UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

OR

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

For the transition period from _________ to __________

Commission file number: 001-40873

Orion Office REIT Inc.

(Exact name of registrant as specified in its charter)

Maryland	**87-1656425**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2398 E. Camelback Road, Suite 1060 **Phoenix** **AZ**	**85016**
(Address of principal executive offices)	(Zip Code)

(602) 698-1002

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class:		*Trading Symbol(s):*	*Name of each exchange on which registered:*
Common Stock	$0.001 par value per share	ONL	New York Stock Exchange

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 (the "Exchange Act") 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. Yes ☒ No ☐

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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 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). Yes ☐ No ☒

There were 55,947,802 shares of common stock of Orion Office REIT Inc. outstanding as of August 2, 2024.

ORION OFFICE REIT INC.
For the quarterly period ended June 30, 2024

PART I — FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements.

ORION OFFICE REIT INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except for share and per share data) (Unaudited)

	June 30, 2024	December 31, 2023
ASSETS		
Real estate investments, at cost:		
Land	$ 222,730	$ 223,264
Buildings, fixtures and improvements	1,060,726	1,097,132
Total real estate investments, at cost	1,283,456	1,320,396
Less: accumulated depreciation	172,476	158,791
Total real estate investments, net	1,110,980	1,161,605
Accounts receivable, net	23,122	24,663
Intangible lease assets, net	97,977	126,364
Cash and cash equivalents	24,224	22,473
Other assets, net	83,550	88,828
Total assets	$ 1,339,853	$ 1,423,933
LIABILITIES AND EQUITY		
Mortgages payable, net	$ 353,200	$ 352,856
Credit facility revolver	107,000	116,000
Accounts payable and accrued expenses	26,941	30,479
Below-market lease liabilities, net	5,536	8,074
Distributions payable	5,595	5,578
Other liabilities, net	24,090	23,943
Total liabilities	522,362	536,930
Common stock, $0.001 par value, 100,000,000 shares authorized 55,947,802 and 55,783,548 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	56	56
Additional paid-in capital	1,146,199	1,144,636
Accumulated other comprehensive loss	(14)	(264)
Accumulated deficit	(330,136)	(258,805)
Total stockholders' equity	816,105	885,623
Non-controlling interest	1,386	1,380
Total equity	817,491	887,003
Total liabilities and equity	$ 1,339,853	$ 1,423,933

The accompanying notes are an integral part of these statements.

ORION OFFICE REIT INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except for per share data) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Rental	$ 39,923	$ 51,824	$ 86,918	$ 101,814
Fee income from unconsolidated joint venture	201	200	403	400
Total revenues	40,124	52,024	87,321	102,214
Operating expenses:				
Property operating	15,757	15,487	31,756	30,831
General and administrative	4,544	4,565	9,493	8,874
Depreciation and amortization	38,614	27,877	63,118	56,043
Impairments	5,680	11,819	25,365	15,573
Transaction related	167	150	277	255
Total operating expenses	64,762	59,898	130,009	111,576
Other (expenses) income:				
Interest expense, net	(8,058)	(7,222)	(16,204)	(14,361)
Loss on extinguishment of debt, net	(1,078)	(504)	(1,078)	(504)
Other income, net	209	165	372	201
Equity in loss of unconsolidated joint venture, net	(163)	(95)	(279)	(218)
Total other (expenses) income, net	(9,090)	(7,656)	(17,189)	(14,882)
Loss before taxes	(33,728)	(15,530)	(59,877)	(24,244)
Provision for income taxes	(73)	(185)	(150)	(345)
Net loss	(33,801)	(15,715)	(60,027)	(24,589)
Net income attributable to non-controlling interest	—	(15)	(6)	(26)
Net loss attributable to common stockholders	$ (33,801)	$ (15,730)	$ (60,033)	$ (24,615)
Weighted-average shares outstanding - basic and diluted	55,910	56,680	55,857	56,661
Basic and diluted net loss per share attributable to common stockholders	$ (0.60)	$ (0.28)	$ (1.07)	$ (0.43)

The accompanying notes are an integral part of these statements.

ORION OFFICE REIT INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	$ (33,801)	$ (15,715)	$ (60,027)	$ (24,589)
Total other comprehensive income (loss):				
Unrealized gain on interest rate derivatives	31	421	250	349
Reclassification of previous unrealized gain on interest rate derivatives into net loss	—	(1,935)	—	(3,631)
Total other comprehensive income (loss)	31	(1,514)	250	(3,282)
Total comprehensive loss	(33,770)	(17,229)	(59,777)	(27,871)
Comprehensive income attributable to non-controlling interest	—	(15)	(6)	(26)
Total comprehensive loss attributable to common stockholders	$ (33,770)	$ (17,244)	$ (59,783)	$ (27,897)

The accompanying notes are an integral part of these statements.

ORION OFFICE REIT INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except for share data) (Unaudited)

	Common Stock							
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity	Non-Controlling Interest	Total Equity
Balance, January 1, 2024	55,783,548	$ 56	$ 1,144,636	$ (264)	$ (258,805)	$ 885,623	$ 1,380	$ 887,003
Net (loss) income	—	—	—	—	(26,232)	(26,232)	6	(26,226)
Distributions	—	—	—	—	(5,673)	(5,673)	—	(5,673)
Repurchases of common stock to settle tax obligations	(46,598)	—	(162)	—	—	(162)	—	(162)
Equity-based compensation, net	132,869	—	790	—	—	790	—	790
Other comprehensive income, net	—	—	—	219	—	219	—	219
Balance, March 31, 2024	55,869,819	$ 56	$ 1,145,264	$ (45)	$ (290,710)	$ 854,565	$ 1,386	$ 855,951
Net (loss) income	—	—	—	—	(33,801)	(33,801)	—	(33,801)
Distributions	—	—	—	—	(5,625)	(5,625)	—	(5,625)
Equity-based compensation, net	77,983	—	935	—	—	935	—	935
Other comprehensive income, net	—	—	—	31	—	31	—	31
Balance, June 30, 2024	55,947,802	$ 56	$ 1,146,199	$ (14)	$ (330,136)	$ 816,105	$ 1,386	$ 817,491

	Common Stock							
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity	Non-Controlling Interest	Total Equity
Balance, January 1, 2023	56,639,040	$ 57	$ 1,147,014	$ 6,308	$ (178,910)	$ 974,469	$ 1,389	$ 975,858
Net (loss) income	—	—	—	—	(8,885)	(8,885)	11	(8,874)
Distributions	—	—	—	—	(5,721)	(5,721)	—	(5,721)
Repurchases of common stock to settle tax obligations	(12,728)	—	(74)	—	—	(74)	—	(74)
Equity-based compensation, net	37,615	—	526	—	—	526	—	526
Other comprehensive income, net	—	—	—	(1,768)	—	(1,768)	—	(1,768)
Balance, March 31, 2023	56,663,927	$ 57	$ 1,147,466	$ 4,540	$ (193,516)	$ 958,547	$ 1,400	$ 959,947
Net (loss) income	—	—	—	—	(15,730)	(15,730)	15	(15,715)
Distributions	—	—	—	—	(5,683)	(5,683)	—	(5,683)
Equity-based compensation, net	31,764	—	689	—	—	689	—	689
Other comprehensive income, net	—	—	—	(1,514)	—	(1,514)	—	(1,514)
Balance, June 30, 2023	56,695,691	$ 57	$ 1,148,155	$ 3,026	$ (214,929)	$ 936,309	$ 1,415	$ 937,724

The accompanying notes are an integral part of these statements.

ORION OFFICE REIT INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	$ (60,027)	$ (24,589)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	63,118	56,043
Non-cash revenue adjustments, net	(719)	(4,968)
Impairments	25,365	15,573
Loss on extinguishment of debt, net	1,078	504
Amortization of deferred financing costs	1,838	2,108
Equity-based compensation	1,725	1,215
Equity in loss of unconsolidated joint venture, net	279	218
Changes in assets and liabilities:		
Accounts receivable, net and other assets, net	653	(1,884)
Accounts payable, accrued expenses and other liabilities, net	(5,301)	(302)
Net cash provided by operating activities	28,009	43,918
Cash flows from investing activities:		
Capital expenditures and leasing costs	(8,164)	(6,744)
Proceeds from disposition of real estate, net	2,070	—
Return of investment from unconsolidated joint venture	888	881
Principal repayments received on notes receivable	200	—
Deposits for real estate assets	(350)	(2,340)
Refunds of deposits for real estate assets	350	2,340
Proceeds from the settlement of property-related insurance claims	171	715
Net cash used in investing activities	(4,835)	(5,148)
Cash flows from financing activities:		
Proceeds from credit facility revolver	—	175,000
Repayments of credit facility revolver	(9,000)	—
Repayment of credit facility term loan	—	(175,000)
Payments of deferred financing costs	(965)	(5,659)
Repurchases of common stock to settle tax obligations	(162)	(74)
Payments of deferred equity offering costs	—	(41)
Distributions paid	(11,166)	(11,331)
Other financing activities	(116)	(68)
Net cash used in financing activities	(21,409)	(17,173)
Net change in cash and cash equivalents and restricted cash	1,765	21,597
Cash and cash equivalents and restricted cash, beginning of year	57,198	55,311
Cash and cash equivalents and restricted cash, end of period	$ 58,963	$ 76,908
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents at beginning of year	$ 22,473	$ 20,638
Restricted cash at beginning of year	34,725	34,673
Cash and cash equivalents and restricted cash at beginning of year	$ 57,198	$ 55,311
Cash and cash equivalents at end of period	$ 24,224	$ 42,209
Restricted cash at end of period	34,739	34,699
Cash and cash equivalents and restricted cash at end of period	$ 58,963	$ 76,908

The accompanying notes are an integral part of these statements.

ORION OFFICE REIT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 (Unaudited)

Note 1 – Organization

Organization

Orion Office REIT Inc. (the “Company”, “Orion”, “we” or “us”) is an internally managed real estate investment trust (“REIT”) engaged in the ownership, acquisition, and management of a diversified portfolio of office buildings located in high-quality suburban markets across the U.S. and leased primarily on a single-tenant net lease basis to creditworthy tenants. The Company’s portfolio is comprised of traditional office buildings, as well as governmental office, medical office, flex/laboratory and R&D and flex/industrial properties.

The Company was initially formed as a wholly-owned subsidiary of Realty Income Corporation (“Realty Income”). Following completion of the merger transaction involving Realty Income and VEREIT, Inc. (“VEREIT”) on November 1, 2021, Realty Income contributed the combined business comprising certain office real properties and related assets previously owned by subsidiaries of Realty Income, and certain office real properties and related assets previously owned by subsidiaries of VEREIT (the “Separation”), to the Company and its operating partnership, Orion Office REIT LP (“Orion OP”), and on November 12, 2021, effected a special distribution to its stockholders of all the outstanding shares of common stock of the Company (the “Distribution”).

Following the Distribution, the Company became independent and publicly traded and its common stock, par value $0.001 per share, trades on the New York Stock Exchange (the “NYSE”) under the symbol “ONL” and has elected to be taxed as a REIT for U.S. federal income tax purposes, commencing with its initial taxable year ended December 31, 2021.

As of June 30, 2024, the Company commenced classifying certain of its properties which are being repositioned, redeveloped, developed or held for sale as non-operating properties rather than operating properties, resulting in six properties being removed from operating properties. Additionally, during the three months ended June 30, 2024, the Company completed a parcel split of its property located in Amherst, New York, which included two buildings. As a result of the split, the two parcels and respective buildings on the parcels are being reported as separate operating properties. As of June 30, 2024, following the reclassification of six properties as non-operating properties and the parcel split, the Company owned and operated 69 office properties with an aggregate of 8.0 million leasable square feet located in 29 states.

In addition, the Company owns an equity interest in OAP/VER Venture, LLC (the “Arch Street Joint Venture”), an unconsolidated joint venture with an affiliate of Arch Street Capital Partners, LLC (“Arch Street Capital Partners”). As of June 30, 2024, the Arch Street Joint Venture owned a portfolio consisting of six office properties totaling approximately 1.0 million leasable square feet located within six states.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The consolidated statements of the Company presented herein include the accounts of the Company and its consolidated subsidiaries and consolidated joint venture. All intercompany transactions have been eliminated upon consolidation. The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). The consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. These adjustments are considered to be of a normal, recurring nature.

The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2023, which are included in the Company’s Annual Report on Form 10-K filed with the SEC on February 27, 2024. Information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC and U.S. GAAP.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries and a consolidated joint venture. The portion of the consolidated joint venture not owned by the Company is presented as non-controlling interest in the Company’s consolidated balance sheets, statements of operations, statements of comprehensive income (loss) and statements of equity.

For legal entities being evaluated for consolidation, the Company must first determine whether the interests that it holds and fees it receives qualify as variable interests in the entity. A variable interest is an investment or other interest that will absorb portions of an entity's expected losses or receive portions of the entity's expected residual returns. The Company's evaluation includes consideration of fees paid to the Company where the Company acts as a decision maker or service provider to the entity being evaluated. If the Company determines that it holds a variable interest in an entity, it evaluates whether that entity is a variable interest entity ("VIE"). VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or where equity investors, as a group, lack one or more of the following characteristics: (a) the power to direct the activities that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses of the entity; or (c) the right to receive the expected returns of the entity. The Company consolidates entities that are not VIEs if it has a majority voting interest or other rights that result in effectively controlling the entity.

The Company then qualitatively assesses whether it is (or is not) the primary beneficiary of a VIE, which is generally defined as the party who has a controlling financial interest in the VIE. Consideration of various factors include, but are not limited to, the Company's ability to direct the activities that most significantly impact the entity's economic performance and its obligation to absorb losses from or right to receive benefits of the VIE that could potentially be significant to the VIE. The Company continually evaluates the need to consolidate VIEs based on standards set forth in U.S. GAAP.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management makes significant estimates regarding real estate investment impairments.

Revenue Recognition

Rental Revenue

For operating leases with minimum scheduled rent increases, the Company recognizes rental revenue on a straight-line basis, including the effect of any free rent periods, over the lease term when collectability of lease payments is probable. Variable lease payments are recognized as rental revenue in the period when the changes in facts and circumstances on which the variable lease payments are based occur.

Certain of the Company's leases also contain provisions for tenants to reimburse the Company for real estate taxes, insurance and maintenance and other property operating expenses. Such reimbursements are included in rental revenue on a gross basis. Property operating expenses paid directly by tenants are recorded on a net basis (i.e., treated as fully offset by an identical amount of assumed reimbursement revenue) and, therefore, are not included in the Company's consolidated financial statements.

The Company continually reviews receivables related to rent, straight-line rent and property operating expense reimbursements and determines collectability by taking into consideration the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in the area in which the property is located. The review includes a binary assessment of whether or not substantially all of the amounts due under a tenant's lease agreement are probable of collection. For leases that are deemed probable of collection, revenue continues to be recorded on a straight-line basis over the lease term. For leases that are deemed not probable of collection, revenue is recorded as cash is received and the Company reduces rental revenue for any straight-line rent receivables. The Company recognizes all changes in the collectability assessment for an operating lease as an adjustment to rental revenue. During the three and six months ended June 30, 2024 and 2023, the Company recorded a reduction to rental revenue of less than $0.1 million for income not probable of collection.

Periodically the Company receives reimbursements from previous tenants that are recognized in rental revenue on a cash basis or when the amounts are definitively agreed upon. During the six months ended June 30, 2024, the Company recognized $2.7 million of such reimbursements. No such amounts were recognized during the three months ended June 30, 2024 or the three and six months ended June 30, 2023. Rental revenue also includes lease termination income collected from tenants to allow for the tenants to settle their lease obligations and/or to vacate their space prior to their scheduled termination dates. The Company recognized lease termination income of $0.1 million and $1.7 million during the three and six months ended June 30, 2024, respectively, and $1.5 million and $3.2 million during the three and six months ended June 30, 2023, respectively.

ORION OFFICE REIT INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 (Unaudited)

Amortization of above and below-market leases and lease incentives is also included in rental revenue and is discussed further in Note 3 – Real Estate Investments and Related Intangibles.

Fee Income from Unconsolidated Joint Venture

The Company provides various services to the Arch Street Joint Venture in exchange for market-based fees. Total asset and property management fees earned in connection with this entity was $0.2 million for the three months ended June 30, 2024 and 2023 and $0.4 million for the six months ended June 30, 2024 and 2023.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank accounts, as well as investments in highly-liquid funds with original maturities of three months or less. The Company deposits cash with high quality financial institutions. These deposits are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to an insurance limit of $250,000. At times, the Company's cash and cash equivalents may exceed federally insured levels. Although the Company bears risk on amounts in excess of those insured by the FDIC, it has not experienced and does not anticipate any losses due to the high quality of the institutions where the deposits are held.

Restricted Cash

The Company had $34.7 million in restricted cash as of June 30, 2024 and December 31, 2023, primarily comprised of reserves held by the lender under the CMBS Loan (as defined in Note 6 – Debt, Net) for future rent concessions and tenant improvement allowances. Restricted cash is included in other assets, net on the Company's consolidated balance sheets.

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, Improvements to Reportable Segment Disclosures (Topic 280, Segment Reporting). ASU 2023-07 serves to improve reportable segment disclosure requirements, primarily through enhanced disclosures, on both an annual and interim basis, about significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of profit or loss, other segment items and a description of its composition by reportable segment, the title and position of the CODM, and an explanation of how the CODM uses the reported measures of segment profit or loss in assessing segment performance and deciding how to allocate resources. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU 2023-07 on its consolidated financial statements.

Note 3 – Real Estate Investments and Related Intangibles

Property Acquisitions

During the six months ended June 30, 2024, the Company acquired, for no consideration, the fee interest in one parcel of land in connection with the maturity of the tax advantaged bond and ground lease structure. As a result of the transaction, $3.5 million that was previously classified as a finance lease right-of-use asset with respect to such land parcel previously subject to the ground lease was reclassified from other assets, net to land in the Company's consolidated balance sheet as of June 30, 2024. The Company did not have any other acquisitions during the three and six months ended June 30, 2024. During the three and six months ended June 30, 2023, the Company had no acquisitions.

Property Dispositions and Real Estate Assets Held for Sale

The following table summarizes the Company's property dispositions for the three and six months ended June 30, 2024 and 2023 (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Total dispositions	1	—	1	—
Aggregate gross sales price	$ 2,100	$ —	$ 2,100	$ —
Impairments on disposition of real estate assets	$ 20	$ —	$ 20	$ —

As of June 30, 2024, the Company had no properties classified as held for sale.

Intangible Lease Assets and Liabilities

Intangible lease assets and liabilities consisted of the following (in thousands, except weighted-average useful life):

	Weighted-Average Useful Life (Years)	June 30, 2024	December 31, 2023
Intangible lease assets:			
In-place leases, net of accumulated amortization of $193,359 and $193,470, respectively	7.2	$ 74,462	$ 103,997
Leasing commissions, net of accumulated amortization of $3,854 and $3,033, respectively	12.1	16,429	13,539
Above-market lease assets, net of accumulated amortization of $11,889 and $10,372, respectively	8.1	3,434	5,006
Deferred lease incentives, net of accumulated amortization of $665 and $419, respectively	10.6	3,652	3,822
Total intangible lease assets, net		$ 97,977	$ 126,364
Intangible lease liabilities:			
Below-market leases, net of accumulated amortization of $24,243 and $23,176, respectively	13.3	$ 5,536	$ 8,074

The aggregate amount of amortization of above-market and below-market leases included as a net increase to rental revenue was $0.4 million and $1.0 million for the three and six months ended June 30, 2024, respectively, and $0.3 million and $0.5 million for the three and six months ended June 30, 2023, respectively. The aggregate amount of amortization of deferred lease incentives included as a net decrease to rental revenue was $0.1 million for the three months ended June 30, 2024 and 2023 and $0.2 million for the six months ended June 30, 2024 and 2023. The aggregate amount of in-place leases, leasing commissions and other lease intangibles amortized and included in depreciation and amortization expense was $14.4 million and $30.4 million for the three and six months ended June 30, 2024, respectively, and $19.3 million and $38.9 million for the three and six months ended June 30, 2023, respectively.

The following table provides the projected amortization expense and adjustments to rental revenue related to the intangible lease assets and liabilities for the next five years as of June 30, 2024 (in thousands):

	Remainder of 2024	2025	2026	2027	2028	2029
In-place leases:						
Total projected to be included in amortization expense	$ 19,860	$ 21,612	$ 15,232	$ 7,337	$ 4,592	$ 1,872
Leasing commissions:						
Total projected to be included in amortization expense	$ 826	$ 1,624	$ 1,620	$ 1,593	$ 1,373	$ 1,084
Above-market lease assets:						
Total projected to be deducted from rental revenue	$ 1,391	$ 849	$ 680	$ 237	$ 115	$ 63
Deferred lease incentives:						
Total projected to be deducted from rental revenue	$ 248	$ 480	$ 383	$ 359	$ 346	$ 335
Below-market lease liabilities:						
Total projected to be added to rental revenue	$ 1,248	$ 1,036	$ 817	$ 655	$ 571	$ 389

Investment in Unconsolidated Joint Venture

The following is a summary of the Company’s investment in the Arch Street Joint Venture, as of June 30, 2024 and December 31, 2023 and for the six months ended June 30, 2024 and 2023 (dollars in thousands):

	Ownership % (1)	Number of Properties	Carrying Value of Investment		Equity in Loss, Net Six Months Ended	
Investment	June 30, 2024		June 30, 2024	December 31, 2023	June 30, 2024	June 30, 2023
Arch Street Joint Venture (2) (3)	20%	6	$ 12,382	$ 13,549	$ (279)	$ (218)

(1) The Company’s ownership interest reflects its legal ownership interest. The Company’s legal ownership interest may, at times, not equal the Company’s economic interest because of various provisions in the joint venture agreement regarding capital contributions, distributions of cash flow based on capital account balances and allocations of profits and losses. As a result, the Company’s actual economic interest (as distinct from its legal ownership interest) in certain of the properties could fluctuate from time to time and may not wholly align with its legal ownership interest.

(2) During the three and six months ended June 30, 2024 and 2023, the Arch Street Joint Venture did not acquire any properties.

(3) The total carrying value of the Company’s investment in the Arch Street Joint Venture was greater than the underlying equity in net assets by $ 0.2 million and $0.4 million as of June 30, 2024 and December 31, 2023, respectively. This difference is related to a step up in the fair value of the investment in the Arch Street Joint Venture in connection with the Separation and the Distribution. The step up in fair value was allocated based on the underlying assets and liabilities of the Arch Street Joint Venture and is being amortized over the estimated useful lives of the respective assets and liabilities in accordance with the Company’s accounting policies.

The non-recourse mortgage notes associated with the Arch Street Joint Venture of $136.4 million as of June 30, 2024 are scheduled to mature on November 27, 2024, and the Arch Street Joint Venture has two successive one-year options to extend the maturity until November 27, 2026. The Company’s pro-rata share of the mortgage notes was $27.3 million as of June 30, 2024. The extension options are subject to satisfaction of certain conditions, including satisfaction of certain financial and operating covenants. The Arch Street Joint Venture may be unable to satisfy the extension conditions, and has preliminarily agreed with the existing lenders to extend the mortgage notes for one year and on other mutually acceptable terms, subject to definitive documentation and other conditions. The Company cannot provide any assurance the Arch Street Joint Venture will be able to satisfy the extension conditions or reach final agreement with its lenders to extend the mortgage notes or otherwise refinance the mortgage notes. If the Arch Street Joint Venture is unable to extend or refinance the mortgage notes, the Company’s investment in the Arch Street Joint Venture could be materially adversely affected.

Note 4 – Receivables and Other Assets:

Accounts receivable, net consisted of the following as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Accounts receivable, net	$ 7,014	$ 9,008
Straight-line rent receivable, net	16,108	15,655
Total	$ 23,122	$ 24,663

Other assets, net consisted of the following as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Restricted cash	$ 34,739	$ 34,725
Right-of-use assets, net [(1)]	22,677	26,596
Investment in unconsolidated joint venture	12,382	13,549
Deferred costs, net [(2)]	6,086	7,693
Notes receivable [(3)]	3,500	3,700
Prepaid expenses	2,608	1,318
Other assets, net	1,558	1,247
Total	$ 83,550	$ 88,828

(1) Amortization expense for below market right-of-use asset was less than $ 0.1 million for the three and six months ended June 30, 2024 and 2023. Includes right-of-use finance leases of $ 5.6 million, right-of-use operating leases of $10.6 million, and a below-market right-of-use asset, net of $ 6.5 million as of June 30, 2024. Includes right-of-use finance leases of $ 9.0 million, right-of-use operating leases of $10.9 million, and a below-market right-of-use asset, net of $ 6.6 million as of December 31, 2023.

(2) Amortization expense for deferred costs related to the Revolving Facility was $ 0.7 million and $ 1.5 million for the three and six months ended June 30, 2024, respectively, as compared to $ 0.5 million and $1.1 million for the three and six months ended June 30, 2023, respectively. Accumulated amortization for deferred costs related to the Revolving Facility was $ 5.5 million and $ 5.1 million as of June 30, 2024 and December 31, 2023, respectively. During the three and six months ended June 30, 2024, the Company capitalized additional deferred costs of $ 1.0 million in connection with the third amendment to the Credit Agreement, as defined below and discussed in Note 6 – Debt, Net. Also in connection with the third amendment to the Credit Agreement and resulting reduction in borrowing capacity, net deferred costs of $1.1 million were written-off and recognized in loss on extinguishment of debt, net in the consolidated statements of operations during the three and six months ended June 30, 2024. Includes outstanding deferred equity offering costs of $0.6 million, which will be offset against additional paid-in capital for future issuances of shares of the Company's common stock, as of both June 30, 2024 and December 31, 2023.

(3) Notes receivable includes one short-term and one long-term seller financed promissory note for two properties sold during the year ended December 31, 2023. These loans have been structured as first mortgage loans on the properties sold with an unsecured recourse guaranty from the buyer principal(s).

Note 5 – Fair Value Measures

Items Measured at Fair Value on a Recurring Basis

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023, aggregated by the level in the fair value hierarchy within which those instruments fall (in thousands):

	Level 1	Level 2	Level 3	Balance as of June 30, 2024
Derivative liabilities	$ —	$ 14	$ —	$ 14

	Level 1	Level 2	Level 3	Balance as of December 31, 2023
Derivative liabilities	$ —	$ 264	$ —	$ 264

Derivative Liabilities – The Company's derivative financial instruments comprise interest rate collar agreements entered into in order to hedge interest rate volatility with respect to the Company's borrowings with an aggregate notional amount of $60.0 million as of June 30, 2024 and December 31, 2023 (as described in Note 6 – Debt, Net). The valuation of derivative instruments is determined using a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, as well as observable market-based inputs, including interest rate curves and implied volatilities. In addition, credit valuation adjustments are incorporated into the fair values to account for the Company's potential nonperformance risk and the performance risk of the counterparties.

Although the Company determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with those derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of June 30, 2024 and December 31, 2023, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments are not significant to the overall valuation of the Company's derivatives. As a result, the Company determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Items Measured at Fair Value on a Non-Recurring Basis

Certain financial and nonfinancial assets and liabilities are measured at fair value on a non-recurring basis and are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

Real Estate and Other Investments – The Company performs quarterly impairment review procedures for real estate investments, right of use assets and its investment in the Arch Street Joint Venture, primarily through continuous monitoring of events and changes in circumstances that could indicate the carrying value of such assets may not be recoverable.

As part of the Company's impairment review procedures, net real estate assets representing eight and four properties were deemed to be impaired during the six months ended June 30, 2024 and 2023, respectively, resulting in impairment charges of $25.4 million and $15.6 million during the six months ended June 30, 2024 and 2023, respectively. The impairment charges reflect changes in the Company's future cash flow assumptions for agreed-upon or estimated sales proceeds with respect to real estate assets that were expected to be sold as well as changes to assumptions with regard to management's intent to sell or lease the real estate assets.

The following table summarizes the Company's provisions for impairment during the periods indicated below (dollars in thousands):

	Six Months Ended June 30,	
	2024	2023
Number of properties	8	4
Carrying value of impaired properties	$ 62,710	$ 38,147
Provisions for impairment	(25,365)	(15,573)
Estimated fair value	$ 37,345	$ 22,574

The Company estimates fair values using Level 2 and Level 3 inputs and uses a combined income and market approach, specifically using discounted cash flow analysis and/or recent comparable sales transactions. The evaluation of real estate assets for potential impairment requires the Company's management to exercise significant judgment and make certain key assumptions, including the following: (1) capitalization rates; (2) discount rates; (3) number of years the property will be held; (4) property operating expenses; and (5) re-leasing assumptions including number of months to re-lease, market rental revenue and required tenant improvements. There are inherent uncertainties in making these estimates such as market conditions and performance and sustainability of the Company's tenants.

For the Company's impairment tests for the real estate assets during the six months ended June 30, 2024, the fair value measurement for seven properties were determined based on the sales price under a definitive agreement and one property was determined by a discount rate of 9.0% and capitalization rate of 8.5%. During the six months ended June 30, 2024, impairment charges of $22.1 million were recorded for held and used properties and impairment charges of $3.3 million were recorded for one disposed property. No impairment charges were recorded for held for sale properties during the six months ended June 30, 2024.

For the Company's impairment tests for the real estate assets during the six months ended June 30, 2023, the fair value measurement for three properties was determined based on sales prices under definitive agreements and one property was determined by applying an estimated sales price based on market data. During the six months ended June 30, 2023, impairment charges of $11.0 million were recorded for held and used properties and impairment charges of $4.6 million were recorded for held for sale properties.

The following tables present certain of the Company’s assets measured at fair value on a non-recurring basis as of June 30, 2024 and December 31, 2023, aggregated by the level in the fair value hierarchy within which those assets fall (in thousands):

	Level 1	Level 2 [(1)]	Level 3 [(1)]	Balance as of June 30, 2024
Assets of properties held and used	$ —	$ 27,000	$ —	$ 27,000

	Level 1	Level 2 [(1)]	Level 3 [(1)]	Balance as of December 31, 2023
Assets of properties held and used	$ —	$ —	$ 5,402	$ 5,402

(1) The fair value of the level 2 category is derived using negotiated sales prices with third parties and the fair value of the level 3 category is derived using discounted cash flow analysis and management estimates of selling prices.

Fair Value of Financial Instruments

The fair value of short-term financial instruments such as cash and cash equivalents, restricted cash, accounts receivable, notes receivable and accounts payable approximate their carrying value in the accompanying consolidated balance sheets due to their short-term nature. The fair values of the Company’s long-term financial instruments are reported below (dollars in thousands):

	Level	Carrying Value at June 30, 2024	Fair Value at June 30, 2024	Carrying Value at December 31, 2023	Fair Value at December 31, 2023
Assets:					
Notes receivable	3	$ 2,500	$ 2,500	$ 2,500	$ 2,500
Liabilities [(1)]:					
Mortgages payable	2	$ 355,000	$ 331,858	$ 355,000	$ 334,897
Credit facility revolver	2	107,000	107,000	116,000	116,000
Derivative liabilities	2	14	14	264	264
Total		$ 462,014	$ 438,872	$ 471,264	$ 451,161

(1) Current and prior period liabilities’ carrying and fair values exclude net deferred financing costs.

Notes Receivable – The carrying value of the Company’s long-term promissory note receivable was determined to be at fair value based on management’s estimates of credit spreads and observable market interest rates, representing level 3 on the fair value hierarchy.

Debt – The fair value is estimated by an independent third party using a discounted cash flow analysis, based on management’s estimates of credit spreads and observable market interest rates, representing level 2 on the fair value hierarchy.

Note 6 – Debt, Net

As of June 30, 2024, the Company had $460.2 million of debt outstanding, including net deferred financing costs, with a weighted-average years to maturity of 2.4 years and a weighted-average effective interest rate for the six months ended June 30, 2024 of 5.87%. The following table summarizes the carrying value of debt as of June 30, 2024 and December 31, 2023, and the debt activity for the six months ended June 30, 2024 (in thousands):

		Six Months Ended June 30, 2024			
	Balance as of December 31, 2023	Debt Issuances	Repayments, Extinguishment and Assumptions	Accretion and Amortization	Balance as of June 30, 2024
Mortgages payable:					
Outstanding balance	$ 355,000	$ —	$ —	$ —	$ 355,000
Deferred costs	(2,144)	—	—	344	(1,800)
Mortgages payable, net	352,856	—	—	344	353,200
Credit facility revolver	116,000	—	(9,000)	—	107,000
Total debt	$ 468,856	$ —	$ (9,000)	$ 344	$ 460,200

The following table summarizes the scheduled aggregate principal repayments due on the Company's debt outstanding as of June 30, 2024 (in thousands):

	Total
July 1, 2024 to December 31, 2024	$ —
2025	—
2026	107,000
2027	355,000
Total	$ 462,000

Credit Agreement

In connection with the Separation and the Distribution, on November 12, 2021, the Company, as parent, and Orion OP, as borrower, entered into (i) a credit agreement (the "Credit Agreement") providing for a three-year, $425.0 million senior revolving credit facility (the "Revolving Facility"), including a $25.0 million letter of credit sub-facility, and a two-year, $175.0 million senior term loan facility (the "Term Loan Facility") with Wells Fargo Bank, National Association, as administrative agent, and the lenders and issuing banks party thereto and (ii) a credit agreement (the "Bridge Credit Agreement") providing for a six-month, $355.0 million senior bridge term loan facility (the "Bridge Facility") with Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto.

In February 2022, as further described below, the Company refinanced the Bridge Facility in full with the $355.0 million CMBS Loan (defined below), and the Bridge Credit Agreement was terminated. In June 2023, as further described below, the Term Loan Facility was repaid and retired with borrowings under the Revolving Facility and, as of June 30, 2024, $107.0 million was outstanding under the Revolving Facility.

The Company and Orion OP have entered into three amendments to the Credit Agreement. The purpose of the first amendment entered into in December 2022 was to change the benchmark rate for borrowings under the Credit Agreement from LIBOR (the London interbank offered rate as administered by the ICE Benchmark Administration) to SOFR (the secured overnight financing rate as administered by the Federal Reserve Bank of New York). The purpose of the second amendment entered into in June 2023 was to repay and retire $175.0 million of outstanding borrowings under the Term Loan Facility with borrowings from the Revolving Facility which was undrawn at the time of the second amendment, provide Orion OP with the option to extend the maturity of the Revolving Facility for an additional 18 months to May 12, 2026 from November 12, 2024 and to effect certain other modifications. On May 3, 2024, the Company entered into a third amendment to the Credit Agreement which resulted in a permanent $75.0 million reduction in the capacity of the Revolving Facility to $350.0 million from $425.0 million, while making a proportional reduction in the minimum value of the unencumbered asset pool required under the Credit Agreement to $500.0 million from $600.0 million and certain other modifications to financial covenants. On May 16, 2024, the Company elected its option to extend the maturity of the Revolving Facility to May 12, 2026.

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The interest rate applicable to the loans under the Revolving Facility may be determined, at the election of Orion OP, on the basis of Daily Simple SOFR, Term SOFR or a base rate, in the case of a SOFR loan, plus a SOFR adjustment of 0.10% per annum, and in the case of a SOFR loan or a base rate loan, plus an applicable margin of 3.25% for SOFR loans and 2.25% for base rate loans. Loans under the Revolving Facility may be prepaid and reborrowed, and unused commitments under the Revolving Facility may be reduced, at any time, in whole or in part, by Orion OP, without premium or penalty (except for SOFR breakage costs).

In December 2022, the Company entered into interest rate swap agreements with an aggregate notional amount of $175.0 million, which effectively fixed the interest rate on $175.0 million of principal under the Revolving Facility (or, until June 29, 2023, the Term Loan Facility) at 3.92% per annum until November 12, 2023. Upon the scheduled expiration of the interest rate swap agreements, the Company entered into interest rate collar agreements on a total notional amount of $60.0 million to hedge against interest rate volatility on the Revolving Facility. Under the agreements, the benchmark rate for the Revolving Facility will float between 5.50% per annum and 4.20% per annum on $25.0 million, and 5.50% per annum and 4.035% per annum on $35.0 million, effective from November 13, 2023 until May 12, 2025. As of June 30, 2024, the weighted average effective interest rate of the Revolving Facility was 8.66%.

To the extent that amounts under the Revolving Facility remain unused, Orion OP is required to pay a quarterly commitment fee on the unused portion of the Revolving Facility in an amount equal to 0.25% per annum of the unused portion of the Revolving Facility.

The Revolving Facility is guaranteed pursuant to a guaranty by the Company and, subject to certain exceptions, substantially all of Orion OP's existing and future subsidiaries (including substantially all of its subsidiaries that directly or indirectly own unencumbered real properties), other than certain joint ventures and subsidiaries that own real properties subject to certain other indebtedness (such subsidiaries of Orion OP, the "Subsidiary Guarantors").

The Revolving Facility is secured by, among other things, first priority pledges of the equity interests in the Subsidiary Guarantors.

The Revolving Facility requires that Orion OP comply with various covenants, including covenants restricting, subject to certain exceptions, liens, investments, mergers, asset sales and the payment of certain dividends. Pursuant to the second amendment described above, if, on any day, Orion OP has unrestricted cash and cash equivalents in excess of $25.0 million (excluding amounts that are then designated for application or use and are subsequently used for such purposes within 30 days), Orion OP will use such excess amount to prepay loans under the Revolving Facility, without premium or penalty and without any reduction in the lenders' commitment under the Revolving Facility.

In addition, the Revolving Facility giving effect to the modifications pursuant to the second and third amendments described above requires that Orion OP satisfy the following financial covenants:

- ratio of total debt to total asset value of not more than 0.60 to 1.00;
- ratio of adjusted EBITDA to fixed charges of not less than 1.50 to 1.00;
- ratio of secured debt to total asset value of not more than 0.40 to 1.00;
- ratio of unsecured debt to unencumbered asset value of not more than 0.60 to 1.00;
- ratio of net operating income from all unencumbered real properties to unsecured interest expense of not less than 2.00 to 1.00; and
- the unencumbered asset value maintained by Orion OP must be at least $500.0 million.

Pursuant to the second amendment described above, if the ratio of unsecured debt to unencumbered asset value exceeds 0.35 to 1.00 as of the end of two consecutive fiscal quarters, Orion OP will be required, within 90 days and subject to cure rights, to grant the administrative agent a first priority lien on all the properties included in the pool of unencumbered assets (other than properties identified for disposition by the Company so long as such properties are sold within one year of such identification).

As of June 30, 2024, Orion OP was in compliance with the Revolving Facility financial covenants.

The Revolving Facility includes customary representations and warranties of the Company and Orion OP, which must be true and correct in all material respects as a condition to future extensions of credit under the Revolving Facility. The Revolving Facility also includes customary events of default, the occurrence of which, following any applicable grace period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of Orion OP under the Revolving Facility to be immediately due and payable and foreclose on the collateral securing the Revolving Facility.

CMBS Loan

On February 10, 2022, certain indirect subsidiaries of the Company (the "Mortgage Borrowers") obtained a $355.0 million fixed rate mortgage loan (the "CMBS Loan") from Wells Fargo Bank, National Association (together with its successor, the "Lender"), which is secured by the Mortgage Borrowers' fee simple or ground lease interests in 19 properties owned indirectly by the Company (collectively, the "Mortgaged Properties"). During March 2022, Wells Fargo effected a securitization of the CMBS Loan. The CMBS Loan bears interest at a fixed rate of 4.971% per annum and matures on February 11, 2027.

The CMBS Loan requires monthly payments of interest only and all principal is due at maturity. The proceeds of the CMBS Loan were used to repay the Bridge Facility. Upon closing of the CMBS Loan, the Mortgage Borrowers funded $35.5 million of loan reserves primarily for future rent concessions and tenant improvement allowances under the leases with respect to the 19 Mortgaged Properties. These amounts, as well as the transaction expenses incurred in connection with the CMBS Loan, were funded with cash on hand and borrowings under the Company's Revolving Facility.

The CMBS Loan is secured by, among other things, first priority mortgages and deeds of trust granted by the Mortgage Borrowers and encumbering the Mortgaged Properties.

The CMBS Loan is generally not freely prepayable by the Mortgage Borrowers without payment of certain prepayment premiums and costs. The CMBS Loan may be prepaid in whole, but not in part, except as provided in the loan agreement governing the CMBS Loan (the "CMBS Loan Agreement"), at any time following the Prepayment Lockout Release Date (as defined in the CMBS Loan Agreement) (generally in March 2024, two years after the CMBS Loan has been fully securitized), subject to the payment of a yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement. Further, releases of individual properties are permitted in connection with an arms' length third party sale upon repayment of the Release Price (as defined in the CMBS Loan Agreement) for the applicable individual property and subject to payment of the applicable yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement.

The CMBS Loan Agreement also contains customary cash management provisions, including certain trigger events (such as failure of the Mortgage Borrowers to satisfy a minimum debt yield) which allow the Lender to retain any excess cash flow as additional collateral for the Loan, until such trigger event is cured.

In connection with the CMBS Loan Agreement, the Company (as the guarantor) delivered a customary non-recourse carveout guaranty to the Lender (the "Guaranty"), under which the Company guaranteed the obligations and liabilities of the Mortgage Borrowers to the Lender with respect to certain non-recourse carveout events and the circumstances under which the CMBS Loan will be fully recourse to the Mortgage Borrowers, and which includes requirements for the Company to maintain a net worth of no less than $355.0 million and liquid assets of no less than $10.0 million, in each case, exclusive of the values of the collateral for the CMBS Loan. As of June 30, 2024, the Company was in compliance with these financial covenants.

The Mortgage Borrowers and the Company also provided a customary environmental indemnity agreement, pursuant to which the Mortgage Borrowers and the Company agreed to protect, defend, indemnify, release and hold harmless the Lender from and against certain environmental liabilities relating to the Mortgaged Properties.

The CMBS Loan Agreement includes customary representations, warranties and covenants of the Mortgage Borrowers and the Company. The CMBS Loan Agreement also includes customary events of default, the occurrence of which, following any applicable grace period, would permit the Lender to, among other things, declare the principal, accrued interest and other obligations of the Mortgage Borrowers to be immediately due and payable and foreclose on the Mortgaged Properties.

The Company's mortgages payable consisted of the following as of June 30, 2024 (dollars in thousands):

	Encumbered Properties	Net Carrying Value of Collateralized Properties (1)	Outstanding Balance	Interest Rate	Years to Maturity
Fixed-rate debt	19	$ 417,504	$ 355,000	4.97 %	2.6

(1) Net carrying value is real estate assets, including right-of-use assets, net of real estate liabilities.

The table above does not include non-recourse mortgage notes associated with the Arch Street Joint Venture of $136.4 million, of which the Company's pro-rata share was $27.3 million, as of June 30, 2024.

Note 7 – Derivatives and Hedging Activities

Cash Flow Hedges of Interest Rate Risk

As of June 30, 2024 and December 31, 2023, the Company had outstanding derivative agreements with an aggregate notional amount of $60.0 million, which were designated as cash flow hedges under U.S. GAAP. The interest rate derivative agreements comprise interest rate collar agreements entered into in order to hedge interest rate volatility with respect to the Company's borrowings under the Revolving Facility. Under the agreements, the benchmark rate for the Revolving Facility will float between 5.50% per annum and 4.20% per annum on $25.0 million, and 5.50% per annum and 4.035% per annum on $35.0 million, effective from November 13, 2023 until May 12, 2025.

The Company was previously party to derivative agreements with an aggregate notional amount of $175.0 million, which were also designated as cash flow hedges under U.S. GAAP. The interest rate derivative agreements, which expired on November 12, 2023, comprised interest rate swap agreements which effectively fixed the interest rate on the Company's borrowings under the Revolving Facility (or, until June 29, 2023, the Term Loan Facility) until November 12, 2023.

The table below presents the fair value of the Company's derivative financial instruments designated as cash flow hedges as well as their classification in the Company's consolidated balance sheets as of June 30, 2024 and December 31, 2023 (in thousands):

Derivatives Designated as Hedging Instruments	Balance Sheet Location	June 30, 2024	December 31, 2023
Interest rate collars	Other liabilities, net	$ (14)	$ (264)

During the three and six months ended June 30, 2024, the Company recorded unrealized gains of less than $0.1 million and $0.3 million, respectively, for changes in the fair value of its cash flow hedge in accumulated other comprehensive income. During the three and six months ended June 30, 2023, the Company recorded unrealized gains of $0.4 million and $0.3 million, respectively, for changes in the fair value of its cash flow hedge in accumulated other comprehensive income.

During the three and six months ended June 30, 2024, the Company did not reclassify any previous net gains or losses from accumulated other comprehensive loss into interest expense as a result of the hedged transactions impacting earnings. During the three and six months ended June 30, 2023, the Company reclassified previous gains of $1.9 million and $3.6 million, respectively, from accumulated other comprehensive income into interest expense as a result of the hedged transactions impacting earnings.

During the next twelve months, the Company estimates that no amounts will be reclassified from accumulated other comprehensive loss to interest expense.

Derivatives Not Designated as Hedging Instruments

As of each of June 30, 2024 and December 31, 2023, the Company had no derivatives that were not designated as qualifying hedging relationships.

Tabular Disclosure of Offsetting Derivatives

The table below details a gross presentation, the effects of offsetting and a net presentation of the Company's derivatives as of June 30, 2024 and December 31, 2023 (in thousands). The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value.

	Offsetting of Derivative Assets and Liabilities							
	Gross Amounts of Recognized Assets	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Received	Net Amount
June 30, 2024	$ —	$ (14)	$ —	$ —	$ (14)	$ —	$ —	$ (14)
December 31, 2023	$ —	$ (264)	$ —	$ —	$ (264)	$ —	$ —	$ (264)

Note 8 – Supplemental Cash Flow Disclosures

Supplemental cash flow information was as follows during the periods indicated below (in thousands):

	Six Months Ended June 30,	
	2024	2023
Supplemental disclosures:		
Cash paid for interest	$ 14,540	$ 13,343
Cash paid for income taxes, net of refunds	$ 213	$ 411
Non-cash investing and financing activities:		
Accrued capital expenditures and leasing costs	$ 5,307	$ 2,231
Distributions declared and unpaid	$ 5,595	$ 5,670
Land acquired upon finance lease termination	$ 3,470	$ —

Note 9 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Accrued real estate and other taxes	$ 9,268	$ 11,794
Accrued capital expenditures and leasing costs	7,624	6,284
Accrued operating and other costs	6,550	8,673
Accrued interest	1,898	2,122
Accounts payable	1,601	1,606
Total	$ 26,941	$ 30,479

Note 10 – Commitments and Contingencies

Leasing

As part of its ordinary re-leasing activities, the Company has agreed and anticipates that it will continue to agree to provide rent concessions to tenants and incur leasing costs with respect to its properties, including amounts paid directly to tenants to improve their space and/or building systems, or tenant improvement allowances, landlord agreements to perform and pay for certain improvements, and leasing commissions. These rent concessions and leasing costs could be significant and are expected to vary due to factors such as competitive market conditions for leasing of commercial office space and the volume of square footage subject to re-leasing by the Company.

As of June 30, 2024, the Company had the following estimated total outstanding commitments (in thousands):

	June 30, 2024 [(1)]
Tenant improvement allowances	$ 50,647
Reimbursable landlord work [(2)]	6,901
Non-reimbursable landlord work [(2)]	6,341
Leasing commissions	323
Total	$ 64,212

(1) Outstanding commitments do not include rent concessions as such amounts are recorded as a component of straight-line rent receivable, net, in accordance with U.S. GAAP.

(2) Landlord work represents specific improvements agreed to within the lease agreement to be performed by us, as landlord, as a new and non-recurring obligation and in order to induce the tenant to enter into a new lease or lease renewal or extension. Commitments for reimbursable and non-reimbursable landlord work include estimates and are subject to change.

The timing of the Company's cash outlay for tenant improvement allowances is significantly uncertain and will depend upon the applicable tenant's schedule for the improvements and corresponding use of capital, if any. For assets financed on the CMBS Loan, the Company has funded reserves with the lender for tenant improvement allowances and rent concessions. The restricted cash included in the reserve totaled $34.7 million as of June 30, 2024, including $23.6 million for tenant improvement allowances and $11.1 million for rent concessions, and is included in other assets, net in the Company's consolidated balance sheets.

Litigation

From time to time, the Company may be party to various legal proceedings which it believes are routine in nature and incidental to the operation of its business. The Company does not believe that any such legal proceedings will have a material adverse effect upon its consolidated position or results of operations.

Environmental Matters

In connection with the ownership and operation of real estate, the Company may potentially be liable for costs and damages related to environmental matters. The Company has not been notified by any governmental authority of any non-compliance, liability or other claim, and is not aware of any other environmental condition, in each case, that it believes will have a material adverse effect upon its consolidated position or results of operations.

Note 11 – Leases

Lessor

As of June 30, 2024, the Company's operating leases have non-cancelable lease terms ranging from 0.1 years to 14.8 years. Certain leases with tenants include tenant options to extend or terminate the lease agreements or to purchase the underlying assets. Lease agreements may also contain rent increases that are based on an index or rate (e.g., the consumer price index).

The components of rental revenue from the Company's operating leases during the periods indicated below were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Fixed:				
Cash rental revenue	$ 30,306	$ 36,410	$ 61,984	$ 72,514
Straight-line rental revenue	(240)	2,275	309	4,959
Lease intangible amortization	305	174	719	288
Fixed property operating cost reimbursements	1,445	1,399	2,891	2,783
Other fixed rental revenue	—	85	1,038	235
Total fixed	31,816	40,343	66,941	80,779
Variable:				
Variable property operating cost reimbursements	7,469	10,679	18,665	19,161
Other variable rental revenue	638	802	1,312	1,874
Total variable	8,107	11,481	19,977	21,035
Total rental revenue	$ 39,923	$ 51,824	$ 86,918	$ 101,814

The following table presents future minimum base rent payments due to the Company under the terms of its operating lease agreements, excluding expense reimbursements, over the next five years and thereafter as of June 30, 2024 (in thousands).

	Future Minimum Base Rent Payments
July 1, 2024 - December 31, 2024	$ 53,431
2025	83,707
2026	80,298
2027	60,138
2028	46,262
2029	32,422
Thereafter	140,636
Total	$ 496,894

Lessee

The Company is the lessee under ground lease arrangements and corporate office leases, which meet the criteria under U.S. GAAP for an operating lease. As of June 30, 2024, the Company's operating leases had remaining lease terms ranging from 1.4 years to 60.5 years, which includes options to extend. Under the operating leases, the Company pays rent and may also pay variable costs, including property operating expenses and common area maintenance. The weighted-average discount rate used to measure the lease liability for the Company's operating leases was 3.79% as of June 30, 2024. As the Company's leases do not provide an implicit rate, the Company used an estimated incremental borrowing rate based on the information available at the lease commencement date or the lease guidance adoption date, as applicable, in determining the present value of lease payments.

Operating lease costs were $0.3 million for the three months ended June 30, 2024 and 2023, and $0.6 million for the six months ended June 30, 2024 and 2023. No cash paid for operating lease liabilities was capitalized for the three and six months ended June 30, 2024 and 2023.

The following table reflects the maturity analysis of payments due from the Company over the next five years and thereafter for ground and corporate office lease obligations as of June 30, 2024 (in thousands).

	Future Minimum Lease Payments
July 1, 2024 - December 31, 2024	$ 584
2025	1,184
2026	778
2027	752
2028	761
2029	473
Thereafter	12,044
Total	16,576
Less: imputed interest	5,757
Total	$ 10,819

Note 12 – Stockholders' Equity

Common Stock

The Company was initially capitalized on July 15, 2021 with the issuance of 100,000 shares of common stock to Realty Income for a total of $1,000.

On November 10, 2021, the Company issued 56,525,650 additional shares of common stock to Realty Income, such that Realty Income owned 56,625,650 shares of the Company's common stock. On November 12, 2021, Realty Income effected the Distribution.

Dividends

During the six months ended June 30, 2024 and 2023, the Company's Board of Directors declared quarterly cash dividends on shares of the Company's common stock as follows:

Declaration Date	Record Date	Paid Date	Distributions Per Share
February 27, 2024	March 29, 2024	April 15, 2024	$ 0.10
May 7, 2024	June 28, 2024	July 15, 2024	$ 0.10

Declaration Date	Record Date	Paid Date	Distributions Per Share
March 7, 2023	March 31, 2023	April 17, 2023	$ 0.10
May 8, 2023	June 30, 2023	July 17, 2023	$ 0.10

On August 7, 2024, the Company's Board of Directors declared a quarterly cash dividend of $0.10 per share for the third quarter of 2024, payable on October 15, 2024, to stockholders of record as of September 30, 2024.

Share Repurchase Program

On November 1, 2022, the Company's Board of Directors authorized the repurchase of up to $50.0 million of the Company's outstanding common stock until December 31, 2025, as market conditions warrant (the "Share Repurchase Program"). Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including accelerated stock repurchase transactions, or other methods of acquiring shares in accordance with applicable securities laws and other legal requirements. The Share Repurchase Program does not obligate the Company to make any repurchases at a specific time or in a specific situation. Repurchases are subject to prevailing market conditions, the trading price of the Company's common stock, the Company's liquidity and anticipated liquidity needs, financial performance and other conditions. Shares of common stock repurchased by the Company under the Share Repurchase Program, if any, will be returned to the status of authorized but unissued shares of common stock. The Company did not repurchase any shares under the Share Repurchase Program during the six months ended June 30, 2024 or 2023. As of June 30, 2024, the Company had approximately $45.0 million available under the Share Repurchase Program.

Note 13 - Equity-Based Compensation

The Company has an equity-based incentive award plan (the "Equity Plan") for officers, other employees, non-employee directors and consultants who provide services to the Company. Awards under the Equity Plan are accounted for under U.S. GAAP as share-based payments. The expense for such awards is recognized over the requisite service period, which is generally the vesting period. Under the Equity Plan, the Company may grant various types of awards, including restricted stock units that will vest if the recipient maintains employment with the Company over the requisite service period (the "Time-Based RSUs") and restricted stock units that may vest in a number ranging from 0% to 100% of the total number of units granted, based on the Company's total shareholder return measured on an absolute basis ("TSR-Based RSUs") and based on certain operational performance metrics ("Metrics-Based RSUs" and collectively with the TSR-Based RSUs, "Performance-Based RSUs"), in each case for officers and other employees during a three-year performance period. The Company also granted Time-Based RSUs to its non-employee directors which are scheduled to vest on the earlier of the one-year anniversary of the grant date and the next annual meeting, subject to the recipient's continued service with the Company.

During the six months ended June 30, 2024 and 2023, the Company granted Time-Based RSUs and/or Performance-Based RSUs to officers and other employees of the Company. The fair value of the Time-Based RSUs is determined using the closing stock price on the grant date and is expensed over the requisite service period on a straight-line basis. The fair value of the TSR-Based RSUs is determined using a Monte Carlo simulation which takes into account multiple input variables that determine the probability of satisfying the required total shareholder return, and such fair value is expensed over the performance period. The fair value of the Metrics-Based RSUs is determined using the closing stock price on the grant date and is expensed over the requisite service period to the extent that the likelihood of achieving the performance metrics is probable. As of June 30, 2024, the Company determined that the likelihood of achieving some of the performance metrics was probable and, accordingly, the Company recognized compensation expense for such Metrics-Based RSUs and determined that the likelihood of achieving the remaining performance metrics was improbable and the Company recognized no compensation expense for the remaining Metrics-Based RSUs.

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Time-Based RSUs and Performance-Based RSUs do not provide for any rights of a common stockholder prior to the vesting of such restricted stock units. Equity-based compensation expense related to Time-Based RSUs and Performance-Based RSUs for the three and six months ended June 30, 2024, was $0.9 million and $1.7 million, respectively. Equity-based compensation expense related to Time-Based RSUs and Performance-Based RSUs for the three and six months ended June 30, 2023, was $0.6 million and $1.1 million, respectively. As of June 30, 2024, total unrecognized compensation expense related to Time-Based RSUs and Performance-Based RSUs was approximately $5.6 million, with an aggregate weighted-average remaining term of 1.9 years.

The Company was also required under U.S. GAAP to recognize equity-based compensation expense for awards to its former employees of Realty Income time-based restricted stock units and stock options granted in connection with the Separation and the Distribution. Equity-based compensation expense related to such Realty Income equity-based compensation awards was less than $0.1 million for the six months ended June 30, 2024 and less than $0.1 million and $0.1 million for the three and six months ended June 30, 2023, respectively. There was no equity-based compensation expense related to the Realty Income equity-based compensation awards recognized during the three months ended June 30, 2024. As of June 30, 2024, there was no remaining unrecognized compensation expense related to Realty Income time-based restricted stock units and stock options.

Note 14 - Net Loss Per Share

The computation of basic and diluted earnings per share is as follows for the three and six months ended June 30, 2024 and 2023 (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss	$ (33,801)	$ (15,715)	$ (60,027)	$ (24,589)
Income attributable to non-controlling interest	—	(15)	(6)	(26)
Net loss available to common stockholders used in basic and diluted net loss per share	(33,801)	(15,730)	(60,033)	(24,615)
Weighted average shares of common stock outstanding - basic	55,910	56,680	55,857	56,661
Effect of dilutive securities [(1)]	—	—	—	—
Weighted average shares of common stock - diluted	55,910	56,680	55,857	56,661
Basic and diluted net loss per share attributable to common stockholders	$ (0.60)	$ (0.28)	$ (1.07)	$ (0.43)

(1) As of June 30, 2024 and 2023, there were no adjustments to the weighted average common shares outstanding used in the diluted calculation given that all potentially dilutive shares were anti-dilutive.

The following were excluded from diluted net loss per share attributable to common stockholders, as the effect would have been antidilutive (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Weighted average unvested Time-Based RSUs [(1)]	99	11	38	12
Weighted average stock warrants	1,120	1,120	1,120	1,120

(1) Net of assumed repurchases in accordance with the treasury stock method and exclude Performance-Based RSUs for which the performance thresholds have not been met by the end of the applicable reporting period.

Note 15 – Subsequent Events

Distributions

On August 7, 2024, the Company’s Board of Directors declared a quarterly cash dividend of $0.10 per share for the third quarter of 2024, payable on October 15, 2024, to stockholders of record as of September 30, 2024.

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Leasing Activity

During July 2024, the tenant at the Company's approximately 55,000 square foot property in Nashville, Tennessee exercised a 5.0-year renewal option.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes "forward-looking statements" which reflect Orion Office REIT Inc.'s (the "Company, "Orion", "we", or "us") expectations and projections regarding future events and plans, future financial condition, results of operations, liquidity and business, including leasing and occupancy, acquisitions, dispositions, rent receipts, expected borrowings and financing costs and the payment of future dividends. Generally, the words "anticipates," "assumes," "believes," "continues," "could," "estimates," "expects," "goals," "intends," "may," "plans," "projects," "seeks," "should," "targets," "will," "guidance," variations of such words and similar expressions identify forward-looking statements. These forward-looking statements are based on information currently available to us and involve a number of known and unknown assumptions and risks, uncertainties and other factors, which may be difficult to predict and beyond the Company's control, that could cause actual events and plans or could cause our business, financial condition, liquidity and results of operations to differ materially from those expressed or implied in the forward-looking statements. These factors include, among other things, those discussed below. Information regarding historical rent collections should not serve as an indication of future rent collection. We disclaim any obligation to publicly update or revise any forward-looking statements, whether as a result of changes in underlying assumptions or factors, new information, future events or otherwise, except as may be required by law.

The following are some, but not all, of the assumptions, risks, uncertainties and other factors that could cause our actual results to differ materially from those presented in our forward-looking statements:

- the risk of rising interest rates, including that our borrowing costs may increase and we may be unable to extend or refinance our debt obligations on favorable terms and in a timely manner, or at all;
- the risk of inflation, including that our operating costs, such as insurance premiums, utilities, real estate taxes, capital expenditures and repair and maintenance costs, may rise;
- conditions associated with the global market, including an oversupply of office space, tenant credit risk and general economic conditions and geopolitical conditions;
- the extent to which changes in workplace practices and office space utilization, including remote and hybrid work arrangements, will continue and the impact that may have on demand for office space at our properties;
- our ability to acquire new properties and sell non-core assets on favorable terms and in a timely manner, or at all;
- our ability to comply with the terms of our credit agreements or to meet the debt obligations on our properties;
- our ability to access the capital markets to raise additional equity or refinance maturing debt on favorable terms and in a timely manner, or at all;
- changes in the real estate industry and in performance of the financial markets and interest rates and our ability to effectively hedge against interest rate changes;
- the risk of tenants defaulting on their lease obligations, which is heightened due to our focus on single-tenant properties;
- our ability to renew leases with existing tenants or re-let vacant space to new tenants on favorable terms and in a timely manner, or at all;
- the cost of rent concessions, tenant improvement allowances and leasing commissions;
- the potential for termination of existing leases pursuant to tenant termination rights;
- the amount, growth and relative inelasticity of our expenses;
- risks associated with the ownership and development of real property;
- risks accompanying our investment in and the management of OAP/VER Venture, LLC (the "Arch Street Joint Venture"), our unconsolidated joint venture, in which we hold a non-controlling ownership interest, including that the unconsolidated joint venture may be unable to satisfy the extension conditions or otherwise extend or refinance its outstanding mortgage debt on or prior to maturity;
- our ability to close pending real estate transactions, which may be subject to conditions that are outside of our control;
- our ability to accurately forecast the payment of future dividends on our common stock, and the amount of such dividends;

- risks associated with acquisitions, including the risk that we may not be in a position, or have the opportunity in the future, to make suitable property acquisitions on advantageous terms and/or that such acquisitions will fail to perform as expected;
- risks associated with the fact that we have a limited operating history and our future performance is difficult to predict;
- our properties may be subject to impairment charges;
- risks resulting from losses in excess of insured limits or uninsured losses;
- risks associated with the potential volatility of our common stock;
- the risk that we may fail to maintain our income tax qualification as a real estate investment trust; and
- other risks and uncertainties detailed from time to time in our SEC filings.

All forward-looking statements should be read in light of the risks identified in Part I, Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

We use certain defined terms throughout this Quarterly Report on Form 10-Q that have the following meanings:

When we refer to "annualized base rent," we mean the monthly aggregate cash amount charged to tenants under our leases (including monthly base rent receivables and certain fixed contractually obligated reimbursements by our tenants), as of June 30, 2024, multiplied by 12, including the Company's pro rata share of such amounts from the Arch Street Joint Venture, the Company's unconsolidated joint venture with an affiliate of Arch Street Capital Partners, LLC ("Arch Street Capital Partners"). Annualized base rent is not indicative of future performance.

Under a "net lease", the tenant occupying the leased property (usually as a single tenant) does so in much the same manner as if the tenant were the owner of the property. There are various forms of net leases, most typically classified as triple net or double net. Triple net leases typically require that the tenant pay all expenses associated with the property (*e.g.*, real estate taxes, insurance, maintenance and repairs). Double net leases typically require that the tenant pay all operating expenses associated with the property (*e.g.*, real estate taxes, insurance and maintenance), but excludes some or all major repairs (*e.g.*, roof, structure and parking lot). Accordingly, the owner receives the rent "net" of these expenses, rendering the cash flow associated with the lease predictable for the term of the lease.

Overview

Orion is an internally managed real estate investment trust ("REIT") engaged in the ownership, acquisition, and management of a diversified portfolio of office buildings located in high-quality suburban markets across the U.S. and leased primarily on a single-tenant net lease basis to creditworthy tenants. Our portfolio is comprised of traditional office buildings, as well as governmental office, medical office, flex/laboratory and R&D and flex/industrial properties.

As of June 30, 2024, we commenced classifying certain of our properties which are being repositioned, redeveloped, developed or held for sale as non-operating properties rather than operating properties, resulting in six properties being removed from the presentation of the Company's portfolio of operating properties. Additionally, during the three months ended June 30, 2024, we completed a parcel split of our property located in Amherst, New York, which included two buildings. As a result of the split, the two parcels and respective buildings on the parcels are being reported as separate operating properties. As of June 30, 2024, following the reclassification of six properties as non-operating properties and the parcel split, we owned and operated 69 office properties with an aggregate of 8.0 million leasable square feet located in 29 states with an occupancy rate of 79.2% and a weighted-average remaining lease term of 4.2 years. Including our pro rata share of leasable square feet and annualized base rent from the Arch Street Joint Venture, we owned an aggregate of 8.2 million leasable square feet with an occupancy rate of 79.7%, or 80.9% adjusted for one operating property that is currently under agreement to be sold, and a weighted-average remaining lease term of 4.2 years as of June 30, 2024.

The Company was initially formed as a wholly-owned subsidiary of Realty Income Corporation ("Realty Income"). Following completion of the merger transaction involving Realty Income and VEREIT, Inc. ("VEREIT") on November 1, 2021, Realty Income contributed the combined business comprising certain office real properties and related assets previously owned by subsidiaries of Realty Income, and certain office real properties and related assets previously owned by subsidiaries of VEREIT (the "Separation"), to the Company and its operating partnership, Orion Office REIT LP ("Orion OP"), and, on November 12, 2021, effected a special distribution to its stockholders of all the outstanding shares of common stock of the Company (the "Distribution").

Following the Distribution, the Company became independent and publicly traded and our common stock, par value $0.001 per share, trades on the NYSE under the symbol "ONL".

Factors That May Influence Our Operating Results and Financial Condition

Rental Revenues

Our operating results depend primarily upon generating rental revenue from the properties in our portfolio. The amount of rental revenue generated by these properties is affected by our ability to maintain or increase occupancy levels, which will depend upon our ability to re-lease expiring space at favorable rates (see "Economic Environment and Tenant Retention" below). In addition, we have agreed to provide rent concessions to tenants and incur leasing costs with respect to our properties, including amounts paid directly to tenants to improve their space and/or building systems, or tenant improvement allowances, landlord agreements to perform and pay for certain improvements, and leasing commissions, and we anticipate we will continue to do so in future periods (see "Leasing Activity and Capital Expenditures" below).

Economic Environment and Tenant Retention

Our portfolio comprises primarily single-tenant leases, and tenant retention remains a significant challenge, as we have faced and will continue to face significant lease expirations the next few years. For example, leases representing approximately 12.7% and 13.6% of our annualized base rent are scheduled to expire during the remainder of 2024 and in 2025, respectively, and we may be unable to renew leases or find replacement tenants. Certain changes in office space utilization, including increased remote and hybrid work arrangements and tenants consolidating their real estate footprint, continue to impact the office leasing market. The utilization and demand for office space continue to face headwinds and the duration and ultimate impact of current trends on the demands for office space at our properties remains uncertain and subject to change. Accordingly, we do not yet know what the full extent of the impacts will be on our or our tenants' businesses and operations or the long-term outlook for leasing our properties. Higher interest rates, inflationary pressures, geopolitical hostilities and tensions, and concerns that the U.S. economy may enter an economic recession have caused disruptions in the financial markets and these factors could adversely affect our and our tenants' financial condition and the ability or willingness of our tenants to renew our leases or pay rent to us.

Our leasing and asset disposition activity since the completion of our distribution from Realty Income continues to be adversely impacted by a variety of market and property specific conditions. Since the onset of the COVID-19 pandemic, the office leasing market has experienced significantly reduced demand for space and changes in space usage as tenants seek to attract employees back to the office, in newer, renovated buildings with more amenities. As of June 30, 2024, 64.1%, 30.9% and 5.0% of our office buildings by square feet were classified as class A, class B and class C, respectively, as determined by the most recent appraisals of the properties. As of June 30, 2024, our class B and class C properties collectively included the following 10% or greater geographic concentration as measured by square footage: Texas (17.7%); and the following 10% or greater property type concentrations as measured by square footage: Traditional Office (67.3%); Flex/Industrial (20.7%); and Governmental Office (10.0%). In the current office environment, class B and class C buildings generally have been experiencing reduced demand and lease or sell at discounts to class A buildings and our tenants and prospective new tenants across our portfolio sometimes compare the cost and the value of leasing space in our building to the value of newer space with more amenities asking higher rent in other buildings in the market. The class of buildings we own may be negatively impacting our leasing velocity and pushing our leasing costs higher, and has negatively impacted our sales price on non-core asset dispositions.

Indebtedness

We have incurred significant amounts of indebtedness and, therefore, are subject to the risks normally associated with debt financing, including that we may be unable to extend or refinance our debt obligations as they come due. Deteriorating office fundamentals, high interest rates and market sentiment towards the office sector may restrict our access to, and likely increase our cost of, capital as we seek to extend or refinance our debts. On May 16, 2024, we exercised our option to extend the maturity date of our Revolving Facility for 18 months from November 12, 2024 to May 12, 2026. Upon exercising the extension, our nearest debt maturity is the non-recourse mortgage notes associated with the Arch Street Joint Venture of $136.4 million, which are scheduled to mature on November 27, 2024. As of June 30, 2024, our proportionate share of the non-recourse mortgage notes associated with the Arch Street Joint Venture was $27.3 million. The Arch Street Joint Venture has two successive one-year options to extend the maturity date until November 27, 2026, however, the extension options are subject to satisfaction of certain conditions, including satisfaction of certain financial and operating covenants. The Arch Street Joint Venture may be unable to satisfy the extension conditions, and has preliminarily agreed with the existing lenders to extend the mortgage notes for one year and on other mutually acceptable terms, subject to definitive documentation and other conditions. We cannot provide any assurance that the Arch Street Joint Venture will be able to satisfy the extension conditions or reach final agreement with its lenders to extend the mortgage notes or otherwise refinance the mortgage notes. If the Arch Street Joint Venture is unable to extend or refinance the mortgage notes, our investment in the Arch Street Joint Venture could be materially adversely affected.

Property Acquisitions and Dispositions

As part of our business strategy, we may acquire properties if market conditions permit and we are presented with an attractive opportunity to do so. Our ability to execute on asset acquisition activity will be highly dependent upon favorable market conditions, including attractive yields on properties and access to requisite financing. We cannot provide any assurance as to whether we will be able to acquire assets on favorable terms and in a timely manner, or at all.

One of our main asset management strategies since the completion of our distribution from Realty Income has been to sell vacant and identified non-core assets that do not fit our long-term investment objectives. The sale of these assets will allow us to both reduce carry costs and avoid the uncertainty and significant capital expenditures associated with re-tenanting. We expect to continue this non-core asset disposition strategy through the remainder of 2024. We cannot provide any assurance as to whether we will be able to sell non-core assets on favorable terms and in a timely manner, or at all.

Emerging Growth Company Status

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act (the “JOBS Act”). As such, we are eligible to take advantage of certain exemptions from various reporting requirements that apply to other public companies that are not emerging growth companies, including compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and the requirements to hold a non-binding advisory vote on executive compensation and any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we rely on the exemptions available to us as an emerging growth company. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, Section 107 of the JOBS Act provides that an emerging growth company may take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period and, therefore, will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies until we can no longer avail ourselves of the exemptions applicable to emerging growth companies or until we affirmatively and irrevocably opt out of the extended transition period.

We will remain an emerging growth company until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.235 billion, (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act, (iii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur on the last day of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the last business day of our most recently completed second fiscal quarter, or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt during the preceding three-year period. As of June 30, 2024, the market value of our common stock held by non-affiliates was less than $700.0 million, and therefore, we expect to remain an “emerging growth company” at least until the next measuring date, which is June 30, 2025.

Basis of Presentation

For the three and six months ended June 30, 2024 and 2023, the consolidated financial statements of the Company include the accounts of the Company and its consolidated subsidiaries and a consolidated joint venture.

Election as a REIT

The Company elected to be taxed as a REIT for U.S. federal income tax purposes under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with the taxable year ended December 31, 2021. To maintain our qualification as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute annually at least 90% of our REIT taxable income, subject to certain adjustments and excluding any net capital gain, to stockholders. As a REIT, except as discussed below, we generally are not subject to federal income tax on taxable income that we distribute to our stockholders so long as we distribute at least 90% of our annual taxable income (computed without regard to the deduction for dividends paid and excluding net capital gains). REITs are subject to a number of other organizational and operational requirements. Even if we maintain our qualification for taxation as a REIT, we may become subject to certain state and local taxes on our income and property, and federal income taxes on certain income and excise taxes on our undistributed income.

Critical Accounting Estimates

Our accounting policies have been established to conform with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires us to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Management believes that we have made these estimates and assumptions in an appropriate manner and in a way that accurately reflects our financial condition. We continually test and evaluate these estimates and assumptions using our historical knowledge of the business, expectations and projections regarding future events and plans, as well as other factors, to ensure that they are reasonable for reporting purposes. However, actual results may differ from these estimates and assumptions. If our judgment or interpretation of the facts and circumstances relating to the various transactions had been different, it is possible that different accounting estimates would have been applied, thus resulting in a different presentation of the financial statements. Additionally, other companies may utilize different assumptions or estimates that may impact comparability of our results of operations to those of companies in similar businesses. We believe the following critical accounting policy involves significant judgments and estimates used in the preparation of our financial statements, which should be read in conjunction with the more complete discussion of our accounting policies and procedures included in Note 2 - Summary of Significant Accounting Policies to our consolidated financial statements.

Real Estate Impairment

We invest in real estate assets and subsequently monitor those investments quarterly for impairment. The risks and uncertainties involved in applying the principles related to real estate impairment include, but are not limited to, the following:

- The review of impairment indicators and subsequent determination of the undiscounted future cash flows could require us to reduce the value of assets and recognize an impairment loss.
- The evaluation of real estate assets for potential impairment requires our management to exercise significant judgment and make certain key assumptions, including the following: (1) capitalization rate; (2) discount rate; (3) number of years the property will be held; (4) property operating expenses; and (5) re-leasing assumptions including the number of months to re-lease, market rental revenue and required tenant improvements. There are inherent uncertainties in making these estimates such as market conditions and performance and sustainability of our tenants.
- Changes related to management’s intent to sell or lease the real estate assets used to develop the forecasted cash flows may have a material impact on our financial results.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are described in Note 2 - Summary of Significant Accounting Policies to our consolidated financial statements.

Significant Transactions Summary

Activity through June 30, 2024

Real Estate Operations

- During the six months ended June 30, 2024, we closed on the sale of one vacant property for a gross sales price of $2.1 million. As of August 8, 2024, we had pending agreements in place to sell one operating property and six non-operating properties for an aggregate gross sales price of $39.0 million. Our pending sale agreements are subject to a variety of conditions outside of our control, such as the buyer’s satisfactory completion of its due diligence and receipt of governmental approvals, and therefore, we cannot provide any assurance the transaction will close on the agreed upon price or other terms, or at all.

- During the six months ended June 30, 2024, we completed approximately 578,000 square feet of lease renewals and new leases across six different properties, including a new lease with the United States Government for approximately 86,000 square feet at our property in Lincoln, Nebraska, and a new lease with a law firm tenant for approximately 56,000 square feet at our property in Parsippany, New Jersey. Both tenants are expected to take occupancy in the third quarter of 2025. The United States Government also exercised a 4.0-year renewal option for approximately 413,000 square feet at our property in Covington, Kentucky.
- During the six months ended June 30, 2024, five leases expired consisting of 597,000 square feet. As of June 30, 2024, we had a total of nine fully vacant operating properties. Also during the six months ended June 30, 2024, we modified one lease to take back approximately 16,000 square feet of space at the Company's property in Lincoln, Nebraska, and the tenant vacated the space on April 1, 2024. Substantially all of this vacant space will be backfilled by the United States Government as part of their new lease at the Lincoln, Nebraska property described above.

Debt

- On May 3, 2024, we entered into an amendment to the Credit Agreement (the "Third Amendment"), pursuant to which we have rightsized the Revolving Facility to $350.0 million through a $75.0 million-capacity reduction.
- On May 16, 2024, we exercised our option to extend the maturity date of our Revolving Facility for 18 months from November 12, 2024 to May 12, 2026.
- During the six months ended June 30, 2024, we made repayments of debt obligations of $9.0 million, utilizing a combination of cash flows from operations and proceeds from real estate dispositions. As of June 30, 2024, we had $243.0 million of borrowing capacity under the Revolving Facility and $107.0 million of outstanding borrowings thereunder. Our interest rate collar agreements with an aggregate notional amount of $60.0 million remain in effect until May 12, 2025.

Equity

- The Company's Board of Directors declared a quarterly cash dividend of $0.10 per share for the first and second quarters of 2024 which were paid on April 15, 2024 and July 15, 2024. On August 7, 2024 the Company's Board of Directors declared a quarterly cash dividend of $0.10 per share for the third quarter of 2024, payable on October 15, 2024, to stockholders of record as of September 30, 2024.

Portfolio Overview

Real Estate Portfolio Metrics

Our financial performance is impacted by the timing of dispositions and the operating performance of our operating properties. The following table shows the property statistics of our operating properties as of June 30, 2024 and December 31, 2023, including our pro rata share of the applicable statistics of the properties owned by the Arch Street Joint Venture:

	June 30, 2024	December 31, 2023
Portfolio Metrics		
Operating properties [(1)]	69	75
Arch Street Joint Venture properties	6	6
Rentable square feet (in thousands)[(1)] [(2)]	8,202	8,884
Annualized base rent (in thousands)	$129,790	$141,293
Occupancy rate [(3)]	79.7%	80.4%
Leased rate [(4)]	81.4%	80.4%
Investment-grade tenants [(5)]	72.3%	70.6%
Weighted-average remaining lease term (in years)	4.2	4.0

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(1) As of June 30, 2024, we commenced classifying certain of our properties which are being repositioned, redeveloped, developed or held for sale as non-operating properties rather than operating properties, resulting in six properties being removed from the presentation of the Company's portfolio of operating properties and the associated rentable square feet. Additionally, during the three months ended June 30, 2024, we completed a parcel split of our property located in Amherst, New York, which included two buildings. As a result of the split, the two parcels and respective buildings on the parcels are being reported as separate operating properties.

(2) Represents leasable square feet of operating properties and the Company's pro rata share of leasable square feet of properties owned by the Arch Street Joint Venture.

(3) Occupancy rate equals the sum of occupied square feet divided by rentable square feet of operating properties. Adjusting for one operating property that is currently under agreement to be sold, the occupancy rate as of June 30, 2024 equals 80.9%.

(4) Leased rate equals the sum of leased square feet divided by rentable square feet of operating properties.

(5) Based on annualized base rent of our real estate portfolio, including the Company's pro rata share of annualized base rent for properties owned by the Arch Street Joint Venture, as of June 30, 2024. Investment-grade tenants are those with a credit rating of BBB- or higher by Standard & Poor's Financial Services LLC or a credit rating of Baa3 or higher by Moody's Investor Service, Inc. The ratings may reflect those assigned by Standard & Poor's Financial Services LLC or Moody's Investor Service, Inc. to the lease guarantor or the parent company, as applicable.

Operating Performance

In addition, management uses the following financial metrics to assess our operating performance (in thousands, except per share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Financial Metrics				
Total revenues	$ 40,124	$ 52,024	$ 87,321	$ 102,214
Net loss attributable to common stockholders	$ (33,801)	$ (15,730)	$ (60,033)	$ (24,615)
Basic and diluted net loss per share attributable to common stockholders	$ (0.60)	$ (0.28)	$ (1.07)	$ (0.43)
FFO attributable to common stockholders [(1)]	$ 10,925	$ 24,404	$ 29,314	$ 47,877
FFO attributable to common stockholders per diluted share[(1)]	$ 0.20	$ 0.43	$ 0.52	$ 0.84
Core FFO attributable to common stockholders [(1)]	$ 14,171	$ 26,935	$ 34,536	$ 52,218
Core FFO attributable to common stockholders per diluted share[(1)]	$ 0.25	$ 0.48	$ 0.62	$ 0.92

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(1) See the Non-GAAP Measures section below for descriptions of our non-GAAP measures and reconciliations to the most comparable U.S. GAAP measure.

Leasing Activity and Capital Expenditures

We remain highly focused on leasing activity, given the 4.2 year weighted-average remaining lease term and the significant lease maturities which will occur across the portfolio over the next few years. If our tenants decide not to renew their leases, terminate their leases early or default on their leases, we will seek to re-lease the space to new tenants. We may not, however, be able to re-lease the space to suitable replacement tenants on a timely basis, or at all. Our properties may not be as attractive to existing or new tenants as properties owned by our competitors due to age of buildings, physical condition, lack of amenities or other similar factors. Even if we are able to renew leases with existing tenants or enter into new leases with replacement tenants, the terms of renewals or new leases, including the cost of required renovations, improvements or concessions to tenants, may be less favorable to us than current lease terms. As a result, our net income and ability to pay dividends to stockholders could be materially adversely affected. Further, if any of our properties cannot be leased on terms and conditions favorable to us, we may seek to dispose of the property; however, such property may not be marketable at a suitable price without substantial capital improvements, alterations, or at all, which could inhibit our ability to effectively dispose of those properties and could require us to expend capital to fund necessary capital improvements or alterations. In general, when we sell properties that are vacant or soon to be vacant, the valuation will be discounted to reflect that the new owner will bear carrying costs until the property has been leased up and take the risk that the property may not be leased up on a timely basis, favorable terms or at all.

As an owner of commercial real estate, we are required to make capital expenditures with respect to our portfolio, which include normal building improvements to replace obsolete building components and expenditures to extend the useful life of existing assets and lease related expenditures to retain existing tenants or attract new tenants to our properties. We have agreed to provide rent concessions to tenants and incur leasing costs with respect to our properties, including amounts paid directly to tenants to improve their space and/or building systems, or tenant improvement allowances, landlord agreements to perform and pay for certain improvements, and leasing commissions. We anticipate that we will continue to agree to tenant improvement allowances, the amount of which may increase in future periods. These rent concessions and leasing costs could be significant and are expected to vary due to factors such as competitive market conditions for leasing of commercial office space and the volume of square footage subject to re-leasing by us.

As of June 30, 2024, we had the following estimated total outstanding rent concessions and leasing costs (in thousands, except per square foot amounts).

	Outstanding Amount	Related Square Footage [1]	Outstanding Amount Per Square Foot [1]
Rent concessions [2]	$ 11,833	630	$ 18.78
Tenant improvement allowances	50,647	1,536	32.97
Reimbursable landlord work [3]	6,901	128	53.91
Non-reimbursable landlord work [3]	6,341	594	10.68
Leasing commissions	323	170	1.90
Total	$ 76,045	1,970	38.60

(1) Certain leases may contain more than one of the above rent concessions and leasing costs. The total square footage associated with our outstanding rent concessions and leasing costs excludes any duplicate square footage for the purpose of calculating the total outstanding amount per square foot.

(2) Rent concessions include free rent for future periods under our leases where the lease term has commenced, following any build out period, and include estimates of property operating expenses, where applicable.

(3) Landlord work represents specific improvements agreed to within the lease agreement to be performed by us, as landlord, as a new non-recurring obligation and in order to induce the tenant to enter into a new lease or lease renewal or extension. Outstanding reimbursable and non-reimbursable landlord work amounts include estimates and are subject to change.

The actual amount we pay for tenant improvement allowances may be lower than the amount agreed upon in the applicable lease and will depend upon the tenant's use of the capital on the agreed upon timeline. The timing of our cash outlay for tenant improvement allowances is significantly uncertain and will depend upon the applicable tenant's schedule for the improvements and corresponding use of capital, if any. We estimate that the foregoing rent concessions and leasing costs will be funded between 2024 and 2039.

We have funded and intend to continue to fund our outstanding leasing costs with cash on hand, which may include proceeds from dispositions. For assets financed on our CMBS Loan, we have funded reserves with the lender for tenant improvement allowances and rent concessions. The restricted cash included in this reserve totaled $34.7 million as of June 30, 2024, including $23.6 million for tenant improvement allowances and $11.1 million for rent concessions, and is included in other assets, net in our consolidated balance sheets.

During the three and six months ended June 30, 2024, we entered into new and renewal leases as summarized in the following tables (dollars and square feet in thousands):

	Three Months Ended June 30, 2024		
	New Leases	Renewals	Total
Number of leases	2	1	3
Rentable square feet leased	57	413	470
Weighted average rental rate change (cash basis)(1) (2)	N/A	1.1 %	1.1 %
Tenant rent concessions and leasing costs (3)	$ 11,510	$ 791	$ 12,301
Tenant rent concessions and leasing costs per rentable square foot (4)	$ 201.15	$ 1.91	$ 26.14
Weighted average lease term (by rentable square feet) (years) (5)	15.1	4.0	5.3
Tenant rent concessions and leasing costs per rentable square foot per year	$ 13.34	$ 0.48	$ 4.89

	Six Months Ended June 30, 2024		
	New Leases	Renewals	Total
Number of leases	4	4	8
Rentable square feet leased	149	429	578
Weighted average rental rate change (cash basis)(1) (2)	N/A	2.2 %	2.2 %
Tenant rent concessions and leasing costs (3)	$ 19,942	$ 1,479	$ 21,421
Tenant rent concessions and leasing costs per rentable square foot (4)	$ 133.47	$ 3.45	$ 37.01
Weighted average lease term (by rentable square feet) (years) (5)	10.2	4.3	5.8
Tenant rent concessions and leasing costs per rentable square foot per year	$ 13.06	$ 0.81	$ 6.39

(1) Represents weighted average percentage increase or decrease in (i) the annualized monthly cash amount charged to the applicable tenants (including monthly base rent receivables and certain fixed contractually obligated reimbursements by the applicable tenants, which may include estimates) as of the commencement date of the new lease term (excluding any full or partial rent abatement period) compared to (ii) the annualized monthly cash amount charged to the applicable tenants (including the monthly base rent receivables and certain fixed contractually obligated reimbursements by the applicable tenants, which may include estimates) as of the expiration date of the prior lease term. Contractually obligated reimbursements include estimated amortization of certain landlord funded improvements under our United States Government leases. If a space has been or will be vacant for more than 12 months prior to the commencement of a new lease or was previously otherwise not generating full cash rental revenue, the lease will be excluded from the rental rate change calculation.

(2) Excludes two new leases for approximately 57,000 square feet of space and four new leases for approximately 149,000 square feet of space for the three and six months ended June 30, 2024, respectively, that had been vacant for more than 12 months at the time the new lease commences.

(3) Includes tenant improvement allowances and base building allowances, leasing commissions and free rent (includes estimates of property operating expenses, where applicable). Beginning in 2024, we have updated this calculation to also include estimates for certain reimbursable and non-reimbursable landlord funded improvements, and have applied this change retrospectively for comparison purposes. For our multi-tenant properties, we have allocated the estimated cost of landlord funded improvements that benefit the property generally and/or the common areas and not the tenant's premises in particular, to the applicable lease based on square footage of the relevant tenant.

(4) Includes reimbursable landlord funded improvements of $32.02 per rentable square foot for new leases, $0.63 per rentable square foot for renewals, and $8.73 per rentable square foot in total for the six months ended June 30, 2024. There were no reimbursable landlord funded improvements included in the tenant rent concessions and leasing costs for the three months ended June 30, 2024. Includes reimbursable tenant improvement allowances of $34.09 per rentable square foot for new leases and $4.14 per rentable square foot in total for the three months ended June 30, 2024 and $13.05 per rentable square foot for new leases and $3.37 per rentable square foot in total for the six months ended June 30, 2024.

(5) Weighted average lease term does not include specified periods of the stated lease term during which a tenant has the right to terminate their space without a termination fee, or "non-firm terms." The total weighted average lease term for new leases and renewals executed during the three and six months ended June 30, 2024 would be 5.3 years and 7.0 years, respectively, if such non-firm terms were included.

During the three and six months ended June 30, 2023, we entered into new and renewal leases as summarized in the following tables (dollars and square feet in thousands):

	Three Months Ended June 30, 2023		
	New Leases	Renewals	Total
Number of leases	1	1	2
Rentable square feet leased	3	44	47
Weighted average rental rate change (cash basis)(1) (2)	(18.2)%	8.0 %	6.7 %
Tenant rent concessions and leasing costs (3)	$ 43	$ 81	$ 124
Tenant rent concessions and leasing costs per rentable square foot (4)	$ 14.07	$ 1.85	$ 2.66
Weighted average lease term (by rentable square feet) (years)(5)	3.0	3.0	3.0
Tenant rent concessions and leasing costs per rentable square foot per year	$ 4.69	$ 0.62	$ 0.89

	Six Months Ended June 30, 2023		
	New Leases	Renewals	Total
Number of leases	3	3	6
Rentable square feet leased	18	111	129
Weighted average rental rate change (cash basis)(1) (2)	(19.8)%	17.3 %	13.5 %
Tenant rent concessions and leasing costs (3)	$ 799	$ 1,065	$ 1,864
Tenant rent concessions and leasing costs per rentable square foot (4)	$ 44.19	$ 9.62	$ 14.48
Weighted average lease term (by rentable square feet) (years)(5)	7.8	9.8	9.5
Tenant rent concessions and leasing costs per rentable square foot per year	$ 5.65	$ 0.98	$ 1.52

(1) Represents weighted average percentage increase or decrease in (i) the annualized monthly cash amount charged to the applicable tenants (including monthly base rent receivables and certain fixed contractually obligated reimbursements by the applicable tenants, which may include estimates) as of the commencement date of the new lease term (excluding any full or partial rent abatement period) compared to (ii) the annualized monthly cash amount charged to the applicable tenants (including the monthly base rent receivables and certain fixed contractually obligated reimbursements by the applicable tenants, which may include estimates) as of the expiration date of the prior lease term. Contractually obligated reimbursements include estimated amortization of certain landlord funded improvements under our United States Government leases. If a space has been or will be vacant for more than 12 months prior to the commencement of a new lease or was previously otherwise not generating full cash rental revenue, the lease will be excluded from the rental rate change calculation.

(2) Excludes one new lease for approximately 4,000 square feet of space for the six months ended June 30, 2023, that had been vacant for more than 12 months at the time the new lease was executed. There were no excluded leases for the three months ended June 30, 2023.

(3) Includes tenant improvement allowances and base building allowances, leasing commissions and free rent (includes estimates of property operating expenses, where applicable). Beginning in 2024, we have updated this calculation to also include estimates for certain reimbursable and non-reimbursable landlord funded improvements, and have applied this change retrospectively for comparison purposes. For our multi-tenant properties, we have allocated the estimated cost of landlord funded improvements that benefit the property generally and/or the common areas and not the tenant's premises in particular, to the applicable lease based on square footage of the relevant tenant.

(4) There were no reimbursable landlord funded improvements or reimbursable tenant improvement allowances included in the tenant rent concessions and leasing costs for the three and six months ended June 30, 2023.

(5) Weighted average lease term does not include specified periods of the stated lease term during which a tenant has the right to terminate their space without a termination fee, or "non-firm terms." The total weighted average lease term for new leases and renewals executed during the three and six months ended June 30, 2023 would be 4.9 years and 10.2 years, respectively, if such non-firm terms were included.

During the six months ended June 30, 2024, five leases across four properties expired consisting of 597,000 square feet. During the six months ended June 30, 2024, we closed on the sale of one of these four properties comprising approximately 96,000 square feet. During the three months ended June 30, 2024, two leases expired comprising a total of 173,000 square feet, including one lease where the tenant occupied all 172,000 square feet at the property. We currently intend to re-tenant the vacancy at this property. The base rent per square foot under the lease at expiration was approximately $21.00 per square foot, and our estimate of market rent at this property is $17.00 to $19.00 per square foot. Our market rent estimates are based on a variety of assumptions and we cannot provide any assurance that we will be able to re-let vacant space to new tenants on these or any other terms, in a timely manner, or at all. Our plans with respect to vacant properties are subject to change.

During the three and six months ended June 30, 2024 and 2023, amounts capitalized by the Company for lease related costs, lease incentives and building, fixtures and improvements were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Lease related costs [(1)]	$ 3,104	$ 93	$ 3,755	$ 977
Lease incentives [(2)]	—	—	77	—
Building, fixtures and improvements [(3)]	3,215	2,079	5,932	4,533
Total capital expenditures	$ 6,319	$ 2,172	$ 9,764	$ 5,510

(1) Lease related costs generally include lease commissions paid in connection with the execution of new and/or renewed leases.

(2) Lease incentives generally include expenses paid on behalf of the tenant or reimbursed to the tenant, including expenditures related to the construction of tenant-owned improvements.

(3) Building, fixtures and improvements generally include expenditures to replace obsolete building or land components, expenditures that extend the useful life of existing assets and expenditures to construct landlord owned improvements.

Results of Operations

The results of operations discussed in this section include the accounts of the Company and its consolidated subsidiaries for the three and six months ended June 30, 2024 and 2023.

Revenues

The table below sets forth, for the periods presented, revenue information and the dollar amount change year over year (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	2024 vs 2023 Increase/(Decrease)	2024	2023	2024 vs 2023 Increase/(Decrease)
Rental	$ 39,923	$ 51,824	$ (11,901)	$ 86,918	$ 101,814	$ (14,896)
Fee income from unconsolidated joint venture	201	200	1	403	400	3
Total revenues	$ 40,124	$ 52,024	$ (11,900)	$ 87,321	$ 102,214	$ (14,893)

Rental

The decreases in rental revenue of $11.9 million and $14.9 million during the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023 was primarily due to the impact from a decrease in our overall occupied square footage due to scheduled vacancies of $8.8 million and $12.7 million during the three and six months ended June 30, 2024, respectively, and the impact from property dispositions of $2.5 million and $4.7 million during the three and six months ended June 30, 2024, respectively. Our portfolio occupancy rate was 79.2% and we had 69 operating properties with an aggregate of 8.0 million leasable square feet and six non-operating properties as of June 30, 2024, as compared to a portfolio occupancy rate of 86.2% and 81 operating properties with an aggregate of 9.5 million leasable square feet as of June 30, 2023. The decrease in revenues during the six months ended June 30, 2024 was partially offset by $2.7 million of reimbursements from previous tenants for certain end of lease obligations.

Fee income from unconsolidated joint venture

Fee income from unconsolidated joint venture consists of fees earned for providing various services to the Arch Street Joint Venture. Fee income from unconsolidated joint venture remained consistent at $0.2 million and $0.4 million during the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023.

Operating Expenses

The table below sets forth, for the periods presented, certain operating expense information and the dollar amount change year over year (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	2024 vs 2023 Increase/(Decrease)	2024	2023	2024 vs 2023 Increase/(Decrease)
Property operating	$ 15,757	$ 15,487	$ 270	$ 31,756	$ 30,831	$ 925
General and administrative	4,544	4,565	(21)	9,493	8,874	619
Depreciation and amortization	38,614	27,877	10,737	63,118	56,043	7,075
Impairments	5,680	11,819	(6,139)	25,365	15,573	9,792
Transaction related	167	150	17	277	255	22
Total operating expenses	$ 64,762	$ 59,898	$ 4,864	$ 130,009	$ 111,576	$ 18,433

Property operating expenses

Property operating expenses such as taxes, insurance, ground rent and maintenance include both reimbursable and non-reimbursable property expenses. Property operating expenses increased $0.3 million and $0.9 million during the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023. The increase during the three months ended June 30, 2024 compared to the same period in 2023 is the result of property vacancies which led to the recognition of certain operating expenses which were previously paid directly by the tenant of $1.0 million, offset by decreases in property operating expenses resulting from property dispositions of $0.5 million and the timing of certain operating expenses of $0.2 million. The increase during the six months ended June 30, 2024 compared to the same period in 2023 is the result of expenses from property vacancies of $1.4 million and timing of certain operating expenses of $0.8 million, offset by decreases in property operating expenses resulting from property dispositions of $1.2 million.

General and administrative expenses

General and administrative expenses increased $0.6 million during the six months ended June 30, 2024, as compared to the same period in 2023, primarily due to increased stock compensation expense of $0.6 million for additional equity award issuances. General and administrative expenses for the three months ended June 30, 2024 were essentially unchanged compared to the same period in 2023.

Depreciation and amortization expenses

Depreciation and amortization expenses increased $10.7 million and $7.1 million during the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023 primarily due to the full depreciation of $15.9 million during the three and six months ended June 30, 2024 of the buildings at a six-property campus in Deerfield, Illinois. This accelerated depreciation was the result of the adjustment to the useful life of the assets due to management's plans to demolish the buildings. The increase of depreciation and amortization expense during the three and six months ended June 30, 2024 compared to the same periods in 2023 was partially offset by the full amortization of certain intangible assets as a result of leases expiring in accordance with their terms and early terminations of $5.1 million and $8.8 million, respectively.

Impairments

Impairments decreased $6.1 million and increased $9.8 million during the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023. The impairment charges of $5.7 million and $25.4 million in the three and six months ended June 30, 2024, include a total of seven and eight properties, respectively, and the charges were incurred primarily with respect to real estate assets expected to be sold or sold and reflect management's estimates of lease renewal probability, timing and terms of such renewals, carrying costs for vacant properties, sale probability and estimates of sale proceeds. Impairment charges totaling $11.8 million and $15.6 million with respect to four properties were recorded during the same periods in 2023. See Note 5 - Fair Value Measures for further information.

Transaction related expenses

Transaction related expense remained relatively consistent at $0.2 million and $0.3 million during the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023.

Other (Expense) Income and Provision for Income Taxes

The table below sets forth, for the periods presented, certain financial information and the dollar amount change year over year (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	2024 vs 2023 Increase/(Decrease)	2024	2023	2024 vs 2023 Increase/(Decrease)
Interest expense, net	$ (8,058)	$ (7,222)	$ 836	$ (16,204)	$ (14,361)	$ 1,843
Loss on extinguishment of debt, net	$ (1,078)	$ (504)	$ 574	$ (1,078)	$ (504)	$ 574
Other income, net	$ 209	$ 165	$ 44	$ 372	$ 201	$ 171
Equity in loss of unconsolidated joint venture, net	$ (163)	$ (95)	$ 68	$ (279)	$ (218)	$ 61
Provision for income taxes	$ (73)	$ (185)	$ (112)	$ (150)	$ (345)	$ (195)

Interest expense, net

Interest expense, net increased $0.8 million and $1.8 million during the three and six months ended June 30, 2024 as compared to the same periods in 2023, which was primarily due to higher interest rates, partially offset by lower outstanding debt during the three and six months ended June 30, 2024. The Company's average debt outstanding was $471.0 million and $466.5 million for the three and six months ended June 30, 2024, respectively compared to $530.0 million for each of the same periods in 2023. The Company's weighted-average interest rate on its debt obligations was 5.87% for the three and six months ended June 30, 2024, and 4.63% for the three and six months ended June 30, 2023. Interest expense for the three and six months ended June 30, 2024 included no offsets of reclassified previous gains or losses on interest rate derivatives from accumulated other comprehensive income (loss), compared with $1.9 million and $3.6 million of reclassified gains during the three and six months ended June 30, 2023, respectively.

Loss on extinguishment of debt, net

Loss on extinguishment of debt, net during the three and six months ended June 30, 2024 related to the proportionate write off of deferred financing costs due to the reduction of the borrowing capacity of the Revolving Facility of $75.0 million in connection with the Third Amendment to the Credit Agreement. Loss on extinguishment of debt, net during the three and six months ended June 30, 2023 related to the write off of deferred financing costs due to the early extinguishment of the Company's Term Loan Facility, as discussed below.

Other income, net

Other income, net increased less than $0.1 million and $0.2 million during the three and six months ended June 30, 2024, respectively as compared to the same periods in 2023, which was primarily due to interest income from money market accounts and notes receivable.

Equity in loss of unconsolidated joint venture, net

Equity in loss of the unconsolidated joint venture remained relatively consistent during the three and six months ended June 30, 2024 as compared to the same periods in 2023.

Provision for income taxes

The provision for income taxes consists of certain state and local income and franchise taxes. The provision for income taxes remained relatively consistent during the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023.

Non-GAAP Measures

Our results are presented in accordance with U.S. GAAP. We also disclose certain non-GAAP measures, as discussed further below. Management uses these non-GAAP financial measures in our internal analysis of results and believes these measures are useful to investors for the reasons explained below. These non-GAAP financial measures should not be considered as substitutes for any measures derived in accordance with U.S. GAAP.

Funds From Operations ("FFO") and Core Funds from Operations ("Core FFO") Attributable to Orion

Due to certain unique operating characteristics of real estate companies, as discussed below, the National Association of Real Estate Investment Trusts, Inc. ("Nareit"), an industry trade group, has promulgated a supplemental performance measure known as funds from operations ("FFO"), which we believe to be an appropriate supplemental performance measure to reflect the operating performance of the Company. FFO is not equivalent to our net income (loss) as determined under U.S. GAAP.

Nareit defines FFO as net income (loss) computed in accordance with U.S. GAAP adjusted for gains or losses from disposition of real estate assets, depreciation and amortization of real estate assets, impairment write-downs on real estate, and our pro rata share of FFO adjustments related to the unconsolidated joint venture. We calculate FFO in accordance with Nareit's definition described above.

In addition to FFO, we use Core FFO as a non-GAAP supplemental financial performance measure to evaluate the operating performance of the Company. Core FFO, as defined by the Company, excludes from FFO items that we believe do not reflect the ongoing operating performance of our business such as transaction related expenses, spin related expenses, amortization of deferred financing costs, amortization of deferred lease incentives, net, equity-based compensation, amortization of premiums and discounts on debt, net and gains or losses on extinguishment of swaps and/or debt, and our pro rata share of Core FFO adjustments related to the unconsolidated joint venture.

We believe that FFO and Core FFO allow for a comparison of the performance of our operations with other publicly-traded REITs, as FFO and Core FFO, or a substantially similar measure, are routinely reported by publicly-traded REITs, each adjust for items that we believe do not reflect the ongoing operating performance of our business and we believe are often used by analysts and investors for comparison purposes.

For all of these reasons, we believe FFO and Core FFO, in addition to net income (loss), as defined by U.S. GAAP, are helpful supplemental performance measures and useful in understanding the various ways in which our management evaluates the performance of the Company over time. However, not all REITs calculate FFO and Core FFO the same way, so comparisons with other REITs may not be meaningful. FFO and Core FFO should not be considered as alternatives to net income (loss) and are not intended to be used as a liquidity measure indicative of cash flow available to fund our cash needs. Neither the SEC, Nareit, nor any other regulatory body has evaluated the acceptability of the exclusions used to adjust FFO in order to calculate Core FFO and its use as a non-GAAP financial performance measure.

The table below presents a reconciliation of FFO and Core FFO to net loss attributable to common stockholders, the most directly comparable U.S. GAAP financial measure, for the three and six months ended June 30, 2024 and 2023 (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net loss attributable to common stockholders	$ (33,801)	$ (15,730)	$ (60,033)	$ (24,615)
Depreciation and amortization of real estate assets	38,582	27,852	63,054	55,994
Impairment of real estate	5,680	11,819	25,365	15,573
Proportionate share of adjustments for unconsolidated joint venture	464	463	928	925
FFO attributable to common stockholders	$ 10,925	$ 24,404	$ 29,314	$ 47,877
Transaction related	167	150	277	255
Amortization of deferred financing costs	914	1,060	1,838	2,108
Amortization of deferred lease incentives	124	99	247	201
Equity-based compensation	935	689	1,725	1,215
Loss on extinguishment of debt, net	1,078	504	1,078	504
Proportionate share of adjustments for unconsolidated joint venture	28	29	57	58
Core FFO attributable to common stockholders	$ 14,171	$ 26,935	$ 34,536	$ 52,218
Weighted-average shares of common stock outstanding - basic	55,910	56,680	55,857	56,661
Effect of weighted-average dilutive securities [(1)]	99	11	37	12
Weighted-average shares of common stock outstanding - diluted	56,009	56,691	55,894	56,673
FFO attributable to common stockholders per diluted share	$ 0.20	$ 0.43	$ 0.52	$ 0.84
Core FFO attributable to common stockholders per diluted share	$ 0.25	$ 0.48	$ 0.62	$ 0.92

(1) Dilutive securities include unvested restricted stock units net of assumed repurchases in accordance with the treasury stock method and exclude Performance-Based RSUs for which the performance thresholds have not been met by the end of the applicable reporting period. Such dilutive securities are not included when calculating net loss per diluted share applicable to the Company for the three and six months ended June 30, 2024 and 2023, as the effect would be antidilutive.

Liquidity and Capital Resources

General

Our principal liquidity needs for the next twelve months are to: (i) fund operating expenses; (ii) pay interest on our debt; (iii) pay dividends to our stockholders; (iv) fund capital expenditures and leasing costs at properties we own; and (v) fund new acquisitions. We believe that our principal sources of short-term liquidity, which are our cash and cash equivalents on hand, cash flows from operations, proceeds from real estate dispositions, and borrowings under the Revolving Facility, are sufficient to meet our liquidity needs for the next twelve months. As of June 30, 2024, we had $24.2 million of cash and cash equivalents and, $243.0 million of borrowing capacity under the Revolving Facility.

On May 3, 2024, the Company entered into the Third Amendment to the Credit Agreement. Under the terms of the Third Amendment, we and the lenders agreed to reduce the borrowing capacity of the Revolving Facility to $350.0 million from $425.0 million, and to certain financial covenant changes, including a proportional reduction in the minimum unencumbered asset value that we must maintain to $500.0 million, from $600.0 million. We do not expect the reduced commitment under the Revolving Facility to adversely impact the execution of our business plan, and the reduced commitment will modestly benefit us by lowering the unused fees we are obligated to pay to the lenders. On May 16, 2024, we elected our option to extend the maturity of the Revolving Facility for 18 months from November 12, 2024 to May 12, 2026.

The non-recourse mortgage notes associated with the Arch Street Joint Venture of $136.4 million as of June 30, 2024 are scheduled to mature on November 27, 2024, and the Arch Street Joint Venture has two successive one-year options to extend the maturity until November 27, 2026. Our pro-rata share of the mortgage notes was $27.3 million as of June 30, 2024. The extension options are subject to satisfaction of certain conditions, including satisfaction of certain financial and operating covenants. The Arch Street Joint Venture may be unable to satisfy the extension conditions, and has preliminarily agreed with the existing lenders to extend the mortgage notes for one year and on other mutually acceptable terms, subject to definitive documentation and other conditions. We cannot provide any assurance that the Arch Street Joint Venture will be able to satisfy the extension conditions or reach final agreement with its lenders to extend the mortgage notes or otherwise refinance the mortgage notes. If the Arch Street Joint Venture is unable to extend or refinance the mortgage notes, our investment in the Arch Street Joint Venture could be materially adversely affected.

Our principal liquidity needs beyond the next twelve months are to: (i) repay, extend or refinance debt at or prior to maturity; (ii) pay dividends to our stockholders; (iii) fund capital expenditures and leasing costs at properties we own; and (iv) fund new acquisitions. We generally believe we will be able to satisfy these liquidity needs by a combination of cash flows from operations, borrowings under the Revolving Facility, proceeds from real estate dispositions, new borrowings such as bank term loans or other secured or unsecured debt, and issuances of equity securities. We believe we will be successful in either repaying or refinancing our debt obligations at or prior to maturity, but we cannot provide any assurance we will be able to do so. Our ability to extend or refinance debt, raise capital and/or sell assets will be affected by various factors existing at the relevant time, such as capital and credit market conditions, the state of the national and regional economies, commercial real estate market conditions, available interest rate levels, the lease terms for and equity in and value of any related collateral, our financial condition and the operating history of the collateral, if any.

Credit Agreements

Summary

The following is a summary of the interest rate and scheduled maturities of our consolidated debt obligations as of June 30, 2024 (in thousands):

			Principal Amounts Due During the Years Ending December 31,				
	Interest Rate	Maturity	Total	2024	2025	2026	2027
Credit facility revolver [(1)]	SOFR + 3.35%	May 2026	$ 107,000	$ —	$ —	$ 107,000	$ —
Mortgages payable [(2)]	4.971 %	February 2027	355,000	—	—	—	355,000
Total			$ 462,000	$ —	$ —	$ 107,000	$ 355,000

(1) Includes interest rate margin of 3.25% plus SOFR adjustment of 0.10%. As of June 30, 2024, a total of $60.0 million of the debt outstanding under the Revolving Facility was subject to interest rate collar agreements to hedge against interest rate volatility. Under the agreements, the benchmark rate for the Revolving Facility will float between 5.50% per annum and 4.20% per annum on $25.0 million, and 5.50% per annum and 4.035% per annum on $35.0 million, effective from November 13, 2023 until May 12, 2025.

(2) The table above does not include non-recourse mortgage notes associated with the Arch Street Joint Venture of $136.4 million, of which our pro-rata share was $27.3 million, as of June 30, 2024.

Credit Agreement Obligations

In connection with the Separation and the Distribution, on November 12, 2021, we, as parent, and Orion OP, as borrower, entered into (i) a credit agreement (the “Credit Agreement”) providing for a three-year, $425.0 million senior revolving credit facility (the “Revolving Facility”), including a $25.0 million letter of credit sub-facility, and a two-year, $175.0 million senior term loan facility (the “Term Loan Facility”) with Wells Fargo Bank, National Association, as administrative agent, and the lenders and issuing banks party thereto and (ii) a credit agreement (the “Bridge Credit Agreement”) providing for a six-month, $355.0 million senior bridge term loan facility (the “Bridge Facility”) with Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto.

In February 2022, as further described below, we refinanced the Bridge Facility in full with the $355.0 million CMBS Loan (defined below), and the Bridge Credit Agreement was terminated. In June 2023, as further described below, the Term Loan Facility was repaid and retired with borrowings under the Revolving Facility.

As of June 30, 2024, we had $462.0 million of total consolidated debt outstanding, consisting of a $355.0 million CMBS Loan and $107.0 million outstanding under our Revolving Facility. In addition, our pro rata share of the mortgage notes of the Arch Street Joint Venture was $27.3 million as of June 30, 2024.

We have entered into three amendments to the Credit Agreement. The purpose of the first amendment entered into in December 2022 was to change the benchmark rate for borrowings under the Credit Agreement from LIBOR (the London interbank offered rate as administered by the ICE Benchmark Administration) to SOFR (the secured overnight financing rate as administered by the Federal Reserve Bank of New York). The purpose of the second amendment entered into in June 2023 was to repay and retire $175.0 million of outstanding borrowings under the Term Loan Facility with borrowings from the Revolving Facility (which was undrawn at the time of the second amendment), provide us with the option to extend the maturity of the Revolving Facility for an additional 18 months to May 12, 2026 from November 12, 2024 and to effect certain other modifications. On May 16, 2024, we elected our option to extend the maturity of the Revolving Facility. As described above, on May 3, 2024, we entered into the Third Amendment, which resulted in a permanent $75.0 million reduction in the capacity of the Revolving Facility to $350.0 million, while making a proportional reduction in the minimum value of the unencumbered asset pool required under the Credit Agreement and certain other modifications to financial covenants.

The interest rate applicable to the loans under the Revolving Facility may be determined, at the election of Orion OP, on the basis of Daily Simple SOFR, Term SOFR or a base rate, in the case of a SOFR loan, plus a SOFR adjustment of 0.10% per annum, and in the case of a SOFR loan or a base rate loan, plus an applicable margin of 3.25% for SOFR loans and 2.25% for base rate loans. Loans under the Revolving Facility may be prepaid and reborrowed, and unused commitments under the Revolving Facility may be reduced, at any time, in whole or in part, by Orion OP, without premium or penalty (except for SOFR breakage costs).

In December 2022, we entered into interest rate swap agreements with an aggregate notional amount of $175.0 million, which effectively fixed the interest rate on $175.0 million of principal under the Revolving Facility at 3.92% per annum until November 12, 2023. Upon the scheduled expiration of the interest rate swap agreements, we entered into interest rate collar agreements on a total notional amount of $60.0 million to hedge against interest rate volatility on the Revolving Facility. Under the agreements, the benchmark rate for the Revolving Facility will float between 5.50% per annum and 4.20% per annum on $25.0 million, and 5.50% per annum and 4.035% per annum on $35.0 million, effective from November 13, 2023 until May 12, 2025.

To the extent that amounts under the Revolving Facility remain unused, Orion OP is required to pay a quarterly commitment fee on the unused portion of the Revolving Facility in an amount equal to 0.25% per annum of the unused portion of the Revolving Facility.

The Revolving Facility is guaranteed pursuant to a guaranty by us and, subject to certain exceptions, substantially all of Orion OP’s existing and future subsidiaries (including substantially all of its subsidiaries that directly or indirectly own unencumbered real properties), other than certain joint ventures and subsidiaries that own real properties subject to certain other indebtedness (such subsidiaries of Orion OP, the “Subsidiary Guarantors”).

The Revolving Facility is secured by, among other things, first priority pledges of the equity interests in the Subsidiary Guarantors.

Revolving Facility Covenants

The Revolving Facility requires that Orion OP comply with various covenants, including covenants restricting, subject to certain exceptions, liens, investments, mergers, asset sales and the payment of certain dividends. Pursuant to the second amendment described above, if, on any day, Orion OP has unrestricted cash and cash equivalents in excess of $25.0 million (excluding amounts that are then designated for application or use and are subsequently used for such purposes within 30 days), Orion OP will use such excess amount to prepay loans under the Revolving Facility, without premium or penalty and without any reduction in the lenders’ commitment under the Revolving Facility.

In addition, the Revolving Facility requires that Orion OP satisfy certain financial covenants. The following is a summary of financial covenants for the Company's Revolving Facility and the Company's compliance therewith as of June 30, 2024, as calculated per the terms of the Credit Agreement, giving effect to the modifications pursuant to the second and third amendments described above. These calculations are presented to show the Company's compliance with the financial covenants and are not measures of the Company's liquidity or performance.

Revolving Facility Financial Covenants	**Required**	**June 30, 2024**
Ratio of total indebtedness to total asset value	≤ 60%	37.8%
Ratio of adjusted EBITDA to fixed charges	≥ 1.5x	2.81x
Ratio of secured indebtedness to total asset value	≤ 40%	30.1%
Ratio of unsecured indebtedness to unencumbered asset value	≤ 60% (1)	12.4%
Ratio of unencumbered adjusted NOI to unsecured interest expense	≥ 2.00x	5.80x
Unencumbered asset value	≥ $500.0 million	$781.7 million

(1) Pursuant to the second amendment described above, if the ratio of unsecured debt to unencumbered asset value exceeds 35% as of the end of two consecutive fiscal quarters, Orion OP will be required, within 90 days and subject to cure rights, to grant the administrative agent a first priority lien on all the properties included in the pool of unencumbered assets (other than properties identified for disposition by us so long as such properties are sold within one year of such identification).

As of June 30, 2024, Orion OP was in compliance with these financial covenants.

The Revolving Facility includes customary representations and warranties of us and Orion OP, which must be true and correct in all material respects as a condition to future extensions of credit under the Revolving Facility. The Revolving Facility also includes customary events of default, the occurrence of which, following any applicable grace period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of Orion OP under the Revolving Facility to be immediately due and payable and foreclose on the collateral securing the Revolving Facility.

CMBS Loan

On February 10, 2022, certain indirect subsidiaries of the Company (the "Mortgage Borrowers") obtained a $355.0 million fixed rate mortgage loan (the "CMBS Loan") from Wells Fargo Bank, National Association (together with its successor, the "Lender"), which is secured by the Mortgage Borrowers' fee simple or ground lease interests in 19 properties owned indirectly by the Company (collectively, the "Mortgaged Properties"). During March 2022, Wells Fargo effected a securitization of the CMBS Loan. The CMBS Loan bears interest at a fixed rate of 4.971% per annum and matures on February 11, 2027.

The CMBS Loan requires monthly payments of interest only and all principal is due at maturity. The proceeds of the CMBS Loan were used to repay the Bridge Facility. Upon closing of the CMBS Loan, the Mortgage Borrowers funded $35.5 million of loan reserves primarily for future rent concessions and tenant improvement allowances under the leases with respect to the 19 Mortgaged Properties. These amounts, as well as the transaction expenses incurred in connection with the CMBS Loan, were funded with cash on hand and borrowings under the Company's Revolving Facility.

The CMBS Loan is secured by, among other things, first priority mortgages and deeds of trust granted by the Mortgage Borrowers and encumbering the Mortgaged Properties.

The CMBS Loan is generally not freely prepayable by the Mortgage Borrowers without payment of certain prepayment premiums and costs. The CMBS Loan may be prepaid in whole, but not in part, except as provided in the loan agreement governing the CMBS Loan (the "CMBS Loan Agreement"), at any time following the Prepayment Lockout Release Date (as defined in the CMBS Loan Agreement) (generally in March 2024, two years after the CMBS Loan has been fully securitized), subject to the payment of a yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement. Further, releases of individual properties are permitted in connection with an arms' length third party sale upon repayment of the Release Price (as defined in the CMBS Loan Agreement) for the applicable individual property and subject to payment of the applicable yield maintenance premium and the satisfaction of other terms and conditions set forth in the CMBS Loan Agreement.

The CMBS Loan Agreement also contains customary cash management provisions, including certain trigger events (such as failure of the Mortgage Borrowers to satisfy a minimum debt yield) which allow the Lender to retain any excess cash flow as additional collateral for the Loan, until such trigger event is cured.

In connection with the CMBS Loan Agreement, the Company (as the guarantor) delivered a customary non-recourse carveout guaranty to the Lender (the "Guaranty"), under which the Company guaranteed the obligations and liabilities of the Mortgage Borrowers to the Lender with respect to certain non-recourse carveout events and the circumstances under which the CMBS Loan will be fully recourse to the Mortgage Borrowers, and which includes requirements for the Company to maintain a net worth of no less than $355.0 million and liquid assets of no less than $10.0 million, in each case, exclusive of the values of the collateral for the CMBS Loan. As of June 30, 2024, the Company was in compliance with these financial covenants.

The Mortgage Borrowers and the Company also provided a customary environmental indemnity agreement, pursuant to which the Mortgage Borrowers and the Company agreed to protect, defend, indemnify, release and hold harmless the Lender from and against certain environmental liabilities relating to the Mortgaged Properties.

The CMBS Loan Agreement includes customary representations, warranties and covenants of the Mortgage Borrowers and the Company. The CMBS Loan Agreement also includes customary events of default, the occurrence of which, following any applicable grace period, would permit the Lender to, among other things, declare the principal, accrued interest and other obligations of the Mortgage Borrowers to be immediately due and payable and foreclose on the Mortgaged Properties.

Arch Street Warrants

On November 12, 2021, in connection with the Distribution, Orion OP entered into an amendment and restatement of the limited liability agreement (the "LLCA") for the Arch Street Joint Venture with the Arch Street Partner, an affiliate of Arch Street Capital Partners, pursuant to which the Arch Street Partner consented to the transfer of the equity interests of the Arch Street Joint Venture previously held by VEREIT Real Estate, L.P. to Orion OP.

Also on November 12, 2021, in connection with the entry into the LLCA, we granted the Arch Street Partner and Arch Street Capital Partners warrants to purchase up to 1,120,000 shares of our common stock (the "Arch Street Warrants"). The Arch Street Warrants entitle the respective holders to purchase shares of our common stock at a price per share equal to $22.42, at any time. The Arch Street Warrants may be exercised, in whole or in part, through a cashless exercise, in which case the holder would receive upon such exercise the net number of shares of our common stock determined according to the formula set forth in the Arch Street Warrants. The Arch Street Warrants expire on the earlier of (a) ten years after issuance and (b) if the Arch Street Joint Venture is terminated, the later of the termination of the Arch Street Joint Venture and seven years after issuance.

In accordance with our obligation under the Arch Street Warrants, on November 2, 2022, we filed with the SEC a registration statement on Form S-3 for the registration, under the Securities Act, of the shares of our common stock issuable upon exercise of the Arch Street Warrants, and the registration statement was declared effective by the SEC on November 14, 2022. We will use our commercially reasonable efforts to maintain the effectiveness of the registration statement, and a current prospectus relating thereto, until the earlier of (a) the expiration of the Arch Street Warrants, or (b) the shares issuable upon such exercise become freely tradable under United States federal securities laws by anyone who is not an affiliate (as such term is defined in Rule 144 under the Securities Act (or any successor rule)) of us. The holders of the Arch Street Warrants will also remain subject to the ownership limitations pursuant to our organizational documents.

Right of First Offer Agreement

In connection with the entry into the LLCA, we and the Arch Street Joint Venture entered into that certain Right of First Offer Agreement (the "ROFO Agreement"), dated November 12, 2021, pursuant to which, subject to certain limitations, we agreed not to acquire or purchase a fee simple or ground leasehold interest in any office real property, including by way of an acquisition of equity interests, within certain investing parameters without first offering the property for purchase to the Arch Street Joint Venture. The ROFO Agreement will expire upon the earlier of (1) November 12, 2024 (the third anniversary of its execution), (2) the date on which the Arch Street Joint Venture is terminated or (3) the date on which the Arch Street Joint Venture's gross book value of assets is below $50.0 million. If the Arch Street Joint Venture decides not to acquire any such property, we may seek to acquire the property independently, subject to certain restrictions. We do not anticipate that the ROFO Agreement will have a material impact on our ability to acquire additional real estate investments, although it could result in us acquiring future properties through the Arch Street Joint Venture rather than as sole owner.

Derivatives and Hedging Activities

During the year ended December 31, 2021, we entered into interest rate swap agreements with an aggregate notional amount of $175.0 million, effective on December 1, 2021 and terminating on November 12, 2023, which were designated as cash flow hedges, in order to hedge interest rate volatility. During the year ended December 31, 2022, in connection with the transition of the benchmark rate for borrowings under the Credit Agreement from LIBOR to SOFR, we terminated the interest rate swap agreements that had been entered into during the year ended December 31, 2021, and entered into new interest rate swap agreements with an aggregate notional amount of $175.0 million, effective on December 1, 2022 and terminating on November 12, 2023, which were designated as cash flow hedges, to hedge interest rate volatility with respect to our borrowings under the Term Loan Facility. These swap agreements remained in effect for the $175.0 million of borrowings under the Revolving Facility used to pay down the Term Loan Facility until November 12, 2023. Upon the scheduled expiration of the interest rate swap agreements, we entered into interest rate collar agreements on a total notional amount of $60.0 million to hedge against interest rate volatility on the Revolving Facility. Under the agreements, the benchmark rate for the Revolving Facility will float between 5.50% per annum and 4.20% per annum on $25.0 million, and 5.50% per annum and 4.035% per annum on $35.0 million, effective from November 13, 2023 until May 12, 2025.

Dividends

We have elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our taxable year ended December 31, 2021. We intend to make regular distributions to our stockholders to satisfy the requirements to maintain our qualification as a REIT.

During the six months ended June 30, 2024, the Company's Board of Directors declared quarterly cash dividends on shares of our common stock as follows:

Declaration Date	Record Date	Paid Date	Distributions Per Share
February 27, 2024	March 29, 2024	April 15, 2024	$0.10
May 7, 2024	June 28, 2024	July 15, 2024	$0.10

On August 7, 2024, the Company's Board of Directors declared a quarterly cash dividend of $0.10 per share for the third quarter of 2024, payable on October 15, 2024, to stockholders of record as of September 30, 2024.

Our dividend policy is established at the discretion of the Company's Board of Directors and future dividends may be funded from a variety of sources. We expect that for the years ended December 31, 2024 and 2025, our dividends will exceed our net income under U.S. GAAP because of non-cash expenses, mainly depreciation and amortization expense and impairment charges, which are included in net income. To the extent that our funds available for distribution are less than the amount we must distribute to our stockholders to satisfy the requirements to maintain our qualification as a REIT, we may consider various means to cover any such shortfall, including borrowing under our Revolving Facility or other loans, selling certain of our assets or using a portion of the net proceeds we receive from future offerings of equity, equity-related securities or debt securities or declaring share dividends. In addition, our organizational documents permit us to issue shares of preferred equity that could have a preference on dividends, and if we do, the dividend preference on the preferred equity could limit our ability to pay dividends to the holders of our common stock.

Universal Shelf Registration Statement

On November 2, 2022, the Company filed a universal shelf registration statement on Form S-3 (the "Universal Shelf") with the SEC, and the Universal Shelf was declared effective by the SEC on November 14, 2022. Pursuant to the Universal Shelf, the Company is able to offer and sell from time to time in multiple transactions, up to $750.0 million of the Company's securities, including through "at the market" offering programs or firm commitment underwritten offerings. These securities may include shares of the Company's common stock, shares of the Company's preferred stock, depository shares representing interests in shares of the Company's preferred stock, debt securities, warrants to purchase shares of the Company's common stock or shares of the Company's preferred stock and units consisting of two or more shares of common stock, shares of preferred stock, depository shares, debt securities and warrants.

ATM Program

In November 2022, the Company established, as part of its Universal Shelf, an "at the market" offering program for its common stock (the "ATM Program"). Pursuant to the ATM Program, the Company may from time to time offer and sell shares of its common stock, having an aggregate offering price of up to $100.0 million. Such offers or sales of shares of the Company's common stock may be made in privately negotiated transactions, including block trades, brokers' transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act, including sales made directly on the New York Stock Exchange, or through forward transactions under separate master forward sale confirmations and related supplemental confirmations for the sale of shares of the Company's common stock on a forward basis. As of June 30, 2024, we had not sold any shares of common stock pursuant to the ATM Program.

Net proceeds from the securities issued, if any, may be used for general corporate purposes, which may include funding capital expenditures and leasing costs at our properties and repaying outstanding indebtedness. The Company has no immediate plans to issue any securities for capital raising purposes pursuant to the Universal Shelf or otherwise.

Share Repurchase Program

On November 1, 2022, the Company's Board of Directors authorized the repurchase of up to $50.0 million of the Company's outstanding common stock until December 31, 2025, as market conditions warrant (the "Share Repurchase Program"). Repurchases may be made through open market purchases, privately negotiated transactions, structured or derivative transactions, including accelerated stock repurchase transactions, or other methods of acquiring shares in accordance with applicable securities laws and other legal requirements. The Share Repurchase Program does not obligate the Company to make any repurchases at a specific time or in a specific situation. Repurchases are subject to prevailing market conditions, the trading price of the Company's common stock, the Company's liquidity and anticipated liquidity needs, financial performance and other conditions. Shares of common stock repurchased by the Company under the Share Repurchase Program, if any, will be returned to the status of authorized but unissued shares of common stock. The Company did not repurchase any shares under the Share Repurchase Program during the six months ended June 30, 2024 or 2023. As of June 30, 2024, the Company had approximately $45.0 million available under the Share Repurchase Program.

Cash Flow Analysis for the Six Months Ended June 30, 2024 and 2023

The following table summarizes the changes in cash flows for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 (in thousands):

	Six Months Ended June 30,		2024 vs 2023
	2024	2023	Increase/(Decrease)
Net cash provided by operating activities	$ 28,009	$ 43,918	$ (15,909)
Net cash used in investing activities	$ (4,835)	$ (5,148)	$ 313
Net cash used in financing activities	$ (21,409)	$ (17,173)	$ (4,236)

Net cash provided by operating activities decreased $15.9 million during the six months ended June 30, 2024, compared to the same period in 2023, primarily due to a decrease in our revenue overall as a result of dispositions and vacancies and net changes in accounts payable, accrued expenses and other liabilities, net, offset by net changes in accounts receivable, net and other assets, net.

Net cash used in investing activities decreased $0.3 million during the six months ended June 30, 2024, compared to the same period in 2023, primarily due to the proceeds from the sale of one real estate asset of $2.1 million and the payment received on notes receivable of $0.2 million, offset by the $1.4 million increase in capital expenditures and leasing costs.

Net cash used in financing activities increased $4.2 million during the six months ended June 30, 2024, compared to the same period in 2023, primarily due to repayments on the Revolving Facility of $9.0 million during the six months ended June 30, 2024, offset by payments of deferred financing costs of $1.0 million during the six months ended June 30, 2024 compared to deferred financing costs of $5.7 million paid during the six months ended June 30, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

See information appearing under the caption "Liquidity and Capital Resources" appearing in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q.

Market Risk

The market risk associated with financial instruments and derivative financial instruments is the risk of loss from adverse changes in market prices or interest rates. Our market risk arises primarily from interest rate risk relating to variable-rate borrowings. To meet our short and long-term liquidity requirements, we borrow funds at a combination of fixed and variable rates. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to manage our overall borrowing costs. To achieve these objectives, from time to time, we may enter into interest rate hedge contracts such as swaps, caps, collars, treasury locks, options and forwards in order to mitigate our interest rate risk with respect to various debt instruments. We would not hold or issue these derivative contracts for trading or speculative purposes.

Interest Rate Risk

As of June 30, 2024, our debt included fixed-rate debt, with a fair value and carrying value of $331.9 million and $355.0 million, respectively. Changes in market interest rates on our fixed-rate debt impact the fair value of the debt, but they have no impact on interest incurred or cash flow. For instance, if interest rates rise 100 basis points, and the fixed-rate debt balance remains constant, we expect the fair value of our debt to decrease, the same way the price of a bond declines as interest rates rise. The sensitivity analysis related to our fixed-rate debt assumes an immediate 100 basis point move in interest rates from June 30, 2024 levels, with all other variables held constant. A 100 basis point increase in market interest rates would result in a decrease in the fair value of our fixed-rate debt of $7.7 million. A 100 basis point decrease in market interest rates would result in an increase in the fair value of our fixed-rate debt of $7.9 million.

As of June 30, 2024, our debt included variable-rate debt with a fair value and carrying value of $107.0 million. As a result, we are subject to the potential impact of rising interest rates, which could negatively impact our results of operations and cash flows. The sensitivity analysis related to our variable-rate debt assumes an immediate 100 basis point move in interest rates from June 30, 2024 levels and excludes the impact of the derivative instrument, with all other variables held constant. A 100 basis point increase or decrease in variable interest rates would result in a decrease or increase in the fair value of our variable-rate debt of less than $0.1 million and would increase or decrease our interest expense by $1.1 million annually.

As of June 30, 2024, the Company had interest rate collar agreements in place on a total notional amount of $60.0 million to hedge against interest rate volatility on the Revolving Facility. See Note 6 – Debt, Net to our consolidated financial statements.

As of June 30, 2024, our outstanding derivative agreements had a fair value that resulted in net liabilities of less than $0.1 million. See Note 7 – Derivatives and Hedging Activities to our consolidated and combined financial statements for further discussion.

As the information presented above includes only those exposures that existed as of June 30, 2024, it does not consider exposures or positions arising after that date. The information presented herein has limited predictive value. Future actual realized gains or losses with respect to interest rate fluctuations will depend on cumulative exposures, hedging strategies employed and the magnitude of the fluctuations.

These amounts were determined by considering the impact of hypothetical interest rate changes on our borrowing costs and assume no other changes in our capital structure.

Credit Risk

Concentrations of credit risk arise when a number of tenants are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions. The Company is subject to tenant, geographic and industry concentrations. See "Item 1. Business" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Any downturn of the economic conditions in one or more of these tenants, geographies or industries, or any other concentrations to which the Company is subject, could result in a material reduction of our cash flows or material losses to us.

The factors we consider in determining the credit risk of our tenants include, but are not limited to: payment history; credit status and change in status (credit ratings for public companies are used as a primary metric); change in tenant space needs (*i.e.*, expansion/downsize); tenant financial performance; economic conditions in a specific geographic region; and industry specific credit considerations. We believe that the credit risk of our portfolio is reduced by the high quality and diversity of our existing tenant base, reviews of prospective tenants' risk profiles prior to lease execution and consistent monitoring of our portfolio to identify potential problem tenants.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms, and that such information is accumulated and communicated to us, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, we recognize that no controls and procedures, no matter how well designed and operated, can provide absolute assurance of achieving the desired control objectives.

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, an evaluation was conducted under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2024. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures, as of June 30, 2024, were effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act of 1934) during the three months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

As of the end of the period covered by this Quarterly Report on Form 10-Q, we are not a party to, and none of our properties are subject to, any material pending legal proceedings.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2023, except as set forth below.

We have existing debt and refinancing risks that could have a material adverse effect on our business, financial condition and results of operations, including the risk that we will be unable to extend or refinance some or all of our debt.

We have both fixed and variable rate indebtedness and may incur additional indebtedness in the future, including borrowings under our Revolving Facility. Our Revolving Facility is scheduled to mature in May 2026. We are dependent upon the Revolving Facility for liquidity to execute our business strategies, and we cannot provide any assurance we will be able to extend, refinance or repay this facility at maturity.

The non-recourse mortgage notes associated with the Arch Street Joint Venture of $136.4 million as of June 30, 2024 are scheduled to mature on November 27, 2024, and the Arch Street Joint Venture has two successive one-year options to extend the maturity until November 27, 2026. Our pro-rata share of the mortgage notes was $27.3 million as of June 30, 2024. The extension options are subject to satisfaction of certain conditions, including satisfaction of certain financial and operating covenants. The Arch Street Joint Venture may be unable to satisfy the extension conditions, and has preliminarily agreed with the existing lenders to extend the mortgage notes for one year and on other mutually acceptable terms, subject to definitive documentation and other conditions. We cannot provide any assurance the Arch Street Joint Venture will be able to satisfy the extension conditions or reach final agreement with its lenders to extend the mortgage notes or otherwise refinance the mortgage notes. If the Arch Street Joint Venture is unable to extend or refinance the mortgage notes, our investment in the Arch Street Joint Venture could be materially adversely affected.

As a result of the indebtedness we incur, we are, and expect to be, subject to the risks normally associated with debt financing including:

- that we will be unable to extend, refinance or repay our debt as it becomes due or increase the availability of overall debt on terms as favorable as those of our existing debt, or at all;
- that interest rates may rise;
- that our cash flow could be insufficient to make required payments of principal and interest;
- that required payments on mortgages and on our other debt are not reduced if the economic performance of any property declines;
- that debt service obligations will reduce funds available for distribution to our stockholders;
- that any default on our debt, due to noncompliance with financial covenants or otherwise, could result in acceleration of those obligations; and
- that if our degree of leverage is viewed unfavorably by lenders or potential joint venture partners, it could affect our ability to obtain additional financing.

If we are unable to repay, extend or refinance our indebtedness as it becomes due, we may need to sell assets or to seek protection from our creditors under applicable law, which may have a material adverse effect on our business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

Recent Sales of Unregistered Securities

None.

Use of Proceeds from Sales of Registered Securities

Not applicable.

Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Rule 10b5-1 Trading Agreements

During the three months ended June 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(c) of Regulation S-K.

Item 6. Exhibits.

The following exhibits are included, or incorporated by reference, in this Quarterly Report on Form 10-Q for the period ended June 30, 2024 (and are numbered in accordance with Item 601 of Regulation S-K):

Exhibit No.	Description
10.1	Third Amendment to the Credit Agreement, dated as of May 3, 2024, among Orion Office REIT LP, as Borrower, Orion Office REIT, Inc., as Parent, Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto (filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q, filed May 8, 2024 and incorporated herein by reference).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104**	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*).

* Filed herewith

** In accordance with Item 601(b)(32) of Regulation S-K, this Exhibit is not deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section. Such certifications will not be deemed incorporated by reference into any filing under the federal securities laws, Section 27A of the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

Orion Office REIT Inc.

By: /s/ Gavin B. Brandon
Gavin B. Brandon
Chief Financial Officer, Executive Vice President and Treasurer

Dated: August 8, 2024

ORION OFFICE REIT INC.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul H. McDowell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Orion Office REIT Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 8, 2024

/s/ Paul H. McDowell
Paul H. McDowell
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

ORION OFFICE REIT INC.
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gavin B. Brandon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Orion Office REIT Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2024

/s/ Gavin B. Brandon
Gavin B. Brandon
Chief Financial Officer, Executive Vice President and Treasurer
(Principal Financial Officer)

ORION OFFICE REIT INC.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Orion Office REIT Inc. (the “Company”) for the period ended June 30, 2024 (the “Report”), I, Paul H. McDowell, Chief Executive Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	August 8, 2024	/s/ Paul H. McDowell
		Paul H. McDowell
		Chief Executive Officer and President
		(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

ORION OFFICE REIT INC.
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Orion Office REIT Inc. (the “Company”) for the period ended June 30, 2024 (the “Report”), I, Gavin B. Brandon, Executive Vice President and Chief Financial Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	August 8, 2024	/s/ Gavin B. Brandon
		Gavin B. Brandon Chief Financial Officer, Executive Vice President and Treasurer (Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.