

April 6, 2017

Dear Fellow Shareholders:

We began 2016 with the announcement of our Strategic Plan, the major objectives of which were to de-risk the portfolio, de-lever the balance sheet and maximize shareholder value. Throughout 2016, we had a very productive year and made substantial progress towards those objectives, with significant accomplishments that included:

- the dispositions of the Northern Virginia Non-Core portfolio and our Storey Park land site for total gross proceeds of over \$145 million;
- the completion of our 167,000 square foot Northern Virginia Build-to-Suit development, on budget and ahead of schedule;
- the extension of the Bureau of Prisons lease at 500 First Street from July 2016 to July 2017;
- the signing of Avendra to occupy the two lower floors of 540 Gaither Road at our Redland redevelopment;
- improvements to our management team and Board of Trustees, with the additions of Tricia Moore as Senior Vice President, Investments and Portfolio Management, and Kati Penney as a member of our Board;
- the redemption of all \$160 million of our 7.750% Series A Preferred Shares; and
- the reduction of our annual corporate overhead by \$3.7 million, \$2.0 million of which was recognized as a reduction in G&A.

Despite a challenging operating environment in the Washington, DC market throughout most of the year, we posted strong 2016 results, both financially and operationally, while executing on our major objectives summarized above. We signed 834,000 square feet of leases in 2016, and achieved year-end leased and occupancy rates of 93.8% and 92.6%, respectively. As a result of our work in 2016, and building

upon significant operational groundwork that had been established in 2015, we reported same property net operating income growth of 2.4% and increased Core FFO by approximately 4%, which is even more impressive in light of the fact that we completed approximately \$200 million of asset sales since the beginning of 2015.

Our focus on best in class property management was successful again in 2016 as First Potomac outperformed its peers in the third-party administered Kingsley tenant satisfaction survey for the second consecutive year. In addition, Atlantic Corporate Park and 1750 H Street won “The Outstanding Building of the Year (TOBY)” Award from the Building Owners and Managers Association International at the local and regional levels. Both buildings will represent First Potomac’s focus on operational excellence at the International TOBY Awards in Nashville in late-June 2017. The TOBY Awards are the most prestigious and comprehensive programs of their kind in the commercial real estate industry, recognizing quality in buildings and excellence in building management.

As we continue to work towards completion of the initiatives outlined in our Strategic Plan, we got 2017 off to a very strong start with the sales of One Fair Oaks and Plaza 500 in January and February, respectively. In addition, in March 2017, our unconsolidated joint ventures completed the sale of Rivers Park and Aviation. As a result of these dispositions we have now sold over \$310 million of non-core assets towards our stated goal of \$350 million.

Additionally, as we move forward in 2017, redevelopment activities play a significant role in our efforts to maximize shareholder value. We completed renovations at 1401 K Street earlier this year, and are now wrapping up some necessary base building work. We successfully re-leased all of the ground floor retail at the building, and believe that these new amenities—Taylor Gourmet, Honeyfish Poke and a 9,500 square foot, flagship Le Pain Quotidien—will be welcome dining options for our current tenants, an attraction to the surrounding neighborhood, and a strong contributor to future leasing results and property value.

In March 2017, Health and Human Services vacated their space at the end of their lease term, and we began the redevelopment of 540 Gaither Road at Redland. Renovations to 540 Gaither Road will include upgrades to the main lobby, restrooms and common areas, and a new tenant-only conference center, fitness center and lounge area. In addition, we will be renovating the plaza area that fronts the building and creating a “glass box” fast casual dining amenity to serve all three buildings that we own at Redland. This commitment to quality attracted Avendra, an almost 45,000 square foot, two floor tenant to the property, and is one of several examples of our focus on creating value while also de-risking the portfolio.

Finally, we continue to evaluate our options regarding the planned redevelopments of both 11 Dupont Circle and 500 First Street. Both buildings are corner locations with glass on all four sides, and 11 Dupont Circle fronts one of Washington DC’s most prestigious parks. We believe both properties provide significant opportunities to increase rents, reduce downtimes and concessions, and improve shareholder value.

We continue to believe in the recovery and long-term health of the DC region. The Washington, DC MSA continues to diversify its tenant base, including a rapid expansion in the creative and tech sectors. In addition, the market benefits from a durable and recession resilient economy, exceptional demographics and the highest population of millennials of any state. All of these factors coupled with the “Gateway” nature of Washington, DC, and a newly aligned administration, are expected to bode well for DC office operational performance—and for First Potomac—in the years to come.

Before closing, I would like to thank both Dr. Alan Merten and Mr. Richard “Rick” Chess for their dedicated service to First Potomac as they retire from our Board of Trustees upon the expiration of their terms at the 2017 Annual Meeting of Shareholders. On behalf of the employees and Board of First Potomac, we thank them for their contributions. The addition of Ms. Kati Penney to our Board of Trustees in late 2016, reflects our ongoing commitment to Board refreshment and trustee succession.

In conclusion, we have made significant progress against our Strategic Plan since its announcement in February of last year. I am extremely proud of the hard work and dedication of the nearly 125 employees who have made significant contributions to our operational and financial success, which we believe will continue to benefit shareholder performance. I believe that we are taking the appropriate steps to maximize value for our shareholders, and we will continue to work diligently in 2017 with this as our focus.

Respectfully yours,



Robert Milkovich
Chief Executive Officer