastern suburban office markets in particular could have a material adverse effect on our results of operations, financial condition and our ability to pay distributions to you.

Our business may be affected by the continuing volatility in the financial and credit markets, the general global economic conditions,

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continuing high unemployment, and other market or economic challenges experienced by the U.S. economy or the real estate industry as a whole. Our business also may be adversely affected by local economic conditions, as substantially all of our revenues are derived from our properties located in the Northeast, particularly in New Jersey and New York. Because our portfolio currently consists primarily of office and office/flex buildings (as compared to a more diversified real estate portfolio) located in the Northeast, if economic conditions persist or deteriorate, then our results of operations, financial condition and ability to service current debt and to pay distributions to our shareholders may be adversely affected by the following, among other potential conditions:

- significant job losses in the financial and professional services industries may occur, which may decrease demand for our office space, causing market rental rates and property values to be negatively impacted;
- our ability to borrow on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from both our existing operations and our acquisition and development activities and increase our future interest expense;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans;
- the value and liquidity of our short-term investments and cash deposits could be reduced as a result of a deterioration of the financial condition of the institutions that hold our cash deposits or the institutions or assets in which we have made short-term investments, the dislocation of the markets for our short-term investments, increased volatility in market rates for such investments or other factors;
- reduced liquidity in debt markets and increased credit risk premiums for certain market participants may impair our ability to access capital; and
- one or more lenders under our line of credit could refuse or be unable to fund their financing commitment to us and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

These conditions, which could have a material adverse effect on our results of operations, financial condition and ability to pay distributions, may continue or worsen in the future.

Our performance is subject to risks associated with the real estate industry.

General: Our business and our ability to make distributions or payments to our investors depend on the ability of our properties to generate funds in excess of operating expenses (including scheduled principal payments on debt and capital expenditures). Events or conditions that are beyond our control may adversely affect our operations and the value of our properties. Such events or conditions could include:

- changes in the general economic climate and conditions;

- changes in local conditions, such as an oversupply of office space, a reduction in demand for office space, or reductions in office market rental rates;
- an oversupply or reduced demand for multi-family apartments caused by a decline in household formation, decline in employment or otherwise;
- decreased attractiveness of our properties to tenants and residents;
- competition from other office and office/flex and multi-family properties;
- development by competitors of competing multi-family communities;
- unwillingness of tenants to pay rent increases;
- rent control or rent stabilization laws, or other housing laws and regulations that could prevent us from raising multi-family rents to offset increases in operating costs;
- our inability to provide adequate maintenance;
- increased operating costs, including insurance premiums, utilities and real estate taxes, due to inflation and other factors which may not necessarily be offset by increased rents;
- changes in laws and regulations (including tax, environmental, zoning and building codes, landlord/tenant and other housing laws and regulations) and agency or court interpretations of such laws and regulations and the related costs of compliance;
- changes in interest rate levels and the availability of financing;
- the inability of a significant number of tenants or residents to pay rent;
- our inability to rent office or multi-family rental space on favorable terms; and
- civil unrest, earthquakes, acts of terrorism and other natural disasters or acts of God that may result in uninsured losses.

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We may suffer adverse consequences if our revenues decline since our operating costs do not necessarily decline in proportion to our revenue:

We earn a significant portion of our income from renting our properties. Our operating costs, however, do not necessarily fluctuate in relation to changes in our rental revenue. This means that our costs will not necessarily decline even if our revenues do. Our operating costs could also increase while our revenues do not. If our operating costs increase but our rental revenues do not, we may be forced to borrow to cover our costs and we may incur losses. Such losses may adversely affect our ability to make distributions or payments to our investors.

Financially distressed tenants may be unable to pay rent: If a tenant defaults, we may experience delays and incur substantial costs in enforcing our rights as landlord and protecting our investments. If a tenant files for bankruptcy, we cannot evict the tenant solely because of the bankruptcy and a potential court judgment rejecting and terminating such tenant's lease (which would subject all future unpaid rent to a statutory cap) could adversely affect our ability to make distributions or payments to our investors as we may be unable to replace the defaulting tenant with a new tenant at a comparable rental rate without incurring significant expenses or a reduction in rental income.

Renewing leases or re-letting space could be costly: If a tenant does not renew its lease upon expiration or terminates its lease early, we may not be able to re-lease the space on favorable terms or at all. If a tenant does renew its lease or we re-lease the space, the terms of the renewal or new lease, including the cost of required renovations or concessions to the tenant, may be less favorable than the current lease terms, which could adversely affect our ability to make distributions or payments to our investors.

Adverse developments concerning some of our major tenants and industry concentrations could have a negative impact on our revenue: We have tenants concentrated in various industries that may be experiencing adverse effects of current economic conditions. For instance, 20.3 percent of our revenue is derived from tenants in the Securities, Commodity Contracts and Other Financial industry, 11.8 percent from tenants in the Credit Intermediation and Related Activities industry and 11.3 percent from tenants in the Insurance Carriers and Related Activities industry. Our business could be adversely affected if any of these industries suffered a downturn and/or these tenants or any other tenants became insolvent, declared bankruptcy or otherwise refused to pay rent in a timely manner or at all.

Our insurance coverage on our properties may be inadequate or our insurance providers may default on their obligations to pay claims: We currently carry comprehensive insurance on all of our properties, including insurance for liability, fire and flood. We cannot guarantee that the limits of our current policies will be sufficient in the event of a catastrophe to our properties. We cannot guarantee that we will be able to renew or duplicate our current insurance coverage in adequate amounts or at reasonable prices. In addition, while our current insurance policies insure us against loss from terrorist acts and toxic mold, in the future, insurance companies may no longer offer coverage against these types of losses, or, if offered, these types of insurance may be prohibitively expensive. If any or all of the foregoing should occur, we may not have insurance coverage against certain types of losses and/or there may be decreases in the limits of insurance available. Should an uninsured loss or a loss in excess of our insured limits occur, we could lose all or a portion of the capital we have invested in a property or properties, as well as the anticipated future revenue from the property or properties. Nevertheless, we might remain obligated for any mortgage debt or other financial obligations related to the property or properties. We cannot guarantee that material losses in excess of insurance proceeds will not

occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Such events could adversely affect our ability to make distributions or payments to our investors. If one or more of our insurance providers were to fail to pay a claim as a result of insolvency, bankruptcy or otherwise, the nonpayment of such claims could have an adverse effect on our financial condition and results of operations. In addition, if one or more of our insurance providers were to become subject to insolvency, bankruptcy or other proceedings and our insurance policies with the provider were terminated or canceled as a result of those proceedings, we cannot guarantee that we would be able to find alternative coverage in adequate amounts or at reasonable prices. In such case, we could experience a lapse in any or adequate insurance coverage with respect to one or more properties and be exposed to potential losses relating to any claims that may arise during such period of lapsed or inadequate coverage.

Illiquidity of real estate limits our ability to act quickly: Real estate investments are relatively illiquid. Such illiquidity may limit our ability to react quickly in response to changes in economic and other conditions. If we want to sell an investment, we might not be able to dispose of that investment in the time period we desire, and the sales price of that investment might not recoup or exceed the amount of our investment. The prohibition in the Internal Revenue Code of 1986, as amended (the IRS Code), and related regulations on a real estate investment trust holding property for sale also may restrict our ability to sell property. In addition, we acquired a significant number of our properties from individuals to whom the Operating Partnership issued Units as part of the purchase price. In connection with the acquisition of these properties, in order to preserve such individual s income tax deferral, we contractually agreed not to sell or otherwise transfer the properties for a specified period of time, except in a manner which does not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimburses the appropriate individuals for the income tax consequences of the recognition of such built-in-gains. These restrictions expired in February 2016. Upon the expiration of such restrictions we are generally required to use commercially reasonable efforts to prevent any sale, transfer or other disposition of the subject properties from resulting in the recognition of built-in gain to the appropriate individuals. After the effects of tax-free exchanges on certain of the

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originally contributed properties, either wholly or partially, over time, 79 of our properties, with an aggregate carrying value of approximately \$1.4 billion, are subject to these conditions. The above limitations on our ability to sell our investments could adversely affect our ability to make distributions or payments to our investors.

We may not be able to dispose of non-core office assets within our anticipated timeframe or at favorable prices: The Company is currently considering that it may sell over time properties at total estimated sales proceeds of up to \$570 million (including its remaining flex portfolio of assets). While we intend to dispose of these properties opportunistically over time, there can be no assurance that these dispositions will be completed during the period of our strategic initiative. In addition, market conditions will impact our ability to dispose of these properties, and there can be no assurance that we will be successful in disposing of these properties for their estimated sales prices. A failure to dispose of these properties for their estimated market values as planned could have a material adverse effect on our ability to finance our acquisition and development plans.

New acquisitions, including acquisitions of multi-family rental real estate, may fail to perform as expected and will subject us to additional new risks: We intend to and may acquire new properties, primarily in the multi-family rental sector, assuming that we are able to obtain capital on favorable terms. Such newly acquired properties may not perform as expected and may subject us to unknown liability with respect to liabilities relating to such properties for clean-up of undisclosed environmental contamination or claims by tenants, residents, vendors or other persons against the former owners of the properties. Inaccurate assumptions regarding future rental or occupancy rates could result in overly optimistic estimates of future revenues. In addition, future operating expenses or the costs necessary to bring an acquired property up to standards established for its intended market position may be underestimated. The search for and process of acquiring such properties will also require a substantial amount of management's time and attention. As our portfolio shifts from primarily commercial office properties to increasingly more multi-family rental properties we will face additional and new risks such as:

- shorter-term leases of one-year on average for multi-family rental communities, which allow residents to leave after the term of the lease without penalty;
- increased competition from other housing sources such as other multi-family rental communities, condominiums and single-family houses that are available for rent as well as for sale;
- dependency on the convenience and attractiveness of the communities or neighborhoods in which our multi-family rental properties are located and the quality of local schools and other amenities;
- dependency on the financial condition of Fannie Mae or Freddie Mac which provide a major source of financing to the multi-family rental sector; and
- compliance with housing and other new regulations.

Americans with Disabilities Act compliance could be costly: Under the Americans with Disabilities Act of 1990 (ADA), all public accommodations and commercial facilities must meet certain federal requirements related to access and use by

disabled persons. Compliance with the ADA requirements could involve removal of structural barriers from certain disabled persons' entrances. Other federal, state and local laws may require modifications to or restrict further renovations of our properties with respect to such accesses. Although we believe that our properties are substantially in compliance with present requirements, noncompliance with the ADA or related laws or regulations could result in the United States government imposing fines or private litigants being awarded damages against us. Such costs may adversely affect our ability to make distributions or payments to our investors.

Environmental problems are possible and may be costly: Various federal, state and local laws and regulations subject property owners or operators to liability for the costs of removal or remediation of certain hazardous or toxic substances located on or in the property. These laws often impose liability without regard to whether the owner or operator was responsible for or even knew of the presence of such substances. The presence of or failure to properly remediate hazardous or toxic substances (such as toxic mold, lead paint and asbestos) may adversely affect our ability to rent, sell or borrow against contaminated property and may impose liability upon us for personal injury to persons exposed to such substances. Various laws and regulations also impose liability on persons who arrange for the disposal or treatment of hazardous or toxic substances at another location for the costs of removal or remediation of such substances at the disposal or treatment facility. These laws often impose liability whether or not the person arranging for such disposal ever owned or operated the disposal facility. Certain other environmental laws and regulations impose liability on owners or operators of property for injuries relating to the release of asbestos-containing or other materials into the air, water or otherwise into the environment. As owners and operators of property and as potential arrangers for hazardous substance disposal, we may be liable under such laws and regulations for removal or remediation costs, governmental penalties, property damage, personal injuries and related expenses. Payment of such costs and expenses could adversely affect our ability to make distributions or payments to our investors.

We face risks associated with property acquisitions: We have acquired in the past, and our long-term strategy is to continue to pursue the acquisition of properties and portfolios of properties in New Jersey, New York and Pennsylvania and in the Northeast generally, and

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particularly residential properties, including large real estate portfolios that could increase our size and result in alterations to our capital structure. We may be competing for investment opportunities with entities that have greater financial resources. Several developers and real estate companies may compete with us in seeking properties for acquisition, land for development and prospective tenants. Such competition may adversely affect our ability to make distributions or payments to our investors by:

- reducing the number of suitable investment opportunities offered to us;
- increasing the bargaining power of property owners;
- interfering with our ability to attract and retain tenants;
- increasing vacancies which lowers market rental rates and limits our ability to negotiate rental rates; and/or
- adversely affecting our ability to minimize expenses of operation.

Our acquisition activities and their success are subject to the following risks:

- adequate financing to complete acquisitions may not be available on favorable terms or at all as a result of the continuing volatility in the financial and credit markets;
- even if we enter into an acquisition agreement for a property, we may be unable to complete that acquisition and risk the loss of certain non-refundable deposits and incurring certain other acquisition-related costs;
- the actual costs of repositioning or redeveloping acquired properties may be greater than our estimates;
- any acquisition agreement will likely contain conditions to closing, including completion of due diligence investigations to our satisfaction or other conditions that are not within our control, which may not be satisfied; and
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and acquired properties may fail to perform as expected; which may adversely affect our results of operations and financial condition.

Development of real estate, including the development of multi-family rental real estate could be costly: As part of our operating strategy, we may acquire land for development or construct on owned land, under certain conditions. Included among the risks of the real estate development business are the following, which may adversely affect our ability to make distributions or payments to our investors:

- financing for development projects may not be available on favorable terms;

- long-term financing may not be available upon completion of construction;
- failure to complete construction and lease-up on schedule or within budget may increase debt service expense and construction and other costs; and
- failure to rent the development at all or at rent levels originally contemplated.

Property ownership through joint ventures could subject us to the contrary business objectives of our co-venturers: We, from time to time, invest in joint ventures or partnerships in which we do not hold a controlling interest in the assets underlying the entities in which we invest, including joint ventures in which (i) we own a direct interest in an entity which controls such assets, or (ii) we own a direct interest in an entity which owns indirect interests, through one or more intermediaries, of such assets. These investments involve risks that do not exist with properties in which we own a controlling interest with respect to the underlying assets, including the possibility that (i) our co-venturers or partners may, at any time, become insolvent or otherwise refuse to make capital contributions when due, (ii) we may be responsible to our co-venturers or partners for indemnifiable losses, (iii) we may become liable with respect to guarantees of payment or performance by the joint ventures, (iv) we may become subject to buy-sell arrangements which could cause us to sell our interests or acquire our co-venturer s or partner s interests in a joint venture, or (v) our co-venturers or partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives. Because we lack a controlling interest, our co-venturers or partners may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives. While we seek protective rights against such contrary actions, there can be no assurance that we will be successful in procuring any such protective rights, or if procured, that the rights will be sufficient to fully protect us against contrary actions. Our organizational documents do not limit the amount of available funds that we may invest in joint ventures or partnerships. If the objectives of our co-venturers or partners are inconsistent with ours, it may adversely affect our ability to make distributions or payments to our investors.

Our performance is subject to risks associated with repositioning a significant portion of the Company s portfolio from office to multi-family rental properties.

Repositioning the Company s office portfolio may result in impairment charges or less than expected returns on office properties: There can be no assurance that the Company, as it seeks to reposition a portion of its portfolio from office to the multi-family rental sector will be able to sell office properties and purchase multi-family rental properties at prices that in the aggregate are profitable for the Company or are efficient use of its capital or that would not result in a reduction of the Company s cash flow. Because real estate investments are relatively illiquid, it also may be difficult for the Company to promptly sell its office properties that are held or may be designated for

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sale promptly or on favorable terms, which could have a material adverse effect on the Company's financial condition. In addition, as the Company identifies non-core office properties that may be held for sale or that it intends to hold for a shorter period of time than previously, it may determine that the carrying value of a property is not recoverable over the anticipated holding period of the property. As a result, the Company may incur impairment charges for certain of these properties to reduce their carrying values to the estimated fair market values. Moreover, as the Company seeks to reposition a portion of its portfolio from office to the multi-family rental sector, the Company may be subject to a Federal income tax on gain from sales of properties due to limitations in the IRS Code and related regulations on a real estate investment trust's ability to sell properties. The Company intends to structure its property dispositions in a tax-efficient manner and avoid the prohibition in the IRS Code against a real estate investment trust holding properties for sale. There is no guaranty, however, that such dispositions can be achieved without the imposition of federal income tax on any gain recognized.

Unfavorable changes in market and economic conditions could adversely affect multi-family rental occupancy, rental rates, operating expenses, and the overall market value of our assets, including joint ventures. Local conditions that may adversely affect conditions in multi-family residential markets include the following:

- plant closings, industry slowdowns and other factors that adversely affect the local economy;
- an oversupply of, or a reduced demand for, apartment units;
- a decline in household formation or employment or lack of employment growth;
- the inability or unwillingness of residents to pay rent increases;
- rent control or rent stabilization laws, or other laws regulating housing, that could prevent us from raising rents to offset increases in operating costs; and
- economic conditions that could cause an increase in our operating expenses, such as increases in property taxes, utilities, compensation of on-site associates and routine maintenance.

Changes in applicable laws, or noncompliance with applicable laws, could adversely affect our operations or expose us to liability: We must develop, construct and operate our communities in compliance with numerous federal, state and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord tenant laws and other laws generally applicable to business operations. Noncompliance with applicable laws could expose us to liability. Lower revenue growth or significant unanticipated expenditures may result from our need to comply with changes in (i) laws imposing remediation requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, (ii) rent control or rent stabilization laws or other residential landlord/tenant laws, or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of our communities, including changes to building codes and fire and life-safety codes.

Failure to succeed in new markets, or with new brands and community formats, or in activities other than the development, ownership and operation of residential rental communities may have adverse consequences: We are actively engaged in development and

acquisition activity in new submarkets within our core, Northeast markets where we have owned and operated our historical portfolio of office properties. Our historical experience with properties in our core, Northeast markets in developing, owning and operating properties does not ensure that we will be able to operate successfully in the new multi-family submarkets. We will be exposed to a variety of risks in the multi-family submarkets, including:

- an inability to accurately evaluate local apartment market conditions;
- an inability to obtain land for development or to identify appropriate acquisition opportunities;
- an acquired property may fail to perform as we expected in analyzing our investment;
- our estimate of the costs of repositioning or developing an acquired property may prove inaccurate; and
- lack of familiarity with local governmental and permitting procedures.

Our real estate construction management activities are subject to risks particular to third-party construction projects.

As we may perform fixed price construction services for third parties, we are subject to a variety of risks unique to these activities. If construction costs of a project exceed original estimates, such costs may have to be absorbed by us, thereby making the project less profitable than originally estimated, or possibly not profitable at all. In addition, a construction project may be delayed due to government or regulatory approvals, supply shortages, or other events and circumstances beyond our control, or the time required to complete a construction project may be greater than originally anticipated. If any such excess costs or project delays were to be material, such events may adversely affect our cash flow and liquidity and thereby impact our ability to make distributions or payments to our investors.

Debt financing could adversely affect our economic performance.

Scheduled debt payments and refinancing could adversely affect our financial condition: We are subject to the risks normally associated

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with debt financing. These risks, including the following, may adversely affect our ability to make distributions or payments to our investors:

- our cash flow may be insufficient to meet required payments of principal and interest;
- payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses;
- we may not be able to refinance indebtedness on our properties at maturity; and
- if refinanced, the terms of refinancing may not be as favorable as the original terms of the related indebtedness.

As of December 31, 2018, we had total outstanding indebtedness of \$2.8 billion comprised of \$570 million of senior unsecured notes, borrowings of \$674 million under unsecured term loans, outstanding borrowings of \$117 million under our unsecured revolving credit facility and approximately \$1.4 billion of mortgages, loans payable and other obligations. We may have to refinance the principal due on our current or future indebtedness at maturity, and we may not be able to do so.

If we are unable to refinance our indebtedness on acceptable terms, or at all, events or conditions that may adversely affect our ability to make distributions or payments to our investors include the following:

- we may need to dispose of one or more of our properties upon disadvantageous terms or adjust our capital expenditures in general or with respect to our strategy of acquiring multi-family residential properties and development opportunities in particular;
- prevailing interest rates or other factors at the time of refinancing could increase interest rates and, therefore, our interest expense;
- we may be subject to an event of default pursuant to covenants for our indebtedness;
- if we mortgage property to secure payment of indebtedness and are unable to meet mortgage payments, the mortgagee could foreclose upon such property or appoint a receiver to receive an assignment of our rents and leases; and
- foreclosures upon mortgaged property could create taxable income without accompanying cash proceeds and, therefore, hinder our ability to meet the real estate investment trust distribution requirements of the IRS Code.

We are obligated to comply with financial covenants in our indebtedness that could restrict our range of operating activities: The mortgages on our properties contain customary negative covenants, including limitations on our ability, without the prior consent of the lender, to further mortgage the property, to enter into new leases outside of stipulated guidelines or to materially

modify existing leases. In addition, our unsecured revolving credit facility and term loans each contains customary requirements, including restrictions and other limitations on our ability to incur debt, debt to assets ratios, secured debt to total assets ratios, interest coverage ratios and minimum ratios of unencumbered assets to unsecured debt. The indentures under which our senior unsecured debt have been issued contain financial and operating covenants including coverage ratios and limitations on our ability to incur secured and unsecured debt. These covenants limit our flexibility in conducting our operations and create a risk of default on our indebtedness if we cannot continue to satisfy them. Some of our debt instruments are cross-collateralized and contain cross default provisions with other debt instruments. Due to this cross-collateralization, a failure or default with respect to certain debt instruments or properties could have an adverse impact on us or our properties that are subject to the cross-collateralization under the applicable debt instrument. Failure to comply with these covenants could cause a default under the agreements and, in certain circumstances, our lenders may be entitled to accelerate our debt obligations. Defaults under our debt agreements could materially and adversely affect our financial condition and results of operations.

Rising interest rates may adversely affect our cash flow: As of December 31, 2018, outstanding borrowings of approximately \$117 million under our unsecured revolving credit facility and approximately \$197 million of our mortgage indebtedness bear interest at variable rates. We may incur additional indebtedness in the future that bears interest at variable rates. Variable rate debt creates higher debt service requirements if market interest rates increase. Higher debt service requirements could adversely affect our ability to make distributions or payments to our investors and/or cause us to default under certain debt covenants.

Our degree of leverage could adversely affect our cash flow: We fund acquisition opportunities and development partially through short-term borrowings (including our unsecured revolving credit facility), as well as from proceeds from property sales and undistributed cash. We expect to refinance projects purchased with short-term debt either with long-term indebtedness or equity financing depending upon the economic conditions at the time of refinancing. The Board of Directors has a general policy of limiting the ratio of our indebtedness to total undepreciated assets (total debt as a percentage of total undepreciated assets) to 50 percent or less, although there is no limit in our organizational documents on the amount of indebtedness that we may incur. However, we have entered into certain financial agreements which contain financial and operating covenants that limit our ability under certain circumstances to incur additional secured and unsecured indebtedness. The Board of Directors could alter or eliminate its current policy on borrowing at any time at its discretion. If this policy were changed, we could become more highly leveraged, resulting in an increase in debt service that

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could adversely affect our cash flow and our ability to make distributions or payments to our investors and/or could cause an increased risk of default on our obligations.

We are dependent on external sources of capital for future growth: To qualify as a real estate investment trust under the IRS Code, the General Partner must distribute to its shareholders each year at least 90 percent of its net taxable income, excluding any net capital gain. Because of this distribution requirement, it is not likely that we will be able to fund all future capital needs, including for acquisitions and developments, from income from operations. Therefore, we will have to rely on third-party sources of capital, which may or may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings. Moreover, additional equity offerings may result in substantial dilution of our shareholders' interests, and additional debt financing may substantially increase our leverage.

Adverse changes in our credit ratings could adversely affect our business and financial condition: The credit ratings assigned to our senior unsecured notes by nationally recognized statistical rating organizations (the NRSROs) are based on our operating performance, liquidity and leverage ratios, overall financial position and other factors employed by the NRSROs in their rating analyses of us. These ratings and similar ratings of us and any debt or preferred securities we may issue are subject to ongoing evaluation by the NRSROs, and we cannot assure you that any such ratings will not be changed by the NRSROs if, in their judgment, circumstances warrant. Our credit ratings can affect the amount of capital we can access, as well as the terms of any financings we may obtain. There can be no assurance that we will be able to maintain our current credit ratings, and in the event our current credit ratings are downgraded, we would likely incur higher borrowing costs and may encounter difficulty in obtaining additional financing. See Item 7. Management's Discussion & Analysis of Financial Condition and Results of Operations - Executive Overview for a discussion of the Company's current credit ratings.

Competition for skilled personnel could increase our labor costs.

We compete with various other companies in attracting and retaining qualified and skilled personnel. We depend on our ability to attract and retain skilled management personnel who are responsible for the day-to-day operations of our company. Competitive pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such added costs by increasing the rates we charge our tenants. If there is an increase in these costs or if we fail to attract and retain qualified and skilled personnel, our business and operating results could be harmed.

We are dependent on our key personnel whose continued service is not guaranteed.

We are dependent upon key personnel for strategic business direction and real estate experience, including our chief executive officer, chief financial officer, chief investment officer, general counsel, executive vice president of leasing and chairman of RRT. While we believe that we could find replacements for these key personnel, loss of their services could adversely affect our operations. We do not have key man life insurance for our key personnel. In addition, as the Company seeks to reposition a portion of its portfolio from office to the multi-family rental sector, the Company may become increasingly dependent on non-executive personnel with residential development and leasing expertise to

effectively execute the Company's long-term strategy.

Certain provisions of Maryland law and the General Partner's charter and bylaws could hinder, delay or prevent changes in control.

Certain provisions of Maryland law and General Partner's charter and bylaws have the effect of discouraging, delaying or preventing transactions that involve an actual or threatened change in control. These provisions include the following:

Classified Board of Directors: The General Partner's Board of Directors was previously divided into three classes with staggered terms of office of three years each. At the 2015 annual meeting of stockholders, stockholders approved amendments to the General Partner's charter and bylaws to declassify its Board of Directors over a three year period from 2015 through 2017 such that each director whose term expired at the annual meeting of stockholders in 2015 through 2017 would be elected to hold office until the next annual meeting of stockholders following their election, instead of the third-succeeding annual meeting, and until their successors are elected and qualify. Effective at the 2017 annual meeting of stockholders, the General Partner's Board of Directors was fully declassified. However, Maryland law permits a board of directors to classify itself at any time, and the General Partner's Board of Directors has reserved the right to do so under Maryland law. The classification of the General Partner's Board of Directors would make it more difficult for a third party to gain control of the General Partner's Board of Directors. At least two annual meetings of stockholders, instead of one, generally would be required to affect a change in a majority of the General Partner's Board of Directors.

Removal of Directors: Under the General Partner's charter, subject to the rights of one or more classes or series of preferred stock to elect one or more directors, a director may be removed only for cause and only by the affirmative vote of at least two-thirds of all votes entitled to be cast by our stockholders generally in the election of directors. Neither the Maryland General Corporation Law nor the General Partner's charter define the term "cause." As a result, removal for "cause" is subject to Maryland common law and to judicial interpretation and review in the context of the facts and circumstances of any particular situation.

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Number of Directors, Board Vacancies, Terms of Office: The General Partner has, in its bylaws, elected to be subject to certain provisions of Maryland law which vest in the Board of Directors the exclusive right to determine the number of directors and the exclusive right, by the affirmative vote of a majority of the remaining directors, even if the remaining directors do not constitute a quorum, to fill vacancies on the board. These provisions of Maryland law, which are applicable even if other provisions of Maryland law or the charter or bylaws provide to the contrary, also provide that any director elected to fill a vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred, rather than the next annual meeting of stockholders as would otherwise be the case, and until his or her successor is elected and qualifies. The General Partner has, in its corporate governance principles, adopted a mandatory retirement age of 80 years old for directors.

Stockholder Requested Special Meetings: The General Partner's bylaws provide that its stockholders have the right to call a special meeting only upon the written request of the stockholders entitled to cast not less than a majority of all the votes entitled to be cast by the stockholders at such meeting.

Advance Notice Provisions for Stockholder Nominations and Proposals: The General Partner's bylaws require advance written notice for stockholders to nominate persons for election as directors at, or to bring other business before, any meeting of stockholders. This bylaw provision limits the ability of stockholders to make nominations of persons for election as directors or to introduce other proposals unless we are notified in a timely manner prior to the meeting.

Preferred Stock: Under the General Partner's charter, its Board of Directors has authority to issue preferred stock from time to time in one or more series and to establish the terms, preferences and rights of any such series of preferred stock, all without approval of its stockholders. As a result, its Board of Directors may establish a series of preferred stock that could delay or prevent a transaction or a change in control.

Duties of Directors with Respect to Unsolicited Takeovers: Maryland law provides protection for Maryland corporations against unsolicited takeovers by limiting, among other things, the duties of the directors in unsolicited takeover situations. The duties of directors of Maryland corporations do not require them to (a) accept, recommend or respond to any proposal by a person seeking to acquire control of the corporation, (b) authorize the corporation to redeem any rights under, or modify or render inapplicable, any stockholders rights plan, (c) make a determination under the Maryland Business Combination Act or the Maryland Control Share Acquisition Act, or (d) act or fail to act solely because of the effect the act or failure to act may have on an acquisition or potential acquisition of control of the corporation or the amount or type of consideration that may be offered or paid to the stockholders in an acquisition. Maryland law also contains a statutory presumption that an act of a director of a Maryland corporation satisfies the applicable standards of conduct for directors under Maryland law.

Ownership Limit: In order to preserve the General Partner's status as a real estate investment trust under the IRS Code, its charter generally prohibits any single stockholder, or any group of affiliated stockholders, from beneficially owning more than 9.8 percent of its outstanding capital stock unless its Board of Directors waives or modifies this ownership

limit.

Maryland Business Combination Act: The Maryland Business Combination Act provides that unless exempted, a Maryland corporation may not engage in certain business combinations, including mergers, consolidations, share exchanges or, in circumstances specified in the statute, asset transfers, issuances or reclassifications of shares of stock and other specified transactions, with an interested stockholder or an affiliate of an interested stockholder, for five years after the most recent date on which the interested stockholder became an interested stockholder, and thereafter unless specified criteria are met. An interested stockholder is generally a person owning or controlling, directly or indirectly, 10 percent or more of the voting power of the outstanding stock of the Maryland corporation. The General Partner's board of directors has exempted from this statute business combinations between the Company and certain affiliated individuals and entities. However, unless its board adopts other exemptions, the provisions of the Maryland Business Combination Act will be applicable to business combinations with other persons.

Maryland Control Share Acquisition Act: Maryland law provides that holders of control shares of a corporation acquired in a control share acquisition shall have no voting rights with respect to the control shares except to the extent approved by a vote of two-thirds of the votes eligible to cast on the matter under the Maryland Control Share Acquisition Act.

Control shares means shares of stock that, if aggregated with all other shares of stock previously acquired by the acquirer, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of the voting power: one-tenth or more but less than one-third, one-third or more but less than a majority or a majority or more of all voting power. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

If voting rights of control shares acquired in a control share acquisition are not approved at a stockholder's meeting, then subject to certain conditions and limitations, the issuer may redeem any or all of the control shares for fair value. If voting rights of such control

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shares are approved at a stockholder's meeting and the acquirer becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may exercise appraisal rights. In 2018, the General Partner's bylaws were amended to exempt any acquisition of the General Partner's shares from the Maryland Control Share Acquisition Act. If the General Partner's bylaws are amended to repeal or limit the exemption from the Maryland Control Share Acquisition Act, it may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating a change in control.

The enactment of significant new tax legislation, generally effective for tax years beginning after December 31, 2017, could have a material and adverse effect on us and the market price of our shares.

On December 22, 2017, Pub. L. No. 115-97 (informally known as the Tax Cuts and Jobs Act (the Tax Reform Act)) was enacted into law. The Tax Reform Act makes significant changes to the IRS Code, including changes that impact REITs and their shareholders, among others. In particular, the Tax Reform Act reduces the maximum corporate tax rate from 35% to 21%. By reducing the corporate tax rate, it is possible that the Tax Reform Act will reduce the relative attractiveness to investors (as compared with potential alternative investments) of the single level of taxation on REIT distributions. However, the Tax Reform Act also made certain other changes to the IRS Code that are generally advantageous to REITs and their shareholders. For instance, for tax years beginning before January 1, 2026, the Tax Reform Act permits up to a 20% deduction for individuals, trusts, and estates with respect to their receipt of qualified REIT dividends, which are dividends from a REIT that are not capital gain dividends and are not qualified dividend income. These changes generally result in an effective maximum U.S. federal income tax rate on such dividends of 29.6%, if the deduction is allowed in full. The full ramifications of the Tax Reform Act remain unclear and will likely remain unclear until further Treasury guidance is issued. Key provisions of the Tax Reform Act that could impact us and the market price of our shares include:

- temporarily reducing individual U.S. federal income tax rates on ordinary income; the highest individual U.S. federal income tax rate was reduced from 39.6% to 37% (through tax years beginning before January 1, 2026);
- eliminating miscellaneous itemized deductions and limiting state and local tax deductions;
- reducing the maximum corporate income tax rate from 35% to 21%, which reduces, but does not eliminate, the competitive advantage that REITs enjoy relative to non-REIT corporations;
- permitting individuals, trusts, and estates (subject to certain limitations) to deduct up to 20% of certain pass-through business income, including, as noted above, dividends received by our shareholders that are not designated by us as capital gain dividends or qualified dividend income, which will generally result in an effective maximum U.S. federal income tax rate of 29.6% on such dividends, if the deduction is allowed in full (through tax years beginning before January 1, 2026);
- reducing the highest rate of withholding with respect to our distributions to non-U.S. shareholders that are treated as attributable to gains from the sale or exchange of U.S. real property interests from 35% to 21%;
- limiting our deduction for net operating losses incurred after December 31, 2017 to 80% of taxable income (prior to the application of the dividends paid deduction), where taxable income is determined without regard to the net operating loss deduction itself, and generally eliminating net operating loss carrybacks and allowing unused net operating losses to be carried forward indefinitely;
- creating a new limitation on the deduction of net interest expense for all businesses other than certain real estate businesses that make an election to not be subject to such limitation. This provision could have the effect that we

or any of our subsidiaries, including any of our taxable REIT subsidiaries (each, a "TRS"), are unable to deduct a portion of our annual interest expense to the extent that we or any such subsidiary chooses not to make or is otherwise ineligible to make, such election. To the extent any of our entities do elect out of this interest limitation provision, such entity would be required to extend the depreciable lives of its properties owned, resulting in a reduced annual depreciation deduction.;

- expanding the ability of businesses to deduct the cost of certain purchases of property in the year in which such property is purchased; and
- eliminating the corporate alternative minimum tax.

In addition to the foregoing, the Tax Reform Act may impact our tenants, the real estate market, and the overall economy, which may have an effect on us. It is not possible to state with certainty at this time the effect of the Tax Reform Act on us and on an investment in our shares.

Consequences of the General Partner's failure to qualify as a real estate investment trust could adversely affect our financial condition.

Failure to maintain ownership limits could cause the General Partner to lose its qualification as a real estate investment trust: In order for the General Partner to maintain its qualification as a real estate investment trust under the IRS Code, not more than 50 percent in value of its outstanding stock may be actually and/or constructively owned by five or fewer individuals (as defined in the IRS Code to include certain entities). The General Partner has limited the ownership of its outstanding shares of common stock by any single stockholder to 9.8 percent of the outstanding shares of its common stock. Its Board of Directors could waive this restriction if it was satisfied, based upon the advice of tax counsel or otherwise, that such action would be in the best interests of the General Partner and

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its stockholders and would not affect its qualification as a real estate investment trust under the IRS Code. Common stock acquired or transferred in breach of the limitation may be redeemed by us for the lesser of the price paid and the average closing price for the 10 trading days immediately preceding redemption or sold at the direction of the General Partner. The General Partner may elect to redeem such shares of common stock for Units, which are nontransferable except in very limited circumstances. Any transfer of shares of common stock which, as a result of such transfer, causes the General Partner to be in violation of any ownership limit, will be deemed void. Although the General Partner currently intends to continue to operate in a manner which will enable it to continue to qualify as a real estate investment trust under the IRS Code, it is possible that future economic, market, legal, tax or other considerations may cause its Board of Directors to revoke the election for the General Partner to qualify as a real estate investment trust. Under the General Partner's organizational documents, its Board of Directors can make such revocation without the consent of its stockholders.

In addition, the consent of the holders of at least 85 percent of the Operating Partnership's partnership units is required: (i) to merge (or permit the merger of) the Operating Partnership with another unrelated person, pursuant to a transaction in which the Operating Partnership is not the surviving entity; (ii) to dissolve, liquidate or wind up the Operating Partnership; or (iii) to convey or otherwise transfer all or substantially all of the Operating Partnership's assets. As of February 15, 2019, the General Partner, owns approximately 89.8 percent of the Operating Partnership's outstanding common partnership units.

Tax liabilities as a consequence of failure to qualify as a real estate investment trust: The General Partner has elected to be treated and has operated so as to qualify as a real estate investment trust for federal income tax purposes since the General Partner's taxable year ended December 31, 1994. Although the General Partner believes it will continue to operate in such manner, it cannot guarantee that it will do so. Qualification as a real estate investment trust involves the satisfaction of various requirements (some on an annual and some on a quarterly basis) established under highly technical and complex tax provisions of the IRS Code. Because few judicial or administrative interpretations of such provisions exist and qualification determinations are fact sensitive, the General Partner cannot assure you that it will qualify as a real estate investment trust for any taxable year.

If the General Partner fails to qualify as a real estate investment trust in any taxable year, it will be subject to the following:

- it will not be allowed a deduction for dividends paid to shareholders;
- it will be subject to federal income tax at regular corporate rates, including any alternative minimum tax, if applicable; and
- unless it is entitled to relief under certain statutory provisions, it will not be permitted to qualify as a real estate investment trust for the four taxable years following the year during which was disqualified.

A loss of the General Partner's status as a real estate investment trust could have an adverse effect on us. Failure to qualify as a real estate investment trust also would eliminate the requirement that the General Partner pay dividends to its stockholders. In addition, any such dividends that the General Partner does pay to its stockholders would not constitute qualified REIT dividends and would accordingly not qualify for a deduction of up to 20 percent.

Other tax liabilities: Even if the General Partner qualifies as a real estate investment trust under the IRS Code, its subject to certain federal, state and local taxes on our income and property and, in some circumstances, certain other state and local taxes. From time to time changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. A shortfall in tax revenues for states and municipalities in which we operate may lead to an increase in the frequency and amount of such increase. These actions could adversely affect our financial condition and results of operations. In addition, our taxable REIT subsidiaries will be subject to federal, state and local income tax for income received in connection with certain non-customary services performed for tenants and/or third parties.

Risk of changes in the tax law applicable to real estate investment trusts: Since the Internal Revenue Service, the United States Treasury Department and Congress frequently review federal income tax legislation, we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any such legislative action may prospectively or retroactively modify our tax treatment and, therefore, may adversely affect taxation of us, and/or our investors.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our tenants and business partners, including personally identifiable information of our tenants and employees, in our data centers and on our networks. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations, and damage our reputation, which could adversely affect our business.

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We face possible risks associated with the physical effects of climate change.

We cannot predict with certainty whether climate change is occurring and, if so, at what rate. However, the physical effects of climate change could have a material adverse effect on our properties, operations and business. For example, many of our properties are located along the East coast, particularly those in New Jersey, New York and Connecticut. To the extent climate change causes changes in weather patterns, our markets could experience increases in storm intensity and rising sea-levels. Over time, these conditions could result in declining demand for office space in our buildings or the inability of us to operate the buildings at all. Climate change may also have indirect effects on our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the cost of snow removal or related costs at our properties. Proposed legislation to address climate change could increase utility and other costs of operating our properties which, if not offset by rising rental income, would reduce our net income. There can be no assurance that climate change will not have a material adverse effect on our properties, operations or business.

Changes in market conditions could adversely affect the market price of the General Partner's common stock.

As with other publicly traded equity securities, the value of the General Partner's common stock depends on various market conditions, which may change from time to time. The market price of the General Partner's common stock could change in ways that may or may not be related to our business, the General Partner's industry or our operating performance and financial condition. Among the market conditions that may affect the value of the General Partner's common stock are the following:

- the extent of your interest in us;
- the general reputation of REITs and the attractiveness of the General Partner's equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our financial performance; and
- general stock and bond market conditions.

The market value of the General Partner's common stock is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash dividends. Consequently, the General Partner's common stock may trade at prices that are higher or lower than its net asset value per share of common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents**ITEM 2. PROPERTIES****PROPERTY LIST**

As of December 31, 2018, the Company's Consolidated Properties consisted of 104 in-service commercial office and flex properties, as well as 16 multi-family properties. The Consolidated Properties are located primarily in the Northeast. The Consolidated Properties are easily accessible from major thoroughfares and are in close proximity to numerous amenities. The Consolidated Properties contain a total of approximately 14.9 million square feet of commercial space and 3,988 apartment units with the individual commercial properties ranging from 6,216 to 1,246,283 square feet. The Consolidated Properties, managed by on-site employees, generally have attractively landscaped sites and atriums in addition to quality design and construction. The Company's commercial tenants include many service sector employers, including a large number of professional firms and national and international businesses. The Company believes that all of its properties are well-maintained and do not require significant capital improvements.

Office Properties

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/18 (%) (a)	2018 Base Rent (\$000 s) (b) (c)	Percentage of Total 2018 Base Rent (%)	2018 Average Base Rent Per Sq. Ft. (\$) (c) (d)	2018 Average Effective Rent Per Sq. Ft. (\$) (c) (e)
NEW JERSEY							
BERGEN COUNTY							
Fort Lee							
One Bridge Plaza	1981	200,000	76.8%	4,712	1.12	30.67	27.85
2115 Linwood Avenue (i)	1981	68,000	86.1%	1,481	0.35	25.29	20.34
Paramus							
650 From Road (h)	1978	348,510	68.4%	5,979	1.42	25.07	22.79
ESSEX COUNTY							
Short Hills							
150 J.F. Kennedy Parkway	1980	247,476	84.2%	7,207	1.71	34.60	27.91
51 J.F. Kennedy Parkway	1988	260,741	98.3%	13,350	3.16	52.08	46.91
101 J.F. Kennedy Parkway	1981	197,196	98.4%	8,591	2.03	44.26	40.34
103 J.F. Kennedy Parkway	1981	123,000	100.0%	5,106	1.21	41.51	36.08
HUDSON COUNTY							
Hoboken							
111 River Street	2002	566,215	77.1%	21,204	5.02	48.57	45.47
Jersey City							
Harborside Plaza 1	1983	400,000	48.6%	7,032	1.67	36.17	31.47
Harborside Plaza 2	1990	761,200	80.7%	18,398	4.36	29.95	24.84
Harborside Plaza 3 (c)	1990	725,600	85.4%	21,012	4.98	33.91	29.08
Harborside Plaza 4-A	2000	207,670	95.6%	6,419	1.52	32.34	26.17
Harborside Plaza 5	2002	977,225	57.0%	24,614	5.83	44.19	37.72
101 Hudson Street	1992	1,246,283	76.8%	32,977	7.81	34.45	27.77

MERCER COUNTY**Princeton**

100 Overlook Center	1988	149,600	95.4%	2,572	0.61	18.02	15.86
5 Vaughn Drive	1987	98,500	44.0%	1,224	0.29	28.26	23.90

MIDDLESEX COUNTY**Edison**

333 Thornall Street	1984	196,128	100.0%	5,396	1.28	27.51	23.13
343 Thornall Street	1991	195,709	95.5%	6,278	1.49	33.58	28.97

Iselin

101 Wood Avenue South	1990	262,841	100.0%	9,214	2.18	35.06	31.31
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Plainsboro

500 College Road East (f)(h)	1984	158,235	72.6%	2,871	0.68	24.99	20.62
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Woodbridge

581 Main Street	1991	200,000	99.0%	2,792	0.66	14.10	9.44
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Table of Contents**Office Properties**

(Continued)

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/18 (%) (a)	2018 Base Rent (\$000 s) (b) (c)	Percentage of Total 2018 Base Rent (%)	2018 Average Base Rent Per Sq. Ft. (\$) (c) (d)	2018 Average Effective Rent Per Sq. Ft. (\$) (c) (e)
MONMOUTH COUNTY							
<u>Holmdel</u>							
23 Main Street	1977	350,000	100.0%	4,566	1.08	13.05	10.33
<u>Middletown</u>							
One River Centre Bldg 1	1983	122,594	97.6%	3,049	0.72	25.49	22.50
One River Centre Bldg 2	1983	120,360	100.0%	3,017	0.71	25.07	21.19
One River Centre Bldg 3	1984	194,518	37.7%	2,317	0.55	31.58	27.41
<u>Neptune</u>							
3600 Route 66	1989	180,000	100.0%	4,364	1.03	24.24	18.82
<u>Red Bank</u>							
200 Schultz Drive	1988	102,018	71.7%	1,685	0.40	23.05	18.86
MORRIS COUNTY							
<u>Florham Park</u>							
325 Columbia Turnpike	1987	168,144	100.0%	4,157	0.98	24.72	21.21
<u>Madison</u>							
1 Giralda Farms	1982	154,417	97.0%	4,942	1.17	33.00	29.12
7 Giralda Farms	1997	236,674	60.1%	4,509	1.07	31.72	27.35
<u>Morris Plains</u>							
201 Littleton Road (h)	1979	88,369	37.5%	711	0.17	21.47	18.03
<u>Parsippany</u>							
4 Campus Drive	1983	147,475	83.0%	2,535	0.60	20.72	15.84
6 Campus Drive	1983	148,291	84.7%	2,796	0.66	22.27	18.59
7 Campus Drive	1982	154,395	86.8%	2,949	0.70	22.00	18.91
8 Campus Drive	1987	215,265	72.3%	4,317	1.02	27.75	20.63
9 Campus Drive	1983	156,495	90.7%	2,735	0.65	19.27	15.07
2 Dryden Way	1990	6,216	100.0%	99	0.02	15.93	14.64
4 Gatehall Drive	1988	248,480	72.3%	4,928	1.17	27.42	23.36
2 Hilton Court	1991	181,592	100.0%	6,523	1.55	35.92	32.83
1 Sylvan Way	1989	150,557	81.7%	3,623	0.86	29.47	26.56
3 Sylvan Way (g)	2018	147,241	55.7%	1,576	0.37	28.62	23.97
5 Sylvan Way	1989	151,383	94.2%	3,699	0.88	25.94	22.72
7 Sylvan Way (c)	1987	145,983	70.8%	1,418	0.34	13.73	10.55
5 Wood Hollow Road	1979	317,040	100.0%	6,486	1.54	20.46	15.97
SOMERSET COUNTY							
<u>Bridgewater</u>							
721 Route 202/206 (i)	1989	192,741	0.0%	258	0.06	0.00	0.00
Total New Jersey Office		11,670,377	78.7%(l)	285,688	67.68	31.21	26.59
NEW YORK							
WESTCHESTER COUNTY							
<u>Elmsford</u>							

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100 Clearbrook Road (c)	1975	60,000	84.9%	928	0.22	18.22	16.86
Hawthorne							
1 Skyline Drive	1980	20,400	99.0%	409	0.10	20.25	19.16
2 Skyline Drive	1987	30,000	100.0%	542	0.13	18.07	13.80
7 Skyline Drive	1987	109,000	94.8%	2,389	0.56	23.13	20.23
17 Skyline Drive (f)	1989	85,000	100.0%	1,934	0.46	22.75	22.58
Yonkers							
1 Executive Boulevard	1982	112,000	78.7%	2,190	0.52	24.84	22.59
3 Executive Boulevard	1987	58,000	93.1%	1,678	0.40	31.09	28.68
Total New York Office		474,400	91.0% (1)	10,070	2.39	23.33	21.34
TOTAL OFFICE							
PROPERTIES		12,144,777	79.1% (1)	295,758	70.07	30.86	26.35

Table of Contents**Office/Flex Properties**

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/18 (%) (a)	2018 Base Rent (\$000 s) (b) (c)	Percentage of Total 2018 Base Rent (%)	2018 Average Base Rent Per Sq. Ft. (\$) (c) (d)	2018 Average Effective Rent Per Sq. Ft. (\$) (c) (e)
NEW YORK							
WESTCHESTER COUNTY							
Elmsford							
11 Clearbrook Road	1974	31,800	100.0%	553	0.13	17.39	16.29
75 Clearbrook Road	1990	32,720	100.0%	466	0.11	14.24	14.24
125 Clearbrook Road	2002	33,000	100.0%	634	0.15	19.21	14.64
150 Clearbrook Road	1975	74,900	100.0%	1,145	0.27	15.29	13.79
175 Clearbrook Road	1973	98,900	96.7%	1,532	0.36	16.02	14.47
200 Clearbrook Road	1974	94,000	99.8%	1,321	0.31	14.07	12.90
250 Clearbrook Road	1973	155,000	97.1%	1,565	0.37	10.40	9.02
50 Executive Boulevard	1969	45,200	28.9%	140	0.03	10.70	7.95
77 Executive Boulevard	1977	13,000	100.0%	263	0.06	20.23	19.08
85 Executive Boulevard	1968	31,000	81.2%	148	0.04	5.88	4.25
101 Executive Boulevard (g)	2018	35,000	100.0%	535	0.13	16.70	15.74
300 Executive Boulevard	1970	60,000	100.0%	790	0.19	13.17	12.47
350 Executive Boulevard	1970	15,400	99.4%	247	0.06	16.14	14.57
399 Executive Boulevard	1962	80,000	100.0%	1,172	0.28	14.65	14.08
400 Executive Boulevard	1970	42,200	100.0%	824	0.20	19.53	16.37
500 Executive Boulevard	1970	41,600	100.0%	756	0.18	18.17	16.39
525 Executive Boulevard	1972	61,700	97.9%	1,133	0.27	18.76	17.09
1 Westchester Plaza	1967	25,000	100.0%	419	0.10	16.76	16.40
2 Westchester Plaza	1968	25,000	96.1%	391	0.09	16.28	12.78
3 Westchester Plaza	1969	93,500	100.0%	1,614	0.38	17.26	15.14
4 Westchester Plaza	1969	44,700	100.0%	696	0.16	15.57	13.29
5 Westchester Plaza	1969	20,000	90.4%	322	0.08	17.80	14.32
6 Westchester Plaza	1968	20,000	100.0%	314	0.07	15.70	14.10
7 Westchester Plaza	1972	46,200	100.0%	806	0.19	17.45	15.45
8 Westchester Plaza	1971	67,200	96.6%	1,200	0.29	18.48	15.35
Hawthorne							
200 Saw Mill River Road	1965	51,100	100.0%	775	0.18	15.17	13.62
4 Skyline Drive	1987	80,600	95.4%	1,332	0.32	17.32	14.81
5 Skyline Drive	1980	124,022	97.9%	1,826	0.43	15.04	11.09
6 Skyline Drive	1980	44,155	100.0%	797	0.19	18.05	14.56
8 Skyline Drive	1985	50,000	48.1%	183	0.04	7.61	6.36
10 Skyline Drive	1985	20,000	68.5%	331	0.08	24.16	22.48
11 Skyline Drive (f)	1989	45,000	100.0%	1,001	0.24	22.24	21.42
12 Skyline Drive (f)	1999	46,850	70.1%	623	0.15	18.96	17.29
15 Skyline Drive (f)	1989	55,000	86.6%	881	0.21	18.49	16.35
Yonkers							
100 Corporate Boulevard	1987	78,000	98.3%	1,956	0.46	25.51	24.37
200 Corporate Boulevard South	1990	84,000	86.0%	1,572	0.37	21.76	18.88
4 Executive Plaza	1986	80,000	93.9%	1,744	0.41	23.22	21.48
6 Executive Plaza	1987	80,000	100.0%	1,861	0.44	23.26	21.54
1 Odell Plaza	1980	106,000	94.3%	1,660	0.40	16.60	14.78
3 Odell Plaza	1984	71,065	100.0%	2,198	0.52	30.93	28.66
5 Odell Plaza	1983	38,400	99.6%	641	0.15	16.75	15.42

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7 Odell Plaza	1984	42,600	100.0%	756	0.18	17.75	15.40
Total New York Office/Flex		2,383,812	94.3%	39,123	9.27	17.43	15.52

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Office/Flex Properties (continued)

and Retail Properties, and Land Leases

Property Location	Year Built	Net Rentable Area (Sq. Ft.)	Percentage Leased as of 12/31/18 (%) (a)	2018 Base Rent (\$000 s) (b) (c)	Percentage of Total 2018 Base Rent (%)	2018 Average Base Rent Per Sq. Ft. (\$) (c) (d)	2018 Average Effective Rent Per Sq. Ft. (\$) (c) (e)
CONNECTICUT							
FAIRFIELD COUNTY							
Stamford							
419 West Avenue	1986	88,000	100.0%	1,669	0.40	18.97	17.34
500 West Avenue	1988	25,000	100.0%	494	0.12	19.76	15.84
550 West Avenue	1990	54,000	13.0%	61	0.01	8.71	8.71
600 West Avenue	1999	66,000	100.0%	1,012	0.24	15.33	13.95
650 West Avenue	1998	40,000	100.0%	725	0.17	18.13	12.28
Total Connecticut Office/Flex		273,000	82.8%	3,961	0.94	17.53	15.02
TOTAL OFFICE/FLEX PROPERTIES		2,656,812	93.1%	43,084	10.21	17.44	15.47
NEW JERSEY							
HUDSON COUNTY							
Weehawken							
100 Avenue at Port Imperial	2016	8,400	100.0%	299	0.07	35.60	34.29
500 Avenue at Port Imperial	2013	16,736	98.2%	438	0.10	26.66	23.37
Total New Jersey Retail Properties		25,136	98.8%	737	0.17	29.68	27.06
NEW YORK							
WESTCHESTER COUNTY							
Tarrytown							
230 White Plains Road (h)	1984	9,300	100.0%	335	0.08	36.02	33.66
Yonkers							
2 Executive Boulevard	1986	8,000	100.0%	305	0.07	38.13	37.63
Total New York Retail Properties		17,300	100.0% (l)	640	0.15	36.99	35.49
Total Retail Properties		42,436	99.3%	1,377	0.32	32.68	30.52
NEW JERSEY							
MORRIS COUNTY							
Hanover							
Wegmans Land Lease				1,786	0.42		
Total Land Leases				1,786	0.42		

**TOTAL COMMERCIAL
PROPERTIES**

14,844,025

83.2%(1)

342,005

81.02

27.76

23.85

Table of Contents**Multi-Family Properties**

	Year Built	Net Rentable Commercial Area (Sq. Ft.)	Number of Units	Percentage Leased as of 12/31/18 (%) (a)	2018 Base Rent (\$000 s) (b) (c)	Percentage of Total 2018 Base Rent (%)	2018 Average Base Rent Per Home (\$ (c) (j)
NEW JERSEY							
HUDSON COUNTY							
<u>Jersey City</u>							
RoseGarden Monaco North	2011		243	93.0	9,739	2.31	3,591
RoseGarden Monaco South	2011		280	94.6	10,436	2.47	3,282
Marbella I (g)	2003		412	94.2	6,008	1.42	3,099
Riverhouse 11 at Port Imperial (g)	2018		295	97.6	2,110	0.50	1,456
MIDDLESEX COUNTY							
<u>New Brunswick</u>							
Richmond Court	1997		82	96.6	1,597	0.38	1,685
Riverwatch Commons	1995		118	96.6	2,255	0.54	1,648
MORRIS COUNTY							
<u>Morris Plains</u>							
Signature Place (g)	2018		197	94.9	1,828	0.43	1,081
UNION COUNTY							
<u>Rahway</u>							
Park Square (i)	2011	5,934	159	95.6	3,638	0.86	1,995
Total New Jersey Multi-Family		5,934	1,786	95.1	37,611	8.91	2,430
NEW YORK							
WESTCHESTER COUNTY							
<u>Eastchester</u>							
Quarry Place at Tuckahoe	2016	3,275	108	95.4	3,609	0.86	2,920
Total New York Multi-Family		3,275	108	95.4	3,609	0.86	2,920
MASSACHUSETTS							
MIDDLESEX COUNTY							
<u>Malden</u>							
The Chase at Overlook Ridge	2014		664	97.1	14,595	3.46	1,886
SUFFOLK COUNTY							
<u>East Boston</u>							
Portside at Pier One	2014	3,690	175	97.2	5,421	1.28	2,657
Portside 5/6 (g)	2018		296	91.6	2,530	0.60	1,159
<u>Revere</u>							
Alterra at Overlook Ridge IA	2004		310	95.2	6,293	1.49	1,778
Alterra at Overlook Ridge IB	2008		412	95.9	8,472	2.01	1,787

WORCESTER COUNTY

Worcester

145 Front at City Square (g)	2018	237	74.7	1,562	0.37	877
Total Massachusetts Multi-Family		3,690	2,094	93.3	38,873	9.21
Total Multi-Family Properties		12,899	3,988	94.2	80,093	18.98
TOTAL PROPERTIES		14,856,924	3,988	N/A	422,098(k)	100.00

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Footnotes to Property List (dollars in thousands, except per square foot amounts):

- (a) Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future and leases expiring December 31, 2018 aggregating 10,108 square feet (representing 0.1 percent of the Company's total net rentable square footage) for which no new leases were signed.
- (b) Total base rent for the year ended December 31, 2018, determined in accordance with generally accepted accounting principles (GAAP). Substantially all of the commercial leases provide for annual base rents plus recoveries and escalation charges based upon the tenant's proportionate share of and/or increases in real estate taxes and certain operating costs, as defined, and the pass through of charges for electrical usage. For the 12 months ended December 31, 2018, total escalations and recoveries from tenants were: \$36,153, or \$4.48 per leased square foot, for office properties; and \$1,142, or \$0.46 per leased square foot, for office/flex properties.
- (c) Excludes space leased by the Company.
- (d) Base rent for the 12 months ended December 31, 2018 divided by net rentable commercial square feet leased at December 31, 2018.
- (e) Total base rent, determined in accordance with GAAP, for 2018 minus 2018 amortization of tenant improvements, leasing commissions and other concessions and costs, determined in accordance with GAAP, divided by net rentable square feet leased at December 31, 2018.
- (f) This property is located on land leased by the Company.
- (g) As this property was acquired, commenced initial operations or initially consolidated by the Company during the 12 months ended December 31, 2018, the amounts represented in 2018 base rent reflect only that portion of those 12 months during which the Company owned or consolidated the property. Accordingly, these amounts may not be indicative of the property's full year results. For comparison purposes, the amounts represented in 2018 average base rent per sq. ft. and per unit for this property have been calculated by taking the 12 months ended December 31, 2018 base rent for such property and annualizing these partial-year results, dividing such annualized amounts by the net rentable square feet leased or occupied units at December 31, 2018. These annualized per square foot and per unit amounts may not be indicative of the property's results had the Company owned or consolidated the property for the entirety of the 12 months ended December 31, 2018.
- (h) Property being considered for repositioning, redevelopment or potential disposition.
- (i) This property was disposed of by the Company in January 2019.
- (j) Annualized base rent for the 12 months ended December 31, 2018 divided by units occupied at December 31, 2018, divided by 12.
- (k) Excludes approximately \$14.1 million from properties which were disposed of or removed from service during the year ended December 31, 2018.
- (l) Excludes properties being considered for repositioning, redevelopment, potential sale, or being prepared for lease up.

PERCENTAGE LEASED

The following table sets forth the year-end percentages of commercial square feet leased in the Company's stabilized operating Consolidated Properties for the last five years:

December 31,	Percentage of Square Feet Leased (%) (a)
2018	83.2(b)
2017	87.6(b)
2016	90.6(b)
2015	86.2
2014	84.2

-
- (a) Percentage of square-feet leased includes all leases in effect as of the period end date, some of which have commencement dates in the future and leases that expire at the period end date. For all years, excludes properties being prepared for lease up.

(b) Excludes properties being considered for repositioning, redevelopment or potential sale. Inclusive of such properties, percentage of square feet leased as of December 31, 2018, 2017 and 2016 was 81.7, 85.6 and 89.6 percent, respectively.

Table of Contents**SIGNIFICANT TENANTS**

The following table sets forth a schedule of the Company's 50 largest commercial tenants for the Consolidated Properties as of December 31, 2018 based upon annualized base rental revenue:

	Number of Properties	Annualized Base Rental Revenue (\$) (a)	Percentage of Company Annualized Base Rental Revenue (%)	Square Feet Leased	Percentage Total Company Leased Sq. Ft. (%)	Year of Lease Expiration
MUFG Bank Ltd.	1	11,465,968	3.4	282,606	2.4	(b)
Merrill Lynch Pierce Fenner	3	10,974,626	3.2	430,926	3.7	(c)
John Wiley & Sons, Inc.	1	10,888,238	3.2	290,353	2.5	2033
Dun & Bradstreet Corporation	2	7,464,280	2.2	192,280	1.6	2023
Montefiore Medical Center	7	7,327,505	2.2	296,572	2.5	(d)
Daiichi Sankyo, Inc.	1	6,773,878	2.0	171,900	1.5	2022
TD Ameritrade Services Company, Inc.	1	6,762,294	2.0	193,873	1.6	2020
DB Services New Jersey, Inc.	1	6,453,195	1.9	125,916	1.1	2019
E*Trade Financial Corporation	1	5,290,600	1.6	132,265	1.1	2030
KPMG, LLP	2	5,181,897	1.5	120,947	1.0	(e)
Plymouth Rock Management Company of New Jersey	2	5,141,920	1.5	159,326	1.4	(f)
Vonage America, Inc.	1	4,732,000	1.4	350,000	3.0	2023
HQ Global Workplaces, LLC	7	4,566,054	1.3	152,441	1.3	(g)
Investors Bank	2	4,392,845	1.3	139,296	1.2	(h)
Pfizer, Inc.	1	4,306,008	1.3	113,316	1.0	2024
Sumitomo Mitsui Banking Corp.	1	4,156,989	1.2	111,105	0.9	2036
ICAP Securities USA, LLC	2	4,079,450	1.2	121,871	1.0	(i)
Arch Insurance Company	1	4,005,563	1.2	106,815	0.9	2024
Brown Brothers Harriman & Co.	1	3,673,536	1.1	114,798	1.0	2026
First Data Corporation	1	3,641,873	1.1	88,374	0.8	(j)
Natixis North America, Inc.	1	3,093,290	0.9	89,907	0.8	2021
Cardinia Real Estate LLC	1	3,051,241	0.9	79,771	0.7	2032
National Union Fire Insurance Company of Pittsburgh, PA	1	3,045,068	0.9	117,118	1.0	2019
TierPoint New York, LLC	2	3,038,971	0.9	131,078	1.1	2024
Zurich American Insurance Company	1	2,707,320	0.8	64,414	0.5	2032
Leo Pharma Inc.	1	2,694,297	0.8	78,479	0.7	2027
Hackensack Meridian Health, Inc.	1	2,518,203	0.7	69,841	0.6	2027
AMTrust Financial Services, Inc.	1	2,460,544	0.7	76,892	0.7	2023
Tradeweb Markets, LLC	1	2,283,470	0.7	65,242	0.6	2027
Wells Fargo Advisors, LLC	2	2,217,342	0.7	57,870	0.5	(k)
New Jersey City University	1	2,212,209	0.7	68,348	0.6	2035
Movado Group, Inc.	1	2,206,225	0.7	90,050	0.8	2030
Jeffries, LLC	1	2,133,942	0.6	62,763	0.5	2023
Torre Lazur Healthcare Group, Inc.	1	2,126,340	0.6	70,878	0.6	2030
The Prudential Insurance Company of America	1	2,086,629	0.6	60,482	0.5	2023
Trustees of Princeton Univ.	1	2,058,079	0.6	67,478	0.6	2027
B&G Foods, Inc.	1	1,927,693	0.6	66,934	0.6	2026
GBT US LLC	1	1,920,566	0.6	49,563	0.4	2026

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PBF Holding Company, LLC	1	1,919,223	0.6	57,721	0.5	2022
Savvis Communications, LLC	1	1,858,324	0.5	71,474	0.6	2025
American General Life Insurance Company	1	1,854,975	0.5	74,199	0.6	2024
SunAmerica Asset Management, LLC	1	1,853,136	0.5	36,336	0.3	2023
Fujifilm Medical Systems U.S.A., Inc.	1	1,848,000	0.5	88,000	0.7	2019
UBS Financial Services, Inc.	3	1,842,643	0.5	53,987	0.5	(l)
Bressler, Amery & Ross, P.C.	1	1,766,850	0.5	70,674	0.6	2023
Sumitomo Mitsui Trust Bank (U.S.A.) Limited	1	1,711,454	0.5	38,134	0.3	2024
Budd Larner, P.C.	1	1,699,436	0.5	47,670	0.4	2024
Securitas Security Services	1	1,693,571	0.5	87,561	0.7	(m)
Gannett Satellite Information Network, Inc.	1	1,674,975	0.5	66,999	0.6	2024
Global Aerospace Inc.	1	1,556,457	0.5	47,891	0.4	2021
Totals		186,339,192	54.9	5,802,734	49.5	

See footnotes on subsequent page.

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Significant Tenants Footnotes

- (a) Annualized base rental revenue is based on actual December 2018 billings times 12. For leases whose rent commences after January 1, 2019, annualized base rental revenue is based on the first full month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.
- (b) 45,256 square feet expire in 2019; 237,350 square feet expire in 2029.
- (c) 9,356 square feet expire in 2019; 33,363 square feet expire in 2021; 388,207 square feet expire in 2027.
- (d) 650 square feet expire in 2019; 295,922 square feet expire in 2032.
- (e) 66,606 square feet expire in 2024; 54,341 square feet expire in 2026.
- (f) 29,540 square feet expire in 2019; 129,786 square feet expire in 2031.
- (g) 17,855 square feet expire in 2021; 38,930 square feet expire in 2023; 59,853 square feet expire in 2024; 20,395 square feet expire in 2026; 15,408 square feet expire in 2027.
- (h) 82,936 square feet expire in 2026; 56,360 square feet expire in 2030.
- (i) 63,372 square feet expire in 2023; 21,112 square feet expire in 2025; 37,387 square feet expire in 2033.
- (j) 8,014 square feet expire in 2026; 80,360 square feet expire in 2029.
- (k) 25,762 square feet expire in 2022; 32,108 square feet expire in 2024.
- (l) 27,274 square feet expire in 2022; 26,713 square feet expire in 2024.
- (m) 6,279 square feet expire in 2021; 81,282 square feet expire in 2031.

Table of Contents**SCHEDULE OF LEASE EXPIRATIONS**

The following table sets forth a schedule of lease expirations for the total of the Company's office, office/flex, industrial/warehouse and stand-alone retail properties included in the Consolidated Commercial Properties beginning January 1, 2019, assuming that none of the tenants exercise renewal or termination options:

Year Of Expiration	Number Of Leases Expiring (a)	Net Rentable Area Subject To Expiring Leases (Sq. Ft.)	Percentage Of Total Leased Square Feet Represented By Expiring Leases (%)	Annualized Base Rental Revenue Under Expiring Leases (\$) (b)	Average Annual Base Rent Per Net Rentable Square Foot Represented By Expiring Leases (\$)	Percentage Of Annual Base Rent Under Expiring Leases (%)
2019	116	1,173,185	10.0	33,533,699	28.58	9.9
2020	106	701,983	6.0	19,169,051	27.31	5.6
2021	100	1,050,810	8.9	31,078,420	29.58	9.2
2022	105	985,721	8.4	24,964,494	25.33	7.4
2023	95	1,861,636	15.8	50,369,288	27.06	14.8
2024	86	1,359,720	11.6	39,325,965	28.92	11.6
2025	37	601,439	5.1	15,728,808	26.15	4.5
2026	47	740,426	6.3	23,098,690	31.20	6.8
2027	21	763,605	6.5	20,924,676	27.40	6.3
2028	13	257,312	2.2	7,840,005	30.47	2.3
2029	18	497,080	4.2	18,207,547	36.63	5.3
2030 and thereafter	38	1,757,833	15.0	55,493,892	31.57	16.3
Totals/Weighted Average	782	11,750,750	100.0	339,734,535	28.91	100.0

- (a) Includes office, office/flex, industrial/warehouse and stand-alone retail property tenants only. Excludes leases for amenity, retail, parking and month-to-month tenants. Some tenants have multiple leases.
- (b) Annualized base rental revenue is based on actual December 2018 billings times 12. For leases whose rent commences after January 1, 2019 annualized base rental revenue is based on the first full month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.
- (c) Includes leases expiring December 31, 2018 aggregating 10,108 square feet and representing annualized rent of \$375,809 for which no new leases were signed.
- (d) Reconciliation to Company's total net rentable square footage is as follows:

	Square Feet
Square footage leased to commercial tenants	11,750,750
	350,470

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Square footage used for corporate offices, management offices, building use, retail tenants, food services, other ancillary service tenants and occupancy adjustments

Square footage unleased	2,717,669
Total net rentable commercial square footage (does not include land leases)	14,818,889

Table of Contents**INDUSTRY DIVERSIFICATION**

The following table lists the Company's 30 largest commercial tenants industry classifications based on annualized contractual base rent of the Consolidated Properties:

Industry Classification (a)	Annualized Base Rental Revenue			Square Feet Leased (c) (d)	Percentage of Total Company Leased Sq. Ft. (%)
	(b)	(c)	(d)		
Securities, Commodity Contracts & Other Financial	68,916,174		20.3	2,071,256	17.6
Credit Intermediation & Related Activities	40,138,788		11.8	1,042,325	8.9
Insurance Carriers & Related Activities	38,363,491		11.3	1,196,679	10.2
Manufacturing	27,458,189		8.1	915,091	7.8
Health Care & Social Assistance	16,072,397		4.7	663,800	5.6
Other Professional	15,420,013		4.5	472,440	4.0
Publishing Industries	13,957,417		4.1	431,189	3.7
Computer System Design Svcs.	13,121,158		3.9	472,148	4.0
Wholesale Trade	13,087,555		3.9	738,635	6.3
Legal Services	10,569,814		3.1	336,393	2.9
Advertising/Related Services	8,637,528		2.5	276,876	2.4
Educational Services	7,131,814		2.1	264,995	2.3
Telecommunications	7,110,280		2.1	440,984	3.8
Accounting/Tax Prep.	7,072,387		2.1	243,860	2.1
Real Estate & Rental & Leasing	6,627,048		2.0	221,356	1.9
Management/Scientific	5,416,157		1.6	185,140	1.6
Admin & Support, Waste Mgt. & Remediation Svcs.	5,247,174		1.5	236,351	2.0
Architectural/Engineering	4,238,760		1.2	166,967	1.4
Retail Trade	3,926,950		1.2	193,230	1.6
Public Administration	3,720,994		1.1	140,936	1.2
Arts, Entertainment & Recreation	3,539,687		1.0	253,701	2.2
Other Services (except Public Administration)	2,944,201		0.9	132,147	1.1
Construction	2,801,808		0.8	138,293	1.2
Transportation	2,050,136		0.6	82,231	0.7
Data Processing Services	1,975,038		0.6	75,963	0.6
Mining	1,919,223		0.6	57,721	0.5
Scientific Research/Developmnt	1,791,019		0.5	61,333	0.5
Specialized Design Services	1,692,793		0.5	60,992	0.5
Accommodation & Food Services	1,312,475		0.4	52,936	0.5
Information Services	1,230,649		0.4	51,373	0.4
Other	2,243,418		0.6	73,409	0.5
TOTAL	339,734,535		100.0	11,750,750	100.0

(a) The Company's tenants are classified according to the U.S. Government's North American Industrial Classification System (NAICS).

(b) Annualized base rental revenue is based on actual December 2018 billings times 12. For leases whose rent commences after January 1, 2019, annualized base rental revenue is based on the first full month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.

(c) Includes leases in effect as of the period end date, some of which have commencement dates in the future, and leases expiring December 31, 2018 aggregating 10,108 square feet and representing annualized base rent of \$375,809 for which no new leases were signed.

(d) Includes office, office/flex, industrial/warehouse and stand-alone retail tenants only. Excludes leases for amenity, retail, parking and month-to-month tenants. Some tenants have multiple leases.

Table of Contents**MARKET DIVERSIFICATION**

The following table lists the Company's markets, based on annualized commercial contractual base rent of the Consolidated Properties:

Market	Annualized Base Rental Revenue (\$ (a) (b) (c))	Percentage Of Company Annualized Base Rental Revenue (%)	Total Property Size Rentable Area (b) (c)	Percentage Of Rentable Area (%)
Jersey City, NJ	123,921,192	36.5	4,884,193	33.0
Newark, NJ (Essex-Morris-Union Counties)	94,560,948	27.9	3,646,430	24.6
Westchester-Rockland, NY	51,202,380	15.1	2,875,512	19.4
Middlesex-Somerset-Hunterdon, NJ	26,876,028	7.9	1,047,419	7.1
Monmouth-Ocean, NJ	19,324,272	5.7	1,069,490	7.2
Bergen-Passaic, NJ	11,063,736	3.3	616,510	4.2
Trenton, NJ	8,392,644	2.5	406,335	2.7
Stamford-Norwalk, CT	3,868,548	1.1	273,000	1.8
Totals	339,209,748	100.0	14,818,889	100.0

(a) Annualized base rental revenue is based on actual December 31, 2018 billings times 12. For leases whose rent commences after January 1, 2019, annualized base rental revenue is based on the first full month's billing times 12. As annualized base rental revenue is not derived from historical GAAP results, historical results may differ from those set forth above.

(b) Includes leases in effect as of the period end date, some of which have commencement dates in the future, and leases expiring December 31, 2018 aggregating 10,108 square feet and representing annualized base rent of \$375,809 for which no new leases were signed.

(c) Includes office, office/flex, industrial/warehouse and stand-alone retail tenants only. Excludes leases for amenity, retail, parking and month-to-month tenants. Some tenants have multiple leases.

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ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the Company's business, to which the Company is a party or to which any of the Properties is subject.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****MARKET INFORMATION**

The shares of the General Partner's common stock are traded on the New York Stock Exchange (NYSE) under the symbol CLI. There is no established public trading market for the Operating Partnership's common units.

The following table sets forth the quarterly high, low, and closing price per share of the General Partner's Common Stock reported on the NYSE for the years ended December 31, 2018 and 2017, respectively:

For the Year Ended December 31, 2018

	High		Low		Close
First Quarter	\$ 21.98	\$	15.86	\$	16.71
Second Quarter	\$ 20.86	\$	16.23	\$	20.28
Third Quarter	\$ 21.92	\$	18.92	\$	21.26
Fourth Quarter	\$ 22.26	\$	19.02	\$	19.59

For the Year Ended December 31, 2017

	High		Low		Close
First Quarter	\$ 29.70	\$	26.31	\$	26.94
Second Quarter	\$ 28.57	\$	25.96	\$	27.14
Third Quarter	\$ 27.75	\$	22.70	\$	23.71
Fourth Quarter	\$ 24.04	\$	21.18	\$	21.56

On February 15, 2019, the closing Common Stock price reported on the NYSE was \$21.08 per share.

On July 10, 2018, the General Partner filed with the NYSE its annual CEO Certification and Annual Written Affirmation pursuant to Section 303A.12 of the NYSE Listed Company Manual, each certifying that the General Partner was in compliance with all of the listing standards of the NYSE.

HOLDERS

On February 15, 2019, the General Partner had 301 common shareholders of record (this does not include beneficial owners for whom Cede & Co. or others act as nominee) and the Operating Partnership had 86 owners of limited partnership units and one owner of General Partnership units.

RECENT SALES OF UNREGISTERED SECURITIES; USES OF PROCEEDS FROM REGISTERED SECURITIES

During the three months ended December 31, 2018, the General Partner issued 12,500 shares of common stock to holders of common units in the Operating Partnership upon the redemption of such common units in private offerings pursuant to Section 4(a)(2) of the Securities Act. The holders of the common units were limited partners of the Operating Partnership and accredited investors under Rule 501 of the Securities Act. The holders of the common units each received one share of common stock for each common unit that they redeemed. The General Partner has registered the resale of such shares under the Securities Act.

DIVIDENDS AND DISTRIBUTIONS

The declaration and payment of dividends and distributions will continue to be determined by the Board of Directors of the General Partner in light of conditions then existing, including the Company's earnings, cash flows, financial condition, capital requirements, debt maturities, the availability of debt and equity capital, applicable REIT and legal restrictions and the general overall economic conditions and other factors.

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PERFORMANCE GRAPH

The following graph compares total stockholder returns from the last five fiscal years to the Standard & Poor's 500 Index (S&P 500) and to the National Association of Real Estate Investment Trusts, Inc.'s FTSE NAREIT Equity REIT Index (NAREIT). The graph assumes that the value of the investment in the General Partner's Common Stock and in the S&P 500 and NAREIT indices was \$100 at December 31, 2013 and that all dividends were reinvested. The price of the General Partner's Common Stock on December 31, 2013 (on which the graph is based) was \$21.48. The past stockholder return shown on the following graph is not necessarily indicative of future performance.

Comparison of Five-Year Cumulative Total Return

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA**

The following table sets forth selected financial data on a consolidated basis for the General Partner. The consolidated selected operating and balance sheet data of the General Partner as of December 31, 2018, 2017, 2016, 2015 and 2014, and for the years then ended have been derived from the General Partner's financial statements for the respective periods.

Operating Data (a) In thousands, except per share data	Year Ended December 31,				
	2018	2017	2016	2015	2014
Total revenues	\$ 530,606	\$ 616,200	\$ 613,398	\$ 594,883	\$ 636,799
Property expenses (b)	\$ 206,235	\$ 231,341	\$ 240,957	\$ 246,604	\$ 276,193
Real estate services expenses	\$ 17,919	\$ 23,394	\$ 26,260	\$ 25,583	\$ 26,136
General and administrative (c)	\$ 53,988	\$ 50,949	\$ 51,979	\$ 49,147	\$ 71,051
Property Impairments	\$	\$	\$	\$ 197,919	\$
Land impairments	\$ 24,566	\$	\$	\$	\$
Interest expense	\$ 83,754	\$ 93,388	\$ 94,889	\$ 103,051	\$ 112,878
Gain on change of control of interests	\$ 14,217	\$	\$ 15,347	\$	\$
Realized gains (losses) and unrealized losses on disposition of rental property, net	\$ 99,436	\$ 2,364	\$ 109,666	\$ 53,261	\$ 54,848
Gain on disposition of developable land	\$ 30,939	\$	\$	\$	\$
Gain on sale of investment in unconsolidated joint venture	\$	\$ 23,131	\$ 5,670	\$ 6,448	\$
Loss from extinguishment of debt, net	\$ (10,750)	\$ (421)	\$ (30,540)	\$	\$ (582)
Net income (loss) available to common shareholders	\$ 84,111	\$ 23,185	\$ 117,224	\$ (125,752)	\$ 28,567
Net income (loss) per share basic	\$ 0.80	\$ 0.06	\$ 1.31	\$ (1.41)	\$ 0.32
Net income (loss) per share diluted	\$ 0.80	\$ 0.06	\$ 1.30	\$ (1.41)	\$ 0.32
Dividends declared per common share	\$ 0.80	\$ 0.75	\$ 0.60	\$ 0.60	\$ 0.75
Basic weighted average shares outstanding	90,388	90,005	89,746	89,291	88,727
Diluted weighted average shares outstanding	100,724	100,703	100,498	100,222	100,041

Balance Sheet Data (a) In thousands	December 31,				
	2018	2017	2016	2015	2014
Rental property, before accumulated depreciation and amortization	\$ 5,306,017	\$ 5,102,844	\$ 4,804,867	\$ 4,807,718	\$ 4,958,179
Total assets	\$ 5,060,644	\$ 4,957,885	\$ 4,296,766	\$ 4,053,963	\$ 4,182,933
Total debt (d)	\$ 2,792,651	\$ 2,809,568	\$ 2,340,009	\$ 2,145,393	\$ 2,079,340
Total liabilities	\$ 3,033,004	\$ 3,076,954	\$ 2,570,079	\$ 2,370,255	\$ 2,300,922
Redeemable noncontrolling interests	\$ 330,459	\$ 212,208	\$	\$	\$
Total Mack-Cali Realty Corporation stockholders' equity	\$ 1,486,658	\$ 1,476,295	\$ 1,527,171	\$ 1,455,676	\$ 1,624,781
Total noncontrolling interests in subsidiaries	\$ 210,523	\$ 192,428	\$ 199,516	\$ 228,032	\$ 257,230

(a) Certain reclassifications have been made to prior period amounts in order to conform with current period presentation.

(b) Property expenses is calculated by taking the sum of real estate taxes, utilities and operating services for each of the periods presented.

(c) Amount for the year ended December 31, 2018 includes \$6.5 million of severance and related expenses related to executive management and other personnel changes during the year. Amount for the year ended December 31, 2014 includes \$23.8 million of severance costs related to the departure of the Company's former chief executive officer and certain of the other executive officers in 2014.

(d) Total debt is calculated by taking the sum of senior unsecured notes, unsecured revolving credit facility and term loans, and mortgages, loans payable and other obligations, net.

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The following table sets forth selected financial data on a consolidated basis for the Operating Partnership. The consolidated selected operating and balance sheet data of the Operating Partnership as of December 31, 2018, 2017, 2016, 2015 and 2014, and for the years then ended have been derived from the Operating Partnership's financial statements for the respective periods.

Operating Data (a) In thousands, except per unit data	Year Ended December 31,				
	2018	2017	2016	2015	2014
Total revenues	\$ 530,606	\$ 616,200	\$ 613,398	\$ 594,883	\$ 636,799
Property expenses (b)	\$ 206,235	\$ 231,341	\$ 240,957	\$ 246,604	\$ 276,193
Real estate services expenses	\$ 17,919	\$ 23,394	\$ 26,260	\$ 25,583	\$ 26,136
General and administrative (c)	\$ 53,988	\$ 50,949	\$ 51,979	\$ 49,147	\$ 71,051
Property Impairments	\$	\$	\$	\$ 197,919	\$
Land impairments	\$ 24,566	\$	\$	\$	\$
Interest expense	\$ 83,754	\$ 93,388	\$ 94,889	\$ 103,051	\$ 112,878
Gain on change of control of interests	\$ 14,217	\$	\$ 15,347	\$	\$
Realized gains (losses) and unrealized losses on disposition of rental property, net	\$ 99,436	\$ 2,364	\$ 109,666	\$ 53,261	\$ 54,848
Gain on disposition of developable land	\$ 30,939	\$	\$	\$	\$
Gain on sale of investment in unconsolidated joint venture	\$	\$ 23,131	\$ 5,670	\$ 6,448	\$
Loss from extinguishment of debt, net	\$ (10,750)	\$ (421)	\$ (30,540)	\$	\$ (582)
Net income (loss) available to common unitholders	\$ 93,638	\$ 25,896	\$ 130,945	\$ (141,008)	\$ 32,169
Net income (loss) per unit basic	\$ 0.80	\$ 0.06	\$ 1.31	\$ (1.41)	\$ 0.32
Net income (loss) per unit diluted	\$ 0.80	\$ 0.06	\$ 1.30	\$ (1.41)	\$ 0.32
Distributions declared per common unit	\$ 0.80	\$ 0.75	\$ 0.60	\$ 0.60	\$ 0.75
Basic weighted average units outstanding	100,634	100,410	100,245	100,222	99,999
Diluted weighted average units outstanding	100,724	100,703	100,498	100,222	100,041

Balance Sheet Data (a) In thousands	December 31,				
	2018	2017	2016	2015	2014
Rental property, before accumulated depreciation and amortization	\$ 5,306,017	\$ 5,102,844	\$ 4,804,867	\$ 4,807,718	\$ 4,958,179
Total assets	\$ 5,060,644	\$ 4,957,885	\$ 4,296,766	\$ 4,053,963	\$ 4,182,933
Total debt (d)	\$ 2,792,651	\$ 2,809,568	\$ 2,340,009	\$ 2,145,393	\$ 2,079,340
Total liabilities	\$ 3,033,004	\$ 3,076,954	\$ 2,570,079	\$ 2,370,255	\$ 2,300,922
Redeemable noncontrolling interests	\$ 330,459	\$ 212,208	\$	\$	\$
Total equity	\$ 1,697,181	\$ 1,668,723	\$ 1,726,687	\$ 1,683,708	\$ 1,882,011

(a) Certain reclassifications have been made to prior period amounts in order to conform with current period presentation.

(b) Property expenses is calculated by taking the sum of real estate taxes, utilities and operating services for each of the periods presented.

(c) Amount for the year ended December 31, 2018 includes \$6.5 million of severance and related expenses related to executive management and other personnel changes during the year. Amount for the year ended December 31, 2014 includes \$23.8 million of severance costs related to the departure of the Company's former chief executive officer and of certain of the other executive officers in 2014.

(d) Total debt is calculated by taking the sum of senior unsecured notes, unsecured revolving credit facility and term loans, and mortgages, loans payable and other obligations, net.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements of Mack-Cali Realty Corporation and Mack-Cali Realty, L.P. and the notes thereto (collectively, the Financial Statements). Certain defined terms used herein have the meaning ascribed to them in the Financial Statements.

Executive Overview

Mack-Cali Realty Corporation together with its subsidiaries, (collectively, the General Partner), including Mack-Cali Realty, L.P. (the Operating Partnership), has been involved in all aspects of commercial real estate development, management and ownership for over 60 years and the General Partner has been a publicly traded real estate investment trust (REIT) since 1994.

The Operating Partnership conducts the business of providing leasing, management, acquisition, development, construction and tenant-related services for its General Partner. The Operating Partnership, through its operating divisions and subsidiaries, including the Mack-Cali property-owning partnerships and limited liability companies, is the entity through which all of the General Partner's operations are conducted. Unless stated otherwise or the context requires, the Company refers to the General Partner and its subsidiaries, including the Operating Partnership and its subsidiaries. The Company owns or has interests in 135 properties (collectively, the Properties), consisting of 56 office and 55 flex properties, totaling approximately 15.4 million square feet which are leased to approximately 700 commercial tenants and 24 multi-family rental properties containing 6,910 apartment units. The Properties are located primarily in the Northeast, some with adjacent, Company-controlled developable land sites able to accommodate up to approximately 3.4 million square feet of additional commercial space and approximately 10,000 apartment units.

The Company's historical strategy has been to focus its operations, acquisition and development of office properties in high-barrier-to-entry markets and sub-markets where it believes it is, or can become, a significant and preferred owner and operator. In September 2015, the Company announced a strategic initiative to transform into a more concentrated owner of New Jersey Hudson River waterfront and transit-oriented office properties and a regional owner of luxury multi-family residential properties. As part of this plan, over the past three years, the Company has sold or has contracted to sell multiple properties, primarily commercial office, which it believes do not meet its long-term goals.

As an owner of real estate, almost all of the Company's earnings and cash flow are derived from rental revenue received pursuant to leased space at the Properties. Key factors that affect the Company's business and financial results include the following:

- the general economic climate;
- the occupancy rates of the Properties;
- rental rates on new or renewed leases;

- tenant improvement and leasing costs incurred to obtain and retain tenants;
- the extent of early lease terminations;
- the value of our office properties and the cash flow from the sale of such properties;
- operating expenses;
- anticipated acquisition and development costs for office and multi-family rental properties and the revenues and earnings from these properties;
- cost of capital; and
- the extent of acquisitions, development and sales of real estate, including the execution of the Company's current strategic initiative.

Any negative effects of the above key factors could potentially cause a deterioration in the Company's revenue and/or earnings. Such negative effects could include: (1) failure to renew or execute new leases as current leases expire; (2) failure to renew or execute new leases with rental terms at or above the terms of in-place leases; and (3) tenant defaults.

A failure to renew or execute new leases as current leases expire or to execute new leases with rental terms at or above the terms of in-place leases may be affected by several factors such as: (1) the local economic climate, which may be adversely impacted by business layoffs or downsizing, industry slowdowns, changing demographics and other factors; and (2) local real estate conditions, such as oversupply of the Company's product types or competition within the market.

Of the Company's core office markets, most continue to show signs of rental rate improvement, while the lease percentage has declined or stabilized. The percentage leased in the Company's consolidated portfolio of stabilized core operating commercial properties

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aggregating 14.1 million, 14.7 million and 20.9 million square feet at December 31, 2018, 2017 and 2016, respectively, was 83.2 percent leased at December 31, 2018, as compared to 87.6 percent leased at December 31, 2017 and 90.6 percent leased at December 31, 2016 (after adjusting for properties identified as non-core at the time). Percentage leased includes all leases in effect as of the period end date, some of which have commencement dates in the future and leases that expire at the period end date. Leases that expired as of December 31, 2018, 2017 and 2016 aggregate 10,108, 343,217 and 151,655 square feet, respectively, or 0.1, 2.3 and 0.7 percentage of the net rentable square footage, respectively. Rental rates (including escalations) on the Company's commercial space that was renewed (based on first rents payable) during the year ended December 31, 2018 (on 950,548 square feet of renewals) increased an average of 21.7 percent compared to rates that were in effect under the prior leases, as compared to a 1.7 percent increase during 2017 (on 1,680,687 square feet of renewals) and a 10.9 percent increase in 2016 (on 1,559,046 square feet of renewals). Estimated lease costs for the renewed leases in 2018 averaged \$3.46 per square foot per year for a weighted average lease term of 4.7 years, estimated lease costs for the renewed leases in 2017 averaged \$2.16 per square foot per year for a weighted average lease term of 7.2 years and estimated lease costs for the renewed leases in 2016 averaged \$4.04 per square foot per year for a weighted average lease term of 5.1 years. The Company believes that vacancy rates at its commercial properties have begun to bottom by the end of 2018 as the majority of the known move-outs at its waterfront portfolio have already occurred, and commercial rental rates may increase in some of its markets in 2019. As of December 31, 2018, commercial leases which comprise approximately 9.9 and 5.6 percent of the Company's annualized base rent are scheduled to expire during the years ended December 31, 2019 and 2020, respectively. With the positive rental rate results the Company has achieved in most of its markets recently, the Company believes that rental rates on new leases will generally be, on average, not lower than rates currently being paid. If these recent leasing results do not prove to be sustaining in 2019, the Company may receive less revenue from the same space.

During 2017, Moody's downgraded its investment grade rating on the Company's senior unsecured debt to sub-investment grade and during 2018, Standard & Poor's lowered its investment grade rating on the Company's senior unsecured debt to sub-investment grade. Amongst other things, such downgrade would have increased the interest rate on outstanding borrowings under the Company's current \$600 million unsecured revolving credit facility (which was amended in January 2017) from the London Inter-Bank Offered Rate (LIBOR) plus 120 basis points to LIBOR plus 155 basis points and the annual credit facility fee it pays would have increased from 25 to 30 basis points. Additionally, any such downgrade would have increased the current interest rate on each of the Company's \$350 million unsecured term loan and \$325 million unsecured term loan from LIBOR plus 140 basis points to LIBOR plus 185 points. Effective March 6, 2018, the Company elected to utilize the leverage grid pricing available under the unsecured revolving credit facility and both unsecured term loans. This resulted in an interest rate of LIBOR plus 130 basis points for the Company's unsecured revolving credit facility and 25 basis points for the facility fee and LIBOR plus 155 basis points for both unsecured term loans at the Company's current total leverage ratio. In addition, a downgrade in its ratings to sub-investment grade would result in higher interest rates on senior unsecured debt that the Company may issue in the future as compared to issuing such debt with investment grade ratings.

The remaining portion of this Management's Discussion and Analysis of Financial Condition and Results of Operations should help the reader understand our:

- recent transactions;
- critical accounting policies and estimates;
- results of operations for the year ended December 31, 2018 as compared to the year ended December 31, 2017;
- results of operations for the year ended December 31, 2017 as compared to the year ended December 31, 2016; and
- liquidity and capital resources.

Recent Transactions

Acquisitions:

On February 6, 2019, the Company completed the acquisition of a 271,988 square foot office property located in Iselin, New Jersey, for a purchase price of \$61.5 million, which was funded using funds available with the Company's qualified intermediary and borrowings under the Company's unsecured revolving credit facility.

On January 25, 2019, the Company signed an agreement to acquire a 377-unit multi-family rental property located in Jersey City, New Jersey for approximately \$264 million, subject to certain conditions. The acquisition is expected to be completed in the second quarter 2019.

Table of Contents**Properties Commencing Initial Operations:**

The following properties commenced initial operations during the year ended December 31, 2018 (*dollars in thousands*):

In-Service Date	Property	Location	Type	# of Apartment Units/ Rooms	Total Development Costs Incurred
03/01/18	145 Front at City Square	Worcester, MA	Multi-Family	365	\$ 97,483(a)
04/01/18	Signature Place at Morris Plains	Morris Plains, NJ	Multi-Family	197	56,715(b)
05/01/18	Portside 5/6	East Boston, MA	Multi-Family	296	114,694(c)
08/01/18	RiverHouse 11 at Port Imperial	Weehawken, NJ	Multi-Family	295	130,369(d)
12/13/18	Residence Inn By Marriott (Phase I)	Weehawken, NJ	Hotel	164	58,723(e)
Totals				1,317	\$ 457,984

- (a) Development costs as of December 31, 2018 included approximately \$4.4 in land costs. As of December 31, 2018, the Company anticipates additional costs of approximately \$1.1 million, which will be primarily funded from a construction loan.
- (b) Development costs as of December 31, 2018 included approximately \$0.9 in land costs.
- (c) As of December 31, 2018, the Company anticipates additional costs of approximately \$0.7 million, which will be funded by the Company.
- (d) As of December 31, 2018, the Company anticipates additional costs of \$1.2 million which will be funded by the Company.
- (e) As of December 31, 2018, the Company anticipates additional costs of \$20.1 million which will be funded from a construction loan.

Consolidations:

On August 2, 2018, the Company, which held a 24.27 percent subordinated interest in the unconsolidated joint venture Marbella Tower Urban Renewal Associates LLC, a 412-unit multi-family operating property located in Jersey City, New Jersey, acquired its equity partner's 50 percent interest for \$65.6 million in cash. The property was subject to a mortgage loan that had a principal balance of \$95 million. The cash portion of the acquisition was funded primarily through borrowings under the Company's unsecured revolving credit facility. Concurrently with the closing, the joint venture repaid the \$95 million mortgage loan in full and obtained a new loan collateralized by the property in the amount of \$131 million, which bears interest at 4.07 percent and matures in August 2026. The venture distributed \$37.4 million of the loan proceeds, of which the Company's share was \$30.4 million. As a result of the acquisition, the Company increased its ownership of the property from a 24.27 percent subordinated interest to a 74.27 percent controlling interest. In accordance with ASC 810, Consolidation, the Company evaluated the acquisition and determined that the entity meets the criteria of a VIE. As such, the Company consolidated the asset upon acquisition and accordingly, remeasured its equity interests, as required by the FASB's consolidation guidance, at fair value (based upon the income approach using current rates and market cap rates and discount rates). As a result, the Company recorded a gain on change of control of interests of \$14.2 million (a non-cash item) in the year ended December 31, 2018, when the Company accounted for the transaction as a VIE that is not a business

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in accordance with ASC 810-10-30-4. Additional non-cash items included in the acquisition were the Company's carrying value of its interest in the joint venture of \$14 million and the noncontrolling interest's fair value of \$29.8 million. See Note 9: Mortgages, Loans Payable and Other Obligations.

Land and leasehold interest	\$	48,820
Buildings and improvements and other assets, net		162,958
In-place lease values (a)		6,947
Less: Below market lease values (a)		(108)
		218,617
Less: Debt		(131,000)
Net Assets		87,617
Less: Noncontrolling interest (b)		(22,812)
Net assets recorded upon consolidation	\$	64,805

-
- (a) In-place and below market leases are being amortized over a weighted-average term of 9.3 months.
- (b) Noncontrolling interest balance reflects distribution of \$7.0 million of loan proceeds at closing.

Table of Contents**Dispositions/Rental Property Held for Sale:**

The Company disposed of the following office properties during the year ended December 31, 2018 (*dollars in thousands*):

Disposition Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds	Net Carrying Value	Realized Gains (losses)/ Unrealized Losses, net
02/15/18	35 Waterview Boulevard (a)	Parsippany, New Jersey	1	172,498	\$ 25,994	\$ 25,739	\$ 255
03/05/18	Hamilton portfolio (b)	Hamilton, New Jersey	6	239,262	17,546	17,501	45
03/07/18	Wall portfolio first closing	Wall, New Jersey	5	179,601	14,053	10,526	3,527
03/22/18	700 Horizon Drive	Hamilton, New Jersey	1	120,000	33,020	16,053	16,967
03/23/18	Wall portfolio second closing	Wall, New Jersey	3	217,822	30,209	12,961	17,248
03/28/18	75 Livingston Avenue	Roseland, New Jersey	1	94,221	7,983	5,609	2,374
03/28/18	20 Waterview Boulevard (c)	Parsippany, New Jersey	1	225,550	12,475	11,795	680
03/30/18	Westchester Financial Center (d)	White Plains, New York	2	489,000	81,769	64,679	17,090
06/27/18	65 Jackson Drive	Cranford, New Jersey	0		1,510(e)		1,510
08/02/18	600 Horizon Drive	Hamilton, New Jersey	1	95,000	15,127	6,191	8,936
09/05/18	1 & 3 Barker Avenue	White Plains, New York	2	133,300	15,140	13,543	1,597
11/15/18	120 Passaic Street (f)	Rochelle Park, New Jersey	1	52,000	2,667	2,568	99
12/31/18	Elmsford Distribution Center	Elmsford, New York	6	387,400	66,557	17,314	49,243
Sub-total			30	2,405,654	324,050	204,479	119,571
Unrealized losses on rental property held for sale							(20,135)
Totals			30	2,405,654	\$ 324,050	\$ 204,479	\$ 99,436

(a) The Company recorded a valuation allowance of \$0.7 million on this property during the year ended December 31, 2017.

(b) The Company recorded a valuation allowance of \$0.6 million on these properties during the year ended December 31, 2017. The disposition additionally included two land properties.

(c) The Company recorded a valuation allowance of \$11 million on this property during the year ended December 31, 2017. Prior to closing, the Company provided short term financing through a note receivable to an affiliate of the buyers of \$2.8 million. The note was paid off in the second quarter of 2018.

(d) Prior to closing, the Company provided financing through a note receivable to an affiliate of the buyers of \$4.0 million. The note was paid off in October 2018.

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(e) Represents the receipt by the Company in the second quarter 2018 of variable contingent sales consideration, net of costs, of \$1.5 million subsequent to disposition of the property sold in January 2017.

(f) The net sale proceeds were held by a qualified intermediary, which is noncash and recorded in deferred charges, goodwill and other assets as of December 31, 2018. See Note 5: Deferred Charges, Goodwill and Other Assets, Net).

The Company disposed of the following developable land holding during the year ended December 31, 2018 (*dollars in thousands*):

Disposition Date	Property Address	Location	Net Sales Proceeds	Net Carrying Value	Gain on Disposition of Developable Land
12/31/18	One Lake Street	Upper Saddle River, New Jersey (a)	\$ 46,036	\$ 15,097	\$ 30,939
Totals			\$ 46,036	\$ 15,097	\$ 30,939

(a) The net sale proceeds were held by a qualified intermediary, which is noncash and recorded in deferred charges, goodwill and other assets as of December 31, 2018. See Note 5: Deferred Charges, Goodwill and Other Assets, Net. The net carrying value includes \$3 million of development costs funded at the closing.

The Company identified as held for sale six office properties totaling approximately 845,000 square feet and a 159 unit multi-family rental property as of December 31, 2018. The properties are located in Fort Lee, Newark, Paramus, Bridgewater, Morris Plains and Rahway, New Jersey. The total estimated sales proceeds, net of expected selling costs, from the sales are expected to be approximately \$124 million. The Company determined that the carrying value of four of the properties was not expected to be recovered from estimated net sales proceeds and accordingly recognized an unrealized loss allowance of \$20.1 million during the year ended December 31, 2018. In January 2019, the Company completed the disposition of three of these properties for sales proceeds of approximately \$54.5 million.

Land Impairments:

The Company owns two separate developable land parcels in Conshohocken and Bala Cynwyd, Pennsylvania, that were being considered for development into multi-family rental properties. During the fourth quarter 2018, the Company made the decision to pursue selling the land parcels rather than developing them. Due to the shortening of the expected periods of ownership, the Company determined that it was necessary to reduce the carrying values of the land parcels to their estimated fair values (ascertained by broker opinions of value obtained during the marketing process) and recorded total land impairments charges of \$24.6 million at December 31, 2018.

Unconsolidated Joint Venture Activity:

On January 31, 2019, the Company, which held a 24.27 percent subordinated interest in the unconsolidated joint venture, Marbella Tower Urban Renewal Associates South LLC (Marbella II), a 311-unit multi-family operating property located in Jersey City, New Jersey, acquired its equity partner's 50 percent interest for \$77.5 million in cash. The acquisition was funded primarily using available cash. Concurrently with the closing, the joint venture repaid in full the property's \$74.7 million mortgage loan and obtained a new loan in the amount of \$117 million.

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On December 11, 2018, the Company acquired one of its partner's interest in the Metropolitan and Shops at 40 Park and the Lofts at 40 Park for \$1.3 million and as a result, increased its ownership from 12.5 percent interest to 25 percent interest in the Metropolitan and Shops at 40 Park and from 25 percent interest to 50 percent interest in the Lofts at 40 Park.

Critical Accounting Policies and Estimates

The accompanying consolidated financial statements include all accounts of the Company, its majority-owned and/or controlled subsidiaries, which consist principally of the Operating Partnership and variable interest entities for which the Company has determined itself to be the primary beneficiary, if any. See Note 2: Significant Accounting Policies to the Financial Statements, for the Company's treatment of unconsolidated joint venture interests. Intercompany accounts and transactions have been eliminated.

Accounting Standards Codification (ASC) 810, Consolidation, provides guidance on the identification of entities for which control is achieved through means other than voting rights (variable interest entities or VIEs) and the determination of which business enterprise, if any, should consolidate the VIEs. Generally, the consideration of whether an entity is a VIE applies when either: (1) the equity investors (if any) lack (i) the ability to make decisions about the entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; (2) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and substantially all of the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the variable interest entity's performance; and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

On January 1, 2016, the Company adopted accounting guidance under ASC 810, Consolidation, modifying the analysis it must perform to determine whether it should consolidate certain types of legal entities. The guidance does not amend the existing disclosure requirements for variable interest entities or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model. Under the revised guidance, the Operating Partnership will be a variable interest entity of the parent company, Mack-Cali Realty Corporation. As the Operating Partnership is already consolidated in the balance sheets of Mack-Cali Realty Corporation, the identification of this entity as a variable interest entity has no impact on the consolidated financial statements of Mack-Cali Realty Corporation. There were no other legal entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption.

The Financial Statements have been prepared in conformity with generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Certain reclassifications have been made to prior period amounts in order to conform with current period presentation. These estimates and assumptions are based on management's historical experience that are believed to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. The Company's critical accounting policies are those which require assumptions to be made about matters that are highly uncertain. Different estimates could have a material effect on the Company's financial results. Judgments and uncertainties affecting the application of these policies and estimates may result in materially different amounts being reported under different conditions and circumstances.

Rental Property:

Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition, development and construction of rental properties are capitalized. Acquisition-related costs were expensed as incurred through December 31, 2016. The Company early adopted FASB guidance Accounting Standards Update (ASU) 2017-01 on January 1, 2017, which revises the definition of a business and is expected to result in more transactions to be accounted for as asset acquisitions and significantly limit transactions that would be accounted for as business combinations. Where an acquisition has been determined to be an asset acquisition, acquisition-related costs are capitalized. Capitalized development and construction costs include pre-construction costs essential to the development of the property, development and construction costs, interest, property taxes, insurance, salaries and other project costs incurred during the period of development. Interest capitalized by the Company for the years ended December 31, 2018, 2017 and 2016 was \$27.0 million, \$20.2 million and \$19.3 million, respectively. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

The Company considers a construction project as substantially completed and held available for occupancy upon the substantial completion of improvements, but no later than one year from cessation of major construction activity (as distinguished from activities

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such as routine maintenance and cleanup). If portions of a rental project are substantially completed and occupied by tenants or residents, or held available for occupancy, and other portions have not yet reached that stage, the substantially completed portions are accounted for as a separate project. The Company allocates costs incurred between the portions under construction and the portions substantially completed and held available for occupancy, primarily based on a percentage of the relative commercial square footage or multi-family units of each portion, and capitalizes only those costs associated with the portion under construction.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Leasehold interests	Remaining lease term
Buildings and improvements	5 to 40 years
Tenant improvements	The shorter of the term of the related lease or useful life
Furniture, fixtures and equipment	5 to 10 years

Upon acquisition of rental property, the Company estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities assumed, generally consisting of the fair value of (i) above and below market leases, (ii) in-place leases and (iii) tenant relationships. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their fair values. The Company records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed differ from the purchase consideration of a business transaction. In estimating the fair value of the tangible and intangible assets acquired, the Company considers information obtained about each property as a result of its due diligence and marketing and leasing activities, and utilizes various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed rate renewal options for below-market leases. The capitalized above-market lease values are amortized as a reduction of base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases.

Other intangible assets acquired include amounts for in-place lease values and tenant relationship values, which are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Company's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in-place leases are amortized to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles are amortized to expense over the anticipated life of the relationships or leases.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's rental properties held for use may be impaired. In addition to identifying any specific circumstances which may affect a property or properties, management considers other criteria

for determining which properties may require assessment for potential impairment. The criteria considered by management include reviewing low leased percentages, significant near-term lease expirations, current and historical operating and/or cash flow losses, near-term mortgage debt maturities and/or other factors, including those that might impact the Company's intent and ability to hold the property. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the impairment loss shall be measured as the excess of the carrying value of the property over the fair value of the property. The Company's estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions. These assumptions are generally based on management's experience in its local real estate markets and the effects of current market conditions. The assumptions are subject to economic and market uncertainties including, among others,

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demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved, and actual losses or impairments may be realized in the future.

Rental Property Held for Sale:

When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. The Company generally considers assets to be held for sale when the transaction has received appropriate corporate authority and there are no significant contingencies relating to the sale. If, in management's opinion, the estimated net sales price, net of selling costs, of the assets which have been identified as held for sale is less than the carrying value of the assets, a valuation allowance (which is recorded as unrealized losses on disposition of rental property) is established.

If circumstances arise that previously were considered unlikely and, as a result, the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying value before the property was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the property been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

Investments in Unconsolidated Joint Ventures:

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. The Company applies the equity method by initially recording these investments at cost, as Investments in Unconsolidated Joint Ventures, subsequently adjusted for equity in earnings and cash contributions and distributions. The outside basis portion of the Company's joint ventures is amortized over the anticipated useful lives of the underlying ventures' tangible and intangible assets acquired and liabilities assumed. Generally, the Company would discontinue applying the equity method when the investment (and any advances) is reduced to zero and would not provide for additional losses unless the Company has guaranteed obligations of the venture or is otherwise committed to providing further financial support for the investee. If the venture subsequently generates income, the Company only recognizes its share of such income to the extent it exceeds its share of previously unrecognized losses.

If the venture subsequently makes distributions and the Company does not have an implied or actual commitment to support the operations of the venture, including a general partner interest in the investee, the Company will not record a basis less than zero, rather such amounts will be recorded as equity in earnings of unconsolidated joint ventures.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's investments in unconsolidated joint ventures may be impaired. An investment is impaired only if management's estimate of the value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying value of the investment over the value of the investment. The Company's estimates of value for each investment (particularly in real estate joint ventures) are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and operating costs. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the values estimated by management in its

impairment analyses may not be realized, and actual losses or impairment may be realized in the future. See Note 4: Investments in Unconsolidated Joint Ventures to the Financial Statements.

Revenue Recognition:

Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the cumulative amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed-rate renewal options for below-market leases. The capitalized above-market lease values for acquired properties are amortized as a reduction of base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed-rate renewal options of the respective leases.

Escalations and recoveries from tenants are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs.

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Real estate services revenue includes property management, development, construction and leasing commission fees and other services, and payroll and related costs reimbursed from clients. Fee income derived from the Company's unconsolidated joint ventures (which are capitalized by such ventures) are recognized to the extent attributable to the unaffiliated ownership interests.

Parking income includes income from parking spaces leased to tenants and others.

Other income includes income from tenants for additional services arranged for by the Company and income from tenants for early lease terminations.

Allowance for Doubtful Accounts:

Management performs a detailed review of amounts due from tenants to determine if an allowance for doubtful accounts is required based on factors affecting the collectability of the accounts receivable balances. The factors considered by management in determining which individual tenant receivable balances, or aggregate receivable balances, require a collectability allowance include the age of the receivable, the tenant's payment history, the nature of the charges, any communications regarding the charges and other related information. Management's estimate of the allowance for doubtful accounts requires management to exercise significant judgment about the timing, frequency and severity of collection losses, which affects the allowance and net income.

Redeemable Noncontrolling Interests:

The Company evaluates the terms of the partnership units issued in accordance with the FASB's Distinguishing Liabilities from Equity guidance. Units which embody an unconditional obligation requiring the Company to redeem the units for cash after a specified or determinable date (or dates) or upon the occurrence of an event that is not solely within the control of the issuer are determined to be contingently redeemable under this guidance and are included as Redeemable noncontrolling interests and classified within the mezzanine section between Total liabilities and Stockholders' equity on the Company's Consolidated Balance Sheets. The carrying amount of the redeemable noncontrolling interests will be changed by periodic accretions, so that the carrying amount will equal the estimated future redemption value at the redemption date.

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The following comparisons for the year ended December 31, 2018 (2018), as compared to the year ended December 31, 2017 (2017), and for 2017 as compared to the year ended December 31, 2016 (2016) make reference to the following: (i) the effect of the Same-Store Properties, which represent all in-service properties owned by the Company at December 31, 2016, (for the 2018 versus 2017 comparisons), and which represent all in-service properties owned by the Company at December 31, 2015 (for the 2017 versus 2016 comparisons), excluding properties sold, disposed of, removed from service, or being redeveloped or repositioned from January 1, 2016 through December 31, 2018; (ii) the effect of the Acquired Properties, which represent all properties acquired by the Company or commencing initial operation from January 1, 2017 through December 31, 2018 (for the 2018 versus 2017 comparisons), and which represents all properties acquired by the Company or commencing initial operations from January 1, 2016 through December 31, 2017 (for the 2017 versus 2016 comparisons), and (iii) the effect of Properties Sold which represent properties sold, disposed of, or removed from service (including properties being redeveloped or repositioned) by the Company from January 1, 2016 through December 31, 2018. During the 2018 and 2017 periods, six office properties, aggregating 638,481 square feet, were removed from service as they were being redeveloped by the Company.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

(dollars in thousands)	Year Ended December 31,		Dollar Change	Percent Change
	2018	2017		
Revenue from rental operations and other:				
Base rents	\$ 436,222	\$ 501,334	\$ (65,112)	(13.0)%
Escalations and recoveries from tenants	44,121	58,767	(14,646)	(24.9)
Parking income	22,117	20,270	1,847	9.1
Other income	11,052	12,700	(1,648)	(13.0)
Total revenues from rental operations	513,512	593,071	(79,559)	(13.4)
Property expenses:				
Real estate taxes	64,555	81,364	(16,809)	(20.7)
Utilities	39,054	42,598	(3,544)	(8.3)
Operating services	102,626	107,379	(4,753)	(4.4)
Total property expenses	206,235	231,341	(25,106)	(10.9)
Non-property revenues:				
Real estate services	17,094	23,129	(6,035)	(26.1)
Total non-property revenues	17,094	23,129	(6,035)	(26.1)
Non-property expenses:				
Real estate services expenses	17,919	23,394	(5,475)	(23.4)
General and administrative	53,988	50,949	3,039	6.0
Depreciation and amortization	174,847	205,169	(30,322)	(14.8)
Land Impairments	24,566		24,566	
Total non-property expenses	271,320	279,512	(8,192)	(2.9)
Other (expense) income:				
Interest expense	(83,754)	(93,388)	9,634	10.3
Interest and other investment income (loss)	3,389	2,766	623	22.5
Equity in earnings (loss) of unconsolidated joint ventures	(127)	(6,081)	5,954	97.9
Gain on change of control of interests	14,217		14,217	
Realized gains (losses) and unrealized losses on disposition of rental property, net	99,436	2,364	97,072	4,106.3
Gain on disposition of developable land	30,939		30,939	

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Gain on sale of investment in unconsolidated joint venture			23,131		(23,131)	(100.0)
Loss from extinguishment of debt, net	(10,750)		(421)		(10,329)	(2,453.4)
Total other (expense) income	53,350		(71,629)		124,979	174.5
Net income	\$ 106,401	\$	33,718	\$	72,683	215.6%

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The following is a summary of the changes in revenue from rental operations and other, and property expenses, in 2018 as compared to 2017 divided into Same-Store Properties, Acquired Properties and Properties Sold in 2017 and 2018:

(dollars in thousands)	Total Company		Same-Store Properties		Acquired Properties		Properties Sold in 2017 and 2018	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenue from rental operations and other:								
Base rents	\$ (65,112)	(13.0)%	\$ (20,899)	(4.2)%	\$ 28,011	5.6%	\$ (72,224)	(14.4)%
Escalations and recoveries from tenants	(14,646)	(24.9)	(4,392)	(7.5)	1,700	2.9	(11,954)	(20.3)
Parking income	1,847	9.1	916	4.5	2,090	10.3	(1,159)	(5.7)
Other income	(1,648)	(13.0)	(2,428)	(19.1)	1,401	11.0	(621)	(4.9)
Total	\$ (79,559)	(13.4)%	\$ (26,803)	(4.5)%	\$ 33,202	5.6%	\$ (85,958)	(14.5)%
Property expenses:								
Real estate taxes	\$ (16,809)	(20.7)%	\$ (6,820)	(8.4)%	\$ 2,933	3.6%	\$ (12,922)	(15.9)%
Utilities	(3,544)	(8.3)	1,355	3.2	2,177	5.1	(7,076)	(16.6)
Operating services	(4,753)	(4.4)	1,145	1.1	7,710	7.2	(13,608)	(12.7)
Total	\$ (25,106)	(10.9)%	\$ (4,320)	(1.9)%	\$ 12,820	5.5%	\$ (33,606)	(14.5)%
OTHER DATA:								
Number of Consolidated Properties	120		105		15		97	
Commercial Square feet (in thousands)	14,857		13,601		1,256		7,669	
Multi-family portfolio (number of units)	3,988		2,028		1,960			

Base rents. Base rents for the Same-Store Properties decreased \$20.9 million, or 4.2 percent, for 2018 as compared to 2017, due primarily to a 650 basis point decrease in the average same store percent leased of the office portfolio from 89.4 percent in 2017 to 82.9 percent in 2018, primarily from the Company's office properties located in Jersey City, New Jersey.

Escalations and recoveries. Escalations and recoveries from tenants for the Same-Store Properties decreased \$4.4 million, or 7.5 percent, for 2018 over 2017, due primarily to lower real estate tax expenses, as well as lower percent leased, in 2018 at its office properties in Jersey City, New Jersey, which resulted in lower recoveries in 2018 as compared to 2017.

Parking income. Parking income for the Same-Store Properties increased \$0.9 million, or 4.5 percent for 2018 as compared to 2017 due primarily to an overall greater amount of parking usage in 2018.

Other income. Other income for the Same-Store Properties decreased \$2.4 million, or 19.1 percent for 2018 as compared

to 2017 due primarily to a decrease in lease breakage fees recognized in 2018, as compared to 2017.

Real estate taxes. Real estate taxes on the Same-Store Properties decreased \$6.8 million, or 8.4 percent, for 2018 as compared to 2017 due primarily to an increase in tax appeal proceeds received in 2018 as compared to 2017. Real estate taxes, without the effect of net tax appeal proceeds, decreased \$2.5 million, or 2.9 percent, for 2018 as compared to 2017 due primarily to lower tax assessment values for the Company's office properties in Jersey City, New Jersey in 2018.

Utilities. Utilities for the Same-Store Properties increased \$1.4 million, or 3.2 percent, for 2018 as compared to 2017, due primarily to increased electricity rates and usage in 2018 as compared to 2017.

Operating services. Operating services for the Same-Store Properties increased \$1.1 million, or 1.1 percent, due primarily to severance, separation and related costs in 2018 from property management restructurings of \$1.4 million, partially offset by a decrease of \$0.7 million in property maintenance costs in 2018 as compared to 2017.

Real estate services revenue. Real estate services revenue (primarily reimbursement of property personnel costs) decreased \$6.0 million, or 26.1 percent, for 2018 as compared to 2017, due primarily to decreased third party development and property management activity in multi-family services in 2018 as compared to 2017.

Real estate services expenses. Real estate services expenses decreased \$5.5 million, or 23.4 percent, for 2018 as compared to 2017 due primarily to decreased salaries and related expenses from lower third party services activities in 2018.

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General and administrative. General and administrative expenses increased \$3.0 million, or 6.0 percent, in 2018 as compared to 2017 due primarily to severance, separation and related costs from management restructurings in 2018 of \$6.6 million, partially offset by a decrease in overhead salaries and related expenses from a decrease in overall corporate personnel in 2018 as compared to 2017 of \$3.9 million.

Depreciation and amortization. Depreciation and amortization decreased \$30.3 million, or 14.8 percent, for 2018 over 2017. This increase was due primarily to lower depreciation of approximately \$34.1 million for properties sold or removed from service during 2017 and 2018 and a decrease of \$3.1 million for 2018 as compared to 2017 on the Same-Store Properties primarily due to assets becoming fully amortized. These were partially offset by an increase in depreciation of \$6.9 million for 2018 as compared to 2017 from the Acquired Properties.

Land impairments. The Company recorded land impairment charges of \$24.6 million in 2018 on two developable land parcels in Pennsylvania.

Interest expense. Interest expense decreased \$9.6 million, or 10.3 percent, for 2018 as compared to 2017. This decrease was primarily the result of lower average interest rates for 2018 as compared to 2017, due to the refinancing of the Company's debt in 2017 and 2018.

Interest and other investment income. Interest and other investment income increased \$0.6 million, or 22.5 percent, for 2018 as compared to 2017 primarily due to higher average notes receivable balances outstanding in 2018 as compared to 2017.

Equity in earnings (loss) of unconsolidated joint ventures. Equity in earnings of unconsolidated joint ventures increased \$6.0 million, or 97.9 percent, for 2018 as compared to 2017. The increase was due primarily to an increase of \$5.4 million for 2018 as compared to 2017 from the Urby at Harborside venture, which was placed in service in 2017, and also included in 2018 the Company's share of \$2.6 million from venture's sale of an economic tax credit to a third party.

Gain on change of control of interests. The Company recorded a gain on change of control of interests of \$14.2 million in 2018 as a result of its acquisition of its equity partners' interest in a multi-family property located in Jersey City, New Jersey. See Note 3: Recent Transactions - Consolidations to the Financial Statements.

Realized gains (losses) and unrealized losses on disposition of rental property, net. The Company had realized gains (unrealized losses) on disposition of rental property of \$99.4 million in 2018 and \$2.4 million in 2017. See Note 3: Recent Transactions - Dispositions to the Financial Statements.

Gain on disposition of developable land. The Company recorded a gain of \$30.9 million 2018 on the disposal of land in Upper Saddle River, New Jersey. See Note 3: Recent Transactions Dispositions to the Financial Statements.

Gain on sale of investment in unconsolidated joint venture. In 2017, the Company recorded a \$23.1 million gain on the sale in 2017 of its interests in certain joint ventures.

Loss from extinguishment of debt, net. In 2018, the Company recognized a loss from extinguishment of debt of \$10.8 million in connection with the early prepayment of certain mortgage payables. In 2017, the Company recognized a loss from extinguishment of debt of \$0.4 million due to allocated costs as a result of the amendment of its revolving credit facility in 2017 and the refinancing of a mortgage loan in 2017. See Note 8 to the Financial Statements: Unsecured Revolving Credit Facility and Term Loans and Note 9 to the Financial Statements: Mortgages, Loans Payable and Other Obligations.

Net income. Net income increased to \$106.4 million in 2018 from \$33.7 million in 2017. The increase of \$72.7 million was due to the factors discussed above.

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(dollars in thousands)	Year Ended December 31,		Dollar	Percent
	2017	2016	Change	Change
Revenue from rental operations and other:				
Base rents	\$ 501,334	\$ 506,877	\$ (5,543)	(1.1)%
Escalations and recoveries from tenants	58,767	60,505	(1,738)	(2.9)
Parking income	20,270	13,630	6,640	48.7
Other income	12,700	5,797	6,903	119.1
Total revenues from rental operations	593,071	586,809	6,262	1.1
Property expenses:				
Real estate taxes	81,364	87,379	(6,015)	(6.9)
Utilities	42,598	49,624	(7,026)	(14.2)
Operating services	107,379	103,954	3,425	3.3
Total property expenses	231,341	240,957	(9,616)	(4.0)
Non-property revenues:				
Real estate services	23,129	26,589	(3,460)	(13.0)
Total non-property revenues	23,129	26,589	(3,460)	(13.0)
Non-property expenses:				
Real estate services expenses	23,394	26,260	(2,866)	(10.9)
General and administrative	50,949	51,979	(1,030)	(2.0)
Acquisition-related costs		2,880	(2,880)	(100.0)
Depreciation and amortization	205,169	186,684	18,485	9.9
Total non-property expenses	279,512	267,803	11,709	4.4
Other (expense) income:				
Interest expense	(93,388)	(94,889)	1,501	1.6
Interest and other investment income	2,766	1,614	1,152	71.4
Equity in earnings (loss) of unconsolidated joint ventures	(6,081)	18,788	(24,869)	(132.4)
Gain on change of control of interests		15,347	(15,347)	(100.0)
Realized gains (losses) and unrealized losses on disposition of rental property, net	2,364	109,666	(107,302)	(97.8)
Gain on sale of investment in unconsolidated joint venture	23,131	5,670	17,461	308.0
Loss from extinguishment of debt, net	(421)	(30,540)	30,119	98.6
Total other (expense) income	(71,629)	25,656	(97,285)	(379.2)
Net income	\$ 33,718	\$ 130,294	\$ (96,576)	(74.1)%

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The following is a summary of the changes in revenue from rental operations and other, and property expenses, in 2017 as compared to 2016 divided into Same-Store Properties, Acquired Properties and Properties Sold in 2016 and 2017:

(dollars in thousands)	Total Company		Same-Store Properties		Acquired Properties		Properties Sold in 2016 and 2017	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenue from rental operations and other:								
Base rents	\$ (5,543)	(1.1)%	\$ 5,653	1.1%	\$ 72,837	14.4%	\$ (84,033)	(16.6)%
Escalations and recoveries from tenants	(1,738)	(2.9)	2,274	3.8	4,444	7.3	(8,456)	(14.0)
Parking income	6,640	48.7	4,330	31.8	2,512	18.4	(202)	(1.5)
Other income	6,903	119.1	(767)	(13.2)	7,729	133.3	(59)	(1.0)
Total	\$ 6,262	1.1%	\$ 11,490	2.0%	\$ 87,522	14.9%	\$ (92,750)	(15.8)%
Property expenses:								
Real estate taxes	\$ (6,015)	(6.9)%	\$ 808	0.9%	\$ 8,975	10.3%	\$ (15,798)	(18.1)%
Utilities	(7,026)	(14.2)	(502)	(1.0)	4,131	8.3	(10,655)	(21.5)
Operating services	3,425	3.3	4,530	4.4	14,853	14.3	(15,958)	(15.4)
Total	\$ (9,616)	(4.0)%	\$ 4,836	2.0%	\$ 27,959	11.6%	\$ (42,411)	(17.6)%
OTHER DATA:								
Number of Consolidated Properties	142		126		16		98	
Commercial Square feet (in thousands)	17,148		15,130		2,018		9,300	
Multi-family portfolio (number of units)	2,551		1,081		1,470			

Base rents. Base rents for the Same-Store Properties increased \$5.7 million, or 1.1 percent, for 2017 as compared to 2016, due primarily to a \$0.97 increase in average office annual rents per square foot to \$24.78 for 2017 as compared to \$23.81 for 2016; partially offset by a 230 basis point decrease in the average same store percent leased of the office portfolio from 90.7 percent in 2016 to 88.4 percent in 2017.

Escalations and recoveries. Escalations and recoveries from tenants for the Same-Store Properties increased \$2.3 million, or 3.8 percent, for 2017 over 2016 due primarily to higher property expenses to recover in 2017.

Parking income. Parking income for the Same-Store Properties increased \$4.3 million, or 31.8 percent for 2017 as compared to 2016 due to increased parking fees collected in 2017, as well as recording parking revenues, net of expenses, in 2016 and recording parking revenue, without netting expenses, in 2017, with such change in presentation resulting in minor period changes.

Other income. Other income for the Same-Store Properties decreased \$0.8 million, or 13.2 percent for 2017 as compared

to 2016 due primarily to proceeds from a litigation settlement received in 2016 with no similar income in 2017. \$4.8 million of the increase in other income for the Acquired Properties in 2017 over 2016 was due to lease breakage fees recognized in 2017.

Real estate taxes. Real estate taxes on the Same-Store Properties increased \$0.8 million, or 0.9 percent, for 2017 as compared to 2016 due primarily to increased rates in 2017.

Utilities. Utilities for the Same-Store Properties decreased \$0.5 million, or 1.0 percent, for 2017 as compared to 2016, due primarily to decreased usage in 2017 due to milder weather.

Operating services. Operating services for the Same-Store Properties increased \$4.5 million, or 4.4 percent, due primarily to an increase in property maintenance costs and parking services expenses for 2017 as compared to 2016, including recording parking revenue, net of expenses, in 2016 and recording parking revenue, without netting expenses, in 2017, with such change in presentation resulting in minor period changes.

Real estate services revenue. Real estate services revenue (primarily reimbursement of property personnel costs) decreased \$3.5 million, or 13.0 percent, for 2017 as compared to 2016, due primarily to decreased third party development and property management activity in multi-family services in 2017 as compared to 2016.

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Real estate services expenses. Real estate services expenses decreased \$2.9 million, or 10.9 percent, for 2017 as compared to 2016 due primarily to decreased salaries and related expenses due to lower third party services activities.

General and administrative. General and administrative expenses decreased \$1.0 million, or 2.0 percent, in 2017 as compared to 2016 due primarily to a decrease in overhead salaries and related expenses.

Acquisition-related costs. The Company incurred transaction costs of \$2.9 million in 2016 related to the Company's property and joint venture acquisitions, which were expensed for the period, with no such costs expensed in 2017.

Depreciation and amortization. Depreciation and amortization increased \$18.5 million, or 9.9 percent, for 2017 over 2016. This increase was due primarily to depreciation of \$41.1 million in 2017 on the Acquired Properties, and an increase of \$3.1 million for 2017 as compared to 2016 on the Same-Store Properties due to accelerated depreciation on buildings planning to be removed from service, partially offset by lower depreciation of \$25.7 million in 2017 as compared to 2016 for properties sold or removed from service.

Interest expense. Interest expense decreased \$1.5 million, or 1.6 percent, for 2017 as compared to 2016. This decrease was primarily the result of lower average interest rates achieved on refinanced debt in late 2016, partially offset by increased average debt balances in 2017.

Interest and other investment income. Interest and other investment income increased \$1.2 million, or 71.4 percent, for 2017 as compared to 2016 primarily as a result of \$1.6 million from higher average notes receivable balances in 2017, partially offset by a decrease in valuation mark-to-market gains of \$0.5 million for an interest swap recorded in 2017 as compared to 2016.

Equity in earnings (loss) of unconsolidated joint ventures. Equity in earnings of unconsolidated joint ventures decreased \$24.9 million, or 132.4 percent, for 2017 as compared to 2016. The decrease was due primarily to a decrease in equity earnings income of \$20.9 million from refinancing proceeds received in 2016 from the Company's South Pier at Harborside hotel joint venture in excess of its carrying value, with no similar activity in 2017, and an equity loss in 2017 of \$6.1 million from the Company's URL Harborside venture, which was placed in service in 2017 but was in the lease-up stage during the year.

Gain on change of control of interests. In 2016, the Company recorded a gain on change of control of \$15.3 million in connection with the acquisitions of the remaining interests of residential properties located in Malden and East Boston, Massachusetts.

Realized gains (losses) and unrealized losses on disposition of rental property, net. The Company had realized gains on disposition of rental property of \$2.4 million in 2017 and \$109.7 million in 2016. See Note 3: Recent Transactions Dispositions to the Financial Statements.

Gain on sale of investment in unconsolidated joint venture. In 2017, the Company recorded a \$23.1 million gain on the sale of its interests in certain joint ventures, which owned properties in New York, New Jersey and Pennsylvania. In 2016, the Company realized a gain of \$5.7 million on the sale of an unconsolidated joint venture property located in Weehawken, New Jersey.

Loss from extinguishment of debt, net. In 2017, the Company recognized a loss from extinguishment of debt of \$0.4 million due to the allocated costs as a result of the amendment of its revolving credit facility in 2017 and the refinancing of a mortgage loan in 2017. In 2016, the Company recognized a loss from extinguishment of debt, net, of \$30.5 million due primarily to the costs of repayment of certain senior unsecured notes and a mortgage loan of \$42.5 million offset by a gain from a discounted mortgage loan repayment of \$12.4 million. See Note 7 to the Financial Statements: Senior Unsecured Notes, Note 8 to the Financial Statements: Unsecured Revolving Credit Facility and Term Loans and Note 9 to the Financial Statements: Mortgages, Loans Payable and Other Obligations.

Net income. Net income decreased to \$33.7 million in 2017 from \$130.3 million in 2016. The decrease of \$96.6 million was due to the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Overview:

Historically, rental revenue has been the Company's principal source of funds to pay operating expenses, debt service, capital expenditures and dividends, excluding non-recurring capital expenditures. To the extent that the Company's cash flow from operating activities is insufficient to finance its non-recurring capital expenditures such as property acquisitions, development and construction

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costs and other capital expenditures, the Company has and expects to continue to finance such activities through borrowings under its unsecured revolving credit facility, other debt and equity financings, proceeds from the sale of properties and joint venture capital.

The Company expects to meet its short-term liquidity requirements generally through its working capital, which may include proceeds from the sales of office properties, net cash provided by operating activities and draw from its unsecured revolving credit facility. The Company frequently examines potential property acquisitions and development projects and, at any given time, one or more of such acquisitions or development projects may be under consideration. Accordingly, the ability to fund property acquisitions and development projects is a major part of the Company's financing requirements. The Company expects to meet its financing requirements through funds generated from operating activities, to the extent available, proceeds from property sales, joint venture capital, long-term and short-term borrowings (including draws on the Company's unsecured revolving credit facility) and the issuance of additional debt and/or equity securities.

Repositioning of the Company's Portfolio:

As described earlier relative to its current strategic initiative, the Company's management has been reviewing its portfolio and identifying opportunities to divest of non-core office properties that no longer meet its long-term strategy, have reached their potential, are less efficient to operate, or when market conditions are favorable to be sold at attractive prices. The Company anticipates continuing to redeploy the proceeds from non-core rental property sales in the near-term to acquire office or multi-family rental properties, enhance amenities and infrastructure at existing office properties, develop, redevelop and acquire multi-family rental properties, as well as reposition certain office properties into multi-family residential and/or mixed use properties, in its core Northeast sub-markets.

Construction Projects:

In 2015, the Company entered into a 90-percent owned joint venture with XS Port Imperial Hotel, LLC to form XS Hotel Urban Renewal Associates LLC, which is developing a 372-key hotel (164 keys Residence Inn and 208 keys Marriott Envue) in Weehawken, New Jersey. The Residence Inn opened in 4Q 2018 and the Marriott Envue is expected to open in 2Q 2019. The construction of the project is estimated to cost \$159.9 million, with construction costs of \$147.1 million incurred by the venture through December 31, 2018. The project costs are expected to be funded from a \$94 million construction loan (with \$73.4 million outstanding as of December 31, 2018).

The Company is developing a 313-unit multi-family project known as Building 8/9 at Port Imperial in Weehawken, New Jersey, which began construction in third quarter 2018. The construction project, which is estimated to cost \$142.6 million of which construction costs of \$35.4 million have been incurred through December 31, 2018, is expected to be ready for occupancy in fourth quarter 2020. The Company is expected to fund \$50.6 million of construction costs, of which the Company has funded \$35.4 million as of December 31, 2018, and the remaining construction costs are expected to be funded primarily from a \$92 million construction loan.

The Company is developing a 326-unit multi-family project known as Chase III at Overlook Ridge, in Malden, Massachusetts, which began construction in third quarter 2018. The construction project, which is estimated to cost \$99.9 million of which \$20.2 million have been incurred through December 31, 2018, is expected to be ready for occupancy in fourth quarter 2020. The Company is expected to fund \$37.9 million of construction costs, of which the Company has funded \$20.2 million as of December 31, 2018, and the remaining construction costs are expected to be funded primarily from a \$62 million construction loan.

In August 2017, the Company acquired an existing mortgage note receivable encumbering a vacant developable land parcel located in Jersey City, New Jersey (the Land Property) with a balance of \$44.7 million (the Land Note Receivable). The Land Note Receivable matures in July 2019 and earns interest at an annual rate of 5.85 percent which accrues monthly and is payable at maturity. In March 2018, the Company received a partial prepayment of \$3 million. The Land Property is currently an unimproved land parcel which operates as a surface parking facility. Additionally, the Company entered into an agreement to acquire the Land Property, subject to the Company's ability to obtain all necessary development rights and entitlements to develop an apartment building on the land, and other related conditions to ensure that the Company can develop the project. The purchase price is \$73 million, subject to adjustment based on the level of development rights obtained for the construction of a multifamily apartment building

REIT Restrictions:

To maintain its qualification as a REIT under the IRS Code, the General Partner must make annual distributions to its stockholders of at least 90 percent of its REIT taxable income, determined without regard to the dividends paid deduction and by excluding net capital gains. Moreover, the General Partner intends to continue to make regular quarterly distributions to its common stockholders. Based upon the most recently paid common stock dividend rate of \$0.20 per common share, in the aggregate, such distributions would equal approximately \$72.2 million (\$81.8 million, including units in the Operating Partnership held by parties other than the General Partner) on an annualized basis. However, any such distributions, whether for federal income tax purposes or otherwise, would be paid out of available cash, including borrowings and other sources, after meeting operating requirements, preferred stock dividends and distributions, and scheduled debt service on the Company's debt. If and to the extent the Company retains and does not distribute any

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net capital gains, the General Partner will be required to pay federal, state and local taxes on such net capital gains at the rate applicable to capital gains of a corporation.

Property Lock-Ups:

Through February 2016, the Company could not dispose of or distribute certain of its properties which were originally contributed by certain unrelated common unitholders of the Operating Partnership, without the express written consent of such common unitholders, as applicable, except in a manner which did not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimbursed the appropriate specific common unitholders for the tax consequences of the recognition of such built-in-gains (collectively, the Property Lock-Ups). Upon the expiration in February 2016 of the Property Lock-Ups, the Company is generally required to use commercially reasonable efforts to prevent any sale, transfer or other disposition of the subject properties from resulting in the recognition of built-in gain to the specific common unitholders, which include members of the Mack Group (which includes William L. Mack, Chairman of the General Partner's Board of Directors; David S. Mack, director; and Earle I. Mack, a former director), the Robert Martin Group (which includes Robert F. Weinberg, a former director and current member of the General Partner's Advisory Board), and the Cali Group (which includes John R. Cali, a former director and current member of the General Partner's Advisory Board). As of December 31, 2018, after the effects of tax-free exchanges on certain of the originally contributed properties, either wholly or partially, over time, 79 of the Company's properties, primarily a portfolio of flex properties in Westchester County, New York, with an aggregate carrying value of approximately \$1.4 billion, are subject to these conditions.

Unencumbered Properties:

As of December 31, 2018, the Company had 104 unencumbered properties with a carrying value of \$2.2 billion representing 88.1 percent of the Company's total consolidated property count.

Cash Flows

Cash and cash equivalents decreased by \$18.4 million to \$49.6 million at December 31, 2018, compared to \$68.0 million at December 31, 2017. This decrease is comprised of the following net cash flow items:

- (1) \$167.1 million provided by operating activities.
- (2) \$168.2 million used in investing activities, consisting primarily of the following:
 - (a) \$11.8 million used for investments in unconsolidated joint ventures; plus
 - (b) \$164.8 million used for rental property acquisitions and related intangibles; plus
 - (c) \$168.4 million used for additions to rental property and improvements; plus
 - (d) \$184.8 million used for the development of rental property, other related costs and deposits; minus
 - (e) \$338 million from proceeds from the sales of rental property; minus
 - (f) \$12.1 million received from payments of notes receivables; minus

- (g) \$11.6 million received from distributions in excess of cumulative earnings from unconsolidated joint ventures.
- (3) \$17.3 million used in financing activities, consisting primarily of the following:
 - (a) \$494 million used for repayments of revolving credit facility; plus
 - (b) \$418.5 million used for repayments of mortgages, loans payable and other obligations; minus
 - (c) \$94 million used for payments of dividends and distributions; plus
 - (d) \$3.6 million used for payment of finance cost, minus
 - (e) \$461 million from borrowings under the revolving credit facility; minus
 - (f) \$434.3 million from proceeds received from mortgages and loans payable; minus
 - (g) \$105 million from issuance of redeemable noncontrolling interests; minus
 - (h) \$7.5 million from contributions to noncontrolling interests.

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The following is a breakdown of the Company's debt between fixed and variable-rate financing as of December 31, 2018:

	Balance (\$000 s)	% of Total	Weighted Average Interest Rate (a)	Weighted Average Maturity in Years
Fixed Rate Unsecured Debt and Other Obligations	\$ 1,250,000	44.53%	3.70%	2.04
Fixed Rate Secured Debt	1,243,219	44.28%	3.83%	6.70
Variable Rate Secured Debt	197,177	7.02%	5.59%	0.68
Variable Rate Unsecured Debt (b)	117,000	4.17%	3.74%	2.07
Totals/Weighted Average:	\$ 2,807,396	100.00%	3.89%(b)	4.01
Adjustment for unamortized debt discount	(2,838)			
Unamortized deferred financing costs	(11,907)			
Total Debt, Net	\$ 2,792,651			

(a) The actual weighted average LIBOR rate for the Company's outstanding variable rate debt was 2.45 percent as of December 31, 2018, plus the applicable spread.

(b) Excludes amortized deferred financing costs primarily pertaining to the Company's unsecured revolving credit facility which amounted to \$3.3 million for the year ended December 31, 2018.

Debt Maturities:

Scheduled principal payments and related weighted average annual effective interest rates for the Company's debt as of December 31, 2018 are as follows:

Period	Scheduled Amortization (\$000 s)	Principal Maturities (\$000 s)	Total (\$000 s)	Weighted Avg. Effective Interest Rate of Future Repayments (a)
2019 (b)	\$ 532	\$ 546,711	\$ 547,243	4.11%
2020	2,903	325,000	327,903	3.46%
2021 (c)	3,227	285,800	289,027	3.42%
2022	3,284	300,000	303,284	4.60%
2023	3,412	333,998	337,410	3.53%
Thereafter	7,230	991,929	999,159	3.95%
Sub-total	20,588	2,783,438	2,804,026	3.89%

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Adjustment for unamortized debt discount/premium, net as of December 31, 2018	(2,838)			(2,838)	
Unamortized mark to market	3,370			3,370	
Unamortized deferred financing costs	(11,907)			(11,907)	
Totals/Weighted Average	\$ 9,213	\$ 2,783,438	\$ 2,792,651		3.89%(d)

(a) The actual weighted average LIBOR rate for the Company's outstanding variable rate debt was 2.45 percent as of December 31, 2018, plus the applicable spread.

(b) On January 7, 2019, the Company exercised a one-year extension option on the \$350 million term loan scheduled to mature in January 2019, which extended the maturity of the Term Loan to January 2020.

(c) Includes outstanding borrowings of the Company's unsecured revolving credit facility of \$117 million.

(d) Excludes amortized deferred financing costs primarily pertaining to the Company's unsecured revolving credit facility which amounted to \$3.3 million for the year ended December 31, 2018.

Senior Unsecured Notes:

The terms of the Company's senior unsecured notes (which totaled approximately \$570 million as of December 31, 2018) include certain restrictions and covenants which require compliance with financial ratios relating to the maximum amount of debt leverage, the maximum amount of secured indebtedness, the minimum amount of debt service coverage and the maximum amount of unsecured debt as a percent of unsecured assets.

Unsecured Revolving Credit Facility and Term Loans:

On January 25, 2017, the Company entered into an amended revolving credit facility and new term loan agreement (2017 Credit Agreement) with a group of 13 lenders. Pursuant to the 2017 Credit Agreement, the Company refinanced its existing \$600 million unsecured revolving credit facility (2017 Credit Facility) and entered into a new \$325 million unsecured term loan facility (2017 Term Loan). Effective March 6, 2018, the Company elected to determine its interest rate under the 2017 Credit Agreement and under the 2017 Term Loan using the defined leverage ratio option, resulting in an interest rate of LIBOR plus 130 basis points and LIBOR plus 155 basis points, respectively.

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The terms of the 2017 Credit Facility include: (1) a four-year term ending in January 2021, with two six-month extension options; (2) revolving credit loans may be made to the Company in an aggregate principal amount of up to \$600 million (subject to increase as discussed below), with a sublimit under the 2017 Credit Facility for the issuance of letters of credit in an amount not to exceed \$60 million (subject to increase as discussed below); (3) an interest rate based on the Operating Partnership's unsecured debt ratings from Moody's or S&P, or, at the Operating Partnership's option, if it no longer maintains a debt rating from Moody's or S&P or such debt ratings fall below Baa3 and BBB-, based on a defined leverage ratio; and (4) a facility fee, currently 25 basis points, payable quarterly based on the Operating Partnership's unsecured debt ratings from Moody's or S&P, or, at the Operating Partnership's option, if it no longer maintains a debt rating from Moody's or S&P or such debt ratings fall below Baa3 and BBB-, based on a defined leverage ratio.

After electing to use the defined leverage ratio to determine the interest rate, the interest rate under the 2017 Credit Facility is currently based on the following total leverage ratio grid:

Total Leverage Ratio	Interest Rate - Applicable Basis Points above LIBOR	Interest Rate - Applicable Basis Points Above LIBOR for Alternate Base Rate Loans	Facility Fee Basis Points
<45%	125.0	25.0	20.0
≥45% and <50% (current ratio)	130.0	30.0	25.0
≥50% and <55%	135.0	35.0	30.0
≥55%	160.0	60.0	35.0

Prior to the election to use the defined leverage ratio option, the interest rates on outstanding borrowings, alternate base rate loans and the facility fee on the current borrowing capacity, payable quarterly in arrears, on the 2017 Credit Facility were based upon the Operating Partnership's unsecured debt ratings, as follows:

Operating Partnership's Unsecured Debt Ratings: Higher of S&P or Moody's	Interest Rate - Applicable Basis Points Above LIBOR	Interest Rate - Applicable Basis Points Above LIBOR for Alternate Base Rate Loans	Facility Fee Basis Points
No ratings or less than BBB-/Baa3	155.0	55.0	30.0
BBB- or Baa3 (interest rate based on Company's election through March 5, 2018)	120.0	20.0	25.0
BBB or Baa2	100.0	0.0	20.0
BBB+ or Baa1	90.0	0.0	15.0
A- or A3 or higher	87.5	0.0	12.5

The terms of the 2017 Term Loan include: (1) a three-year term ending in January 2020, with two one-year extension options; (2) multiple draws of the term loan commitments may be made within 12 months of the effective date of the 2017 Credit Agreement up to an aggregate principal amount of \$325 million (subject to increase as discussed below), with no requirement to be drawn in full; provided, that, if the Company does not borrow at least 50 percent of the initial term commitment from the term lenders (i.e. 50 percent of \$325 million) on or before July 25, 2017, the amount of unused term loan commitments shall be reduced on such date so that, after giving effect to such reduction, the amount of unused term loan commitments is not greater than the outstanding term loans on such date; (3) an interest rate based on the Operating Partnership's unsecured debt ratings from Moody's or S&P or, at the Operating Partnership's option if it no longer maintains a debt rating from Moody's or S&P or such debt ratings fall below Baa3 and BBB-, based on a defined leverage ratio; and (4) a term commitment fee on any unused term loan commitment during the first 12 months after the effective date of the 2017 Credit Agreement at a rate of 0.25 percent per annum on the sum of the average daily unused portion of the aggregate term loan commitments.

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On March 29, 2017, the Company executed interest rate swap arrangements to fix LIBOR with an aggregate average rate of 1.6473% for the swaps and a current aggregate fixed rate of 3.0473% for borrowings under the 2017 Term Loan.

After electing to use the defined leverage ratio to determine the interest rate, the interest rate under the 2017 Term Loan is currently based on the following total leverage ratio grid:

Total Leverage Ratio	Interest Rate - Applicable Basis Points above LIBOR	Interest Rate - Applicable Basis Points Above LIBOR for Alternate Base Rate Loans
<45%	145.0	45.0
≥45% and <50% (current ratio)	155.0	55.0
≥50% and <55%	165.0	65.0
≥55%	195.0	95.0

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Prior to the election to use the defined leverage ratio option, the interest rate on the 2017 Term Loan was based upon the Operating Partnership's unsecured debt ratings, as follows:

Operating Partnership's Unsecured Debt Ratings: Higher of S&P or Moody's	Interest Rate - Applicable Basis Points Above LIBOR	Interest Rate - Applicable Basis Points Above LIBOR for Alternate Base Rate Loans
No ratings or less than BBB-/Baa3	185.0	85.0
BBB- or Baa3 (interest rate based on Company's election through March 5, 2018)	140.0	40.0
BBB or Baa2	115.0	15.0
BBB+ or Baa1	100.0	0.0
A- or A3 or higher	90.0	0.0

On up to four occasions at any time after the effective date of the 2017 Credit Agreement, the Company may elect to request (1) an increase to the existing revolving credit commitments (any such increase, the New Revolving Credit Commitments) and/or (2) the establishment of one or more new term loan commitments (the New Term Commitments, together with the 2017 Credit Commitments, the Incremental Commitments), by up to an aggregate amount not to exceed \$350 million for all Incremental Commitments. The Company may also request that the sublimit for letters of credit available under the 2017 Credit Facility be increased to \$100 million (without arranging any New Revolving Credit Commitments). No lender or letter of credit issued has any obligation to accept any Incremental Commitment or any increase to the letter of credit subfacility. There is no premium or penalty associated with full or partial prepayment of borrowings under the 2017 Credit Agreement.

The 2017 Credit Agreement, which applies to both the 2017 Credit Facility and 2017 Term Loan, includes certain restrictions and covenants which limit, among other things the incurrence of additional indebtedness, the incurrence of liens and the disposition of real estate properties (to the extent that: (i) such property dispositions cause the Company to default on any of the financial ratios of the 2017 Credit Agreement (described below), or (ii) the property dispositions are completed while the Company is under an event of default under the 2017 Credit Agreement, unless, under certain circumstances, such disposition is being carried out to cure such default), and which require compliance with financial ratios relating to the maximum leverage ratio (60 percent), the maximum amount of secured indebtedness (40 percent), the minimum amount of fixed charge coverage (1.5 times), the maximum amount of unsecured indebtedness (60 percent), the minimum amount of unencumbered property interest coverage (2.0 times) and certain investment limitations (generally 15 percent of total capitalization). If an event of default has occurred and is continuing, the entire outstanding balance under the 2017 Credit Agreement may (or, in the case of any bankruptcy event of default, shall) become immediately due and payable, and the Company will not make any excess distributions except to enable the General Partner to continue to qualify as a REIT under the IRS Code.

Before it amended and restated its unsecured revolving credit facility in January 2017, the Company had a \$600 million unsecured revolving credit facility with a group of 17 lenders that was scheduled to mature in July 2017. The interest rate on outstanding borrowings (not electing the Company's competitive bid feature) and the facility fee on the current borrowing capacity, payable quarterly in arrears, was based upon the Operating Partnership's unsecured debt ratings at the time, as follows:

Operating Partnership's Unsecured Debt Ratings: Higher of S&P or Moody's	Interest Rate - Applicable Basis Points Above LIBOR	Facility Fee Basis Points
No ratings or less than BBB-/Baa3	170.0	35.0
BBB- or Baa3 (since January 2017 amendment)	130.0	30.0
BBB or Baa2	110.0	20.0
BBB+ or Baa1	100.0	15.0

A- or A3 or higher

92.5

12.5

In January 2016, the Company obtained a \$350 million unsecured term loan (2016 Term Loan), which matures in January 2019 with two one-year extension options. On January 7, 2019, the Company exercised the first one-year extension option with the payment of an extension fee of \$0.5 million, which extended the maturity of the 2016 Term Loan to January 2020. The interest rate for the term loan is based on the Operating Partnership's unsecured debt ratings, or, at the Company's option, a defined leverage ratio. Effective March 6, 2018, the Company elected to determine its interest rate under the 2016 Term Loan using the defined leverage ratio option, resulting in an interest rate of LIBOR plus 155 basis points. The Company entered into interest rate swap arrangements to fix LIBOR for the duration of the term loan. Including costs, the current all-in fixed rate is 3.13 percent. The proceeds from the loan were used primarily to repay outstanding borrowings on the Company's then existing unsecured revolving credit facility and to repay \$200 million senior unsecured notes that matured on January 15, 2016.

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After electing to use the defined leverage ratio to determine the interest rate, the interest rate under the 2016 Term Loan is currently based on the following total leverage ratio grid:

Total Leverage Ratio	Interest Rate - Applicable Basis Points above LIBOR
<45%	145.0
≥45% and <50% (current ratio)	155.0
≥50% and <55%	165.0
≥55%	195.0

Prior to the election to use the defined leverage ratio option, the interest rate on the 2016 Term Loan was based upon the Operating Partnership's unsecured debt ratings, as follows:

Operating Partnership's Unsecured Debt Ratings: Higher of S&P or Moody's	Interest Rate - Applicable Basis Points Above LIBOR
No ratings or less than BBB-/Baa3	185.0
BBB- or Baa3 (interest rate based on Company's election through March 5, 2018)	140.0
BBB or Baa2	115.0
BBB+ or Baa1	100.0
A- or A3 or higher	90.0

The terms of the 2016 Term Loan include certain restrictions and covenants which limit, among other things the incurrence of additional indebtedness, the incurrence of liens and the disposition of real estate properties (to the extent that: (i) such property dispositions cause the Company to default on any of the financial ratios of the term loan described below, or (ii) the property dispositions are completed while the Company is under an event of default under the term loan, unless, under certain circumstances, such disposition is being carried out to cure such default), and which require compliance with financial ratios relating to the maximum leverage ratio (60 percent), the maximum amount of secured indebtedness (40 percent), the minimum amount of fixed charge coverage (1.5 times), the maximum amount of unsecured indebtedness (60 percent), the minimum amount of unencumbered property interest coverage (2.0 times) and certain investment limitations (generally 15 percent of total capitalization). If an event of default has occurred and is continuing, the Company will not make any excess distributions except to enable the General Partner to continue to qualify as a REIT under the IRS Code.

On August 30, 2018, the Company entered into an amendment to the 2017 Credit Agreement (the "2017 Credit Agreement Amendment") and an amendment to the 2016 Term Loan (the "2016 Term Loan Agreement Amendment").

Each of the 2017 Credit Agreement Amendment and the 2016 Term Loan Amendment is effective as of June 30, 2018 and provides for the following material amendments to the terms of both the 2017 Credit Agreement and 2016 Term Loan):

1. The unsecured debt ratio covenant has been modified with respect to the measurement of the unencumbered collateral pool of assets in the calculation of such ratio for the period commencing July 1, 2018 and continuing until December 31, 2019 to allow the Operating Partnership to utilize the as-is appraised value of the properties known as

Harborside Plaza I and Harborside Plaza V properties located in Jersey City, NJ in such calculation; and

2. A new covenant has been added that prohibits the Company from making any optional or voluntary payment, repayment, repurchase or redemption of any unsecured indebtedness of the Company (or any subsidiaries) that matures after January 25, 2022, at any time when any of the Total Leverage Ratio or the unsecured debt ratio covenants exceeds 60 percent (all as defined in the 2017 Credit Agreement and the 2016 Term Loan) or an appraisal is being used to determine the value of Harborside Plaza I and Harborside Plaza V for the unsecured debt ratio covenant.

All other terms and conditions of the 2017 Credit Agreement and the 2016 Term Loan remain unchanged.

Mortgages, Loans Payable and Other Obligations:

The Company has other mortgages, loans payable and other obligations which consist of various loans collateralized by certain of the Company's rental properties. Payments on mortgages, loans payable and other obligations are generally due in monthly installments of principal and interest, or interest only.

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On January 8, 2018, the Company prepaid mortgage debt of approximately \$209 million that encumbered the Company's property at Harborside Plaza 5, for which it incurred costs of approximately \$8.4 million, which is included in loss from extinguishment of debt, net, for the year ended December 31, 2018.

Debt Strategy:

The Company does not intend to reserve funds to retire the Company's senior unsecured notes, outstanding borrowings under its unsecured revolving credit facility, its unsecured term loans, or its mortgages, loans payable and other obligations upon maturity. Instead, the Company will seek to refinance such debt at maturity or retire such debt through the issuance of additional equity or debt securities on or before the applicable maturity dates. If it cannot raise sufficient proceeds to retire the maturing debt, the Company may draw on its revolving credit facility to retire the maturing indebtedness, which would reduce the future availability of funds under such facility. As of February 15, 2019, the Company had outstanding borrowings of \$167 million under its unsecured revolving credit facility. The Company is reviewing various financing and refinancing options, including the redemption or purchase of the Operating Partnership's senior unsecured notes in public tender offers or privately-negotiated transactions, the issuance of additional, or exchange of current, unsecured debt of the Operating Partnership or common and preferred stock of the General Partner, and/or obtaining additional mortgage debt of the Operating Partnership, some or all of which may be completed in 2019. The Company currently anticipates that its available cash and cash equivalents, cash flows from operating activities and proceeds from the sale of office properties, together with cash available from borrowings and other sources, will be adequate to meet the Company's capital and liquidity needs in the short term. However, if these sources of funds are insufficient or unavailable, due to current economic conditions or otherwise, or if capital needs to fund acquisition and development opportunities in the multi-family rental sector arise, the Company's ability to make the expected distributions discussed in REIT Restrictions above may be adversely affected.

*Equity Financing and Registration Statements***Common Equity:**

The following table presents the changes in the General Partner's issued and outstanding shares of common stock and the Operating Partnership's common units from January 1, 2018 to December 31, 2018:

	Common Stock	Common Units	Total
Outstanding at January 1, 2018	89,914,113	10,438,855	100,352,968
Common units redeemed for common stock	264,570	(264,570)	
Shares issued under Dividend Reinvestment and Stock Purchase Plan	3,227		3,227
Restricted shares and common units issued	147,108		147,108
Cancellation of restricted shares	(8,712)		(8,712)
Outstanding at December 31, 2018	90,320,306	10,174,285	100,494,591

Share/Unit Repurchase Program:

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The General Partner has a share repurchase program which was renewed and authorized by its Board of Directors in September 2012 to purchase up to \$150 million of the General Partner's outstanding common stock (Repurchase Program), which it may repurchase from time to time in open market transactions at prevailing prices or through privately negotiated transactions. As of December 31, 2018, the General Partner has a remaining authorization under the Repurchase Program of \$139 million. There were no common stock repurchases in the years ended December 31, 2017 and 2018 and through February 15, 2019.

Dividend Reinvestment and Stock Purchase Plan:

The Company has a Dividend Reinvestment and Stock Purchase Plan (the DRIP) which commenced in March 1999 under which approximately 5.5 million shares of the General Partner's common stock have been reserved for future issuance. The DRIP provides for automatic reinvestment of all or a portion of a participant's dividends from the General Partner's shares of common stock. The DRIP also permits participants to make optional cash investments up to \$5,000 a month without restriction and, if the Company waives this limit, for additional amounts subject to certain restrictions and other conditions set forth in the DRIP prospectus filed as part of the Company's effective registration statement on Form S-3 filed with the Securities and Exchange Commission (SEC) for the approximately 5.5 million shares of the General Partner's common stock reserved for issuance under the DRIP.

Shelf Registration Statements:

The General Partner has an effective shelf registration statement on Form S-3 filed with the SEC for an aggregate amount of \$2.0 billion in common stock, preferred stock, depositary shares, and/or warrants of the General Partner, under which no securities have been sold as of February 15, 2019.

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The General Partner and the Operating Partnership also have an effective shelf registration statement on Form S-3 filed with the SEC for an aggregate amount of \$2.5 billion in common stock, preferred stock, depositary shares and guarantees of the General Partner and debt securities of the Operating Partnership, under which no securities have been sold as of February 15, 2019.

*Off-Balance Sheet Arrangements***Unconsolidated Joint Venture Debt:**

The debt of the Company's unconsolidated joint ventures generally provide for recourse to the Company for customary matters such as intentional misuse of funds, environmental conditions and material misrepresentations. The Company has agreed to guarantee repayment of a portion of the debt of its unconsolidated joint ventures. Such debt has a total facility amount of \$316.9 million of which the Company has agreed to guarantee up to \$35.8 million. As of December 31, 2018, the outstanding balance of such debt totaled \$204.9 million of which \$24.6 million was guaranteed by the Company.

The Company's off-balance sheet arrangements are further discussed in Note 4: Investments in Unconsolidated Joint Ventures to the Financial Statements.

Contractual Obligations

The following table outlines the timing of payment requirements related to the Company's debt (principal and interest), PILOT agreements, ground lease agreements and other obligations, as of December 31, 2018:

(dollars in thousands)	Total	Payments Due by Period				
		Less than 1 Year	2 3 Years	4 5 Years	6 10 Years	After 10 Years
Senior unsecured notes	\$ 661,232	\$ 22,163	\$ 44,325	\$ 594,744		
Unsecured revolving credit facility and term loans (a)	813,363	365,837(c)	447,526(d)			
Mortgages, loans payable and other obligations (b)	1,649,949	261,862(e)	264,822	148,218	846,327	\$ 128,720
Payments in lieu of taxes (PILOT)	26,579	8,656	15,367	2,556		
Ground lease payments	222,551	2,471	4,982	4,981	12,109	198,008
Other	1,250	1,250				
Total	\$ 3,374,924	\$ 662,239	\$ 777,022	\$ 750,499	\$ 858,436	\$ 326,728

(a) Interest payments assume LIBOR rate of 2.45 percent, which is the weighted average rate on this outstanding variable rate debt at December 31, 2018, plus the applicable spread.

- (b) Interest payments assume LIBOR rate of 2.46 percent, which is the weighted average rate on its outstanding variable rate mortgage debt at December 31, 2018, plus the applicable spread.
- (c) Includes \$350 million pertaining to the 2016 Term Loan originally maturing in January 2019, with two one-year extension options. On January 7, 2019, the Company exercised the first one-year extension option, which extended the maturity of the 2016 Term Loan to January 2020.
- (d) Includes \$325 million pertaining to the 2017 Term Loan currently maturing in January 2020, with two one-year extension options. Also includes \$197 million pertaining to current borrowings on the unsecured revolving credit facility with a four-year term ending in January 2021, with two six-month extension options.
- (e) Includes \$172 million pertaining to various mortgages with one-year extension options.

Changes in Executive Officers:

On October 31, 2018, RRT entered into a separation and consulting agreement with Robert Andrew Marshall, the President and Executive Vice President of Development of RRT (the Separation and Consulting Agreement). Pursuant to the Separation and Consulting Agreement, Mr. Marshall's employment with RRT was terminated, effective as of October 31, 2018 (the Termination Date), and Mr. Marshall has agreed to provide consulting services to RRT and the Company during the period beginning on November 1, 2018 and ending on March 31, 2019 (the Consulting Period).

Under the terms of the Separation and Consulting Agreement, Mr. Marshall was to receive the following separation payments:

- accrued but unpaid base salary through October 31, 2018;
- unreimbursed expenses incurred by Mr. Marshall prior to the Termination Date; and
- COBRA payments through January 31, 2019, in an aggregate amount equal to approximately \$7,533.
- In addition, during the Consulting Period, Mr. Marshall will receive a monthly consulting fee of \$22,500.

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- Additionally, the Separation and Consulting Agreement provides that Mr. Marshall will continue to vest during the Consulting Period in all of the 22,120 Time-Based Long-Term Incentive Plan Awards originally issued in March 2016 (the Vested 2016 Time-Based LTIP Awards) and 28,880 of the 35,697 Performance-Based Long-Term Incentive Plan Awards originally issued in March 2016 (the Vested 2016 Performance-Based LTIP Awards and, together with the Vested 2016 Time-Based LTIP Awards, the Vested 2016 LTIP Awards). The Vested 2016 LTIP awards will vest on the earliest to occur of (i) Mr. Marshall's death, (ii) the termination of Mr. Marshall's consulting services by the Company for any reason other than for Cause (as defined in the Separation and Consulting Agreement) prior to March 31, 2019 or (iii) March 8, 2019 (such earliest date, the Vesting Date), subject to Mr. Marshall's continuous performance of the consulting services through the applicable Vesting Date. All other equity awards previously issued to Mr. Marshall, including the remaining 6,817 Performance-Based LTIP Awards originally issued in March 2016, 4,449 Time-Based Long-Term Incentive Plan Awards originally issued in April 2017, 13,473 Performance-Based Long-Term Incentive Plan Awards originally issued in April 2017, 11,799 Time-Based Long-Term Incentive Plan Awards originally issued in April 2018, and 22,676 Performance-Based Long-Term Incentive Plan Awards originally issued in April 2018, expired and were forfeited and cancelled, effective as of the Termination Date.

- The Separation and Consulting Agreement further provides that on the earliest to occur of (i) March 11, 2019, (ii) five (5) business days after RRT receives written notice of Mr. Marshall's death, or (iii) the date on which Mr. Marshall's consulting services are terminated by the Company for any reason other than for Cause, the Company will purchase from Mr. Marshall all of the Vested 2016 LTIP Awards for an aggregate purchase price in cash equal to the product of (x) the total number of Vested 2016 LTIP Awards (which will amount to a total of 51,000) and (y) the average closing price per share of the Company's common stock, as reported on the New York Stock Exchange for the period of five trading days ending on the applicable Vesting Date.

The Company's total estimated costs in connection with the departure of Mr. Marshall of approximately \$0.1 million (net of a reversal of \$0.3 million of amortization of stock compensation expense due to the forfeiture of the unvested securities) during the year ended December 31, 2018 was included in general and administrative expense (approximately \$1.0 million was included in accounts payable, accrued expenses and other liabilities as of December 31, 2018).

In June 2018, the General Partner entered into a separation and general release agreement with Mitchell E. Rudin, pursuant to which Mr. Rudin's employment with the Company as its Vice Chairman was terminated effective as of June 5, 2018.

Under the terms of the Rudin separation agreement, Mr. Rudin is entitled to receive the following separation payments:

- Accrued but unpaid base salary through June 5, 2018;
- A lump sum cash payment of \$2,558,082;
- Payment of unreimbursed expenses incurred by Mr. Rudin prior to termination, in the amount of \$50,000 in the aggregate; and

- COBRA payments for up to 18 months after termination, in an amount equal to approximately \$34,047.
- The Rudin separation agreement reflects that certain equity awards previously issued to Mr. Rudin, including time-vesting options, restricted stock units and performance share units, vested in full as of June 5, 2018 in accordance with their terms. Pursuant to the Rudin separation agreement, other than the equity awards that were fully vested as of June 5, 2018, as set forth in the Rudin separation agreement, all other equity awards granted to Mr. Rudin, including 32,311 LTIP Units subject to time-based vesting and 175,127 LTIP Units subject to performance-based vesting, expired and were immediately forfeited and canceled, effective as of June 5, 2018.

The Company's total estimated costs in connection with the departure of Mr. Rudin of approximately \$1.2 million (net of a reversal of \$1.6 million of amortization of stock compensation expense due to the forfeiture of the unvested securities) during the year ended December 31, 2018 was included in general and administrative expense (approximately \$23,000 was included in accounts payable, accrued expenses and other liabilities as of December 31, 2018).

In January 2018, the Company announced the appointment of David J. Smetana as chief financial officer and Nicholas Hilton as executive vice president of leasing of the General Partner. Mr. Smetana began to perform his duties as chief financial officer and Anthony Krug ceased to serve as chief financial officer immediately following the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2017. Mr. Krug remained an employee of the General Partner and provided transition services through March 31, 2018. Mr. Hilton's employment commenced on February 12, 2018 following the departure of Christopher DeLorenzo. In connection with these management changes, the General Partner entered into a separation agreement and release with each of Messrs. Krug and DeLorenzo.

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Under the terms of the Krug separation agreement, Mr. Krug is entitled to receive the following severance benefits:

- Earned but unpaid compensation through the date of termination, including base salary, 2017 bonus (when determined), a pro rata portion of his annual car allowance, and any unused vacation time;
- A lump sum cash severance payment of \$1,312,500;
- A prorated portion of his 2018 target bonus equal to \$93,750;
- COBRA payments for up to two years after termination, in an amount equal to approximately \$42,000; and
- Accelerated vesting of all unvested LTIP units in the Operating Partnership, consisting of 13,306 LTIP units subject to time-based vesting and 18,665 LTIP units subject to performance-based vesting, with LTIP units subject to performance-based vesting criteria vesting at target performance.

Under the terms of the DeLorenzo separation agreement, Mr. DeLorenzo is entitled to receive the following severance benefits:

- Earned but unpaid compensation through the date of termination, including base salary, 2017 bonus (when determined), a pro rata portion of his annual car allowance, and any unused vacation time;
- A lump sum cash severance payment of \$500,000;
- COBRA payments for up to 18 months after termination, in an amount equal to approximately \$42,000; and
- Partial accelerated vesting of unvested LTIP units in the Operating Partnership, consisting of 9,111 LTIP units subject to time based vesting and 13,982 LTIP units subject to performance-based vesting, with LTIP units subject to performance based vesting criteria vesting at target performance.

The Company's total estimated costs in connection with the departure of Messrs. Krug and DeLorenzo of approximately \$2.7 million during the year ended December 31, 2018 was included in general and administrative expense (approximately \$43,000 was included in accounts payable, accrued expenses and other liabilities as of December 31, 2018).

For further information regarding management changes in 2018, see Note 3: Recent Transactions Management Changes to the Financial Statements.

Funds from Operations

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Funds from operations (FFO) (available to common stock and unit holders) is defined as net income (loss) before noncontrolling interest in Operating Partnership, computed in accordance with GAAP, excluding gains or losses from depreciable rental property transactions (including both acquisitions and dispositions), and impairments related to depreciable rental property, plus real estate-related depreciation and amortization. The Company believes that FFO is helpful to investors as one of several measures of the performance of an equity REIT. The Company further believes that as FFO excludes the effect of depreciation, gains (or losses) from property transactions and impairments related to depreciable rental property (all of which are based on historical costs which may be of limited relevance in evaluating current performance), FFO can facilitate comparison of operating performance between equity REITs.

FFO should not be considered as an alternative to net income available to common shareholders as an indication of the Company's performance or to cash flows as a measure of liquidity. FFO presented herein is not necessarily comparable to FFO presented by other real estate companies due to the fact that not all real estate companies use the same definition. However, the Company's FFO is comparable to the FFO of real estate companies that use the current definition of the National Association of Real Estate Investment Trusts (NAREIT).

As the Company considers its primary earnings measure, net income available to common shareholders, as defined by GAAP, to be the most comparable earnings measure to FFO, the following table presents a reconciliation of net income available to common shareholders to FFO, as calculated in accordance with NAREIT's current definition, for the years ended December 31, 2018, 2017 and 2016 (*in thousands*):

	Year Ended December 31,		
	2018	2017	2016
Net income available to common shareholders	\$ 84,111	\$ 23,185	\$ 117,224
Add (deduct): Noncontrolling interest in Operating Partnership	9,527	2,711	13,721
Real estate-related depreciation and amortization on continuing operations (a)	190,394	223,763	204,746
Gain on change of control of interests	(14,217)		(15,347)
Realized (gains) losses and unrealized losses on disposition of rental property, net	(99,436)	(2,364)	(109,666)
Gain on sale of investment in unconsolidated joint venture		(23,131)	(5,670)
Funds from operations (b)	\$ 170,379	\$ 224,164	\$ 205,008

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(a) Includes the Company's share from unconsolidated joint ventures, and adjustments for noncontrolling interest, of \$17.7 million, \$20.3 million and \$19.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. Excludes non-real estate-related depreciation and amortization of \$2,139,000, \$1,742,000 and \$1,112,000 for the years ended December 31, 2018, 2017 and 2016, respectively.

(b) Net income available to common shareholders in 2018 included \$24.6 million of land impairment charges and \$30.9 million from a gain on sale of developable land, which are included in the calculation to arrive at funds from operations as such gains and charges relate to non-depreciable assets.

Inflation

The Company's leases with the majority of its commercial tenants provide for recoveries and escalation charges based upon the tenant's proportionate share of, and/or increases in, real estate taxes and certain operating costs, which reduce the Company's exposure to increases in operating costs resulting from inflation. The Company believes that inflation did not materially impact the Company's results of operations and financial condition for the periods presented.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We consider portions of this information, including the documents incorporated by reference, to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of such act. Such forward-looking statements relate to, without limitation, our future economic performance, plans and objectives for future operations and projections of revenue and other financial items. Forward-looking statements can be identified by the use of words such as may, will, plan, potential, projected, should, expect, anticipate, estimate, target, continue or comparable terminology. Forward-looking statements are inherently subject to certain risks, trends and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions at the time made, we can give no assurance that such expectations will be achieved. Future events and actual results, financial and otherwise, may differ materially from the results discussed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Among the factors about which we have made assumptions are:

- risks and uncertainties affecting the general economic climate and conditions, which in turn may have a negative effect on the fundamentals of our business and the financial condition of our tenants and residents;
- the value of our real estate assets, which may limit our ability to dispose of assets at attractive prices or obtain or maintain debt financing secured by our properties or on an unsecured basis;
- the extent of any tenant bankruptcies or of any early lease terminations;

- our ability to lease or re-lease space at current or anticipated rents;
- changes in the supply of and demand for our properties;
- changes in interest rate levels and volatility in the securities markets;
- our ability to complete construction and development activities on time and within budget, including without limitation obtaining regulatory permits and the availability and cost of materials, labor and equipment;
- forward-looking financial and operational information, including information relating to future development projects, potential acquisitions or dispositions, leasing activities, capitalization rates, and projected revenue and income;
- changes in operating costs;
- our ability to obtain adequate insurance, including coverage for terrorist acts;
- our credit worthiness and the availability of financing on attractive terms or at all, which may adversely impact our ability to pursue acquisition and development opportunities and refinance existing debt and our future interest expense;
- changes in governmental regulation, tax rates and similar matters; and
- other risks associated with the development and acquisition of properties, including risks that the development may not be completed on schedule, that the tenants or residents will not take occupancy or pay rent, or that development or operating costs may be greater than anticipated.

For further information on factors which could impact us and the statements contained herein, see Item 1A: Risk Factors. We assume no obligation to update and supplement forward-looking statements that become untrue because of subsequent events, new information or otherwise.

Table of Contents**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. In pursuing its business plan, the primary market risk to which the Company is exposed is interest rate risk. Changes in the general level of interest rates prevailing in the financial markets may affect the spread between the Company's yield on invested assets and cost of funds and, in turn, its ability to make distributions or payments to its investors.

Approximately \$2.5 billion of the Company's long-term debt as of December 31, 2018 bears interest at fixed rates and therefore the fair value of these instruments is affected by changes in market interest rates. The following table presents principal cash flows (in thousands) based upon maturity dates of the debt obligations and the related weighted-average interest rates by expected maturity dates for the fixed rate debt. The interest rates on the Company's variable rate debt as of December 31, 2018 ranged from LIBOR plus 130 basis points to LIBOR plus 450 basis points. Assuming interest-rate swaps and caps are not in effect, if market rates of interest on the Company's variable rate debt increased or decreased by 100 basis points, then the increase or decrease in interest costs on the Company's variable rate debt would be approximately \$3.1 million annually and the increase or decrease in the fair value of the Company's fixed rate debt as of December 31, 2018 would be approximately \$111 million.

December 31, 2018

Debt, including current portion (\$ in thousands)	2019	2020	2021	2022	2023	Thereafter	Sub-total	Other (a)	Total	Fair Value
Fixed Rate	\$ 350,066(b)	\$ 327,903	\$ 172,027	\$ 303,284	\$ 337,410	\$ 999,159	\$ 2,489,849	\$ (9,359)	\$ 2,480,490	\$ 2,399,551
Average Interest Rate	3.28%	3.46%	3.20%	4.60%	3.53%	3.95%			3.76%	
Variable Rate	\$ 197,177		\$ 117,000	\$ (c)			\$ 314,177	\$ (2,016)	\$ 312,161	\$ 312,161

(a) Adjustment for unamortized debt discount/premium, net, unamortized deferred financing costs, net, and unamortized mark-to-market, net as of December 31, 2018.

(b) Includes the \$350 million 2016 Term Loan originally scheduled to mature in January 2019 for which the Company exercised a one-year extension option on January 7, 2019, which extended the maturity of the 2016 Term Loan to January 2020.

(c) Includes \$117 million of outstanding borrowings under the Company's unsecured revolving credit facility which, in January 2017, was amended and restated and matures in January 2021.

While the Company has not experienced any significant credit losses, in the event of a significant rising interest rate environment and/or economic downturn, defaults could increase and result in losses to the Company which could adversely affect its operating results and liquidity.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of the Company and the Report of PricewaterhouseCoopers LLP, together with the notes to the Consolidated Financial Statements of the Company, as set forth in the index in Item 15: Exhibits and Financial Statements, are filed under this Item 8: Financial Statements and Supplementary Data and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Mack-Cali Realty Corporation

Disclosure Controls and Procedures. The General Partner's management, with the participation of the General Partner's chief executive officer and chief financial officer, has evaluated the effectiveness of the General Partner's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the General Partner's chief executive officer and chief financial officer have concluded that, as of the end of such period, the General Partner's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the General Partner in the reports that it files or submits under the Exchange Act.

Management's Report on Internal Control Over Financial Reporting. Internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, is a process designed by, or under the supervision of, the General Partner's chief executive officer and chief financial officer, or persons performing similar functions, and effected by the General Partner's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The General Partner's management, with the participation of the General Partner's chief executive officer and chief financial officer, has established

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and maintained policies and procedures designed to maintain the adequacy of the General Partner's internal control over financial reporting, and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the General Partner;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the General Partner are being made only in accordance with authorizations of management and directors of the General Partner; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the General Partner's assets that could have a material effect on the financial statements.

The General Partner's management has evaluated the effectiveness of the General Partner's internal control over financial reporting as of December 31, 2018 based on the criteria established in a report entitled *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on our assessment and those criteria, the General Partner's management has concluded that the General Partner's internal control over financial reporting was effective as of December 31, 2018.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

The effectiveness of the General Partner's internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes In Internal Control Over Financial Reporting. There have not been any changes in the General Partner's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the General Partner's internal control over financial reporting.

Mack-Cali Realty, L.P.

Disclosure Controls and Procedures. The General Partner's management, with the participation of the General Partner's chief executive officer and chief financial officer, has evaluated the effectiveness of the Operating Partnership's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, the General Partner's chief executive officer and chief financial officer have concluded that, as of the end of such period, the Operating Partnership's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Operating Partnership in the reports that it files or submits under the Exchange Act.

Management's Report on Internal Control Over Financial Reporting. Internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, is a process designed by, or under the supervision of, the General Partner's chief executive officer and chief financial officer, or persons performing similar functions, and effected by the General Partner's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The General Partner's management, with the participation of the General Partner's chief executive officer and chief financial officer, has established and maintained policies and procedures designed to maintain the adequacy of the Operating Partnership's internal control over financial reporting, and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Operating Partnership;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Operating Partnership are being made only in accordance with authorizations of management and directors of the General Partner; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Operating Partnership's assets that could have a material effect on the financial statements.

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The General Partner's management has evaluated the effectiveness of the Operating Partnership's internal control over financial reporting as of December 31, 2018 based on the criteria established in a report entitled *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on our assessment and those criteria, the General Partner's management has concluded that the Operating Partnership's internal control over financial reporting was effective as of December 31, 2018.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

The effectiveness of the Operating Partnership's internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes In Internal Control Over Financial Reporting. There have not been any changes in the Operating Partnership's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not Applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 will be set forth in the General Partner's definitive proxy statement for its annual meeting of shareholders expected to be held on June 12, 2019, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 will be set forth in the General Partner's definitive proxy statement for its annual meeting of shareholders expected to be held on June 12, 2019, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 will be set forth in the General Partner's definitive proxy statement for its annual meeting of shareholders expected to be held on June 12, 2019, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 will be set forth in the General Partner's definitive proxy statement for its annual meeting of shareholders expected to be held on June 12, 2019, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 will be set forth in the General Partner's definitive proxy statement for its annual meeting of shareholders expected to be held on June 12, 2019, and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. All Financial Statements

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2018 and 2017

Consolidated Statements of Operations for the Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Changes in Equity for the Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016

Notes to Consolidated Financial Statements

(a) 2. Financial Statement Schedules

(i) Mack-Cali Realty Corporation and Mack-Cali Realty, L.P.:

Schedule III Real Estate Investments and Accumulated Depreciation as of December 31, 2018 with reconciliations for the years ended December 31, 2018, 2017 and 2016.

Schedule IV Mortgage Loans on Real Estate as of December 31, 2018 and 2017.

All other schedules are omitted because they are not required or the required information is shown in the financial statements or notes thereto.

(a) 3. Exhibits

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

ITEM 16. FORM 10-K SUMMARY

Not Applicable

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders

of Mack-Cali Realty Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Mack-Cali Realty Corporation and its subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedules listed in the index appearing under Item 15(a)(2)(i) (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also

included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 20, 2019

We have served as the Company's auditor since 1994.

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Report of Independent Registered Public Accounting Firm

To the Partners

of Mack-Cali Realty, L.P.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Mack-Cali Realty, L.P. and its subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedules listed in the index appearing under Item 15(a)(2)(i) (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also

included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 20, 2019

We have served as the Company's auditor since 1998.

Table of Contents**MACK-CALI REALTY CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS** *(in thousands, except per share amounts)*

	December 31,	
ASSETS	2018	2017
Rental property		
Land and leasehold interests	\$ 807,236	\$ 786,789
Buildings and improvements	4,109,797	3,955,122
Tenant improvements	335,266	330,686
Furniture, fixtures and equipment	53,718	30,247
	5,306,017	5,102,844
Less accumulated depreciation and amortization	(1,097,868)	(1,087,083)
	4,208,149	4,015,761
Rental property held for sale, net	108,848	171,578
Net investment in rental property	4,316,997	4,187,339
Cash and cash equivalents	29,633	28,180
Restricted cash	19,921	39,792
Investments in unconsolidated joint ventures	232,750	252,626
Unbilled rents receivable, net	100,737	100,842
Deferred charges, goodwill and other assets, net	355,234	342,320
Accounts receivable, net of allowance for doubtful accounts of \$1,108 and \$1,138	5,372	6,786
Total assets	\$ 5,060,644	\$ 4,957,885
LIABILITIES AND EQUITY		
Senior unsecured notes, net	\$ 570,314	\$ 569,145
Unsecured revolving credit facility and term loans	790,939	822,288
Mortgages, loans payable and other obligations, net	1,431,398	1,418,135
Dividends and distributions payable	21,877	21,158
Accounts payable, accrued expenses and other liabilities	168,115	192,716
Rents received in advance and security deposits	41,244	43,993
Accrued interest payable	9,117	9,519
Total liabilities	3,033,004	3,076,954
Commitments and contingencies		
Redeemable noncontrolling interests	330,459	212,208
Equity:		
Mack-Cali Realty Corporation stockholders' equity:		
Common stock, \$0.01 par value, 190,000,000 shares authorized, 90,320,306 and 89,914,113 shares outstanding	903	899
Additional paid-in capital	2,561,503	2,565,136
Dividends in excess of net earnings	(1,084,518)	(1,096,429)
Accumulated other comprehensive income	8,770	6,689
Total Mack-Cali Realty Corporation stockholders' equity	1,486,658	1,476,295
Noncontrolling interests in subsidiaries:		
Operating Partnership	168,373	171,395
Consolidated joint ventures	42,150	21,033
Total noncontrolling interests in subsidiaries	210,523	192,428
Total equity	1,697,181	1,668,723
Total liabilities and equity	\$ 5,060,644	\$ 4,957,885

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

Table of Contents**MACK-CALI REALTY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS** *(in thousands, except per share amounts)*

	Year Ended December 31,		
REVENUES	2018	2017	2016
Base rents	\$ 436,222	\$ 501,334	\$ 506,877
Escalations and recoveries from tenants	44,121	58,767	60,505
Real estate services	17,094	23,129	26,589
Parking income	22,117	20,270	13,630
Other income	11,052	12,700	5,797
Total revenues	530,606	616,200	613,398
EXPENSES			
Real estate taxes	64,555	81,364	87,379
Utilities	39,054	42,598	49,624
Operating services	102,626	107,379	103,954
Real estate services expenses	17,919	23,394	26,260
General and administrative	53,988	50,949	51,979
Acquisition-related costs			2,880
Depreciation and amortization	174,847	205,169	186,684
Land impairments	24,566		
Total expenses	477,555	510,853	508,760
OTHER (EXPENSE) INCOME			
Interest expense	(83,754)	(93,388)	(94,889)
Interest and other investment income (loss)	3,389	2,766	1,614
Equity in earnings (loss) of unconsolidated joint ventures	(127)	(6,081)	18,788
Gain on change of control of interests	14,217		15,347
Realized gains (losses) and unrealized losses on disposition of rental property, net	99,436	2,364	109,666
Gain on disposition of developable land	30,939		
Gain on sale of investment in unconsolidated joint venture		23,131	5,670
Loss from extinguishment of debt, net	(10,750)	(421)	(30,540)
Total other income (expense)	53,350	(71,629)	25,656
Net income	106,401	33,718	130,294
Noncontrolling interest in consolidated joint ventures	1,216	1,018	651
Noncontrolling interest in Operating Partnership	(9,527)	(2,711)	(13,721)
Redeemable noncontrolling interest	(13,979)	(8,840)	
Net income available to common shareholders	\$ 84,111	\$ 23,185	\$ 117,224
Basic earnings per common share:			
Net income available to common shareholders	\$ 0.80	\$ 0.06	\$ 1.31
Diluted earnings per common share:			
Net income available to common shareholders	\$ 0.80	\$ 0.06	\$ 1.30
Basic weighted average shares outstanding	90,388	90,005	89,746
Diluted weighted average shares outstanding	100,724	100,703	100,498

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

Table of Contents**MACK-CALI REALTY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME** *(in thousands)*

	Year Ended December 31,		
	2018	2017	2016
Net income	\$ 106,401	\$ 33,718	\$ 130,294
Other comprehensive income:			
Net unrealized gain on derivative instruments for interest rate swaps	2,318	5,250	2,216
Comprehensive income	\$ 108,719	\$ 38,968	\$ 132,510
Comprehensive (income) loss attributable to noncontrolling interest in consolidated joint ventures	1,216	1,018	651
Comprehensive (income) loss attributable to redeemable noncontrolling interest	(13,979)	(8,840)	
Comprehensive (income) loss attributable to noncontrolling interest in Operating Partnership	(9,764)	(3,257)	(13,952)
Comprehensive income attributable to common shareholders	\$ 86,192	\$ 27,889	\$ 119,209

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

Table of Contents**MACK-CALI REALTY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** *(in thousands)*

	Common Stock		Additional	Dividends in	Accumulated	Noncontrolling	Total
	Shares	Par Value	Paid-In	Excess of	Other	Interests	Equity
			Capital	Net Earnings	Comprehensive	in Subsidiaries	
					Income (Loss)		
Balance at January 1, 2016	89,584	\$ 896	\$ 2,570,392	\$ (1,115,612)	\$	\$ 228,032	\$ 1,683,708
Net income				117,224		13,070	130,294
Common stock dividends				(53,796)			(53,796)
Common unit distributions						(6,619)	(6,619)
Decrease in noncontrolling interest in consolidated joint ventures			414			(35,544)	(35,130)
Redemption of common units for common stock	29		474			(474)	
Shares issued under Dividend Reinvestment and Stock Purchase Plan	3		71				71
Directors' deferred compensation plan			372				372
Stock compensation	85	1	3,465			2,180	5,646
Cancellation of restricted shares	(4)		(75)				(75)
Other comprehensive income					1,985	231	2,216
Rebalancing of ownership percentage between parent and subsidiaries			1,360			(1,360)	
Balance at December 31, 2016	89,697	\$ 897	\$ 2,576,473	\$ (1,052,184)	\$ 1,985	\$ 199,516	\$ 1,726,687
Net income				23,185		10,533	33,718
Common stock dividends				(67,430)			(67,430)
Common unit distributions						(8,629)	(8,629)
Issuance of limited partner common units						2,793	2,793
Redeemable noncontrolling interest			(17,951)			(10,914)	(28,865)
Decrease in noncontrolling interest in consolidated joint ventures			(3,756)			1,105	(2,651)
Redemption of common units for common stock	149	1	2,530			(2,531)	
Shares issued under Dividend Reinvestment and Stock Purchase Plan	2		67				67
Directors' deferred compensation plan			482				482
Stock compensation	70	1	2,814			4,632	7,447
Cancellation of restricted shares	(4)		(146)				(146)
Other comprehensive income					4,704	546	5,250
Rebalancing of ownership percentage between parent and subsidiaries			4,623			(4,623)	

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Balance at December 31, 2017	89,914	\$	899	\$	2,565,136	\$	(1,096,429)	\$	6,689	\$	192,428	\$	1,668,723
Net income							84,111				22,290		106,401
Common stock dividends							(72,200)						(72,200)
Common unit distributions											(9,022)		(9,022)
Redeemable noncontrolling interest							(11,425)				(15,275)		(26,700)
Increase in noncontrolling interest in consolidated joint ventures											22,333		22,333
Redemption of common units for common stock	264		3		4,341						(4,344)		
Shares issued under Dividend Reinvestment and Stock Purchase Plan	4				(37)								(37)
Directors' deferred compensation plan					507								507
Stock compensation	147		1		1,413						5,480		6,894
Cancellation of restricted shares	(9)				(583)						(1,453)		(2,036)
Other comprehensive income									2,081		237		2,318
Rebalancing of ownership percentage between parent and subsidiaries					2,151						(2,151)		
Balance at December 31, 2018	90,320	\$	903	\$	2,561,503	\$	(1,084,518)	\$	8,770	\$	210,523	\$	1,697,181

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

Table of Contents**MACK-CALI REALTY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS** *(in thousands)*

	2018	December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 106,401	\$ 33,718	\$ 130,294
Adjustments to reconcile net income to net cash provided by Operating activities:			
Depreciation and amortization, including related intangible assets and liabilities	170,284	198,674	186,549
Amortization of directors deferred compensation stock units	507	482	372
Amortization of stock compensation	6,894	7,447	5,646
Amortization of deferred financing costs	5,028	4,612	4,582
Amortization of debt discount and mark-to-market	(948)	(287)	1,686
Equity in (earnings) loss of unconsolidated joint ventures	127	6,081	(18,788)
Distributions of cumulative earnings from unconsolidated joint ventures	9,182	8,186	6,120
Gain on change of control of interests	(14,217)		(15,347)
Realized (gains) losses and unrealized losses on disposition of rental property, net	(99,436)	(2,364)	(109,666)
Gain on disposition of developable land	(30,939)		
Gain on sale of investments in unconsolidated joint ventures		(23,131)	(5,670)
Loss (gain) from extinguishment of debt	10,750	421	(12,420)
Land impairments	24,566		
Changes in operating assets and liabilities:			
Increase in unbilled rents receivable, net	(7,519)	(11,286)	(12,775)
Increase in deferred charges, goodwill and other assets	(29,377)	(19,710)	(33,878)
Decrease in accounts receivable, net	1,382	2,831	596
Increase (decrease) in accounts payable, accrued expenses and other liabilities	13,915	(9,012)	(14,535)
Increase (decrease) in rents received in advance and security deposits	875	(1,817)	(3,297)
(Decrease) increase in accrued interest payable	(402)	1,296	(9,362)
Net cash provided by operating activities	\$ 167,073	\$ 196,141	\$ 100,107
CASH FLOWS FROM INVESTING ACTIVITIES			
Rental property acquisitions and related intangibles	\$ (164,838)	\$ (619,350)	\$ (407,869)
Rental property additions and improvements	(168,398)	(90,068)	(121,582)
Development of rental property and other related costs	(184,799)	(267,845)	(206,955)
Proceeds from the sales of rental property	338,015	312,596	604,978
Proceeds from the sale of investments in unconsolidated joint ventures		98,599	6,420
Investments in notes receivable		(47,049)	
Repayment of notes receivable	12,102	74,945	500
Investment in unconsolidated joint ventures	(11,789)	(36,060)	(35,930)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	11,553	5,877	22,231
Proceeds from investment receivable		3,625	
Net cash used in investing activities	\$ (168,154)	\$ (564,730)	\$ (138,207)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings from revolving credit facility	\$ 461,000	\$ 730,000	\$ 1,165,000
Repayment of revolving credit facility	(494,000)	(866,000)	(1,034,000)
Repayment of senior unsecured notes		(250,000)	(448,339)
Borrowings from unsecured term loan		325,000	350,000

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Proceeds from mortgages and loans payable	434,293	518,852	474,344
Repayment of mortgages, loans payable and other obligations	(418,495)	(156,760)	(349,426)
Acquisition of noncontrolling interests		(2,021)	(37,946)
Issuance of redeemable noncontrolling interests, net	105,000	139,002	
Payment of financing costs	(3,576)	(9,230)	(9,414)
Contributions from (to) noncontrolling interests, net	(7,542)	(19)	1,065
Payment of dividends and distributions	(94,017)	(77,826)	(60,041)
Net cash (used in) provided by financing activities	\$ (17,337)	\$ 350,998	\$ 51,243
Net (decrease) increase in cash and cash equivalents	\$ (18,418)	\$ (17,591)	\$ 13,143
Cash, cash equivalents and restricted cash, beginning of period (1)	67,972	85,563	72,420
Cash, cash equivalents and restricted cash, end of period (2)	\$ 49,554	\$ 67,972	\$ 85,563

(1) Includes Restricted Cash of \$39,792, \$53,952 and \$35,343 as of December 31, 2017, 2016 and 2015, respectively, pursuant to the adoption of ASU 2016-15.

(2) Includes Restricted Cash of \$19,921, \$39,792 and \$53,952 as of December 31, 2018, 2017 and 2016, respectively, pursuant to the adoption of ASU 2016-15.

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

Table of Contents**MACK-CALI REALTY, L.P. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS** *(in thousands, except per unit amounts)*

	December 31,	
	2018	2017
ASSETS		
Rental property		
Land and leasehold interests	\$ 807,236	\$ 786,789
Buildings and improvements	4,109,797	3,955,122
Tenant improvements	335,266	330,686
Furniture, fixtures and equipment	53,718	30,247
	5,306,017	5,102,844
Less accumulated depreciation and amortization	(1,097,868)	(1,087,083)
	4,208,149	4,015,761
Rental property held for sale, net	108,848	171,578
Net investment in rental property	4,316,997	4,187,339
Cash and cash equivalents	29,633	28,180
Restricted cash	19,921	39,792
Investments in unconsolidated joint ventures	232,750	252,626
Unbilled rents receivable, net	100,737	100,842
Deferred charges, goodwill and other assets, net	355,234	342,320
Accounts receivable, net of allowance for doubtful accounts of \$1,108 and \$1,138	5,372	6,786
Total assets	\$ 5,060,644	\$ 4,957,885
LIABILITIES AND EQUITY		
Senior unsecured notes, net	\$ 570,314	\$ 569,145
Unsecured revolving credit facility and term loans	790,939	822,288
Mortgages, loans payable and other obligations, net	1,431,398	1,418,135
Distributions payable	21,877	21,158
Accounts payable, accrued expenses and other liabilities	168,115	192,716
Rents received in advance and security deposits	41,244	43,993
Accrued interest payable	9,117	9,519
Total liabilities	3,033,004	3,076,954
Commitments and contingencies		
Redeemable noncontrolling interests	330,459	212,208
Partners' Capital:		
General Partner, 90,320,306 and 89,914,113 common units outstanding	1,413,497	1,407,366
Limited partners, 10,174,285 and 10,438,855 common units outstanding	232,764	233,635
Accumulated other comprehensive income	8,770	6,689
Total Mack-Cali Realty, L.P. partners' capital	1,655,031	1,647,690
Noncontrolling interests in consolidated joint ventures	42,150	21,033
Total equity	1,697,181	1,668,723
Total liabilities and equity	\$ 5,060,644	\$ 4,957,885

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

Table of Contents**MACK-CALI REALTY, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS** *(in thousands, except per unit amounts)*

	Year Ended December 31,		
	2018	2017	2016
REVENUES			
Base rents	\$ 436,222	\$ 501,334	\$ 506,877
Escalations and recoveries from tenants	44,121	58,767	60,505
Real estate services	17,094	23,129	26,589
Parking income	22,117	20,270	13,630
Other income	11,052	12,700	5,797
Total revenues	530,606	616,200	613,398
EXPENSES			
Real estate taxes	64,555	81,364	87,379
Utilities	39,054	42,598	49,624
Operating services	102,626	107,379	103,954
Real estate services expenses	17,919	23,394	26,260
General and administrative	53,988	50,949	51,979
Acquisition-related costs			2,880
Depreciation and amortization	174,847	205,169	186,684
Land Impairments	24,566		
Total expenses	477,555	510,853	508,760
OTHER (EXPENSE) INCOME			
Interest expense	(83,754)	(93,388)	(94,889)
Interest and other investment income (loss)	3,389	2,766	1,614
Equity in earnings (loss) of unconsolidated joint ventures	(127)	(6,081)	18,788
Gain on change of control of interests	14,217		15,347
Realized gains (losses) and unrealized losses on disposition of rental property, net	99,436	2,364	109,666
Gain on disposition of developable land	30,939		
Gain on sale of investment in unconsolidated joint venture		23,131	5,670
Loss from extinguishment of debt, net	(10,750)	(421)	(30,540)
Total other income (expense)	53,350	(71,629)	25,656
Net income	106,401	33,718	130,294
Noncontrolling interest in consolidated joint ventures	1,216	1,018	651
Redeemable noncontrolling interest	(13,979)	(8,840)	
Net income available to common unitholders	\$ 93,638	\$ 25,896	\$ 130,945
Basic earnings per common unit:			
Net income available to common unitholders	\$ 0.80	\$ 0.06	\$ 1.31
Diluted earnings per common unit:			
Net income available to common unitholders	\$ 0.80	\$ 0.06	\$ 1.30
Basic weighted average units outstanding	100,634	100,410	100,245
Diluted weighted average units outstanding	100,724	100,703	100,498

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

Table of Contents**MACK-CALI REALTY, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME** *(in thousands)*

	Year Ended December 31,		
	2018	2017	2016
Net income	\$ 106,401	\$ 33,718	\$ 130,294
Other comprehensive income:			
Net unrealized gain on derivative instruments for interest rate swaps	2,318	5,250	2,216
Comprehensive income	\$ 108,719	\$ 38,968	\$ 132,510
Comprehensive (income) loss attributable to noncontrolling interest in consolidated joint ventures	1,216	1,018	651
Comprehensive (income) loss attributable to redeemable noncontrolling interest	(13,979)	(8,840)	
Comprehensive income attributable to common unitholders	\$ 95,956	\$ 31,146	\$ 133,161

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

Table of Contents**MACK-CALI REALTY, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in thousands)**

	General Partner Common Units	Limited Partner Common Units	General Partner Common Unitholders	Limited Partner Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest Joint Ventures	Total Equity
Balance at January 1, 2016	89,584	10,517	\$ 1,399,419	\$ 227,148	\$	\$ 57,141	\$ 1,683,708
Net income			117,224	13,721		(651)	130,294
Distributions			(53,796)	(6,619)			(60,415)
Decrease in noncontrolling interest			414			(35,544)	(35,130)
Redemption of limited partner common units for shares of general partner common units	29	(29)	474	(474)			
Shares issued under Dividend Reinvestment and Stock Purchase Plan	3		71				71
Directors' deferred compensation plan			372				372
Other comprehensive income				231	1,985		2,216
Stock compensation	85		3,466	2,180			5,646
Cancellation of restricted shares	(4)		(75)				(75)
Balance at December 31, 2016	89,697	10,488	\$ 1,467,569	\$ 236,187	\$ 1,985	\$ 20,946	\$ 1,726,687
Net income			23,185	2,711		7,822	33,718
Distributions			(67,430)	(8,629)			(76,059)
Issuance of limited partner common units		99		2,793			2,793
Redeemable noncontrolling interest			(17,951)	(2,074)		(8,840)	(28,865)
Decrease in noncontrolling interest			(3,756)			1,105	(2,651)
Redemption of limited partner common units for shares of general partner common units	149	(149)	2,531	(2,531)			
Shares issued under Dividend Reinvestment and Stock Purchase Plan	2		67				67
Directors' deferred compensation plan			482				482
Other comprehensive income				546	4,704		5,250
Stock compensation	70		2,815	4,632			7,447
Cancellation of restricted shares	(4)		(146)				(146)
Balance at December 31, 2017	89,914	10,438	\$ 1,407,366	\$ 233,635	\$ 6,689	\$ 21,033	\$ 1,668,723
Net income			84,111	9,527		12,763	106,401
Distributions			(72,200)	(9,022)			(81,222)
Redeemable noncontrolling interest			(11,425)	(1,296)		(13,979)	(26,700)
Decrease in noncontrolling interest						22,333	22,333
Redemption of limited partner common units for shares of general partner common units	264	(264)	4,344	(4,344)			
Shares issued under Dividend Reinvestment and Stock Purchase Plan	4		(37)				(37)
Directors' deferred compensation plan			507				507
Other comprehensive income				237	2,081		2,318
Stock compensation	147		1,414	5,480			6,894

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Cancellation of restricted shares	(9)		(583)	(1,453)			(2,036)
Balance at December 31, 2018	90,320	10,174 \$	1,413,497 \$	232,764 \$	8,770 \$	42,150 \$	1,697,181

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

Table of Contents**MACK-CALI REALTY, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS** *(in thousands)*

	2018	December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 106,401	\$ 33,718	\$ 130,294
Adjustments to reconcile net income to net cash provided by Operating activities:			
Depreciation and amortization, including related intangible assets and liabilities	170,284	198,674	186,549
Amortization of directors deferred compensation stock units	507	482	372
Amortization of stock compensation	6,894	7,447	5,646
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Land impairments	24,566		
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Increase in unbilled rents receivable, net	(7,519)	(11,286)	(12,775)
Increase in deferred charges, goodwill and other assets	(29,377)	(19,710)	(33,878)
Decrease in accounts receivable, net	1,382	2,831	596
Increase (decrease) in accounts payable, accrued expenses and other liabilities	13,915	(9,012)	(14,535)
Increase (decrease) in rents received in advance and security deposits	875	(1,817)	(3,297)
(Decrease) increase in accrued interest payable	(402)	1,296	(9,362)
Net cash provided by operating activities	\$ 167,073	\$ 196,141	\$ 100,107
CASH FLOWS FROM INVESTING ACTIVITIES			
Rental property acquisitions and related intangibles	\$ (164,838)	\$ (619,350)	\$ (407,869)
Rental property additions and improvements	(168,398)	(90,068)	(121,582)
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Proceeds from the sales of rental property	338,015	312,596	604,978
Proceeds from the sale of investments in unconsolidated joint ventures		98,599	6,420
Investments in notes receivable		(47,049)	
Repayment of notes receivable	12,102	74,945	500
Investment in unconsolidated joint ventures	(11,789)	(36,060)	(35,930)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	11,553	5,877	22,231
Proceeds from investment receivable		3,625	
Net cash used in investing activities	\$ (168,154)	\$ (564,730)	\$ (138,207)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings from revolving credit facility	\$ 461,000	\$ 730,000	\$ 1,165,000
Repayment of revolving credit facility	(494,000)	(866,000)	(1,034,000)
Repayment of senior unsecured notes		(250,000)	(448,339)
Borrowings from unsecured term loan		325,000	350,000

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Repayment of mortgages, loans payable and other obligations	(418,495)	(156,760)	(349,426)
Acquisition of noncontrolling interests		(2,021)	(37,946)
Issuance of redeemable noncontrolling interests, net	105,000	139,002	
Payment of financing costs	(3,576)	(9,230)	(9,414)
Contributions from (to) noncontrolling interests, net	(7,542)	(19)	1,065
Payment of distributions	(94,017)	(77,826)	(60,041)
Net cash (used in) provided by financing activities	\$ (17,337)	\$ 350,998	\$ 51,243
Net (decrease) increase in cash and cash equivalents	\$ (18,418)	\$ (17,591)	\$ 13,143
Cash, cash equivalents and restricted cash, beginning of period (1)	67,972	85,563	72,420
Cash, cash equivalents and restricted cash, end of period (2)	\$ 49,554	\$ 67,972	\$ 85,563

(1) Includes Restricted Cash of \$39,792, \$53,952 and \$35,343 as of December 31, 2017, 2016 and 2015, respectively, pursuant to the adoption of ASU 2016-15.

(2) Includes Restricted Cash of \$19,921, \$39,792 and \$53,952 as of December 31, 2018, 2017 and 2016, respectively, pursuant to the adoption of ASU 2016-15.

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

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MACK-CALI REALTY CORPORATION, MACK-CALI REALTY, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (*square footage, apartment unit, room, and building counts unaudited*)

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Mack-Cali Realty Corporation, a Maryland corporation, together with its subsidiaries (collectively, the General Partner), is a fully-integrated, self-administered, self-managed real estate investment trust (REIT). The General Partner controls Mack-Cali Realty, L.P., a Delaware limited partnership, together with its subsidiaries (collectively, the Operating Partnership), as its sole general partner and owned an 89.8 percent and 89.6 percent common unit interest in the Operating Partnership as of December 31, 2018 and December 31, 2017, respectively. The General Partner's business is the ownership of interests in and operation of the Operating Partnership and all of the General Partner's expenses are incurred for the benefit of the Operating Partnership. The General Partner is reimbursed by the Operating Partnership for all expenses it incurs relating to the ownership and operation of the Operating Partnership.

The Operating Partnership conducts the business of providing leasing, management, acquisition, development, and tenant-related services for its General Partner. The Operating Partnership, through its operating divisions and subsidiaries, including the Mack-Cali property-owning partnerships and limited liability companies, is the entity through which all of the General Partner's operations are conducted. Unless stated otherwise or the context requires, the Company refers to the General Partner and its subsidiaries, including the Operating Partnership and its subsidiaries.

As of December 31, 2018, the Company owned or had interests in 135 properties, consisting of 56 office and 55 flex properties, totaling approximately 15.4 million square feet, leased to approximately 700 commercial tenants, and 24 multi-family rental properties containing 6,910 apartment units, plus developable land (collectively, the Properties). The Properties are comprised of 56 office buildings totaling approximately 12.6 million square feet (which include four buildings aggregating approximately 0.5 million square feet owned by unconsolidated joint ventures in which the Company has investment interests), 47 office/flex buildings totaling approximately 2.7 million square feet, 24 multi-family properties totaling 6,910 apartment units (which include eight properties aggregating 2,922 apartment units owned by unconsolidated joint ventures in which the Company has investment interests), six parking/retail properties totaling approximately 137,100 square feet (which include two buildings aggregating 81,700 square feet owned by unconsolidated joint ventures in which the Company has investment interests), a hotel (which is owned by an unconsolidated joint venture in which the Company has an investment interest) and a parcel of land leased to others. The Properties are located in six states, primarily in the Northeast, plus the District of Columbia.

BASIS OF PRESENTATION

The accompanying consolidated financial statements include all accounts of the Company, its majority-owned and/or controlled subsidiaries, which consist principally of the Operating Partnership and variable interest entities for which the Company has determined itself to be the primary beneficiary, if any. See Note 2: Significant Accounting Policies—Investments in Unconsolidated Joint Ventures, for the Company's treatment of unconsolidated joint venture interests. Intercompany accounts and transactions have been eliminated.

Accounting Standards Codification (ASC) 810, Consolidation, provides guidance on the identification of entities for which control is achieved through means other than voting rights (variable interest entities or VIEs) and the determination of which business enterprise, if any, should consolidate the VIEs. Generally, the consideration of whether an entity is a VIE applies when either: (1) the equity investors (if any) lack (i) the ability to make decisions about the entity s activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; (2) the equity investment at risk is insufficient to finance that entity s activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and substantially all of the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the variable interest entity s performance; and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

On January 1, 2016, the Company adopted accounting guidance under ASC 810, Consolidation, modifying the analysis it must perform to determine whether it should consolidate certain types of legal entities. The guidance does not amend the existing disclosure requirements for variable interest entities or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model. Under the revised guidance, the Operating Partnership will be a variable interest entity of the parent company, Mack-Cali Realty Corporation. As the Operating Partnership is already consolidated in the balance sheets of Mack-Cali Realty Corporation, the identification of this entity as a variable interest entity has no impact on the consolidated financial statements of Mack-Cali Realty Corporation. There were no other legal entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption.

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As of December 31, 2018 and 2017, the Company's investments in consolidated real estate joint ventures, which are variable interest entities in which the Company is deemed to be the primary beneficiary, other than Roseland Residential, L.P. (See Note 3: Rockpoint Transaction), have total real estate assets of \$480.4 million and \$215.5 million, respectively, mortgages of \$241.5 million and \$81.2 million, respectively, and other liabilities of \$23 million and \$19.3 million, respectively.

The financial statements have been prepared in conformity with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience that are believed to be reasonable at the time. However, because future events and their effects cannot be determined with certainty, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates. Certain reclassifications have been made to prior period amounts in order to conform with current period presentation.

2. SIGNIFICANT ACCOUNTING POLICIES

Rental Property

Rental properties are stated at cost less accumulated depreciation and amortization. Costs directly related to the acquisition, development and construction of rental properties are capitalized. Acquisition related costs were expensed as incurred for all real estate acquisitions classified as business combinations, which were substantially all of our operating property acquisitions, through December 31, 2016. The Company early adopted FASB guidance Accounting Standards Update (ASU) 2017-01 on January 1, 2017, which revises the definition of a business and is expected to result in more transactions to be accounted for as asset acquisitions and significantly limit transactions that would be accounted for as business combinations. Where an acquisition has been determined to be an asset acquisition, acquisition-related costs are capitalized. Capitalized development and construction costs include pre-construction costs essential to the development of the property, development and construction costs, interest, property taxes, insurance, salaries and other project costs incurred during the period of development. Capitalized development and construction salaries and related costs approximated \$2.3 million, \$2.2 million and \$2.6 million for the years ended December 31, 2018, 2017 and 2016, respectively. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives. Fully-depreciated assets are removed from the accounts.

Included in net investment in rental property as of December 31, 2018 and December 31, 2017 is real estate and building and tenant improvements not in service; as follows (*dollars in thousands*):

	December 31, 2018	December 31, 2017
Land held for development (including pre-development costs) (a)	\$ 465,930	\$ 483,432
Development and construction in progress, including land (b)	327,039	535,971
Total	\$ 792,969	\$ 1,019,403

(a) Includes predevelopment and infrastructure costs included in buildings and improvements of \$204.9 million and \$188.1 million as of December 31, 2018 and December 31, 2017, respectively.

(b) Includes land of \$49.6 million and \$77.0 million as of December 31, 2018 and December 31, 2017, respectively.

The Company considers a construction project as substantially completed and held available for occupancy upon the substantial completion of improvements, but no later than one year from cessation of major construction activity (as distinguished from activities such as routine maintenance and cleanup). If portions of a rental project are substantially completed and occupied by tenants or residents, or held available for occupancy, and other portions have not yet reached that stage, the substantially completed portions are accounted for as a separate project. The Company allocates costs incurred between the portions under construction and the portions substantially completed and held available for occupancy, primarily based on a percentage of the relative commercial square footage or multi-family units of each portion, and capitalizes only those costs associated with the portion under construction.

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Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Leasehold interests	Remaining lease term
Buildings and improvements	5 to 40 years
Tenant improvements	The shorter of the term of the related lease or useful life
Furniture, fixtures and equipment	5 to 10 years

Upon acquisition of rental property, the Company estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities assumed, generally consisting of the fair value of (i) above and below-market leases, (ii) in-place leases and (iii) tenant relationships. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their relative fair values. The Company records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed differ from the purchase consideration of a business transaction.

In estimating the fair value of the tangible and intangible assets acquired, the Company considers information obtained about each property as a result of its due diligence and marketing and leasing activities, and utilizes various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed rate renewal options for below-market leases. The capitalized above-market lease values are amortized as a reduction of base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases.

Other intangible assets acquired include amounts for in-place lease values and tenant relationship values, which are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Company's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in-place leases are amortized to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles are amortized to expense over the anticipated life of the relationships or leases.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's rental properties held for use may be impaired. In addition to identifying any specific circumstances which may affect a property or properties, management considers other criteria for determining which properties may require assessment for potential impairment. The criteria considered by management include reviewing low leased percentages, significant near-term lease expirations, current and historical operating and/or cash flow losses, near-term mortgage debt maturities and/or other factors, including those that might impact the Company's intent and ability to hold the property. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the impairment loss shall be measured as the excess of the carrying value of the property over the fair value of the property. The Company's estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions. These assumptions are generally based on management's experience in its local real estate markets and the effects of

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current market conditions. The assumptions are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved, and actual losses or impairments may be realized in the future.

Rental Property Held for Sale

When assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. The Company generally considers assets to be held for sale when the transaction has received appropriate corporate authority, and there are no significant contingencies relating to the sale. If, in management's opinion, the estimated net sales price, net of selling costs, of the assets which have been identified as held for sale is less than the carrying value of the assets, a valuation allowance (which is recorded as unrealized losses on disposition of rental property) is established.

If circumstances arise that previously were considered unlikely and, as a result, the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying value before the property was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the property been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

Investments in Unconsolidated Joint Ventures

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. The Company applies the equity method by initially recording these investments at cost, as Investments in Unconsolidated Joint Ventures, subsequently adjusted for equity in earnings and cash contributions and distributions. The outside basis portion of the Company's joint ventures is amortized over the anticipated useful lives of the underlying ventures' tangible and intangible assets acquired and liabilities assumed. Generally, the Company would discontinue applying the equity method when the investment (and any advances) is reduced to zero and would not provide for additional losses unless the Company has guaranteed obligations of the venture or is otherwise committed to providing further financial support for the investee. If the venture subsequently generates income, the Company only recognizes its share of such income to the extent it exceeds its share of previously unrecognized losses.

If the venture subsequently makes distributions and the Company does not have an implied or actual commitment to support the operations of the venture, including a general partner interest in the investee, the Company will not record a basis less than zero, rather such amounts will be recorded as equity in earnings of unconsolidated joint ventures.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's investments in unconsolidated joint ventures may be impaired. An investment is impaired only if management's estimate of the value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying value of the investment over the value of the investment. The Company's estimates of value for each investment (particularly in real estate joint ventures) are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and operating costs. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the values estimated by management in its impairment analyses may not be realized, and actual losses or impairment may be realized in the future. See Note 4: Investments in Unconsolidated Joint Ventures.

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

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<i>Deferred Financing Costs</i>	Costs incurred in obtaining financing are capitalized and amortized over the term of the related indebtedness. Deferred financing costs are presented in the balance sheet as a direct deduction from the carrying value of the debt liability to which they relate, except deferred financing costs related to the revolving credit facility, which are presented in deferred charges, goodwill and other assets. In all cases, amortization of such costs is included in interest expense and was \$5,028,000, \$4,612,000 and \$4,582,000 for the years ended December 31, 2018, 2017 and 2016, respectively. If a financing obligation is extinguished early, any unamortized deferred financing costs are written off and included in gains (losses) from extinguishment of debt. Included in loss from extinguishment of debt, net of gains, of \$10.8 million, \$0.4 million and \$30.5 million for the years ended December 31, 2018, 2017 and 2016 were unamortized deferred financing costs which were written off (as non-cash transactions) amounting to \$0.6 million, \$0.4 million and \$0.7 million, respectively.
<i>Deferred Leasing Costs</i>	Costs incurred in connection with successfully executed commercial and residential leases are capitalized and amortized on a straight-line basis over the terms of the related leases and included in depreciation and amortization. Unamortized deferred leasing costs are charged to amortization expense upon early termination of the lease. Certain employees of the Company are compensated for providing leasing services to the Properties. The portion of such compensation related to commercial leases, which is capitalized and amortized, and included in deferred charges, goodwill and other assets, net was approximately \$3,463,000, \$3,146,000 and \$3,270,000 for the years ended December 31, 2018, 2017 and 2016, respectively. Upon the adoption of ASC842 on January 1, 2019, the Company will no longer capitalize such costs.
<i>Goodwill</i>	Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination. Goodwill is allocated to various reporting units, as applicable. Each of the Company's segments consists of a reporting unit. Goodwill is not amortized. Management performs an annual impairment test for goodwill during the fourth quarter and between annual tests, management evaluates the recoverability of goodwill whenever events or changes in circumstances indicate that the carrying value of goodwill may not be fully recoverable. In its impairment tests of goodwill, management first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on this assessment, management determines that the fair value of the reporting unit is not less than its carrying value, then performing the additional two-step impairment test is unnecessary. If the carrying value of goodwill exceeds its fair value, an impairment charge is recognized. The Company determined that its goodwill, with a balance of \$2.9 million, was not impaired at December 31, 2018 after management performed its impairment tests.
<i>Derivative Instruments</i>	The Company measures derivative instruments, including certain derivative instruments embedded in other contracts, at fair value and records them as an asset or liability, depending on the Company's rights or obligations under the applicable derivative contract. For derivatives designated and qualifying as fair value hedges, the changes in the fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivatives designated as cash flow hedges, the effective portions of the derivative are reported in other comprehensive income (OCI) and are subsequently reclassified into earnings when the hedged item affects earnings. Changes in fair value of derivative instruments not designated as hedging and ineffective portions of hedges are recognized in earnings in the affected period.
<i>Revenue Recognition</i>	Base rental revenue is recognized on a straight-line basis over the terms of the respective leases. Unbilled rents receivable represents the cumulative amount by which straight-line rental revenue exceeds rents currently billed in accordance with the lease agreements. Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed-rate renewal options for below-market leases. The capitalized above-market lease values for acquired properties are amortized as a reduction of base rental revenue over the remaining terms of the respective leases, and the capitalized below-

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market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed-rate renewal options of the respective leases.

Escalations and recoveries from tenants are received from tenants for certain costs as provided in the lease agreements. These costs generally include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs. See Note 13: Tenant Leases.

Real estate services revenue includes property management, development, construction and leasing commission fees and other services, and payroll and related costs reimbursed from clients. Fee income derived from the Company's unconsolidated joint ventures (which are capitalized by such ventures) are recognized to the extent attributable to the unaffiliated ownership interests.

Parking income includes income from parking spaces leased to tenants and others.

Other income includes income from tenants for additional services arranged for by the Company and income from tenants for early lease terminations.

Allowance for Doubtful Accounts Management performs a detailed review of amounts due from tenants to determine if an allowance for doubtful accounts is required based on factors affecting the collectability of the accounts receivable balances. The factors considered by management in determining which individual tenant receivable balances, or aggregate receivable balances, require a collectability allowance include the age of the receivable, the tenant's payment history, the nature of the charges, any communications regarding the charges and other related information. Management's estimate of the allowance for doubtful accounts requires management to exercise significant judgment about the timing, frequency and severity of collection losses, which affects the allowance and net income.

Income and Other Taxes The General Partner has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "IRS Code"). As a REIT, the General Partner generally will not be subject to corporate federal income tax on net income that it currently distributes to its shareholders, provided that the General Partner satisfies certain organizational and operational requirements including the requirement to distribute at least 90 percent of its REIT taxable income (determined by excluding any net capital gains) to its shareholders. If and to the extent the General Partner retains and does not distribute any net capital gains, the General Partner will be required to pay federal, state and local taxes, as applicable, on such net capital gains at the rate applicable to capital gains of a corporation.

The Operating Partnership is a partnership, and, as a result, all income and losses of the partnership are allocated to the partners for inclusion in their respective tax returns. Accordingly, no provision or benefit for income taxes has been made in the accompanying financial statements.

As of December 31, 2018, the estimated net basis of the rental property for federal income tax purposes was lower than the net assets as reported in the Operating Partnership's financial statements by approximately \$410,573,000. The Operating Partnership's taxable income for the year ended December 31, 2018 was estimated to be approximately \$82,106,000 and for the years ended December 31, 2017 and 2016 was approximately \$97,037,000 and \$30,208,000, respectively. The differences between book income and taxable income primarily result from differences in depreciation expenses, the recording of rental income, differences in the deductibility of interest expense and certain other expenses for tax purposes, differences in revenue recognition and the rules for tax purposes of a property exchange.

The General Partner has elected to treat certain of its corporate subsidiaries as taxable REIT subsidiaries (each a "TRS"). In general, a TRS of the General Partner may perform additional services for tenants of the Company and generally may engage in any real estate or non-real estate related business (except for the operation or management of health care facilities or lodging facilities or the providing to any person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated). A TRS is subject to corporate federal income tax. The General Partner has conducted business through its TRS entities for certain property management, development, construction and other related services, as well as to hold a joint venture interest in a hotel and other matters.

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The deferred tax asset balance at December 31, 2018 amounted to \$10.1 million which has been fully reserved through a valuation allowance. New tax reform legislation enacted in late 2017 reduced the corporate tax rate to 21 percent, effective January 1, 2018. Consequently, the Company's deferred tax assets were re-measured to reflect the reduction in the future U.S. corporate income tax rate as of the enactment date. As a result, the Company recorded a decrease related to its deferred tax assets of \$5.3 million and a decrease to the associated valuation allowance of \$5.3 million at December 31, 2017. If the General Partner fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its taxable income at regular corporate tax rates. The Company is subject to certain state and local taxes.

Pursuant to the amended provisions related to uncertain tax provisions of ASC 740, Income Taxes, the Company recognized no material adjustments regarding its tax accounting treatment. The Company expects to recognize interest and penalties related to uncertain tax positions, if any, as income tax expense, which is included in general and administrative expense.

In the normal course of business, the Company or one of its subsidiaries is subject to examination by federal, state and local jurisdictions in which it operates, where applicable. As of December 31, 2018, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are generally from the year 2014 forward.

Earnings Per Share or Unit The Company presents both basic and diluted earnings per share or unit (EPS or EPU). Basic EPS or EPU excludes dilution and is computed by dividing net income available to common shareholders or unitholders by the weighted average number of shares or units outstanding for the period. Diluted EPS or EPU reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS or EPU from continuing operations amount. Shares or Units whose issuance is contingent upon the satisfaction of certain conditions shall be considered outstanding and included in the computation of diluted EPS or EPU as follows (i) if all necessary conditions have been satisfied by the end of the period (the events have occurred), those shares or units shall be included as of the beginning of the period in which the conditions were satisfied (or as of the date of the grant, if later) or (ii) if all necessary conditions have not been satisfied by the end of the period, the number of contingently issuable shares or units included in diluted EPS or EPU shall be based on the number of shares or units, if any, that would be issuable if the end of the reporting period were the end of the contingency period (for example, the number of shares or units that would be issuable based on current period earnings or period-end market price) and if the result would be dilutive. Those contingently issuable shares or units shall be included in the denominator of diluted EPS or EPU as of the beginning of the period (or as of the date of the grant, if later).

Dividends and Distributions Payable The dividends and distributions payable at December 31, 2018 represents dividends payable to common shareholders (90,320,408 shares) and distributions payable to noncontrolling interest unitholders of the Operating Partnership (10,174,285 common units and 1,762,170 LTIP units) for all such holders of record as of January 3, 2019 with respect to the fourth quarter 2018. The fourth quarter 2018 common stock dividends and unit distributions of \$0.20 per common share, common unit and LTIP unit were approved by the General Partner's Board of Directors on December 11, 2018 and paid on January 11, 2019.

The dividends and distributions payable at December 31, 2017 represents dividends payable to common shareholders (89,914,658 shares) and distributions payable to noncontrolling interest unitholders of the Operating Partnership (10,438,855 common units and 1,230,877 LTIP units) for all such holders of record as of January 3, 2018 with respect to the fourth quarter 2017. The fourth quarter 2017 common stock dividends and unit distributions of \$0.20 per common share, common unit and LTIP unit were approved by the General Partner's Board of Directors on December 12, 2017 and paid on January 12, 2018.

The Company has determined that the \$0.80 dividend per common share paid during the year ended December 31, 2018 represented approximately 47 percent ordinary income and approximately 53 percent capital gain; the \$0.70 dividend per common share paid during the year ended December 31, 2017 represented 100 percent ordinary income and the \$0.60 dividend per common share paid during the year ended December 31, 2016 represented 100 percent return of capital.

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Costs Incurred For Stock Issuances	Costs incurred in connection with the Company's stock issuances are reflected as a reduction of additional paid-in capital.
Stock Compensation	The Company accounts for stock compensation in accordance with the provisions of ASC 718, Compensation-Stock Compensation. These provisions require that the estimated fair value of restricted stock (Restricted Stock Awards), performance share units, long term incentive plan awards and stock options at the grant date be amortized ratably into expense over the appropriate vesting period. The Company recorded stock compensation expense of \$6,894,000, \$7,447,000 and \$5,646,000 for the years ended December 31, 2018, 2017 and 2016, respectively.
Other Comprehensive Income (Loss)	Other comprehensive income (loss) includes items that are recorded in equity, such as effective portions of derivatives designated as cash flow hedges or unrealized holding gains or losses on marketable securities available for sale.
Redeemable Noncontrolling Interests	The Company evaluates the terms of the partnership units issued in accordance with the FASB's Distinguishing Liabilities from Equity guidance. Units which embody an unconditional obligation requiring the Company to redeem the units for cash after a specified or determinable date (or dates) or upon the occurrence of an event that is not solely within the control of the issuer are determined to be contingently redeemable under this guidance and are included as Redeemable noncontrolling interests and classified within the mezzanine section between Total liabilities and Stockholders' equity on the Company's Consolidated Balance Sheets. The carrying amount of the redeemable noncontrolling interests will be changed by periodic accretions, so that the carrying amount will equal the estimated future redemption value at the redemption date.
Fair Value Hierarchy	<p>The standard Fair Value Measurements specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair value hierarchy:</p> <ul style="list-style-type: none"> • Level 1: Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities; • Level 2: Quoted prices for identical assets and liabilities in markets that are inactive, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly, such as interest rates and yield curves that are observable at commonly quoted intervals and • Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. <p>In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's 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.</p>
Impact Of Recently-Issued Accounting Standards	In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), modifying the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). ASU 2016-02 provides new guidelines that change the accounting for leasing arrangements for lessees, whereby their rights and obligations under substantially all leases, existing and new, would be capitalized and

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recorded on the balance sheet. For lessors, however, the accounting remains largely equivalent to the current model, with the distinction between operating, sales-type, and direct financing leases retained, but updated to align with certain changes to the lessee model and the new revenue recognition standard.

ASU 2016-02 provides two transition methods. The first transition method allows for application of the new model at the beginning of the earliest comparative period presented. Under the second transition method, comparative periods would not be restated, with any cumulative effect adjustments recognized in the opening balance of retained earnings in the period of adoption. In addition, a practical expedient was recently issued by the FASB that allows lessors to combine non-lease components with related lease components if certain conditions are met. The Company will adopt this guidance for its interim and annual periods beginning January 1, 2019 and expects to use the second transition method.

Under ASU 2016-02, lessors will only capitalize incremental direct leasing costs and will expense internal leasing costs that were previously capitalized prior to the adoption of ASU 2016-02. For leases where the Company is a lessee, primarily its ground leases, the Company expects to recognize a right-of-use asset and a corresponding lease liability. The Company is continuing to assess the potential impact of this standard but expects to recognize right-of-use assets and lease liabilities for such ground leases.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (ASU 2016-13). The guidance introduces a new model for estimating credit losses for certain types of financial instruments, including trade and lease receivables, loans receivable, held-to-maturity debt securities, and net investments in direct financing leases, amongst other financial instruments. ASU 2016-13 also modifies the impairment model for available-for-sale debt securities and expands the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating the allowance for losses. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2016-13 will have on the Company’s consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12). The purpose of ASU 2017-12 is to better align a company’s financial reporting for hedging activities with the economic objectives of those activities. ASU 2017-12 is effective for annual reporting periods beginning after December 15, 2018. ASU 2017-12 requires a modified retrospective transition method which requires a cumulative effect of the change on the opening balance of each affected component of equity in the Company’s consolidated financial statements as of the date of adoption. The Company does not expect the adoption of ASU 2017-12 to have a material impact on the Company’s consolidated financial statements.

3. RECENT TRANSACTIONS

Management Changes

In March 2018, the Company announced the appointment of Michael J. DeMarco, Chief Executive Officer of the General Partner, to its Board of Directors effective March 14, 2018. Mr. DeMarco’s addition to the Board expanded the total number of members from nine to ten. In February 2019, the Company announced that the Board of Directors increased its size from ten to eleven members, effective immediately, and nominated a slate of eleven candidates consisting of Lisa Myers, Laura Pomerantz and all of the current directors of the Company (other than Kenneth M. Duberstein, who decided not to stand for re-election and will retire from the Board of Directors at the Company’s 2019 annual meeting of shareholders) for election to the Board of Directors at the Company’s 2019 annual meeting of shareholders, which is expected to be held on June 12, 2019.

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In January 2018, the Company announced the appointment of David J. Smetana as chief financial officer and Nicholas Hilton as executive vice president of leasing of the General Partner. Mr. Smetana began to perform his duties as chief financial officer and Anthony Krug ceased to serve as chief financial officer immediately following the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2017. Mr. Krug remained an employee of the Company and provided transition services through March 31, 2018. Mr. Hilton's employment commenced on February 12, 2018 following the departure of Christopher DeLorenzo.

In June 2018, the Company announced that the employment of Mitchell E. Rudin as Vice Chairman of the General Partner was terminated effective as of June 5, 2018. In November 2018, the Company announced that the employment of Robert Andrew Marshall

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as President and Executive Vice President of Development of RRT was terminated effective as of October 31, 2018. In addition, the Company also restructured certain other corporate and property management personnel during the year ended December 31, 2018.

As a result of the executive management changes as well as other personnel changes during the period, the Company incurred total net severance and related expenses in the year ended December 31, 2018 of \$7.9 million, \$6.5 million of which was included in general and administrative expense (including \$1.0 million of stock compensation expense due to accelerated vesting and a net reversal of \$2.0 million of amortization of stock compensation expense due to the forfeiture of unvested securities) and \$1.4 million of which was included in operating services expense for the period.

Acquisitions

On February 6, 2019, the Company completed the acquisition of a 271,988 square foot office property located in Iselin, New Jersey, for a purchase price of \$61.5 million, which was funded using funds available with the Company's qualified intermediary and borrowings under the Company's unsecured revolving credit facility.

On January 25, 2019, the Company signed an agreement to acquire a 377-unit multi-family rental property located in Jersey City, New Jersey for approximately \$264 million, subject to certain conditions. The acquisition is expected to be completed in the second quarter 2019.

2017

The Company acquired the following office properties (which were determined to be asset acquisitions in accordance with ASU 2017-01) during the year ended December 31, 2017 (*dollars in thousands*):

Acquisition Date	Property Address	Location	# of Bldgs.	Rentable Square Feet	Acquisition Cost
01/11/17	Red Bank portfolio (a)	Red Bank, New Jersey	3	279,472	\$ 27,228
03/06/17	Short Hills/Madison portfolio (b)	Short Hills & Madison, New Jersey	6	1,113,028	367,361
Total Acquisitions			9	1,392,500	\$ 394,589

(a) This acquisition was funded through borrowings under the Company's unsecured revolving credit facility.

(b) This acquisition was funded through borrowings under the Company's unsecured revolving credit facility and a new \$124.5 million loan secured by three of the properties.

The purchase prices were allocated to the net assets acquired, as follows (*in thousands*):

	Red Bank Portfolio	Short Hills/Madison Portfolio	Total
Land and leasehold interest	\$ 7,914	\$ 30,336	\$ 38,250
Buildings and improvements and other assets	16,047	295,299	311,346
Above market leases (a)	118	6,367	6,485
In-place lease values (a)	3,171	45,604	48,775
	27,250	377,606	404,856
Less: Below market lease values (a)	(22)	(10,245)	(10,267)
Net assets recorded upon acquisition	\$ 27,228	\$ 367,361	\$ 394,589

(a) Above market, in-place and below market leases are being amortized over a weighted-average term of 5.4 years.

The Company acquired three separate developable land parcels located in Jersey City, Morris Township and Red Bank, New Jersey, for approximately \$80 million during the year ended December 31, 2017. The acquisitions were funded using available cash and borrowings under the Company's unsecured revolving credit facility.

Properties Commencing Initial Operations

The following properties commenced initial operations during the year ended December 31, 2018 (*dollars in thousands*):

In-Service Date	Property	Location	Type	# of Apartment Units/ Rooms	Total Development Costs Incurred
03/01/18	145 Front at City Square	Worcester, MA	Multi-Family	365	\$ 97,483(a)
04/01/18	Signature Place at Morris Plains	Morris Plains, NJ	Multi-Family	197	56,715(b)
05/01/18	Portside 5/6	East Boston, MA	Multi-Family	296	114,694(c)
08/01/18	RiverHouse 11 at Port Imperial	Weehawken, NJ	Multi-Family	295	130,369(d)
12/13/18	Residence Inn By Marriott (Phase I)	Weehawken, NJ	Hotel	164	58,723(e)
Totals				1,317	\$ 457,984

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(a) Development costs as of December 31, 2018 included approximately \$4.4 in land costs. As of December 31, 2018, the Company anticipates additional costs of approximately \$1.1 million, which will be primarily funded from a construction loan.

(b) Development costs as of December 31, 2018 included approximately \$0.9 in land costs.

(c) As of December 31, 2018, the Company anticipates additional costs of approximately \$0.7 million, which will be funded by the Company.

(d) As of December 31, 2018, the Company anticipates additional costs of \$1.2 million which will be funded by the Company.

(e) As of December 31, 2018, the Company anticipates additional costs of \$20.1 million which will be funded from a construction loan.

Consolidations**2018**

On August 2, 2018, the Company, which held a 24.27 percent subordinated interest in the unconsolidated joint venture Marbella Tower Urban Renewal Associates LLC, a 412-unit multi-family operating property located in Jersey City, New Jersey, acquired its equity partner's 50 percent interest for \$65.6 million in cash. The property was subject to a mortgage loan that had a principal balance of \$95 million. The cash portion of the acquisition was funded primarily through borrowings under the Company's unsecured revolving credit facility. Concurrently with the closing, the joint venture repaid the \$95 million mortgage loan in full and obtained a new loan from a different lender, collateralized by the property in the amount of \$131 million, which bears interest at 4.07 percent and matures in August 2026. The venture distributed \$37.4 million of the loan proceeds, of which the Company's share was \$30.4 million. As a result of the acquisition, the Company increased its ownership of the property from a 24.27 percent subordinated interest to a 74.27 percent controlling interest. In accordance with ASC 810, Consolidation, the Company evaluated the acquisition and determined that the entity meets the criteria of a VIE. As such, the Company consolidated the asset upon acquisition and accordingly, remeasured its equity interests, as required by the FASB's consolidation guidance, at fair value (based upon the income approach using current rates and market cap rates and discount rates). As a result, the Company recorded a gain on change of control of interests of \$14.2 million (a non-cash item) in the year ended December 31, 2018, when the Company accounted for the transaction as a VIE that is not a business in accordance with ASC 810-10-30-4. Additional non-cash items included in the acquisition were the Company's carrying value of its interest in the joint venture of \$14 million and the noncontrolling interest's fair value of \$29.8 million (non-cash allocation). See Note 9: Mortgages, Loans Payable and Other Obligations.

Net assets recorded upon consolidation were as follows (*in thousands*):

Land and leasehold interest	\$	48,820
Buildings and improvements and other assets, net		162,958
In-place lease values (a)		6,947
Less: Below market lease values (a)		(108)
		218,617

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Less: Debt		(131,000)
Net Assets		87,617
Less: Noncontrolling interest (b)		(22,812)
Net assets recorded upon consolidation	\$	64,805

(a) In-place and below market leases are being amortized over a weighted-average term of 9.3 months.

(b) Noncontrolling interest balance reflects distribution of \$7.0 million of loan proceeds at closing.

2017

On February 3, 2017, the Operating Partnership issued 42,800 shares of a new class of 3.5 percent Series A Preferred Limited Partnership Units of the Operating Partnership (the Series A Units) valued at \$42.8 million. The Series A Units were issued to the Company's partners in the Plaza VIII & IX Associates L.L.C. joint venture that owns a development site adjacent to the Company's Harborside property in Jersey City, New Jersey as non-cash consideration for their approximate 37.5 percent interest in the joint venture. Concurrent with the issuance of the Series A Units, the Company purchased from other partners in the Plaza VIII & IX Associates L.L.C. joint venture their approximate 12.5 percent interest for approximately \$14.3 million in cash. The results of these transactions increased the Company's interests in the joint venture from 50 percent to 100 percent. Upon these acquisitions, the Company consolidated Plaza VIII & IX Associates L.L.C., a voting interest entity, substantially all of which is comprised of land for development. As an acquisition of the additional 50 percent of the land, the Company accounted for the transaction as an asset acquisition under a cost accumulation model, resulting in total consolidated assets of \$60.6 million, substantially all of which is classified as land on the Balance Sheet.

On February 28, 2017, the Operating Partnership authorized the issuance of 9,213 shares of a new class of 3.5 percent Series A-1 Preferred Limited Partnership Units of the Operating Partnership (the Series A-1 Units). 9,122 Series A-1 Units were issued on February 28, 2017, valued at \$9.1 million, to the Company's partner in a joint venture with the Operating Partnership, which owns Monaco Towers in Jersey City, New Jersey that includes 523 apartment homes in two fifty-story towers with 558 parking spaces and 12,300 square feet of ground floor retail space. The Series A-1 Units were issued as non-cash consideration for the partner's approximate 13.8 percent ownership interest in the joint venture to increase the Company's unconsolidated investment to 29 percent. In April 2017, an additional 91 Series A-1 Units were issued by the Operating Partnership to purchase from other partners in the same joint venture

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their approximate 71.2 percent ownership interest for approximately \$130.9 million in cash and \$171.2 million in assumed debt in transactions which closed in April 2017. The results of these transactions increased the Company's interests in the joint venture to 100 percent. Upon these acquisitions, the Company consolidated RoseGarden Monaco Holdings, L.L.C., a voting interest entity.

As an acquisition of the remaining interests in the venture which owns the Monaco Towers, the Company accounted for the transaction as an asset acquisition under a cost accumulation model, resulting in total consolidated net assets of \$139.9 million which is allocated, as follows (*in thousands*):

	Monaco North	Monaco South	Total
Land and leasehold interest	\$ 27,300	\$ 31,461	\$ 58,761
Buildings and improvements and other assets	112,841	129,895	242,736
Above market leases (a)	350		350
In-place lease values (a)	4,585	4,913	9,498
Less: Below market lease values (a)	(141)	(118)	(259)
	144,935	166,151	311,086
Less: Debt assumed at fair value	(79,544)	(91,656)	(171,200)
Net assets recorded upon consolidation	\$ 65,391	\$ 74,495	\$ 139,886

(a) Above market, in-place and below market leases are being amortized over a weighted-average term of 8 months.

Dispositions/Rental Property Held for Sale

2018

The Company disposed of the following office properties during the year ended December 31, 2018 (*dollars in thousands*):

Disposition Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds	Net Carrying Value	Realized Gains (losses)/ Unrealized Losses, net
02/15/18	35 Waterview Boulevard (a)	Parsippany, New Jersey	1	172,498	\$ 25,994	\$ 25,739	\$ 255
03/05/18	Hamilton portfolio (b)	Hamilton, New Jersey	6	239,262	17,546	17,501	45
03/07/18	Wall portfolio first closing	Wall, New Jersey	5	179,601	14,053	10,526	3,527
03/22/18	700 Horizon Drive	Hamilton, New Jersey	1	120,000	33,020	16,053	16,967
03/23/18		Wall, New Jersey	3	217,822	30,209	12,961	17,248

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Wall portfolio second closing							
03/28/18	75 Livingston Avenue	Roseland, New Jersey	1	94,221	7,983	5,609	2,374
03/28/18	20 Waterview Boulevard (c)	Parsippany, New Jersey	1	225,550	12,475	11,795	680
03/30/18	Westchester Financial Center (d)	White Plains, New York	2	489,000	81,769	64,679	17,090
06/27/18	65 Jackson Drive	Cranford, New Jersey	0		1,510(e)		1,510
08/02/18	600 Horizon Drive	Hamilton, New Jersey	1	95,000	15,127	6,191	8,936
09/05/18	1 & 3 Barker Avenue	White Plains, New York	2	133,300	15,140	13,543	1,597
11/15/18	120 Passaic Street (f)	Rochelle Park, New Jersey	1	52,000	2,667	2,568	99
12/31/18	Elmsford Distribution Center	Elmsford, New York	6	387,400	66,557	17,314	49,243
Sub-total			30	2,405,654	324,050	204,479	119,571
Unrealized losses on rental property held for sale							(20,135)
Totals			30	2,405,654	\$ 324,050	\$ 204,479	\$ 99,436

(a) The Company recorded a valuation allowance of \$0.7 million on this property during the year ended December 31, 2017.

(b) The Company recorded a valuation allowance of \$0.6 million on these properties during the year ended December 31, 2017. The disposition additionally included two land properties.

(c) The Company recorded a valuation allowance of \$11 million on this property during the year ended December 31, 2017. Prior to closing, the Company provided short term financing through a note receivable to an affiliate of the buyers of \$2.8 million. The note was paid off in the second quarter of 2018.

(d) Prior to closing, the Company provided financing through a note receivable to an affiliate of the buyers of \$4.0 million. The note was paid off in October 2018.

(e) Represents the receipt by the Company in the second quarter 2018 of variable contingent sales consideration, net of costs, of \$1.5 million subsequent to disposition of the property sold in January 2017.

(f) The net sale proceeds were held by a qualified intermediary, which is noncash and recorded in deferred charges, goodwill and other assets as of December 31, 2018. See Note 5: Deferred Charges, Goodwill and Other Assets, Net).

The Company disposed of the following developable land holding during the year ended December 31, 2018 (*dollars in thousands*):

Disposition Date	Property Address	Location	Net Sales Proceeds	Net Carrying Value	Gain on Disposition of Developable Land
12/31/18	One Lake Street	Upper Saddle River, New Jersey (a)	\$ 46,036	\$ 15,097	\$ 30,939
Totals			\$ 46,036	\$ 15,097	\$ 30,939

(a) The net sale proceeds were held by a qualified intermediary, which is noncash and recorded in deferred charges, goodwill and other assets as of December 31, 2018. See Note 5: Deferred Charges, Goodwill and Other Assets, Net. The net carrying value includes \$3 million of development costs funded at the closing.

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The Company identified as held for sale six office properties, totaling approximately 845,000 square feet, and a 159 unit multi-family rental property as of December 31, 2018. The properties are located in Fort Lee, Newark, Paramus, Bridgewater, Morris Plains and Rahway, New Jersey. The total estimated sales proceeds, net of expected selling costs, from the sales are expected to be approximately \$124 million. The Company determined that the carrying value of four of the properties was not expected to be recovered from estimated net sales proceeds and accordingly recognized an unrealized loss allowance of \$20.1 million for the year ended December 31, 2018. In January 2019, the Company completed the disposition of three of these properties for sales proceeds of approximately \$54.5 million.

The following table summarizes the rental property held for sale, net, as of December 31, 2018 (*dollars in thousands*):

	December 31, 2018
Land	\$ 24,376
Buildings and improvements	159,857
Less: Accumulated depreciation	(55,250)
Less: Unrealized losses on properties held for sale	(20,135)
Rental property held for sale, net	\$ 108,848

Other assets and liabilities related to the rental properties held for sale, as of December 31, 2018, include \$2.9 million in Deferred charges and other assets, \$1.7 million in Unbilled rents receivable and \$2.3 million in Accounts payable, accrued expenses and other liabilities. Approximately \$3.9 million of these assets and \$1.7 million of these liabilities are expected to be removed with the completion of the sales.

2017

The Company disposed of the following office properties during the year ended December 31, 2017 (*dollars in thousands*):

Disposition Date	Property/Address	Location	# of Bldgs.	Rentable Square Feet	Net Sales Proceeds	Net Carrying Value	Realized Gains (losses)/ Unrealized Losses, net
01/30/17	Cranford portfolio	Cranford, New Jersey	6	435,976	\$ 26,598	\$ 22,736	\$ 3,862
01/31/17	440 Route 22 East (a)	Bridgewater, New Jersey	1	198,376	10,074	10,069	5
02/07/17	3 Independence Way	Princeton, New Jersey	1	111,300	11,549	9,910	1,639
05/15/17	103 Carnegie Center	Princeton, New Jersey	1	96,000	15,063	8,271	6,792
08/29/17	400 Chestnut Ridge Road	Woodcliff Lake, New Jersey	1	89,200	6,891	7,498	(607)
08/30/17	140 E. Ridgewood Avenue	Paramus, New Jersey	1	239,680	30,201	30,737	(536)
08/30/17	Bergen portfolio	Woodcliff Lake, Paramus and Rochelle Park, New	5	1,061,544	86,973(c)	135,121	(48,148)

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Jersey								
09/11/17	377 Summerhill Road	East Brunswick, New Jersey	1	40,000	3,221	2,172	1,049	
09/13/17	700 Executive Boulevard	Elmsford, New York		(b)	5,717	970	4,747	
09/20/17	Totowa Portfolio	Totowa, New Jersey	13	499,243	63,624	27,630	35,994	
09/27/17	890 Mountain Avenue (d)	New Providence, New Jersey	1	80,000	4,852	6,139	(1,287)	
09/28/17	135 Chestnut Ridge Road	Montvale, New Jersey	1	66,150	5,844(e)	2,929	2,915	
09/29/17	Moorestown portfolio	Moorestown and Burlington, New Jersey	26	1,260,398	73,393(f)	56,186	17,207	
10/19/17	1 Enterprise Boulevard	Yonkers, New York		(b)	3,230	1,380	1,850	
11/15/17	61 South Paramus Road	Paramus, New Jersey	1	269,191	23,255	37,184	(13,929)	
12/06/17	300 Tice Boulevard	Woodcliff Lake, New Jersey	1	230,000	28,847	25,705	3,142	
Sub-total			60	4,677,058	399,332	384,637	14,695	
Unrealized losses on rental property held for sale								(12,331)
Totals			60	4,677,058	\$ 399,332	\$ 384,637	\$ 2,364	

(a) The Company recorded a valuation allowance of \$7.7 million on this property during the year ended December 31, 2016.

(b) This disposition is of a ground leased land property.

(c) At closing, the Company provided short term seller financing aggregating \$65 million through mortgage notes receivable to the buyers. These notes were paid off in November and December 2017.

(d) The Company recorded an impairment charge of \$7.0 million on this property during the year ended December 31, 2015.

(e) The Company recorded an impairment charge of \$4.2 million on this property during the year ended December 31, 2015. \$5.9 million of the sales proceeds from this sale were held by a qualified intermediary, which is noncash and recorded in deferred charges, goodwill and other assets as of December 31, 2017. The Company received these proceeds in March 2018. See Note 5: Deferred Charges, Goodwill and Other Assets, Net.

(f) \$15.3 million of the sales proceeds from this sale were held by a qualified intermediary, which is noncash and recorded in deferred charges, goodwill and other assets as of December 31, 2017. The Company received these proceeds in March 2018. See Note 5: Deferred Charges, Goodwill and Other Assets, Net.

The Company identified as held for sale 21 office properties totaling approximately 2 million square feet as of December 31, 2017. The properties are located in Parsippany, Paramus, Rochelle Park, Hamilton and Wall, New Jersey and White Plains, New York. The total estimated sales proceeds from the sales were expected to be approximately \$223 million. The Company determined that the carrying value of seven of the office properties was not expected to be recovered from estimated net sales proceeds and accordingly recognized an unrealized loss allowance of \$12.3 million during the year ended December 31, 2017.

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The following table summarizes the rental property held for sale, net, as of December 31, 2017 (*dollars in thousands*):

	December 31, 2017
Land	\$ 37,024
Buildings and improvements	273,388
Less: Accumulated depreciation	(126,503)
Less: Unrealized losses on properties held for sale	(12,331)
Rental property held for sale, net	\$ 171,578

Other assets and liabilities related to the rental properties held for sale, as of December 31, 2017, included \$9.8 million in deferred charges, and other assets, \$4.7 million in Unbilled rents receivable and \$4.6 million in Accounts payable, accrued expenses and other liabilities. Approximately \$13.4 million of these assets and \$0.3 million of these liabilities were expected to be written off with the completion of the sales.

Land Impairments

The Company owns two separate developable land parcels in Conshohocken and Bala Cynwyd, Pennsylvania, that were being considered for development into multi-family rental properties. During the fourth quarter 2018, the Company made the decision to pursue selling the land parcels as opposed to development. Due to the shortening of the expected periods of ownership, the Company determined that it was necessary to reduce the carrying values of the land parcels to their estimated fair values (ascertained by broker opinions of value obtained during the marketing process) and recorded total land impairments charges of \$24.6 million at December 31, 2018.

Rockpoint Transaction

On February 27, 2017, the Company, RRT, the Company's wholly-owned subsidiary through which the Company conducts its multi-family residential real estate operations, Roseland Residential, L.P. (RRLP), the operating partnership through which RRT conducts all of its operations, and certain other affiliates of the Company entered into an equity investment agreement (the Investment Agreement) with Rockpoint Group, L.L.C. and certain of its affiliates (collectively, Rockpoint). The Investment Agreement provides for multiple equity investments by Rockpoint in RRLP from time to time for up to an aggregate of \$300 million of equity units of limited partnership interests of RRLP (the Rockpoint Units). The initial closing under the Investment Agreement occurred on March 10, 2017 for \$150 million of Rockpoint Units. Additional closings of Rockpoint Units to be issued and sold to Rockpoint pursuant to the Investment Agreement may occur from time to time in increments of not less than \$10 million per closing, with the balance of the full \$300 million by March 1, 2019. See Note 14: Redeemable Noncontrolling Interests.

RRLP has been identified as a variable interest entity in which the Company is deemed to be the primary beneficiary. As of December 31, 2018 and December 31, 2017, the Company's consolidated RRLP entity had total assets of \$2.3 billion and \$1.9 billion, respectively, total mortgages and loan payable of \$1.1 billion and \$769.7 million, respectively, and other liabilities of \$57 million and \$95.9 million, respectively.

Unconsolidated Joint Venture Activity

On January 31, 2019, the Company, which held a 24.27 percent subordinated interest in the unconsolidated joint venture Marbella Tower Urban Renewal Associates South LLC, a 311-unit multi-family operating property located in Jersey City, New Jersey, acquired its equity partner's 50 percent interest for \$77.5 million in cash. The acquisition was funded primarily using available cash. Concurrently with the closing, the joint venture repaid in full the property's \$74.7 million mortgage loan and obtained a new loan in the amount of \$117 million.

On December 11, 2018, the Company acquired one of its partner's interest in the Metropolitan and Shops at 40 Park and the Lofts at 40 Park for \$1.3 million and as a result, increased its ownership from 12.5 percent interest to 25 percent interest in the Metropolitan and Shops at 40 Park and from 25 percent interest to 50 percent interest in the Lofts at 40 Park.

On September 29, 2017, the Company sold its interests in the KPG-MCG Curtis joint venture that owns an operating property located in Philadelphia, Pennsylvania for a sales price of \$102.5 million, which included the retirement of the Company's share in a mortgage payable of \$75 million, and realized a gain on the sale of the unconsolidated joint venture of \$12 million. \$5.6 million of the net sales proceeds from this sale were held by a qualified intermediary, which is considered non cash and recorded in deferred charges, goodwill and other assets. See Note 5: Deferred Charges, Goodwill and Other Assets, Net.

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On September 21, 2017, the RoseGarden Monaco, L.L.C. joint venture agreement was terminated. Accordingly, the Company wrote off the carrying value of its investment in the joint venture and recorded a loss of \$1.4 million on the disposition of its joint venture interest.

On February 15, 2017, the Company sold its 7.5 percent interest in the Elmajo Urban Renewal Associates, LLC and Estuary Urban Renewal Unit B, LLC joint ventures that own operating multi-family properties located in Weehawken, New Jersey for a sales price of \$5.1 million and realized a gain on the sale of the unconsolidated joint venture of \$5.1 million.

On January 31, 2017, the Company sold its interest in the KPG-P 100 IMW JV, LLC, Keystone-Penn and Keystone-Tristate joint ventures that own operating properties, located in Philadelphia, Pennsylvania for an aggregate sales price of \$9.7 million and realized a gain on the sale of the unconsolidated joint venture of \$7.4 million.

4. INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES

As of December 31, 2018, the Company had an aggregate investment of approximately \$232.8 million in its equity method joint ventures. The Company formed these ventures with unaffiliated third parties, or acquired interests in them, to develop or manage primarily office and multi-family rental properties, or to acquire land in anticipation of possible development of office and multi-family rental properties. As of December 31, 2018, the unconsolidated joint ventures owned: four office properties aggregating approximately 0.5 million square feet, eight multi-family properties totaling 2,922 apartment units, two retail properties aggregating approximately 81,700 square feet, a 350-room hotel, a development project for up to approximately 360 apartment units; and interests and/or rights to developable land parcels able to accommodate up to 3,738 apartment units. The Company's unconsolidated interests range from 20 percent to 85 percent subject to specified priority allocations in certain of the joint ventures.

The amounts reflected in the following tables (except for the Company's share of equity in earnings) are based on the historical financial information of the individual joint ventures. The Company does not record losses of the joint ventures in excess of its investment balances unless the Company is liable for the obligations of the joint venture or is otherwise committed to provide financial support to the joint venture. The outside basis portion of the Company's investments in joint ventures is amortized over the anticipated useful lives of the underlying ventures tangible and intangible assets acquired and liabilities assumed. Unless otherwise noted below, the debt of the Company's unconsolidated joint ventures generally is non-recourse to the Company, except for customary exceptions pertaining to such matters as intentional misuse of funds, environmental conditions, and material misrepresentations.

The Company has agreed to guarantee repayment of a portion of the debt of its unconsolidated joint ventures. As of December 31, 2018, such debt had a total facility amount of \$316.9 million of which the Company agreed to guarantee up to \$35.8 million. As of December 31, 2018, the outstanding balance of such debt totaled \$204.9 million of which \$24.6 million was guaranteed by the Company. The Company performed management, leasing, development and other services for the properties owned by the unconsolidated joint ventures and recognized \$2.4 million and \$2.8 million for such services in the years ended December 31, 2018 and 2017, respectively. The Company had \$0.2 million and \$0.8 million in accounts receivable due from its unconsolidated joint ventures as of December 31, 2018 and 2017.

Included in the Company's investments in unconsolidated joint ventures as of December 31, 2018 are four unconsolidated development joint ventures, which are VIEs for which the Company is not the primary beneficiary. These joint ventures are primarily established to develop real estate property for long-term investment and were deemed VIEs primarily based on the fact that the equity investment at risk was not sufficient to permit the entities to finance their activities without additional financial support. The initial equity contributed to these entities was not

sufficient to fully finance the real estate construction as development costs are funded by the partners throughout the construction period. The Company determined that it was not the primary beneficiary of these VIEs based on the fact that the Company has shared control of these entities along with the entity's partners and therefore does not have controlling financial interests in these VIEs. The Company's aggregate investment in these VIEs was approximately \$129.5 million as of December 31, 2018. The Company's maximum exposure to loss as a result of its involvement with these VIEs is estimated to be approximately \$165.4 million, which includes the Company's current investment and estimated future funding commitments/guarantees of approximately \$35.8 million. The Company has not provided financial support to these VIEs that it was not previously contractually required to provide. In general, future costs of development not financed through third parties will be funded with capital contributions from the Company and its outside partners in accordance with their respective ownership percentages.

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The following is a summary of the Company's unconsolidated joint ventures as of December 31, 2018 and 2017 (*dollars in thousands*):

Entity / Property Name	Number of Apartment Units or Rentable Square Feet (sf)	Company's Effective Ownership % (a)	Carrying Value		Property Debt As of December 31, 2018			
			December 31, 2018	December 31, 2017	Balance	Maturity Date	Interest Rate	
Multi-family								
Marbella (b)	412	units	24.27%	\$ 14,544	\$			%
Metropolitan at 40 Park (c) (d)	130	units	25.00%	7,679	6,834	55,227	(e)	(e)
RiverTrace at Port Imperial	316	units	22.50%	8,112	8,864	82,000	11/10/26	3.21%
Crystal House (f)	825	units	25.00%	29,570	30,570	162,838	04/01/20	3.17%
PI North - Riverwalk C	360	units	40.00%	27,175	16,844		12/06/21	L+2.75%(g)
Marbella II (i)	311	units	24.27%	15,414	16,471	74,690	03/30/19	L+2.25%(h)
Riverpark at Harrison	141	units	45.00%	1,272	1,604	29,819	08/01/25	3.70%
Station House	378	units	50.00%	37,675	40,124	98,504	07/01/33	4.82%
Urby at Harborside	762	units	85.00%	85,317	94,429	191,732	08/01/29	5.197%(j)
PI North -Land (k)		potential units						
	836		20.00%	1,678	1,678			
Liberty Landing		potential units						
	850		50.00%	337	337			
Hillsborough 206	160,000	sf	50.00%	1,962	1,962			
Office								
Red Bank	92,878	sf	50.00%	3,127	4,602	14,000	08/01/23	L+2.25%(l)
12 Vreeland Road	139,750	sf	50.00%	7,019	6,734	7,904	07/01/23	2.87%
Offices at Crystal Lake	106,345	sf	31.25%	3,442	3,369	4,076	11/01/23	4.76%
Other								
Riverwalk Retail	30,745	sf	20.00%	1,539	1,625			
Hyatt Regency Jersey City	351	rooms	50.00%	112	440	100,000	10/01/26	3.668%
Other (m)				1,320	1,595			
Totals:				\$ 232,750	\$ 252,626	\$ 820,790		

(a) Company's effective ownership % represents the Company's entitlement to residual distributions after payments of priority returns, where applicable.

(b) On August 2, 2018, the Company acquired its equity partner's 50 percent controlling interest in the venture and, as a result, increased its ownership from a 24.27 percent subordinated interest to 74.27 percent controlling interest. See Note 3: Recent Transactions - Consolidation.

(c) The Company's ownership interests in this venture are subordinate to its partner's preferred capital balance and the Company is not expected to meaningfully participate in the venture's cash flows in the near term.

(d) Through the joint venture, the Company also owns a 12.5 percent interest in a 50,973 square foot retail building (Shops at 40 Park) and a 25 percent interest in a 59-unit, five story multi-family rental development property (Lofts at 40 Park). On December 11, 2018, the Company acquired one of its partner's interest and as a result, increased its ownership from 12.5 percent interest to 25 percent interest in the Metropolitan and Shops at 40 Park and from 25 percent interest to 50 percent interest in the Lofts at 40 Park.

(e) Property debt balance consists of: (i) an amortizable loan, collateralized by the Metropolitan at 40 Park, with a balance of \$36.0 million bears interest at 3.25 percent, matures in September 2020; (ii) an interest only loan, collateralized by the Shops at 40 Park, with a balance of \$6.1 million, bears interest at LIBOR+2.25 percent, matures in September 2019; (iii) a loan with a maximum borrowing amount of \$13,950 for the Lofts at 40 Park with a balance of \$13.1 million, which bears interest at LIBOR plus 250 basis points and matures in February 2020.

(f) Included in this is the Company's unconsolidated 50 percent interest in a vacant land to accommodate the development of approximately 295 additional units of which 252 are currently approved.

(g) The venture has a construction loan with a maximum borrowing amount of \$112,000.

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- (h) The construction loan which had a maximum borrowing amount of \$75,000 was amended on 3/30/18 and, subject to certain conditions, provided for four 3-month extension options with a fee of 6.25 basis points for each extension.
- (i) On January 31, 2019, the Company, which held a 24.27 percent subordinated interest in the unconsolidated joint venture, Marbella Tower Urban Renewal Associates South LLC, a 311-unit multi-family operating property located in Jersey City, New Jersey, acquired the majority equity partner's 50 percent interest in the venture for \$77.5 million in cash. The acquisition was funded primarily using available cash. Concurrently with the closing, the joint venture repaid in full the property's \$74.7 million mortgage loan and obtained a new loan in the amount of \$117 million.
- (j) The construction/permanent loan has a maximum borrowing amount of \$192 million. The Company owns an 85 percent interest with shared control over major decisions such as, approval of budgets, property financings and leasing guidelines.
- (k) The Company also owns a 20 percent residual interest in undeveloped land parcels: parcels 6, I, and J that can accommodate the development of 836 apartment units.
- (l) On August 1, 2018, the venture refinanced its mortgage loan with a maximum borrowing amount of \$16,500, bears interest at LIBOR +2.25%, matures on August 1, 2023 and subject to certain conditions, provided for two extension options.
- (m) The Company owns other interests in various unconsolidated joint ventures, including interests in assets previously owned and interest in ventures whose businesses are related to its core operations. These ventures are not expected to significantly impact the Company's operations in the near term.

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The following is a summary of the Company's equity in earnings (loss) of unconsolidated joint ventures for the years ended December 31, 2018, 2017 and 2016 (*dollars in thousands*):

Entity / Property Name	Year Ended December 31,		
	2018	2017	2016
Multi-family			
Marbella (b)	\$ 205	\$ 334	\$ 231
Metropolitan at 40 Park	(455)	(311)	(317)
RiverTrace at Port Imperial	154	196	(1,146)
Crystal House	(874)	(923)	(870)
PI North - Pier Land	(126)	(219)	(62)
PI North - Riverwalk C		(653)	(58)
Marbella II	35	93	(202)
Riverpark at Harrison	(232)	(252)	(190)
Station House	(2,096)	(1,793)	(2,440)
Urby at Harborside	(975)(c)	(6,356)	(219)
Liberty Landing	(5)	(15)	(80)
Hillsborough 206	16	(25)	(53)
Office			
Red Bank	(215)	238	448
12 Vreeland Road	285	496	347
Offices at Crystal Lake	73	89	(15)
Other			
Roseland/North Retail, L.L.C./ Riverwalk at Port Imperial	(86)	(81)	(52)
South Pier at Harborside / Hyatt Regency Jersey City on the Hudson	3,672	3,277	24,180
Other	497	(176)	(714)
Company's equity in earnings (loss) of unconsolidated joint ventures (a)	\$ (127)	\$ (6,081)	\$ 18,788

(a) Amounts are net of amortization of basis differences of \$903, \$792 and \$436 for the years ended December 31, 2018, 2017 and 2016, respectively.

(b) On August 2, 2018, the Company acquired one of its equity partner's 50 percent interest and as a result, increased its ownership from 24.27 percent subordinated interest to 74.27 percent controlling interest, and ceased applying the equity method of accounting at such time.

(c) Includes \$2.6 million of the Company's share of the venture's income from its first annual sale of an economic tax credit certificate from the State of New Jersey to a third party. The venture has an agreement with a third party to sell it the tax credits over the next nine years for \$3 million per year for a total of \$27 million. The sales are subject to the venture obtaining the tax credits from the State of New Jersey and transferring the credit certificates each year.

The following is a summary of the combined financial position of the unconsolidated joint ventures in which the Company had investment interests as of December 31, 2018 and 2017 (*dollars in thousands and unaudited*):

December 31,
2018

December 31,
2017

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Assets:			
Rental property, net	\$	903,253	\$ 931,419
Other assets		212,205	207,903
Total assets	\$	1,115,458	\$ 1,139,322
Liabilities and partners / members capital:			
Mortgages and loans payable	\$	686,797	\$ 689,412
Other liabilities		67,072	80,746
Partners /members capital		361,589	369,164
Total liabilities and partners /members capital	\$	1,115,458	\$ 1,139,322

The following is a summary of the combined results from operations of the unconsolidated joint ventures for the period in which the Company had investment interests during the years ended December 31, 2018, 2017 and 2016 (*dollars in thousands and unaudited*):

	Year Ended December 31,		
	2018	2017	2016
Total revenues	\$ 310,919	\$ 358,751	\$ 377,711
Operating and other expenses	(230,863)	(297,492)	(262,703)
Depreciation and amortization	(40,193)	(31,020)	(75,512)
Interest expense	(34,874)	(25,822)	(58,390)
Net income (loss)	\$ 4,989	\$ 4,417	\$ (18,894)

Table of Contents**5. DEFERRED CHARGES, GOODWILL AND OTHER ASSETS, NET**

(dollars in thousands)	December 31,	
	2018	2017
Deferred leasing costs	\$ 173,822	\$ 199,515
Deferred financing costs - unsecured revolving credit facility (a)	5,356	4,945
	179,178	204,460
Accumulated amortization	(71,326)	(98,956)
Deferred charges, net	107,852	105,504
Notes receivable (b)	47,409	50,167
In-place lease values, related intangibles and other assets, net (c) (d)	89,860	102,757
Goodwill (e)	2,945	2,945
Prepaid expenses and other assets, net (f)	107,168	80,947
Total deferred charges, goodwill and other assets, net	\$ 355,234	\$ 342,320

(a) Deferred financing costs related to all other debt liabilities (other than for the unsecured revolving credit facility) are netted against those debt liabilities for all periods presented. See Note 2: Significant Accounting Policies Deferred Financing Costs.

(b) Includes as of December 31, 2018 and 2017, respectively, a mortgage receivable with a balance of \$45.2 million and \$45.7 million (acquired in August 2017) which bears interest at 5.85 percent and matures in July 2019, with a three-month extension option and an interest-free note receivable with a net present value of \$2.2 million and \$2.5 million, which matures in April 2023. The Company believes these balances are fully collectible.

(c) In accordance with ASC 805, Business Combinations, the Company recognizes rental revenue of acquired above and below market lease intangibles over the terms of the respective leases. The impact of amortizing the acquired above and below-market lease intangibles increased revenue by approximately \$5.3 million, \$7.9 million and \$1.9 million for the years ended December 31, 2018, 2017 and 2016, respectively. The following table summarizes, as of December 31, 2018, the scheduled amortization of the Company's acquired above and below-market lease intangibles for each of the five succeeding years (*dollars in thousands*):

Year	Acquired Above- Market Lease Intangibles	Acquired Below- Market Lease Intangibles	Total Amortization
2019	\$ (2,559)	\$ 5,050	\$ 2,491
2020	(2,377)	4,305	1,928
2021	(2,245)	4,186	1,941
2022	(2,132)	4,064	1,932
2023	(1,207)	3,279	2,072

(d) The value of acquired in-place lease intangibles are amortized to expense over the remaining initial terms of the respective leases. The impact of the amortization of acquired in-place lease values is included in depreciation and amortization expense and amounted to approximately \$17.9 million, \$32.2 million and \$14.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. The following table summarizes, as of December 31, 2018, the scheduled amortization of the Company's acquired in-place lease values for each of the five succeeding years

(dollars in thousands):

Year		
2019	\$	10,494
2020		8,050
2021		6,884
2022		6,059
2023		4,943

- (e) All goodwill is attributable to the Company's Multi-family Real Estate and Services segment.
- (f) Includes as of December 31, 2018 and 2017, \$49.2 million and \$26.9 million, respectively, of proceeds from property sales held by a qualified intermediary.

Table of Contents**DERIVATIVE FINANCIAL INSTRUMENTS****Cash Flow Hedges of Interest Rate Risk**

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. As of December 31, 2018, the Company had outstanding interest rate swaps with a combined notional value of \$675 million that were designated as cash flow hedges of interest rate risk. During the year ending December 31, 2018, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the years ended December 31, 2018, 2017 and 2016 the Company recorded ineffectiveness gain (loss) of \$ (0.2) million, \$(37,000) and 0.6 million, respectively, which is included in interest and other investment income (loss) in the consolidated statements of operations, attributable to a floor mismatch in the underlying indices of the derivatives and the hedged interest payments made on its variable-rate debt. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next 12 months, the Company estimates that an additional \$6.7 million will be reclassified as a decrease to interest expense.

Undesignated Cash Flow Hedges of Interest Rate Risk

Interest rate caps not designated as hedges are not speculative and are used to manage the Company's exposure to interest rate movements but do not meet the strict hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. The Company recognized expenses of \$2,000 for the year ended December 31, 2016, which is included in interest and other investment income (loss) in the consolidated statements of operations.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet as of December 31, 2018 and 2017 (*dollars in thousands*):

Asset Derivatives designated as hedging instruments	Fair Value December 31,		Balance sheet location
	2018	2017	
Interest rate swaps	\$ 10,175	\$ 8,060	Deferred charges, goodwill and other assets

The table below presents the effect of the Company's derivative financial instruments on the Income Statement for the years ending December 31, 2018, 2017 and 2016 (*dollars in thousands*):

Derivatives in Cash Flow Hedging Relationships Year ended December 31,	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)			Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion, Reclassification for Forecasted Transactions No Longer Probable of Occurring and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion, Reclassification for Forecasted Transactions No Longer Probable of Occurring and Amount Excluded from Effectiveness Testing)		
	2018	2017	2016		2018	2017	2016		2018	2017	2016
Interest rate swaps	\$ 5,262	\$ 2,869	\$ (1,183)	Interest expense	\$ 2,944	\$ (2,381)	\$ (3,398)	Interest and other investment income (loss)	\$ (204)	\$ (37)	\$ 631

Credit-risk-related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness. As of December 31, 2018, the Company did not have derivatives in a net liability position including accrued interest but excluding any adjustment for nonperformance risk related to these agreements. As of December 31, 2018, the Company has not posted any collateral related to these agreements.

Table of Contents**6. RESTRICTED CASH**

Restricted cash generally includes tenant and resident security deposits for certain of the Company's properties, and escrow and reserve funds for debt service, real estate taxes, property insurance, capital improvements, tenant improvements, and leasing costs established pursuant to certain mortgage financing arrangements, and is comprised of the following (*dollars in thousands*):

	2018	December 31,	2017
Security deposits	\$	10,257	\$ 9,446
Escrow and other reserve funds		9,664	30,346
Total restricted cash	\$	19,921	\$ 39,792

7. SENIOR UNSECURED NOTES

A summary of the Company's senior unsecured notes as of December 31, 2018 and 2017 is as follows (*dollars in thousands*):

	December 31, 2018	December 31, 2017	Effective Rate (1)
4.500% Senior Unsecured Notes, due April 18, 2022	\$ 300,000	\$ 300,000	4.612%
3.150% Senior Unsecured Notes, due May 15, 2023	275,000	275,000	3.517
Principal balance outstanding	575,000	575,000	
Adjustment for unamortized debt discount	(2,838)	(3,505)	
Unamortized deferred financing costs	(1,848)	(2,350)	
Total senior unsecured notes, net	\$ 570,314	\$ 569,145	

(1) Includes the cost of terminated treasury lock agreements (if any), offering and other transaction costs and the discount/premium on the notes, as applicable.

The terms of the Company's senior unsecured notes include certain restrictions and covenants which require compliance with financial ratios relating to the maximum amount of debt leverage, the maximum amount of secured indebtedness, the minimum amount of debt service coverage and the maximum amount of unsecured debt as a percent of unsecured assets. The Company was in compliance with its debt covenants under the indenture relating to its senior unsecured notes as of December 31, 2018.

8. UNSECURED REVOLVING CREDIT FACILITY AND TERM LOANS

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On January 25, 2017, the Company entered into an amended revolving credit facility and new term loan agreement (2017 Credit Agreement) with a group of 13 lenders. Pursuant to the 2017 Credit Agreement, the Company refinanced its existing \$600 million unsecured revolving credit facility (2017 Credit Facility) and entered into a new \$325 million unsecured, delayed draw term loan facility (2017 Term Loan). Effective March 6, 2018, the Company elected to determine its interest rate under the 2017 Credit Agreement and under the 2017 Term Loan using the defined leverage ratio option, resulting in an interest rate of LIBOR plus 130 basis points and LIBOR plus 155 basis points, respectively.

The terms of the 2017 Credit Facility include: (1) a four-year term ending in January 2021, with two six-month extension options; (2) revolving credit loans may be made to the Company in an aggregate principal amount of up to \$600 million (subject to increase as discussed below), with a sublimit under the 2017 Credit Facility for the issuance of letters of credit in an amount not to exceed \$60 million (subject to increase as discussed below); (3) an interest rate, based on the Operating Partnership 's unsecured debt ratings from Moody 's or S&P, or, at the Operating Partnership 's option, if it no longer maintains a debt rating from Moody 's or S&P or such debt ratings fall below Baa3 and BBB-, based on a defined leverage ratio; and (4) a facility fee, currently 25 basis points, payable quarterly based on the Operating Partnership 's unsecured debt ratings from Moody 's or S&P, or, at the Operating Partnership 's option, if it no longer maintains a debt rating from Moody 's or S&P or such debt ratings fall below Baa3 and BBB-, based on a defined leverage ratio.

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After electing to use the defined leverage ratio to determine the interest rate, the interest rates on outstanding borrowings, alternate base rate loans and the facility fee on the current borrowing capacity, payable quarterly in arrears, on the 2017 Credit Facility are currently based on the following total leverage ratio grid:

Total Leverage Ratio	Interest Rate - Applicable Basis Points above LIBOR	Interest Rate - Applicable Basis Points Above LIBOR for Alternate Base Rate Loans	Facility Fee Basis Points
<45%	125.0	25.0	20.0
≥45% and <50% (current ratio)	130.0	30.0	25.0
≥50% and <55%	135.0	35.0	30.0
≥55%	160.0	60.0	35.0

Prior to the election to use the defined leverage ratio option, the interest rates on outstanding borrowings, alternate base rate loans and the facility fee on the current borrowing capacity, payable quarterly in arrears, on the 2017 Credit Facility were based upon the Operating Partnership's unsecured debt ratings, as follows:

Operating Partnership's Unsecured Debt Ratings: Higher of S&P or Moody's	Interest Rate - Applicable Basis Points Above LIBOR	Interest Rate - Applicable Basis Points Above LIBOR for Alternate Base Rate Loans	Facility Fee Basis Points
No ratings or less than BBB-/Baa3	155.0	55.0	30.0
BBB- or Baa3 (interest rate based on Company's election through March 5, 2018)	120.0	20.0	25.0
BBB or Baa2	100.0	0.0	20.0
BBB+ or Baa1	90.0	0.0	15.0
A- or A3 or higher	87.5	0.0	12.5

The terms of the 2017 Term Loan include: (1) a three-year term ending in January 2020, with two one-year extension options; (2) multiple draws of the term loan commitments may be made within 12 months of the effective date of the 2017 Credit Agreement up to an aggregate principal amount of \$325 million (subject to increase as discussed below), with no requirement to be drawn in full; provided, that, if the Company does not borrow at least 50 percent of the initial term commitment from the term lenders (i.e. 50 percent of \$325 million) on or before July 25, 2017, the amount of unused term loan commitments shall be reduced on such date so that, after giving effect to such reduction, the amount of unused term loan commitments is not greater than the outstanding term loans on such date; (3) an interest rate based on the Operating Partnership's unsecured debt ratings from Moody's or S&P, or, at the Operating Partnership's option if it no longer maintains a debt rating from Moody's or S&P or such debt ratings fall below Baa3 and BBB-, based on a defined leverage ratio; and (4) a term commitment fee on any unused term loan commitment during the first 12 months after the effective date of the 2017 Credit Agreement at a rate of 0.25 percent per annum on the sum of the average daily unused portion of the aggregate term loan commitments.

On March 22, 2017, the Company drew the full \$325 million available under the 2017 Term Loan. On March 29, 2017, the Company executed interest rate swap arrangements to fix LIBOR with an aggregate average rate of 1.6473% for the swaps and a current aggregate fixed rate of 3.1973% on borrowings under the 2017 Term Loan.

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After electing to use the defined leverage ratio to determine the interest rate, the interest rate under the 2017 Term Loan is currently based on the following total leverage ratio grid:

Total Leverage Ratio	Interest Rate - Applicable Basis Points above LIBOR	Interest Rate - Applicable Basis Points Above LIBOR for Alternate Base Rate Loans
<45%	145.0	45.0
≥45% and <50% (current ratio)	155.0	55.0
≥50% and <55%	165.0	65.0
≥55%	195.0	95.0

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Prior to the election to use the defined leverage ratio option, the interest rate on the 2017 Term Loan was based upon the Operating Partnership's unsecured debt ratings, as follows:

Operating Partnership's Unsecured Debt Ratings: Higher of S&P or Moody's	Interest Rate - Applicable Basis Points Above LIBOR	Interest Rate - Applicable Basis Points Above LIBOR for Alternate Base Rate Loans
No ratings or less than BBB-/Baa3	185.0	85.0
BBB- or Baa3 (interest rate based on Company's election through March 5, 2018)	140.0	40.0
BBB or Baa2	115.0	15.0
BBB+ or Baa1	100.0	0.0
A- or A3 or higher	90.0	0.0

On up to four occasions at any time after the effective date of the 2017 Credit Agreement, the Company may elect to request (1) an increase to the existing revolving credit commitments (any such increase, the New Revolving Credit Commitments) and/or (2) the establishment of one or more new term loan commitments (the New Term Commitments, together with the 2017 Credit Commitments, the Incremental Commitments), by up to an aggregate amount not to exceed \$350 million for all Incremental Commitments. The Company may also request that the sublimit for letters of credit available under the 2017 Credit Facility be increased to \$100 million (without arranging any New Revolving Credit Commitments). No lender or letter of credit issued has any obligation to accept any Incremental Commitment or any increase to the letter of credit subfacility. There is no premium or penalty associated with full or partial prepayment of borrowings under the 2017 Credit Agreement.

The 2017 Credit Agreement, which applies to both the 2017 Credit Facility and 2017 Term Loan, includes certain restrictions and covenants which limit, among other things the incurrence of additional indebtedness, the incurrence of liens and the disposition of real estate properties (to the extent that: (i) such property dispositions cause the Company to default on any of the financial ratios of the 2017 Credit Agreement (described below), or (ii) the property dispositions are completed while the Company is under an event of default under the 2017 Credit Agreement, unless, under certain circumstances, such disposition is being carried out to cure such default), and which require compliance with financial ratios relating to the maximum leverage ratio (60 percent), the maximum amount of secured indebtedness (40 percent), the minimum amount of fixed charge coverage (1.5 times), the maximum amount of unsecured indebtedness (60 percent), the minimum amount of unencumbered property interest coverage (2.0 times) and certain investment limitations (generally 15 percent of total capitalization). If an event of default has occurred and is continuing, the entire outstanding balance under the 2017 Credit Agreement may (or, in the case of any bankruptcy event of default, shall) become immediately due and payable, and the Company will not make any excess distributions except to enable the General Partner to continue to qualify as a REIT under the IRS Code.

Before it amended and restated its unsecured revolving credit facility in January 2017, the Company had a \$600 million unsecured revolving credit facility with a group of 17 lenders that was scheduled to mature in July 2017. The interest rate on outstanding borrowings (not electing the Company's competitive bid feature) and the facility fee on the current borrowing capacity, payable quarterly in arrears, was based upon the Operating Partnership's unsecured debt ratings at the time, as follows:

Operating Partnership's Unsecured Debt Ratings: Higher of S&P or Moody's	Interest Rate - Applicable Basis Points Above LIBOR	Facility Fee Basis Points
No ratings or less than BBB-/Baa3	170.0	35.0
BBB- or Baa3 (since January 2017 amendment)	130.0	30.0
BBB or Baa2	110.0	20.0
BBB+ or Baa1	100.0	15.0
A- or A3 or higher	92.5	12.5

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In January 2016, the Company obtained a \$350 million unsecured term loan (2016 Term Loan), which matures in January 2019 with two one-year extension options. On January 7, 2019, the Company exercised the first one-year extension option with the payment of an extension fee of \$0.5 million, which extended the maturity of the 2016 Term Loan to January 2020. The interest rate for the term loan is based on the Operating Partnership's unsecured debt ratings, or, at the Company's option, a defined leverage ratio. Effective March 6, 2018, the Company elected to determine its interest rate under the 2016 Term Loan using the defined leverage ratio option, resulting in an interest rate of LIBOR plus 155 basis points. The Company entered into interest rate swap arrangements to fix LIBOR for the duration of the term loan. Including costs, the current all-in fixed rate is 3.28 percent. The proceeds from the loan were used primarily to repay outstanding borrowings on the Company's then existing unsecured revolving credit facility and to repay \$200 million senior unsecured notes that matured on January 15, 2016.

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After electing to use the defined leverage ratio to determine the interest rate, the interest rate under the 2016 Term Loan is currently based on the following total leverage ratio grid:

Total Leverage Ratio	Interest Rate - Applicable Basis Points above LIBOR
<45%	145.0
≥45% and <50% (current ratio)	155.0
≥50% and <55%	165.0
≥55%	195.0

Prior to the election to use the defined interest leverage ratio option, the interest rate on the 2016 Term Loan was based upon the Operating Partnership's unsecured debt ratings, as follows:

Operating Partnership's Unsecured Debt Ratings: Higher of S&P or Moody's	Interest Rate - Applicable Basis Points Above LIBOR
No ratings or less than BBB-/Baa3	185.0
BBB- or Baa3 (interest rate based on Company's election through March 5, 2018)	140.0
BBB or Baa2	115.0
BBB+ or Baa1	100.0
A- or A3 or higher	90.0

The terms of the 2016 Term Loan include certain restrictions and covenants which limit, among other things the incurrence of additional indebtedness, the incurrence of liens and the disposition of real estate properties (to the extent that: (i) such property dispositions cause the Company to default on any of the financial ratios of the term loan described below, or (ii) the property dispositions are completed while the Company is under an event of default under the term loan, unless, under certain circumstances, such disposition is being carried out to cure such default), and which require compliance with financial ratios relating to the maximum leverage ratio (60 percent), the maximum amount of secured indebtedness (40 percent), the minimum amount of fixed charge coverage (1.5 times), the maximum amount of unsecured indebtedness (60 percent), the minimum amount of unencumbered property interest coverage (2.0 times) and certain investment limitations (generally 15 percent of total capitalization). If an event of default has occurred and is continuing, the Company will not make any excess distributions except to enable the General Partner to continue to qualify as a REIT under the IRS Code.

On August 30, 2018, the Company entered into an amendment to the 2017 Credit Agreement (the "2017 Credit Agreement Amendment") and an amendment to the 2016 Term Loan (the "2016 Term Loan Amendment").

Each of the 2017 Credit Agreement Amendment and the 2016 Term Loan Amendment is effective as of June 30, 2018 and provides for the following material amendments to the terms of both the 2017 Credit Agreement and 2016 Term Loan):

1. The unsecured debt ratio covenant has been modified with respect to the measurement of the unencumbered collateral pool of assets in the calculation of such ratio for the period commencing July 1, 2018 and continuing until December 31, 2019 to allow the Operating Partnership to utilize the as-is appraised value of the properties known as

Harborside Plaza I and Harborside Plaza V properties located in Jersey City, NJ in such calculation; and

2. A new covenant has been added that prohibits the Company from making any optional or voluntary payment, repayment, repurchase or redemption of any unsecured indebtedness of the Company (or any subsidiaries) that matures after January 25, 2022, at any time when any of the Total Leverage Ratio or the unsecured debt ratio covenants exceeds 60 percent (all as defined in the 2017 Credit Agreement and the 2016 Term Loan) or an appraisal is being used to determine the value of Harborside Plaza I and Harborside Plaza V for the unsecured debt ratio covenant.

All other terms and conditions of the 2017 Credit Agreement and the 2016 Term Loan remain unchanged.

The Company was in compliance with its debt covenants under its unsecured revolving credit facility and term loans as of December 31, 2018.

As of December 31, 2018 and 2017, the Company's unsecured credit facility and term loans totaled \$790.9 million and \$822.3 million, respectively, comprised of: \$117 million of outstanding borrowings under its unsecured revolving credit facility, \$350.0 million from the 2016 Term Loan and \$323.9 million from the 2017 Term Loan (net of unamortized deferred financing costs of \$1.1 million) as of December 31, 2018, and \$150 million of outstanding borrowings under its unsecured revolving credit facility and \$349.0 million from the 2016 Term Loan (net of unamortized deferred financing costs of \$1.0 million) \$323.3 million from the 2017 Term Loan (net of unamortized deferred financing costs of \$1.7 million) as of December 31, 2017.

Table of Contents**9. MORTGAGES, LOANS PAYABLE AND OTHER OBLIGATIONS**

The Company has mortgages, loans payable and other obligations which primarily consist of various loans collateralized by certain of the Company's rental properties, land and development projects. As of December 31, 2018, 16 of the Company's properties, with a total carrying value of approximately \$2.1 billion, and one of the Company's land and development projects, with a total carrying value of approximately \$142 million, are encumbered by the Company's mortgages and loans payable. Payments on mortgages, loans payable and other obligations are generally due in monthly installments of principal and interest, or interest only. The Company was in compliance with its debt covenants under its mortgages and loans payable as of December 31, 2018.

A summary of the Company's mortgages, loans payable and other obligations as of December 31, 2018 and 2017 is as follows (*dollars in thousands*):

Property/Project Name	Lender	Effective Rate (a)	December 31, 2018	December 31, 2017	Maturity
Harborside Plaza 5 (b)	The Northwestern Mutual Life Insurance Co. & New York Life Insurance Co.	6.84%	\$	\$ 209,257	
23 Main Street (c)	Berkadia CMBS	5.59%		27,090	
One River Center (d)	Guardian Life Insurance Co.	7.31%		40,485	
Park Square (e)	Wells Fargo Bank N.A.	LIBOR+1.87%	25,167	26,567	04/10/19
250 Johnson (f)	M&T Bank	LIBOR+2.35%	41,769	32,491	05/20/19
Port Imperial 4/5 Hotel (g)	Fifth Third Bank & Santander	LIBOR+4.50%	73,350	43,674	10/06/19
Worcester (h)	Citizens Bank	LIBOR+2.50%	56,892	37,821	12/10/19
Monaco (i)	The Northwestern Mutual Life Insurance Co.	3.15%	168,370	169,987	02/01/21
Port Imperial South 4/5 Retail	American General Life & A/G PC	4.56%	4,000	4,000	12/01/21
Portside 7	CBRE Capital Markets/FreddieMac	3.57%	58,998	58,998	08/01/23
Alterra I & II	Capital One/FreddieMac	3.85%	100,000	100,000	02/01/24
The Chase at Overlook Ridge	New York Community Bank	3.74%	135,750	135,750	01/01/25
Portside 5/6 (j)	New York Life Insurance Company	4.56%	97,000	45,778	03/10/26
Marbella	New York Life Insurance Company	4.17%	131,000		08/10/26
101 Hudson	Wells Fargo CMBS	3.20%	250,000	250,000	10/11/26
Short Hills Portfolio (k)	Wells Fargo CMBS	4.15%	124,500	124,500	04/01/27
150 Main St.	Natixis Real Estate Capital LLC	4.48%	41,000	41,000	08/05/27
Port Imperial South 11 (l)	The Northwestern Mutual Life Insurance Co.	4.52%	100,000	46,113	01/10/29
Port Imperial South 4/5 Garage	American General Life & A/G PC	4.85%	32,600	32,600	12/01/29
Principal balance outstanding			1,440,396	1,426,111	
Unamortized deferred financing costs			(8,998)	(7,976)	
Total mortgages, loans payable and other obligations, net			\$ 1,431,398	\$ 1,418,135	

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- (a) Reflects effective rate of debt, including deferred financing costs, comprised of the cost of terminated treasury lock agreements (if any), debt initiation costs, mark-to-market adjustment of acquired debt and other transaction costs, as applicable.
 - (b) On January 8, 2018, the Company prepaid this loan in full upon payment of a fee of approximately \$8.4 million using borrowings from the Company's unsecured revolving credit facility.
 - (c) On March 1, 2018, the Company prepaid this loan in full upon payment of a fee of approximately \$0.1 million using borrowings from the Company's unsecured revolving credit facility.
 - (d) Mortgage was collateralized by the three properties comprising One River Center. On March 29, 2018, the Company prepaid this loan in full upon payment of a fee of approximately \$1.8 million using borrowings from the Company's unsecured revolving credit facility.
 - (e) On January 16, 2019, the loan was repaid using proceeds from the disposition of Park Square.
 - (f) This construction loan has a maximum borrowing capacity of \$42 million and provides, subject to certain conditions, a one-year extension option with a fee of 25 basis points.
 - (g) This construction loan has a maximum borrowing capacity of \$94 million and provides, subject to certain conditions, two one-year extension options with a fee of 20 basis points for each year. See Note 12: Commitments and Contingencies - Construction Projects.
 - (h) This construction loan has a maximum borrowing capacity of \$58 million and provides, subject to certain conditions, two one-year extension options with a fee of 15 basis points each year.
 - (i) This mortgage loan, which includes unamortized fair value adjustment of \$3.4 million as of December 31, 2018, was assumed by the Company in April 2017 with the acquisition and consolidation of all the interests in the Monaco Towers property.
 - (j) On December 7, 2018, the Company refinanced this loan, due to which unamortized deferred financing costs of \$0.2 million pertaining to the initial loan were written off. Concurrent with the refinancing, the Company repaid in full the property's \$70 million construction loan and obtained a new loan in the amount of \$97 million.
 - (k) This mortgage loan was obtained by the Company in March 2017 to partially fund the acquisition of the Short Hills/Madison portfolio.
 - (l) On December 17, 2018, the Company refinanced this loan, due to which unamortized deferred financing costs of \$0.3 million pertaining to the initial loan were written off. Concurrent with the refinancing, the Company repaid in full the property's \$70.1 million construction loan and obtained a new loan in the amount of \$100 million.

Table of Contents**SCHEDULED PRINCIPAL PAYMENTS**

Scheduled principal payments for the Company's senior unsecured notes (see Note 7), unsecured revolving credit facility and term loan (see Note 8) and mortgages, loans payable and other obligations as of December 31, 2018 are as follows (*dollars in thousands*):

Period	Scheduled Amortization	Principal Maturities	Total
2019 (a)	\$ 532	\$ 546,711	\$ 547,243
2020	2,903	325,000	327,903
2021	3,227	285,800	289,027
2022	3,284	300,000	303,284
2023	3,412	333,998	337,410
Thereafter	7,230	991,929	999,159
Sub-total	20,588	2,783,438	2,804,026
Adjustment for unamortized debt discount/premium, net December 31, 2018	(2,838)		(2,838)
Unamortized mark to market	3,370		3,370
Unamortized deferred financing costs	(11,907)		(11,907)
Totals/Weighted Average	\$ 9,213	\$ 2,783,438	\$ 2,792,651

(a) On January 7, 2019, the Company exercised the first one-year extension option on the \$350 million term loan scheduled to mature in January 2019, which extended the maturity of the 2016 Term Loan to January 2020.

CASH PAID FOR INTEREST AND INTEREST CAPITALIZED

Cash paid for interest for the years ended December 31, 2018, 2017 and 2016 was \$97,744,000, \$103,559,000 and \$122,414,000, respectively. Interest capitalized by the Company for the years ended December 31, 2018, 2017 and 2016 was \$27,047,000, \$20,240,000, and \$19,316,000, respectively (which amounts included \$816,000, \$1,056,000 and \$5,055,000 for the years ended December 31, 2018, 2017 and 2016, respectively, of interest capitalized on the Company's investments in unconsolidated joint ventures which were substantially in development).

SUMMARY OF INDEBTEDNESS

As of December 31, 2018, the Company's total indebtedness of \$2,807,396,000 (weighted average interest rate of 3.89 percent) was comprised of \$314,177,000 of unsecured revolving credit facility borrowings and other variable rate mortgage debt (weighted average rate of 4.90 percent) and fixed rate debt and other obligations of \$2,493,219,000 (weighted average rate of 3.76 percent).

As of December 31, 2017, the Company's total indebtedness of \$2,826,110,000 (weighted average interest rate of 3.93 percent) was comprised of \$382,443,000 of unsecured revolving credit facility borrowings and other variable rate mortgage debt (weighted average rate of 3.63 percent)

and fixed rate debt and other obligations of \$2,443,667,000 (weighted average rate of 3.98 percent).

10. EMPLOYEE BENEFIT 401(k) PLANS

Employees of the General Partner, who meet certain minimum age and service requirements, are eligible to participate in the Mack-Cali Realty Corporation 401(k) Savings/Retirement Plan (the 401(k) Plan). Eligible employees may elect to defer from one percent up to 60 percent of their annual compensation on a pre-tax basis to the 401(k) Plan, subject to certain limitations imposed by federal law. The amounts contributed by employees are immediately vested and non-forfeitable. The Company may make discretionary matching or profit sharing contributions to the 401(k) Plan on behalf of eligible participants in any plan year. Participants are always 100 percent vested in their pre-tax contributions and will begin vesting in any matching or profit sharing contributions made on their behalf after two years of service with the Company at a rate of 20 percent per year, becoming 100 percent vested after a total of six years of service with the Company. All contributions are allocated as a percentage of compensation of the eligible participants for the Plan year. The assets of the 401(k) Plan are held in trust and a separate account is established for each participant. A participant may receive a distribution of his or her vested account balance in the 401(k) Plan in a single sum or in installment payments upon his or her termination of service with the Company. Total expense recognized by the Company for the 401(k) Plan for the years ended December 31, 2018, 2017 and 2016 was \$886,000, \$1,055,000 and \$1,029,000, respectively.

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11. DISCLOSURE OF FAIR VALUE OF ASSETS AND LIABILITIES

The following disclosure of estimated fair value was determined by management using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the assets and liabilities at December 31, 2018 and 2017. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash equivalents, receivables, notes receivables, accounts payable, and accrued expenses and other liabilities are carried at amounts which reasonably approximate their fair values as of December 31, 2018 and 2017.

The fair value of the Company's long-term debt, consisting of senior unsecured notes, unsecured term loans, an unsecured revolving credit facility and mortgages, loans payable and other obligations aggregated approximately \$2,711,712,000 and \$2,764,033,000 as compared to the book value of approximately \$2,792,651,000 and \$2,809,568,000 as of December 31, 2018 and 2017, respectively. The fair value of the Company's long-term debt was categorized as a level 3 basis (as provided by ASC 820, Fair Value Measurements and Disclosures). The fair value was estimated using a discounted cash flow analysis valuation based on the borrowing rates currently available to the Company for loans with similar terms and maturities. The fair value of the mortgage debt and the unsecured notes was determined by discounting the future contractual interest and principal payments by a market rate. Although the Company has determined that the majority of the inputs used to value its derivative financial instruments fall within level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivative financial instruments utilize level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. The Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivative financial instruments. As a result, the Company has determined that its derivative financial instruments valuations in their entirety are classified in level 2 of the fair value hierarchy.

The fair value measurements used in the evaluation of the Company's rental properties are considered to be Level 3 valuations within the fair value hierarchy, as there are significant unobservable inputs. Examples of inputs that were utilized in the fair value calculations include estimated holding periods, discount rates, market capitalization rates, expected lease rental rates, and third party broker information.

Valuations of rental property identified as held for sale are based on estimated sale prices, net of estimated selling costs, of such property.

The Company identified as held for sale six office properties and a 159 unit multi-family rental property as of December 31, 2018 with an aggregate carrying value for the rental property of \$108.8 million. The total estimated sales proceeds, net of expected selling costs, from the sales are expected to be approximately \$124 million. The Company determined that the carrying value of four of the properties was not expected to be recovered from estimated net sales proceeds and accordingly recognized an unrealized loss allowance of \$20.1 million for the year ended December 31, 2018.

The Company identified as held for sale 21 office properties as of December 31, 2017 with an aggregate carrying value of \$171.6 million. The total estimated sales proceeds from the sales were expected to be approximately \$223 million. The Company determined that the carrying value of seven of these properties was not expected to be recovered from estimated net sales proceeds and accordingly recognized an unrealized loss allowance of \$12.3 million during the year ended December 31, 2017.

The Company owns two separate developable land parcels in Conshohocken and Bala Cynwyd, Pennsylvania, that were being considered for development into multi-family rental properties. During the fourth quarter 2018, the Company made the decision to pursue selling the land parcels as opposed to development. Due to the shortening of the expected periods of ownership, the Company determined that it was necessary to reduce the carrying values of the land parcels to their estimated fair values (ascertained by broker opinions of value obtained during the marketing process) and recorded a land impairments charge of \$24.6 million at December 31, 2018.

Disclosure about fair value of assets and liabilities is based on pertinent information available to management as of December 31, 2018 and 2017. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since December 31, 2018 and current estimates of fair value may differ significantly from the amounts presented herein.

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12. COMMITMENTS AND CONTINGENCIES

TAX ABATEMENT AGREEMENTS

Pursuant to agreements with certain municipalities, the Company is required to make payments in lieu of property taxes (PILOT) on certain of its properties and has tax abatement agreements on other properties, as follows:

The Harborside Plaza 4-A agreement with the City of Jersey City, as amended, which commenced in 2002, is for a term of 20 years. The annual PILOT is equal to two percent of Total Project Costs, as defined. Total Project Costs are \$49.5 million. The PILOT totaled \$1.1 million, \$1.1 million and \$1.1 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Harborside Plaza 5 agreement, also with the City of Jersey City, as amended, which commenced in 2002, is for a term of 20 years. The annual PILOT is equal to two percent of Total Project Costs, as defined. Total Project Costs are \$170.9 million. The PILOT totaled \$4.4 million, \$3.9 million and \$3.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Port Imperial 4/5 Garage development project agreement with the City of Weehawken had a term of five years beginning when the project was substantially complete, which occurred in 2013. The agreement, which expired in December 2018, provided that real estate taxes be paid initially on the land value of the project only and allowed for a phase in of real estate taxes on the value of the improvements at zero percent year one and 80 percent in years two through five.

The Port Imperial South 1/3 Garage development project agreement with the City of Weehawken has a term of five years beginning when the project is substantially complete, which occurred in the fourth quarter of 2015. The agreement provides that real estate taxes be paid at 100 percent on the land value of the project only over the five year period and allows for a phase in of real estate taxes on the building improvement value at zero percent in year one and 95 percent in years two through five.

The Port Imperial Hotel development project agreement with the City of Weehawken is for a term of 15 years following substantial completion, which commenced initial operation in December 2018. The annual PILOT is equal to two percent of Total Project Costs, as defined therein.

The Port Imperial South 11 development project agreement with the City of Weehawken is for a term of 15 years following substantial completion, which occurred in August 2018. The annual PILOT is equal to 10 percent of Gross Revenues, as defined therein.

The 111 River Realty agreement with the City of Hoboken, which commenced on October 1, 2001 expires in April 2022. The PILOT payment equaled \$1.2 million annually through April 2017 and then increased to \$1.4 million annually until expiration. The PILOT totaled \$1.4 million, \$1.3 million and \$0.6 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The Monaco Towers agreement with the City of Jersey City, which commenced in 2011, is for a term of 10 years. The annual PILOT is equal to 10 percent of gross revenues, as defined. The PILOT totaled \$2.4 million for the year ended December 31, 2018 and \$1.6 million for the period from acquisition (April 2017) through December 31, 2017.

The Marbella Tower agreement with the City of Jersey City, which commenced in 2003, expired in December 2018. The annual PILOT was equal to 15 percent of gross revenues, as defined therein. The PILOT totaled \$0.9 million for the period from acquisition (August 2018), through December 31, 2018.

The Marbella II agreement with the City of Jersey City, which commenced in 2016, is for a term of 10 years. The annual PILOT is equal to 10 percent of gross revenues for Years 1-4, 12 percent of gross revenues for Years 5-8 and 14 percent of gross revenue for years 9-10, as defined therein.

The Port Imperial South Parcel 8/9 development project agreement with the City of Weehawken is for a term of 25 years following substantial completion, which is anticipated to occur in the fourth quarter 2020. The annual PILOT is equal to 11 percent of gross revenue for Years 1-10, 12.5 percent for Years 11-18 and 14 percent for Years 19-25, as defined therein.

At the conclusion of the above-referenced agreements, it is expected that the properties will be assessed by the municipality and be subject to real estate taxes at the then prevailing rates.

LITIGATION

The Company is a defendant in litigation arising in the normal course of its business activities. Management does not believe that the ultimate resolution of these matters will have a materially adverse effect upon the Company's financial condition taken as whole.

Table of Contents**GROUND LEASE AGREEMENTS**

Future minimum rental payments under the terms of all non-cancelable ground leases under which the Company is the lessee, as of December 31, 2018, are as follows (*dollars in thousands*):

Year	Amount
2019	\$ 2,470
2020	2,491
2021	2,491
2022	2,491
2023	2,491
2024 through 2084	210,117
Total	\$ 222,551

Ground lease expense incurred by the Company during the years ended December 31, 2018, 2017 and 2016 amounted to \$2.3 million, \$2.6 million and \$1.5 million, respectively.

CONSTRUCTION PROJECTS

In 2015, the Company entered into a 90-percent owned joint venture with XS Port Imperial Hotel, LLC to form XS Hotel Urban Renewal Associates LLC, which is developing a 372-key hotel (164 keys Residence Inn and 208 keys Marriott Envue) in Weehawken, New Jersey. The Residence Inn opened in 4Q 2018 and the Marriott Envue is expected to open in 2Q 2019. The construction of the project is estimated to cost \$159.9 million, with construction costs of \$147.1 million incurred by the venture through December 31, 2018. The project costs are expected to be funded from a \$94 million construction loan (with \$73.4 million outstanding as of December 31, 2018).

The Company is developing a 313-unit multi-family project known as Building 8/9 at Port Imperial in Weehawken, New Jersey, which began construction in third quarter 2018. The construction project, which is estimated to cost \$142.6 million, of which construction costs of \$35.4 million have been incurred through December 31, 2018, is expected to be ready for occupancy in fourth quarter 2020. The Company is expected to fund \$50.6 million of construction costs, of which the Company has funded \$35.4 million as of December 31, 2018, and the remaining construction costs are expected to be funded primarily from a \$92 million construction loan.

The Company is developing a 326-unit multi-family project known as Chase III at Overlook Ridge in Malden, Massachusetts, which began construction in third quarter 2018. The construction project, which is estimated to cost \$99.9 million, of which \$20.2 million have been incurred through December 31, 2018, is expected to be ready for occupancy in fourth quarter 2020. The Company is expected to fund \$37.9 million of construction costs, of which the Company has funded \$20.2 million as of December 31, 2018, and the remaining construction costs are expected to be funded primarily from a \$62 million construction loan.

CHANGES IN EXECUTIVE OFFICERS

On October 31, 2018, RRT entered into a separation and consulting agreement with Robert Andrew Marshall, the President and Executive Vice President of Development of RRT (the Separation and Consulting Agreement). Pursuant to the Separation and Consulting Agreement, Mr. Marshall's employment with RRT was terminated, effective as of October 31, 2018 (the Termination Date), and Mr. Marshall has agreed to provide consulting services to RRT and the Company during the period beginning on November 1, 2018 and ending on March 31, 2019 (the Consulting Period).

Under the terms of the Separation and Consulting Agreement, Mr. Marshall will receive the following separation payments:

- accrued but unpaid base salary through October 31, 2018;
- unreimbursed expenses incurred by Mr. Marshall prior to the Termination Date; and
- COBRA payments through January 31, 2019, in an aggregate amount equal to approximately \$7,533.
- In addition, during the Consulting Period, Mr. Marshall will receive a monthly consulting fee of \$22,500.
- The Separation and Consulting Agreement provides that Mr. Marshall will continue to vest during the Consulting Period in all of the 22,120 Time-Based Long-Term Incentive Plan Awards originally issued in March 2016 (the Vested 2016 Time-Based LTIP Awards) and 28,880 of the 35,697 Performance-Based Long-Term Incentive Plan Awards originally issued in March 2016 (the Vested 2016 Performance-Based LTIP Awards) and, together with the Vested 2016 Time-Based LTIP Awards, the Vested 2016 LTIP Awards). The Vested 2016 LTIP awards will vest on the earliest to occur of (i) Mr. Marshall's death, (ii) the termination of Mr. Marshall's consulting services by the Company for any reason other than for Cause (as defined in the Separation and Consulting Agreement) prior to March 31, 2019 or (iii) March 8, 2019 (such earliest date, the Vesting Date), subject to Mr. Marshall's continuous performance of the consulting services through the applicable Vesting Date. All other equity awards previously issued to Mr. Marshall, including the remaining 6,817 Performance-Based LTIP Awards

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originally issued in March 2016, 4,449 Time-Based Long-Term Incentive Plan Awards originally issued in April 2017, 13,473 Performance-Based Long-Term Incentive Plan Awards originally issued in April 2017, 11,799 Time-Based Long-Term Incentive Plan Awards originally issued in April 2018, and 22,676 Performance-Based Long-Term Incentive Plan Awards originally issued in April 2018, expired and were forfeited and cancelled, effective as of the Termination Date.

- The Separation and Consulting Agreement further provides that on the earliest to occur of (i) March 11, 2019, (ii) five (5) business days after RRT receives written notice of Mr. Marshall's death, or (iii) the date on which Mr. Marshall's consulting services are terminated by the Company for any reason other than for Cause, the Company will purchase from Mr. Marshall all of the Vested 2016 LTIP Awards for an aggregate purchase price in cash equal to the product of (x) the total number of Vested 2016 LTIP Awards (which will amount to a total of 51,000) and (y) the average closing price per share of the Company's common stock, as reported on the New York Stock Exchange for the period of five trading days ending on the applicable Vesting Date.

The Company's total estimated costs in connection with the departure of Mr. Marshall of approximately \$0.1 million (net of a reversal of \$0.3 million of amortization of stock compensation expense due to the forfeiture of the unvested securities) during the year ended December 31, 2018 was included in general and administrative expense (approximately \$1.0 million was included in accounts payable, accrued expenses and other liabilities as of December 31, 2018).

In June 2018, the General Partner entered into a separation and general release agreement with Mitchell E. Rudin, pursuant to which Mr. Rudin's employment with the Company as its Vice Chairman was terminated effective as of June 5, 2018.

Under the terms of the Rudin separation agreement, Mr. Rudin is entitled to receive the following separation payments:

- Accrued but unpaid base salary through June 5, 2018;
- A lump sum cash payment of \$2,558,082;
- Payment of unreimbursed expenses incurred by Mr. Rudin prior to termination, in the amount of \$50,000 in the aggregate; and
- COBRA payments for up to 18 months after termination, in an amount equal to approximately \$34,047.
- The Rudin separation agreement reflects that certain equity awards previously issued to Mr. Rudin, including time-vesting options, restricted stock units and performance share units, vested in full as of June 5, 2018 in accordance with their terms. Pursuant to the Rudin separation agreement, other than the equity awards that were fully vested as of June 5, 2018, as set forth in the Rudin separation agreement, all other equity awards granted to Mr. Rudin, including 32,311 LTIP Units subject to time-based vesting and 175,127 LTIP Units subject to performance-based vesting, expired and were immediately forfeited and canceled, effective as of June 5, 2018.

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The Company's total estimated costs in connection with the departure of Mr. Rudin of approximately \$1.2 million (net of a reversal of \$1.6 million of amortization of stock compensation expense due to the forfeiture of the unvested securities) during the year ended December 31, 2018 was included in general and administrative expense (approximately \$23,000 was included in accounts payable, accrued expenses and other liabilities as of December 31, 2018).

In January 2018, the Company announced the appointment of David J. Smetana as chief financial officer and Nicholas Hilton as executive vice president of leasing of the General Partner. Mr. Smetana began to perform his duties as chief financial officer and Anthony Krug ceased to serve as chief financial officer immediately following the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2017. Mr. Krug remained an employee of the General Partner and provided transition services through March 31, 2018. Mr. Hilton's employment commenced on February 12, 2018 following the departure of Christopher DeLorenzo. In connection with these management changes, the General Partner entered into a separation agreement and release with each of Messrs. Krug and DeLorenzo.

Under the terms of the Krug separation agreement, Mr. Krug is entitled to receive the following severance benefits:

- Earned but unpaid compensation through the date of termination, including base salary, 2017 bonus (when determined), a pro rata portion of his annual car allowance, and any unused vacation time;
- A lump sum cash severance payment of \$1,312,500;
- A prorated portion of his 2018 target bonus equal to \$93,750;
- COBRA payments for up to two years after termination, in an amount equal to approximately \$42,000; and
- Accelerated vesting of all unvested LTIP units in the Operating Partnership, consisting of 13,306 LTIP units subject to time-based vesting and 18,665 LTIP units subject to performance-based vesting, with LTIP units subject to performance-based vesting criteria vesting at target performance.

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Under the terms of the DeLorenzo separation agreement, Mr. DeLorenzo is entitled to receive the following severance benefits:

- Earned but unpaid compensation through the date of termination, including base salary, 2017 bonus (when determined), a pro rata portion of his annual car allowance, and any unused vacation time;
- A lump sum cash severance payment of \$500,000;
- COBRA payments for up to 18 months after termination, in an amount equal to approximately \$42,000; and
- Partial accelerated vesting of unvested LTIP units in the Operating Partnership, consisting of 9,111 LTIP units subject to time based vesting and 13,982 LTIP units subject to performance-based vesting, with LTIP units subject to performance based vesting criteria vesting at target performance.

The Company's total estimated costs in connection with the departure of Messrs. Krug and DeLorenzo of approximately \$2.7 million during the year ended December 31, 2018 was included in general and administrative expense (approximately \$43,000 was included in accounts payable, accrued expenses and other liabilities as of December 31, 2018).

OTHER

On August 11, 2017, the Company acquired an existing mortgage note receivable encumbering a vacant developable land parcel located in Jersey City, New Jersey (the Land Property) with a balance of \$44.7 million (the Land Note Receivable). The Land Note Receivable matures in July 2019 and earns interest at an annual rate of 5.85 percent which accrues monthly and is payable at maturity. In March 2018, the Company received a partial prepayment of \$3 million. The Land Property is currently an unimproved land parcel which operates as a surface parking facility. Additionally, the Company entered into an agreement to acquire the Land Property, subject to the Company's ability to obtain all necessary development rights and entitlements to develop an apartment building on the land, and other related conditions to ensure that the Company can develop the project. The purchase price is \$73 million, subject to adjustment based on the level of development rights obtained for the construction of a multifamily apartment building.

Through February 2016, the Company could not dispose of or distribute certain of its properties, which were originally contributed by certain unrelated common unitholders of the Operating Partnership, without the express written consent of such common unitholders, as applicable, except in a manner which did not result in recognition of any built-in-gain (which may result in an income tax liability) or which reimbursed the appropriate specific common unitholders for the tax consequences of the recognition of such built-in-gains (collectively, the Property Lock-Ups). Upon the expiration in February 2016 of the Property Lock-Ups, the Company is generally required to use commercially reasonable efforts to prevent any sale, transfer or other disposition of the subject properties from resulting in the recognition of built-in gain to the specific common unitholders, which include members of the Mack Group (which includes William L. Mack, Chairman of the General Partner's Board of Directors; David S. Mack, director; and Earle I. Mack, a former director), the Robert Martin Group (which includes Robert F. Weinberg, a former director and current member of the General Partner's Advisory Board), and the Cali Group (which includes John R. Cali, a former director and current member of the General Partner's Advisory Board). As of December 31, 2018, after the effects of tax-free exchanges on certain of the originally contributed properties, either wholly or partially, over time, 79 of the Company's properties, primarily a portfolio of flex properties in Westchester County, New York with an aggregate carrying value of approximately \$1.4 billion, are subject to these conditions.

13. TENANT LEASES

The Properties are leased to tenants under operating leases with various expiration dates through 2036. Substantially all of the commercial leases provide for annual base rents plus recoveries and escalation charges based upon the tenant's proportionate share of and/or increases in real estate taxes and certain operating costs, as defined, and the pass-through of charges for electrical usage.

Future minimum rentals to be received under non-cancelable commercial operating leases at December 31, 2018 are as follows (*dollars in thousands*):

Year	Amount
2019	\$ 314,708
2020	306,559
2021	284,120
2022	258,076
2023	220,533
2024 and thereafter	923,061
Total	\$ 2,307,057

Multi-family rental property residential leases are excluded from the above table as they generally expire within one year.

Table of Contents**14. REDEEMABLE NONCONTROLLING INTERESTS**

The Company evaluates the terms of the partnership units issued in accordance with the FASB's Distinguishing Liabilities from Equity guidance. Units which embody an unconditional obligation requiring the Company to redeem the units for cash after a specified or determinable date (or dates) or upon the occurrence of an event that is not solely within the control of the issuer are determined to be contingently redeemable under this guidance and are included as Redeemable noncontrolling interests and classified within the mezzanine section between Total liabilities and Stockholders' equity on the Company's Consolidated Balance Sheets. Convertible units for which the Company has the option to settle redemption amounts in cash or Common Stock are included in the caption Noncontrolling interests in subsidiaries within the equity section on the Company's Consolidated Balance Sheet.

Rockpoint Transaction

On February 27, 2017, the Company, RRT, the Company's wholly-owned subsidiary through which the Company conducts its multi-family residential real estate operations, Roseland Residential, L.P. (RRLP), the operating partnership through which RRT conducts all of its operations, and certain other affiliates of the Company entered into an equity investment agreement (the Investment Agreement) with Rockpoint Group, L.L.C. and certain of its affiliates (collectively, Rockpoint). The Investment Agreement provides for multiple equity investments by Rockpoint in RRLP from time to time for up to an aggregate of \$300 million of equity units of limited partnership interests of RRLP (the Rockpoint Units). The initial closing under the Investment Agreement occurred on March 10, 2017 for \$150 million of Rockpoint Units and the parties agreed that the Company's contributed equity value, (RRT Contributed Equity Value), was \$1.23 billion at closing. Additional closings of Rockpoint Units to be issued and sold to Rockpoint pursuant to the Investment Agreement may occur from time to time in increments of not less than \$10 million per closing, with the balance of the full \$300 million by March 1, 2019. During the year ended December 31, 2018, a total additional amount of \$105 million of Rockpoint Units were issued and sold to Rockpoint pursuant to the Investment Agreement.

The Company has a participation right, where prior to March 1, 2022 and following either the full investment of \$300 million by Rockpoint or in certain other limited circumstances, the Company may contribute up to \$200 million to obtain equity units on substantially the same terms and conditions as the Rockpoint Units to be issued and sold to Rockpoint.

Under the terms of the transaction, the cash flow from operations of RRLP will be distributable to RRT and Rockpoint as follows:

first, to provide a 6% annual return to Rockpoint (and to the Company after it contributes to RRT to obtain equity units, as described above) on its invested capital (Preferred Base Return);

second, to provide a 6% annual return on the equity value of the properties contributed by it to the partnership (RRT Base Return) with 95% of the RRT Base Return to RRT and 5% of the RRT Base Return to Rockpoint; and

third, pro rata between Rockpoint (and the Company upon its contribution to obtain equity units) and RRT based on total respective invested capital by Rockpoint and RRT Initial Capital Contribution.

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Based on Rockpoint's \$255 million invested capital and RRT's Initial Capital Contribution, at December 31, 2018 this pro rata distribution would be approximately 17.1% to Rockpoint and 82.9% to RRT.

RRLP's cash flow from capital events will generally be distributable to RRT and Rockpoint as follows:

first, to Rockpoint (and the Company after it contributes to RRT to obtain equity units) to the extent there is any unpaid, accrued Preferred Base Return;

second, as a return of capital to Rockpoint (and the Company after it contributes to RRT to obtain equity units);

third, to RRT to the extent there is any unpaid, accrued RRT Base Return (with Rockpoint entitled to 5% of the amounts distributable to RRT);

fourth, as a return of capital to RRT based on the equity value of the properties contributed by it to the partnership (with Rockpoint entitled to 5% of the amounts distributable to RRT);

fifth, pro rata between Rockpoint (and the Company after it contributes to RRT to obtain equity units) and RRT based on total respective invested capital and contributed equity value until Rockpoint has achieved an 11% internal rate of return; and

sixth, to Rockpoint (and to the Company after it contributes to RRT to obtain equity units) based on 50% of its pro rata share described in fifth above and the balance to RRT.

In general, RRLP may not sell its properties in a taxable transaction, although it may engage in tax-deferred like-kind exchanges of properties or it may proceed in another manner designed to avoid the recognition of gains for tax purposes.

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Beginning March 1, 2022, except in certain limited circumstances as defined in the agreement, either RRT or Rockpoint may cause RRT to redeem (a Put/Call Event) all, but not less than all, of Rockpoint's interest in the Rockpoint Units based on a liquidation value of RRLP to be determined by a third party valuation of the real estate assets and generally based on the capital event waterfall described above. On a Put/Call Event, other than the sale of RRLP, Rockpoint can either demand payment in cash or may elect to convert all, but not less than all, of its investment to common equity in RRLP. As such, the Rockpoint Units contain a substantive redemption feature that is outside of the Company's control and accordingly, pursuant to ASC 480-1 S99-3A, the Rockpoint Units are classified in mezzanine equity measured based on the estimated future redemption value as of December 31, 2018. The Company determines the redemption value of these interests by hypothetically liquidating the estimated Net Asset Value (NAV) of the RRT real estate portfolio including debt principal through the applicable waterfall provisions of the RRLP partnership agreement. The estimation of NAV includes unobservable inputs that consider assumptions of market participants in pricing the underlying assets of RRLP. For properties under development, the Company applies a discount rate to the estimated future cash flows allocable to the Company during the period under construction and then applies a direct capitalization method to the estimated stabilized cash flows. For operating properties the direct capitalization method is used by applying a capitalization rate to the projected net operating income. Estimated future cash flows used in such analyses are based on the Company's business plan for each respective property including capital expenditures, management's views of market and economic conditions, and considers items such as current and future rental rates, occupancies and market transactions for comparable properties. The estimated future redemption value of Rockpoint Units is approximately \$330 million as of December 31, 2018.

Preferred Units

On February 3, 2017, the Operating Partnership issued 42,800 shares of a new class of 3.5 percent Series A Preferred Limited Partnership Units of the Operating Partnership (the Series A Units). The Series A Units were issued to the Company's partners in the Plaza VIII & IX Associates L.L.C. joint venture that owns a development site adjacent to the Company's Harborside property in Jersey City, New Jersey as non-cash consideration for their approximate 37.5 percent interest in the joint venture.

Each Series A Unit has a stated value of \$1,000, pays dividends quarterly at an annual rate of 3.5 percent (subject to increase under certain circumstances), is convertible into 28.15 common units of limited partnership interests of the Operating Partnership beginning generally five years from the date of issuance, or an aggregate of up to 1,204,820 common units. The conversion rate was based on a value of \$35.52 per common unit. The Series A Units have a liquidation and dividend preference senior to the common units and include customary anti-dilution protections for stock splits and similar events. The Series A Units are redeemable for cash at their stated value beginning five years from the date of issuance at the option of the holder.

On February 28, 2017, the Operating Partnership authorized the issuance of 9,213 shares of a new class of 3.5 percent Series A-1 Preferred Limited Partnership Units of the Operating Partnership (the Series A-1 Units). 9,122 Series A-1 Units were issued on February 28, 2017 and an additional 91 Series A-1 Units were issued in April 2017 pursuant to acquiring additional interests in a joint venture that owns Monaco Towers in Jersey City, New Jersey. The Series A-1 Units were issued as non-cash consideration for the partner's approximate 13.8 percent ownership interest in the joint venture.

Each Series A-1 Unit has a stated value of \$1,000 (the Stated Value), pays dividends quarterly at an annual rate equal to the greater of (x) 3.5 percent, or (y) the then-effective annual dividend yield on the General Partner's common stock, and is convertible into 27.936 common units of limited partnership interests of the Operating Partnership beginning generally five years from the date of issuance, or an aggregate of up to 257,375 Common Units. The conversion rate was based on a value of \$35.80 per common unit. The Series A-1 Units have a liquidation and dividend preference senior to the Common Units and include customary anti-dilution protections for stock splits and similar events. The Series A-1 Units are redeemable for cash at their stated value beginning five years from the date of issuance at the option of the holder. The Series A-1 Units are pari passu with the 42,800 3.5% Series A Units issued on February 3, 2017.

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The following table sets forth the changes in Redeemable noncontrolling interests for the year ended December 31, 2018 (*dollars in thousands*):

	Series A and A-1 Preferred Units In MCRLP	Rockpoint Interests in RRT	Total Redeemable Noncontrolling Interests
Balance January 1, 2018	\$ 52,324	\$ 159,884	\$ 212,208
Redeemable Noncontrolling Interests Issued		105,000	105,000
Net	52,324	264,884	317,208
Income Attributed to Noncontrolling Interests	1,820	12,159	13,979
Distributions	(1,820)	(12,159)	(13,979)
Redemption Value Adjustment		13,251	13,251
Redeemable noncontrolling interests as of December 31, 2018	\$ 52,324	\$ 278,135	\$ 330,459

15. MACK-CALI REALTY CORPORATION STOCKHOLDERS EQUITY AND MACK-CALI REALTY, L.P. S PARTNERS CAPITAL

To maintain its qualification as a REIT, not more than 50 percent in value of the outstanding shares of the General Partner may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of any taxable year of the General Partner, other than its initial taxable year (defined to include certain entities), applying certain constructive ownership rules. To help ensure that the General Partner will not fail this test, the General Partner's Charter provides, among other things, certain restrictions on the transfer of common stock to prevent further concentration of stock ownership. Moreover, to evidence compliance with these requirements, the General Partner must maintain records that disclose the actual ownership of its outstanding common stock and demands written statements each year from the holders of record of designated percentages of its common stock requesting the disclosure of the beneficial owners of such common stock.

Partners' Capital in the accompanying consolidated financial statements relates to (a) General Partners' capital consisting of common units in the Operating Partnership held by the General Partner, and (b) Limited Partners' capital consisting of common units and LTIP units held by the limited partners. See Note 16: Noncontrolling Interests in Subsidiaries.

Any transactions resulting in the issuance of additional common and preferred stock of the General Partner result in a corresponding issuance by the Operating Partnership of an equivalent amount of common and preferred units to the General Partner.

SHARE/UNIT REPURCHASE PROGRAM

In September 2012, the Board of Directors of the General Partner renewed and authorized an increase to the General Partner's repurchase program (Repurchase Program). The General Partner has authorization to repurchase up to \$150 million of its outstanding common stock under the renewed Repurchase Program, which it may repurchase from time to time in open market transactions at prevailing prices or through privately negotiated transactions. As of December 31, 2018, the General Partner has repurchased and retired 394,625 shares of its outstanding common stock for an aggregate cost of approximately \$11 million (all of which occurred in the year ended December 31, 2012), with a remaining authorization under the Repurchase Program of \$139 million. Concurrent with these repurchases, the General Partner sold to the Operating Partnership common units for approximately \$11 million.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The General Partner has a Dividend Reinvestment and Stock Purchase Plan (the "DRIP") which commenced in March 1999 under which approximately 5.5 million shares of the General Partner's common stock have been reserved for future issuance. The DRIP provides for automatic reinvestment of all or a portion of a participant's dividends from the General Partner's shares of common stock. The DRIP also permits participants to make optional cash investments up to \$5,000 a month without restriction and, if the Company waives this limit, for additional amounts subject to certain restrictions and other conditions set forth in the DRIP prospectus filed as part of the Company's effective registration statement on Form S-3 filed with the SEC for the approximately 5.5 million shares of the General Partner's common stock reserved for issuance under the DRIP.

STOCK OPTION PLANS

In May 2013, the General Partner established the 2013 Incentive Stock Plan (the "2013 Plan") under which a total of 4,600,000 shares have been reserved for issuance.

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On June 5, 2015, in connection with employment agreements entered into with each of Messrs. Rudin and DeMarco (together, the Executive Employment Agreements), the Company granted options to purchase a total of 800,000 shares of the General Partner's common stock, exercisable for a period of ten years with an exercise price equal to the closing price of the General Partner's common stock on the grant date of \$17.31 per share, with 400,000 of such options vesting in three equal annual installments commencing on the first anniversary of the grant date (Time Vesting Options) and fully vesting on June 5, 2018, and 400,000 of such options vesting if the General Partner's common stock trades at or above \$25.00 per share for 30 consecutive trading days while the executive is employed (Price Vesting Options), or on or before June 30, 2019, subject to certain conditions. The Price Vesting Options vested on July 5, 2016 on account of the price vesting condition being achieved.

Information regarding the Company's stock option plans is summarized below:

	Shares Under Options		Weighted Average Exercise Price		Aggregate Intrinsic Value \$(000 s)
Outstanding at January 1, 2016	805,000	\$	17.33	\$	4,843
Lapsed or Cancelled	(5,000)		21.25		
Outstanding at December 31, 2016 (\$17.31)	800,000	\$	17.31		9,368
Granted, Lapsed or Cancelled					
Outstanding at December 31, 2017 (\$17.31)	800,000	\$	17.31		3,400
Granted, Lapsed or Cancelled					
Outstanding at December 31, 2018 (\$17.31)	800,000	\$	17.31	\$	1,824
Options exercisable at December 31, 2018	800,000				
Available for grant at December 31, 2018	1,580,869				

There were no stock options exercised under any stock option plans for the years ended December 31, 2018, 2017 and 2016. The Company has a policy of issuing new shares to satisfy stock option exercises.

As of December 31, 2018 and 2017, the stock options outstanding had a weighted average remaining contractual life of approximately 6.4 years and 7.4 years, respectively.

The Company recognized stock options expense of \$193,000, \$464,000 and \$1,407,000 for the years ended December 31, 2018, 2017 and 2016, respectively.

RESTRICTED STOCK AWARDS

The Company has issued stock awards (Restricted Stock Awards) to officers, certain other employees and non-employee members of the Board of Directors of the General Partner, which allow the holders to each receive a certain amount of shares of the General Partner's common stock generally over a one to seven-year vesting period, of which 67,289 unvested shares were legally outstanding at December 31, 2018. Vesting of the Restricted Stock Awards issued to executive officers and certain other employees is based on time and service.

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On June 5, 2015, in connection with the Executive Employment Agreements, the Company granted a total of 37,550.54 Restricted Stock Awards, which were valued in accordance with ASC 718 - Stock Compensation, at their fair value. These awards vested equally over a three-year period on each annual anniversary date of the grant date.

All currently outstanding and unvested Restricted Stock Awards provided to the officers, certain other employees, and members of the Board of Directors of the General Partner were issued under the 2013 Plan.

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Information regarding the Restricted Stock Awards grant activity is summarized below:

	Shares		Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2016	136,220	\$	19.36
Granted	74,622		23.79
Vested	(61,654)		18.94
Forfeited	(3,910)		21.58
Outstanding at December 31, 2016	145,278	\$	21.76
Granted	59,985		27.00
Vested	(95,009)		20.73
Forfeited	(1,936)		25.83
Outstanding at December 31, 2017	108,318	\$	25.49
Granted	40,185		20.16
Vested	(72,502)		25.33
Forfeited	(8,712)		25.83
Outstanding at December 31, 2018	67,289	\$	22.43

As of December 31, 2018, the Company had \$0.5 million of total unrecognized compensation cost related to unvested Restricted Stock Awards granted under the Company's stock compensation plans. That cost is expected to be recognized over a weighted average period of 0.5 years.

PERFORMANCE SHARE UNITS

On June 5, 2015, in connection with the Executive Employment Agreements, the Company granted a total of 112,651.64 performance share units (PSUs) which was to vest from 0 to 150 percent of the number of PSUs granted based on the Company's total shareholder return relative to a peer group of equity office REITs over a three-year performance period starting from the grant date, each PSU evidencing the right to receive a share of the General Partner's common stock upon vesting. The PSUs were also entitled to the payment of dividend equivalents in respect of vested PSUs in the form of additional PSUs. The PSUs were valued in accordance with ASC 718, Compensation - Stock Compensation, at their fair value on the grant date, utilizing a Monte-Carlo simulation to estimate the probability of the vesting conditions being satisfied.

The PSUs vested at 100 percent on June 5, 2018 based on the calculation of the achievement of the Company's total shareholder return, for which shares of the General Partner's common stock were issued under the 2013 Plan.

As of December 31, 2018, the Company had no unrecognized compensation cost as there are no unvested PSUs outstanding under the Company's stock compensation plans.

LONG-TERM INCENTIVE PLAN AWARDS

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On March 8, 2016, the Company granted Long-Term Incentive Plan (LTIP) awards to senior management of the Company, including the General Partner s executive officers (the 2016 LTIP Awards). All of the 2016 LTIP Awards were in the form of units in the Operating Partnership (LTIP Units) and constitute awards under the 2013 Plan. For Messrs. Rudin, DeMarco and Tycher, approximately 25 percent of the target 2016 LTIP Award was in the form of a time-based award that vests after three years on March 8, 2019 (the 2016 TBV LTIP Units), and the remaining approximately 75 percent of the target 2016 LTIP Award was in the form of a performance-based award under a new Outperformance Plan (the 2016 OPP) adopted by the General Partner s Board of Directors consisting of a multi-year, performance-based equity compensation plan and related forms of award agreement (the 2016 PBV LTIP Units). For all other executive officers, approximately 40 percent of the target 2016 LTIP Award was in the form of 2016 TBV LTIP Units and the remaining approximately 60 percent of the target 2016 LTIP Award was in the form of 2016 PBV LTIP Units.

The 2016 OPP was designed to align the interests of senior management to relative and absolute performance of the Company over a three-year performance period from March 8, 2016 through March 7, 2019. Participants in the 2016 OPP will only earn the full awards if, over the three-year performance period, the Company achieves a 50 percent absolute total stockholder return (TSR) and if the Company is in the 75th percentile of performance versus the NAREIT Office Index.

On April 4, 2017, the Company granted LTIP awards to senior management of the Company, including the General Partner s executive officers (the 2017 LTIP Awards). All of the 2017 LTIP Awards were in the form of LTIP Units and constitute awards under the 2013 Plan. For Messrs. DeMarco, Tycher and Rudin, approximately twenty-five percent (25%) of the 2017 LTIP Award was in the form of a time-based award that vests after three years on April 4, 2020 (the 2017 TBV LTIP Units), and the remaining approximately seventy-five percent (75%) of the 2017 LTIP Award was in the form of a performance-based award under the Company s Outperformance Plan

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(the 2017 OPP) adopted by the General Partner's Board of Directors, consisting of a multi-year, performance-based equity compensation plan and related forms of award agreement (the 2017 PBV LTIP Units). For all other executive officers, approximately forty percent (40%) of the 2017 LTIP Award was in the form of 2017 TBV LTIP Units and the remaining approximately sixty percent (60%) of the 2017 LTIP Award was in the form of 2017 PBV LTIP Units.

The 2017 OPP was designed to align the interests of senior management to relative and absolute performance of the Company over a three-year performance period from April 4, 2017 through April 3, 2020. Participants in the 2017 OPP will only earn the full awards if, over the three-year performance period, the Company achieves a thirty-six percent (36%) absolute TSR and if the Company is in the 75th percentile of performance as compared to the NAREIT office index.

On April 20, 2018, the Company granted LTIP awards to senior management of the Company, including the General Partner's executive officers (the 2018 LTIP Awards). All of the 2018 LTIP Awards were in the form of LTIP Units and constitute awards under the 2013 Plan. For Messrs. DeMarco and Tycher, approximately twenty-five percent (25%) of the grant date fair value of the 2018 LTIP Award was in the form of a time-based award that vests after three years on April 20, 2021 (the 2018 TBV LTIP Units), and the remaining approximately seventy-five percent (75%) of the grant date fair value of the 2018 LTIP Award was in the form of a performance-based award under the Company's Outperformance Plan (the 2018 OPP) adopted by the General Partner's Board of Directors, consisting of a multi-year, performance-based equity compensation plan and related forms of award agreement (the 2018 PBV LTIP Units). For all other executive officers, approximately fifty percent (50%) of the grant date fair value of the 2018 LTIP Award was in the form of 2018 TBV LTIP Units and the remaining approximately fifty percent (50%) of the grant date fair value of the 2018 LTIP Award was in the form of 2018 PBV LTIP Units.

The 2018 OPP was designed to align the interests of senior management to relative and absolute performance of the Company over a three-year performance period from April 20, 2018 through April 19, 2021. Participants in the 2018 OPP will only earn the full awards if, over the three-year performance period, the Company achieves a thirty-six percent (36%) absolute TSR and if the Company's TSR is in the 75th percentile of performance as compared to the office REITs in the NAREIT index.

LTIP Units will remain subject to forfeiture depending on the extent that the 2016 LTIP Awards, 2017 LTIP Awards and 2018 LTIP Awards vest. The number of LTIP Units to be issued initially to recipients of the 2016 PBV LTIP Awards, 2017 PBV LTIP Awards and 2018 PBV LTIP Awards is the maximum number of LTIP Units that may be earned under the awards. The number of LTIP Units that actually vest for each award recipient will be determined at the end of the performance measurement period. TSR for the Company and for the Index over the three-year measurement period and other circumstances will determine how many LTIP Units vest for each recipient; if they are fewer than the number issued initially, the balance will be forfeited as of the performance measurement date.

Prior to vesting, recipients of LTIP Units will be entitled to receive per unit distributions equal to one-tenth (10 percent) of the regular quarterly distributions payable on a common unit of limited partnership interest in the Operating Partnership (a common unit), but will not be entitled to receive any special distributions. Distributions with respect to the other nine-tenths (90 percent) of regular quarterly distributions payable on a common unit will accrue but shall only become payable upon vesting of the LTIP Unit. After vesting of the 2016 TBV LTIP Units, 2017 TBV LTIP Units and 2018 LTIP TBV Units or the end of the measurement period for the 2016 PBV LTIP Units, 2017 PBV LTIP Units and 2018 LTIP PBV Units, the number of LTIP Units, both vested and unvested, will be entitled to receive distributions in an amount per unit equal to distributions, both regular and special, payable on a common unit.

As a result of certain executive management and other personnel changes during the year ended December 31, 2018, the former employees forfeited and cancelled 189,273 2016 LTIP Awards, 105,443 2017 LTIP Awards and 38,015 2018 LTIP Awards, and the Company accelerated the vesting of 22,215 2016 LTIP Awards and 32,849 2017 LTIP Awards. As of December 31, 2018, a total of 332,302 2016 PBV LTIP Units,

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108,764 2016 TBV LTIP Units, 370,509 2017 PBV LTIP Units, 69,522 2017 TBV LTIP Units, 629,252 2018 PBV LTIP Units and 196,757 2018 TBV LTIP Units, net of LTIP Units forfeited and cancelled resulting from executive management and other personnel changes, were outstanding. The LTIP Units were valued in accordance with ASC 718 – Stock Compensation, at their fair value. The Company has reserved shares of common stock under the 2013 Plan for issuance upon vesting and conversion of the LTIP Units in accordance with their terms and conditions.

As of December 31, 2018, the Company had \$11.2 million of total unrecognized compensation cost related to unvested LTIP awards granted under the Company's stock compensation plans. That cost is expected to be recognized over a weighted average period of 2.4 years.

DEFERRED STOCK COMPENSATION PLAN FOR DIRECTORS

The Amended and Restated Deferred Compensation Plan for Directors, which commenced January 1, 1999, allows non-employee directors of the Company to elect to defer up to 100 percent of their annual retainer fee into deferred stock units. The deferred stock units are convertible into an equal number of shares of common stock upon the directors' termination of service from the Board of

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Directors or a change in control of the Company, as defined in the plan. Deferred stock units are credited to each director quarterly using the closing price of the Company's common stock on the applicable dividend record date for the respective quarter. Each participating director's account is also credited for an equivalent amount of deferred stock units based on the dividend rate for each quarter.

During the years ended December 31, 2018, 2017 and 2016, 26,620, 19,728 and 14,274 deferred stock units were earned, respectively. As of December 31, 2018 and 2017, there were 236,383 and 210,738 deferred stock units outstanding, respectively.

EARNINGS PER SHARE/UNIT

Basic EPS or EPU excludes dilution and is computed by dividing net income available to common shareholders or unitholders by the weighted average number of shares or units outstanding for the period. Diluted EPS or EPU reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The following information presents the Company's results for the years ended December 31, 2018, 2017 and 2016 in accordance with ASC 260, Earnings Per Share (*dollars in thousands, except per share amounts*):

Mack-Cali Realty Corporation:

Computation of Basic EPS	Year Ended December 31,		
	2018	2017	2016
Net income	\$ 106,401	\$ 33,718	\$ 130,294
Add: Noncontrolling interest in consolidated joint ventures	1,216	1,018	651
Add (deduct): Noncontrolling interest in Operating Partnership	(9,527)	(2,711)	(13,721)
Deduct: Redeemable noncontrolling interest	(13,979)	(8,840)	
Deduct: Redemption value adjustment of redeemable noncontrolling interests attributable to common shareholders	(11,425)	(17,951)	
Net income available to common shareholders for basic earnings per share	\$ 72,686	\$ 5,234	\$ 117,224
Weighted average common shares	90,388	90,005	89,746
Basic EPS:			
Net income available to common shareholders	\$ 0.80	\$ 0.06	\$ 1.31

Computation of Diluted EPS	Year Ended December 31,		
	2018	2017	2016
Net income available to common shareholders for basic earnings per share	\$ 72,686	\$ 5,234	\$ 117,224
Add (deduct): Noncontrolling interest in Operating Partnership	9,527	2,711	13,721
Deduct: Redemption value adjustment of redeemable noncontrolling interests attributable to the Operating Partnership unitholders	(1,296)	(2,074)	
Net income available for diluted earnings per share	\$ 80,917	\$ 5,871	\$ 130,945

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Weighted average common shares	100,724	100,703	100,498
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Diluted EPS:

Net income available to common shareholders	\$ 0.80	\$ 0.06	\$ 1.30
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The following schedule reconciles the weighted average shares used in the basic EPS calculation to the shares used in the diluted EPS calculation (*in thousands*):

	Year Ended December 31,		
	2018	2017	2016
Basic EPS shares	90,388	90,005	89,746
Add: Operating Partnership common and vested LTIP units	10,246	10,405	10,499
Restricted Stock Awards		40	43
Stock Options	90	253	210
Diluted EPS Shares	100,724	100,703	100,498

Contingently issuable shares under the PSU Awards were excluded from the denominator in 2017 and 2016 because the criteria had not been met for the periods. Contingently issuable shares under Restricted Stock Awards were excluded from the denominator in 2018 as

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such securities were anti-dilutive during the period. Also not included in the computations of diluted EPS were the unvested LTIP Units as such securities were anti-dilutive during all periods presented. Unvested restricted stock outstanding as of December 31, 2018, 2017 and 2016 were 67,289, 95,801 and 120,245 shares, respectively.

Dividends declared per common share for the years ended December 31, 2018, 2017 and 2016 was \$0.80, \$0.75 and \$0.60 per share, respectively.

Mack-Cali Realty, L.P.:

Computation of Basic EPU	Year Ended December 31,		
	2018	2017	2016
Net income	\$ 106,401	\$ 33,718	\$ 130,294
Add: Noncontrolling interest in consolidated joint ventures	1,216	1,018	651
Deduct: Redeemable noncontrolling interest	(13,979)	(8,840)	
Deduct: Redemption value adjustment of redeemable noncontrolling interests	(12,721)	(20,025)	
Net income available to common unitholders for basic earnings per unit	\$ 80,917	\$ 5,871	\$ 130,945
Weighted average common units	100,634	100,410	100,245

Basic EPU:

Net income available to common unitholders for basic earnings per unit	\$ 0.80	\$ 0.06	\$ 1.31
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Computation of Diluted EPU	Year Ended December 31,		
	2018	2017	2016
Net income available to common unitholders for diluted earnings per unit	\$ 80,917	\$ 5,871	\$ 130,945
Weighted average common unit	100,724	100,703	100,498

Diluted EPU:

Net income available to common unitholders	\$ 0.80	\$ 0.06	\$ 1.30
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The following schedule reconciles the weighted average units used in the basic EPU calculation to the units used in the diluted EPU calculation (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Basic EPU units	100,634	100,410	100,245
Add: Restricted Stock Awards		40	43
Stock Options	90	253	210
Diluted EPU Units	100,724	100,703	100,498

Contingently issuable shares under the PSU Awards were excluded from the denominator in 2017 and 2016 because the criteria had not been met for the periods. Contingently issuable shares under Restricted Stock Awards were excluded from the denominator in 2018 as such securities were anti-dilutive during the period. Also not included in the computations of diluted EPU were the unvested LTIP Units as such securities were anti-dilutive during all periods presented. Unvested restricted stock outstanding as of December 31, 2018, 2017 and 2016 were 67,289, 95,801 and 120,245 shares, respectively.

Distributions declared per common unit for the years ended December 31, 2018, 2017 and 2016 was \$0.80, \$0.75 and \$0.60 per unit, respectively.

16. NONCONTROLLING INTERESTS IN SUBSIDIARIES

Noncontrolling interests in subsidiaries in the accompanying consolidated financial statements relate to (i) common units and LTIP units in the Operating Partnership, held by parties other than the General Partner (Limited Partners), and (ii) interests in consolidated joint ventures for the portion of such ventures not owned by the Company.

Pursuant to ASC 810, Consolidation, on the accounting and reporting for noncontrolling interests and changes in ownership interests of a subsidiary, changes in a parent s ownership interest (and transactions with noncontrolling interest unitholders in the subsidiary) while the parent retains its controlling interest in its subsidiary should be accounted for as equity transactions. The carrying value of the

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noncontrolling interest shall be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the parent. Accordingly, as a result of equity transactions which caused changes in ownership percentages between Mack-Cali Realty Corporation stockholders' equity and noncontrolling interests in the Operating Partnership that occurred during the year ended December 31, 2018, the Company has decreased noncontrolling interests in the Operating Partnership and increased additional paid-in capital in Mack-Cali Realty Corporation stockholders' equity by approximately \$2.2 million as of December 31, 2018.

NONCONTROLLING INTEREST IN OPERATING PARTNERSHIP (applicable only to General Partner)

Common Units

Certain individuals and entities own common units in the Operating Partnership. A common unit and a share of Common Stock of the General Partner have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the Operating Partnership. Common unitholders have the right to redeem their common units, subject to certain restrictions. The redemption is required to be satisfied in shares of Common Stock, cash, or a combination thereof, calculated as follows: one share of the General Partner's Common Stock, or cash equal to the fair market value of a share of the General Partner's Common Stock at the time of redemption, for each common unit. The General Partner, in its sole discretion, determines the form of redemption of common units (i.e., whether a common unitholder receives Common Stock, cash, or any combination thereof). If the General Partner elects to satisfy the redemption with shares of Common Stock as opposed to cash, it is obligated to issue shares of its Common Stock to the redeeming unitholder. Regardless of the rights described above, the common unitholders may not put their units for cash to the General Partner or the Operating Partnership under any circumstances. When a unitholder redeems a common unit, noncontrolling interest in the Operating Partnership is reduced and Mack-Cali Realty Corporation Stockholders' equity is increased.

LTIP Units

On March 8, 2016, the Company granted 2016 LTIP Awards to senior management of the Company, including the General Partner's executive officers. On April 4, 2017, the Company granted 2017 LTIP Awards to senior management of the Company, including the General Partner's executive officers. On April 20, 2018, the Company granted 2018 LTIP Awards to senior management of the Company, including the General Partner's executive officers. All of the 2016 LTIP Awards, 2017 LTIP Awards and 2018 LTIP Awards are in the form of units in the Operating Partnership. See Note 15: Mack-Cali Realty Corporation Stockholders' Equity and Mack-Cali Realty, L.P.'s Partners' Capital Long-Term Incentive Plan Awards.

LTIP Units are designed to qualify as profits interests in the Operating Partnership for federal income tax purposes. As a general matter, the profits interests characteristics of the LTIP Units mean that initially they will not be economically equivalent in value to a common unit. If and when events specified by applicable tax regulations occur, LTIP Units can over time increase in value up to the point where they are equivalent to common units on a one-for-one basis. After LTIP Units are fully vested, and to the extent the special tax rules applicable to profits interests have allowed them to become equivalent in value to common units, LTIP Units may be converted on a one-for-one basis into common units. Common units in turn have a one-for-one relationship in value with shares of the General Partner's common stock, and are redeemable on a one-for-one basis for cash or, at the election of the Company, shares of the General Partner's common stock.

Unit Transactions

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The following table sets forth the changes in noncontrolling interests in subsidiaries which relate to the common units and LTIP units in the Operating Partnership for the years ended December 31, 2018, 2017 and 2016:

	Common Units	LTIP Units
Balance at January 1, 2016	10,516,844	
Redemption of common units for shares of common stock	(28,739)	
Issuance of units		657,373
Balance at December 31, 2016	10,488,105	657,373
Redemption of common units for shares of common stock	(148,662)	
Issuance of units	99,412	578,323
Cancellation of units		(4,819)
Balance at December 31, 2017	10,438,855	1,230,877
Redemption of common units for shares of common stock	(264,570)	
Issuance of units		864,024
Cancellation of units		(332,731)
Balance at December 31, 2018	10,174,285	1,762,170

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Noncontrolling Interest Ownership in Operating Partnership

As of December 31, 2018 and 2017, the noncontrolling interest common unitholders owned 10.2 percent and 10.4 percent of the Operating Partnership, respectively.

NONCONTROLLING INTEREST IN CONSOLIDATED JOINT VENTURES (applicable to General Partner and Operating Partnership)

The Company consolidates certain joint ventures in which it has ownership interests. Various entities and/or individuals hold noncontrolling interests in these ventures.

PARTICIPATION RIGHTS

The Company's interests in certain real estate projects (two properties and a future development) each provide for the initial distributions of net cash flow solely to the Company, and thereafter, other parties have participation rights in 50 percent of the excess net cash flow remaining after the distribution to the Company of the aggregate amount equal to the sum of: (a) the Company's capital contributions, plus (b) an IRR of 10 percent per annum.

17. SEGMENT REPORTING

The Company operates in two business segments: (i) commercial and other real estate and (ii) multi-family real estate and services. The Company provides leasing, property management, acquisition, development, construction and tenant-related services for its commercial and other real estate and multi-family real estate portfolio. The Company's multi-family services business also provides similar services for third parties. The Company had no revenues from foreign countries recorded for the years ended December 31, 2018, 2017 and 2016. The Company had no long lived assets in foreign locations as of December 31, 2018 and 2017. The accounting policies of the segments are the same as those described in Note 2: Significant Accounting Policies, excluding depreciation and amortization.

The Company evaluates performance based upon net operating income from the combined properties and operations in each of its real estate segments (commercial and other real estate, and multi-family real estate and services).

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Selected results of operations for the years ended December 31, 2018, 2017 and 2016, and selected asset information as of December 31, 2018 and 2017 regarding the Company's operating segments are as follows. Amounts for prior periods have been restated to conform to the current period segment reporting presentation (*dollars in thousands*):

	Commercial & Other Real Estate	Multi-family Real Estate & Services (d)	Corporate & Other (e)	Total Company
Total revenues:				
2018	\$ 416,369	\$ 113,805	\$ 432	\$ 530,606
2017	522,223	90,654	3,323	616,200
2016	541,271	69,873	2,254	613,398
Total operating and interest expenses				
(a):				
2018	\$ 183,439	\$ 70,280	\$ 104,788	\$ 358,507
2017	238,055	63,589	94,662	396,306
2016	263,663	60,646	91,042	415,351
Equity in earnings (loss) of unconsolidated joint ventures:				
2018	\$ 2,319	\$ (2,446)	\$	\$ (127)
2017	1,644	(7,725)		(6,081)
2016	23,796	(5,008)		18,788
Net operating income (loss) (b):				
2018	\$ 235,249	\$ 41,079	\$ (104,356)	\$ 171,972
2017	285,812	19,340	(91,339)	213,813
2016	301,404	4,219	(88,788)	216,835
Total assets:				
2018	\$ 2,687,178	\$ 2,260,497	\$ 112,969	\$ 5,060,644
2017	2,915,646	1,937,708	104,531	4,957,885
Total long-lived assets (c):				
2018	\$ 2,413,696	\$ 1,973,826	\$ 33,157	\$ 4,420,679
2017	2,613,815	1,645,410	31,901	4,291,126
Total investments in unconsolidated joint ventures:				
2018	\$ 13,699	\$ 218,771	\$ 280	\$ 232,750
2017	15,143	237,321	162	252,626

(a) Total operating and interest expenses represent the sum of: real estate taxes; utilities; operating services; real estate services expenses; general and administrative, acquisition-related costs and interest expense (net of interest income). All interest expense, net of interest and other investment income, (including for property-level mortgages) is excluded from segment amounts and classified in Corporate & Other for all periods.

(b) Net operating income represents total revenues less total operating and interest expenses (as defined and classified in Note a), plus equity in earnings (loss) of unconsolidated joint ventures, for the period.

(c) Long-lived assets are comprised of net investment in rental property, unbilled rents receivable and goodwill.

(d) Segment assets and operations were owned through a consolidated variable interest entity commencing in February 2018.

(e) Corporate & Other represents all corporate-level items (including interest and other investment income, interest expense, non-property general and administrative expense) as well as intercompany eliminations necessary to reconcile to consolidated Company totals.

Table of Contents**Mack-Cali Realty Corporation**

The following schedule reconciles net operating income to net income available to common shareholders (*dollars in thousands*):

	Year Ended December 31,		
	2018	2017	2016
Net operating income	\$ 171,972	\$ 213,813	\$ 216,835
Add (deduct):			
Depreciation and amortization	(174,847)	(205,169)	(186,684)
Land Impairments	(24,566)		
Gain on change of control of interests	14,217		15,347
Realized gains (losses) and unrealized losses on disposition of rental property, net	99,436	2,364	109,666
Gain on disposition of developable land	30,939		
Gain on sale of investment in unconsolidated joint venture		23,131	5,670
Loss from extinguishment of debt, net	(10,750)	(421)	(30,540)
Net income	106,401	33,718	130,294
Noncontrolling interest in consolidated joint ventures	1,216	1,018	651
Noncontrolling interest in Operating Partnership	(9,527)	(2,711)	(13,721)
Redeemable noncontrolling interest	(13,979)	(8,840)	
Net income available to common shareholders	\$ 84,111	\$ 23,185	\$ 117,224

Mack-Cali Realty, L.P.

The following schedule reconciles net operating income to net income available to common unitholders (*dollars in thousands*):

	Year Ended December 31,		
	2018	2017	2016
Net operating income	\$ 171,972	\$ 213,813	\$ 216,835
Add (deduct):			
Depreciation and amortization	(174,847)	(205,169)	(186,684)
Land Impairments	(24,566)		
Gain on change of control of interests	14,217		15,347
Realized gains (losses) and unrealized losses on disposition of rental property, net	99,436	2,364	109,666
Gain on disposition of developable land	30,939		
Gain on sale of investment in unconsolidated joint venture		23,131	5,670
Loss from extinguishment of debt, net	(10,750)	(421)	(30,540)
Net income	106,401	33,718	130,294
Noncontrolling interest in consolidated joint ventures	1,216	1,018	651
Redeemable noncontrolling interest	(13,979)	(8,840)	
Net income available to common unitholders	\$ 93,638	\$ 25,896	\$ 130,945

18. RELATED PARTY TRANSACTIONS

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William L. Mack, Chairman of the Board of Directors of the General Partner, David S. Mack, a director of the General Partner, and Earle I. Mack, a former director of the General Partner, are the executive officers, directors and stockholders of a corporation that leases approximately 7,034 square feet at one of the Company's office properties (the Company disposed of this property in January 2019), which is scheduled to expire in September 2019. The Company has recognized \$193,000, \$187,000 and \$193,000 in revenue under this lease for the years ended December 31, 2018, 2017 and 2016, respectively, and had no accounts receivable from the corporation as of December 31, 2018 and 2017.

The adult children of Marshall Tycher, Chairman of RRT, own minority equity interests in a vendor to the Company. Additionally, Mr. Tycher's son-in-law is an employee of the vendor. The Company recognized \$148,000 in expense for this vendor during the year ended December 31, 2018 and had no accounts payable to this vendor as of December 31, 2018.

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Certain executive officers of RRT and/or their family members (RG) directly or indirectly hold small noncontrolling interests in a certain consolidated joint venture. Additionally, the Company earned \$1,114,000, \$1,873,000, and \$2,464,000 from entities in which RG has ownership interests for the years ended December 31, 2018, 2017 and 2016, respectively.

19. CONDENSED QUARTERLY FINANCIAL INFORMATION (unaudited)**Mack-Cali Realty Corporation**

The following summarizes the condensed quarterly financial information for the Company (*dollars in thousands*):

Quarter Ended 2018	December 31		September 30		June 30		March 31	
Total revenues	\$	132,936	\$	132,114	\$	126,589	\$	138,967
Net income	\$	52,523	\$	1,689	\$	1,501	\$	50,688
Net income (loss) available to common shareholders	\$	43,804	\$	(1,478)	\$	(1,251)	\$	43,036

Basic earnings per common share:

Net income (loss) available to common shareholders	\$	0.45	\$	(0.05)	\$	(0.05)	\$	0.45
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Diluted earnings per common share:

Net income (loss) available to common shareholders	\$	0.45	\$	(0.05)	\$	(0.05)	\$	0.45
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Quarter Ended 2017	December 31		September 30		June 30		March 31	
Total revenues	\$	143,529	\$	160,018	\$	162,766	\$	149,887
Net income (loss)	\$	5,411	\$	44,703	\$	(39,125)	\$	22,729
Net income (loss) available to common shareholders	\$	2,582	\$	38,054	\$	(37,330)	\$	19,879

Basic earnings per common share:

Net income (loss) available to common shareholders	\$	(0.01)	\$	0.39	\$	(0.44)	\$	0.11
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Diluted earnings per common share:

Net income (loss) available to common shareholders	\$	(0.01)	\$	0.39	\$	(0.44)	\$	0.11
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Mack-Cali Realty, L.P.

The following summarizes the condensed quarterly financial information for the Company (*dollars in thousands*):

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Quarter Ended 2018	December 31		September 30		June 30		March 31	
Total revenues	\$	132,936	\$	132,114	\$	126,589	\$	138,967
Net income	\$	52,523	\$	1,689	\$	1,501	\$	50,688
Net income (loss) available to common unitholders	\$	48,757	\$	(1,645)	\$	(1,393)	\$	47,919

Basic earnings per common unit:

Net income (loss) available to common unitholders	\$	0.45	\$	(0.05)	\$	(0.05)	\$	0.45
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Diluted earnings per common units:

Net income (loss) available to common unitholders	\$	0.45	\$	(0.05)	\$	(0.05)	\$	0.45
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Quarter Ended 2017	December 31		September 30		June 30		March 31	
Total revenues	\$	143,529	\$	160,018	\$	162,766	\$	149,887
Net income (loss)	\$	5,411	\$	44,703	\$	(39,125)	\$	22,729
Net income (loss) available to common unitholders	\$	2,881	\$	42,467	\$	(41,626)	\$	22,174

Basic earnings per common unit:

Net income (loss) available to common unitholders	\$	(0.01)	\$	0.39	\$	(0.44)	\$	0.11
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Diluted earnings per common unit:

Net income (loss) available to common unitholders	\$	(0.01)	\$	0.39	\$	(0.44)	\$	0.11
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MACK-CALI REALTY CORPORATION, MACK-CALI REALTY, L.P. AND SUBSIDIARIES

REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION

December 31, 2018

(dollars in thousands)

SCHEDULE III

Property Location	Property Type	Year Built	Acquired	Related Encumbrances	Initial Costs		Costs Capitalized Subsequent to Acquisition(e)	Gross Amount at Which Carried at Close of Period (a)		Total (d)	Accumulated Depreciation (b)
					Land	Building and Improvements		Land	Building and Improvements		
NEW JERSEY											
Bergen County											
Fort Lee											
One Bridge Plaza	Office	1981	1996		2,439	24,462	7,436	2,439	31,898	34,337	17,658
Essex County											
Millburn											
150 J.F. Kennedy Parkway	Office	1980	1997		12,606	50,425	17,073	12,606	67,498	80,104	33,259
Roseland											
51 J.F. Kennedy Parkway	Office	1988	2017	69,459	5,873	100,359	575	5,873	100,934	106,807	6,806
101 J.F. Kennedy Parkway	Office	1981	2017	29,197	4,380	59,730	1,151	4,380	60,881	65,261	4,063
103 J.F. Kennedy Parkway	Office	1981	2017	24,875	3,158	50,813	469	3,158	51,282	54,440	3,434
Hudson County											
Hoboken											
111 River Street	Office	2002	2016		204	198,609	14,932		213,745	213,745	14,364
Jersey City											
Harborside Plaza 1	Office	1983	1996		3,923	51,013	26,426	3,923	77,439	81,362	41,749
Harborside Plaza 2	Office	1990	1996		17,655	101,546	53,393	8,364	164,230	172,594	69,838
Harborside Plaza 3	Office	1990	1996		17,655	101,878	53,060	8,363	164,230	172,593	69,838
Harborside Plaza 4A	Office	2000	2000		1,244	56,144	8,688	1,244	64,832	66,076	31,301
Harborside Plaza 5	Office	2002	2002		6,218	170,682	60,698	5,705	231,893	237,598	101,850
101 Hudson Street	Office	1992	2005	248,460	45,530	271,376	33,508	45,530	304,884	350,414	103,639
Rosegarden											
Monaco	Multi-Family	2011	2017	168,370	58,761	240,871	434	58,761	241,305	300,066	10,720
Marbella I	Multi-Family	2003	2018	130,040	48,820	160,740	1,306	48,820	162,046	210,866	1,711
Weehawken											
100 Avenue at Port Imperial	Other	2016	2016		350		4,205	471	4,084	4,555	310
500 Avenue at Port Imperial	Other	2013	2013	36,568	13,099	56,669	(19,756)	13,099	36,913	50,012	4,925
Port Imperial South 11	Multi-Family	2018	2018	99,792				22,047	108,392	130,439	577
Mercer County											
Princeton											

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100 Overlook Center	Office	1988	1997	2,378	21,754	4,577	2,378	26,331	28,709	13,218
5 Vaughn Drive	Office	1987	1995	657	9,800	1,564	657	11,364	12,021	6,529
Middlesex County										
Edison										
333 Thornall Street	Office	1984	2015	5,542	40,762	3,686	5,542	44,448	49,990	4,933
343 Thornall Street	Office	1991	2006	6,027	39,101	15,160	6,027	54,261	60,288	16,308
Iselin										
101 Wood Avenue South	Office	1990	2016	8,509	72,738	1,183	7,384	75,046	82,430	6,936
New Brunswick										
Richmond Court	Multi-Family	1997	2013	2,992	13,534	1,908	2,992	15,442	18,434	1,856
Riverwatch Commons	Multi-Family	1995	2013	4,169	18,974	2,187	4,169	21,161	25,330	2,534
Plainsboro										
500 College Road East (c)	Office	1984	1998	614	20,626	5,776	614	26,402	27,016	14,225
Woodbridge										
581 Main Street	Office	1991	1997	3,237	12,949	35,315	8,115	43,386	51,501	16,482
Monmouth County										
Holmdel										
23 Main Street	Office	1977	2005	4,336	19,544	6,377	4,336	25,921	30,257	8,116
Middletown										
One River Center, Building 1	Office	1983	2004	3,070	17,414	16,094	2,451	34,127	36,578	8,385
One River Center, Building 2	Office	1983	2004	2,468	15,043	4,175	2,452	19,234	21,686	7,880
One River Center, Building 3	Office	1984	2004	4,051	24,790	5,688	4,627	29,902	34,529	11,525
Neptune										
3600 Route 66	Office	1989	1995	1,098	18,146	11,461	1,098	29,607	30,705	15,555
Red Bank										
100 Schultz Drive	Office	1989	2017	1,953	6,790	1,126	1,953	7,916	9,869	905
200 Schultz Drive	Office	1989	2017	2,184	8,259	1,165	2,184	9,424	11,608	1,003

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Property Location	Property Type	Year Built	Year Acquired	Related Encumbrances	Gross Amount at Which Carried at Close of						Accumulated Depreciation (b)
					Initial Costs Building and Land Improvements	Costs Capitalized Subsequent to Acquisition(e)	Period (a) Building and Land Improvements		Total (d)		
Morris County											
Florham Park											
325 Columbia Parkway	Office	1987	1994		1,564		18,616	1,564	18,616	20,180	13,036
Madison											
1 Giralda Farms	Office	1982	2017		3,370	27,145	734	3,370	27,879	31,249	2,260
7 Giralda Farms	Office	1997	2017		5,402	37,664	510	5,402	38,174	43,576	2,766
Morris Plains											
Signature Place	Multi-Family			41,703	930		56,373	930	56,373	57,303	922
Parsippany											
4 Campus Drive	Office	1983	2001		5,213	20,984	4,052	5,213	25,036	30,249	11,490
6 Campus Drive	Office	1983	2001		4,411	17,796	3,945	4,411	21,741	26,152	9,665
7 Campus Drive	Office	1982	1998		1,932	27,788	6,757	1,932	34,545	36,477	18,408
8 Campus Drive	Office	1987	1998		1,865	35,456	12,475	1,865	47,931	49,796	22,089
9 Campus Drive	Office	1983	2001		3,277	11,796	22,721	5,842	31,952	37,794	13,474
2 Dryden Way	Office	1990	1998		778	420	110	778	530	1,308	320
4 Gatehall Drive	Office	1988	2000		8,452	33,929	7,788	8,452	41,717	50,169	18,726
2 Hilton Court	Office	1991	1998		1,971	32,007	4,474	1,971	36,481	38,452	19,992
1 Sylvan Way	Office	1989	1998		1,689	24,699	4,984	1,021	30,351	31,372	14,094
3 Sylvan Way	Office	1988	2015		5,590	4,710	9,840	5,590	14,550	20,140	845
5 Sylvan Way	Office	1989	1998		1,160	25,214	7,056	1,161	32,269	33,430	14,774
7 Sylvan Way	Office	1987	1998		2,084	26,083	14,823	2,084	40,906	42,990	15,697
5 Wood Hollow Road	Office	1979	2004		5,302	26,488	21,087	5,302	47,575	52,877	21,689
NEW YORK											
Westchester County											
Eastchester											
Quarry Place at Tuckahoe	Multi-Family	2016	2016	40,433	5,585	3,400	48,718	5,585	52,118	57,703	2,573
Elmsford											
11 Clearbrook Road	Office/Flex	1974	1997		149	2,159	504	149	2,663	2,812	1,479
75 Clearbrook Road	Office/Flex	1990	1997		2,314	4,716	57	2,314	4,773	7,087	2,621
100 Clearbrook Road	Office	1975	1997		220	5,366	1,846	220	7,212	7,432	3,620
125 Clearbrook Road	Office/Flex	2002	2002		1,055	3,676	(292)	1,055	3,384	4,439	1,685
150 Clearbrook Road	Office/Flex	1975	1997		497	7,030	2,198	497	9,228	9,725	4,927
175 Clearbrook Road	Office/Flex	1973	1997		655	7,473	973	655	8,446	9,101	4,731
200 Clearbrook Road	Office/Flex	1974	1997		579	6,620	1,667	579	8,287	8,866	4,343
250 Clearbrook Road	Office/Flex	1973	1997		867	8,647	2,387	867	11,034	11,901	5,813
50 Executive Boulevard	Office/Flex	1969	1997		237	2,617	540	237	3,157	3,394	1,731
77 Executive Boulevard	Office/Flex	1977	1997		34	1,104	179	34	1,283	1,317	740
85 Executive Boulevard	Office/Flex	1968	1997		155	2,507	456	155	2,963	3,118	1,584
101 Executive Boulevard	Office	1971	1997		101	5,197	5,298	101	5,197	5,298	119
300 Executive Boulevard	Office/Flex	1970	1997		460	3,609	307	460	3,916	4,376	2,132
	Office/Flex	1970	1997		100	1,793	175	100	1,968	2,068	1,146

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350 Executive Boulevard										
399 Executive Boulevard	Office/Flex	1962	1997	531	7,191	163	531	7,354	7,885	4,077
400 Executive Boulevard	Office/Flex	1970	1997	2,202	1,846	1,140	2,202	2,986	5,188	1,807
500 Executive Boulevard	Office/Flex	1970	1997	258	4,183	508	258	4,691	4,949	2,655
525 Executive Boulevard	Office/Flex	1972	1997	345	5,499	837	345	6,336	6,681	3,661
1 Westchester Plaza	Office/Flex	1967	1997	199	2,023	183	199	2,206	2,405	1,214
2 Westchester Plaza	Office/Flex	1968	1997	234	2,726	914	234	3,640	3,874	1,971
3 Westchester Plaza	Office/Flex	1969	1997	655	7,936	1,433	655	9,369	10,024	4,876
4 Westchester Plaza	Office/Flex	1969	1997	320	3,729	1,531	320	5,260	5,580	2,512
5 Westchester Plaza	Office/Flex	1969	1997	118	1,949	303	118	2,252	2,370	1,184
6 Westchester Plaza	Office/Flex	1968	1997	164	1,998	202	164	2,200	2,364	1,197
7 Westchester Plaza	Office/Flex	1972	1997	286	4,321	1,168	286	5,489	5,775	2,781
8 Westchester Plaza	Office/Flex	1971	1997	447	5,262	2,127	447	7,389	7,836	4,025
Hawthorne										
200 Saw Mill River Road	Office/Flex	1965	1997	353	3,353	833	353	4,186	4,539	2,110
1 Skyline Drive	Office	1980	1997	66	1,711	210	66	1,921	1,987	1,102
2 Skyline Drive	Office	1987	1997	109	3,128	1,474	109	4,602	4,711	2,909
4 Skyline Drive	Office/Flex	1987	1997	363	7,513	2,140	363	9,653	10,016	5,635
5 Skyline Drive	Office/Flex	1980	2001	2,219	8,916	1,472	2,219	10,388	12,607	5,340
6 Skyline Drive	Office/Flex	1980	2001	740	2,971	535	740	3,506	4,246	1,942
7 Skyline Drive	Office	1987	1998	330	13,013	2,733	330	15,746	16,076	8,071
8 Skyline Drive	Office/Flex	1985	1997	212	4,410	836	212	5,246	5,458	3,036
10 Skyline Drive	Office/Flex	1985	1997	134	2,799	271	134	3,070	3,204	1,630
11 Skyline Drive (c)	Office/Flex	1989	1997		4,788	763		5,551	5,551	2,906
12 Skyline Drive (c)	Office/Flex	1999	1999	1,562	3,254	218	1,320	3,714	5,034	1,911
15 Skyline Drive (c)	Office/Flex	1989	1997		7,449	1,858		9,307	9,307	4,537
17 Skyline Drive (c)	Office	1989	1997		7,269	1,248		8,517	8,517	4,547

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Property Location	Property Type	Year Built	Year Acquired	Related Encumbrances	Initial Costs		Costs Capitalized Subsequent to Acquisition(e)	Gross Amount at Which Carried at Close of Period (a)			Accumulated Depreciation (b)	
					Land	Building and Improvements		Land	Improvements	Total (d)		
Tarrytown												
230 White Plains Road	Retail	1984	1997		124	1,845	288	124	2,133	2,257	1,108	
Yonkers												
100 Corporate Boulevard	Office/Flex	1987	1997		602	9,910	1,175	602	11,085	11,687	6,143	
200 Corporate Boulevard South	Office/Flex	1990	1997		502	7,575	2,585	502	10,160	10,662	5,017	
1 Executive Boulevard	Office	1982	1997		1,104	11,904	3,688	1,105	15,591	16,696	8,210	
2 Executive Boulevard	Retail	1986	1997		89	2,439	107	89	2,546	2,635	1,397	
3 Executive Boulevard	Office	1987	1997		385	6,256	1,803	385	8,059	8,444	4,496	
4 Executive Plaza	Office/Flex	1986	1997		584	6,134	854	584	6,988	7,572	3,723	
6 Executive Plaza	Office/Flex	1987	1997		546	7,246	2,212	546	9,458	10,004	5,127	
1 Odell Plaza	Office/Flex	1980	1997		1,206	6,815	2,349	1,206	9,164	10,370	5,093	
3 Odell Plaza	Office	1984	2003		1,322	4,777	2,360	1,322	7,137	8,459	3,976	
5 Odell Plaza	Office/Flex	1983	1997		331	2,988	476	331	3,464	3,795	2,029	
7 Odell Plaza	Office/Flex	1984	1997		419	4,418	1,303	419	5,721	6,140	2,938	
CONNECTICUT												
Fairfield County												
Stamford												
419 West Avenue	Office/Flex	1986	1997		4,538	9,246	482	4,538	9,728	14,266	5,316	
500 West Avenue	Office/Flex	1988	1997		415	1,679	646	415	2,325	2,740	1,221	
550 West Avenue	Office/Flex	1990	1997		1,975	3,856	133	1,975	3,989	5,964	2,172	
600 West Avenue	Office/Flex	1999	1999		2,305	2,863	1,184	2,305	4,047	6,352	1,739	
650 West Avenue	Office/Flex	1998	1998		1,328		3,247	1,328	3,247	4,575	1,805	
MASSACHUSETTS												
Middlesex County												
Malden												
The Chase at Overlook Ridge	Multi-Family	2016	2016	134,839	11,072	87,793	74,692	21,827	151,730	173,557	9,969	
Suffolk County												
East Boston												
Portside at Pier One	Multi-Family	2016	2016	58,644		73,713	446		74,159	74,159	6,163	
Portside 5/6	Multi-Family	2018	2018	96,369					113,913	113,913	1,268	
Revere												
Alterra at Overlook Ridge IA	Multi-Family	2004	2013	40,102	9,042	50,671	1,072	9,042	51,743	60,785	7,933	
Alterra at Overlook Ridge II	Multi-Family	2008	2013	59,371	12,055	71,409	409	12,056	71,817	83,873	10,980	
Projects Under Development and Developable Land												
				128,017	363,272	489,567		363,272	489,567	852,839	14,608	
Furniture, Fixtures and Equipment												
							53,718		53,718	53,718	15,879	
TOTALS					1,406,239	788,261	3,455,975	817,429	807,236	4,498,781	5,306,017	1,097,868

(a) The aggregate cost for federal income tax purposes at December 31, 2018 was approximately \$5.1 billion.

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- (b) Depreciation of buildings and improvements are calculated over lives ranging from the life of the lease to 40 years.
- (c) This property is located on land leased by the Company.
- (d) Properties identified as held for sale at December 31, 2018 are excluded.
- (e) These costs are net of impairments and valuation allowances recorded, if any.

Table of Contents**MACK-CALI REALTY CORPORATION/MACK-CALI REALTY, L.P. AND SUBSIDIARIES****NOTE TO SCHEDULE III**

Changes in rental properties and accumulated depreciation for the periods ended December 31, 2018, 2017 and 2016 are as follows: *(dollars in thousands)*

	2018	2017	2016
<u>Rental Properties</u>			
Balance at beginning of year	\$ 5,102,844	\$ 4,804,867	\$ 4,807,718
Additions	686,452	1,179,365	819,535
Rental property held for sale	(184,233)	(310,089)	(79,200)
Properties sold	(238,873)	(538,424)	(695,837)
Impairments			
Retirements/disposals	(60,173)	(32,875)	(47,349)
Balance at end of year	\$ 5,306,017	\$ 5,102,844	\$ 4,804,867
<u>Accumulated Depreciation</u>			
Balance at beginning of year	\$ 1,087,083	\$ 1,332,073	\$ 1,464,482
Depreciation expense	140,726	154,343	151,569
Rental property held for sale	(30,404)	(126,503)	(31,792)
Properties sold	(39,364)	(217,625)	(204,837)
Repurposed buildings		(22,330)	
Impairments			
Retirements/disposals	(60,173)	(32,875)	(47,349)
Balance at end of year	\$ 1,097,868	\$ 1,087,083	\$ 1,332,073

Table of Contents**MACK-CALI REALTY CORPORATION/MACK-CALI REALTY, L.P. AND SUBSIDIARIES****SCHEDULE IV MORTGAGE LOANS ON REAL ESTATE****As of December 31, 2018***(in thousands)*

Type of Loan/Borrower	Description	Location	Interest Accrual Rate	Interest Payment Rate	Final Maturity Date	Periodic Payment Term (a)	Prior Liens	Face Amount of Mortgages or Maximum Available Credit	Carrying Amount of Mortgages
Mortgage Loan:									
Borrower A	Land	Jersey City, NJ	5.85%	5.85%	07/21/19	P&I		\$ 41,695	\$ 45,242
Total								\$ 41,695	\$ 45,242

(a) P&I = Principal & Interest at maturity

The following table reconciles mortgage loans from January 1, 2017 to December 31, 2018 *(in thousands)*:

	2018	2017
Balance at January 1	\$ 45,734	\$ 44,695
Additions/(repayments)		
New mortgage loan/(repayments)	(3,000)	44,695
Accrued interest	2,508	1,039
Balance at December 31,	\$ 45,242	\$ 45,734

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MACK-CALI REALTY CORPORATION

MACK-CALI REALTY, L.P.

EXHIBIT INDEX

Exhibit Number	Exhibit Title
3.1	<u>Articles of Restatement of Mack-Cali Realty Corporation dated September 18, 2009 (filed as Exhibit 3.2 to the Company's Form 8-K dated September 17, 2009 and incorporated herein by reference).</u>
3.2	<u>Articles of Amendment to the Articles of Restatement of Mack-Cali Realty Corporation as filed with the State Department of Assessments and Taxation of Maryland on May 14, 2014 (filed as Exhibit 3.1 to the Company's Form 8-K dated May 12, 2014 and incorporated herein by reference).</u>
3.3	<u>Second Amended and Restated Bylaws of Mack-Cali Realty Corporation dated March 14, 2018 (filed as Exhibit 3.1 to the Company's Form 8-K dated March 14, 2018 and incorporated herein by reference).</u>
3.4	<u>Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated December 11, 1997 (filed as Exhibit 10.110 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).</u>
3.5	<u>Amendment No. 1 to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated August 21, 1998 (filed as Exhibit 3.1 to the Company's and the Operating Partnership's Registration Statement on Form S-3, Registration No. 333-57103, and incorporated herein by reference).</u>
3.6	<u>Second Amendment to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated July 6, 1999 (filed as Exhibit 10.1 to the Company's Form 8-K dated July 6, 1999 and incorporated herein by reference).</u>
3.7	<u>Third Amendment to the Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated September 30, 2003 (filed as Exhibit 3.7 to the Company's Form 10-Q dated September 30, 2003 and incorporated herein by reference).</u>
3.8	<u>Fourth Amendment dated as of March 8, 2016 to Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated as of December 11, 1997 (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated March 8, 2016 and incorporated herein by reference).</u>
3.9	<u>Fifth Amendment dated as of April 4, 2017 to Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P. dated as of December 11, 1997 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated April 4, 2017 and incorporated herein by reference).</u>
3.10	<u>Sixth Amendment dated as of April 20, 2018 to Second Amended and Restated Agreement of Limited Partnership of Mack-Cali Realty, L.P., dated as of December 11, 1997 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated April 20, 2018 and incorporated herein by reference).</u>
3.11	<u>Certificate of Designation of 3.5% Series A Preferred Limited Partnership Units of Mack-Cali Realty, L.P. dated February 3, 2017 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 3, 2017 and incorporated herein by reference).</u>
3.12	<u>Certificate of Designation of 3.5% Series A-1 Preferred Limited Partnership Units of Mack-Cali Realty, L.P. dated February 28, 2017 (filed as Exhibit 3.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated herein by reference).</u>

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- 3.13 Amendment No. 1 to the Second Amended and Restated Bylaws of Mack-Cali Realty Corporation (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated April 30, 2018 and incorporated herein by reference).
- 4.1 Indenture dated as of March 16, 1999, by and among Mack-Cali Realty, L.P., as issuer, Mack-Cali Realty Corporation, as guarantor, and Wilmington Trust Company, as trustee (filed as Exhibit 4.1 to the Operating Partnership's Form 8-K dated March 16, 1999 and incorporated herein by reference).
- 4.2 Supplemental Indenture No. 1 dated as of March 16, 1999, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Operating Partnership's Form 8-K dated March 16, 1999 and incorporated herein by reference).

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Exhibit Number	Exhibit Title
4.3	<u>Supplemental Indenture No. 2 dated as of August 2, 1999, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.4 to the Operating Partnership's Form 10-Q dated June 30, 1999 and incorporated herein by reference).</u>
4.4	<u>Supplemental Indenture No. 3 dated as of December 21, 2000, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Operating Partnership's Form 8-K dated December 21, 2000 and incorporated herein by reference).</u>
4.5	<u>Supplemental Indenture No. 4 dated as of January 29, 2001, by and among Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Operating Partnership's Form 8-K dated January 29, 2001 and incorporated herein by reference).</u>
4.6	<u>Supplemental Indenture No. 5 dated as of December 20, 2002, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Operating Partnership's Form 8-K dated December 20, 2002 and incorporated herein by reference).</u>
4.7	<u>Supplemental Indenture No. 6 dated as of March 14, 2003, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.3 to the Company's Form 8-K dated March 14, 2003 and incorporated herein by reference).</u>
4.8	<u>Supplemental Indenture No. 7 dated as of June 12, 2003, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated June 12, 2003 and incorporated herein by reference).</u>
4.9	<u>Supplemental Indenture No. 8 dated as of February 9, 2004, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated February 9, 2004 and incorporated herein by reference).</u>
4.10	<u>Supplemental Indenture No. 9 dated as of March 22, 2004, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated March 22, 2004 and incorporated herein by reference).</u>
4.11	<u>Supplemental Indenture No. 10 dated as of January 25, 2005, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated January 25, 2005 and incorporated herein by reference).</u>
4.12	<u>Supplemental Indenture No. 11 dated as of April 15, 2005, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated April 15, 2005 and incorporated herein by reference).</u>
4.13	<u>Supplemental Indenture No. 12 dated as of November 30, 2005, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated November 30, 2005 and incorporated herein by reference).</u>
4.14	<u>Supplemental Indenture No. 13 dated as of January 24, 2006, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated January 18, 2006 and incorporated herein by reference).</u>
4.15	<u>Supplemental Indenture No. 14 dated as of August 14, 2009, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated August 14, 2009 and incorporated herein by reference).</u>
4.16	<u>Supplemental Indenture No. 15 dated as of April 19, 2012, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated April 19, 2012 and incorporated herein by reference).</u>

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- 4.17 Supplemental Indenture No. 16 dated as of November 20, 2012, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee. (filed as Exhibit 4.2 to the Company's Form 8-K dated November 20, 2012 and incorporated herein by reference).
- 4.18 Supplemental Indenture No. 17 dated as of May 8, 2013, by and between Mack-Cali Realty, L.P., as issuer, and Wilmington Trust Company, as trustee (filed as Exhibit 4.2 to the Company's Form 8-K dated May 8, 2013 and incorporated herein by reference).

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Exhibit Number	Exhibit Title
10.1	<u>Contribution and Exchange Agreement among The MK Contributors, The MK Entities, The Patriot Contributors, The Patriot Entities, Patriot American Management and Leasing Corp., Cali Realty, L.P. and Cali Realty Corporation, dated September 18, 1997 (filed as Exhibit 10.98 to the Company's Form 8-K dated September 19, 1997 and incorporated herein by reference).</u>
10.2	<u>First Amendment to Contribution and Exchange Agreement, dated as of December 11, 1997, by and among the Company and the Mack Group (filed as Exhibit 10.99 to the Company's Form 8-K dated December 11, 1997 and incorporated herein by reference).</u>
10.3#	<u>Employee Stock Option Plan of Mack-Cali Realty Corporation (filed as Exhibit 10.1 to the Company's Post-Effective Amendment No. 1 to Form S-8, Registration No. 333-44443, and incorporated herein by reference).</u>
10.4#	<u>Director Stock Option Plan of Mack-Cali Realty Corporation (filed as Exhibit 10.2 to the Company's Post-Effective Amendment No. 1 to Form S-8, Registration No. 333-44443, and incorporated herein by reference).</u>
10.5#	<u>2000 Employee Stock Option Plan (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8, Registration No. 333-52478, and incorporated herein by reference).</u>
10.6#	<u>First Amendment to the 2000 Employee Stock Option Plan (filed as Exhibit 10.17 to the Company's Form 10-Q dated June 30, 2002 and incorporated herein by reference).</u>
10.7#	<u>Amended and Restated 2000 Director Stock Option Plan (filed as Exhibit 10.2 to the Company's Post-Effective Amendment No. 1 to Registration Statement on Form S-8, Registration No. 333-100244, and incorporated herein by reference).</u>
10.8#	<u>Mack-Cali Realty Corporation 2004 Incentive Stock Plan (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8, Registration No. 333-116437, and incorporated herein by reference).</u>
10.9#	<u>Amended and Restated Mack-Cali Realty Corporation Deferred Compensation Plan for Directors (filed as Exhibit 10.3 to the Company's Form 8-K dated December 9, 2008 and incorporated herein by reference).</u>
10.10#	<u>Mack-Cali Realty Corporation 2013 Incentive Stock Plan (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-8 Registration No. 333-188729, and incorporated herein by reference).</u>
10.11#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and William L. Mack dated October 22, 2002 (filed as Exhibit 10.101 to the Company's Form 10-Q dated September 30, 2010 and incorporated herein by reference).</u>
10.12#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and Alan S. Bernikow dated May 20, 2004 (filed as Exhibit 10.104 to the Company's Form 10-Q dated September 30, 2010 and incorporated herein by reference).</u>
10.13#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and Kenneth M. Duberstein dated September 13, 2005 (filed as Exhibit 10.106 to the Company's Form 10-Q dated September 30, 2010 and incorporated herein by reference).</u>
10.14#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and Nathan Gantcher dated October 22, 2002 (filed as Exhibit 10.107 to the Company's Form 10-Q dated September 30, 2010 and incorporated herein by reference).</u>
10.15#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and David S. Mack dated December 11, 1997 (filed as Exhibit 10.108 to the Company's Form 10-Q dated September 30, 2010 and incorporated herein by reference).</u>
10.16#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and Alan G. Philibosian dated October 22, 2002 (filed as Exhibit 10.109 to the Company's Form 10-Q dated September 30, 2010 and incorporated herein by reference).</u>
10.17#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and Irvin D. Reid dated October 22, 2002 (filed as Exhibit 10.110 to the Company's Form 10-Q dated September 30, 2010 and incorporated herein by reference).</u>
10.18#	

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Indemnification Agreement by and between Mack-Cali Realty Corporation and Vincent Tese dated October 22, 2002 (filed as Exhibit 10.111 to the Company's Form 10-Q dated September 30, 2010 and incorporated herein by reference).

10.19#

Indemnification Agreement by and between Mack-Cali Realty Corporation and Roy J. Zuckerberg dated October 22, 2002 (filed as Exhibit 10.113 to the Company's Form 10-Q dated September 30, 2010 and incorporated herein by reference).

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Exhibit Number	Exhibit Title
10.20#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and Rebecca Robertson dated September 27, 2016 (filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated herein by reference).</u>
10.21#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and Anthony Krug dated October 22, 2002 (filed as Exhibit 10.32 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and incorporated herein by reference).</u>
10.22#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and Jonathan Litt dated March 3, 2014 (filed as Exhibit 10.33 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and incorporated herein by reference).</u>
10.23#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and Gary T. Wagner dated November 11, 2011 (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference).</u>
10.24	<u>Second Amendment to Contribution and Exchange Agreement, dated as of June 27, 2000, between RMC Development Company, LLC f/k/a Robert Martin Company, LLC, Robert Martin Eastview North Company, L.P., the Company and the Operating Partnership (filed as Exhibit 10.44 to the Company's Form 10-K dated December 31, 2002 and incorporated herein by reference).</u>
10.25	<u>Contribution and Exchange Agreement by and between Mack-Cali Realty, L.P. and Tenth Springhill Lake Associates L.L.L.P., Eleventh Springhill Lake Associates L.L.L.P., Twelfth Springhill Lake Associates L.L.L.P., Fourteenth Springhill Lake Associates L.L.L.P., each a Maryland limited liability limited partnership, Greenbelt Associates, a Maryland general partnership, and Sixteenth Springhill Lake Associates L.L.L.P., a Maryland limited liability limited partnership, and certain other natural persons, dated as of November 21, 2005 (filed as Exhibit 10.69 to the Company's Form 10-K dated December 31, 2005 and incorporated herein by reference).</u>
10.26	<u>Mortgage and Security Agreement and Financing Statement dated October 28, 2008 between M-C Plaza V L.L.C., Cal-Harbor V Urban Renewal Associates, L.P., Cal-Harbor V Leasing Associates L.L.C., as Mortgagors and The Northwestern Mutual Life Insurance Company and New York Life Insurance Company as Mortgagees (filed as Exhibit 10.131 to the Company's Form 10-Q dated September 30, 2008 and incorporated herein by reference).</u>
10.27	<u>Promissory Note of M-C Plaza V L.L.C., Cal-Harbor V Urban Renewal Associates, L.P., Cal-Harbor V Leasing Associates L.L.C., as Borrowers, in favor of The Northwestern Mutual Life Insurance Company, as Lender, in the principal amount of \$120,000,000, dated October 28, 2008, (filed as Exhibit 10.132 to the Company's Form 10-Q dated September 30, 2008 and incorporated herein by reference).</u>
10.28	<u>Promissory Note of M-C Plaza V L.L.C., Cal-Harbor V Urban Renewal Associates, L.P., Cal-Harbor V Leasing Associates L.L.C., as Borrowers, in favor of New York Mutual Life Insurance Company, as Lender, in the principal amount of \$120,000,000, dated October 28, 2008, (filed as Exhibit 10.133 to the Company's Form 10-Q dated September 30, 2008 and incorporated herein by reference).</u>
10.29	<u>Guarantee of Recourse Obligations of Mack-Cali Realty, L.P. in favor of The Northwestern Mutual Life Insurance Company and New York Life Insurance Company dated October 28, 2008 (filed as Exhibit 10.134 to the Company's Form 10-Q dated September 30, 2008 and incorporated herein by reference).</u>
10.30	<u>Development Agreement dated December 5, 2011 by and between M-C Plaza VI & VII L.L.C. and Ironstate Development LLC (filed as Exhibit 10.1 to the Company's Form 8-K dated December 5, 2011 and incorporated herein by reference).</u>
10.31	<u>Form of Amended and Restated Limited Liability Company Agreement (filed as Exhibit 10.2 to the Company's Form 8-K dated December 5, 2011 and incorporated herein by reference).</u>

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Exhibit Number	Exhibit Title
10.32	<u>Fourth Amended and Restated Revolving Credit Agreement dated as of July 16, 2013 among Mack Cali Realty, L.P., as borrower, Mack-Cali Realty Corporation, as guarantor, and JPMorgan Chase Bank, N.A., as administrative agent and the several Lenders party thereto, as lenders (filed as Exhibit 10.1 to the Company's Form 8-K dated July 16, 2013 and incorporated herein by reference).</u>
10.33#	<u>Form of Restricted Share Award Agreement effective December 10, 2013 by and between Mack-Cali Realty Corporation and each of Mitchell E. Hersh, Barry Lefkowitz, Roger W. Thomas and Anthony Krug (filed as Exhibit 10.1 to the Company's Form 8-K dated December 10, 2013 and incorporated herein by reference).</u>
10.34#	<u>Form of Restricted Share Award Agreement effective December 10, 2013 by and between Mack-Cali Realty Corporation and each of William L. Mack, Alan S. Bernikow, Kenneth M. Duberstein, Nathan Gantcher, David S. Mack, Alan G. Philibosian, Dr. Irvin D. Reid, Vincent Tese and Roy J. Zuckerberg (filed as Exhibit 10.2 to the Company's Form 8-K dated December 10, 2013 and incorporated herein by reference).</u>
10.35#	<u>Form of Restricted Share Award Agreement effective December 9, 2014 by and between Mack-Cali Realty Corporation and each of William L. Mack, Alan S. Bernikow, Kenneth M. Duberstein, Nathan Gantcher, Jonathan Litt, David S. Mack, Alan G. Philibosian, Dr. Irvin D. Reid, Vincent Tese and Roy J. Zuckerberg (filed as Exhibit 10.1 to the Company's Form 8-K dated December 9, 2014 and incorporated herein by reference).</u>
10.36	<u>Membership Interest and Asset Purchase Agreement, dated as of October 8, 2012 (the Purchase Agreement), by and among Mack-Cali Realty, L.P., Mack-Cali Realty Corporation, Mack-Cali Realty Acquisition Corp., Roseland Partners, L.L.C., and, for the limited purposes stated in the Purchase Agreement, each of Marshall B. Tycher, Bradford R. Klatt and Carl Goldberg (filed as Exhibit 10.1 to the Company's Form 8-K dated October 8, 2012 and incorporated herein by reference).</u>
10.37	<u>Agreement dated February 28, 2014 by and among Mack-Cali Realty Corporation, Land & Buildings Capital Growth Fund, L.P., Land & Buildings Investment Management, LLC and Jonathan Litt (filed as Exhibit 10.116 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated herein by reference).</u>
10.38#	<u>Restricted Share Award Agreement effective March 19, 2014 by and between Mack-Cali Realty Corporation and Anthony Krug (filed as Exhibit 10.1 to the Company's Form 8-K dated March 21, 2014 and incorporated herein by reference).</u>
10.39	<u>Amendment to Membership Interest and Asset Purchase Agreement, dated as of July 18, 2014, by and among Mack-Cali Realty, L.P., Mack-Cali Realty Corporation, Mack-Cali Realty Acquisition Corp., Canoe Brook Investors, L.L.C. (formerly known as Roseland Partners, L.L.C.), Marshall B. Tycher, Bradford R. Klatt and Carl Goldberg (filed as Exhibit 10.124 to the Company's Quarterly Report on Form 10-O for the quarter ended June 30, 2014 and incorporated herein by reference).</u>
10.40#	<u>Severance Agreement dated March 4, 2015 by and between Anthony Krug and Mack-Cali Realty Corporation (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 4, 2015 and incorporated herein by reference).</u>
10.41#	<u>Severance Agreement dated March 4, 2015 by and between Gary T. Wagner and Mack-Cali Realty Corporation (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 4, 2015 and incorporated herein by reference).</u>
10.42#	<u>Employment Agreement dated June 3, 2015 by and between Mitchell E. Rudin and Mack-Cali Realty Corporation (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 3, 2015 and incorporated herein by reference).</u>

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Exhibit Number	Exhibit Title
10.43#	<u>Employment Agreement dated June 3, 2015 by and between Michael J. DeMarco and Mack-Cali Realty Corporation (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated June 3, 2015 and incorporated herein by reference).</u>
10.44#	<u>Indemnification Agreement dated June 3, 2015 by and between Mitchell E. Rudin and Mack-Cali Realty Corporation (filed as Exhibit 10.129 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 and incorporated herein by reference).</u>
10.45#	<u>Indemnification Agreement dated June 3, 2015 by and between Michael J. DeMarco and Mack-Cali Realty Corporation (filed as Exhibit 10.130 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 and incorporated herein by reference).</u>
10.46#	<u>Indemnification Agreement dated September 22, 2015 by and between Marshall B. Tycher and Mack-Cali Realty Corporation (filed as Exhibit 10.131 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 and incorporated herein by reference).</u>
10.47#	<u>Employment Agreement dated October 23, 2012 by and between Marshall B. Tycher and Mack-Cali Realty Corporation (filed as Exhibit 10.132 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 and incorporated herein by reference).</u>
10.48#	<u>Indemnification Agreement dated June 10, 2013 by and between Ricardo Cardoso and Mack-Cali Realty Corporation (filed as Exhibit 10.133 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 and incorporated herein by reference).</u>
10.49	<u>Term Loan Agreement dated as of January 7, 2016 among Mack Cali Realty, L.P., as borrower, Mack-Cali Realty Corporation, as guarantor, Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and Wells Fargo Securities LLC as joint lead arrangers and joint bookrunners, Bank of American, N.A., as administrative agent, JPMorgan Chase Bank, N.A., Wells Fargo Bank, N.A. and Capital One, National Association, as syndication agents, U.S. Bank National Association, as documentation agent, and the several Lenders party thereto, as lenders (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 6, 2016 and incorporated herein by reference).</u>
10.50	<u>International Swaps and Derivatives Association, Inc. 2002 Master Agreement dated as of December 30, 2015 by and between Capital One, National Association and Mack-Cali Realty, L.P. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated January 6, 2016 and incorporated herein by reference).</u>
10.51	<u>Amended, Restated and Consolidated Promissory Note dated January 15, 2010 of Mack-Cali Chestnut Ridge, L.L.C. in favor of VPCM, LLC with respect to Mack-Cali Corp. Center in Bergen County, New Jersey (filed as Exhibit 10.183 to the Company's Form 10-Q dated September 30, 2010 and incorporated herein by reference).</u>
10.52	<u>Amended, Restated and Consolidated Promissory Note dated January 15, 2010 of Mack-Cali Realty, L.P. in favor of The Prudential Insurance Company of America with respect to Mack-Cali Saddle River in Bergen County, New Jersey (filed as Exhibit 10.184 to the Company's Form 10-Q dated September 30, 2010 and incorporated herein by reference).</u>
10.53	<u>International Swaps and Derivatives Association, Inc. 2002 Master Agreement dated as of January 5, 2016 by and between PNC Bank, National Association and Mack-Cali Realty, L.P. (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K dated January 6, 2016 and incorporated herein by reference).</u>
10.54	<u>International Swaps and Derivatives Association, Inc. 2002 Master Agreement dated as of December 30, 2015 by and between U.S. Bank National Association and Mack-Cali Realty, L.P. (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K dated January 6, 2016 and incorporated herein by reference).</u>
10.55#	<u>Form of 2016 Time-Based Long-Term Incentive Plan Award Agreement (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 8, 2016 and incorporated herein by reference).</u>
10.56#	<u>Form of 2016 Performance-Based Long-Term Incentive Plan Award Agreement (Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 8, 2016 and incorporated herein by reference).</u>

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Exhibit Number	Exhibit Title
10.57#	<u>Form of Restricted Share Award Agreement effective March 8, 2016 by and between Mack-Cali Realty Corporation and each of William L. Mack, Alan S. Bernikow, Kenneth M. Duberstein, Nathan Gantcher, Jonathan Litt, David S. Mack, Alan G. Philibosian, Dr. Irvin D. Reid, Vincent Tese and Roy J. Zuckerberg (Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated March 8, 2016 and incorporated herein by reference).</u>
10.58#	<u>Employment Agreement dated April 15, 2016 by and between Robert Andrew Marshall and Roseland Residential Trust (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 15, 2016 and incorporated herein by reference).</u>
10.59	<u>Amended and Restated Revolving Credit and Term Loan Agreement dated as of January 25, 2017 among Mack-Cali Realty, L.P., as borrower, JPMorgan Chase Bank, N.A., as the administrative agent and fronting bank, Wells Fargo Bank, N.A. and Bank of America, N.A. as syndication agents and fronting banks, and the other agents listed therein and the lending institutions party thereto and referred to therein (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 25, 2017 and incorporated herein by reference).</u>
10.60	<u>Preferred Equity Investment Agreement Among Mack-Cali Realty Corporation, Mack-Cali Realty, L.P., Mack-Cali Property Trust, Mack-Cali Test Property, L.P., Roseland Residential Trust, Roseland Residential Holding L.L.C., Roseland Residential L.P., RPIIA-RLA, L.L.C. and RPIIA-RLB, L.L.C. dated as of February 27, 2017 (filed as Exhibit 10.125 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated herein by reference).</u>
10.61	<u>Second Amended and Restated Limited Partnership Agreement of Roseland Residential, L.P. dated March 10, 2017 (filed as Exhibit 10.126 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference).</u>
10.62	<u>Shareholders Agreement of Roseland Residential Trust dated March 10, 2017 (filed as Exhibit 10.127 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference).</u>
10.63	<u>Discretionary Demand Promissory Note dated March 10, 2017 (filed as Exhibit 10.128 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference).</u>
10.64	<u>Shared Services Agreement by and between Mack-Cali Realty, L.P. and Roseland Residential, L.P. dated March 10, 2017 (filed as Exhibit 10.129 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference).</u>
10.65	<u>Recourse Agreement by and between Mack-Cali Realty Corporation, Mack-Cali Realty, L.P., Roseland Residential Trust, RP-RLA, LLC and RP-RLB, LLC dated March 10, 2017 (filed as Exhibit 10.130 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference).</u>
10.66	<u>Registration Rights Agreement dated March 10, 2017 (filed as Exhibit 10.131 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference).</u>
10.67	<u>Indemnity Agreement dated March 10, 2017 (filed as Exhibit 10.132 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and incorporated herein by reference).</u>
10.68	<u>International Swaps and Derivatives Association, Inc. 2002 Master Agreement, and its schedule thereto, dated as of February 7, 2017 by and between Bank of America, N.A. and Mack-Cali Realty, L.P. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 29, 2017 and incorporated herein by reference).</u>
10.69	<u>International Swaps and Derivatives Association, Inc. 2002 Master Agreement, and its schedule thereto, dated as of March 6, 2017 by and between Fifth Third Bank and Mack-Cali Realty, L.P. (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K dated March 29, 2017 and incorporated herein by reference).</u>

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Exhibit Number	Exhibit Title
10.70	<u>International Swaps and Derivatives Association, Inc. 2002 Master Agreement, and its schedule thereto, dated as of March 15, 2017 by and between The Bank of New York Mellon and Mack-Cali Realty, L.P. (filed as Exhibit 10.7 to the Company's Current Report on Form 8-K dated March 29, 2017 and incorporated herein by reference).</u>
10.71#	<u>Amendment, dated as of April 4, 2017, to Executive Employment Agreement, dated as of June 3, 2015, by and between Mitchell E. Rudin and Mack-Cali Realty Corporation (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 4, 2017 and incorporated herein by reference).</u>
10.72#	<u>Employment Agreement dated April 26, 2017 by and between Marshall B. Tycher and Roseland Residential Trust (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated April 26, 2017 and incorporated herein by reference).</u>
10.73#	<u>Employment Agreement dated January 26, 2018 between Mack-Cali Realty Corporation and David Smetana (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 26, 2018 and incorporated herein by reference).</u>
10.74#	<u>Employment Agreement dated January 26, 2018 between Mack-Cali Realty Corporation and Nicholas Hilton (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated January 26, 2018 and incorporated herein by reference).</u>
10.75#	<u>Employment Agreement dated January 26, 2018 between Mack-Cali Realty Corporation and Gary T. Wagner (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated January 26, 2018 and incorporated herein by reference).</u>
10.76#	<u>Employment Agreement dated January 26, 2018 between Mack-Cali Realty Corporation and Ricardo Cardoso (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K dated January 26, 2018 and incorporated herein by reference).</u>
10.77#	<u>Separation Agreement and Release dated January 26, 2018 between Mack-Cali Realty Corporation and Anthony Krug (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K dated January 26, 2018 and incorporated herein by reference).</u>
10.78#	<u>Separation Agreement and Release dated January 26, 2018 between Mack-Cali Realty Corporation and Christopher DeLorenzo (filed as Exhibit 10.6 to the Company's Current Report on Form 8-K dated January 26, 2018 and incorporated herein by reference).</u>
10.79#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and David Smetana dated January 29, 2018 (filed as Exhibit 10.145 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference).</u>
10.80#	<u>Indemnification Agreement by and between Mack-Cali Realty Corporation and Nicholas Hilton dated February 12, 2018 (filed as Exhibit 10.146 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference).</u>
10.81#	<u>Separation and General Release Agreement, dated as of June 14, 2018, by and between Mack-Cali Realty Corporation and Mitchell E. Rudin (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 14, 2018 and incorporated herein by reference).</u>
10.82	<u>Amendment No. 1 dated as of August 30, 2018 but effective as of June 30, 2018 to Amended and Restated Revolving Credit and Term Loan Agreement dated as of January 25, 2017 among Mack-Cali Realty, L.P., as borrower, JPMorgan Chase Bank, N.A., as the administrative agent and fronting bank, Wells Fargo Bank, N.A. and Bank of America, N.A. as syndication agents and fronting banks, and the other agents listed therein and the lending institutions party thereto and referred to therein (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 31, 2018 and incorporated herein by reference).</u>
10.83	<u>Amendment No. 2 dated as of August 30, 2018 but effective as of June 30, 2018 to Term Loan Agreement dated as of January 7, 2016 among Mack-Cali Realty, L.P., as borrower, Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC and Wells Fargo Securities LLC as joint lead arrangers, Bank of American, N.A., as administrative agent, JPMorgan Chase Bank, N.A., Wells Fargo Bank, N.A. and Capital One, National Association, as syndication agents, U.S. Bank National Association, as documentation agent, and PNC Bank, National Association, and Citibank, N.A. as other lenders (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated August 31, 2018 and incorporated herein by reference).</u>

by reference).

10.84#

Separation and Consulting Agreement, dated as of October 31, 2018, by and among Robert Andrew Marshall, Roseland Residential Trust and, solely for purposes of Sections 3 and 9 thereof, Mack-Cali Realty Corporation (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated November 2, 2018 and incorporated herein by reference).

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Exhibit Number	Exhibit Title
12.1*	<u>Calculation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Security Dividends for the General Partner.</u>
12.2*	<u>Calculation of Ratios of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Security Dividends for the Operating Partnership.</u>
21.1*	<u>Subsidiaries of the General Partner.</u>
21.2*	<u>Subsidiaries of the Operating Partnership.</u>
23.1*	<u>Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm, with respect to the General Partner.</u>
23.2*	<u>Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm, with respect to the Operating Partnership.</u>
31.1*	<u>Certification of the General Partner's Chief Executive Officer, Michael J. DeMarco, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the General Partner.</u>
31.2*	<u>Certification of the General Partner's Chief Financial Officer, David J. Smetana, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the General Partner.</u>
31.3*	<u>Certification of the General Partner's Chief Executive Officer, Michael J. DeMarco, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the Operating Partnership.</u>
31.4*	<u>Certification of the General Partner's Chief Financial Officer, David J. Smetana, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, with respect to the Operating Partnership.</u>
32.1*	<u>Certification of the General Partner's Chief Executive Officer, Michael J. DeMarco and the General Partner's Chief Financial Officer, David J. Smetana, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the General Partner.</u>
32.2*	<u>Certification of the General Partner's Chief Executive Officer, Michael J. DeMarco and the General Partner's Chief Financial Officer, David J. Smetana, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, with respect to the Operating Partnership.</u>
101.1*	The following financial statements from Mack-Cali Realty Corporation and Mack-Cali Realty, L.P. from their combined Report on Form 10-K for the year ended December 31, 2018 formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements.

* filed herewith

management contract or compensatory plan or arrangement

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MACK-CALI REALTY CORPORATION

MACK-CALI REALTY, L.P.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Mack-Cali Realty Corporation
(Registrant)

Date: February 20, 2019

By: /s/ Michael J. DeMarco
Michael J. DeMarco
Chief Executive Officer
(principal executive officer)

Date: February 20, 2019

By: /s/ David J. Smetana
David J. Smetana
Chief Financial Officer
(principal financial officer and principal
accounting officer)

Mack-Cali Realty, L.P.
(Registrant)

By: Mack-Cali Realty Corporation
its General Partner

Date: February 20, 2019

By: /s/ Michael J. DeMarco
Michael J. DeMarco
Chief Executive Officer
(principal executive officer)

Date: February 20, 2019

By: /s/ David J. Smetana
David J. Smetana
Chief Financial Officer
(principal financial officer and principal
accounting officer)

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Name	Title	Date
/s/ WILLIAM L. MACK William L. Mack	Chairman of the Board	February 20, 2019
/s/ MICHAEL J. DEMARCO Michael J. DeMarco	Chief Executive Officer and Director (principal executive officer)	February 20, 2019
/s/ DAVID J. SMETANA David J. Smetana	Chief Financial Officer (principal financial officer and principal accounting officer)	February 20, 2019
/s/ ALAN S. BERNIKOW Alan S. Bernikow	Director	February 20, 2019
/s/ KENNETH M. DUBERSTEIN Kenneth M. Duberstein	Director	February 20, 2019
/s/ NATHAN GANTCHER Nathan Gantcher	Director	February 20, 2019
/s/ DAVID S. MACK David S. Mack	Director	February 20, 2019
/s/ ALAN G. PHILIBOSIAN Alan G. Philibosian	Director	February 20, 2019
/s/ IRVIN D. REID Irvin D. Reid	Director	February 20, 2019
/s/ REBECCA ROBERTSON Rebecca Robertson	Director	February 20, 2019
/s/ VINCENT TESE Vincent Tese	Director	February 20, 2019