



Second Quarter 2010 Supplemental Financial Report



500 First Street, NW
Washington, DC

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Company Information

First Potomac Realty Trust is a leader in the ownership, management, development and redevelopment of office and industrial properties in the greater Washington, D.C. region. 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.

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New York Stock Exchange

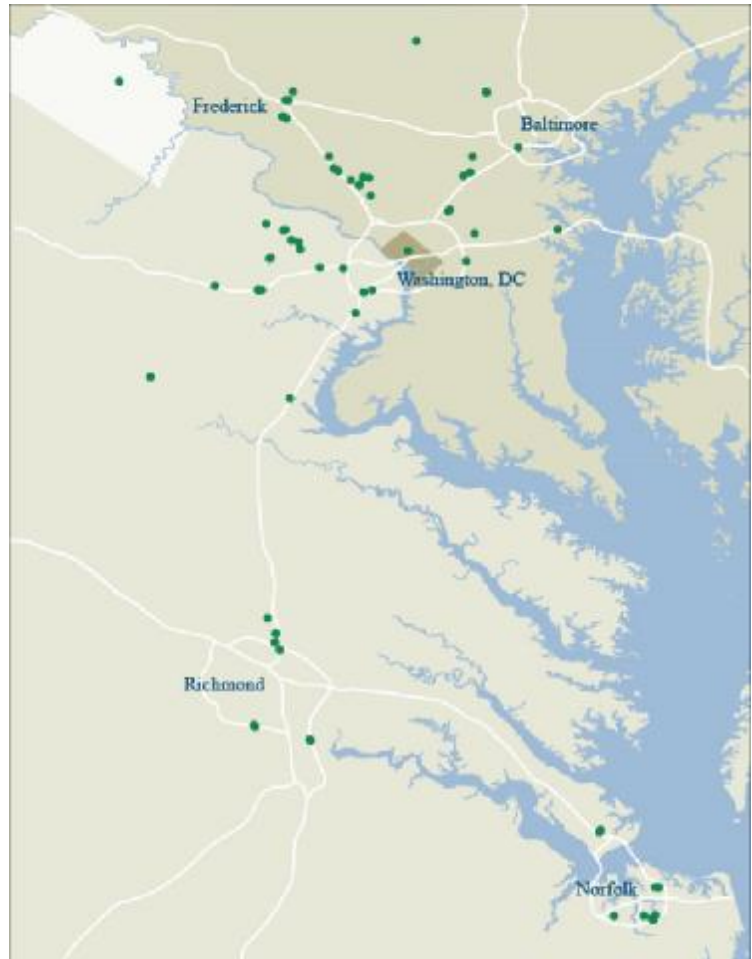
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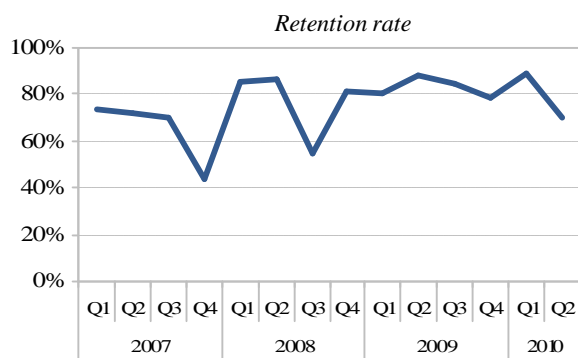
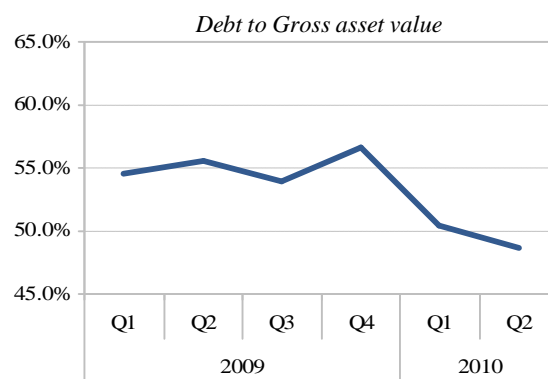
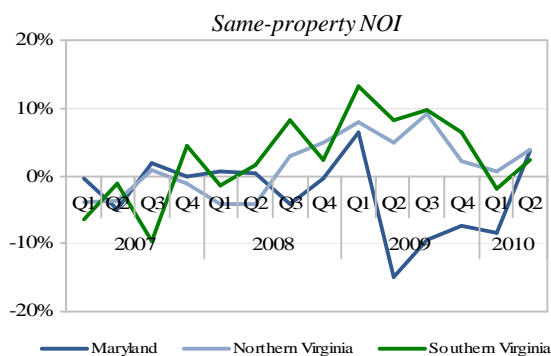


Matters other than historical facts set forth within this Quarterly Supplemental Financial Report are forward-looking statements within the meaning of the federal securities laws. You should exercise caution in interpreting and relying on forward-looking statements because they involve known and unknown 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	Q2-2010	Q1-2010	Q4-2009	Q3-2009	Q2-2009
Net Income (loss) attributable to shareholders	\$ 32	\$ (2,159)	\$ (3,280)	\$ 552	\$ 1,602
Reported FFO	10,158	8,042	7,250	10,642	11,619
Core FFO ⁽¹⁾	11,639	9,336	10,968	10,058	10,257
Reported FFO per share	\$ 0.27	\$ 0.26	\$ 0.24	\$ 0.37	\$ 0.42
Core FFO per share	\$ 0.31	\$ 0.30	\$ 0.36	\$ 0.35	\$ 0.37
Operating Metrics					
Change in Same-Property NOI					
Cash Basis	3.9%	-3.6%	2.2%	3.3%	0.1%
Accrual Basis	3.3%	-3.3%	0.4%	3.3%	-0.9%
Capitalization					
Debt to Gross Asset Value ⁽²⁾	48.7%	50.5%	56.6%	53.9%	55.6%
Debt Balances					
Unhedged Variable Rate Debt	\$ 98,000	\$ 52,000	\$ 134,900	\$ 114,400	\$ 114,400
Hedged Variable Rate Debt	85,000	85,000	94,856	94,856	94,856
Fixed Rate Debt	430,535	414,019	415,325	405,376	415,124
Total	\$ 613,535	\$ 551,019	\$ 645,081	\$ 614,632	\$ 624,380
Coverage Ratio					
Interest Coverage Ratio	2.23x	2.03x	2.22x	2.24x	2.25x
Leasing Metrics					
Net Absorption (Square Feet)	28,094	67,648	(33,760)	5,741	9,054
Tenant Retention Rate	69%	89%	79%	90%	88%
Leased %	86.6%	86.3%	86.3%	86.9%	87.0%
Occupancy %	84.0%	84.2%	85.1%	86.6%	86.5%



Portfolio concentration

Market	% of Annualized Base Rent	% Leased at June 30, 2010
Greater Washington DC ⁽³⁾	63.0%	86.3%
Baltimore	3.7%	76.2%
Richmond	10.6%	91.3%
Norfolk	22.7%	83.1%

⁽¹⁾See page 5 for a reconciliation of the Company's FFO to Core FFO.

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

⁽³⁾Includes properties in Suburban Maryland, Northern Virginia and Washington, DC.

Financial Results

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

	Three Months Ended										
	June 30, 2010		March 31, 2010		December 31, 2009		September 30, 2009		June 30, 2009		
OPERATING REVENUES											
Rental	\$ 27,413	81.8%	\$ 27,327	77.7%	\$ 27,607	80.2%	\$ 26,788	82.6%	\$ 26,344	82.1%	
Tenant reimbursements and other	6,081	18.2%	7,851	22.3%	6,833	19.8%	5,661	17.4%	5,751	17.9%	
	33,494	100.0%	35,178	100.0%	34,440	100.0%	32,449	100.0%	32,095	100.0%	
PROPERTY EXPENSES											
Property operating	7,058	21.1%	10,171	28.9%	8,627	25.0%	7,966	24.5%	7,847	24.4%	
Real estate taxes and insurance	3,240	9.7%	3,371	9.6%	3,287	9.5%	3,135	9.7%	3,168	9.8%	
NET OPERATING INCOME	23,196	69.2%	21,636	61.5%	22,526	65.5%	21,348	65.8%	21,080	65.8%	
OTHER INCOME (EXPENSE)											
General and administrative	(3,675)	11.0%	(3,709)	10.5%	(3,810)	11.1%	(3,553)	10.9%	(2,917)	9.1%	
Acquisition costs	(1,645)	4.9%	(19)	-0.1%	(997)	2.9%	(56)	0.2%	(5)	0.0%	
Interest and other income	87	0.3%	114	0.3%	122	0.4%	148	0.5%	117	0.4%	
Equity in losses of affiliates	(20)	0.1%	(38)	0.1%	(3)	0.0%	(38)	0.1%	(47)	0.1%	
EBITDA	17,943	53.5%	17,984	51.1%	17,838	51.9%	17,849	55.1%	18,228	57.0%	
Depreciation and amortization	(10,488)		(9,975)		(10,607)		(10,180)		(9,909)		
Interest expense	(8,061)		(8,861)		(8,043)		(7,929)		(8,113)		
Contingent consideration related to acquisition of property	-		(710)		-		-		-		
Gains (losses) on early retirement of debt	164		-		(180)		640		1,367		
(Loss) income from continuing operations	(442)		(1,562)		(992)		380		1,573		
DISCONTINUED OPERATIONS											
(Loss) income from operations of disposed properties	(82)		(646)		(2,366)		244		79		
Gain on sale of real estate properties	557		-		-		-		-		
Income (loss) from discontinued operations	475		(646)		(2,366)		244		79		
NET INCOME (LOSS)	33		(2,208)		(3,358)		624		1,652		
Less: Net (income) loss attributable to noncontrolling interests in the Operating Partnership	(1)		49		78		(16)		(45)		
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 32		\$ (2,159)		\$ (3,280)		\$ 608		\$ 1,607		

Supplemental Financial Results items:

The following items were included in the determination of net income:

	Three Months Ended				
	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Termination fees	\$ 459	\$ 335	\$ 313	\$ 5	\$ 18
Capitalized interest	220	160	66	69	79
Acquisition costs	(1,645)	(19)	(997)	(56)	(5)
Snow and ice removal costs (excluding reimbursements) ⁽¹⁾	7	(2,425)	(968)	(4)	(52)
Reserves for bad debt expense	(385)	(442)	(555)	(166)	(734)
Dispositions⁽²⁾					
Revenues	\$ 81	\$ 193	\$ 418	\$ 424	\$ 423
Operating expenses	(94)	(115)	(162)	(231)	(249)
Depreciation expense	(69)	(162)	(83)	48	(96)
Interest income	-	3	2	3	1
Impairment of real estate asset	-	(565)	(2,541)	-	-
Gain on sale of real estate properties	557	-	-	-	-
	\$ 475	\$ (646)	\$ (2,366)	\$ 244	\$ 79

⁽¹⁾The Company recovered approximately 65% of these costs.

⁽²⁾Represents the operating results of Deer Park and 7561 Lindbergh Drive.

Financial Measures

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

FUNDS FROM OPERATIONS ("FFO")	Three Months Ended				
	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Net income (loss) attributable to common shareholders	\$ 32	\$ (2,159)	\$ (3,280)	\$ 608	\$ 1,607
Depreciation and amortization:					
Real estate assets ⁽¹⁾	10,488	9,974	10,457	10,031	9,780
Discontinued operations	69	162	83	(48)	96
Unconsolidated joint ventures	125	114	68	91	96
Net income (loss) attributable to noncontrolling interests	1	(49)	(78)	16	45
Gain on sale of real estate properties	(557)	-	-	-	-
FFO	\$ 10,158	\$ 8,042	\$ 7,250	\$ 10,698	\$ 11,624
Acquisition costs	1,645	19	997	56	5
(Gains) losses on early retirement of debt	(164)	-	180	(640)	(1,367)
Contingent consideration related to acquisition of property	-	710	-	-	-
Impairment of real estate asset	-	565	2,541	-	-
Core FFO	\$ 11,639	\$ 9,336	\$ 10,968	\$ 10,114	\$ 10,262
ADJUSTED FUNDS FROM OPERATIONS ("AFFO")					
FFO	\$ 10,158	\$ 8,042	\$ 7,250	\$ 10,698	\$ 11,624
Non-cash share-based compensation expense	1,003	1,053	887	934	728
Impairment of real estate asset	-	565	2,541	-	-
Contingent consideration related to acquisition of property	-	710	-	-	-
(Gains) losses on early retirement of debt	(164)	-	180	(640)	(1,367)
Rental payments treated as basis reduction ⁽²⁾	-	-	239	113	99
Straight-line rent, net ⁽³⁾	113	(53)	(31)	(377)	157
Deferred market rent, net	(296)	(381)	(465)	(247)	(388)
Non-real estate depreciation and amortization ⁽⁴⁾	206	212	219	213	211
Debt fair value amortization	(513)	(503)	(528)	(532)	(541)
Amortization of finance costs	481	449	373	338	370
Amortization of discounts	202	232	232	261	298
Tenant improvements ⁽⁵⁾	(1,875)	(1,851)	(416)	(995)	(4,413)
Leasing commissions ⁽⁵⁾	(1,394)	(731)	(965)	(605)	(1,221)
Capital expenditures ⁽⁵⁾	(361)	(300)	(1,468)	(936)	(298)
AFFO	\$ 7,560	\$ 7,444	\$ 8,048	\$ 8,225	\$ 5,259
Total weighted average shares and OP units:					
Basic	37,243	31,292	30,236	28,894	27,930
Diluted	37,430	31,489	30,431	28,991	28,002
FFO per share:					
FFO per share and unit - basic and diluted	\$ 0.27	\$ 0.26	\$ 0.24	\$ 0.37	\$ 0.42
Core FFO per share and unit - diluted	\$ 0.31	\$ 0.30	\$ 0.36	\$ 0.35	\$ 0.37
AFFO per share:					
AFFO per share and unit - basic	\$ 0.20	\$ 0.24	\$ 0.27	\$ 0.28	\$ 0.19
AFFO per share and unit - diluted	\$ 0.20	\$ 0.24	\$ 0.26	\$ 0.28	\$ 0.19
First-generation costs					
Tenant improvements	\$ 54	\$ 146	\$ 1,420	\$ 1,092	\$ 2,835
Leasing commissions	777	99	117	83	466
Capital expenditures	518	184	803	568	923
Total first-generation costs	1,349	429	2,340	1,743	4,224
Development	32	14	35	53	108
Redevelopment	92	127	7	43	127
	\$ 1,473	\$ 570	\$ 2,382	\$ 1,839	\$ 4,459

⁽¹⁾For the three months ended December 31, September 30 and June 30, 2009, depreciation and amortization expense of \$150 thousand, \$149 thousand and \$129 thousand, respectively, related to a third party's portion of a consolidated joint venture was not added back when calculating the Company's FFO. On January 1, 2010, the Company deconsolidated its remaining consolidated joint venture.

⁽²⁾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 in 2009 was treated as a reduction in the basis of the property.

⁽³⁾Straight-line rent, less uncollectable amounts and rent abatements.

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

⁽⁵⁾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.

First-generation costs					
Tenant improvements	\$ 54	\$ 146	\$ 1,420	\$ 1,092	\$ 2,835
Leasing commissions	777	99	117	83	466
Capital expenditures	518	184	803	568	923
Total first-generation costs	1,349	429	2,340	1,743	4,224
Development	32	14	35	53	108
Redevelopment	92	127	7	43	127
	\$ 1,473	\$ 570	\$ 2,382	\$ 1,839	\$ 4,459

Net Operating Income (NOI) Same-Property Analysis

(unaudited, amounts in thousands)

Same-Property NOI ⁽¹⁾	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Total base rent	\$ 26,010	\$ 26,004	\$ 52,091	\$ 51,868
Tenant reimbursements and other	5,196	5,661	12,276	11,729
Property operating expenses	(6,304)	(7,406)	(15,762)	(14,944)
Real estate taxes and insurance	(3,083)	(3,129)	(6,280)	(6,319)
Same-Property NOI - accrual basis⁽²⁾	21,819	21,130	42,325	42,334
Straight-line revenue, net	98	43	(31)	(27)
Deferred market rental revenue, net	(291)	(357)	(677)	(744)
Same-Property NOI - cash basis	\$ 21,626	\$ 20,816	\$ 41,617	\$ 41,563
Change in same-property NOI - accrual basis	3.3%		0.0%	
Change in same-property NOI - cash basis	3.9%		0.1%	
Change in Same-Property NOI - accrual basis				
Rental revenue increase	\$ 6		\$ 223	
Tenant reimbursement and other (decrease) increase	(465)		547	
Expense decrease (increase)	1,148		(779)	
	\$ 689		\$ (9)	
Same-property percentage of total portfolio (sf)	95.8%		95.8%	

Reconciliation of Consolidated NOI to Same-Property NOI	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Total revenues	\$ 33,494	\$ 32,095	\$ 68,672	\$ 65,258
Property operating expenses	(7,058)	(7,847)	(17,228)	(15,975)
Real estate taxes and insurance	(3,240)	(3,168)	(6,612)	(6,426)
NOI	23,196	21,080	44,832	42,857
Less: Non-same property NOI ⁽³⁾	(1,377)	50	(2,507)	(523)
Same-Property NOI - accrual basis⁽²⁾	21,819	21,130	42,325	42,334
Straight-line revenue, net	98	43	(31)	(27)
Deferred market rental revenue, net	(291)	(357)	(677)	(744)
Same-Property NOI - cash basis	\$ 21,626	\$ 20,816	\$ 41,617	\$ 41,563

Change in Same-Property NOI by Region	Three Months Ended	Percentage of	Six Months Ended	Percentage of
	June 30, 2010	Base Rent	June 30, 2010	Base Rent
Maryland	3.6%	32%	(2.6)%	32%
Northern Virginia	4.0%	32%	2.4%	32%
Southern Virginia	2.4%	36%	0.2%	36%

Change in Same-Property NOI by Property Type ⁽⁴⁾	Three Months Ended	Percentage of	Six Months Ended	Percentage of
	June 30, 2010	Base Rent	June 30, 2010	Base Rent
Business Park	0.0%	50%	(3.1)%	50%
Industrial	7.9%	27%	4.7%	27%
Office/Office Park	3.7%	23%	0.0%	23%

⁽¹⁾ 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: Deer Park, 7561 Lindbergh Drive, RiversPark I and II, Cloverleaf Business Center, Ashburn Center, Three Flint Hill and 500 First Street, NW.

⁽²⁾ Excluding snow and ice removal costs, net of recoveries, incurred in the first quarter of 2010, same-property NOI increased 1.4% for the six months ended June 30, 2010.

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

⁽⁴⁾ Does not include one retail property.

Consolidated Balance Sheets

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

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Assets		
Rental property	\$ 1,184,262	\$ 1,128,956
Less: Accumulated depreciation	(155,212)	(141,481)
Rental property, net	<u>1,029,050</u>	<u>987,475</u>
Cash and cash equivalents	11,481	9,320
Escrows and reserves	10,010	9,978
Investment in affiliates	3,093	1,819
Other assets	<u>71,992</u>	<u>65,900</u>
Total assets	<u>\$ 1,125,626</u>	<u>\$ 1,074,492</u>
Liabilities		
Mortgage loans	\$ 325,879	\$ 301,463
Unsecured notes	104,656	123,718
Bank debt	183,000	219,900
Accounts payable and accrued interest	21,388	18,491
Other liabilities	<u>17,342</u>	<u>23,576</u>
Total liabilities	<u>652,265</u>	<u>687,148</u>
Noncontrolling interests in the Operating Partnership	10,525	9,585
Shareholders' equity:		
Common shares, \$0.001 par value, 100,000 common shares authorized; 37,947 and 30,589 shares issued and outstanding, respectively	38	31
Additional paid-in capital	617,271	517,940
Accumulated other comprehensive loss	(489)	(1,879)
Dividends in excess of accumulated earnings	<u>(153,984)</u>	<u>(138,333)</u>
Total shareholders' equity	<u>462,836</u>	<u>377,759</u>
Total liabilities, noncontrolling interests and shareholders' equity	<u>\$ 1,125,626</u>	<u>\$ 1,074,492</u>

Total Market Capitalization and Selected Ratios

(unaudited, amounts in thousands)

MARKET CAPITALIZATION

		Percent of Total Market Capitalization
Total common shares outstanding	37,947	
Operating Partnership ("OP") units held by third parties	732	
Total common shares and OP units	38,679	
Market price at June 30, 2010	\$ 14.37	
Total equity capitalization	\$ 555,817	47.5%
Debt capitalization		
Fixed-rate debt	\$ 430,535	36.8%
Floating-rate debt ⁽¹⁾	183,000	15.7%
Total debt capitalization	\$ 613,535	52.5%
Total market capitalization	\$ 1,169,352	100.0%

SELECTED RATIOS

	Three Months Ended				
	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
<u>COVERAGE RATIO</u>					
Interest Coverage Ratio					
EBITDA	\$ 17,943	\$ 17,984	\$ 17,838	\$ 17,793	\$ 18,223
Interest expense	8,061	8,861	8,043	7,929	8,113
	2.23x	2.03x	2.22x	2.24x	2.25x
<u>OVERHEAD RATIO</u>					
G&A to Real Estate Revenues					
General and administrative expense	\$ 3,675	\$ 3,709	\$ 3,810	\$ 3,609	\$ 2,922
Total revenues	33,494	35,178	34,440	32,449	32,095
	11.0%	10.5%	11.1%	11.1%	9.1%
<u>LEVERAGE RATIO</u>					
Debt/Undepreciated Book Value					
Total debt	\$ 613,535	\$ 549,361	\$ 645,081	\$ 614,632	\$ 624,380
Undepreciated book value	1,184,593	1,107,965	1,128,956	1,095,008	1,091,709
	51.8%	49.6%	57.1%	56.1%	57.2%

⁽¹⁾The Company had entered into interest rate swap agreements that fixed interest rates on \$85.0 million of its variable rate debt. Therefore, as of June 30, 2010, \$98.0 million, or 16.0%, of the Company's debt is exposed to variable interest rate fluctuations.

Outstanding Debt

(unaudited, amounts in thousands)

Fixed Rate Debt	Effective Interest Rate	Principal Balance at June 30, 2010	Annualized Debt Service	Maturity Date	Balance at Maturity
<u>Encumbered Properties</u>					
Park Central II ⁽¹⁾	5.66%	\$ 5,428	\$ 638	11/1/2010	\$ 5,289
Enterprise Center ⁽¹⁾⁽²⁾	5.20%	17,025	1,647	12/1/2010	16,712
Indian Creek Court ⁽¹⁾⁽²⁾	5.90%	12,200	1,162	1/1/2011	11,982
403/405 Glenn Drive ⁽¹⁾	5.50%	8,108	746	7/1/2011	7,807
4612 Navistar Drive ⁽¹⁾⁽²⁾	5.20%	12,436	1,131	7/11/2011	11,921
Campus at Metro Park ⁽¹⁾⁽²⁾	5.25%	22,976	2,028	2/11/2012	21,581
1434 Crossways Boulevard Building II ⁽¹⁾	5.38%	9,668	826	8/5/2012	8,866
Crossways Commerce Center	6.70%	24,394	2,087	10/1/2012	23,313
Newington Business Park Center	6.70%	15,388	1,316	10/1/2012	14,706
Prosperity Business Center ⁽¹⁾	5.75%	3,574	305	1/1/2013	3,242
Aquia Commerce Center I	7.28%	420	165	2/1/2013	42
1434 Crossways Boulevard Building I ⁽¹⁾	5.38%	8,358	665	3/5/2013	7,597
Linden Business Center ⁽¹⁾	5.58%	7,157	512	10/1/2013	6,596
Owings Mills Business Center ⁽¹⁾	5.75%	5,501	425	3/1/2014	5,066
Annapolis Commerce Park East ⁽¹⁾	6.25%	8,552	665	6/1/2014	8,010
Cloverleaf Center	6.75%	17,343	1,464	10/8/2014	15,953
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%	99,625	5,171	8/1/2015	91,588
Hanover Business Center Hanover Building D ⁽¹⁾ Hanover Building C ⁽¹⁾	6.63%	700	161	8/1/2015	13
	6.63%	1,099	186	12/1/2017	13
Chesterfield Business Center Chesterfield Buildings C, D, G and H ⁽¹⁾ Chesterfield Buildings A, B, E and F ⁽¹⁾	6.63%	1,829	414	8/1/2015	34
	6.63%	2,476	291	6/1/2021	26
Gateway Centre Building I ⁽¹⁾ 500 First Street, NW Airpark Business Center ⁽¹⁾	5.88%	1,271	219	11/1/2016	-
	5.79%	39,000	2,722	7/1/2020	32,000
	6.63%	1,351	173	6/1/2021	14
	5.67% ⁽³⁾	\$ 325,879	\$ 25,119		\$ 292,371
<u>Convertible Debt</u>					
Exchangeable Senior Notes ⁽⁴⁾	5.84%	\$ 29,656	\$ 1,218	12/15/2011	\$ 30,450
<u>Senior Unsecured Debt</u>					
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
	6.48% ⁽³⁾	\$ 75,000	\$ 4,860		\$ 75,000
Total Fixed Rate Debt	5.82% ⁽³⁾	\$ 430,535	\$ 31,197		\$ 397,821

Outstanding Debt Continued

(unaudited, amounts in thousands)

	Effective Interest Rate	Principal Balance at June 30, 2010	Annualized Debt Service	Maturity Date	Balance at Maturity
Total Fixed Rate Debt	5.82% ⁽³⁾	\$ 430,535	\$ 31,197		\$ 397,821
Variable Rate Debt					
Secured Term Loan I ⁽⁵⁾					
Term Loan A	LIBOR + 2.50%	10,000	285	1/15/2011	10,000
Term Loan B	LIBOR + 2.50%	10,000	285	1/15/2012	10,000
Term Loan C	LIBOR + 2.50%	10,000	285	1/15/2013	10,000
Term Loan D	LIBOR + 2.50%	10,000	285	1/15/2014	10,000
Secured Term Loan II ⁽⁶⁾	LIBOR + 2.50%	20,000	570	8/11/2011	20,000
Unsecured Revolving Credit Facility ⁽⁷⁾⁽⁸⁾	LIBOR + 3.00%	123,000	4,121	1/15/2014	123,000
Total Variable Rate Debt	4.40% ⁽³⁾⁽⁹⁾	\$ 183,000	\$ 5,831		\$ 183,000
Total at June 30, 2010	5.40%⁽³⁾⁽⁹⁾	\$ 613,535	\$ 37,028⁽¹⁰⁾		\$ 580,821

⁽¹⁾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, 2010 and contractual interest rates are:

Property	Fair Value Impact	Contractual Interest Rate
Park Central II	\$ 58	8.32%
Enterprise Center	199	8.03%
Indian Creek Court	115	7.80%
403/405 Glenn Drive	163	7.60%
4612 Navistar Drive	279	7.48%
Campus at Metro Park	661	7.11%
1434 Crossways Boulevard Building II	413	7.05%
Prosperity Business Center	32	6.25%
1434 Crossways Boulevard Building I	295	6.25%
Linden Business Center	91	6.01%
Owings Mills Business Center	18	5.85%
Annapolis Commerce Park East	(150)	5.74%
Hanover Business Center Building D	36	8.88%
Hanover Business Center Building C	45	7.88%
Chesterfield Buildings C, D, G and H	81	8.50%
Chesterfield Buildings A, B, E and F	95	7.45%
Gateway Centre Building I	50	7.35%
Airpark Business Center	52	7.45%
Total fair value increase, net	\$ 2,533	

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

⁽³⁾Represents the weighted average interest rate.

⁽⁴⁾During the second quarter of 2010, the Company retired \$20.1 million of Exchangeable Senior Notes.

⁽⁵⁾Interest on the loan is LIBOR plus 250 basis points, which increases by 100 basis points each year beginning on January 1, 2011, to a maximum of 550 basis points.

⁽⁶⁾During the second quarter of 2010, the Company exercised its one year extension option on the \$20 million term loan, which was scheduled to mature in August 2010.

⁽⁷⁾The unsecured revolving credit facility matures in January 2013 with a one-year extension at the Company's option, which it intends to exercise. During the second quarter of 2010, the Company expanded its unsecured revolving credit facility from \$175 million to \$225 million. Also, the Company eliminated the 1% LIBOR floor associated with the facility's interest rate.

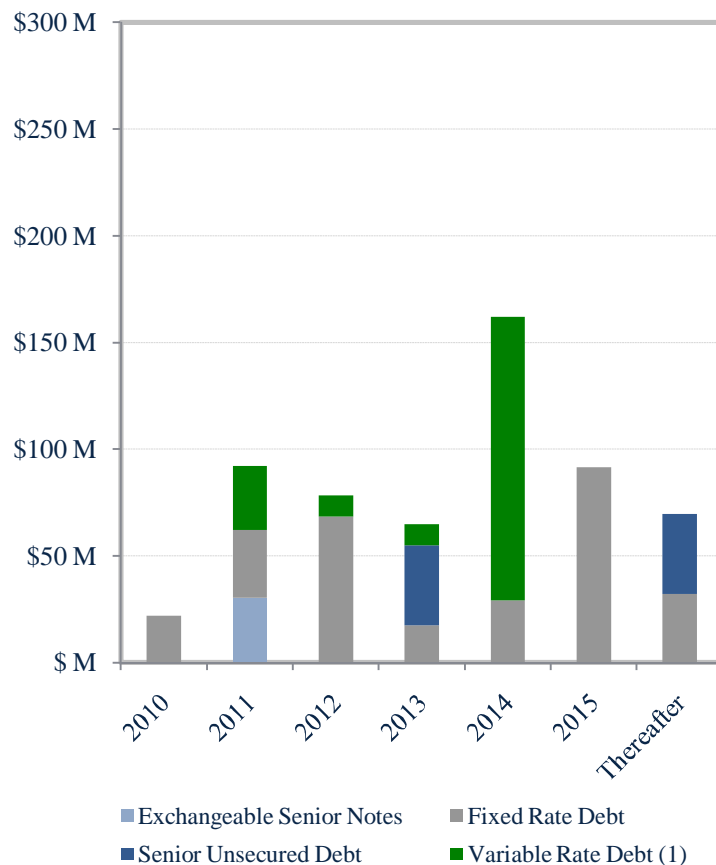
⁽⁸⁾As of June 30, 2010, the borrowing base for the Company's unsecured revolving credit facility included the following properties: 13129 Airpark Road, Virginia Center, Aquia Commerce Center II, Airpark Place, Gateway West II, Crossways II, Reston Business Campus, Cavalier Industrial Park, Gateway Centre (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, 6900 English Muffin Way, Gateway West, 4451 Georgia Pacific, 20270 Goldenrod Lane, Old Courthouse Square, Patrick Center, West Park, Woodlands Business Center, 15 Worman's Mill Court, Girard Business Center, Girard Place, Owings Mills Commerce Center, 4200 Tech Court, Park Central I, Triangle Business Center and Ashburn Center.

⁽⁹⁾In January 2008, the Company entered into an interest rate swap agreement to fix the LIBOR interest rate on \$50 million of its variable rate debt at 2.71%. In August 2008, the Company entered into an interest rate swap agreement to fix the LIBOR interest rate on \$35 million of its variable rate debt at 3.33%. Both swap agreements expire in August 2010. The effective interest rate reflects the impact of the swap agreements on \$85.0 million of the Company's variable rate debt.

⁽¹⁰⁾During the second quarter of 2010, the Company paid approximately \$1.0 million in principal payments, which excludes \$1.7 million related to a mortgage loan that was paid in full in June 2010.

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
2010	Secured Property Debt	\$ 3,625	\$ 22,001	\$ 22,001	16.5%
2011	Secured Property Debt	5,824	31,710	31,710	18.4%
2011	Exchangeable Notes	39,451	30,450	228,450 ⁽²⁾	17.3%
2011	Secured Term Loan II	3,454	20,000	20,000	17.3%
2011- 2014	Secured Term Loan I	40,067	40,000 ⁽³⁾	262,839	15.3%
2012	Secured Property Debt	11,252	68,466	68,466	16.4%
2013	Secured Property Debt	3,039	17,477	17,477	17.4%
2013	Senior Unsecured Notes	39,451	37,500	228,450 ⁽²⁾	17.3%
2014	Secured Property Debt	5,646	29,029	29,029	19.5%
2014	Unsecured Revolving Credit Facility	39,451	123,000	228,450 ⁽²⁾	17.3%
2015	Secured Property Debt	14,911	91,635	91,635	16.3%

⁽¹⁾\$85 million of the Company's \$183 million of variable rate debt is subject to cash flow hedges, which will expire in August 2010.

⁽²⁾The borrowing base for the Exchangeable Notes, Unsecured Revolving Credit Facility and Senior Unsecured Notes also supports Senior Unsecured Notes of \$37.5 million maturing in 2016.

⁽³⁾Secured Term Loan I is mezzanine debt. Total supported indebtedness includes underlying first mortgage financing that matures from 2010 through 2021. The term loan is comprised of four \$10 million dollar notes with staggered yearly maturities, with the first \$10 million dollar note maturing in 2011.

Debt Covenants

(unaudited, amounts in thousands)

	Credit Facility / Secured Term Loan		Secured Term Loan II		Senior Notes	
	Quarter Ending June 30, 2010	Covenant	Quarter Ending June 30, 2010	Covenant	Quarter Ending June 30, 2010	Covenant
Unencumbered Pool Leverage ⁽¹⁾	47.3%	≤ 65%	N/A	N/A	45.9%	≤ 65%
Unencumbered Pool Debt Service Coverage Ratio ^{(1),(2)}	2.9x	≥ 1.75x	N/A	N/A	N/A	N/A
Maximum Consolidated Total Indebtedness	51.3%	≤ 65%	48.6%	≤ 60%	49.9%	≤ 65%
Minimum Tangible Net Worth	\$ 613,312	≥ \$459,596	\$ 684,090	≥ \$459,596	\$ 647,629	≥ \$459,596
Fixed Charge Coverage Ratio	1.92x	≥ 1.50x	1.92x	≥ 1.50x	1.92x	≥ 1.50x
Maximum Dividend Payout Ratio	71.2%	≤ 95%	71.2%	≤ 95%	71.2%	≤ 95%
<i>Restricted Investments⁽²⁾ :</i>						
Joint Ventures ⁽²⁾	0.8%	≤ 20%	0.7%	≤ 20%	N/A	N/A
Construction in Progress ⁽²⁾	1.6%	≤ 10%	1.5%	≤ 10%	N/A	N/A
Undeveloped Land ⁽²⁾	1.7%	≤ 5%	1.6%	≤ 5%	N/A	N/A
Mortgage Notes ⁽²⁾	0.0%	≤ 5%	0.0%	≤ 5%	N/A	N/A
<i>Total Restricted Investments⁽²⁾</i>	4.1%	≤ 25%	3.9%	≤ 25%	N/A	N/A
<i>Restricted Indebtedness :</i>						
Unhedged Variable Rate Debt ⁽²⁾	7.8%	≤ 25%	7.4%	≤ 25%	N/A	N/A
Maximum Secured Debt	31.2%	≤ 45%	29.5%	≤ 55%	30.4%	≤ 40%
Maximum Secured Recourse Debt ⁽²⁾	5.6%	≤ 15%	5.3%	≤ 10%	N/A	N/A

⁽¹⁾Covenant does not apply to Secured Term Loans covenants.

⁽²⁾Covenant does not apply to Senior Notes covenants.

Portfolio Summary

(unaudited)

<u>Portfolio In Service</u>	<u>Square Feet</u>
Washington, DC	114,599
Maryland	3,389,133
Northern Virginia	2,959,177
Southern Virginia	5,144,980
Total Portfolio In Service	<u>11,607,889</u>
<u>Assets in Development / Redevelopment</u>	
Development	104,915
Redevelopment	259,031
Completed Development / Redevelopment Not Yet Placed in Service	26,088
Total Assets in Development / Redevelopment	<u>390,034</u>
Total Portfolio	<u>11,997,923</u>
<u>Unconsolidated Joint Ventures</u>	
RiversPark I & II	<u>306,861</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, 2010⁽¹⁾</u>	<u>Annualized Base Rent⁽²⁾ - Cash Basis</u>	<u>% of Annualized Base Rent</u>
Business Park	4,425,822	45.4%	80.3%	\$ 47,696,130	45.8%
Office / Office Park	1,463,913	15.0%	84.8%	26,622,903	25.5%
Industrial	3,673,449	37.7%	88.1%	28,716,706	27.5%
Retail	184,479	1.9%	91.7%	1,207,112	1.2%
Total	9,747,663	100.0%	84.0%	\$ 104,242,851	100.0%

⁽¹⁾Does not include space in development or redevelopment.

⁽²⁾Triple-net equivalent.

Net Asset Value Analysis

(unaudited, in thousands)

<u>Income Statement Items</u> ⁽¹⁾	<u>Three Months Ended June 30, 2010</u>	<u>Annualized</u>
Total Portfolio In-Place Cash NOI		
Total GAAP Revenue	\$ 33,575	\$ 134,300
Straight-line and Deferred Market Rents	(183)	(732)
Management Fee Adjustment ⁽²⁾	308	1,232
Property Operating Costs	(10,313)	(41,252)
Total Portfolio In-Place Cash NOI	\$ 23,387	\$ 93,548
Total Portfolio Cash NOI @ 90% Occupancy		
Total Revenue	\$ 36,523	\$ 146,092
Straight-line and Deferred Market Rents	(188)	(752)
Property Operating Costs	(10,576)	(42,304)
Total Portfolio Cash NOI	\$ 25,759	\$ 103,036
Balance Sheet Items		
Land Held for Future Development & CIP		
Original Cost Basis of Land held for Future Development	\$ 21,536	
Original Cost Basis of Development Assets	2,011	
Original Cost Basis of Redevelopment Assets ⁽³⁾	16,979	
Construction In Progress	10,047	
Total Land Held for Future Development & CIP	\$ 50,573	
Investments in Affiliates		
Total Investments in Affiliates	\$ 3,093	
Current Quarter Acquisitions		
Total Current Quarter Acquisitions	\$ 81,494	
Select Balance Sheet Items		
Cash and cash equivalents, escrows and reserves	\$ 21,492	
Accounts and other receivables, net of allowance	7,035	
Prepaid expenses and other assets	5,795	
Accounts payable and other liabilities	(19,247)	
Accrued interest	(2,141)	
Rents received in advance	(7,480)	
Tenant security deposits	(4,831)	
Mortgage and Senior Debt, cash principal balances	611,002	

⁽¹⁾Includes figures from discontinued operations.

⁽²⁾Management fee adjustment, which calculates 4% of revenue, is used in lieu of an administrative overhead allocation for comparative purposes.

⁽³⁾Represents portion of original purchase under redevelopment.

Investment in Joint Ventures

(unaudited, amounts in thousands)

Unconsolidated Joint Ventures

	FPO Ownership	FPO Investment at June 30, 2010	Property Type	Location	Square Feet	Percent Office Buildout	Leased at June 30, 2010	Occupied at June 30, 2010
RiversPark I and II	25%	\$ 3,093	Office Park	Columbia, MD	306,861	100.0%	100.0%	94.4%

<u>Outstanding Debt</u>	Effective Interest Rate	Principal Balance at June 30, 2010	Annualized Debt Service	Maturity Date	Balance at Maturity
Hedged Floating Rate Debt ⁽¹⁾	5.97%	\$ 28,000	\$ 1,672	9/26/2011	\$ 28,000

	Three Months Ended	
	June 30, 2010	March 31, 2010
Total Revenues	\$ 1,183	\$ 1,118
Total Operating Expenses	(299)	(352)
Net Operating Income	884	766
Depreciation	(500)	(453)
Interest expense, net	(465)	(466)
Net Loss	\$ (81)	\$ (153)

⁽¹⁾The mortgage loan matures in September 2011 and has two one-year renewal options. Borrowings on the loan bear interest at LIBOR plus 250 basis points. The Company entered into an interest rate swap agreement that fixed the interest rate on the loan at 5.97% for its initial three-year term. Of the \$28 million principal balance, 25% is recourse to the Company.

Top Thirty Tenants

(unaudited)

Ranking	Tenant	Number of Leases	Total Leased Square Feet	Total Annualized Rental Revenue ⁽¹⁾	Percentage of Total Annualized Rental Revenue - Cash Basis	Weighted Average Remaining Lease Years
1	U.S. Government	29	680,135	\$ 11,305,293	10.5%	4.8
2	Engineering Solutions	1	236,082	3,269,736	3.0%	6.8
3	HP Corporation	2	220,501	2,692,453	2.5%	1.0
4	Stock Building Supply, Inc	2	171,996	2,106,951	2.0%	6.7
5	State of Maryland - AOC	13	97,060	2,007,524	1.9%	9.5
6	FKI Industries, Inc	1	215,085	1,927,849	1.8%	6.3
7	Sentara Healthcare	7	183,767	1,896,776	1.8%	5.1
8	Lockheed Martin Corporation	9	148,520	1,859,333	1.7%	1.8
9	Verizon Virginia, Inc.	6	92,829	1,399,040	1.3%	4.4
10	Montgomery County	2	57,825	1,348,449	1.3%	5.2
11	First Data Corporation	1	117,336	1,329,417	1.2%	3.4
12	Iron Mountain	2	188,911	1,278,108	1.2%	8.2
13	Capital One Financial Corp	1	158,400	1,111,104	1.0%	1.1
14	Vangent, Inc	1	123,200	1,039,968	1.0%	3.5
15	Siemens Real Estate	1	76,292	1,021,550	1.0%	5.8
16	First American Registry	1	55,851	994,148	0.9%	4.1
17	Lyttle Corp	1	54,530	989,209	0.9%	2.6
18	Telogy Networks, Inc.	1	52,145	985,019	0.9%	2.9
19	General Dynamics Information Technology, Inc	5	140,037	956,558	0.9%	2.3
20	Vocus, Inc	1	79,416	893,124	0.8%	12.8
21	Gold's Gym	1	54,560	878,416	0.8%	16.8
22	American Public University System, Inc.	3	63,455	818,816	0.8%	4.8
23	Harris Connect	2	64,486	812,400	0.8%	6.3
24	Allstate Insurance Company	2	48,785	806,375	0.8%	1.7
25	Harris Corporation	3	37,895	765,565	0.7%	4.5
26	Eska Graphic Board USA BV	2	152,600	752,318	0.7%	3.7
27	Baxter Healthcare Corp., Amvax, Inc.	2	36,740	732,112	0.7%	6.1
28	Measurement Specialties, Inc.	1	120,000	716,992	0.7%	11.1
29	Energy Enterprise Solutions	5	41,565	709,060	0.7%	2.3
30	Fibertek, Inc.	3	38,872	708,864	0.7%	0.5
	Subtotal Top 30 Tenants	111	3,808,876	48,112,527	45.0%	5.1
	All Remaining Tenants	653	6,240,011	59,220,593	55.0%	3.8
	Total / Weighted Average	764	10,048,887	\$ 107,333,120	100.0%	4.4

⁽¹⁾Annualized rental revenue is based on triple-net equivalent cash basis rental revenue as of June 30, 2010.

Portfolio Analysis

(unaudited)

PORTFOLIO BY MARKET

	Number of Buildings	Square Feet ⁽¹⁾	Percent Leased ⁽¹⁾	Percent Occupied ⁽¹⁾	Annualized Base Rent ⁽²⁾ - Cash Basis	Percentage of Annualized Base Rent
Washington, DC	1	114,599	100.0%	100.0%	\$ 4,515,201	4.2%
Maryland	68	3,389,133	85.0%	82.6%	35,021,387	32.7%
Baltimore	14	405,081	76.2%	75.7%	3,935,236	3.7%
Suburban MD	54	2,984,052	87.9%	84.8%	31,086,151	29.0%
Northern VA	51	2,959,177	87.3%	83.8%	31,949,024	29.8%
Southern VA	54	5,144,980	85.9%	83.9%	35,847,508	33.3%
Richmond	27	1,761,076	91.3%	90.0%	11,511,230	10.6%
Norfolk	27	3,383,904	83.1%	80.7%	24,336,278	22.7%
Total	174	11,607,889	86.6%	84.0%	\$ 107,333,120	100.0%

PORTFOLIO BY PROPERTY TYPE

	Number of Buildings	Square Feet ⁽¹⁾	Percent Leased ⁽¹⁾	Percent Occupied ⁽¹⁾	Annualized Base Rent ⁽²⁾ - Cash Basis	Percentage of Annualized Base Rent
Business Park	96	5,513,776	84.6%	80.3%	\$ 50,452,225	47.0%
Office / Office Park	45	1,725,309	85.2%	84.8%	26,705,161	24.9%
Industrial	32	4,167,596	89.4%	88.1%	28,968,622	27.0%
Retail	1	201,208	91.7%	91.7%	1,207,112	1.1%
Total	174	11,607,889	86.6%	84.0%	\$ 107,333,120	100.0%

PORTFOLIO BY LEASE TYPE

	Number of Leases	Square Feet ⁽³⁾	Percentage of Leased Portfolio
Triple net	528	7,373,047	73.4%
Industrial gross	38	474,128	4.7%
Full service	198	2,201,712	21.9%
Total	764	10,048,887	100.0%

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

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

⁽³⁾Does not include vacant and core factor space.

Market Concentration

(unaudited)

Market Concentration by Square Footage

	Washington, DC	Maryland			Northern VA	Southern VA			Total
		Baltimore	Suburban MD	Subtotal		Richmond	Norfolk	Subtotal	
Business Park	-	2.5%	9.9%	12.4%	7.7%	6.7%	19.7%	26.4%	46.5%
Office / Office Park	1.1%	0.5%	6.4%	6.9%	6.6%	-	-	-	14.6%
Industrial	-	-	8.1%	8.1%	11.4%	9.3%	8.3%	17.6%	37.1%
Retail	-	-	1.8%	1.8%	-	-	-	-	1.8%
Total	1.1%	3.0%	26.2%	29.2%	25.7%	16.0%	28.0%	44.0%	100.0%

Market Concentration by Annualized Rent

	Washington, DC	Maryland			Northern VA	Southern VA			Total
		Baltimore	Suburban MD	Subtotal		Richmond	Norfolk	Subtotal	
Business Park	-	3.0%	11.8%	14.8%	7.7%	5.6%	18.9%	24.5%	47.0%
Office / Office Park	4.2%	0.7%	10.8%	11.5%	9.2%	-	-	-	24.9%
Industrial	-	-	5.3%	5.3%	12.9%	5.0%	3.8%	8.8%	27.0%
Retail	-	-	1.1%	1.1%	-	-	-	-	1.1%
Total	4.2%	3.7%	29.0%	32.7%	29.8%	10.6%	22.7%	33.3%	100.0%

Leasing Analysis

(unaudited)

<u>Leasing Production</u> ⁽¹⁾	Three Months Ended June 30, 2010			Six Months Ended June 30, 2010		
New and Renewal Leases						
Square footage of new and renewal leases	393,715			1,158,010		
Number of new and renewal leases commencing	44			103		
Expired/Early Renewal/Terminated leases						
Square footage of expired/early renewal leases	(345,658)			(716,777)		
Square footage of terminated leases	<u>(38,329)</u>			<u>(346,260)</u>		
Total - expired/early renewal/terminated leases	(383,987)			(1,063,037)		
Signed in advance of existing tenant's lease expiration	-			(35,172)		
Pre-Leasing	(24,230)			(24,230)		
Recognition of previous advance leases and pre-leasing	42,596			60,171		
Net Absorption ⁽²⁾	28,094			95,742		
New Leases						
	<u>Total</u>	<u>Comparable</u> ⁽³⁾	<u>Not Comparable</u> ⁽⁴⁾	<u>Total</u>	<u>Comparable</u> ⁽³⁾	<u>Not Comparable</u> ⁽⁴⁾
New square footage	154,496	69,847	84,649	589,625	209,870	379,755
Number of new leases commencing	17	7	10	40	12	28
Rental Change - Cash						
New base rent	\$ 8.94	\$ 8.73	\$ 6.33	\$ 11.73		
Previous base rent	\$ 9.11	N/A	\$ 6.13	N/A		
Percentage change in base rent	-1.9%	N/A	3.3%	N/A		
Rental Change - GAAP						
New base rent	\$ 9.77	\$ 9.04	\$ 6.74	\$ 12.77		
Previous base rent	\$ 8.67	N/A	\$ 5.69	N/A		
Percentage change in base rent	12.7%	N/A	18.4%	N/A		
Average capital cost per square foot ⁽⁵⁾	\$ 15.45	\$ 16.29	\$ 6.12	\$ 33.21		
Average downtime between leases (months)	7.1	22.7	3.2	18.4		
Average lease term (months)	105.1	73.5	59.3	112.3		
Renewal Leases						
Square footage of renewal leases ⁽⁶⁾	239,219			568,385		
Number of renewal leases commencing	27			63		
Retention rate	69%			79%		
Maryland	85%			82%		
Northern VA	40%			70%		
Southern VA	73%			82%		
Rental Change - Cash						
New base rent	\$ 8.65	\$ 8.72	\$ 8.72	\$ 9.19		
Expiring base rent	\$ 8.85	\$ 8.72	\$ 8.72	\$ 9.19		
Percentage change in base rent	-2.3%	-2.3%	-5.1%	-5.1%		
Rental Change - GAAP						
New base rent	\$ 8.94	\$ 8.98	\$ 8.98	\$ 8.93		
Expiring base rent	\$ 8.79	\$ 8.93	\$ 8.93	\$ 8.93		
Percentage change in base rent	1.7%	1.7%	0.5%	0.5%		
Average capital cost per square foot	\$ 2.29	\$ 2.81	\$ 2.81	\$ 36.4		
Average lease term (months)	32.0	32.0	32.0	36.4		

⁽¹⁾Includes 99,759 square feet of leases and associated costs for leases signed in the second quarter for subsequent periods. Of the total, 75,529 square feet will commence in Q3 2010 and 24,230 square feet in Q1 2011.

⁽²⁾Year-to-date net absorption includes 50,000 square feet from a license agreement converted into a new lease.

⁽³⁾Comparable leases include leases with a term greater than or equal to one year and downtime of less than or equal to one year.

⁽⁴⁾Non-comparable leases include leases with a term less than one year or downtime of greater than one year or acquired vacancy.

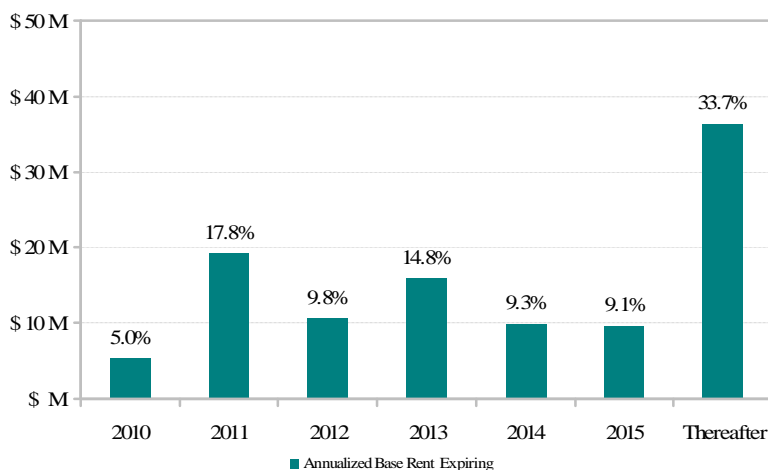
⁽⁵⁾Includes first and second generation TI costs. Second generation capital costs averaged \$15.29 per square foot.

⁽⁶⁾Year-to-date leases include 21,078 square feet of lease extensions from restructured leases. Average lease term was 28 months. Changes in cash and GAAP rents were 0.5% and -2.2%, respectively.

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. ⁽¹⁾
MTM	12	47,327	0.5%	\$ 589,241	0.5%	\$ 12.45
2010	77	561,257	5.6%	5,352,359	5.0%	9.54
2011	157	2,099,554	20.9%	19,097,184	17.8%	9.10
2012	106	914,710	9.1%	10,511,316	9.8%	11.49
2013	127	1,450,920	14.4%	15,866,198	14.8%	10.94
2014	89	994,166	9.9%	9,933,077	9.3%	9.99
2015	68	875,734	8.7%	9,747,980	9.1%	11.13
Thereafter	128	3,105,219	30.9%	36,235,765	33.7%	11.67
Total	764	10,048,887	100.0%	\$ 107,333,120	100.0%	\$ 10.68

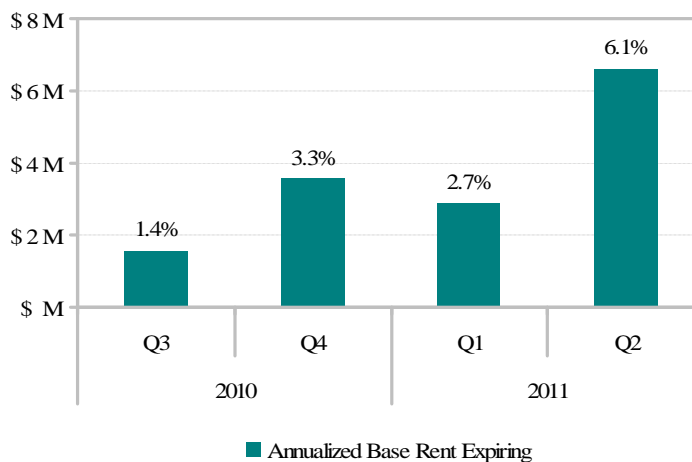


⁽¹⁾Triple-net equivalent

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. ⁽¹⁾
2010 - Q2 ⁽²⁾	3	51,950	3.1%	\$ 249,244	0.2%	\$ 4.80
2010 - Q3	28	144,952	8.7%	1,552,802	1.4%	10.71
2010 - Q4	46	364,355	21.8%	3,550,313	3.3%	9.74
2011 - Q1	34	287,767	17.2%	2,888,828	2.7%	10.04
2011 - Q2	45	825,698	49.2%	6,601,580	6.1%	8.00
Total	156	1,674,722	100.0%	\$ 14,842,767	13.7%	\$ 8.86



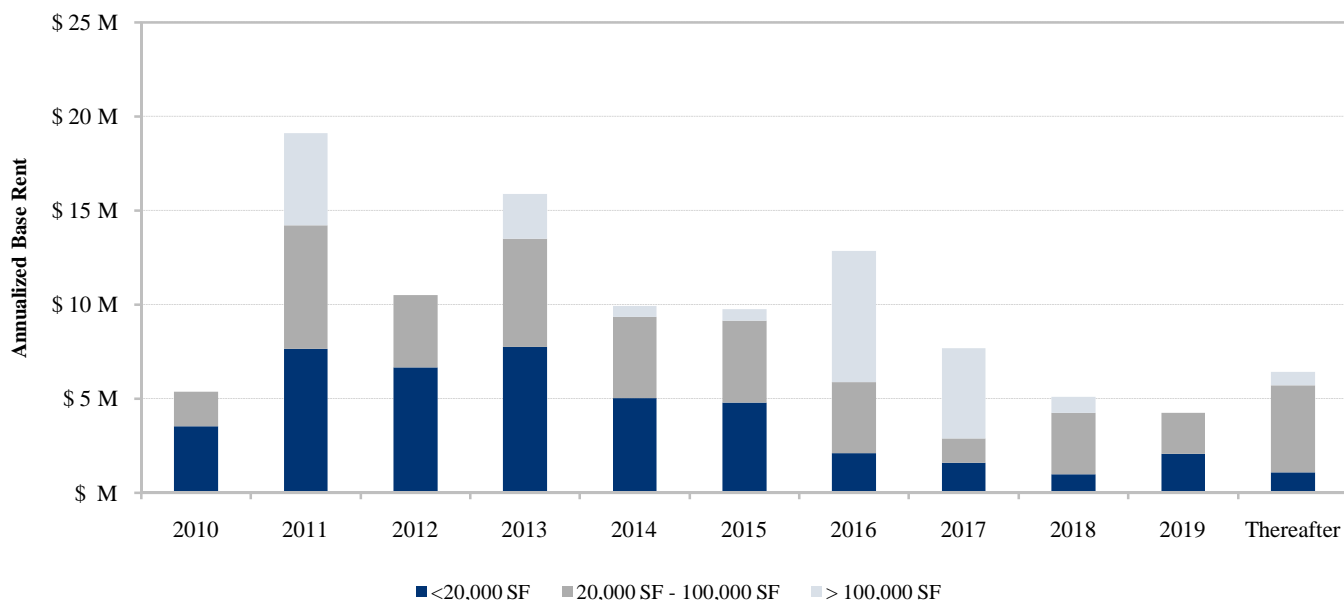
⁽¹⁾Triple-net equivalent

⁽²⁾The Company classifies leases that expired on the last day of the quarter as leased square footage since the tenant is contractually entitled to the space. The 51,950 square feet of leases that expired on June 30, 2010 were moved out.

Portfolio by Size

(unaudited)

Square Feet Under Lease	Number of Leases	Leased Square Feet	% of Total Square Feet	Annualized Base Rent ⁽¹⁾	% of Annualized Rent	Revenue per SF
0-4,999	347	854,606	8.5%	\$ 10,736,277	10.0%	\$ 12.56
5,000-9,999	166	1,175,768	11.7%	14,031,954	13.1%	11.93
10,000-14,999	80	957,290	9.5%	11,569,840	10.8%	12.09
15,000-19,999	38	651,828	6.5%	7,356,220	6.9%	11.29
20,000-24,999	34	774,322	7.7%	7,845,683	7.3%	10.13
25,000-29,999	20	541,578	5.4%	6,239,818	5.8%	11.52
30,000-34,999	19	615,800	6.1%	6,312,770	5.9%	10.25
35,000-39,999	9	330,893	3.3%	2,550,564	2.4%	7.71
40,000-44,999	7	294,670	2.9%	2,535,440	2.4%	8.60
45,000-49,999	9	420,482	4.2%	3,981,640	3.7%	9.47
50,000-54,999	6	317,978	3.2%	4,573,492	4.3%	14.38
55,000-59,999	2	114,805	1.1%	1,759,597	1.6%	15.33
60,000-64,999	1	61,992	0.6%	779,898	0.7%	12.58
65,000-69,999	2	135,321	1.3%	610,401	0.6%	4.51
70,000-74,999	2	141,652	1.4%	770,128	0.7%	5.44
75,000-79,999	4	307,508	3.1%	3,053,013	2.8%	9.93
85,000-89,999	1	87,120	0.9%	370,260	0.3%	4.25
100,000-104,999	2	204,218	2.0%	1,701,582	1.6%	8.33
110,000-114,999	1	114,599	1.1%	4,515,201	4.2%	39.40
115,000-119,999	4	466,892	4.6%	3,851,204	3.6%	8.25
120,000-124,999	5	608,301	6.1%	4,715,455	4.4%	7.75
125,000-129,999	1	127,108	1.3%	603,763	0.6%	4.75
130,000-134,999	1	134,589	1.3%	560,232	0.5%	4.16
155,000-159,999	1	158,400	1.6%	1,111,104	1.0%	7.01
215,000-219,999	1	215,085	2.2%	1,927,849	1.8%	8.96
235,000-239,999	1	236,082	2.4%	3,269,735	3.0%	13.85
Total	764	10,048,887	100.0%	\$ 107,333,120	100.0%	\$ 10.68



⁽¹⁾Triple-net equivalent

Land and Properties Available for Development or Redevelopment

(unaudited, amounts in thousands)

ACTIVE DEVELOPMENT / REDEVELOPMENT

	Region	Square Feet	Projected Cost	Cost to Date	Estimated Date In Service	Estimated Stabilization Date	Expected Return
		Under Development / Redevelopment					
Development							
Sterling Park Business Center - Lot 7	Northern VA	56,915	\$ 7,300	\$ 4,335	Q1-2011	Q1-2012	9%
Greenbrier	Southern VA	48,000	8,100	448	TBD	TBD	10%
		<u>104,915</u>	<u>15,400</u>	<u>4,783</u>			
Redevelopment⁽¹⁾							
500 First Street, NW ⁽²⁾	Washington, DC	14,436	800	-	Q4-2010	Q4-2010	8%
Three Flint Hill	Northern VA	173,762	8,000	225	Q2-2011	Q2-2012	9%
Enterprise Parkway	Southern VA	70,833	1,650	1,400	Q2-2011	Q2-2011	10%
		<u>259,031</u>	<u>10,450</u>	<u>1,625</u>			
Total Active Development / Redevelopment		<u>363,946</u>	<u>\$ 25,850</u>	<u>\$ 6,408</u>			

COMPLETED DEVELOPMENT / REDEVELOPMENT

PLACED IN SERVICE DURING QUARTER	Region	Square Feet	Leased	Total Cost	Estimated Stabilization Date	Expected Return
		Placed in Service	Square Feet			
Redevelopment⁽¹⁾						
Gateway 270 West	Maryland	16,124	16,124	\$ 378	Q2-2010	10%
Interstate Plaza	Northern VA	22,553	22,553	256	Q1-2011	8%
		<u>38,677</u>	<u>38,677</u>	<u>634</u>		
NOT YET PLACED IN SERVICE						
	Region	Total Completed Square Feet	Square Feet Not Placed in Service	Total Cost	Estimated Stabilization Date	Expected Return
Redevelopment⁽¹⁾						
Gateway 270 West	Maryland	26,088	26,088	750	Q3-2011	10%
Total Completed Assets		<u>64,765</u>	<u>64,765</u>	<u>\$ 1,384</u>		

ADDITIONAL DEVELOPABLE LAND

		Developable Square Feet
500 First Street, NW	Washington, DC	30,000
Glenn Dale Business Center	Maryland	100,000
4612 Navistar Drive	Maryland	50,000
Sterling Park Business Center Plaza 500	Northern VA	335,545
Linden Business Center	Northern VA	200,000
River's Bend Center II	Northern VA	32,400
Chesterfield	Southern VA	600,000
Norfolk Commerce Park II	Southern VA	35,700
		<u>17,500</u>
		<u>1,401,145</u>

⁽¹⁾Redevelopment of existing structures

⁽²⁾Total costs will be funded by an escrow account that was created at acquisition.

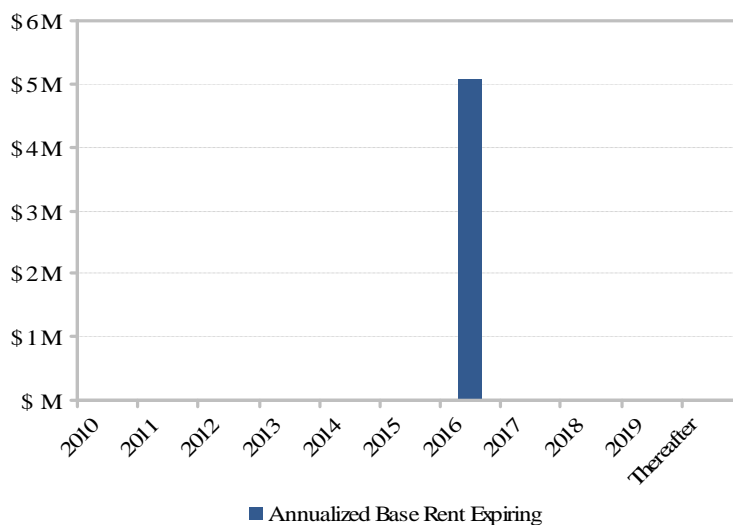
Washington, DC

(unaudited)

Property	Buildings	Property Type	Location	Square Footage ⁽¹⁾	Percent Office Buildout	Annualized Cash Basis Rent ⁽²⁾	Leased at June 30, 2010 ⁽³⁾	Occupied at June 30, 2010 ⁽³⁾
<i>Downtown DC</i> 500 First Street, NW	1	Office	Washington, DC	129,035	100.0%	\$ 5,083,979	100.0%	88.8%

Lease Expiration Schedule

Year of Lease Expiration	SF of Expiring Leases ⁽¹⁾	% of Total SF	Annual Base Rent ⁽²⁾	% of Annual Base Rent	Base Rent ⁽²⁾ per SF
2016	129,035	100.0%	\$ 5,083,979	100.0%	\$ 39.40



⁽¹⁾Reflects the stabilized square footage, which includes 14,436 square feet of redevelopment space that will be placed into service in the fourth quarter.

⁽²⁾Reflects the triple-net equivalent rent at stabilization.

⁽³⁾Includes space in redevelopment.

Maryland Region

(unaudited)

Property	Buildings	Property Type ^{(1),(2),(3)}	Location	Square Footage	Percent Office Buildout	Annualized Cash Basis Rent ⁽⁴⁾	Leased at June 30, 2010 ⁽⁵⁾	Occupied at June 30, 2010 ⁽⁵⁾
<u>SUBURBAN MD</u>								
<u>Frederick</u>								
15 Worman's Mill Court	1	OP	Frederick	39,966	100.0%	\$ 396,656	100.0%	100.0%
Frederick Industrial Park ⁽⁶⁾	3	I	Frederick	550,418	27.0%	4,072,604	93.7%	93.7%
Patrick Center	1	Office	Frederick	66,338	100.0%	1,191,280	77.9%	73.7%
West Park	1	Office	Frederick	28,620	100.0%	309,937	78.5%	78.5%
<u>I-270 Corridor</u>								
20270 Goldenrod Lane	1	Office	Germantown	23,518	100.0%	129,828	52.0%	52.0%
Airpark Place	3	BP	Gaithersburg	82,414	69.2%	572,939	52.8%	49.1%
Campus at Metro Park North	4	OP	Rockville	190,912	100.0%	3,267,974	85.1%	85.1%
Cloverleaf	4	OP	Germantown	173,655	100.0%	3,046,394	100.0%	100.0%
Gateway 270 West	6	BP	Clarksburg	229,496	75.2%	2,844,860	90.8%	87.9%
Gateway Center	2	Office	Gaithersburg	44,150	100.0%	617,270	96.4%	96.4%
Girard Business Park ⁽⁷⁾	7	BP	Gaithersburg	299,423	68.3%	2,615,957	77.0%	76.7%
<u>Beltsville</u>								
Ammendale Business Park ⁽⁸⁾	7	BP	Beltsville	313,290	50.2%	3,451,564	88.9%	63.5%
<u>Columbia</u>								
Rumsey Center	4	BP	Columbia	134,321	75.0%	1,360,565	83.8%	83.8%
Snowden Center	5	BP	Columbia	144,983	78.6%	1,770,183	77.4%	77.4%
<u>Other</u>								
Annapolis Commerce Park	2	OP	Annapolis	102,060	72.6%	2,066,413	98.8%	98.8%
Glenn Dale Business Center	1	I	Glenn Dale	321,394	25.0%	1,686,268	93.0%	93.0%
Old Courthouse Square	1	Retail	Martinsburg, WV	201,208	0.0%	1,207,112	91.7%	91.7%
Woodlands Business Center	1	Office	Largo	37,886	100.0%	478,347	83.7%	82.6%
Total	54			2,984,052	58.6%	31,086,151	87.9%	84.8%
<u>BALTIMORE</u>								
<u>Owings Mills</u>								
Owings Mills Business Park ⁽⁹⁾	6	BP	Owings Mills	219,418	83.9%	2,736,112	94.8%	94.8%
<u>Other</u>								
Gateway West	4	OP	Westminster	111,493	88.8%	698,924	48.5%	48.5%
Triangle Business Center	4	BP	Baltimore	74,170	71.7%	500,200	62.6%	60.0%
Total	14			405,081	73.5%	3,935,236	76.2%	75.7%
Grand Total	68			3,389,133	61.0%	\$ 35,021,387	86.5%	83.7%

⁽¹⁾I= Industrial

⁽²⁾BP = Business Park

⁽³⁾OP = Office Park

⁽⁴⁾Triple-net equivalent

⁽⁵⁾Does not include space in development or redevelopment.

⁽⁶⁾Frederick Industrial Park consists of the following properties: 4451 Georgia Pacific Boulevard, 4612 Navistar Drive and 6900 English Muffin Way.

⁽⁷⁾Girard Business Park consists of the following properties: Girard Business Center and Girard Place.

⁽⁸⁾Ammendale Business Park consists of the following properties: Ammendale Commerce Center and Indian Creek Court.

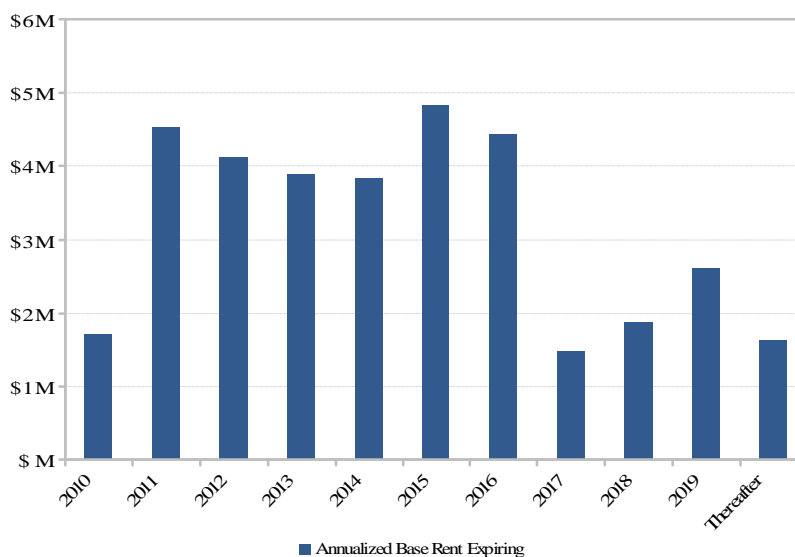
⁽⁹⁾Owings Mills Business Park consists of the following properties: Owings Mills Business Center and Owings Mills Commerce Center.



Maryland 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⁽¹⁾</u>	<u>% of Annual Base Rent⁽¹⁾</u>	<u>Base Rent⁽¹⁾ per SF</u>
Vacant	458,405	13.5%	\$ -	-	\$ -
MTM	15,796	0.5%	82,624	0.2%	5.23
2010	164,658	4.9%	1,704,744	4.9%	10.35
2011	493,969	14.6%	4,526,411	12.9%	9.16
2012	319,119	9.4%	4,120,521	11.8%	12.91
2013	269,436	7.9%	3,884,528	11.1%	14.42
2014	253,555	7.5%	3,832,410	10.9%	15.11
2015	419,220	12.4%	4,826,464	13.8%	11.51
2016	405,936	12.0%	4,431,861	12.7%	10.92
2017	95,758	2.8%	1,480,544	4.2%	15.46
2018	201,400	5.9%	1,874,334	5.4%	9.31
2019	135,253	4.0%	2,612,884	7.5%	19.32
Thereafter	156,628	4.6%	1,644,062	4.6%	10.50
Total	3,389,133	100.0%	\$ 35,021,387	100.0%	\$ 11.95



⁽¹⁾Triple-net equivalent

Northern Virginia Region

(unaudited)

Property	Buildings	Property Type ^{(1),(2),(3)}	Location	Square Footage	Percent Office Buildout	Annualized Cash Basis Rent ⁽⁴⁾	Leased at June 30, 2010 ⁽⁵⁾	Occupied at June 30, 2010 ⁽⁵⁾
<u>Alexandria</u>								
Interstate Plaza	1	I	Alexandria	109,029	30.0%	\$ 1,080,064	98.9%	98.9%
Plaza 500	2	I	Alexandria	504,089	30.0%	6,146,465	91.7%	91.7%
<u>Manassas</u>								
Gateway Centre	3	BP	Manassas	101,534	55.9%	997,032	83.7%	60.9%
Linden Business Center	3	BP	Manassas	109,838	69.1%	990,850	76.5%	60.0%
Windsor at Battlefield	2	OP	Manassas	154,989	89.5%	1,962,618	100.0%	100.0%
<u>Reston/Herndon</u>								
Herndon Corporate Center	4	OP	Herndon	127,812	100.0%	1,447,813	71.1%	71.1%
Van Buren Business Park	5	OP	Herndon	108,115	100.0%	1,443,349	83.5%	80.6%
Reston Business Campus	4	OP	Reston	82,648	100.0%	1,109,033	86.4%	86.4%
<u>Sterling</u>								
Sterling Park Business Center ⁽⁶⁾	6	BP	Sterling	436,837	47.7%	3,660,920	76.8%	76.0%
<u>Chantilly</u>								
Lafayette Business Park ⁽⁷⁾	6	OP	Chantilly	254,060	90.0%	3,153,467	75.6%	75.6%
<u>Other</u>								
13129 Airpark Road	1	I	Culpeper	149,888	15.0%	705,080	75.9%	75.9%
15395 John Marshall Highway	1	I	Haymarket	236,082	15.0%	3,269,736	100.0%	100.0%
Ashburn Center	3	BP	Ashburn	194,184	9.8%	1,727,068	100.0%	71.9%
Newington Business Park Center	7	I	Lorton	254,272	16.5%	2,513,053	90.2%	90.2%
Prosperity Business Center	1	BP	Merrifield	71,312	15.0%	871,819	100.0%	100.0%
Aquia Commerce Center I & II	2	OP	Stafford	64,488	97.4%	870,657	100.0%	100.0%
Total	51			2,959,177	47.6%	\$ 31,949,024	87.3%	83.8%

⁽¹⁾I = Industrial

⁽²⁾BP = Business Park

⁽³⁾OP = Office Park

⁽⁴⁾Triple-net equivalent

⁽⁵⁾Does not include space in development or redevelopment.

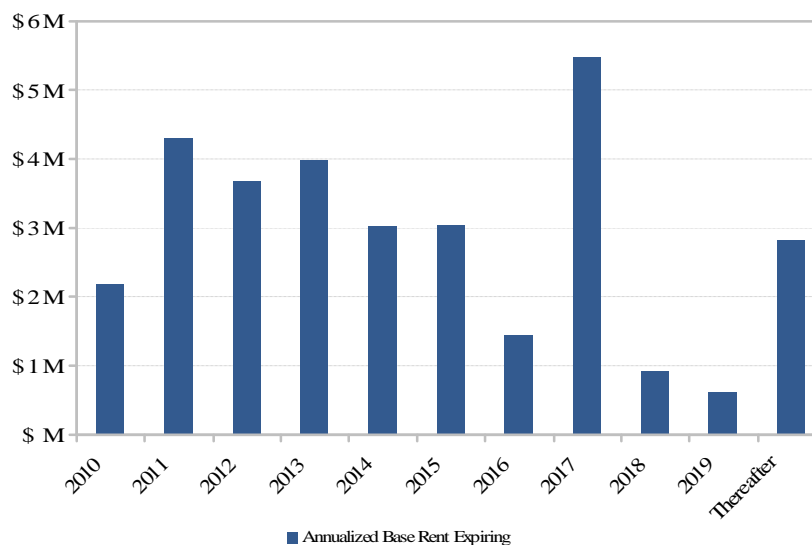
⁽⁶⁾Sterling Park Business Center consists of the following properties: 403/405 Glenn Drive, Davis Drive and Sterling Park Business Center.

⁽⁷⁾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⁽¹⁾</u>	<u>% of Annual Base Rent⁽¹⁾</u>	<u>Base Rent⁽¹⁾ per SF</u>
Vacant	375,705	12.7%	\$ -	-	\$ -
MTM	31,531	1.1%	506,617	1.6%	16.07
2010	192,942	6.5%	2,173,033	6.8%	11.26
2011	348,617	11.8%	4,290,718	13.4%	12.31
2012	313,369	10.6%	3,673,582	11.5%	11.72
2013	285,379	9.6%	3,978,331	12.5%	13.94
2014	261,302	8.8%	3,010,793	9.4%	11.52
2015	217,316	7.3%	3,042,237	9.5%	14.00
2016	76,225	2.6%	1,435,559	4.5%	18.83
2017	418,343	14.1%	5,476,873	17.1%	13.09
2018	100,592	3.4%	923,817	2.9%	9.18
2019	47,755	1.6%	627,353	2.0%	13.14
Thereafter	290,101	9.9%	2,810,111	8.8%	9.69
Total	2,959,177	100.0%	\$ 31,949,024	100.0%	\$ 12.37



⁽¹⁾Triple-net equivalent

Southern Virginia Region

(unaudited)

Property	Buildings	Property Type ^{(1),(2)}	Location	Square Footage	Percent Office Buildout	Annualized Cash Basis Rent ⁽³⁾	Leased at June 30, 2010 ⁽⁴⁾	Occupied at June 30, 2010 ⁽⁴⁾
<u>RICHMOND</u>								
<u>North</u>								
Virginia Center	1	BP	Glen Allen	118,146	80.0%	\$ 1,213,839	86.9%	86.9%
Northridge I, II	2	I	Ashland	140,185	32.5%	855,507	100.0%	83.1%
Hanover Business Center	4	BP	Ashland	182,967	46.9%	815,397	74.4%	74.4%
Park Central	3	BP	Richmond	204,280	74.5%	2,384,180	90.9%	90.9%
<u>South</u>								
River's Bend Center ⁽⁵⁾	6	I	Chester	795,037	48.7%	4,580,605	100.0%	100.0%
Chesterfield Business Center ⁽⁶⁾	11	BP	Richmond	320,461	38.7%	1,661,702	77.5%	77.5%
Total	27			1,761,076	50.5%	11,511,230	91.3%	90.0%
<u>NORFOLK</u>								
<u>Crossways</u>								
Crossways Commerce Center ⁽⁷⁾	9	BP	Chesapeake	1,089,786	70.0%	10,580,240	91.6%	88.5%
<u>Greenbrier</u>								
Greenbrier Business Center ⁽⁸⁾	4	BP	Chesapeake	410,613	85.0%	4,223,587	84.4%	80.4%
<u>Chesapeake Other</u>								
1400 Cavalier Boulevard	4	I	Chesapeake	394,308	20.0%	1,660,711	100.0%	100.0%
Diamond Hill Distribution Center	4	I	Chesapeake	712,894	5.0%	2,398,531	60.8%	56.6%
<u>Hampton</u>								
1000 Lucas Way	2	BP	Hampton	182,323	50.6%	1,361,507	96.3%	96.3%
Enterprise Parkway	1	BP	Hampton	332,536	65.0%	1,607,692	65.2%	65.2%
<u>Norfolk</u>								
Norfolk Commerce Park ⁽⁹⁾	3	BP	Norfolk	261,444	79.4%	2,504,010	94.6%	94.6%
Total	27			3,383,904	51.5%	24,336,278	83.1%	80.7%
Grand Total	54			5,144,980	51.2%	\$ 35,847,508	85.9%	83.9%

⁽¹⁾I= Industrial

⁽²⁾BP = Business Park

⁽³⁾Triple-net equivalent

⁽⁴⁾Does not include space in development or redevelopment.

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

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

⁽⁷⁾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.

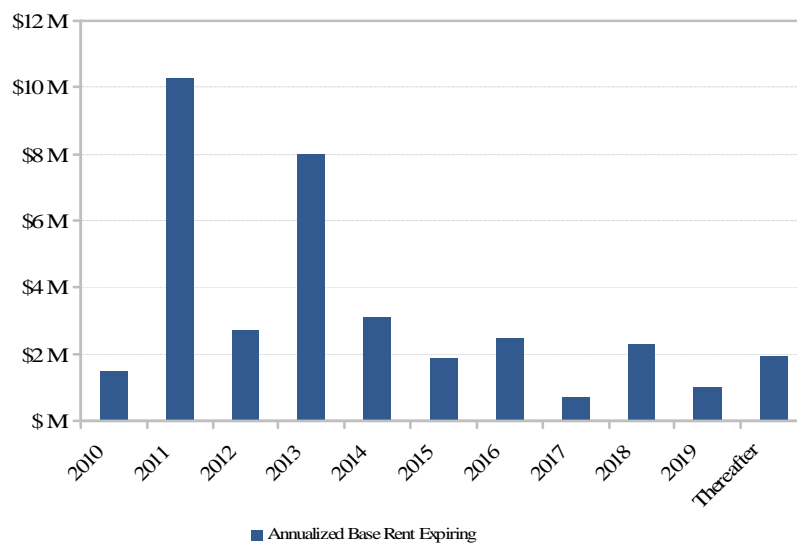
⁽⁸⁾Greenbrier Business Center consists of the following properties: Greenbrier Technology Center I, Greenbrier Technology Center II and Greenbrier Circle Corporate Center.

⁽⁹⁾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⁽¹⁾</u>	<u>% of Annual Base Rent⁽¹⁾</u>	<u>Base Rent⁽¹⁾ per SF</u>
Vacant	724,892	14.1%	\$ -	-	\$ -
2010	203,657	4.0%	1,474,582	4.1%	7.24
2011	1,256,968	24.4%	10,280,054	28.7%	8.18
2012	282,222	5.5%	2,717,213	7.6%	9.63
2013	896,105	17.4%	8,003,339	22.3%	8.93
2014	479,309	9.3%	3,089,875	8.6%	6.45
2015	239,198	4.6%	1,879,280	5.2%	7.86
2016	355,211	6.9%	2,479,432	6.9%	6.98
2017	155,850	3.0%	714,989	2.0%	4.59
2018	229,998	4.5%	2,272,786	6.3%	9.88
2019	81,417	1.6%	986,479	2.8%	12.12
Thereafter	240,153	4.7%	1,949,479	5.5%	8.12
Total	5,144,980	100.0%	\$ 35,847,508	100.0%	\$ 8.11



⁽¹⁾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.

CORE FFO

Management believes that the computation of FFO in accordance with NAREIT's definition includes certain items that are not indicative of the results provided by the Company's operating portfolio and affect the comparability of the Company's period-over-period performance. These items include, but are not limited to, gains and losses on the retirement of debt, acquisition costs, and impairments to real estate assets.

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.