GSR Research

Boston Properties (BXP) Balanced Converts: Prudence Calls for Adding a Defensive REIT Stock With Growth to Your High Beta Convert Portfolio

U.S. Convertibles

Manoj Shivdasani, CFA
manoj@gsrresearch.com
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Boston Properties: A Leading Player in the Premier Office Market; Exposure to a Resurgent Office Property Market at a Reasonable Valuation in a Declining Rate Environment

- BXP develops, owns, and manages primarily premier workplaces
- Properties are concentrated in six dynamic gateway markets in the U.S. - Boston, Los Angeles, New York, San Francisco, Seattle and Washington, DC. These properties attract creditworthy clients and command upper-tier rental rates in their markets.
- BXP's core strategy has always been to develop, acquire and manage premier workplaces in gateway markets with high barriers-to-entry and attractive demand drivers and to focus on executing long-term leases with financially strong clients that are diverse across market sectors.
- Premier workplaces in BXP's five traditional central business district markets (Boston, New York, San Francisco, Seattle and Washington, DC) have consistently outperformed the broader office market in those CBDs on several key metrics, including occupancy, net absorption levels, rental rates and landlord concessions.

As of June 30, 2025

- BXP Owned or had joint venture interests in a portfolio of 186 commercial real estate properties aggregating approximately 53.7 million net rentable square feet of primarily office properties, including ten properties under construction/redevelopment totaling approximately 3.3 million net rentable square feet
- Breakup: 162 office properties (including six properties under construction/redevelopment); 14 retail properties (including one property under construction); nine residential properties (including three properties under construction); and one hotel.
- CBD assets are 89.9% occupied and 92.5% leased (including vacant space for which BXP has signed leases that have not yet commenced).
- The weighted-average remaining lease term for (1) BXP's in-place leases, based on square feet, including those signed by our unconsolidated joint ventures but excluding residential units, was approximately 7.8 years, and (2) BXP's 20 largest clients, based on square feet, was approximately 9.9 years.
- In-person work behavior continues to trend positively, enhancing demand for high-quality office environments. Over the past two years, there has been a notable shift among large corporations toward increased office attendance requirements, with a growing number moving away from fully remote and hybrid models. These evolving workplace policies have meaningfully contributed to leasing activity in select markets, particularly where premier office space supports employee engagement and productivity. Return-to-office trends remained strong in BXP's East Coast markets, particularly in New York City, while the Company's West Coast markets continue to lag, albeit with early signs of increased usage.

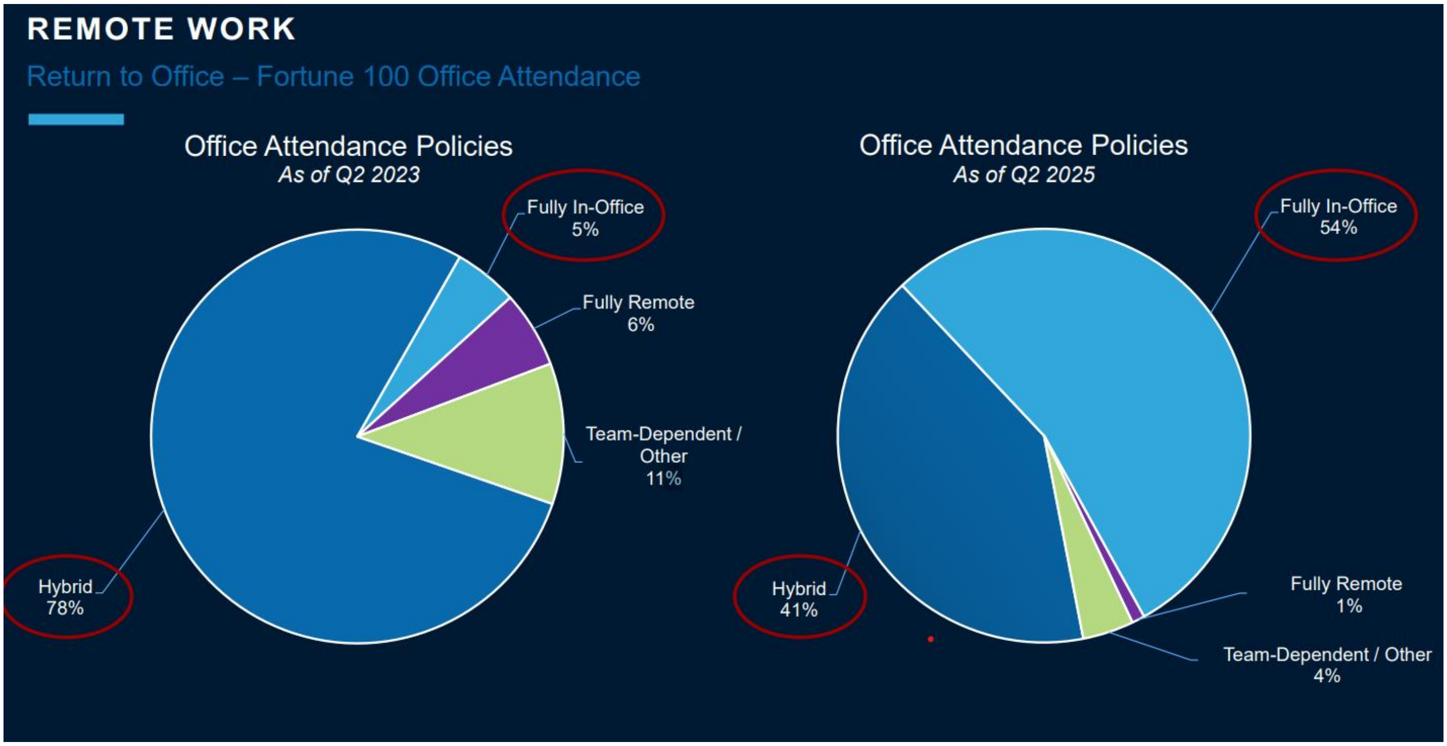
Key Markets: Boston, New York, San Francisco & Washington, DC

In the 6 months ending June 30 2005, Boston accounted for 38% of the Company's Net Operating Income followed by New York (30%), San Francisco (15%) and Washington DC (13%). Other markets include LA and Seattle.

For the six months ended June 30, 2025:

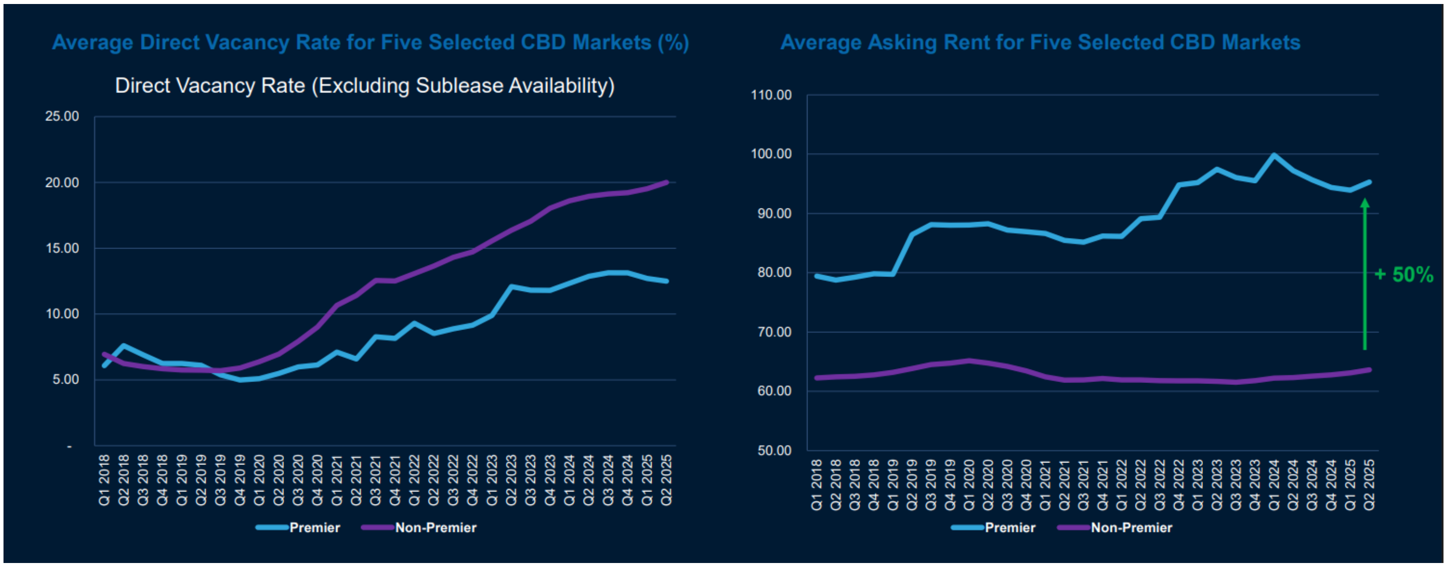
	Boston	Los Angeles	New York	San Francisco	Seattle	Washington, DC	Total
Rental Revenue:							
Office	$ 609,111	$ 34,781	$ 527,514	$ 251,188	$ 24,103	$ 210,501	$ 1,657,198
Residential	8,529	—	—	6,858	—	9,493	24,880
Hotel	24,370	—	—	—	—	—	24,370
Total	642,010	34,781	527,514	258,046	24,103	219,994	1,706,448
% of Grand Totals	37.63 %	2.04 %	30.91 %	15.12 %	1.41 %	12.89 %	100.00 %
Rental Expenses:							
Office	228,120	13,446	224,637	98,184	5,982	80,796	651,165
Residential	3,481	—	—	4,944	—	4,050	12,475
Hotel	16,930	—	—	—	—	—	16,930
Total	248,531	13,446	224,637	103,128	5,982	84,846	680,570
% of Grand Totals	36.51 %	1.98 %	33.01 %	15.15 %	0.88 %	12.47 %	100.00 %
Net operating income	$ 393,479	$ 21,335	$ 302,877	$ 154,918	$ 18,121	$ 135,148	$ 1,025,878
% of Grand Totals	38.36 %	2.08 %	29.52 %	15.10 %	1.77 %	13.17 %	100.00 %

Return to Office Trends Promising for Boston Properties



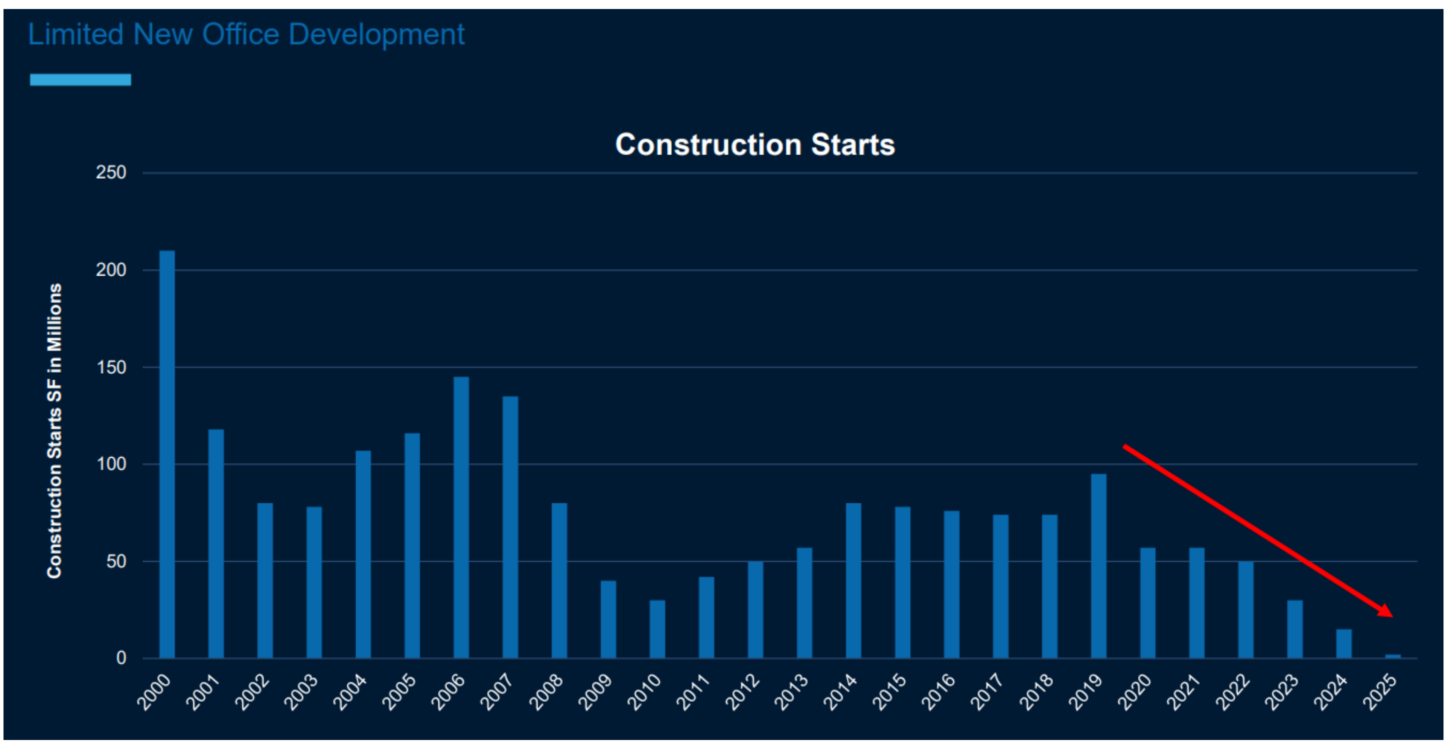
Source: JLL Research, BXP Presentation

Vacancy Rate Stabilizing/Starting to Decline for Premier Assets in Five Key CBD Markets (Manhattan, DC, SF, Boston & Seattle) & Average Asking Rent on the Up



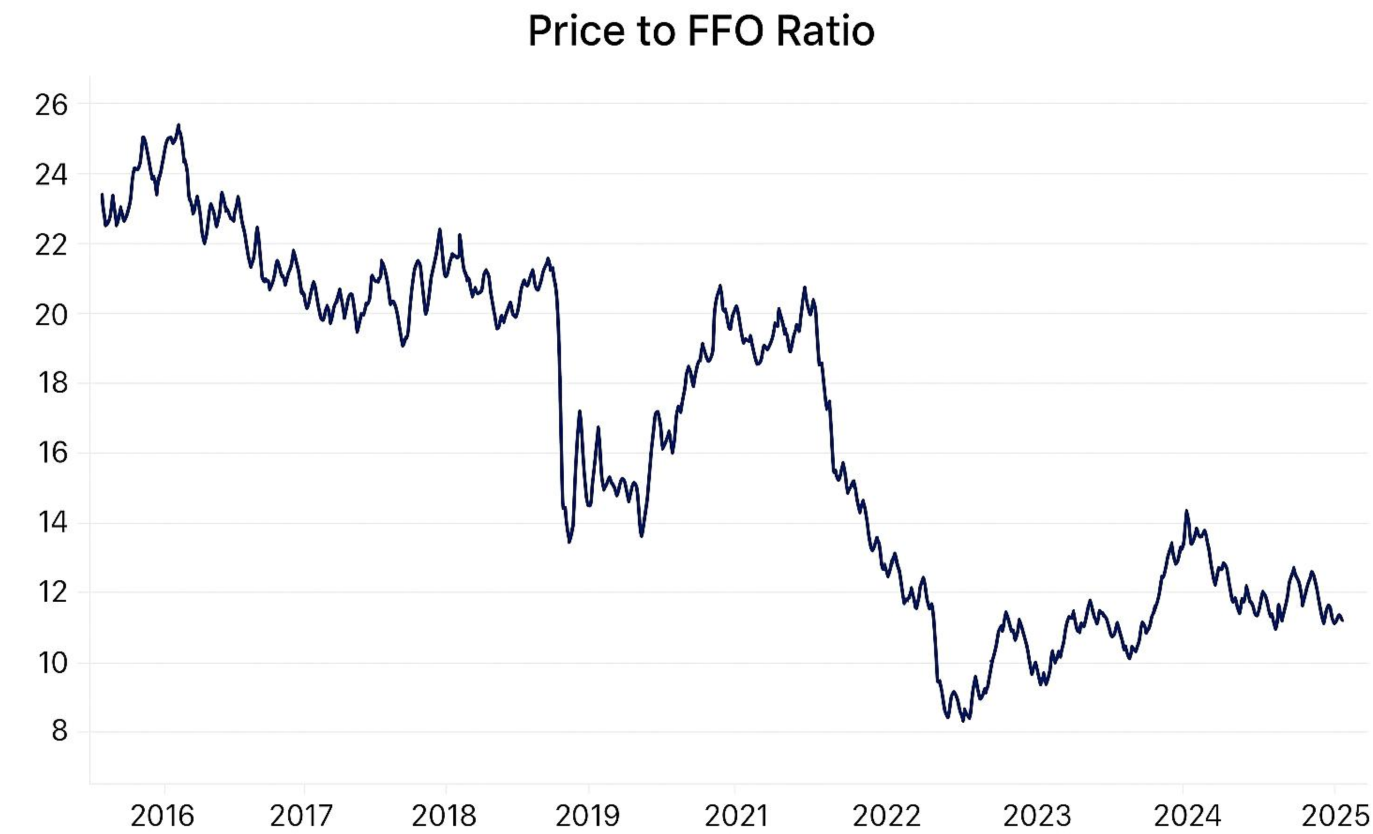
Source: CBRE Econometrics Advisors Q2 2025, BXP Presentation

Limited New Office Development Indicates More Demand for Existing Assets



Source: BXP Company Presentation

Stock Valuation at the Lower End of the 10Y Range (Price to LTM FFO Ratio)



Source: Bloomberg Data

Key Financials, Stock Valuation and Leverage

In Millions of USD 12 Months Ending	FY 2023 12/31/2023	FY 2024 12/31/2024	Current/LTM 06/30/2025	FY 2025 Est 12/31/2025	FY 2026 Est 12/31/2026
Market Capitalization	**11,012.5**	**11,761.9**	**11,192.4**		
- Cash & Equivalents	1,531.5	1,254.9	447.0		
+ Preferred & Other	2,315.7	2,534.4	2,595.6		
+ Total Debt	16,624.6	16,484.1	15,826.1		
Enterprise Value	**28,421.4**	**29,525.4**	**29,167.1**		
Revenue, Adj	**3,273.6**	**3,407.7**	**3,451.5**	**3,436.6**	**3,506.6**
Growth %, YoY	*5.3*	*4.1*	*3.2*	*0.8*	*2.0*
Rental Income, Adj	**3,167.6**	**3,311.9**	**3,348.0**		
Growth %, YoY	*4.7*	*4.6*	*3.2*		
Operating Income, Adj	**1,038.1**	**1,021.3**	**1,011.1**	**1,039.9**	**1,079.1**
Margin %	*31.7*	*30.0*	*29.3*	*30.3*	*30.8*
Net Income, Adj	**188.2**	**23.9**	**-11.9**	**315.7**	**350.6**
Margin %	*5.7*	*0.7*	*-0.3*	*9.2*	*10.0*
FFO/Sh, Diluted	**7.28**	**7.10**	**6.95**	**6.88**	**7.10**
Growth %, YoY	*-3.3*	*-2.5*	*-3.2*	*-3.1*	*3.2*
Dividends per Share	**3.92**	**3.92**	**4.90**	**3.51**	**3.02**
Capital Expenditures	**-1,021.5**	**-1,128.6**	**-1,183.3**	**-93.1**	**-90.8**
Capital Exp/FFO	**0.80**	**0.90**	**0.96**		

Source: Bloomberg Data

Street Equity Analyst Summary Targets (If Updated Within Last 3 Months)

- Average 10.4% upside in the stock with further upside if one considers the more bullish targets (25%, $90)
- 40% Buys vs. 60% Holds

Buys %	**40.0%**	**Total Buys**	**10**
Holds %	**60.0%**	**Total Holds**	**15**
Sells %	**0.0%**	**Total Sells**	**0**
Rating	**3.80**	**Currency**	**USD**
Target Price	**79.45**	**Last Price**	**71.97**
Return Potential	**10.4%**	**LTM Return**	**-12.7%**

Firm Name	Analyst	Recommendation	Target Price	Date
Ladenburg Thalmann	Floris Van Dijkum	buy	85.00	10/20/2025
JP Morgan	Anthony Paolone	overweight	83.00	10/17/2025
Goldman Sachs	Caitlin Burrows	neutral	77.00	10/16/2025
Wells Fargo	Blaine Heck	overweight	77.00	10/15/2025
Morgan Stanley	Ronald Kamdem	Equalwt/In-Line	65.00	10/13/2025
Jefferies	Joe Dickstein	buy	84.00	10/13/2025
Scotiabank	Nicholas Yulico	sector perform	77.00	10/13/2025
Piper Sandler & Co	Alexander Goldfarb	overweight	90.00	10/12/2025
Barclays	Brendan Lynch	equalweight	79.00	10/9/2025
Evercore ISI	Steve Sakwa	in-line	77.00	10/8/2025
BMO Capital Markets	John Kim	outperform	84.00	10/5/2025
Citi	Nicholas Joseph	neutral	75.00	10/1/2025
Cantor Fitzgerald	Richard Anderson	overweight	90.00	9/30/2025
Zacks	Team Coverage	neutral	79.00	9/29/2025
Truist Securities	Michael Lewis	hold	77.00	9/10/2025
KeyBanc Capital Markets	Upal Rana	sector weight		9/10/2025
Compass Point Research & Trading	Kenneth Billingsley	neutral	75.00	9/10/2025
Morningstar	Suryansh Sharma	buy	91.00	8/14/2025
Mizuho Securities	Vikram Malhotra	outperform	82.00	7/30/2025
BTIG	Thomas Catherwood	neutral		7/29/2025

Source: Bloomberg

BXP Convert: Income and Defensive Equity Exposure in a Leading Office REIT

Credit: BXP is rated Baa3/BBB at the issuer level

The 2% coupon convert is a balanced defensive way to invest in BXP's growth on the back of a resurgence in top tier major market CBD office fundamentals. The bonds are trading below par with a yield to 5 year maturity of 2.36%, a low premium of 26.8% and a balanced delta of 49%.

In addition, investors with a high beta, high multiple tilt in their convert portfolio should consider swapping some of their riskier deep in the money names to the 2% BXP convert to lower portfolio equity delta risk.

Size ($mn)	Cpn (%)	Yrs to Mat	Maturity Date	Convert Price	Stk Px Ref ($)	Yld to Mat (%)	Current Yield (%)	Prem. (%)	Delta (%)	PC Stx Px % Apprc.	Prov Call Date	Cvt High Px	Cvt High Px Date
1000	2.000	5.0	10/1/2030	98.4	71.7	2.36	2.03	26.8	49	68%	10/6/28	100.5	10/1/2025

IMPORTANT DISCLOSURES