City Office REIT, Inc.
Form S-11/A
March 14, 2014
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As filed with the Securities and Exchange Commission on March 14, 2014

Registration No. 333-193219

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 5 TO

FORM S-11

FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933

OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

City Office REIT, Inc.

(Exact name of registrant as specified in governing instruments)

1075 West Georgia Street

Suite 2600

Vancouver, British Columbia, V6E 3C9

Tel: (604) 806-3366

(Address, including zip code, and telephone number,

including area code, of registrant s principal executive offices)

Anthony Maretic

Chief Financial Officer

City Office REIT, Inc.

1075 West Georgia Street

Suite 2600

Vancouver, British Columbia, V6E 3C9

Tel: (604) 806-3366

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

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.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 14, 2014

Shares

City Office REIT, Inc.

Common Stock

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

This is our initial public offering of our common stock. We are offering all of the shares of common stock to be sold in this offering. We currently expect that the public offering price of our common stock will be between $ and $ per share.

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on the New York Stock Exchange under the symbol CIO, subject to official notice of issuance.

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

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

Investing in our common stock involves risks. See Risk Factors beginning on page 18 of this prospectus to read about factors that you should consider before investing in our common stock.

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

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

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

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

Book-Running Managers

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

The date of this prospectus is , 2014

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

Until , 2014 (the 25th day after the date of this prospectus), all dealers that effect transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to any unsold allotments or subscriptions.

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INDUSTRY AND MARKET DATA

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

ENFORCEMENT OF CIVIL LIABILITIES

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

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PROSPECTUS SUMMARY

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

Unless the context suggests otherwise, references in this prospectus to City Office, company, we, us and our are to City Office REIT, Inc., a Maryland corporation, together with its consolidated subsidiaries after giving effect to the formation transactions described in this prospectus, including City Office REIT Operating Partnership, L.P., a Maryland limited partnership of which we are the sole general partner and through which we will conduct substantially all of our business (our operating partnership), except where it is clear from the context that the term only means the issuer of the shares of common stock in this offering. Our Advisor refers to our external advisor, City Office Real Estate Management Inc. Second City refers to Second City Capital Partners II, Limited Partnership. Second City GP refers to Second City General Partner II, L.P. Gibralt refers to Gibralt US, Inc. GCC Amberglen refers to GCC Amberglen Investments LP. CIO OP refers to CIO OP Limited Partnership. CIO REIT refers to CIO REIT Stock Limited Partnership. The Second City Group refers to Second City, any future real estate funds created by the principals of Second City, Second City GP, Gibralt, GCC Amberglen, CIO OP and CIO REIT, from which we expect to acquire all of our initial properties.

Unless otherwise indicated, the information contained in this prospectus is as of December 31, 2013 and assumes that (1) the underwriters over-allotment option is not exercised, (2) shares of our common stock are issued to CIO REIT in exchange for its interests in the Property Ownership Entities (as defined below), (3) the formation transactions described in this prospectus are consummated, (4) the common stock to be sold in this offering is sold at $ per share, which is the midpoint of the initial public offering price range indicated on the front cover of this prospectus, and (5) the initial value of the common units of partnership interest in our operating partnership (common units) to be issued in the formation transactions is equal to the public offering price of our common stock as set forth on the front cover of this prospectus.

City Office REIT, Inc.

We are a newly organized, externally managed Maryland corporation formed to acquire, own and operate high-quality (Class A and B) office properties located within our specified target markets in the United States. We have currently identified 12 target markets, each of which is located in a metropolitan area in the Southern and Western United States. We believe that our target markets possess a number of the following characteristics: favorable economic growth trends, growing populations with above average employment growth forecasts, a large number of government offices, large international, national and regional employers across diversified industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. We also believe that there is a relatively low level of participation of large institutional investors in our target markets because they generally have concentrated on Gateway markets, which are commonly defined as New York, Los Angeles, Washington, D.C., Boston, Chicago and San Francisco. In addition, we believe that our target markets offer the opportunity for attractive risk-adjusted returns because these markets exhibit positive economic and demographic trends and ownership is often concentrated among local real estate operators that typically do not benefit from the same access to capital as public REITs. We also believe that our target markets have experienced limited new construction of office properties since 2008 because rental rates in these markets have generally not supported new development. We anticipate identifying additional target markets with the foregoing characteristics in the future. Within our target markets, we expect to primarily focus on acquiring properties with a purchase price between $20 million and $50 million as we believe that large institutional investors and public REITs are focused on larger acquisition opportunities. In 2013, only 25% of office property acquisitions by public U.S. REITs had a purchase price of less than $56 million. Additionally, we believe that it is challenging for many local buyers in our target markets to raise the debt and equity capital necessary to complete real estate transactions in excess of $20 million.

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Upon completion of this offering and the formation transactions, we will own six office complexes comprised of 16 office buildings with a total of approximately 1.85 million square feet of net rentable area (NRA) in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA) and Orlando (FL) (our initial properties). We believe that our initial properties are high quality assets that provide excellent access to transportation options, are located near affluent neighborhoods, contain extensive amenities and are well maintained. We also believe that our initial properties have a stable and diverse tenant base, including federal and state governmental agencies and national and regional businesses. As of December 31, 2013, approximately 61.4% of the base rental revenue from our initial properties was derived from tenants in these markets that are federal or state governmental agencies or tenants that have received, or whose parent companies have received, an investment grade credit rating from either Standard & Poor s Ratings Services, a division of McGraw Hill Financial, Inc. (Standard & Poor s), or Moody s Investors Services, Inc. (Moody s) (investment grade tenants). Our initial properties have a stable, long-term tenancy profile and our occupied and committed leases have staggered expirations and a weighted average remaining lease term to maturity of 5.2 years (10 years taking into account tenant renewal options). Our leases typically include rent escalation provisions designed to provide annual growth in our rental income.

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

Our Properties

Our Initial Portfolio

Upon completion of this offering and the formation transactions, we will own six office complexes comprised of 16 office buildings with a total of approximately 1.85 million square feet of net rentable area in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA) and Orlando (FL). The following table presents an overview of our initial properties based on information as of December 31, 2013.

Property	Metropolitan Area	Year Built / Last Major Renovation (1)	Interest to be Acquired by City Office	NRA (000s SF) (2)	In Place Occupancy	In Place and Committed Occupancy (3)	Annualized Base Rent (4)	Largest Tenant by NRA
Washington Group Plaza	Boise, Idaho	1970-1982 / 2012 (5)	100.0%	558	91.3%	91.3%	$ 8,784,432	URS Corporation (6)
Cherry Creek	Denver, Colorado	1962-1980 / 2012	100.0	356	100.0	100.0	5,837,993	Colorado Department of Public Health and Environment
AmberGlen	Portland, Oregon	1984-1999 /2002 (7)	76.0	353	91.0	92.0	4,929,608	Planar Systems, Inc.

City Center	Tampa, Florida	1984 / 2012	95.0	240	80.8	91.3	4,435,841	RBC Capital Markets
Corporate Parkway	Allentown, Pennsylvania	2006	100.0	178	100.0	100.0	3,148,476	Dun & Bradstreet, Inc.
Central Fairwinds (8)	Orlando, Florida	1982 / 2013	90.0	169	58.5	62.6	2,600,466	Fairwinds Credit Union
Total / Weighted Average:				**1,853**	**89.4%**	**91.3%**	**$ 29,736,816**	

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

(2) Net rentable area in thousands of square feet (SF).

(3) Includes both in place and committed tenants, which we define as our tenants in occupancy as well as tenants that have executed binding leases for space undergoing improvement but are not yet in occupancy, as of December 31, 2013.

(4) Annualized base rent is calculated by multiplying (i) rental payments (defined as cash rents before abatements) for the month ended December 31, 2013, by (ii) 12. If rent abatements that were applied in December 2013 are subtracted from rental payments for December 2013, annualized rent would

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be $4,400,888 for the AmberGlen property (a decrease of $1.64 per net rentable square foot) and $2,909,862 for the City Center property (a decrease of $7.88 per square foot). The contractual rent abatements currently in place at the AmberGlen and City Center properties will expire on or before January 2015. The other properties in our initial portfolio did not have any rent abatements in place for the month of December 2013. The Second City Group will pay our operating partnership at the closing of this offering a lump sum payment representing a reimbursement for the amount of all future contractual rent abatements in place at closing for existing tenants at the initial properties.

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

(6) Lease is to Washington Holdings Inc. and URS Energy & Construction Inc., which are affiliates of URS Corporation.

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

(8) The acquisition price of the property is subject to Earn-Out Payments (as defined below) described under Structure and Formation of Our Company Formation Transactions.

Our Competitive Strengths

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

Experienced Management Team: Our senior management team, led by James Farrar, our chief executive officer, Gregory Tylee, our president and chief operating officer, and Anthony Maretic, our chief financial officer, has an intimate knowledge and understanding of each of our initial properties as well as a strong familiarity with the local markets in which the properties are located. Mr. Farrar has over 15 years of experience in real estate acquisitions, management and finance and has completed acquisitions and divestitures with a combined enterprise value in excess of $1 billion and has completed over $500 million of financings. Mr. Tylee has over 20 years of experience negotiating and structuring complex real estate transactions and developments and has been involved in real estate transactions with a combined enterprise value of approximately $1.5 billion over the course of his career. Mr. Maretic has acted as chief financial officer and chief operating officer of Earls Restaurants Ltd. and has over 20 years of experience in financing, public company reporting requirements and internal controls. Upon completion of this offering and the formation transactions, the principals of our Advisor and their affiliates will own approximately % of the equity interests of our company on a fully diluted basis, which we believe helps to align their interests with those of our stockholders.

Alignment of Interests with Established Local Operators: One component of Second City s strategy has been to invest in properties in markets where it has relationships with well-established local real estate operators that provide property management services and, in some cases, hold minority interests in the properties that they manage. We believe that this strategy of permitting local real estate operators to invest in our properties helps to align their interests with ours. Consistent with this strategy, five of our six initial properties are managed by well-established local real estate operators, all of which have invested equity with management in the past and three of which will continue to hold a minority interest in our initial properties after completion of the formation transactions, furthering the alignment of their interests with ours. The Corporate Parkway property in Allentown, Pennsylvania, is self-managed by the sole tenant, Dun & Bradstreet, Inc. (D&B). Our strategy of utilizing local real estate operators also eliminates the need for us to incur the overhead costs associated with creating a real estate operation function in each of our markets. We intend to continue this strategy of offering ownership interests and other incentives to local real estate operators, which we believe can enhance the operating performance of our properties and strengthen our relationships with them.

Initial Properties with Attractive Real Estate Fundamentals: Our initial properties consist of 16 office buildings comprised of six office complexes with a total of approximately 1.85 million square feet of net rentable area in the metropolitan areas of Boise (ID), Denver (CO), Portland (OR), Tampa (FL), Allentown (PA) and Orlando (FL). We believe that our target markets have a number of the following characteristics: favorable economic growth trends, growing populations with above average employment growth forecasts, a large number of governmental offices, large international, national and regional employers across diversified industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates. Most of the buildings included in our initial properties have undergone recent investment programs since being acquired with approximately $7.2 million of capital improvements and $14.2 million for tenant improvements and leasing commissions having been spent in the aggregate.

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Investment Grade Tenants and Well-Staggered Lease Maturities: As of December 31, 2013, approximately 61.4% of the base rental revenue of our initial properties was derived from tenants that are federal or state government agencies or investment grade tenants. Five of our top ten tenants are investment grade tenants, representing approximately 45.8% of the base rental revenue of our initial properties as of December 31, 2013. Our largest tenant is the Colorado Department of Public Health and Environment, whose lease at the Cherry Creek property represents approximately 16.9% of the aggregate net rentable area of our initial properties and expires in 2026. Our initial properties also have a stable, long-term tenancy profile and our occupied and committed leases have staggered expirations and a weighted average remaining lease term to maturity of 5.2 years (10 years taking into account tenant renewal options).

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

Clearly-Defined Acquisition Strategy: We will focus on acquiring office properties in our target markets that we believe possess the attractive economic and demographic characteristics described above. We expect to use our Advisor s market specific knowledge as well as the expertise of local real estate operators and our investment partners to identify acquisition opportunities that we believe will offer cash flow stability and long-term value appreciation. Our target markets are attractive, among other reasons, because we believe that ownership is often concentrated among local real estate operators that typically do not benefit from the same access to capital as public REITs and there is a relatively low level of participation of large institutional investors, which can result in attractive pricing levels and risk-adjusted returns. Within our target markets, we expect to focus on acquiring properties with a purchase price between $20 million and $50 million as we believe that large institutional investors and public REITs prefer to buy larger assets. In 2013, only 25% of office property acquisitions by public U.S. REITs had a purchase price of less than $56 million. Additionally, we believe that many local real estate operators in our target markets have difficulty raising the necessary debt and equity capital to complete acquisitions of more than $20 million.

Strong Lender Relationships: Our management has strong lending relationships with various banks, insurance companies and commercial mortgage-backed securities (CMBS) platforms. We expect to complete a refinancing of three of our initial properties (Cherry Creek, City Center and Corporate Parkway) with a new $95 million non-recourse mortgage loan (the New Mortgage Loan) from Midland National Life Insurance Company. Following the formation transactions, the Washington Group Plaza property will remain subject to an existing $34.8 million mortgage loan (the Washington Mortgage Loan). The AmberGlen property is subject to an existing $23.5 million mortgage loan (the AmberGlen Mortgage Loan). We are currently in the process of seeking to refinance the AmberGlen Mortgage Loan with a new five year, $25.4 million mortgage loan (the AmberGlen Refinancing). The AmberGlen Refinancing, if completed, may occur prior to or after the completion of this offering. We also expect to enter into a new $11 million senior secured revolving credit facility (the Revolving Credit Facility), which we expect will have an accordion feature that will permit us to borrow up to $150 million, subject to additional collateral availability and lender approval.

Business Objectives and Growth Strategies

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

Internal Growth

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

Seeking Contractual Rent Escalations: With respect to our initial properties as of December 31, 2013, the leases provide for contractual increases in base rental rates per square foot averaging approximately 2% per annum over the next three years. These rental escalations are expected to result in predictable increases in rental revenues for us over time. We will continue to seek to include contractual rent escalators in future leases to further facilitate predictable growth in rental income.

Expanding Our Properties: We will seek to enhance our asset base through select expansion and improvement of our properties. We believe that there are several expansion opportunities within our initial properties. As an example, management has identified an attractive 1.8 acre pad site at the Washington Group Plaza property that would be suitable for a potential future retail development either by us or through a sale to a developer. We have identified an additional 75,000 square feet of net rentable area at the Washington Group Plaza property that had been under-reported by the previous owner due to the use of out-of-date measurement standards. When new tenants take occupancy where the rentable square feet was under-reported, we intend to have the leases reflect the updated measurement standards, which will generate additional rental income for us over time.

Leasing Currently Vacant Space: As of December 31, 2013, the weighted average in place and committed occupancy rate of our initial properties was 91.3% and we believe that there is potential to generate additional rental income by leasing up space in these properties that is currently unoccupied. In addition, we have identified certain common areas that can be converted to leasable space. We believe that our initial properties compete for tenants with other landlords that are capital constrained and may not be able to enhance their buildings   appeal through capital investments or offer tenants attractive tenant improvement packages.

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

External Growth

Our external growth strategy will include the following:

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

We are currently in discussions regarding a number of properties that meet our investment criteria. In particular, we have engaged in dialogue or submitted non-binding indications of interest with respect to four properties within three of our target markets. Collectively, these four properties outlined below represent approximately 790,000 square feet of NRA and, on a combined basis, are available for an estimated purchase price of approximately $112 million.

- Denver, Colorado multi-tenant property with approximately 220,000 square feet of NRA available at an estimated purchase price of approximately $23 million;

- Denver, Colorado multi-tenant property with approximately 200,000 square feet of NRA available at an estimated purchase price of approximately $25 million;

- Tampa, Florida multi-building property that is located in a desirable submarket that is fully leased to a long-term credit tenant. The property is approximately 190,000 square feet of NRA available at an estimated purchase price of approximately $31 million; and

- Phoenix, Arizona multi-tenant property that is well located in what we believe is a highly desirable submarket with approximately 180,000 square feet of NRA available at an estimated purchase price of approximately $33 million.

In addition to these four potential acquisition prospects, we are also in preliminary discussions relating to a number of other potential acquisition prospects located within our target markets. We have not completed our due diligence process and have not entered into exclusivity agreements with the sellers of any of these properties. Furthermore, in the event that we were to be exclusively selected to negotiate definitive documentation, not only would we have to reach agreement as to the terms of such definitive documentation, but we would also need to satisfy a number of additional conditions and approvals in addition to completing the full scope of our due diligence process. As a result, we do not deem any of these potential acquisition prospects probable as of the date of this prospectus.

Leveraging Opportunities From Our Advisor: We expect to benefit from the strong existing industry relationships of our management team, which has completed approximately $230 million in acquisitions since April 2013. Historically, our management team has proactively sourced acquisition opportunities through a number of channels, including targeting properties owned by our local property managers and through management s relationship with local owners, investment brokers, mortgage brokers and lenders. We believe that through the activities of the Second City Group, our Advisor will be able to maintain relationships in our target markets that may result in acquisition opportunities for us. During the term of the Advisory Agreement (as defined in Our Advisor and the Advisory Agreement), we will have an exclusive right of first opportunity to purchase any office property or property interest that the Second City Group (including any future funds created by the principals of Second City) or our Advisor identifies, provided that the property has greater than 85% occupancy and an average remaining lease term of more than three years.

Structure and Formation of Our Company

Formation Transactions

We were formed in November 2013 specifically for the purpose of consummating this offering. Second City currently owns 100% of our outstanding common stock. We have not commenced operations and currently do not own any property.

Following the completion of this offering and the formation transactions, our operating partnership will, directly or indirectly, hold substantially all of our assets and conduct substantially all of our operations. All of the initial property interests that we will acquire in the formation transactions currently are owned by entities that own and control our initial properties (the Property Ownership Entities). Pursuant to the formation transactions, (i) we intend to enter into the Advisory Agreement with our Advisor pursuant to which our Advisor will provide management and advisory services to us; (ii) we will sell shares of our common stock in this offering (additional shares if the underwriters exercise their over-allotment option in full) and we will contribute the net proceeds to our operating partnership in exchange for common units; and (iii) pursuant to separate contribution agreements, each dated as of , 2014, we and our operating partnership will acquire interests in the Property Ownership Entities in exchange for common stock, common units and cash. We will contribute the interests in the Property Ownership Entities that we acquire to our operating partnership in exchange for common units. As a result, we will acquire a 100% interest in each of the Washington Group Plaza, Cherry Creek and Corporate Parkway properties and we will acquire an approximately 76% interest in the AmberGlen property, 90% interest in the Central Fairwinds property and 95% interest in the City Center property. The parties retaining the remaining interests in the AmberGlen, Central Fairwinds and City Center properties at the conclusion of the formation transactions will not receive any common units, common stock or cash from us for their property interests. If the underwriters elect to exercise all or any part of their over-allotment option, we will use all of the net proceeds from such exercise, if any, to redeem from the Second City Group a portion of the common stock and common units issued to them in the formation transactions at a redemption price per common unit equal to the public offering price per share in this offering.

Concurrently with this offering, CIO REIT will receive shares of our common stock in exchange for its interests in the Property Ownership Entities, which we will contribute to our operating partnership in exchange for common units.

With respect to the Central Fairwinds property (which is currently approximately 62.6% leased, including committed tenants), we will be obligated to make additional payments to Second City (each, an Earn-Out Payment) following the closing of this offering. Earn-Out Payments are contingent on the property reaching certain specified occupancy levels through new leases to qualified tenants and exceeding a net operating income threshold, which grows annually. Earn-Out Payments will be subject to a claw-back if a qualified tenant defaults in the payment of rent and is not replaced with another qualified tenant. See Structure and Formation of Our Company Formation Transactions.

Benefits of the Formation Transactions to Related Parties

In connection with this offering, certain of our directors, executive officers and their affiliates will receive material financial and other benefits as shown below. For a more detailed discussion of these benefits, see Structure and Formation of Our Company, Management and Certain Relationships and Related Person Transactions.

As a result of the Second City Group s contribution of its interest in the Property Ownership Entities to us and our operating partnership in the formation transactions:

- James Farrar, our chief executive officer and one of our directors, and his immediate family member will beneficially own common units and shares of our common stock with a total value of approximately $, which will represent % of the total number of shares of our common stock outstanding on a fully diluted basis upon completion of this offering and the formation transactions;

- Gregory Tylee, our chief operating officer and president, and his immediate family member will beneficially own common units and shares of our common stock with a total value of approximately $, which will represent % of the total number of shares of our common stock outstanding on a fully diluted basis upon completion of this offering and the formation transactions;

- Anthony Maretic, our chief financial officer, secretary and treasurer, will beneficially own shares of our common stock with a value of approximately $, which will represent % of the total number of shares of our common stock outstanding on a fully diluted basis upon completion of this offering and the formation transactions; and

- Samuel Belzberg, executive chairman of our Advisor and one of our directors, and his immediate family members and associated holding companies, will beneficially own common units and shares of our common stock with a total value of approximately $, which will represent % of the total number of shares of our common stock outstanding on a fully diluted basis upon completion of this offering and the formation transactions. Mr. Belzberg will also receive $ million of cash through his ownership of Gibralt and GCC Amberglen when Gibralt and GCC Amberglen contribute their interests in the Amberglen property to our operating partnership. See Structure and Formation of Our Company Formation Transactions.

If the underwriters elect to exercise any part of their over-allotment option, we will use all of the net proceeds from such exercise to redeem from the Second City Group, for cash, a portion of the common stock and common units issued to them in the formation transactions at a redemption price per common unit or share of common stock equal to the public offering price per share in this offering. In such event, the number of shares of common stock and common units held by the persons named above will decrease and the amount of cash paid to such persons will increase.

Also, for so long as the Second City Group and its affiliates collectively own at least 10% or more of our outstanding common stock on a fully-diluted basis (assuming all outstanding common units not owned by us or our subsidiaries are tendered for redemption and exchanged for shares of our common stock, regardless of whether such common units are then eligible for redemption), the Second City Group will have the right from time to time to designate individuals for nomination for election by our stockholders to our board of directors as follows:

- For so long as the Second City Group and its affiliates own 30% or more of our fully diluted outstanding common stock, (i) if the number of directors comprising our entire board of directors is six or more, the

Second City Group will have the right to designate two nominees and (ii) if the number of directors comprising our entire board of directors is five or fewer, the Second City Group will have the right to designate one nominee.

· For so long as the Second City Group and its affiliates own less than 30% but at least 10% of our fully diluted outstanding common stock, regardless of the number of directors comprising our entire board of directors, the Second City Group will have the right to designate one nominee.

· If the Second City Group and its affiliates own less than 10% of our fully diluted outstanding common stock, the Second City Group will have no right to designate for nomination any individual to serve on our board of directors. If, subsequent to the time that Second City Group and its affiliates ownership of our fully diluted outstanding common stock falls below 10%, the Second City Group and entities controlled by the Second City Group again own 10% or more of the outstanding shares of our common stock as determined in the same manner as described above, then the Second City Group shall once again be entitled to exercise any designation or other applicable rights of the Second City Group set forth in the partnership agreement. Notwithstanding the foregoing, if the Second City Group and its affiliates own none of our common stock or securities convertible into our common stock for a period of one year or more, the Second City Group s right to have the board designation rights described in the preceding sentence reinstated shall terminate.

· During any period in which the Second City Group and its affiliates own at least 5% of our outstanding shares of our common stock as determined in the same manner as described above, the Second City Group will be entitled to identify an individual to attend and observe meetings of our board of directors. See Description of the Partnership Agreement of City Office REIT Operating Partnership, L.P. Purpose, Business and Management.

Tax Protection Agreements

Pursuant to tax protection agreements, we have agreed to make certain tax indemnity payments to certain of the contributors of our initial properties and their owners (including parties related to us) if we dispose of any interest with respect to our initial properties in a taxable transaction or fail to maintain a minimum level of indebtedness during the four years immediately following the completion of the formation transactions. See Certain Relationships and Related Person Transactions Tax Protection Agreements.

Indemnification Agreements

We also expect to enter into indemnification agreements with our directors and executive officers at the closing of this offering, providing for procedures for indemnification by us to the fullest extent permitted by law and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us as directors or officers. See Certain Relationships and Related Person Transactions Indemnification and Limitation of Directors and Officers Liability. Our contribution agreements contain certain indemnification obligations with respect to the Second City Group. See Certain Relationships and Related Person Transactions Contribution Agreements.

Registration Rights Agreement

We expect to enter into a registration rights agreement with the various persons receiving shares of our common stock or common units in the formation transactions, including the Second City Group and certain of our executive officers. See Certain Relationships and Related Person Transactions Registration Rights Agreement.

Our Advisor and the Advisory Agreement

In connection with this offering, we and our operating partnership will enter into an advisory agreement (the Advisory Agreement) with our Advisor pursuant to which our Advisor will provide management and advisory services to us. The Advisory Agreement requires our Advisor to manage our business affairs in conformity with policies and investment guidelines that are approved and monitored by our board of directors.

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The principals of our Advisor, James Farrar, Gregory Tylee, Anthony Maretic and Samuel Belzberg, who control the general partner of Second City, have been actively involved in the U.S. real estate markets for over 10, 12, 16 and 48 years, respectively, and have extensive existing relationships with the brokerage community and local operators in our target markets. We expect to benefit from the experience, skill, resources, relationships and contacts of the executive officers and other key personnel of our Advisor under the Advisory Agreement. All of our executive officers are equity holders of our Advisor and we do not expect to have any employees upon completion of this offering and the formation transactions.

The Advisory Agreement requires us to pay our Advisor an advisory fee and acquisition fee and to reimburse it for various reasonable and documented out-of-pocket expenses. The advisory fee is a base management fee, calculated and payable in cash in arrears on a monthly basis, equal to 1/12 of the sum of (I) 0.5% multiplied by the value (at the initial public offering price) of common units and our common stock that the Second City Group will receive in connection with the formation transactions in exchange for their contributed properties and (II) 1% multiplied by the sum of (i) the net proceeds of this offering less the write off of financing costs and distributions to City Office Predecessor members for certain transaction costs plus (ii) the difference, if any, between (A) our stockholders equity and non-controlling interest in the operating partnership as of the calculation date plus accumulated depreciation as of the calculation date less the accumulated depreciation as of the date immediately following completion of this offering and (B) our stockholders equity and noncontrolling interest in the operating partnership immediately following completion of this offering and the formation transactions:

1/12 of the sum of (0.5% x the Second City Group s common units and common stock x initial public offering price) +

(1% x ((net proceeds of this offering write off of financing costs distributions to City Office Predecessor members for certain transaction costs) + (stockholders equity and noncontrolling interest in the operating partnership at the end of the applicable month + accumulated depreciation at the end of the applicable month accumulated depreciation as of the date immediately following completion of this offering stockholders equity and noncontrolling interest in the operating partnership at the completion of this offering)))

Following completion of this offering, payment of the full amount of the advisory fee will be subject to a quarterly Core FFO test. If our quarterly Core FFO per share, as defined in our Advisory Agreement, for a full calendar quarter is not greater than 1.5% (6% annualized) of the public offering price of our common stock in this offering, up to 50%, of that quarter s advisory fee in the amount of the shortfall of our quarterly Core FFO per share times the number of shares of our common stock and outstanding common units not held by us (collectively, the Fully Diluted Share Count) will be deferred until such time as our quarterly Core FFO per share exceeds the 1.5% threshold, at which time all deferred amounts will be paid. The Core FFO test shall apply to each full calendar quarter following completion of this offering and shall terminate upon the earlier of (i) the second anniversary of the completion of this offering or (ii) our Core FFO, as defined in our Advisory Agreement, having equaled or exceeded 1.5% for a full calendar quarter. In the event that the quarterly Core FFO threshold is not met during the two year period following completion of this offering, none of the deferred advisory fee will be paid. We initially expect to make cash distributions between approximately 100% and 105% of our Core FFO.

In addition, the Advisory Agreement requires us to provide a one-time grant of equity compensation, in the form of restricted stock units equal to 3% of the number of shares of our common stock and common units outstanding upon completion of this offering (exclusive of any shares of our common stock issued pursuant to the underwriters exercise of the over-allotment option) to our Advisor. However, we are permitted to, and intend to, fulfill this obligation in part by granting restricted stock units, on behalf of our Advisor, to the executive chairman of our Advisor and to employees and officers of our Advisor serving as our executive officers. See Executive and Director Compensation. Following completion of this offering, our Advisor s employees will be eligible for additional equity incentive grants pursuant to our Equity Incentive Plan (as defined below).

An acquisition fee equal to 1% of the gross purchase price of each property (other than our initial properties, and, with respect to acquisition by a joint venture, 1% of the gross purchase price of such property multiplied by our or our subsidiary s beneficial ownership interest in such joint venture) is due at the closing of each acquisition. Up to one-third of the acquisition fee may be paid in the form of our common stock at the discretion of our board of directors.

The Advisory Agreement has an initial four-year term and will automatically be renewed for additional one-year terms unless terminated by either us or our Advisor upon prior notice. Our board of directors will have the option to internalize

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our management with no termination payment to our Advisor once our fully-diluted equity market capitalization exceeds $500 million. While there is no termination payment associated with an internalization event, our Advisor is entitled to receive a termination payment from us under certain limited circumstances. If we terminate the Advisory Agreement as a result of a change of control of our company or if the Advisor terminates the Advisory Agreement as a result of an event of default by our company under the Advisory Agreement, we must pay our Advisor a termination fee equal to three times the amount of the advisory fees and acquisition fees earned by the Advisor for the 12 months preceding the termination up to a maximum of 4% of our equity market capitalization, as further described in Our Advisor and the Advisory Agreement Term and Termination. Upon completion of this offering, we will be prohibited from acquiring properties directly from the Second City Group, which is composed of affiliates of our Advisor, without first obtaining the approval of the majority of our stockholders. See Our Advisor and the Advisory Agreement Advisory Agreement and Conflicts of Interest Non-Competition and Non-Solicitation Provisions.

Our Adm