



Fourth Quarter 2008 Supplemental Financial Report



Windsor at Battlefield
Manassas, 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
Top Thirty Tenants	16
Portfolio Analysis	17
Market Concentration	18
Leasing Analysis	19
Lease Expirations	20
Lease Expirations - Current and Next Five Quarters	21
Portfolio by Size	22
Land and Properties Available for Development or Redevelopment	23
Maryland Region	24
Maryland Region - Lease Expirations	25
Northern Virginia Region	26
Northern Virginia Region - Lease Expirations	27
Southern Virginia Region	28
Southern Virginia Region - Lease Expirations	29
Management Statements on Non-GAAP Supplemental Measures	30

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

7600 Wisconsin Avenue
11th Floor
Bethesda, MD 20814

Investor Relations

Barry H. Bass
Chief Financial Officer
(301) 986-9200
bbass@first-potomac.com

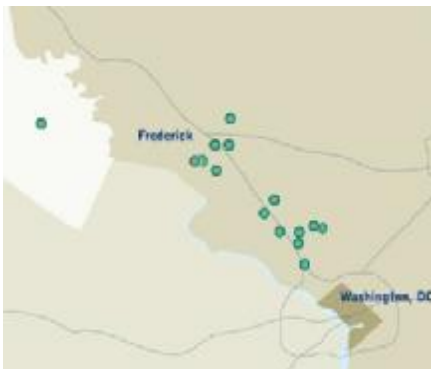
New York Stock Exchange

FPO
LISTED
NYSE

Web Site

www.first-potomac.com

Property Locations



Maryland



Northern Virginia



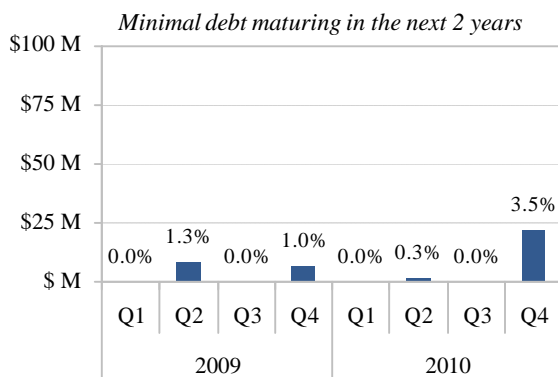
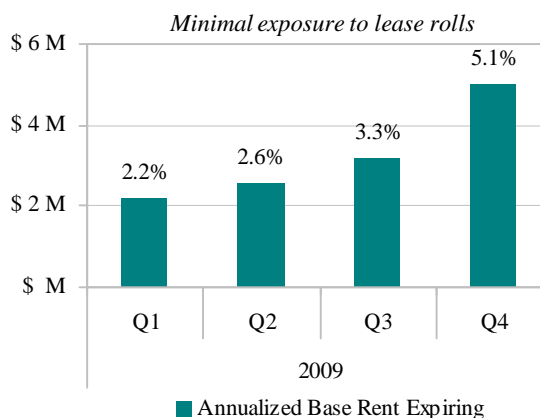
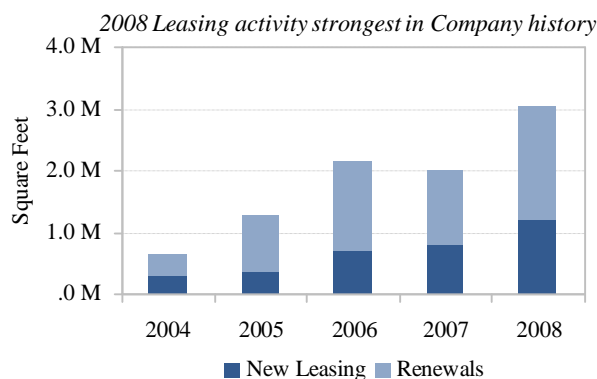
Southern Virginia

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	Q4-2008	Q3-2008	Q2-2008	Q1-2008	Q4-2007
Net income	\$ 2,249	\$ 629	\$ 17,606	\$ 2,302	\$ 513
Reported FFO	12,358	9,762	13,111	11,896	11,395
Reported FFO per share	0.45	0.39	0.53	0.48	0.46
FFO per share, excluding gains ¹	\$ 0.39	\$ 0.39	\$ 0.42	\$ 0.39	\$ 0.46
Operating Metrics					
Same property NOI					
Cash basis	0.4%	1.5%	-0.2%	-2.6%	1.8%
Accrual basis	2.1%	2.2%	-0.7%	-2.1%	0.5%
Tenant retention rate	81.0%	55.0%	86.0%	85.0%	44.0%
Capitalization					
Debt to Gross asset value ²	55.1%	56.4%	55.9%	58.5%	55.2%
Capital Structure					
Unhedged variable rate debt	\$ 90,500	\$ 80,800	\$ 47,400	\$ 66,100	\$ 88,600
Hedged variable rate debt	113,000	113,000	50,000	50,000	-
Fixed rate debt	453,730	461,086	541,891	563,820	587,869
Total	\$ 657,230	\$ 654,886	\$ 639,291	\$ 679,920	\$ 676,469
Coverage Ratio					
Interest Coverage Ratio	2.23x	2.17x	2.10x	1.97x	2.12x
Leasing Metrics					
Net Absorption (Square Feet)	<u>QTD</u>	<u>YTD</u>	<u>Leased</u>	<u>Occupied</u>	
	104,067	275,345	88.4%	86.8%	



Portfolio is concentrated in Washington D.C Metro area

Market	Percent of Annualized Base Rent	% Leased at December 31, 2008
Greater Washington D.C. ³	60.0%	90.8%
Baltimore	5.1%	79.3%
Richmond	11.5%	91.2%
Norfolk	23.4%	84.2%

¹Excludes gains on debt extinguishment.

²Gross asset value calculation is defined in the Revolving Credit Facility agreement.

³Includes 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								Twelve Months Ended	
	December 31, 2008		September 30, 2008		June 30, 2008		March 31, 2008		December 31, 2008	
OPERATING REVENUES										
Rental	\$ 26,528	81.2%	\$ 25,491	82.0%	\$ 25,160	82.7%	\$ 24,666	81.8%	\$ 101,844	81.9%
Tenant reimbursements and other	6,145	18.8%	5,577	18.0%	5,252	17.3%	5,475	18.2%	22,449	18.1%
	32,673	100.0%	31,068	100.0%	30,412	100.0%	30,141	100.0%	124,293	100.0%
PROPERTY EXPENSES										
Property operating	7,154	21.9%	7,160	23.1%	6,227	20.5%	6,705	22.2%	27,245	22.0%
Real estate taxes and insurance	3,110	9.5%	3,173	10.2%	3,032	10.0%	2,917	9.7%	12,232	9.8%
NET OPERATING INCOME	22,409	68.6%	20,735	66.7%	21,153	69.5%	20,519	68.1%	84,816	68.2%
OTHER INCOME (EXPENSE)										
General and administrative	(3,603)	11.1%	(2,797)	9.0%	(2,838)	9.3%	(2,701)	9.0%	(11,938)	9.6%
Interest and other income	299	0.9%	142	0.5%	104	0.3%	131	0.4%	676	0.5%
EBITDA	19,105	58.5%	18,080	58.2%	18,419	60.5%	17,949	59.5%	73,554	59.2%
Depreciation and amortization	(9,834)		(9,113)		(9,022)		(9,239)		(37,207)	
Interest expense	(8,577)		(8,318)		(8,776)		(9,131)		(34,804)	
Gain on early retirement of debt	1,619		-		2,620		2,112		6,351	
Income from continuing operations before minority interests	2,313		649		3,241		1,691		7,894	
Minority interests	(64)		(20)		(100)		(52)		(236)	
Income from continuing operations	2,249		629		3,141		1,639		7,658	
DISCONTINUED OPERATIONS										
Income from operations of disposed property	-		-		651		685		1,335	
Gain on sale of disposed property	-		-		14,274		-		14,274	
Minority interests in discontinued operations	-		-		(460)		(22)		(481)	
Income from discontinued operations	-		-		14,465		663		15,128	
NET INCOME	\$ 2,249		\$ 629		\$ 17,606		\$ 2,302		\$ 22,786	

Financial Measures

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

	Three Months Ended				Twelve Months Ended
	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2008
FUNDS FROM OPERATIONS ("FFO")					
Net income	\$ 2,249	\$ 629	\$ 17,606	\$ 2,302	\$ 22,786
Add back:					
Depreciation & amortization of real estate assets ¹	9,834	9,113	9,022	9,239	37,207
Depreciation & amortization related to discontinued operations	-	-	197	281	479
Minority interests	64	20	560	74	717
JV acquisition fee	211	-	-	-	211
Deduct:					
Gain on sale of disposed property	-	-	(14,274)	-	(14,274)
FFO	\$ 12,358	\$ 9,762	\$ 13,111	\$ 11,896	\$ 47,126
Gain on sale of disposed property	-	-	14,274	-	14,274
Accumulated depreciation of disposed property	-	-	(4,833)	-	(4,833)
FFO plus cash gains on sale	\$ 12,358	\$ 9,762	\$ 22,552	\$ 11,896	\$ 56,567
ADJUSTED FUNDS FROM OPERATIONS ("AFFO")					
FFO	\$ 12,358	\$ 9,762	\$ 13,111	\$ 11,896	\$ 47,126
Non-cash share-based compensation expense	526	540	536	383	1,985
Gain on early retirement of debt	(1,619)	-	(2,620)	(2,112)	(6,351)
Rental payments treated as basis reduction ²	1,398	-	-	-	1,398
Straight-line rent, net ³	(533)	(126)	(62)	(230)	(951)
Deferred market rent	(365)	(452)	(463)	(449)	(1,729)
Non-real estate depreciation ¹	220	218	208	226	872
Debt fair value amortization	(575)	(747)	(811)	(780)	(2,913)
Amortization of finance costs	392	353	313	321	1,379
Amortization of discounts	100	102	110	135	447
Tenant improvements ⁴	(2,694)	(2,153)	(1,830)	(917)	(7,594)
Leasing commissions ⁴	(793)	(1,872)	(1,103)	(587)	(4,355)
Capital expenditures ⁴	(125)	(377)	(649)	(162)	(1,313)
AFFO	\$ 8,290	\$ 5,248	\$ 6,740	\$ 7,724	\$ 28,001
Total weighted average shares and OP units:					
Basic	27,747	24,927	24,895	24,882	25,617
Diluted	27,755	24,980	24,953	24,920	25,637
FFO per share:					
FFO per share and unit - basic and diluted	\$ 0.45	\$ 0.39	\$ 0.53	\$ 0.48	\$ 1.84
AFFO per share:					
AFFO per share and unit - basic and diluted	\$ 0.30	\$ 0.21	\$ 0.27	\$ 0.31	\$ 1.09
First-generation costs					
Tenant improvements	\$ 4,006	\$ 2,305	\$ 1,784	\$ 2,233	\$ 10,328
Leasing commissions	460	625	141	295	1,521
Capital expenditures	1,565	3,322	1,154	953	6,994
Total first-generation costs	6,031	6,252	3,079	3,481	18,843
Development	105	1,143	4,145	2,255	7,648
Redevelopment	99	326	265	227	917
	\$ 6,235	\$ 7,721	\$ 7,489	\$ 5,963	\$ 27,408

¹Most non-real estate depreciation is classified in general and administrative expense.

²Represents 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.

³Straight-line rent is net of rent abatement and write-off of uncollectible accounts.

⁴Does 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 December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Total base rent	\$ 25,622	\$ 24,987	\$ 91,588	\$ 90,350
Tenant reimbursements and other	5,526	4,886	19,820	18,571
Property operating expenses	(6,606)	(6,062)	(23,805)	(23,276)
Real estate taxes and insurance	(2,976)	(2,679)	(11,030)	(10,067)
Same-property⁽¹⁾⁽²⁾ NOI - accrual basis	21,566	21,132	76,573	75,578
Straight-line revenue, net	(450)	(8)	(1,010)	(447)
Deferred market rental revenue, net	(318)	(418)	(1,463)	(1,600)
Same-property⁽¹⁾⁽²⁾ NOI - cash basis	\$ 20,798	\$ 20,706	\$ 74,100	\$ 73,531
Change in same-property NOI - accrual basis	2.1%		1.3%	
Change in same-property NOI - cash basis	0.4%		0.8%	
Change in Same-Property NOI - accrual basis				
Rental revenue increase	\$ 635		\$ 1,238	
Tenant reimbursement and other increase	640		1,249	
Expense increase	(841)		(1,492)	
	\$ 434		\$ 995	
Same property percentage of total portfolio (sf)	93.1%		82.5%	

Reconciliation of Consolidated NOI to Same Property NOI

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Total revenues	\$ 32,673	\$ 31,042	\$ 124,293	\$ 119,589
Property operating expenses	(7,154)	(6,230)	(27,245)	(25,217)
Real estate taxes and insurance	(3,110)	(2,711)	(12,232)	(10,813)
NOI	22,409	22,101	84,816	83,559
Less: Non-same property NOI ⁽³⁾	(843)	(969)	(8,243)	(7,981)
Same-property⁽¹⁾⁽²⁾ NOI - accrual basis	21,566	21,132	76,573	75,578
Straight-line revenue, net	(450)	(8)	(1,010)	(447)
Deferred market rental revenue	(318)	(418)	(1,463)	(1,600)
Same-property⁽¹⁾⁽²⁾ NOI - cash basis	\$ 20,798	\$ 20,706	\$ 74,100	\$ 73,531
Change in same-property NOI - accrual basis	2.1%		1.3%	
Change in same-property NOI - cash basis	0.4%		0.8%	

⁽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: Alexandria Corporate Park, Crossways Commerce Center (expansion), Triangle Business Center and River's Park I & II. Also, same property results for the twelve months ended December 31, 2008 and 2007 exclude Ammendale Commerce Center, Annapolis Commerce Park East, John Marshall Highway (Building II), Greenbrier Circle Corporate Center, Greenbrier Technology Center I, Pine Glen and River's Bend Center II.

⁽²⁾ Excludes Interstate Plaza, which was fully vacant as of January 1, 2008, with a portion of the property placed in redevelopment during 2008. Same property NOI including the portion of Interstate Plaza not in redevelopment increased by 1.5% on an accrual basis and decreased by 0.1% on a cash basis for the three months ended December 31, 2008 and increased 0.5% on an accrual basis and remained flat on a cash basis for the twelve months ended December 31, 2008. The Company leased the portion of the property not in redevelopment, with the tenant taking occupancy in January 2009.

⁽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.

Consolidated Balance Sheets

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

	<u>December 31, 2008</u> (unaudited)	<u>December 31, 2007</u>
Assets		
Rental property, net	\$ 994,913	\$ 977,106
Cash and cash equivalents	16,352	5,198
Escrows and reserves	8,808	13,360
Accounts and other receivables, net of allowance for doubtful accounts of \$935 and \$700, respectively	6,872	4,365
Accrued straight-line rents, net of allowance for doubtful accounts of \$110 and \$43, respectively	9,192	6,638
Deferred costs, net	17,165	12,377
Prepaid expenses and other assets	6,365	6,525
Intangible assets, net	21,047	26,730
	<hr/>	<hr/>
Total assets	<u>\$ 1,080,714</u>	<u>\$ 1,052,299</u>
Liabilities		
Mortgage loans	\$ 322,846	\$ 390,072
Exchangeable senior notes, net of discount	83,884	122,797
Senior notes	75,000	75,000
Secured term loans	100,000	50,000
Unsecured revolving credit facility	75,500	38,600
Financing obligation	11,491	-
Accounts payable and other liabilities	18,487	11,450
Accrued interest	2,491	2,776
Rents received in advance	4,812	4,709
Tenant security deposits	5,243	5,422
Deferred market rent	8,489	9,117
	<hr/>	<hr/>
Total liabilities	<u>708,243</u>	<u>709,943</u>
Minority interests (redemption value \$7,186 and \$13,957, respectively)	10,735	11,545
Shareholders' equity		
Common shares, \$0.001 par value, 100,000 common shares authorized; 27,353 and 24,251 shares issued and outstanding, respectively	27	24
Additional paid-in capital	476,129	429,870
Accumulated other comprehensive loss	(3,931)	-
Dividends in excess of accumulated earnings	(110,489)	(99,083)
	<hr/>	<hr/>
Total shareholders' equity	<u>361,736</u>	<u>330,811</u>
	<hr/>	<hr/>
Total liabilities and shareholders' equity	<u>\$ 1,080,714</u>	<u>\$ 1,052,299</u>

Total Market Capitalization and Selected Ratios

(unaudited, amounts in thousands)

MARKET CAPITALIZATION

		<u>Percent of Total Market Capitalization</u>
Total common shares outstanding	27,353	
Operating Partnership ("OP") units held by third parties	<u>773</u>	
Total common shares and OP units	28,126	
Market price at December 31, 2008	\$ 9.30	
Total equity capitalization	<u>\$ 261,572</u>	<u>28.5%</u>
Debt capitalization		
Fixed-rate debt	\$ 453,730	49.4%
Floating-rate debt ⁽¹⁾	<u>203,500</u>	<u>22.1%</u>
Total debt capitalization	<u>\$ 657,230</u>	<u>71.5%</u>
Total market capitalization	<u>\$ 918,802</u>	<u>100.0%</u>

SELECTED RATIOS

	<u>Three Months Ended</u>				<u>Twelve Months Ended</u>
	<u>December 31, 2008</u>	<u>September 30, 2008</u>	<u>June 30, 2008</u>	<u>March 31, 2008</u>	<u>December 31, 2008</u>
<u>COVERAGE RATIO</u>					
Interest Coverage Ratio					
EBITDA	\$ 19,105	\$ 18,080	\$ 18,419	\$ 17,949	\$ 73,554
Interest Expense	<u>8,577</u>	<u>8,318</u>	<u>8,776</u>	<u>9,131</u>	<u>34,804</u>
	2.23x	2.17x	2.10x	1.97x	2.11x
<u>OVERHEAD RATIO</u>					
G&A to Real Estate Revenues					
General and Administrative Expense	\$ 3,603	\$ 2,797	\$ 2,838	\$ 2,701	\$ 11,938
Total Revenues	<u>32,673</u>	<u>31,068</u>	<u>30,412</u>	<u>30,141</u>	<u>124,293</u>
	11.0%	9.0%	9.3%	9.0%	9.6%
<u>LEVERAGE RATIO</u>					
Debt/Total Market Capitalization					
Total Debt	\$ 657,230	\$ 654,886	\$ 639,291	\$ 679,920	
Total Market Capitalization	<u>918,802</u>	<u>1,131,977</u>	<u>1,024,162</u>	<u>1,067,828</u>	
	71.5%	57.9%	62.4%	63.7%	

⁽¹⁾As of December 31, 2008, the Company had entered into interest rate swap agreements that fixed interest rates on \$113.0 million of its variable rate debt, therefore, only \$90.5 million, or 13.8%, of the Company's debt is exposed to variable interest rate fluctuations.

Outstanding Debt

(unaudited, amounts in thousands)

<u>Encumbered Properties</u>	<u>Effective Interest Rate</u>	<u>Principal Balance at December 31, 2008</u>	<u>Annualized Debt Service</u>	<u>Maturity Date</u>	<u>Balance at Maturity</u>
Fixed Rate Debt					
Glenn Dale Business Center ¹	5.13%	\$ 8,152	\$ 780	5/1/2009	\$ 8,033
4200 Tech Court ²	8.07%	1,726	168	10/1/2009	1,705
Park Central I ¹	5.66%	4,754	519	11/1/2009	4,523
4212 Tech Court	8.53%	1,689	169	6/1/2010	1,654
Park Central II ¹	5.66%	5,902	638	11/1/2010	5,289
Enterprise Center ^{1,2}	5.20%	18,102	1,647	12/1/2010	16,712
Indian Creek Court ^{1,2}	5.90%	12,818	1,162	1/1/2011	11,982
403/405 Glenn Drive ¹	5.50%	8,529	746	7/1/2011	7,807
4612 Navistar Drive ^{1,2}	5.20%	13,130	1,131	7/11/2011	11,921
Campus at Metro Park ^{1,2}	5.25%	24,154	2,028	2/11/2012	21,581
1434 Crossways Boulevard Building II ¹	5.38%	10,202	826	8/5/2012	8,866
Crossways Commerce Center	6.70%	25,008	2,087	10/1/2012	23,313
Newington Business Park Center	6.70%	15,775	1,316	10/1/2012	14,706
Prosperity Business Center ¹	5.75%	3,752	332	1/1/2013	3,242
Aquia Commerce Center I	7.28%	610	165	2/1/2013	42
1434 Crossways Boulevard Building I ¹	5.38%	8,749	665	3/5/2013	7,597
Linden Business Center ¹	5.58%	7,379	559	10/1/2013	6,596
Owings Mills Business Center ¹	5.75%	5,650	425	3/1/2014	5,066
Annapolis Commerce Park East ¹	6.25%	8,728	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 ¹ Hanover Building C ¹	6.63%	862	161	8/1/2015	13
	6.63%	1,260	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%	2,245	414	8/1/2015	34
	6.63%	2,695	318	6/1/2021	26
Gateway Centre Building I ¹	5.88%	1,505	239	11/1/2016	-
Airpark Business Center ¹	6.63%	1,470	173	6/1/2021	14
		<u>\$ 294,846</u>	<u>\$ 22,709</u>		<u>\$ 260,968</u>
Convertible Debt					
Exchangeable Senior Notes ³	4.45%	<u>\$ 83,884</u>	<u>\$ 3,400</u>	12/15/2011	<u>\$ 85,000</u>
Senior Unsecured Debt					
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
		<u>\$ 75,000</u>	<u>\$ 4,860</u>		<u>\$ 75,000</u>
Total Fixed Rate Debt	<u>5.54%⁴</u>	<u>\$ 453,730</u>	<u>\$ 30,969</u>		<u>\$ 420,968</u>

Outstanding Debt Continued

(unaudited, amounts in thousands)

	Effective Interest Rate	Principal Balance at December 31, 2008	Annualized Debt Service	Maturity Date	Balance at Maturity
Total Fixed Rate Debt	5.54% ⁴	\$ 453,730	\$ 30,969		\$ 420,968
Hedged Floating Rate Debt					
Secured Term Loan I ⁵	3.81%	\$ 50,000	\$ 1,905	8/7/2011	\$ 50,000
Secured Term Loan II ⁶	5.83%	35,000	2,041	8/11/2011	35,000
River's Park I & II ⁷	5.97%	28,000	1,672	9/26/2011	28,000
	4.97% ⁴	\$ 113,000	\$ 5,618		\$ 113,000
Unhedged Floating Rate Debt					
Unsecured Revolving Credit Facility ⁸	LIBOR + 1.20%	\$ 75,500	\$ 1,235	4/26/2011	\$ 75,500
Secured Term Loan II ⁶	LIBOR + 2.50%	15,000	440	8/11/2011	15,000
	1.85% ⁴	\$ 90,500	\$ 1,675		\$ 90,500
Total at December 31, 2008	4.94% ⁴	\$ 657,230	\$ 38,262		\$ 624,468

¹The balance includes the fair value impacts recorded at acquisition upon assumption of the mortgages encumbering these properties. The fair value impacts at December 31, 2008 and actual interest rates are:

Property	Fair Value Impact	Contractual Interest Rate
Glenn Dale Business Center	\$ 72	7.83%
Park Central I	93	8.00%
Park Central II	263	8.32%
Enterprise Center	885	8.03%
Indian Creek Court	441	7.80%
403 and 405 Glenn Drive	395	7.60%
4612 Navistar Drive	677	7.48%
Campus at Metro Park	1,242	7.11%
1434 Crossways Boulevard Building II	700	7.05%
Prosperity Business Center	52	6.25%
1434 Crossways Boulevard Building I	456	6.25%
Linden Business Center	128	6.01%
Owings Mills Business Center	24	5.85%
Annapolis Commerce Park East	(201)	5.74%
Hanover Business Center Building D	56	8.88%
Hanover Business Center Building C	61	7.88%
Chesterfield Buildings C, D, G and H	124	8.50%
Chesterfield Buildings A, B, E and F	115	7.45%
Gateway Centre Building I	73	7.35%
Airpark Business Center	63	7.45%
Total fair value increase	\$ 5,719	

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

³During 2008, the Company repurchased \$40.0 million of its 4.0% Exchangeable Senior Notes. In January 2009, the Company repurchased an additional \$12.0 million of its Exchangeable Senior Notes.

⁴Represents the weighted average interest rate.

⁵Borrowings on the \$50 million secured term loan bear interest at a rate of LIBOR plus 110 basis points. In January 2008, the Company 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.

⁶On 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. The loan, which matures in August 2010, has a one-year extension at the Company's option, which it intends to exercise. 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.

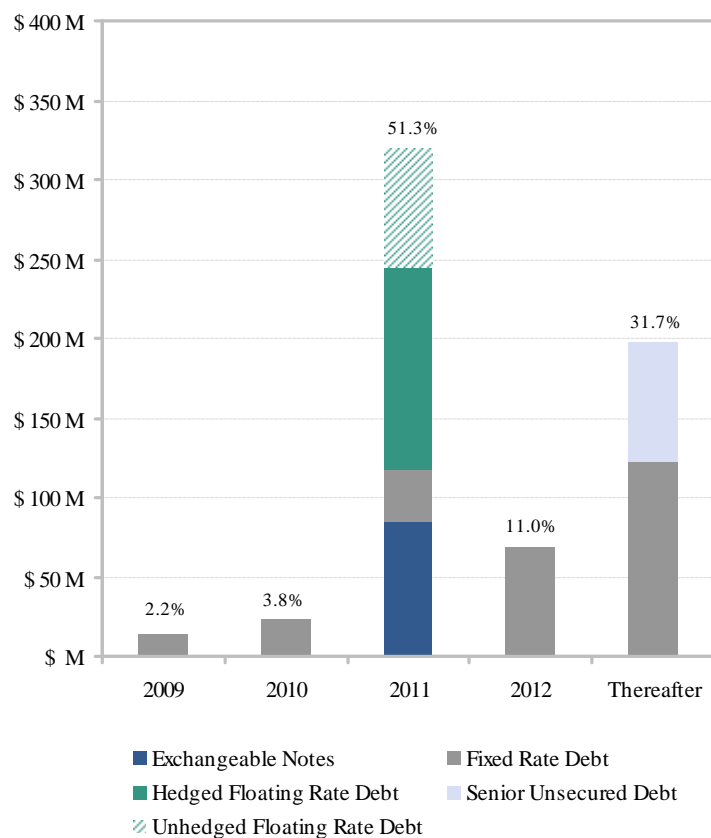
⁷The mortgage loan matures in August 2011 and has two one-year renewal options. Borrowing on the loan bear interest at LIBOR plus 250 basis points. On September 29, 2008, the Company entered into an interest rate swap agreement that fixed the interest rate on the loan at 5.97% for its initial three-year term. On December 12, 2008, the Company entered into a joint venture with an affiliate of AEW Capital Management, L.P. ("AEW") to own Rivers Park I & II. 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.

⁸As of December 31, 2008, 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 Worman'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.

⁹During 2008, the Company paid approximately \$4.5 million in principal payments, which included \$0.8 million related to mortgage debt that was repaid in 2008.

Debt Maturity Schedule

(unaudited, amounts in thousands)



NOI of Pledged Properties and Supported Indebtedness

Year of Maturity	Type	Annualized NOI	Total Supported Indebtedness
2009	Secured Property Debt	\$ 2,814	\$ 14,260
2010	Secured Property Debt	4,157	23,655
2011	Secured Property Debt	6,451	31,710
2011	Unsecured Debt ¹	35,540	160,500
2011	Secured Term Loan I ²	15,519	50,000
2011	Secured Term Loan II	7,668	50,000
2012	Secured Property Debt	10,087	68,466

¹The unsecured debt also supports debt of \$37.5 million maturing in 2013 and \$37.5 million maturing in 2016.

²Secured Term Loan I is mezzanine debt that shows an encumbered borrowing base with first mortgage property debt that matures from 2010 through 2021. Annualized NOI is calculated for the Secured Term Loan I as annualized property NOI less first mortgage debt service.

Debt Covenants

(unaudited, amounts in thousands)

	Credit Facility / Secured Term Loans		Senior Notes	
	Quarter Ending December 31, 2008	Covenant	Quarter Ending December 31, 2008	Covenant
Maximum Consolidated Total Indebtedness	55.0%	≤ 60% ¹	56.6%	≤ 65%
Minimum Tangible Net Worth	\$ 536,435	≥ \$352,728	\$ 502,772	≥ \$352,728
Fixed Charge Coverage Ratio	1.79x	≥ 1.50x	1.79x	≥ 1.50x
Maximum Dividend Payout Ratio	74.8%	≤ 95%	74.8%	≤ 95%
<i>Restricted Investments²:</i>				
Joint Ventures ²	0.3%	≤ 20%	N/A	N/A
Construction in Progress ²	0.9%	≤ 10%	N/A	N/A
Undeveloped Land ²	2.1%	≤ 5%	N/A	N/A
Mortgage Notes ²	0.0%	≤ 5%	N/A	N/A
<i>Total Restricted Investments²</i>	3.4%	≤ 25%	N/A	N/A
<i>Restricted Indebtedness:</i>				
Unhedged Variable Rate Debt ²	7.6%	≤ 25%	N/A	N/A
Maximum Secured Debt	33.7%	≤ 55%	34.7%	≤ 40%
Maximum Secured Recourse Debt ²	9.0%	≤ 10%	N/A	N/A

¹Company has one time right to increase indebtedness to 65% for 3 consecutive quarters.

²Covenant applies to Credit Facility only.

Portfolio Summary

(unaudited)

	<u>Square Feet</u>
<u>Portfolio In Service</u>	
Maryland	3,697,762
Northern Virginia	2,631,767
Southern Virginia	5,131,023
Total Portfolio In Service	<u>11,460,552</u>
 <u>Assets in Development / Redevelopment</u>	
Redevelopment	181,385
Development	104,555
Total Assets in Development / Redevelopment	<u>285,940</u>
 Completed Development / Redevelopment Not Yet Placed in Service	 <u>81,015</u>
 Total Portfolio	 <u>11,827,507</u>

Occupancy Summary

(unaudited)

CURRENT OCCUPANCY

<u>Property Type</u>	<u>Occupied Square Feet</u>	<u>% of Occupied Square Feet</u>	<u>% Occupied at December 31, 2008</u>	<u>Annualized Base Rent¹ - Cash Basis</u>	<u>% of Annualized Base Rent</u>
Business Park	5,870,563	59.0%	85.4%	\$ 65,203,365	67.7%
Industrial	3,683,098	37.0%	88.8%	26,403,339	27.4%
Office	207,198	2.1%	88.2%	3,563,575	3.7%
Retail	184,879	1.9%	91.9%	1,161,399	1.2%
Total	9,945,738	100.0%	86.8%²	\$ 96,331,678	100.0%

LEASED BUT NOT YET OCCUPIED

Leased at December 31, 2008 (In-Place Portfolio²) **88.4%**

	<u>Square Feet</u>	<u>Annualized Rental Revenue</u>
<u>In-Place Portfolio</u>		
2009-Q1		
Move-Ins	181,182	\$ 1,918,076
Known Move-Outs	(94,418)	(1,001,087)
2009-Q2		
Move-Ins	53,559	602,539
2009-Q3		
Move-Ins	23,679	299,539
Known Move-Outs	(22,806)	(285,931)
Total ³	141,196	1,533,136
<u>Development/Redevelopment</u>		
2009-Q1		
Move-Ins	24,305	293,676
2009-Q2		
Move-Ins	27,817	361,621
Total	52,122	655,297
Total	193,318	\$ 2,188,433

¹Triple-net equivalent

²Does not include space in development or redevelopment.

³At the end of January 2009, an additional 68,978 square feet were known move-outs: 52,574 square feet scheduled to move out in Q1, 9,316 square feet scheduled to move out in Q2, and 7,088 square feet in Q3.

Net Asset Value Analysis

(unaudited, in thousands)

<u>Income Statement Items</u>	<u>Three Months Ended December 31, 2008</u>	<u>Annualized</u>
Total Portfolio In-Place Cash NOI		
Total GAAP Revenue	\$ 32,673	\$ 130,692
Straight-line and Deferred Market Rents	(1,286)	(5,144)
Management Fee Adjustment	508	2,032
Property Operating Costs	(10,231)	(40,924)
Total Portfolio In-Place Cash NOI	\$ 21,664	\$ 86,656
Total Portfolio Cash NOI @ 94% Occupancy		
Total Revenue	\$ 36,307	\$ 145,228
Straight-line and Deferred Market Rents	(1,380)	(5,520)
Property Operating Costs	(10,495)	(41,980)
Total Portfolio Cash NOI	\$ 24,432	\$ 97,728
 Balance Sheet Items		
Land for Future Development & CIP		
Original Cost Basis of Land held for Future Development	\$ 18,395	
Original Cost Basis of Development Assets	2,401	
Original Cost Basis of Redevelopment Assets ¹	4,464	
Construction In Progress	12,687	
Total Land for Future Development & CIP	\$ 37,947	
Current Quarter Acquisitions	\$ -	
Total Current Quarter Acquisitions	\$ -	
 Select Balance Sheet Items		
Cash and cash equivalents, escrows and reserves	\$ 25,160	
Accounts and other receivables, net of allowance	6,872	
Prepaid expenses and other assets	6,365	
Accounts payable and other liabilities	(18,487)	
Accrued interest	(2,491)	
Rents received in advance	(4,812)	
Tenant security deposits	(5,243)	
Mortgage and Senior Debt, cash principal balances	(651,511)	
Total	\$ (644,147)	

¹Represents portion of original purchase under redevelopment.

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	656,410	\$ 6,641,329	6.8%	2.9
2	Engineering Solutions	1	236,082	3,083,231	3.1%	8.3
3	HP Corporation ("Hewlett Packard")	2	220,501	2,576,291	2.6%	2.4
4	FKI Industries, Inc	1	215,085	1,890,048	1.9%	7.8
5	Lockheed Martin Corporation	9	148,520	1,806,026	1.8%	2.9
6	Sentara Healthcare	7	183,767	1,788,288	1.8%	6.6
7	State of Maryland	10	76,242	1,353,383	1.4%	3.9
8	Verizon Virginia, Inc.	6	92,829	1,351,835	1.4%	3.6
9	General Dynamics Information Technology, Inc	7	180,724	1,315,019	1.3%	2.8
10	Montgomery County	2	57,825	1,301,318	1.3%	6.5
11	First Data Corporation	1	117,336	1,290,696	1.3%	4.9
12	Iron Mountain	2	188,911	1,266,071	1.3%	9.7
13	Stock Building Supply, Inc	1	124,501	1,177,086	1.2%	8.2
14	Capital One Financial Corp	1	158,400	1,089,324	1.1%	2.6
15	Vangent, Inc	1	123,200	1,009,680	1.0%	1.3
16	Siemens Real Estate	1	76,292	991,796	1.0%	7.3
17	Harris Corporation	3	47,680	970,381	1.0%	1.7
18	First American Registry	1	55,851	955,052	1.0%	5.6
19	D.D. Jones	4	272,624	936,588	1.0%	2.9
20	CR/AHC	2	75,759	918,720	0.9%	0.2
21	Lyttle Corp	1	54,530	905,266	0.9%	4.1
22	CareFirst Of Maryland	2	67,488	843,600	0.9%	6.0
23	Harris Connect	2	64,486	784,272	0.8%	2.7
24	Allstate Insurance Company	2	48,785	765,449	0.8%	3.2
25	Eska Graphic Board USA BV	2	152,600	714,070	0.7%	1.0
26	Measurement Specialties, Inc.	1	120,000	696,108	0.7%	12.6
27	ServiceSource, Inc.	5	67,439	669,902	0.7%	5.6
28	Home Depot	4	129,988	659,442	0.7%	2.3
29	Baxter Healthcare Corp., Amvax, Inc.	2	36,740	639,991	0.7%	5.0
30	Fibertek, Inc.	2	37,359	615,183	0.6%	2.0
	Subtotal Top 30 Tenants	114	4,087,954	41,005,445	41.7%	4.6
	All Remaining Tenants	705	6,038,966	57,244,308	58.3%	3.6
	Total / Weighted Average	819	10,126,920	\$ 98,249,753	100.0%	4.0

¹Annualized rental revenue is based on triple-net equivalent cash basis rental revenue as of December 31, 2008.

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
Maryland	75	3,697,762	87.2%	87.1%	\$ 34,795,011	35.4%
Baltimore	18	575,105	79.3%	79.3%	5,045,911	5.1%
Suburban MD	57	3,122,657	88.7%	88.6%	29,749,100	30.3%
Northern VA	47	2,631,767	93.4%	90.3%	29,176,734	29.7%
Southern VA	54	5,131,023	86.6%	84.7%	34,278,008	34.9%
Richmond	27	1,753,293	91.2%	89.9%	11,280,503	11.5%
Norfolk	27	3,377,730	84.2%	82.1%	22,997,505	23.4%
Total	176	11,460,552	88.4%	86.8%	\$ 98,249,753	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
Industrial	33	4,147,110	90.6%	88.8%	\$ 27,067,982	27.5%
Business Park	137	6,877,431	86.8%	85.4%	66,424,797	67.7%
Office	5	234,793	88.2%	88.2%	3,563,575	3.6%
Retail	1	201,218	93.5%	91.9%	1,193,399	1.2%
Total	176	11,460,552	88.4%	86.8%	\$ 98,249,753	100.0%

PORTFOLIO BY LEASE TYPE

	Number of Leases	Square Feet ³	Percentage of Leased Portfolio
Triple net	557	7,497,636	74.0%
Industrial gross	67	602,372	6.0%
Full service	195	2,026,912	20.0%
Total	819	10,126,920	100.0%

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

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

³Does 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	-	7.9%	7.9%	10.5%	8.2%	9.7%	17.9%	36.3%
Business Park	5.0%	15.5%	20.5%	12.5%	7.1%	19.8%	26.9%	59.9%
Office	-	2.0%	2.0%	-	-	-	-	2.0%
Retail	-	1.8%	1.8%	-	-	-	-	1.8%
Total	5.0%	27.2%	32.2%	23.0%	15.3%	29.5%	44.8%	100.0%

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%	5.2%	3.5%	8.7%	27.6%
Business Park	5.1%	19.1%	24.2%	17.1%	6.3%	20.0%	26.3%	67.6%
Office	-	3.6%	3.6%	-	-	-	-	3.6%
Retail	-	1.2%	1.2%	-	-	-	-	1.2%
Total	5.1%	30.2%	35.3%	29.7%	11.5%	23.5%	35.0%	100.0%

Leasing Analysis

(unaudited)

<u>Leasing Production</u> ¹	<u>Three Months Ended December 31, 2008</u>	<u>Twelve Months Ended December 31, 2008</u>
New and Renewal Leases		
Square footage of new and renewal leases	671,062	3,052,367
Number of new and renewal leases commencing	62	237
Expired/Early Renewal/Terminated leases		
Square footage of expired/early renewal leases	556,326	2,333,904
Square footage of terminated leases	<u>56,226</u>	<u>330,542</u>
Total - expired/early renewal/terminated leases	612,552	2,664,446
Signed in advance of existing tenant's lease expiration	6,895	104,765
Pre-Leasing	31,742	120,082
Commencement of previous advance leases and pre-leasing	84,194	112,271
Net Absorption	104,067	275,345
New Leases		
New square footage	220,207	1,213,288
Number of new leases commencing	24	113
<u>Rental Change - Cash</u> ²		
New base rent	\$ 8.71	\$ 8.34
Percentage change in base rent	-1.8%	-0.8%
<u>Rental Change - GAAP</u> ²		
New base rent	\$ 9.17	\$ 9.38
Percentage change in base rent	9.8%	13.6%
Average capital cost per square foot ³	\$ 16.56	\$ 16.29
Average downtime between leases (months)	8.9	11.8
Average lease term (months)	72.1	78.0
Renewal Leases		
Square footage of renewal leases	450,855	1,839,079
Number of renewal leases commencing	38	124
Retention rate	81%	79%
Maryland	80%	81%
Northern VA	84%	85%
Southern VA	81%	75%
<u>Rental Change - Cash</u>		
New base rent	\$ 8.50	\$ 8.93
Expiring base rent	\$ 8.00	\$ 8.59
Percentage change in base rent	6.3%	3.9%
<u>Rental Change - GAAP</u>		
New base rent	\$ 8.90	\$ 9.54
Expiring base rent	\$ 7.74	\$ 8.53
Percentage change in base rent	14.9%	11.8%
Average capital cost per square foot	\$ 3.03	\$ 2.97
Average lease term (months)	34.2	59.1

¹Includes 158,866 square feet of leases and associated costs for leases signed in 4th quarter for subsequent periods. Of the total, 98,717 square feet will commence in Q1 2009 and 60,149 square feet will commence in Q2 2009.

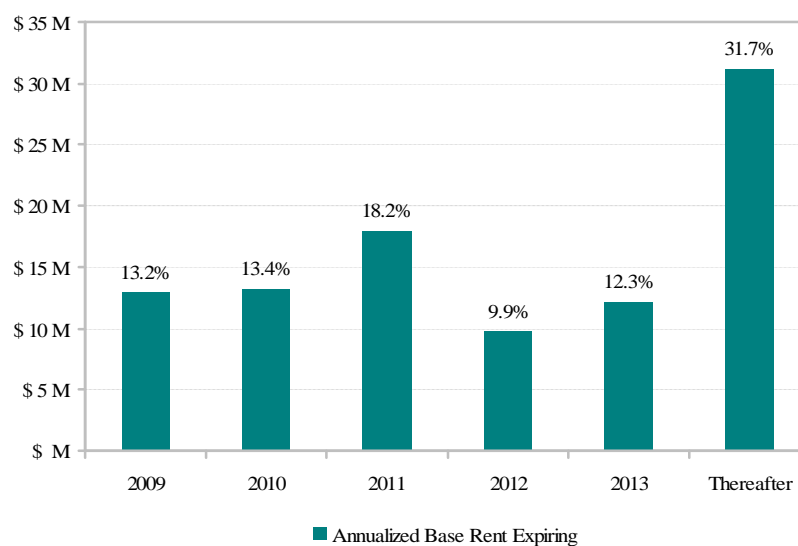
²Quarter lease comparison based on 11 leases totaling 99,808 square feet.

³Includes first and second generation TI costs.

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	13	57,786	0.6%	\$ 561,284	0.6%	\$ 9.71
2008 ²	13	76,728	0.8%	689,777	0.7%	8.99
2009	155	1,437,426	14.2%	12,954,099	13.2%	9.01
2010	140	1,227,385	12.1%	13,198,451	13.4%	10.75
2011	156	2,156,232	21.3%	17,930,395	18.2%	8.32
2012	98	826,167	8.2%	9,705,459	9.9%	11.75
2013	100	1,168,378	11.5%	12,088,101	12.3%	10.35
Thereafter	144	3,176,818	31.3%	31,122,187	31.7%	9.80
Total	819	10,126,920	100.0%	\$ 98,249,753	100.0%	\$ 9.70



¹Triple-net equivalent

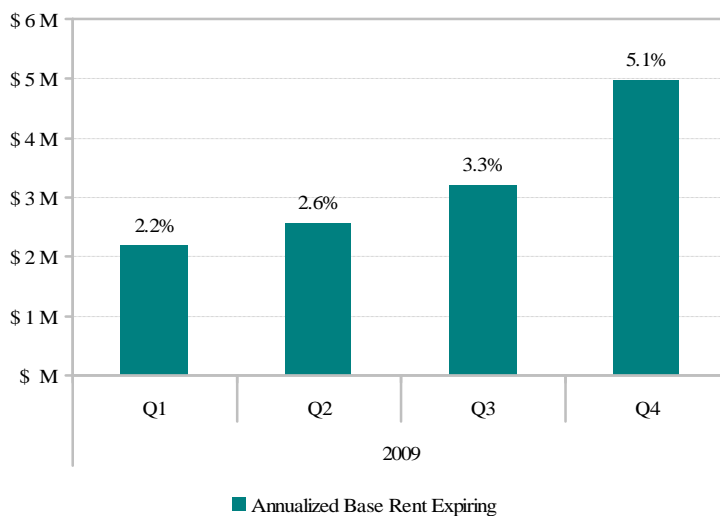
²The Company treats leases that expired on the last day of the quarter as leased square footage since the tenant is contractually entitled to the space.

Of the 76,728 square feet of leases that expired on 12/31/2008, 41,465 square feet were moved out, 10,320 square feet were renewed and 24,943 square feet were held over.

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
2008 - Q4 ²	13	76,728	5.1%	\$ 689,777	0.7%	\$ 8.94
2009 - Q1	36	213,835	14.1%	2,194,559	2.2%	10.26
2009 - Q2	31	219,599	14.5%	2,565,558	2.6%	11.68
2009 - Q3	38	343,892	22.7%	3,198,681	3.3%	9.30
2009 - Q4	50	660,100	43.6%	4,995,301	5.1%	7.57
Total	168	1,514,154	100.0%	\$ 13,643,876	13.9%	\$ 9.01



¹Triple-net equivalent

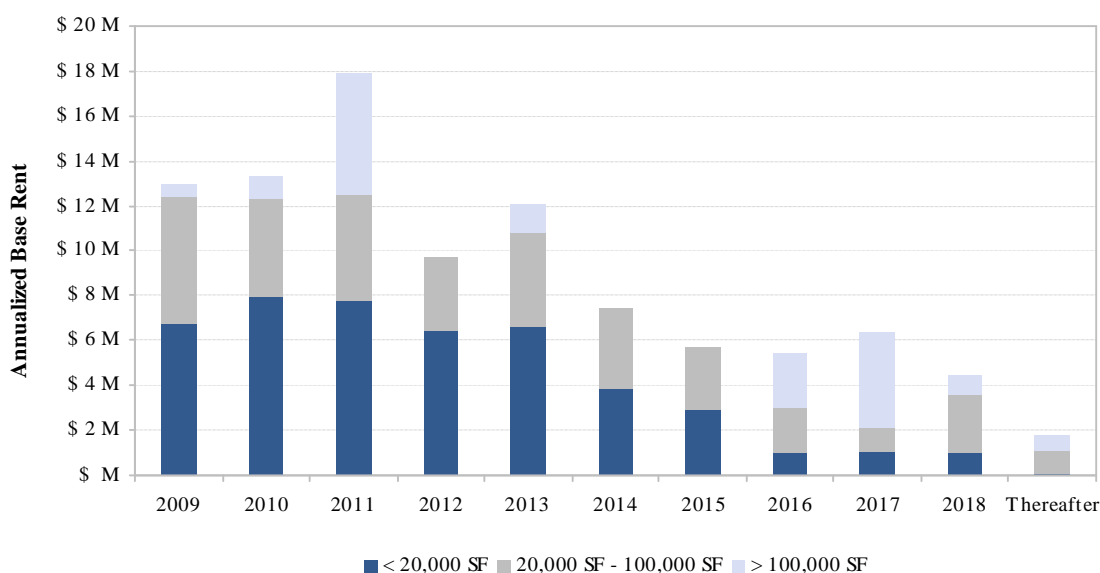
²The Company treats leases that expired on the last day of the quarter as leased square footage since the tenant is contractually entitled to the space.

Of the 76,728 square feet of leases that expired on 12/31/2008, 41,465 square feet were moved out, 10,320 square feet were renewed and 24,943 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 ¹	% of Annualized Rent	Revenue per SF
0-4,999	381	946,577	9.3%	\$ 11,354,581	11.6%	\$ 12.00
5,000-9,999	181	1,279,783	12.6%	14,454,323	14.5%	11.29
10,000-14,999	94	1,133,340	11.2%	13,177,585	13.4%	11.63
15,000-19,999	40	680,801	6.7%	7,257,082	7.4%	10.66
20,000-24,999	29	654,489	6.5%	6,387,252	6.5%	9.76
25,000-29,999	21	565,287	5.6%	6,610,555	6.7%	11.69
30,000-34,999	13	420,518	4.2%	3,792,672	3.9%	9.02
35,000-39,999	13	479,013	4.7%	3,342,911	3.4%	6.98
40,000-44,999	6	249,770	2.5%	2,317,499	2.4%	9.28
45,000-49,999	10	467,263	4.6%	3,768,404	3.8%	8.06
50,000-54,999	3	158,762	1.6%	2,025,718	2.1%	12.76
55,000-59,999	2	114,805	1.1%	1,720,501	1.8%	14.99
60,000-64,999	3	188,167	1.9%	1,626,403	1.7%	8.64
65,000-69,999	2	135,321	1.3%	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	0.9%	559,256	0.6%	5.89
100,000-104,999	1	104,218	1.0%	1,158,424	1.2%	11.12
115,000-119,999	3	348,619	3.4%	3,175,182	3.2%	9.11
120,000-124,999	5	608,301	6.0%	4,265,664	4.3%	7.01
125,000-129,999	1	127,108	1.3%	603,763	0.6%	4.75
130,000-134,999	1	134,589	1.3%	542,736	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	2.1%	1,890,048	1.9%	8.79
235,000-239,999	2	476,082	4.7%	3,845,177	3.9%	8.08
Total	819	10,126,920	100.0%	\$ 98,249,753	100.0%	\$ 9.70



¹Triple-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			
Development							
Sterling Park Business Center - Lot 7	Northern VA	56,555	\$ 6,000	\$ 3,023	TBD	TBD	9%
Greenbrier	Southern VA	48,000	8,100	297	TBD	TBD	10%
		<u>104,555</u>	<u>14,100</u>	<u>3,320</u>			
Redevelopment¹							
Gateway 270 West	Maryland	54,290	1,400	723	Q2-2009	Q3-2009	10%
Interstate Plaza	Northern VA	56,212	770	153	Q2-2009	Q3-2009	8%
Enterprise Parkway	Southern VA	70,883	950	689	Q3-2009	Q4-2009	10%
		<u>181,385</u>	<u>3,120</u>	<u>1,565</u>			
Total Active Development / Redevelopment		<u>285,940</u>	<u>\$ 17,220</u>	<u>\$ 4,885</u>			

COMPLETED DEVELOPMENT / REDEVELOPMENT

	Region	Square Feet		Total Cost	Estimated Stabilization Date	Expected Return
		Placed in Service	Leased Square Feet			
PLACED IN SERVICE DURING QUARTER						
Development						
Crossways Commerce Center I ²	Southern VA	22,412	-	\$ 2,128	Q1-2010	11%
1400 Cavalier Boulevard ³	Southern VA	48,840	-	2,655	Q4-2009	9%
Redevelopment¹						
Ammendale Commerce Center	Maryland	76,292	76,292	1,926	Q4-2008	9%
		<u>147,544</u>	<u>76,292</u>	<u>6,709</u>		
NOT YET PLACED IN SERVICE						
	Region	Total Completed Square Feet	Square Feet Not Placed in Service	Total Cost	Estimated Stabilization Date	Expected Return
Snowden Center	Maryland	4,500	2,928	1,000	Q2-2009	12%
Sterling Park Business Center - Lot 6	Northern VA	27,817	27,817	2,286	Q2-2009	9%
Sterling Park Business Center - Lot 6	Northern VA	29,704	29,704	2,442	Q1-2010	9%
403/405 Glenn Drive	Northern VA	12,744	12,744	716	Q2-2009	8%
Park Central	Southern VA	7,822	7,822	74	Q4-2009	10%
		<u>82,587</u>	<u>81,015</u>	<u>6,518</u>		
Total Completed Assets		<u>230,131</u>	<u>157,307</u>	<u>\$ 13,227</u>		

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>

¹Redevelopment of existing structures.

²22,500 square feet of leasing was placed into service in the fourth quarter of 2007.

³47,160 square feet of leasing was placed into service in the third quarter of 2008.

Maryland Region

(unaudited)

Property	Buildings	Property Type ^{1,2}	Location	Square Footage	Annualized Cash Basis Rent ³	Leased at December 31, 2008	Occupied at December 31, 2008
<u>SUBURBAN MD</u>							
<u>Frederick</u>							
15 Worman's Mill Court	1	BP	Frederick	39,966	\$ 382,233	100.0%	100.0%
Frederick Industrial Park ⁴	3	I	Frederick	550,365	4,300,786	100.0%	100.0%
Patrick Center	1	Office	Frederick	66,260	1,117,618	76.3%	76.3%
West Park	1	Office	Frederick	28,906	378,847	94.4%	94.4%
<u>I-270 Corridor</u>							
20270 Goldenrod Lane	1	BP	Germantown	24,468	294,373	96.1%	96.1%
7561 Lindbergh Drive	1	I	Gaithersburg	36,000	328,295	100.0%	100.0%
Airpark Place	3	BP	Gaithersburg	82,290	656,820	60.2%	60.2%
Campus at Metro Park North	4	BP	Rockville	190,912	3,274,379	85.1%	85.1%
Gateway 270 West	6	BP	Clarksburg	201,293	2,616,153	94.9%	94.9%
Gateway Center	2	BP	Gaithersburg	44,307	620,472	92.1%	92.1%
Girard Business Park ⁵	7	BP	Gaithersburg	299,042	2,659,205	89.4%	89.4%
<u>Beltsville</u>							
Ammendale Business Park ⁶	7	BP	Beltsville	313,890	2,675,395	71.3%	71.3%
<u>Columbia</u>							
Rumsey Center	4	BP	Columbia	134,296	1,308,278	85.0%	85.0%
Snowden Center	5	BP	Columbia	141,756	1,678,854	79.6%	78.5%
River's Park ⁷	6	BP	Columbia	306,667	2,661,185	86.2%	86.2%
<u>Other</u>							
Annapolis Commerce Park	2	Office	Annapolis	101,302	1,640,064	98.8%	98.8%
Glenn Dale Business Center	1	I	Glenn Dale	321,394	1,535,698	93.0%	93.0%
Old Courthouse Square	1	Retail	Martinsburg, WV	201,218	1,193,399	93.5%	91.9%
Woodlands Business Center	1	Office	Largo	38,325	427,046	76.5%	76.5%
Total	57			3,122,657	29,749,100	88.7%	88.6%
<u>BALTIMORE</u>							
<u>Owings Mills</u>							
Owings Mills Business Park ⁸	6	BP	Owings Mills	219,596	2,643,556	93.5%	93.5%
<u>Other</u>							
Deer Park	4	BP	Randallstown	171,280	1,121,512	77.4%	77.4%
Gateway West	4	BP	Westminster	110,231	781,277	63.6%	63.6%
Triangle Business Center	4	BP	Baltimore	73,998	499,566	65.0%	65.0%
Total	18			575,105	5,045,911	79.3%	79.3%
Grand Total	75			3,697,762	\$ 34,795,011	87.2%⁹	87.1%⁹

¹I = Industrial

²BP = Business Park

³Triple-net equivalent

⁴Frederick Industrial Park consists of the following properties: 4451 Georgia Pacific Boulevard, 4612 Navistar Drive and 6900 English Muffin Way.

⁵Girard Business Park consists of the following properties: Girard Business Center and Girard Place.

⁶Ammendale Business Park consists of the following properties: Ammendale Commerce Center and Indian Creek Court.

⁷Occupancy includes seller lease-back.

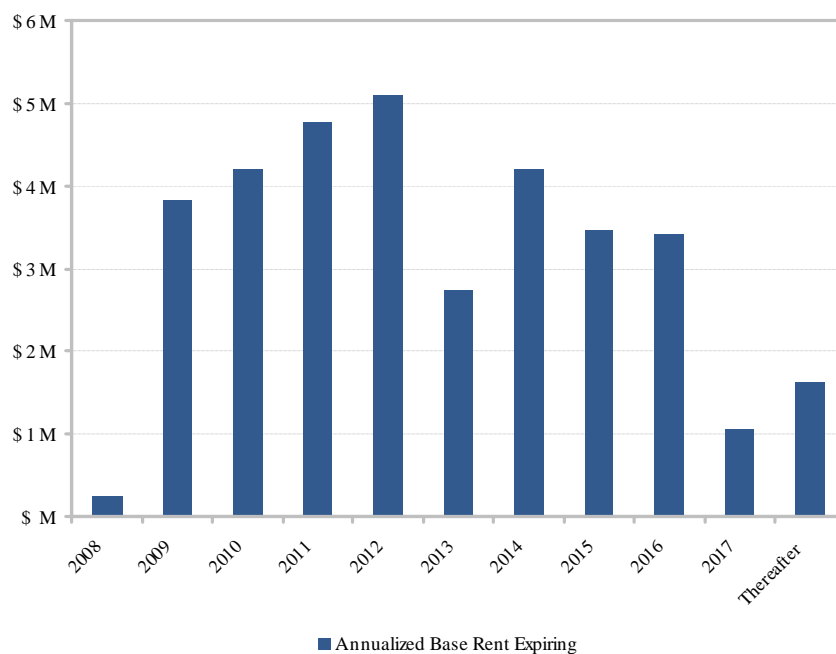
⁸Owings Mills Business Park consists of the following properties: Owings Mills Business Center and Owings Mills Commerce Center.

⁹Does not include space in development or redevelopment.

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 Rent¹</u>	<u>% of Annual Base Rent</u>	<u>Base Rent¹ per SF</u>
Vacant	471,738	12.8%	\$ -	-	\$ -
MTM	1,995	0.1%	85,212	0.2%	42.71
2008	29,750	0.8%	248,617	0.7%	8.36
2009	416,361	11.3%	3,827,788	11.0%	9.19
2010	389,780	10.5%	4,204,696	12.1%	10.79
2011	507,960	13.7%	4,775,051	13.7%	9.40
2012	370,936	10.0%	5,108,719	14.7%	13.77
2013	221,664	6.0%	2,746,662	7.9%	12.39
2014	303,147	8.2%	4,205,055	12.1%	13.87
2015	301,368	8.2%	3,467,735	10.0%	11.51
2016	339,316	9.2%	3,426,924	9.8%	10.10
2017	74,559	2.0%	1,062,173	3.1%	14.25
Thereafter	<u>269,188</u>	<u>7.2%</u>	<u>1,636,379</u>	<u>4.7%</u>	6.08
Total	<u>3,697,762</u>	<u>100.0%</u>	<u>\$ 34,795,011</u>	<u>100.0%</u>	\$ 10.79



¹Triple-net equivalent

Northern Virginia Region

(unaudited)

Property	Buildings	Property Type ^{1,2}	Location	Square Footage	Annualized Cash Basis Rent ³	Leased at December 31, 2008	Occupied at December 31, 2008
<u>Alexandria</u>							
Interstate Plaza	1	I	Alexandria	51,279	\$ 487,663.26	100.0%	0.0%
Plaza 500	2	I	Alexandria	504,089	5,582,951	99.1%	99.1%
<u>Manassas</u>							
Gateway Centre	3	BP	Manassas	101,021	782,175	64.6%	59.8%
Linden Business Center	3	BP	Manassas	109,118	1,104,768	81.5%	81.5%
Windsor at Battlefield	2	BP	Manassas	153,510	1,926,502	100.0%	100.0%
<u>Reston/Herndon</u>							
Herndon Corporate Center	4	BP	Herndon	127,684	1,550,157	77.8%	73.2%
Van Buren Business Park	5	BP	Herndon	108,051	1,507,678	91.7%	91.7%
Reston Business Campus	4	BP	Reston	82,584	1,132,837	93.9%	93.9%
<u>Sterling</u>							
Sterling Park Business Center ⁴	5	BP	Sterling	366,204	3,567,251	93.2%	93.2%
<u>Chantilly</u>							
Lafayette Business Park ⁵	6	BP	Chantilly	252,308	3,472,510	88.7%	80.9%
<u>Other</u>							
13129 Airpark Road	1	I	Culpeper	149,795	834,596	100.0%	100.0%
15395 John Marshall Highway	1	I	Haymarket	236,082	3,083,231	100.0%	100.0%
Newington Business Park Center	7	I	Lorton	254,242	2,411,602	93.2%	93.2%
Prosperity Business Center	1	BP	Merrifield	71,312	853,375	100.0%	100.0%
Aquia Commerce Center I & II	2	BP	Stafford	64,488	879,438	100.0%	100.0%
Total	47			2,631,767	\$ 29,176,734	93.4% ⁶	90.3% ⁶

¹I = Industrial

²BP = Business Park

³Triple-net equivalent

⁴Sterling Park Business Center consists of the following properties: 403/405 Glenn Drive, Davis Drive and Sterling Park Business Center.

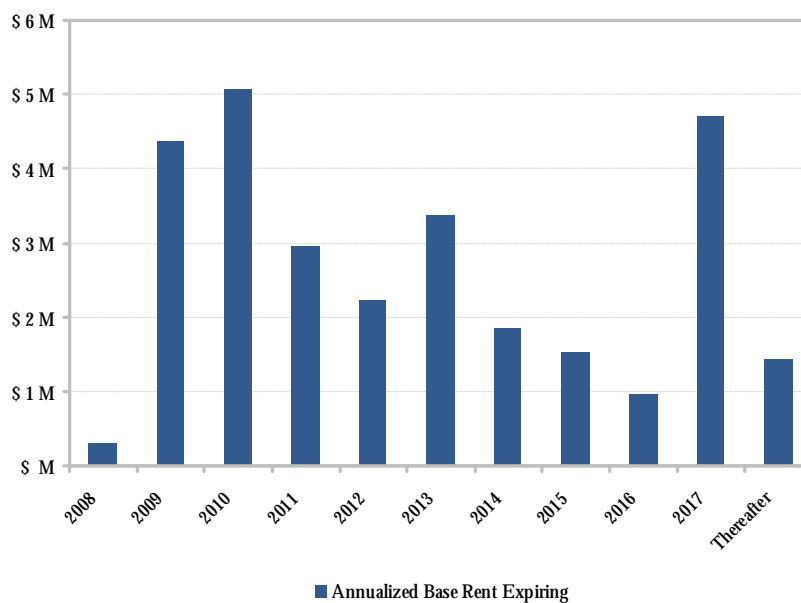
⁵Lafayette Business Park consists of the following properties: Enterprise Center and Tech Court.

⁶Does not include space in development or redevelopment.

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 Rent¹</u>	<u>% of Annual Base Rent</u>	<u>Base Rent¹ per SF</u>
Vacant	173,619	6.6%	\$ -	-	\$ -
MTM	45,251	1.7%	430,377	1.5%	9.51
2008	32,279	1.2%	302,016	1.0%	9.36
2009	382,492	14.5%	4,359,256	14.9%	11.40
2010	350,103	13.3%	5,055,744	17.3%	14.44
2011	270,943	10.3%	2,959,765	10.1%	10.92
2012	202,591	7.7%	2,234,486	7.7%	11.03
2013	255,947	9.7%	3,369,162	11.5%	13.16
2014	185,462	7.0%	1,854,752	6.4%	10.00
2015	132,976	5.1%	1,525,329	5.2%	11.47
2016	45,848	1.7%	950,515	3.3%	20.73
2017	408,078	15.5%	4,709,355	16.1%	11.54
Thereafter	146,178	5.7%	1,425,977	5.0%	9.76
Total	2,631,767	100.0%	\$ 29,176,734	100.0%	\$ 11.87



¹Triple-net equivalent

Southern Virginia Region

(unaudited)

Property	Buildings	Property Type ^{1,2}	Location	Square Footage	Annualized Cash Basis Rent ³	Leased at December 31, 2008	Occupied at December 31, 2008
<u>RICHMOND</u>							
<u>North</u>							
Virginia Center	1	BP	Glen Allen	119,921	\$ 1,212,348	90.3%	90.3%
Northridge I, II	2	I	Ashland	140,194	761,255	85.8%	77.6%
Hanover Business Center	4	BP	Ashland	183,068	1,017,423	89.1%	89.1%
Park Central	3	BP	Richmond	196,458	2,190,658	96.8%	96.8%
<u>South</u>							
River's Bend Center ⁴	6	I	Chester	795,037	4,348,039	95.8%	95.8%
Chesterfield Business Center ⁵	11	BP	Richmond	318,615	1,750,780	80.4%	76.8%
Total	27			1,753,293	11,280,503	91.2%	89.9%
<u>NORFOLK</u>							
<u>Crossways</u>							
Crossways Commerce Center ⁶	9	BP	Chesapeake	1,085,882	10,704,775	97.1%	92.8%
<u>Greenbrier</u>							
Greenbrier Business Center ⁷	4	BP	Chesapeake	405,597	3,444,694	81.4%	78.6%
<u>Chesapeake Other</u>							
1400 Cavalier Boulevard	4	I	Chesapeake	396,083	1,212,878	71.0%	67.6%
Diamond Hill Distribution Center	4	I	Chesapeake	712,550	2,180,987	75.4%	75.4%
<u>Hampton</u>							
1000 Lucas Way	2	BP	Hampton	183,379	1,339,765	95.8%	95.8%
Enterprise Parkway	1	BP	Hampton	332,536	1,635,026	65.2%	65.2%
<u>Norfolk</u>							
Norfolk Commerce Park ⁸	3	BP	Norfolk	261,703	2,479,380	94.5%	94.5%
Total	27			3,377,730	22,997,505	84.2%	82.1%
Grand Total	54			5,131,023	\$ 34,278,008	86.6%⁹	84.7%⁹

¹I = Industrial

²BP = Business Park

³Triple-net equivalent

⁴River's Bend Center consists of the following properties: River's Bend Center and River's Bend Center II.

⁵Chesterfield Business Center consists of the following properties: Airpark Business Center, Chesterfield Business Center and Pine Glen.

⁶Crossways 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.

⁷Greenbrier Business Center consists of the following properties: Greenbrier Technology Center I, Greenbrier Technology Center II and Greenbrier Circle Corporate Center.

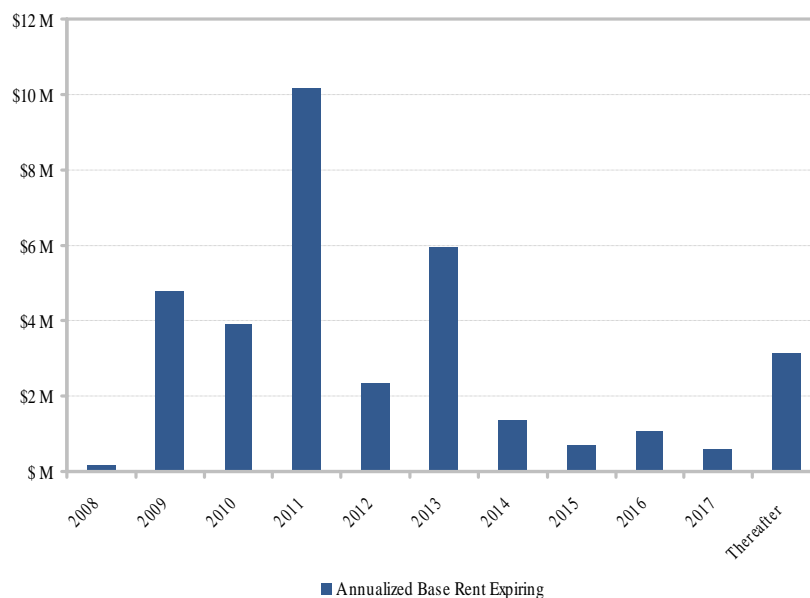
⁸Norfolk Commerce Park consists of the following properties: Norfolk Business Center, Norfolk Commerce Park II and Gateway II.

⁹Does not include space in development or redevelopment.

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 Rent¹</u>	<u>% of Annual Base Rent¹</u>	<u>Base Rent¹ per SF</u>
Vacant	688,275	13.4%	\$ -	-	\$ -
MTM	10,540	0.2%	45,695	0.1%	4.34
2008	14,699	0.3%	139,144	0.4%	9.47
2009	638,573	12.4%	4,767,055	13.9%	7.47
2010	487,502	9.5%	3,938,011	11.5%	8.08
2011	1,377,329	26.8%	10,195,578	29.7%	7.40
2012	252,640	4.9%	2,362,254	6.9%	9.35
2013	690,767	13.5%	5,972,276	17.4%	8.65
2014	196,471	3.8%	1,361,899	4.0%	6.93
2015	76,975	1.5%	703,216	2.1%	9.14
2016	182,424	3.6%	1,057,144	3.1%	5.79
2017	132,270	2.6%	593,753	1.7%	4.49
Thereafter	382,558	7.5%	3,141,983	9.2%	8.21
Total	5,131,023	100.0%	\$ 34,278,008	100.0%	\$ 7.72



¹Triple-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 gain on 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.