



Second Quarter 2009 Supplemental Financial Report



Virginia Center  
Glen Allen, VA

# Index to Supplemental Information

	<u>Page</u>
Company Information	2
Highlights	3
Reconciliation of EBITDA to Net Income	4
Financial Measures	5
Net Operating Income (NOI) Same-Property Analysis	6
Consolidated Balance Sheets	7
Total Market Capitalization and Selected Ratios	8
Outstanding Debt	9
Debt Maturity Schedule	11
Debt Covenants	12
Portfolio Summary	13
Occupancy Summary	14
Net Asset Value Analysis	15
Investment in Joint Venture	16
Top Thirty Tenants	17
Portfolio Analysis	18
Market Concentration	19
Leasing Analysis	20
Lease Expirations	21
Lease Expirations - Current and Next Four Quarters	22
Portfolio by Size	23
Land and Properties Available for Development or Redevelopment	24
Maryland Region	25
Maryland Region - Lease Expirations	26
Northern Virginia Region	27
Northern Virginia Region - Lease Expirations	28
Southern Virginia Region	29
Southern Virginia Region - Lease Expirations	30
Management Statements on Non-GAAP Supplemental Measures	31

# Company Information

First Potomac Realty Trust is a self-managed, self-administered real estate investment trust that focuses on owning, developing, redeveloping and operating industrial properties and business parks in the Washington, D.C. metropolitan area and other major markets in Virginia and Maryland. The Company's focus is acquiring properties that can benefit from its intensive property management and seeking to reposition these properties to increase their profitability and value.

## Corporate Headquarters

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Bethesda, MD 20814

## Investor Relations

ICR, Inc.  
(301) 244-6200

## New York Stock Exchange

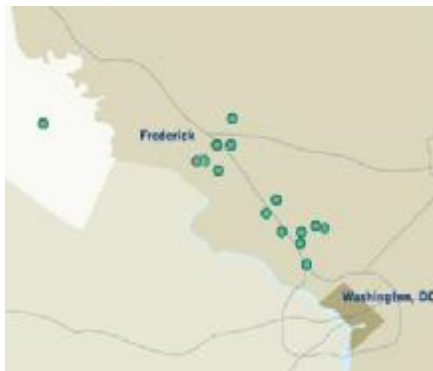


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## Web Site

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## Property Locations



**Maryland**



**Northern Virginia**



**Southern Virginia**

*Matters other than historical facts set forth within this Quarterly Supplemental Financial Report are forward-looking statements within the meaning of the federal securities laws. You should exercise caution in interpreting and relying on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that could materially affect actual results, performance or achievements. These factors include, without limitation, the ability to enter into new leases or renew leases on favorable terms, the financial condition of tenants, the uncertainties of acquisition activity, the cost and availability of financing, the effects of general and local economic and market conditions, regulatory changes and other risks and uncertainties detailed in the Company's Annual Report on Form 10-K. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events. Note that certain figures are rounded to the nearest thousands throughout the document, which may impact footing and/or crossfooting of totals and subtotals.*

# Highlights

(unaudited, amounts in thousands, except per share data)

## Performance Metrics

	Q2-2009	Q1-2009	Q4-2008	Q3-2008	Q2-2008
Net income, attributable to FPO	\$ 1,607	\$ 4,997	\$ 1,704	\$ 322	\$ 16,298
Reported FFO	11,624	14,825	11,798	9,445	11,761
Reported FFO per share	\$ 0.42	\$ 0.53	\$ 0.43	\$ 0.38	\$ 0.47
FFO per share, excluding gains <sup>(1)</sup>	\$ 0.37	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.41

## Operating Metrics

Change in Same-Property NOI					
Cash basis	0.1%	5.9%	0.4%	1.5%	-0.2%
Accrual basis	-0.9%	4.7%	2.1%	2.2%	-0.7%
Tenant retention rate	88.0%	80.0%	81.0%	55.0%	86.0%

## Capitalization

Debt to Gross asset value <sup>(2)</sup>	55.3%	54.3%	55.3%	56.1%	55.5%
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## Debt Balances

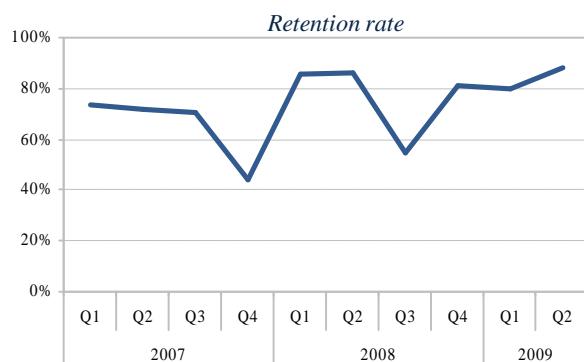
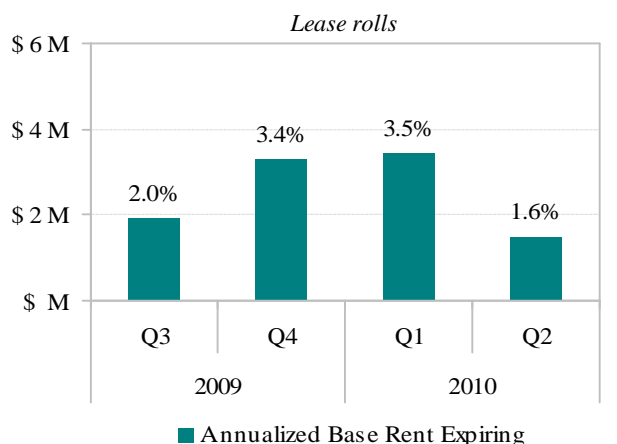
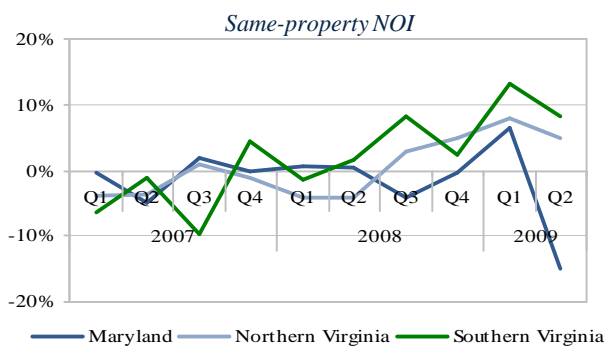
Unhedged variable rate debt	\$ 114,400	\$ 100,500	\$ 90,500	\$ 80,800	\$ 47,400
Hedged variable rate debt	94,856	94,856	113,000	113,000	50,000
Fixed rate debt	415,124	432,931	450,281	457,077	537,565
<b>Total</b>	<b>\$ 624,380</b>	<b>\$ 628,287</b>	<b>\$ 653,781</b>	<b>\$ 650,877</b>	<b>\$ 634,965</b>

## Coverage Ratio

Interest Coverage Ratio	2.27x	2.30x	2.15x	2.09x	2.02x
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## Leasing Metrics

	QTD	Leased	Occupied
Net Absorption (Square Feet)	9,054	87.0%	86.5%



## Portfolio concentration

Market	% of Annualized Base Rent	% Leased at June 30, 2009
Greater Washington D.C. <sup>(3)</sup>	59.0%	86.6%
Baltimore	5.0%	74.8%
Richmond	11.7%	91.4%
Norfolk	24.3%	87.3%

<sup>(1)</sup>Excludes gains on debt extinguishment.

<sup>(2)</sup>Gross asset value calculation as defined in the unsecured revolving credit facility agreement.

<sup>(3)</sup>Includes properties in Suburban Maryland and Northern Virginia.

# Reconciliation of EBITDA to Net Income

(unaudited, amounts in thousands)  
(percentages are representative of total revenues)

	Three Months Ended										
	June 30, 2009		March 31, 2009		December 31, 2008		September 30, 2008		June 30, 2008		
<b>OPERATING REVENUES</b>											
Rental	\$ 26,709	82.1%	\$ 27,027	80.4%	\$ 26,528	81.2%	\$ 25,491	82.0%	\$ 25,160	82.7%	
Tenant reimbursements and other	5,810	17.9%	6,599	19.6%	6,145	18.8%	5,577	18.0%	5,252	17.3%	
	<u>32,519</u>	100.0%	<u>33,626</u>	100.0%	<u>32,673</u>	100.0%	<u>31,068</u>	100.0%	<u>30,412</u>	100.0%	
<b>PROPERTY EXPENSES</b>											
Property operating	8,052	24.8%	8,317	24.7%	7,154	21.9%	7,160	23.1%	6,227	20.5%	
Real estate taxes and insurance	3,213	9.8%	3,313	9.9%	3,110	9.5%	3,173	10.2%	3,032	10.0%	
<b>NET OPERATING INCOME</b>	<u>21,254</u>	65.4%	<u>21,996</u>	65.4%	<u>22,409</u>	68.6%	<u>20,735</u>	66.7%	<u>21,153</u>	69.5%	
<b>OTHER INCOME (EXPENSE)</b>											
General and administrative	(2,922)	9.1%	(2,956)	8.9%	(3,603)	11.1%	(2,797)	9.0%	(2,838)	9.3%	
Interest and other income	118	0.4%	139	0.4%	299	0.9%	142	0.5%	104	0.3%	
Equity in losses of affiliate	(47)	0.1%	(7)	0.0%	-	0.0%	-	0.0%	-	0.0%	
<b>EBITDA</b>	<u>18,403</u>	56.6%	<u>19,172</u>	56.9%	<u>19,105</u>	58.4%	<u>18,080</u>	58.2%	<u>18,419</u>	60.5%	
Depreciation and amortization	(10,005)		(10,046)		(9,835)		(9,113)		(9,022)		
Interest expense	(8,113)		(8,327)		(8,887)		(8,635)		(9,117)		
Gain on early retirement of debt	1,367		4,339		1,369		-		1,611		
Income from continuing operations	<u>1,652</u>		<u>5,138</u>		<u>1,752</u>		<u>332</u>		<u>1,891</u>		
<b>DISCONTINUED OPERATIONS</b>											
Income from operations of disposed property	-		-		-		-		651		
Gain on sale of disposed property	-		-		-		-		14,274		
Income from discontinued operations	<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>14,925</u>		
<b>NET INCOME</b>	<u>1,652</u>		<u>5,138</u>		<u>1,752</u>		<u>332</u>		<u>16,816</u>		
Less: Net income attributable to noncontrolling interests in the Operating Partnership	<u>(45)</u>		<u>(141)</u>		<u>(48)</u>		<u>(10)</u>		<u>(518)</u>		
<b>NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>	<u>\$ 1,607</u>		<u>\$ 4,997</u>		<u>\$ 1,704</u>		<u>\$ 322</u>		<u>\$ 16,298</u>		

# Financial Measures

(unaudited, amounts in thousands, except per share data)

<b>FUNDS FROM OPERATIONS ("FFO")</b>	Three Months Ended				
	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Net income attributable to common shareholders	\$ 1,607	\$ 4,997	\$ 1,704	\$ 322	\$ 16,298
Add back:					
Depreciation and amortization:					
Real estate assets <sup>(1)</sup>	9,876	9,673	9,835	9,113	9,022
Discontinued operations	-	-	-	-	197
Unconsolidated joint venture	96	14	-	-	-
Joint venture acquisition fee	-	-	211	-	-
Net income attributable to noncontrolling interests	45	141	48	10	518
Deduct:					
Gain on sale of disposed property	-	-	-	-	(14,274)
<b>FFO</b>	<b>\$ 11,624</b>	<b>\$ 14,825</b>	<b>\$ 11,798</b>	<b>\$ 9,445</b>	<b>\$ 11,761</b>
<b>ADJUSTED FUNDS FROM OPERATIONS ("AFFO")</b>					
FFO	\$ 11,624	\$ 14,825	\$ 11,798	\$ 9,445	\$ 11,761
Non-cash share-based compensation expense	728	563	526	540	536
Gain on early retirement of debt	(1,367)	(4,339)	(1,369)	-	(1,611)
Rental payments treated as basis reduction <sup>(2)</sup>	99	99	1,398	-	-
Straight-line rent, net <sup>(3)</sup>	157	(90)	(533)	(126)	(62)
Deferred market rent	(388)	(473)	(365)	(452)	(463)
Non-real estate depreciation <sup>(4)</sup>	211	220	220	218	208
Debt fair value amortization	(541)	(568)	(575)	(747)	(811)
Amortization of finance costs	370	389	392	353	313
Amortization of discounts	298	355	410	419	451
Tenant improvements <sup>(5)</sup>	(4,413)	(2,611)	(2,694)	(2,153)	(1,830)
Leasing commissions <sup>(5)</sup>	(1,221)	(752)	(793)	(1,872)	(1,103)
Capital expenditures <sup>(5)</sup>	(298)	(269)	(125)	(377)	(649)
<b>AFFO</b>	<b>\$ 5,259</b>	<b>\$ 7,349</b>	<b>\$ 8,290</b>	<b>\$ 5,248</b>	<b>\$ 6,740</b>
<b>Total weighted average shares and OP units:</b>					
Basic	27,930	27,772	27,747	24,927	24,895
Diluted	28,002	27,801	27,755	24,980	24,953
<b>FFO per share:</b>					
FFO per share and unit - basic and diluted	\$ 0.42	\$ 0.53	\$ 0.43	\$ 0.38	\$ 0.47
<b>AFFO per share:</b>					
AFFO per share and unit - basic and diluted	\$ 0.19	\$ 0.26	\$ 0.30	\$ 0.21	\$ 0.27
First-generation costs					
Tenant improvements	\$ 2,835	\$ 2,100	\$ 4,006	\$ 2,305	\$ 1,784
Leasing commissions	466	271	460	625	141
Capital expenditures	923	604	1,565	3,322	1,154
<b>Total first-generation costs</b>	<b>4,224</b>	<b>2,975</b>	<b>6,031</b>	<b>6,252</b>	<b>3,079</b>
Development	108	77	105	1,143	4,145
Redevelopment	127	501	99	326	265
	<b>\$ 4,459</b>	<b>\$ 3,553</b>	<b>\$ 6,235</b>	<b>\$ 7,721</b>	<b>\$ 7,489</b>

<sup>(1)</sup>During the second quarter of 2009, \$373 thousand and \$129 thousand, respectively, of depreciation and amortization expense related to a third party's portion of a consolidated joint venture was not added back when calculating the Company's FFO.

<sup>(2)</sup>Represents cash received from space leased to a former owner of a property the Company acquired in September 2008. All cash received from these leases is treated as a reduction in the basis of the property acquired.

<sup>(3)</sup>Straight-line rent, less uncollectable amounts and rent abatements.

<sup>(4)</sup>Most non-real estate depreciation is classified in general and administrative expense.

<sup>(5)</sup>Does not include first generation costs, which the Company defines as tenant improvement, leasing commissions and capital expenditure costs that were taken into consideration when underwriting the purchase of a property or incurred to bring the property to operating standard for its intended use. See occupancy summary (page 14) for an analysis of leases that have been signed, but not yet commenced.

# Net Operating Income (NOI) Same-Property Analysis

(unaudited, amounts in thousands)

Same-Property NOI	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Total base rent	\$ 26,001	\$ 25,160	\$ 51,880	\$ 49,826
Tenant reimbursements and other	5,635	4,922	11,684	9,820
Property operating expenses	(7,477)	(5,846)	(15,030)	(12,244)
Real estate taxes and insurance	(3,137)	(3,029)	(6,358)	(5,942)
<b>Same-property<sup>(1)(2)</sup> NOI - accrual basis</b>	<b>21,022</b>	<b>21,207</b>	<b>42,176</b>	<b>41,460</b>
Straight-line revenue, net	79	(48)	45	(272)
Deferred market rental revenue, net	(385)	(463)	(809)	(913)
<b>Same-property<sup>(1)(2)</sup> NOI - cash basis</b>	<b>\$ 20,716</b>	<b>\$ 20,696</b>	<b>\$ 41,412</b>	<b>\$ 40,275</b>
Change in same-property NOI - accrual basis	-0.9%		1.7%	
Change in same-property NOI - cash basis	0.1%		2.8%	
<b>Change in Same-Property NOI - accrual basis</b>				
Rental revenue increase	\$ 841		\$ 2,054	
Tenant reimbursement and other increase	713		1,864	
Expense increase	(1,739)		(3,202)	
	<b>\$ (185)</b>		<b>\$ 716</b>	
Same-property percentage of total portfolio (sf)	96.0%		96.0%	

Reconciliation of Consolidated NOI to Same-Property NOI	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Total revenues	\$ 32,519	\$ 30,412	\$ 66,145	\$ 60,553
Property operating expenses	(8,052)	(6,227)	(16,369)	(12,931)
Real estate taxes and insurance	(3,213)	(3,032)	(6,526)	(5,949)
NOI	21,254	21,153	43,250	41,673
Less: Non-same property NOI <sup>(3)</sup>	(232)	54	(1,074)	(213)
<b>Same-property<sup>(1)(2)</sup> NOI - accrual basis</b>	<b>21,022</b>	<b>21,207</b>	<b>42,176</b>	<b>41,460</b>
Straight-line revenue, net	79	(48)	45	(272)
Deferred market rental revenue	(385)	(463)	(809)	(913)
<b>Same-property<sup>(1)(2)</sup> NOI - cash basis</b>	<b>\$ 20,716</b>	<b>\$ 20,696</b>	<b>\$ 41,412</b>	<b>\$ 40,275</b>

Change in Same-Property NOI by Region	Three Months Ended	Six Months Ended
	June 30, 2009	June 30, 2009
Maryland	-14.9%	-10.8%
Northern Virginia	5.0%	6.0%
Southern Virginia	8.1%	10.6%

<sup>(1)</sup>Same property comparisons are based upon those properties owned for the entirety of the periods presented. Same property results exclude the results of the following non same-properties: Alexandria Corporate Park, Triangle Business Center and RiversPark I and II.

<sup>(2)</sup>Excludes a 76,000 square foot redevelopment building at Ammendale Commerce Center, which was placed in service during the fourth quarter of 2008, and a 57,000 square foot space at Interstate Plaza that is currently under redevelopment.

<sup>(3)</sup>Non-same property NOI has been adjusted to reflect a normalized management fee percentage in lieu of an administrative overhead allocation for comparative purposes.

# Consolidated Balance Sheets

(unaudited, amounts in thousands, except per share amounts)

	June 30, 2009 (unaudited)	December 31, 2008
<b>Assets</b>		
Rental property	\$ 1,091,709	\$ 1,106,571
Less: Accumulated depreciation	(125,898)	(111,658)
Rental property, net	965,811	994,913
Cash and cash equivalents	5,879	16,352
Escrows and reserves	9,451	8,808
Investment in affiliate	1,963	-
Other assets	56,354	60,176
Total assets	\$ 1,039,458	\$ 1,080,249
<b>Liabilities</b>		
Mortgage loans	\$ 293,606	\$ 322,846
Unsecured notes	131,374	155,435
Bank debt	199,400	175,500
Accounts payable and accrued interest	17,435	20,513
Other liabilities	22,197	30,035
Total liabilities	664,012	704,329
Noncontrolling interests (redemption value \$7,534 and \$7,186, respectively)	10,435	10,627
Shareholders' equity:		
Common shares, \$0.001 par value, 100,000 common shares authorized; 28,299 and 27,353 shares issued and outstanding, respectively	28	27
Additional paid-in capital	491,442	484,825
Accumulated other comprehensive loss	(2,537)	(3,823)
Dividends in excess of accumulated earnings	(123,922)	(115,736)
Total shareholders' equity	365,011	365,293
Total liabilities, noncontrolling interests and shareholders' equity	\$ 1,039,458	\$ 1,080,249



# Total Market Capitalization and Selected Ratios

(unaudited, amounts in thousands)

## MARKET CAPITALIZATION

		Percent of Total Market Capitalization
Total common shares outstanding	28,299	
Operating Partnership ("OP") units held by third parties	773	
Total common shares and OP units	29,072	
Market price at June 30, 2009	\$ 9.75	
Total equity capitalization	\$ 283,452	31.2%
Debt capitalization		
Fixed-rate debt	\$ 415,124	45.7%
Floating-rate debt <sup>(1)(2)</sup>	209,256	23.1%
Total debt capitalization	\$ 624,380	68.8%
Total market capitalization	\$ 907,832	100.0%

## SELECTED RATIOS

	Three Months Ended				
	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
<b><u>COVERAGE RATIO</u></b>					
<b>Interest Coverage Ratio</b>					
EBITDA	\$ 18,403	\$ 19,172	\$ 19,105	\$ 18,080	\$ 18,419
Interest Expense	8,113	8,327	8,887	8,635	9,117
	<b>2.27x</b>	<b>2.30x</b>	<b>2.15x</b>	<b>2.09x</b>	<b>2.02x</b>
<b><u>OVERHEAD RATIO</u></b>					
<b>G&amp;A to Real Estate Revenues</b>					
General and Administrative Expense	\$ 2,922	\$ 2,956	\$ 3,603	\$ 2,797	\$ 2,838
Total Revenues	32,519	33,626	32,673	31,068	30,412
	<b>9.0%</b>	<b>8.8%</b>	<b>11.0%</b>	<b>9.0%</b>	<b>9.3%</b>
<b><u>LEVERAGE RATIO</u></b>					
<b>Debt/Undepreciated Book Value</b>					
Total Debt	\$ 624,380	\$ 628,287	\$ 653,781	\$ 650,877	\$ 634,965
Undepreciated Book Value	1,091,709	1,086,264	1,106,571	1,098,409	1,045,712
	<b>57.2%</b>	<b>57.8%</b>	<b>59.1%</b>	<b>59.3%</b>	<b>60.7%</b>

<sup>(1)</sup>As of June 30, 2009, the Company had entered into interest rate swap agreements that fixed interest rates on \$94.9 million of its variable rate debt, therefore, only \$114.4 million, or 18.3%, of the Company's debt is exposed to variable interest rate fluctuations.

<sup>(2)</sup>On March 16, 2009, the Company deconsolidated a joint venture that owned RiversPark II due to the renewal of a tenant's lease, which effectively terminated a lease guarantee to the joint venture. As a result, \$18.1 million of hedged, variable-rate debt for River's Park II was deconsolidated.

# Outstanding Debt

(unaudited, amounts in thousands)

<u>Encumbered Properties</u>	<u>Effective Interest Rate</u>	<u>Principal Balance at June 30, 2009</u>	<u>Annualized Debt Service</u>	<u>Maturity Date</u>	<u>Balance at Maturity</u>
<b>Fixed Rate Debt</b>					
4200 Tech Court <sup>(2)</sup>	8.07%	\$ 1,712	\$ 168	10/1/2009	\$ 1,705
Park Central I <sup>(1)</sup>	5.66%	4,628	519	11/1/2009	4,523
4212 Tech Court	8.53%	1,677	169	6/1/2010	1,654
Park Central II <sup>(1)</sup>	5.66%	5,748	638	11/1/2010	5,289
Enterprise Center <sup>(1),(2)</sup>	5.20%	17,752	1,647	12/1/2010	16,712
Indian Creek Court <sup>(1),(2)</sup>	5.90%	12,618	1,162	1/1/2011	11,982
403/405 Glenn Drive <sup>(1)</sup>	5.50%	8,393	746	7/1/2011	7,807
4612 Navistar Drive <sup>(1),(2)</sup>	5.20%	12,907	1,131	7/11/2011	11,921
Campus at Metro Park <sup>(1),(2)</sup>	5.25%	23,775	2,028	2/11/2012	21,581
1434 Crossways Boulevard Building II <sup>(1)</sup>	5.38%	10,027	826	8/5/2012	8,866
Crossways Commerce Center	6.70%	24,809	2,087	10/1/2012	23,313
Newington Business Park Center	6.70%	15,649	1,316	10/1/2012	14,706
Prosperity Business Center <sup>(1)</sup>	5.75%	3,694	332	1/1/2013	3,242
Aquia Commerce Center I	7.28%	549	165	2/1/2013	42
1434 Crossways Boulevard Building I <sup>(1)</sup>	5.38%	8,621	665	3/5/2013	7,597
Linden Business Center <sup>(1)</sup>	5.58%	7,307	559	10/1/2013	6,596
Owings Mills Business Center <sup>(1)</sup>	5.75%	5,601	425	3/1/2014	5,066
Annapolis Commerce Park East <sup>(1)</sup>	6.25%	8,671	665	6/1/2014	8,010
Plaza 500					
Van Buren Business Park					
Rumsey Center					
Snowden Center					
Greenbrier Technology Center II					
Norfolk Business Center					
Northridge I & II					
15395 John Marshall Highway	5.19%	100,000	5,190	8/1/2015	92,223
Hanover Business Center					
Hanover Building D <sup>(1)</sup>	6.63%	809	161	8/1/2015	13
Hanover Building C <sup>(1)</sup>	6.63%	1,208	186	12/1/2017	13
Chesterfield Business Center					
Chesterfield Buildings C, D, G and H <sup>(1)</sup>	6.63%	2,111	414	8/1/2015	34
Chesterfield Buildings A, B, E and F <sup>(1)</sup>	6.63%	2,624	318	6/1/2021	26
Gateway Centre Building I <sup>(1)</sup>	5.88%	1,429	239	11/1/2016	-
Airpark Business Center <sup>(1)</sup>	6.63%	1,431	173	6/1/2021	14
	5.63% <sup>(4)</sup>	\$ 283,750	\$ 21,929		\$ 252,935
<b>Convertible Debt</b>					
Exchangeable Senior Notes <sup>(3)</sup>	5.84%	\$ 56,374	\$ 2,360	12/15/2011	\$ 59,000
<b>Senior Unsecured Debt</b>					
Series A Notes	6.41%	\$ 37,500	\$ 2,404	6/15/2013	\$ 37,500
Series B Notes	6.55%	37,500	2,456	6/15/2016	37,500
		\$ 75,000	\$ 4,860		\$ 75,000
<b>Total Fixed Rate Debt</b>	5.81% <sup>(4)</sup>	\$ 415,124	\$ 29,149		\$ 386,935

# Outstanding Debt Continued

(unaudited, amounts in thousands)

	Effective Interest Rate	Principal Balance at June 30, 2009	Annualized Debt Service	Maturity Date	Balance at Maturity
<b>Total Fixed Rate Debt</b>	5.81% <sup>(4)</sup>	\$ 415,124	\$ 29,149		\$ 386,935
<b>Hedged Floating Rate Debt</b>					
Secured Term Loan I <sup>(5)</sup>	3.81%	\$ 50,000	\$ 1,905	8/7/2011	\$ 50,000
Secured Term Loan II <sup>(6)</sup>	5.83%	35,000	2,041	8/11/2011	35,000
RiversPark I <sup>(7)</sup>	5.97%	9,856	588	9/26/2011	9,856
	4.78% <sup>(4)</sup>	\$ 94,856	\$ 4,534		\$ 94,856
<b>Unhedged Floating Rate Debt</b>					
Unsecured Revolving Credit Facility <sup>(8)</sup>	LIBOR + 1.20%	\$ 99,400	\$ 1,501	4/26/2011	\$ 99,400
Secured Term Loan II <sup>(6)</sup>	LIBOR + 2.50%	15,000	422	8/11/2011	15,000
	1.68% <sup>(4)</sup>	\$ 114,400	\$ 1,923		\$ 114,400
<b>Total at June 30, 2009</b>	<b>4.90%<sup>(4)</sup></b>	<b>\$ 624,380</b>	<b>\$ 35,606<sup>(9)</sup></b>		<b>\$ 596,191</b>

<sup>(1)</sup>The balance includes the fair value impacts recorded at acquisition upon assumption of the mortgages encumbering these properties. The fair value impacts at June 30, 2009 and actual interest rates are:

Property	Fair Value Impact	Contractual Interest Rate
Park Central I	\$ 42	8.00%
Park Central II	196	8.32%
Enterprise Center	661	8.03%
Indian Creek Court	335	7.80%
403/405 Glenn Drive	319	7.60%
4612 Navistar Drive	550	7.48%
Campus at Metro Park	1,056	7.11%
1434 Crossways Boulevard Building II	604	7.05%
Prosperity Business Center	45	6.25%
1434 Crossways Boulevard Building I	402	6.25%
Linden Business Center	116	6.01%
Owings Mills Business Center	22	5.85%
Annapolis Commerce Park East	(185)	5.74%
Hanover Business Center Building D	49	8.88%
Hanover Business Center Building C	56	7.88%
Chesterfield Buildings C, D, G and H	109	8.50%
Chesterfield Buildings A, B, E and F	108	7.45%
Gateway Centre Building I	65	7.35%
Airpark Business Center	59	7.45%
<b>Total fair value increase</b>	<b>\$ 4,609</b>	

<sup>(2)</sup>The maturity date on these loans represents the anticipated repayment date of the loans, after which the interest rates on the loans increase.

<sup>(3)</sup>During second quarter of 2009, the Company retired \$9.0 million of its Exchangeable Senior Notes.

<sup>(4)</sup>Represents the weighted average interest rate.

<sup>(5)</sup>Borrowings on the \$50 million secured term loan bear interest at a rate of LIBOR plus 110 basis points. The Company has entered into an interest rate swap agreement that fixed the interest rate on the loan at 2.71%, plus a spread of 0.70% to 1.25% (depending on the Company's overall leverage). The loan, which matures in August 2010, has a one-year extension at the Company's option, which it intends to exercise.

<sup>(6)</sup>On August 11, 2008, the Company entered into a \$35.0 million secured term loan with KeyBank, N.A., which can be expanded to \$70.0 million. In August 2008, the Company entered into an interest rate swap agreement that fixed the interest rate on the initial \$35.0 million loan at 5.58%. On December 9, 2008, the Company borrowed an additional \$15.0 million under an amendment to the loan agreement, which increased its total commitment to \$50.0 million. The transaction increased the base interest rate on the entire loan balance by 0.25% and on the interest rate swap agreement. The loan, which matures in August 2010, has a one-year extension at the Company's option, which it intends to exercise.

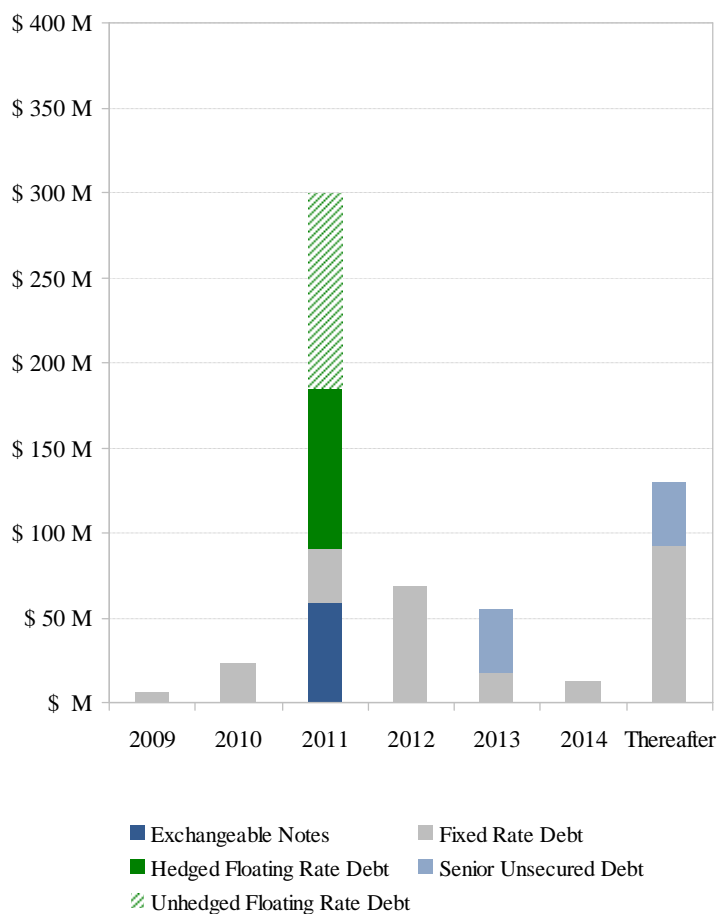
<sup>(7)</sup>The mortgage loan matures in September 2011 and has two one-year renewal options. Borrowing on the loan bear interest at LIBOR plus 250 basis points. The Company has entered into an interest rate swap agreement that fixed the interest rate on the loan at 5.97% for its initial three-year term. On December 12, 2008, the Company entered into a joint venture with an affiliate of AEW Capital Management, L.P. ("AEW") to own RiversPark I. The joint venture is owned 25% by the Company and 75% by AEW. As a result of lease guarantees and its continuing involvement, the Company consolidates the joint venture and its respective operating results within its financial statements. The cash contributed to the joint venture by AEW is reflected in the liability section of the Company's balance sheet under "Financing Obligation." This amount was recorded based on AEW's initial investment and is adjusted to reflect AEW's share of earnings in the joint venture or any distributions received by AEW. The earnings from the joint venture attributable to AEW are recorded as interest expense on the Company's statements of operations.

<sup>(8)</sup>As of June 30, 2009, the borrowing base for the Company's unsecured revolving credit facility included the following properties: 13129 Airpark Road, Virginia Center, Aquia Commerce Center II, Airpark Place, Gateway West II, Crossways II, Reston Business Campus, Cavalier Industrial Park, Gateway Centre (Building II), Enterprise Parkway, Diamond Hill Distribution Center, Linden Business Center (Building I), 1000 Lucas Way, River's Bend Center, Crossways I, Sterling Park Business Center, Sterling Park Land, 1408 Stephanie Way, Davis Drive, Gateway 270, Gateway II, Greenbrier Circle Corporate Center, Greenbrier Technology Center I, Pine Glen, Ammendale Commerce Center, River's Bend Center II, Park Central (Building V), Hanover AB, Herndon Corporate Center, Deer Park, 6900 English Muffin Way, Gateway West, 4451 Georgia Pacific, 20270 Goldenrod Lane, 7561 Lindbergh Drive, Old Courthouse Square, Patrick Center, West Park, Woodlands Business Center and 15 Woman's Mill Court. The loan, which matures in April 2010, has a one-year extension at the Company's option, which it intends to exercise.

<sup>(9)</sup>During the second quarter of 2009, the Company paid approximately \$2.0 million in principal payments, which does not include \$8.0 million related to mortgage debt that was repaid in May 2009.

# Debt Maturity Schedule

(unaudited, amounts in thousands)



## NOI of Pledged Properties and Supported Indebtedness

Year of Maturity	Type	Annualized NOI	Total Maturing Indebtedness	Total Supported Indebtedness	Debt Yield
2009	Secured Property Debt	\$ 725	\$ 6,228	\$ 6,228	11.6%
2010	Secured Property Debt	4,160	23,655	23,655	17.6%
2011	Secured Property Debt	5,210	41,566	41,566	12.5%
2011	Unsecured Debt <sup>(1)</sup>	33,908	158,400	233,400	14.5%
2011	Secured Term Loan I <sup>(2)</sup>	34,943	50,000	275,761	12.7%
2011	Secured Term Loan II	6,827	50,000	50,000	13.7%
2012	Secured Property Debt	11,395	68,466	68,466	16.6%
2013	Secured Property Debt	3,147	17,477	17,477	18.0%
2014	Secured Property Debt	2,314	13,076	13,076	17.7%

<sup>(1)</sup>The unsecured debt also includes private debt of \$37.5 million maturing in 2013 and \$37.5 million maturing in 2016.

<sup>(2)</sup>Secured Term Loan I is mezzanine debt that shows an encumbered borrowing base with first mortgage property debt that matures from 2010 through 2021.

# Debt Covenants

(unaudited, amounts in thousands)

	Credit Facility / Secured Term Loan I		Senior Notes	
	Quarter Ending June 30, 2009	Covenant	Quarter Ending June 30, 2009	Covenant
Unencumbered Pool Leverage <sup>(1)</sup>	52.8%	≤ 65%	54.4%	≤ 65%
Unencumbered Pool Debt Service Coverage Ratio <sup>(1),(2)</sup>	3.19x	≥ 1.75x	N/A	N/A
Maximum Consolidated Total Indebtedness	56.6%	≤ 60% <sup>(3)</sup>	58.3%	≤ 65%
Minimum Tangible Net Worth	\$ 490,438	≥ \$359,685	\$ 457,516	≥ \$359,685
Fixed Charge Coverage Ratio	1.9x	≥ 1.50x	1.9x	≥ 1.50x
Maximum Dividend Payout Ratio	60.3%	≤ 95%	60.3%	≤ 95%
<i>Restricted Investments<sup>(2)</sup> :</i>				
Joint Ventures <sup>(2)</sup>	0.2%	≤ 20%	N/A	N/A
Construction in Progress <sup>(2)</sup>	1.3%	≤ 10%	N/A	N/A
Undeveloped Land <sup>(2)</sup>	1.6%	≤ 5%	N/A	N/A
Mortgage Notes <sup>(2)</sup>	0.0%	≤ 5%	N/A	N/A
<i>Total Restricted Investments<sup>(2)</sup></i>	3.1%	≤ 25%	N/A	N/A
<i>Restricted Indebtedness :</i>				
Unhedged Variable Rate Debt <sup>(2)</sup>	10.1%	≤ 25%	N/A	N/A
Maximum Secured Debt	34.6%	≤ 55%	35.6%	≤ 40%
Maximum Secured Recourse Debt <sup>(2)</sup>	9.5%	≤ 10%	N/A	N/A

<sup>(1)</sup>Covenant does not apply to Secured Term Loan I's covenants.

<sup>(2)</sup>Covenant only applies to the unsecured revolving credit facility.

<sup>(3)</sup>Company has a one time right to increase indebtedness to 65% for three consecutive quarters.

# Portfolio Summary

(unaudited)

	<u>Square Feet</u>
<b><u>Portfolio In Service</u></b>	
Maryland	3,566,636
Northern Virginia	2,705,543
Southern Virginia	5,131,527
<b>Total Portfolio In Service</b>	<b><u>11,403,706</u></b>
 <b><u>Assets in Development / Redevelopment</u></b>	
Redevelopment	169,580
Development	104,555
Completed Development / Redevelopment Not Yet Placed in Service	7,822
<b>Total Assets in Development / Redevelopment</b>	<b><u>281,957</u></b>
 <b>Total Portfolio</b>	 <b><u>11,685,663</u></b>
 <b><u>Unconsolidated Joint Venture</u></b>	
RiversPark II	<u>146,197</u>

# Occupancy Summary

(unaudited)

## CURRENT OCCUPANCY

<u>Property Type</u>	<u>Occupied Square Feet</u>	<u>% of Occupied Square Feet</u>	<u>% Occupied at June 30, 2009<sup>(1)</sup></u>	<u>Annualized Base Rent<sup>(2)</sup> - Cash Basis</u>	<u>% of Annualized Base Rent</u>
Business Park	5,724,878	58.0%	83.9%	\$ 65,086,665	67.0%
Industrial	3,751,974	38.0%	90.5%	27,348,973	28.1%
Office	204,561	2.1%	87.1%	3,558,622	3.7%
Retail	183,679	1.9%	91.3%	1,175,556	1.2%
<b>Total</b>	<b>9,865,092</b>	<b>100.0%</b>	<b>86.5%</b>	<b>\$ 97,169,816</b>	<b>100.0%</b>

## LEASED BUT NOT YET OCCUPIED

Leased at June 30, 2009 (In-Place Portfolio<sup>(1)</sup>) **87.0%**

	<u>Square Feet</u>	<u>Annualized Rental Revenue</u>
<u>In-Place Portfolio</u>		
2009-Q3		
Move-Ins	55,149	\$ 694,518
Move-Outs	(35,181)	(411,931)
2009-Q4		
Move-Ins	21,642	\$ 172,054
2010-Q1		
Move-Ins	3,207	14,432
Move-Outs	(3,150)	(15,821)
<b>Total</b>	<b>41,667</b>	<b>453,252</b>
<u>Development/Redevelopment</u>		
2009-Q3		
Move-Ins	39,852	771,426
<b>Total</b>	<b>39,852</b>	<b>771,426</b>
<b>Total</b>	<b>81,519</b>	<b>\$ 1,224,678</b>

<sup>(1)</sup>Does not include space in development or redevelopment.

<sup>(2)</sup>Triple-net equivalent.

# Net Asset Value Analysis

(unaudited, in thousands)

<u>Income Statement Items</u> <sup>(1)</sup>	<u>Three Months Ended</u> <u>June 30, 2009</u>	<u>Annualized</u>
<b>Total Portfolio In-Place Cash NOI</b>		
Total GAAP Revenue	\$ 32,355	\$ 129,420
Straight-line and Deferred Market Rents	(732)	(2,928)
Management Fee Adjustment	546	2,184
Property Operating Costs	(10,845)	(43,380)
<b>Total Portfolio In-Place Cash NOI</b>	<b>\$ 21,324</b>	<b>\$ 85,296</b>
<b>Total Portfolio Cash NOI @ 94% Occupancy</b>		
Total Revenue	\$ 35,777	\$ 143,108
Straight-line and Deferred Market Rents	(773)	(3,092)
Property Operating Costs	(11,084)	(44,336)
<b>Total Portfolio Cash NOI</b>	<b>\$ 23,920</b>	<b>\$ 95,680</b>
<b>Balance Sheet Items</b> <sup>(1)</sup>		
<b>Land for Future Development &amp; CIP</b>		
Original Cost Basis of Land held for Future Development	\$ 18,395	
Original Cost Basis of Development Assets	2,010	
Original Cost Basis of Redevelopment Assets <sup>(2)</sup>	4,464	
Construction In Progress	13,344	
<b>Total Land for Future Development &amp; CIP</b>	<b>\$ 38,213</b>	
<b>Investments in Affiliate</b>	<b>\$ 1,963</b>	
<b>Total Investments in Affiliate</b>	<b>\$ 1,963</b>	
<b>Current Quarter Acquisitions</b>	<b>\$ -</b>	
<b>Total Current Quarter Acquisitions</b>	<b>\$ -</b>	
<b>Select Balance Sheet Items</b>		
Cash and cash equivalents, escrows and reserves	\$ 5,879	
Accounts and other receivables, net of allowance	8,414	
Prepaid expenses and other assets	4,294	
Accounts payable and other liabilities	(15,310)	
Accrued interest	(2,125)	
Rents received in advance	(6,109)	
Tenant security deposits	(5,087)	
Mortgage and Senior Debt, cash principal balances	619,771	
<b>Total</b>	<b>\$ 609,727</b>	

<sup>(1)</sup>Consolidated figures include RiversPark I, but do not include RiversPark II.

<sup>(2)</sup>Represents portion of original purchase under redevelopment.



# Investment in Joint Venture

(unaudited, amounts in thousands)

## Unconsolidated Joint Venture

	<u>FPO Ownership</u>	<u>FPO Investment at June 30, 2009</u>	<u>Property Type</u>	<u>Location</u>	<u>Square Feet</u>	<u>Leased at June 30, 2009</u>	<u>Occupied at June 30, 2009</u>
<b>RiversPark II<sup>(1)</sup></b>	25%	\$ 1,963	BP	Columbia, MD	146,197	100.0%	100.0%
<u>Outstanding Debt</u>			<u>Effective Interest Rate</u>	<u>Principal Balance at June 30, 2009</u>	<u>Annualized Debt Service</u>	<u>Maturity Date</u>	<u>Balance at Maturity</u>
Hedged Floating Rate Debt <sup>(2)</sup>			5.97%	\$ 18,144	\$ 1,083	9/26/2011	\$ 18,144

## Consolidated Joint Venture

	<u>FPO Ownership</u>	<u>Property Type</u>	<u>Location</u>	<u>Square Feet</u>	<u>Leased at June 30, 2009</u>	<u>Occupied at June 30, 2009</u>
<b>RiversPark I</b>	25%	BP	Columbia, MD	160,470	73.7%	73.7%
<u>Outstanding Debt</u>		<u>Effective Interest Rate</u>	<u>Principal Balance at June 30, 2009</u>	<u>Annualized Debt Service</u>	<u>Maturity Date</u>	<u>Balance at Maturity</u>
Hedged Floating Rate Debt <sup>(2)</sup>		5.97%	\$ 9,856	\$ 588	9/26/2011	\$ 9,856

<sup>(1)</sup>On December 12, 2008, the Company entered into a joint venture with a third party to own RiversPark I and II. As a condition of the joint venture, the Company provided a guarantee to the joint venture for several lease agreements entered into by the former owner for certain vacancy at RiversPark I and rental payments in the event a specified tenant does not renew its lease at RiversPark II. On March 17, 2009, the specified tenant renewed its lease at RiversPark II, which effectively terminated the Company's lease guarantee related to RiversPark II. As a result, the Company applied equity accounting to RiversPark II and therefore, the assets, liabilities and operating results of RiversPark II are no longer consolidated on the Company's financial statements effective March 17, 2009.

<sup>(2)</sup>The mortgage loan matures in September 2011 and has two one-year renewal options. Borrowing on the loan bear interest at LIBOR plus 250 basis points. The Company has entered into an interest rate swap agreement that fixed the interest rate on the loan at 5.97% for its initial three-year term.

# Top Thirty Tenants

(unaudited)

Ranking	Tenant	Number of Leases	Total Leased Square Feet	Total Annualized Rental Revenue <sup>(1)</sup>	Percentage of Total Annualized Rental Revenue - Cash Basis	Weighted Average Remaining Lease Years
1	U.S. Government	29	656,410	\$ 6,800,054	7.0%	2.8
2	Engineering Solutions	1	236,082	3,175,303	3.2%	7.8
3	HP Corporation	2	220,501	2,576,291	2.6%	2.0
4	FKI Industries, Inc	1	215,085	1,890,048	1.9%	7.3
5	Lockheed Martin Corporation	9	148,520	1,827,233	1.9%	2.4
6	Sentara Healthcare	7	183,767	1,825,687	1.9%	6.1
7	Verizon Virginia, Inc.	6	92,829	1,373,250	1.4%	3.5
8	State of Maryland	10	76,242	1,366,078	1.4%	3.4
9	Montgomery County	2	57,825	1,301,318	1.3%	6.1
10	First Data Corporation	1	117,336	1,290,696	1.3%	4.4
11	Iron Mountain	2	188,911	1,266,071	1.3%	9.2
12	Stock Building Supply, Inc	1	124,501	1,177,086	1.2%	7.7
13	Capital One Financial Corp	1	158,400	1,089,324	1.1%	2.1
14	General Dynamics Information Technology, Inc	6	154,437	1,065,093	1.1%	2.9
15	Vangent, Inc	1	123,200	1,039,968	1.1%	4.5
16	Harris Corporation	3	47,680	1,006,750	1.0%	4.3
17	Siemens Real Estate	1	76,292	991,796	1.0%	6.8
18	First American Registry	1	55,851	955,052	1.0%	5.1
19	D.D. Jones	4	272,624	940,318	1.0%	2.4
20	Lyttle Corp	1	54,530	905,266	0.9%	3.6
21	Allstate Insurance Company	2	48,785	784,272	0.8%	2.7
22	Wachovia Bank/Harris Connect	1	58,954	765,449	0.8%	2.3
23	Eska Graphic Board USA BV	2	152,600	752,318	0.8%	4.7
24	Baxter Healthcare Corp., Amvax, Inc.	2	36,740	700,772	0.7%	4.5
25	Measurement Specialties, Inc.	1	120,000	696,108	0.7%	12.1
26	Home Depot	4	129,988	659,443	0.7%	1.8
27	ServiceSource, Inc.	4	64,683	654,914	0.7%	5.3
28	Capital Office Solutions	1	46,781	643,239	0.7%	9.6
29	TVI Corporation	3	118,273	635,578	0.7%	5.8
30	Fibertek, Inc.	2	37,359	615,183	0.6%	1.5
	Subtotal Top 30 Tenants	111	4,075,186	40,769,958	41.8%	4.6
	All Remaining Tenants	685	5,843,018	56,966,891	58.2%	3.8
	<b>Total / Weighted Average</b>	<b>796</b>	<b>9,918,204</b>	<b>\$ 97,736,849</b>	<b>100.0%</b>	<b>4.1</b>

<sup>(1)</sup>Annualized rental revenue is based on triple-net equivalent cash basis rental revenue as of June 30, 2009.

# Portfolio Analysis

(unaudited)

## PORTFOLIO BY MARKET

	Number of Buildings	Square Feet <sup>(1)</sup>	Percent Leased <sup>(1)</sup>	Percent Occupied <sup>(1)</sup>	Annualized Base Rent <sup>(2)</sup> - Cash Basis	Percentage of Annualized Base Rent
<b>Maryland</b>	<b>72</b>	<b>3,566,636</b>	<b>82.7%</b>	<b>82.4%</b>	<b>\$ 33,398,342</b>	<b>34.1%</b>
Baltimore	18	575,887	74.8%	74.5%	4,879,537	4.9%
Suburban MD	54	2,990,749	84.2%	83.9%	28,518,805	29.2%
<b>Northern VA</b>	<b>47</b>	<b>2,705,543</b>	<b>89.3%</b>	<b>89.3%</b>	<b>29,179,469</b>	<b>29.9%</b>
<b>Southern VA</b>	<b>54</b>	<b>5,131,527</b>	<b>88.7%</b>	<b>87.9%</b>	<b>35,159,038</b>	<b>36.0%</b>
Richmond	27	1,753,767	91.4%	90.9%	11,440,715	11.7%
Norfolk	27	3,377,760	87.3%	86.3%	23,718,323	24.3%
<b>Total</b>	<b>173</b>	<b>11,403,706</b>	<b>87.0%</b>	<b>86.5%</b>	<b>\$ 97,736,849</b>	<b>100.0%</b>

## PORTFOLIO BY PROPERTY TYPE

	Number of Buildings	Square Feet <sup>(1)</sup>	Percent Leased <sup>(1)</sup>	Percent Occupied <sup>(1)</sup>	Annualized Base Rent <sup>(2)</sup> - Cash Basis	Percentage of Annualized Base Rent
Industrial	33	4,147,969	90.5%	90.5%	\$ 27,348,973	28.0%
Business Park	134	6,819,684	84.7%	83.9%	65,624,898	67.2%
Office	5	234,835	87.1%	87.1%	3,558,622	3.6%
Retail	1	201,218	92.9%	91.3%	1,204,356	1.2%
<b>Total</b>	<b>173</b>	<b>11,403,706</b>	<b>87.0%</b>	<b>86.5%</b>	<b>\$ 97,736,849</b>	<b>100.0%</b>

## PORTFOLIO BY LEASE TYPE

	Number of Leases	Square Feet <sup>(3)</sup>	Percentage of Leased Portfolio
Triple net	541	7,267,116	73.3%
Industrial gross	62	584,982	5.9%
Full service	193	2,066,106	20.8%
<b>Total</b>	<b>796</b>	<b>9,918,204</b>	<b>100.0%</b>

<sup>(1)</sup>Does not include space under redevelopment or completed construction yet to be placed into service.

<sup>(2)</sup>Triple-net equivalent; reflects leased, not yet occupied spaces.

<sup>(3)</sup>Does not include vacant and core factor space.

# Market Concentration

(unaudited)

## Market Concentration by Square Footage

	Maryland			Northern VA	Southern VA			Total
	Baltimore	Suburban MD	Subtotal		Richmond	Norfolk	Subtotal	
Industrial	-	8.6%	8.6%	11.4%	8.9%	9.0%	17.9%	<b>37.9%</b>
Business Park	4.3%	12.8%	17.1%	13.0%	7.2%	20.8%	28.0%	<b>58.1%</b>
Office	-	2.1%	2.1%	-	-	-	-	<b>2.1%</b>
Retail	-	1.9%	1.9%	-	-	-	-	<b>1.9%</b>
<b>Total</b>	<b>4.3%</b>	<b>25.4%</b>	<b>29.7%</b>	<b>24.4%</b>	<b>16.1%</b>	<b>29.8%</b>	<b>45.9%</b>	<b>100.0%</b>

## Market Concentration by Annualized Rent

	Maryland			Northern VA	Southern VA			Total
	Baltimore	Suburban MD	Subtotal		Richmond	Norfolk	Subtotal	
Industrial	-	6.3%	6.3%	12.6%	5.3%	3.8%	9.1%	<b>28.0%</b>
Business Park	5.0%	18.0%	23.0%	17.3%	6.4%	20.5%	26.9%	<b>67.2%</b>
Office	-	3.6%	3.6%	-	-	-	-	<b>3.6%</b>
Retail	-	1.2%	1.2%	-	-	-	-	<b>1.2%</b>
<b>Total</b>	<b>5.0%</b>	<b>29.1%</b>	<b>34.1%</b>	<b>29.9%</b>	<b>11.7%</b>	<b>24.3%</b>	<b>36.0%</b>	<b>100.0%</b>

# Leasing Analysis

(unaudited)

<u>Leasing Production</u> <sup>(1)</sup>	<u>Three Months Ended June 30, 2009</u>	<u>Six Months Ended June 30, 2009</u>
<b>New and Renewal Leases</b>		
Square footage of new and renewal leases	395,612	1,052,261
Number of new and renewal leases commencing	51	100
<b>Expired/Early Renewal/Terminated leases</b>		
Square footage of expired/early renewal leases	326,374	968,821
Square footage of terminated leases	<u>110,167</u>	<u>195,409</u>
Total - expired/early renewal/terminated leases	436,541	1,164,230
Signed in advance of existing tenant's lease expiration	3,207	13,207
Pre-Leasing	5,827	39,852
Recognition of previous advance leases and pre-leasing	59,017	112,576
Net Absorption	9,054	(52,452)
<b>New Leases</b>		
New square footage	107,814	251,679
Number of new leases commencing	15	30
<u>Rental Change - Cash</u> <sup>(2)</sup>		
New base rent	\$ 10.16	\$ 8.80
Percentage change in base rent	8.4%	2.1%
<u>Rental Change - GAAP</u> <sup>(2)</sup>		
New base rent	\$ 10.76	\$ 9.15
Percentage change in base rent	14.2%	2.9%
Average capital cost per square foot <sup>(3)</sup>	\$ 10.19	\$ 19.37
Average downtime between leases (months)	13.5	15.2
Average lease term (months)	44.0	60.1
<b>Renewal Leases</b>		
Square footage of renewal leases	287,798	800,582
Number of renewal leases commencing	36	70
Retention rate	88%	83%
Maryland	91%	69%
Northern VA	84%	74%
Southern VA	91%	93%
<u>Rental Change - Cash</u>		
New base rent	\$ 10.55	\$ 9.54
Expiring base rent	\$ 10.98	\$ 9.65
Percentage change in base rent	-3.9%	-1.1%
<u>Rental Change - GAAP</u>		
New base rent	\$ 10.75	\$ 9.99
Expiring base rent	\$ 10.75	\$ 9.22
Percentage change in base rent	-0.1%	8.4%
Average capital cost per square foot	\$ 1.78	\$ 4.31
Average lease term (months)	34.3	45.0

<sup>(1)</sup>Includes 46,816 square feet of leases and associated costs for leases signed in the second quarter for subsequent periods. Of the total, 21,967 square feet will commence in Q3 2009, 21,642 square feet will commence in Q4 2009 and 3,207 square feet in Q1 2010.

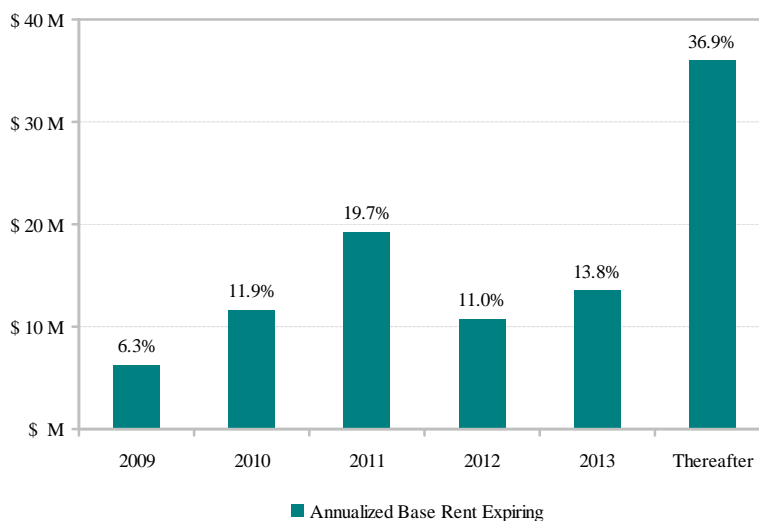
<sup>(2)</sup>Quarter lease comparison based on eight leases totaling 27,185 square feet. Excludes 44,900 square feet lease at below market rent that was signed in an effort to mitigate the loss associated with a tenant who vacated their space during their lease term.

<sup>(3)</sup>Includes first and second generation TI costs. Second generation capital costs averaged \$8.92 per square foot.

# Lease Expirations

(unaudited)

Year of Lease Expiration	<u>Gross Leased Area</u>			<u>Annualized Cash Rental Revenue</u>		
	Number of Leases Expiring	Square Footage	Percent of Total	Amount	Percent of Total	Average Base Rent per Sq. Ft. <sup>(1)</sup>
MTM	15	36,384	0.4%	\$ 382,566	0.4%	\$ 10.51
2009	76	702,067	7.1%	6,202,294	6.3%	8.83
2010	145	1,113,103	11.2%	11,616,670	11.9%	10.44
2011	161	2,266,687	22.9%	19,267,707	19.7%	8.50
2012	114	923,128	9.3%	10,749,890	11.0%	11.65
2013	104	1,326,455	13.4%	13,461,010	13.8%	10.15
Thereafter	181	3,550,380	35.7%	36,056,712	36.9%	10.16
<b>Total</b>	<b>796</b>	<b>9,918,204</b>	<b>100.0%</b>	<b>\$ 97,736,849</b>	<b>100.0%</b>	<b>\$ 9.85</b>

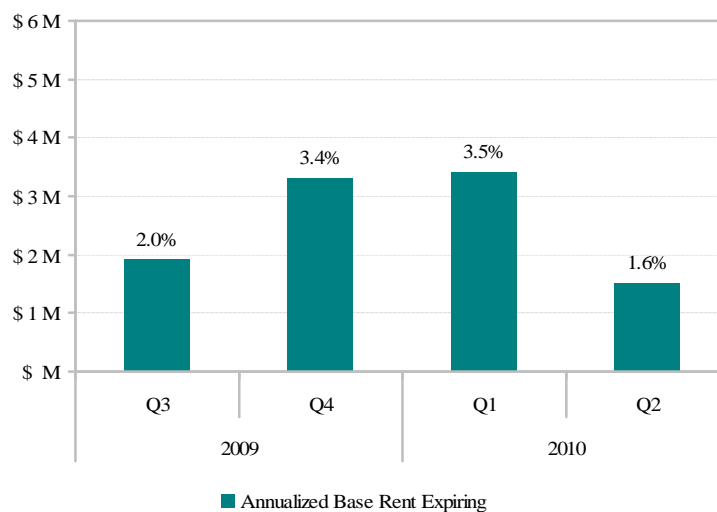


<sup>(1)</sup>Triple-net equivalent

# Lease Expirations – Current and Next Four Quarters

(unaudited)

Quarter of Lease Expiration	Number of Leases Expiring	<u>Gross Leased Area</u>		<u>Annualized Cash Rental Revenue</u>		
		Square Footage	Percent of Total	Amount	Percent of Total Portfolio	Average Base Rent per Sq. Ft. <sup>(1)</sup>
2009 - Q2 <sup>(2)</sup>	4	77,367	6.8%	\$ 953,566	1.0%	\$ 12.33
2009 - Q3	30	219,870	19.3%	1,930,938	2.0%	8.78
2009 - Q4	42	404,830	35.5%	3,317,791	3.4%	8.20
2010 - Q1	45	329,200	28.9%	3,407,425	3.5%	10.35
2010 - Q2	23	107,730	9.5%	1,520,295	1.6%	14.11
<b>Total</b>	<b>144</b>	<b>1,138,997</b>	<b>100.0%</b>	<b>\$ 11,130,015</b>	<b>11.5%</b>	<b>\$ 9.77</b>



<sup>(1)</sup>Triple-net equivalent

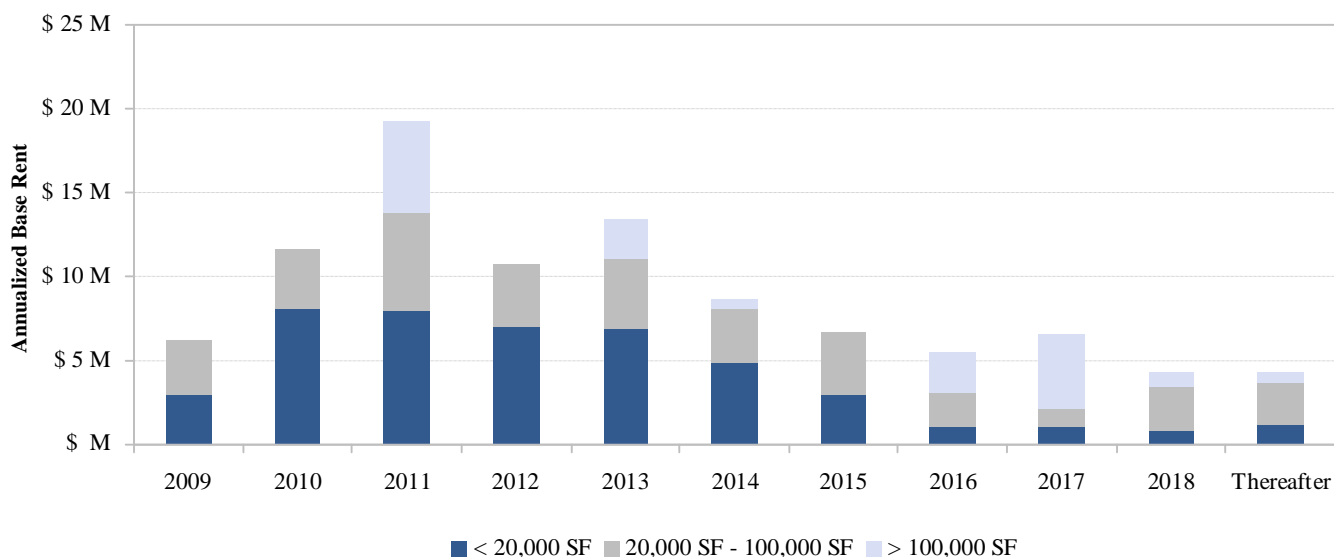
<sup>(2)</sup>The Company treats leases that expired on the last day of the quarter as leased square footage since the tenant is contractually entitled to the space.

Of the 77,367 square feet of leases that expired on June 30, 2009, 12,375 square feet were moved out, 62,992 square feet were renewed and 2,000 square feet were held over.

# Portfolio by Size

(unaudited)

Square Feet Under Lease	Number of Leases	Leased Square Feet	% of Total Square Feet	Annualized Base Rent <sup>(1)</sup>	% of Annualized Rent	Revenue per SF
0-4,999	369	910,225	9.0%	\$ 11,068,790	11.3%	\$ 12.16
5,000-9,999	175	1,243,568	12.4%	14,438,635	14.8%	11.61
10,000-14,999	93	1,120,198	11.3%	12,993,573	13.3%	11.60
15,000-19,999	38	643,982	6.5%	7,039,974	7.2%	10.93
20,000-24,999	29	653,331	6.6%	6,457,013	6.6%	9.88
25,000-29,999	20	538,858	5.4%	6,483,751	6.6%	12.03
30,000-34,999	14	453,663	4.6%	4,164,820	4.3%	9.18
35,000-39,999	11	404,097	4.1%	2,809,411	2.9%	6.95
40,000-44,999	7	294,670	3.0%	2,452,481	2.5%	8.32
45,000-49,999	10	467,263	4.7%	4,429,143	4.5%	9.48
50,000-54,999	3	159,368	1.6%	1,995,468	2.0%	12.52
55,000-59,999	2	114,805	1.2%	1,720,501	1.8%	14.99
60,000-64,999	2	125,831	1.3%	1,103,561	1.1%	8.77
65,000-69,999	2	135,321	1.4%	610,244	0.6%	4.51
70,000-74,999	1	70,460	0.7%	479,713	0.5%	6.81
75,000-79,999	3	228,092	2.3%	1,824,476	1.9%	8.00
85,000-89,999	1	87,120	0.9%	370,260	0.4%	4.25
90,000-94,999	1	94,950	1.0%	559,256	0.6%	5.89
100,000-104,999	1	104,218	1.1%	1,158,424	1.2%	11.12
115,000-119,999	3	348,619	3.5%	3,184,515	3.3%	9.13
120,000-124,999	5	608,301	6.1%	4,329,721	4.4%	7.12
125,000-129,999	1	127,108	1.3%	603,763	0.6%	4.75
130,000-134,999	1	134,589	1.4%	542,735	0.6%	4.03
155,000-159,999	1	158,400	1.6%	1,089,324	1.1%	6.88
215,000-219,999	1	215,085	2.2%	1,890,048	1.9%	8.79
235,000-239,999	2	476,082	4.8%	3,937,249	4.0%	8.27
<b>Total</b>	<b>796</b>	<b>9,918,204</b>	<b>100.0%</b>	<b>\$ 97,736,849</b>	<b>100.0%</b>	<b>\$ 9.85</b>



<sup>(1)</sup>Triple-net equivalent



# Land and Properties Available for Development or Redevelopment

(unaudited, amounts in thousands)

## ACTIVE DEVELOPMENT / REDEVELOPMENT

	Region	Square Feet			Estimated Date In Service	Estimated Stabilization Date	Expected Return
		Under Development / Redevelopment	Projected Cost	Cost to Date			
<b>Development</b>							
Sterling Park Business Center - Lot 7	Northern VA	56,555	\$ 6,000	\$ 4,659	TBD	TBD	9%
Greenbrier	Southern VA	48,000	8,100	305	TBD	TBD	10%
		<u>104,555</u>	<u>14,100</u>	<u>4,964</u>			
<b>Redevelopment<sup>(1)</sup></b>							
Gateway 270 West	Maryland	42,119	1,400	751	Q1-2010	Q2-2011	10%
Interstate Plaza	Northern VA	56,578	770	268	Q3-2009	Q3-2009	8%
Enterprise Parkway	Southern VA	70,883	950	722	Q3-2009	Q4-2009	10%
		<u>169,580</u>	<u>3,120</u>	<u>1,741</u>			
<b>Total Active Development / Redevelopment</b>		<b><u>274,135</u></b>	<b><u>\$ 17,220</u></b>	<b><u>\$ 6,705</u></b>			

## COMPLETED DEVELOPMENT / REDEVELOPMENT

PLACED IN SERVICE DURING QUARTER	Region	Square Feet		Total Cost	Estimated Stabilization Date	Expected Return
		Placed in Service	Leased Square Feet			
<b>Development</b>						
Snowden Center	Maryland	4,500	2,928	\$ 1,008	Q3-2010	12%
Sterling Park Business Center - Lot 6	Northern VA	27,817	27,817	2,529	Q2-2009	9%
Sterling Park Business Center - Lot 6	Northern VA	29,704	-	2,700	Q1-2010	9%
<b>Redevelopment<sup>(1)</sup></b>						
Gateway 270 West	Maryland	12,048	12,048	138	Q4-2009	7%
		<u>74,069</u>	<u>42,793</u>	<u>6,375</u>		
<b>NOT YET PLACED IN SERVICE</b>						
	Region	Total Completed Square Feet	Square Feet Not Placed in Service	Total Cost	Estimated Stabilization Date	Expected Return
Park Central	Southern VA	<u>7,822</u>	<u>7,822</u>	<u>106</u>	Q4-2009	10%
<b>Total Completed Assets</b>		<b><u>81,891</u></b>	<b><u>50,615</u></b>	<b><u>\$ 6,481</u></b>		

## ADDITIONAL DEVELOPABLE LAND

		Developable Square Feet
Glenn Dale Business Center	Maryland	100,000
4612 Navistar Drive	Maryland	50,000
Sterling Park Business Center	Northern VA	335,545
Plaza 500	Northern VA	200,000
Linden Business Center	Northern VA	32,400
River's Bend Center II	Southern VA	600,000
Chesterfield	Southern VA	35,700
Norfolk Commerce Park II	Southern VA	17,500
		<u>1,371,145</u>

<sup>(1)</sup>Redevelopment of existing structures.

# Maryland Region

(unaudited)

Property	Buildings	Property Type <sup>(1),(2)</sup>	Location	Square Footage	Annualized Cash Basis Rent <sup>(3)</sup>	Leased at June 30, 2009 <sup>(4)</sup>	Occupied at June 30, 2009 <sup>(4)</sup>
<b><u>SUBURBAN MD</u></b>							
<b><u>Frederick</u></b>							
15 Worman's Mill Court	1	BP	Frederick	39,966	\$ 380,042	100.0%	100.0%
Frederick Industrial Park <sup>(5)</sup>	3	I	Frederick	550,418	4,030,209	93.7%	93.7%
Patrick Center	1	Office	Frederick	66,260	1,106,513	75.1%	75.1%
West Park	1	Office	Frederick	28,933	354,540	87.9%	87.9%
<b><u>I-270 Corridor</u></b>							
20270 Goldenrod Lane	1	BP	Germantown	24,468	91,383	54.0%	54.0%
7561 Lindbergh Drive	1	I	Gaithersburg	36,000	328,295	100.0%	100.0%
Airpark Place	3	BP	Gaithersburg	82,414	654,874	58.8%	58.8%
Campus at Metro Park North	4	BP	Rockville	190,912	3,295,272	85.1%	85.1%
Gateway 270 West	6	BP	Clarksburg	211,499	2,977,713	99.9%	99.9%
Gateway Center	2	BP	Gaithersburg	44,144	587,636	88.1%	88.1%
Girard Business Park <sup>(6)</sup>	7	BP	Gaithersburg	299,993	2,527,812	75.4%	73.4%
<b><u>Beltsville</u></b>							
Ammendale Business Park <sup>(7)</sup>	7	BP	Beltsville	313,890	2,437,900	61.1%	61.1%
<b><u>Columbia</u></b>							
Rumsey Center	4	BP	Columbia	134,321	1,344,779	84.9%	84.9%
Snowden Center	5	BP	Columbia	144,807	1,716,924	77.5%	77.5%
RiversPark I <sup>(8)</sup>	3	BP	Columbia	160,470	1,572,189	73.7%	73.7%
<b><u>Other</u></b>							
Annapolis Commerce Park	2	Office	Annapolis	101,302	1,654,568	98.8%	98.8%
Glenn Dale Business Center	1	I	Glenn Dale	321,394	1,810,798	93.0%	93.0%
Old Courthouse Square	1	Retail	Martinsburg, WV	201,218	1,204,356	92.9%	91.3%
Woodlands Business Center	1	Office	Largo	38,340	443,002	76.5%	76.5%
<b>Total</b>	<b>54</b>			<b>2,990,749</b>	<b>28,518,805</b>	<b>84.2%</b>	<b>83.9%</b>
<b><u>BALTIMORE</u></b>							
<b><u>Owings Mills</u></b>							
Owings Mills Business Park <sup>(9)</sup>	6	BP	Owings Mills	219,430	2,684,155	93.8%	93.8%
<b><u>Other</u></b>							
Deer Park	4	BP	Randallstown	171,280	1,044,032	71.9%	70.9%
Gateway West	4	BP	Westminster	111,165	645,075	48.6%	48.6%
Triangle Business Center	4	BP	Baltimore	74,012	506,275	64.7%	64.7%
<b>Total</b>	<b>18</b>			<b>575,887</b>	<b>4,879,537</b>	<b>74.8%</b>	<b>74.5%</b>
<b>Grand Total</b>	<b>72</b>			<b>3,566,636</b>	<b>\$ 33,398,342</b>	<b>82.7%</b>	<b>82.4%</b>

<sup>(1)</sup>I = Industrial

<sup>(2)</sup>BP = Business Park

<sup>(3)</sup>Triple-net equivalent

<sup>(4)</sup>Does not include space in development or redevelopment.

<sup>(5)</sup>Frederick Industrial Park consists of the following properties: 4451 Georgia Pacific Boulevard, 4612 Navistar Drive and 6900 English Muffin Way.

<sup>(6)</sup>Girard Business Park consists of the following properties: Girard Business Center and Girard Place.

<sup>(7)</sup>Ammendale Business Park consists of the following properties: Ammendale Commerce Center and Indian Creek Court.

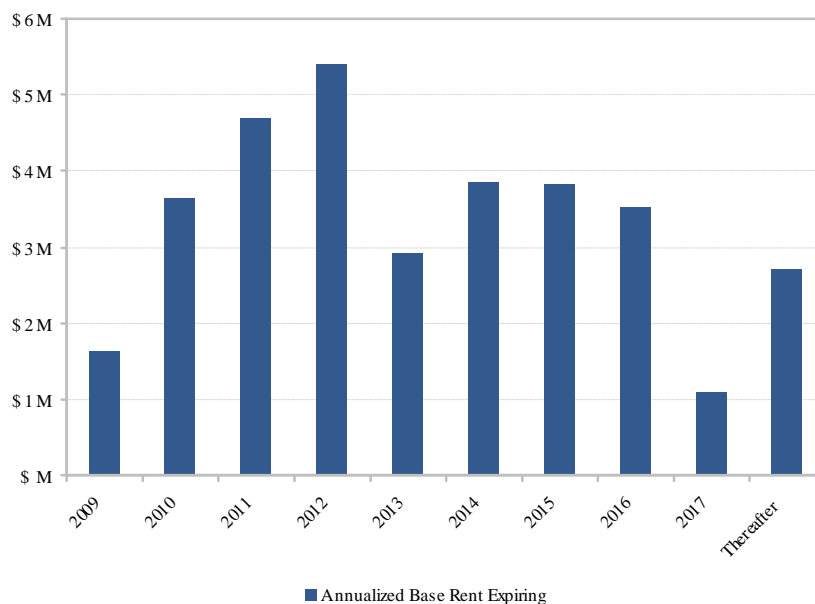
<sup>(8)</sup>Occupancy includes seller lease-back. Effective March 17, 2009, RiversPark II was no longer consolidated in the Company's portfolio.

<sup>(9)</sup>Owings Mills Business Park consists of the following properties: Owings Mills Business Center and Owings Mills Commerce Center.

# Maryland Region - Lease Expirations

(unaudited)

Year of Lease Expiration	SF of Expiring Leases	% of Total SF	Annual Base Rent <sup>(1)</sup>	% of Annual Base Rent <sup>(1)</sup>	Base Rent <sup>(1)</sup> per SF
Vacant	617,167	17.3%	\$ -	-	\$ -
MTM	10,320	0.3%	144,492	0.4%	14.00
2009	190,541	5.3%	1,633,047	4.9%	8.57
2010	322,993	9.1%	3,642,546	10.9%	11.28
2011	497,577	14.0%	4,696,075	14.1%	9.44
2012	399,052	11.2%	5,398,644	16.2%	13.53
2013	232,419	6.5%	2,919,336	8.7%	12.56
2014	275,300	7.7%	3,835,778	11.5%	13.93
2015	309,468	8.7%	3,822,257	11.4%	12.35
2016	344,116	9.6%	3,511,560	10.5%	10.20
2017	74,559	2.1%	1,095,821	3.3%	14.70
Thereafter	293,124	8.2%	2,698,786	8.1%	9.21
<b>Total</b>	<b>3,566,636</b>	<b>100.0%</b>	<b>\$ 33,398,342</b>	<b>100.0%</b>	<b>\$ 11.32</b>



<sup>(1)</sup>Triple-net equivalent

# Northern Virginia Region

(unaudited)

Property	Buildings	Property Type <sup>(1)(2)</sup>	Location	Square Footage	Annualized Cash Basis Rent <sup>(3)</sup>	Leased at June 30, 2009 <sup>(4)</sup>	Occupied at June 30, 2009 <sup>(4)</sup>
<b><u>Alexandria</u></b>							
Interstate Plaza	1	I	Alexandria	52,451	\$ 487,663	97.8%	97.8%
Plaza 500	2	I	Alexandria	504,089	5,280,261	91.7%	91.7%
<b><u>Manassas</u></b>							
Gateway Centre	3	BP	Manassas	101,021	822,707	67.7%	67.7%
Linden Business Center	3	BP	Manassas	109,503	1,089,389	79.8%	79.8%
Windsor at Battlefield	2	BP	Manassas	154,116	1,911,671	100.0%	100.0%
<b><u>Reston/Herndon</u></b>							
Herndon Corporate Center	4	BP	Herndon	127,443	1,448,618	73.0%	73.0%
Van Buren Business Park	5	BP	Herndon	108,047	1,544,099	93.9%	93.9%
Reston Business Campus	4	BP	Reston	82,584	1,110,842	93.9%	93.9%
<b><u>Sterling</u></b>							
Sterling Park Business Center <sup>(5)</sup>	5	BP	Sterling	436,883	3,893,596	82.6%	82.6%
<b><u>Chantilly</u></b>							
Lafayette Business Park <sup>(6)</sup>	6	BP	Chantilly	253,500	3,387,864	83.6%	83.6%
<b><u>Other</u></b>							
13129 Airpark Road	1	I	Culpeper	149,795	834,596	100.0%	100.0%
15395 John Marshall Highway	1	I	Haymarket	236,082	3,175,303	100.0%	100.0%
Newington Business Park Center	7	I	Lorton	254,242	2,521,693	91.4%	91.4%
Prosperity Business Center	1	BP	Merrifield	71,299	791,728	92.5%	92.5%
Aquia Commerce Center I & II	2	BP	Stafford	64,488	879,439	100.0%	100.0%
Total	<b>47</b>			<b>2,705,543</b>	<b>\$ 29,179,469</b>	<b>89.3%</b>	<b>89.3%</b>

<sup>(1)</sup>I = Industrial

<sup>(2)</sup>BP = Business Park

<sup>(3)</sup>Triple-net equivalent

<sup>(4)</sup>Does not include space in development or redevelopment.

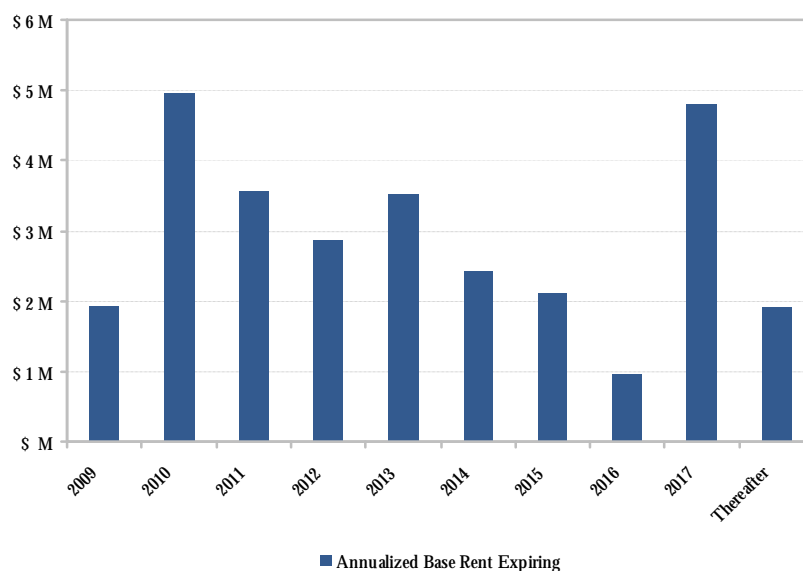
<sup>(5)</sup>Sterling Park Business Center consists of the following properties: 403/405 Glenn Drive, Davis Drive and Sterling Park Business Center.

<sup>(6)</sup>Lafayette Business Park consists of the following properties: Enterprise Center and Tech Court.

# Northern Virginia Region - Lease Expirations

(unaudited)

<u>Year of Lease Expiration</u>	<u>SF of Expiring Leases</u>	<u>% of Total SF</u>	<u>Annual Base Rent<sup>(1)</sup></u>	<u>% of Annual Base Rent<sup>(1)</sup></u>	<u>Base Rent<sup>(1)</sup> per SF</u>
Vacant	288,628	10.7%	\$ -	-	\$ -
MTM	11,175	0.4%	133,201	0.5%	11.92
2009	198,113	7.3%	1,928,302	6.6%	9.73
2010	347,938	12.9%	4,957,144	17.0%	14.25
2011	308,863	11.4%	3,572,793	12.2%	11.57
2012	261,693	9.7%	2,864,058	9.8%	10.94
2013	263,322	9.7%	3,521,822	12.1%	13.37
2014	227,299	8.4%	2,431,222	8.3%	10.70
2015	160,646	5.9%	2,114,028	7.2%	13.16
2016	45,848	1.7%	950,515	3.3%	20.73
2017	408,078	15.1%	4,801,427	16.5%	11.77
Thereafter	183,940	6.8%	1,904,957	6.5%	10.36
<b>Total</b>	<b>2,705,543</b>	<b>100.0%</b>	<b>\$ 29,179,469</b>	<b>100.0%</b>	<b>\$ 12.07</b>



<sup>(1)</sup>Triple-net equivalent

# Southern Virginia Region

(unaudited)

Property	Buildings	Property Type <sup>(1),(2)</sup>	Location	Square Footage	Annualized Cash Basis Rent <sup>(3)</sup>	Leased at June 30, 2009 <sup>(4)</sup>	Occupied at June 30, 2009 <sup>(4)</sup>
<b><u>RICHMOND</u></b>							
<b><u>North</u></b>							
Virginia Center	1	BP	Glen Allen	119,921	\$ 1,332,604	95.3%	88.4%
Northridge I, II	2	I	Ashland	140,424	776,140	85.6%	85.6%
Hanover Business Center	4	BP	Ashland	182,968	1,092,804	94.5%	94.5%
Park Central	3	BP	Richmond	196,458	2,075,028	91.5%	91.5%
<b><u>South</u></b>							
River's Bend Center <sup>(5)</sup>	6	I	Chester	795,037	4,399,574	95.8%	95.8%
Chesterfield Business Center <sup>(6)</sup>	11	BP	Richmond	318,959	1,764,565	79.5%	79.5%
<b>Total</b>	<b>27</b>			<b>1,753,767</b>	<b>11,440,715</b>	<b>91.4%</b>	<b>90.9%</b>
<b><u>NORFOLK</u></b>							
<b><u>Crossways</u></b>							
Crossways Commerce Center <sup>(7)</sup>	9	BP	Chesapeake	1,085,132	10,724,449	96.9%	96.9%
<b><u>Greenbrier</u></b>							
Greenbrier Business Center <sup>(8)</sup>	4	BP	Chesapeake	406,973	3,905,014	91.2%	82.8%
<b><u>Chesapeake Other</u></b>							
1400 Cavalier Boulevard	4	I	Chesapeake	395,143	1,278,257	80.3%	80.3%
Diamond Hill Distribution Center	4	I	Chesapeake	712,894	2,426,183	80.0%	80.0%
<b><u>Hampton</u></b>							
1000 Lucas Way	2	BP	Hampton	183,379	1,339,765	95.8%	95.8%
Enterprise Parkway	1	BP	Hampton	332,536	1,542,560	65.2%	65.2%
<b><u>Norfolk</u></b>							
Norfolk Commerce Park <sup>(9)</sup>	3	BP	Norfolk	261,703	2,502,095	94.5%	94.5%
<b>Total</b>	<b>27</b>			<b>3,377,760</b>	<b>23,718,323</b>	<b>87.3%</b>	<b>86.3%</b>
<b>Grand Total</b>	<b>54</b>			<b>5,131,527</b>	<b>\$ 35,159,038</b>	<b>88.7%</b>	<b>87.9%</b>

<sup>(1)</sup>I = Industrial

<sup>(2)</sup>BP = Business Park

<sup>(3)</sup>Triple-net equivalent

<sup>(4)</sup>Does not include space in development or redevelopment.

<sup>(5)</sup>River's Bend Center consists of the following properties: River's Bend Center and River's Bend Center II.

<sup>(6)</sup>Chesterfield Business Center consists of the following properties: Airpark Business Center, Chesterfield Business Center and Pine Glen.

<sup>(7)</sup>Crossways Commerce Center consists of the following properties: Coast Guard Building, Crossways Commerce Center I, Crossways Commerce Center II, Crossways I, Crossways II, 1434 Crossways Boulevard and 1408 Stephanie Way.

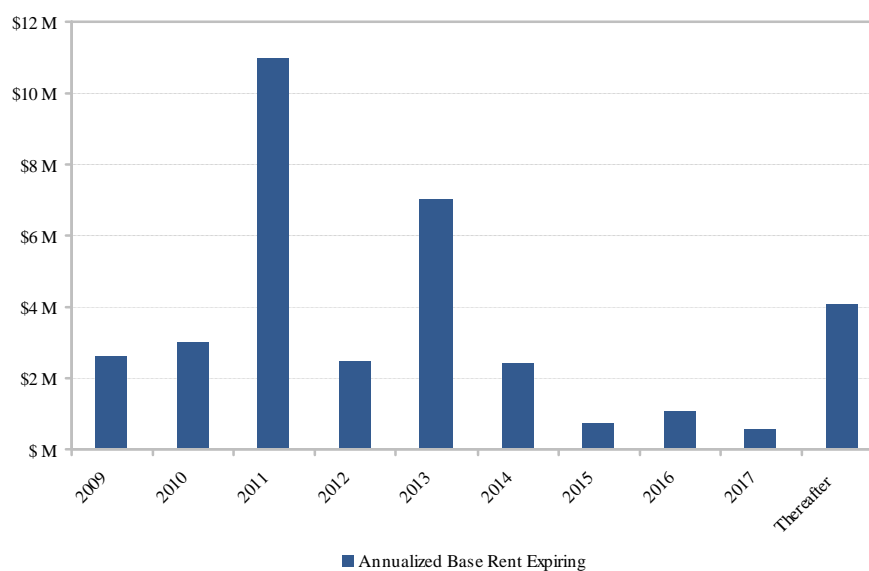
<sup>(8)</sup>Greenbrier Business Center consists of the following properties: Greenbrier Technology Center I, Greenbrier Technology Center II and Greenbrier Circle Corporate Center.

<sup>(9)</sup>Norfolk Commerce Park consists of the following properties: Norfolk Business Center, Norfolk Commerce Park II and Gateway II.

# Southern Virginia Region - Lease Expirations

(unaudited)

<u>Year of Lease Expiration</u>	<u>SF of Expiring Leases</u>	<u>% of Total SF</u>	<u>Annual Base Rent<sup>(1)</sup></u>	<u>% of Annual Base Rent<sup>(1)</sup></u>	<u>Base Rent<sup>(1)</sup> per SF</u>
Vacant	579,707	11.3%	\$ -	-	\$ -
MTM	14,889	0.3%	104,872	0.3%	7.04
2009	313,413	6.1%	2,640,946	7.5%	8.43
2010	442,172	8.6%	3,016,979	8.6%	6.82
2011	1,460,247	28.5%	10,998,839	31.2%	7.53
2012	262,383	5.1%	2,487,188	7.1%	9.48
2013	830,714	16.2%	7,019,852	20.0%	8.45
2014	392,458	7.6%	2,436,424	6.9%	6.21
2015	76,975	1.5%	735,312	2.1%	9.55
2016	182,424	3.6%	1,057,144	3.0%	5.79
2017	132,270	2.6%	593,753	1.7%	4.49
Thereafter	443,875	8.6%	4,067,729	11.6%	9.16
<b>Total</b>	<b>5,131,527</b>	<b>100.0%</b>	<b>\$ 35,159,038</b>	<b>100.0%</b>	<b>\$ 7.72</b>



<sup>(1)</sup>Triple-net equivalent

# Management Statements on Non-GAAP Supplemental Measures

Investors and analysts following the real estate industry utilize funds from operations ("FFO"), net operating income ("NOI"), earnings before interest, taxes, depreciation and amortization ("EBITDA") and adjusted funds from operations ("AFFO"), variously defined, as supplemental performance measures.

The Company believes FFO, NOI, EBITDA and AFFO are appropriate measures given their wide use by and relevance to investors and analysts. FFO, reflecting the assumption that real estate asset values rise or fall with market conditions, principally adjusts for the effects of GAAP depreciation/amortization of real estate assets. NOI provides a measure of rental operations and does not factor in depreciation/amortization and non-property specific expenses such as general and administrative expenses. EBITDA provides a further tool to evaluate the ability to incur and service debt and to fund dividends and other cash needs. AFFO provides a further tool to evaluate the ability to fund dividends. In addition, FFO, NOI, EBITDA and AFFO are commonly used in various ratios, pricing multiples/yields and returns and valuation calculations used to measure financial position, performance and value.

## **NOI**

Management believes that NOI is a useful measure of the Company's property operating performance. The Company defines NOI as operating revenues (rental, tenant reimbursements and other income) less property and related expenses (property expenses, real estate taxes and insurance). Other real estate investment trust ("REITs") may use different methodologies for calculating NOI, and accordingly, the Company's NOI may not be comparable to other REITs.

Because NOI excludes general and administrative expenses, interest expense, depreciation and amortization, gains and losses from property dispositions, discontinued operations and extraordinary items, it provides a performance measure that, when compared year over year, reflects the revenues and expenses directly associated with owning and operating commercial real estate properties and the impact to operations from trends in occupancy rates, rental rates and operating costs, providing perspective not immediately apparent from net income. The Company uses NOI to evaluate its operating performance since NOI allows the Company to evaluate the impact that factors such as occupancy levels, lease structure, lease rates and tenant base have on the Company's results, margins and returns. In addition, management believes that NOI provides useful information to the investment community about the Company's property and operating performance when compared to other REITs since NOI is generally recognized as a standard measure of property performance in the real estate industry.

However, NOI should not be viewed as a measure of the Company's overall financial performance since it does not reflect general and administrative expenses, interest expense, depreciation and amortization costs, the level of capital expenditures and leasing costs necessary to maintain the operating performance of the Company's properties.

## **SAME-PROPERTY NOI**

The Company defines same-property NOI as NOI for the Company's properties wholly owned during the entirety of the periods reported. Other REITs may use different methodologies for calculating same-property NOI and, accordingly, the Company's same-property NOI may not be comparable to other REITs.

## **EBITDA**

Management believes that EBITDA is a useful measure of the Company's operating performance. EBITDA is defined as earnings before interest, taxes, depreciation and amortization.

Management considers EBITDA to be an appropriate supplemental performance measure since it represents earnings prior to the impact of depreciation, amortization, gain (loss) from property dispositions and loss on early retirement of debt. This calculation facilitates the review of income from operations without considering the effect of non-cash depreciation and amortization or the cost of debt.

## **FFO**

Management believes that FFO is a useful measure of the Company's operating performance. The Company computes FFO as defined by the National Association of Real Estate Investment Trusts, or NAREIT, which states FFO should represent net income (loss) before minority interest (computed in accordance with GAAP) plus real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures and excluding gains on the sale of property. Further, other REITs may use different methodologies for calculating FFO and, accordingly, the Company's FFO may not be comparable to other REITs. The Company presents FFO per diluted share calculations that are based on the outstanding dilutive common shares plus the outstanding Operating Partnership units for the periods presented.

Management considers FFO a useful additional measure of performance for an equity REIT because it facilitates an understanding of the operating performance of its properties without giving effect to real estate depreciation and amortization, which assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that FFO provides a more meaningful and accurate indication of our performance. In addition, management believes that FFO provides useful information to the investment community about the Company's financial performance when compared to other REITs since FFO is generally recognized as the industry standard for reporting the operations of REITs.

## **AFFO**

Management believes that AFFO is a useful measure of the Company's liquidity. The Company computes AFFO by adding to FFO equity based compensation expense and the non-cash amortization of deferred financing costs and non-real estate depreciation, and then subtracting cash paid for any recurring tenant improvements, leasing commissions, and recurring capital expenditures, and eliminating the net effect of straight-line rents, deferred market rent and debt fair value amortization.

First generation costs include tenant improvements, leasing commissions and capital expenditures that were taken into consideration when underwriting the purchase of a property or incurred to bring the property to operating standard for its intended use. The Company also excludes development and redevelopment related expenditures. AFFO provides an additional perspective on the Company's ability to fund cash needs and make distributions to shareholders by adjusting for the effect of these non-cash items included in FFO, as well as recurring capital expenditures and leasing costs. However, other REITs may use different methodologies for calculating AFFO and, accordingly, the Company's AFFO may not be comparable to other REITs.